

# **Footprint of Financial Crisis in the Media**

Armenia country report

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Commissioned by Open Society Institute

December 2009

## FOOTPRINT OF FINANCIAL CRISIS IN THE MEDIA

### **General state of the media sector**

According to indices of the CIS statistical committee, during 2009 Armenia ranked second in terms of economic decline with a GDP fall of 15 per cent. Thus, the news media, dependent on advertising revenues, were also affected.

The effects of the financial crisis on the Armenian media and the changes it brought about have been analysed through a study of 30 news outlets in Yerevan and the Marzes (regions), consisting of 13 newspapers, ten TV stations, three radio stations and four news websites. However, in order to present more typical examples, we have provided statistics for two TV stations and one radio station operating in Yerevan and three regional TV stations.

TV stations have a wide audience share in Armenia. Public TV is available nearly everywhere, but it does not touch upon the social and political issues. A commercial station, Yerkir Media TV, stands out among other television stations for its apparent political leanings. The press is a more reliable source of information and covers events independently, from different sides. But the circulation of newspapers is too low and they are not available in most of the rural regions and districts of the country. The media selected for this study are well-known in Armenia; they have a wide audience and stability in the field. They play a significant role in shaping public opinion. Five of the 78 TV stations operating in Armenia have been studied. A majority refused to grant us an interview or provide us with any financial information.

### **Labour and media content: TV and radio**

Armenian public TV has been severely damaged by the financial crisis. Advertising revenue is down from last year and staff cuts have been made. The station used to have 526 employees. The figure has dropped to 456 today. In essence, Armenian public TV tried to weather the storm by cutting personnel costs. We should note that the station has been receiving almost the same amount of government funding for the past three years (the government funding makes up around 70 per cent of the total budget). The amount received in 2009 was even a little larger than in the previous years.

Due to the crisis, entertainment programming at the politically engaged Yerkir Media<sup>1</sup> was cut in 2009. In January and February 2009, some 60 employees were laid off, leaving a staff of 70. This translates into a staff cut of about 40 per cent. Despite the cuts, an attempt was made to maintain the level of programming and the remaining employees were given extra work at the same pay scale. We

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<sup>1</sup> Yerkir Media is a TV station owned by the ARF (Armenian Revolutionary Federation). The ARF, with 16 MPs out of 131 in the RoA National Assembly, is the third largest faction in the parliament. The ARF was a member of the ruling coalition till it pulled out in April 2009. See [www.yerkirmedia.am](http://www.yerkirmedia.am)

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should also note that the station's viewing audience increased by 25 per cent in the second half of 2009. The station claims this increase is based on the number of calls it received in response to its broadcasts on a number of issues. By contrast, the advertising revenue dropped by 50 per cent. The station director, Davit Hakobyan, notes: "Of course, some TV stations have tried to maintain a standard advertising rate, but rates have actually dropped by 50 per cent over the course of the year. I can say with some certainty that this is the situation in all outlets." The station has a two-tiered advertising policy: afternoon and evening rates. The rate for running an ad during afternoon programming is AMD 15,000 (\$40) per minute, while the evening rate is AMD 25,000 (\$65) per minute.

The situation of radio stations is, on the whole, the same. Advertising is down due to the crisis but there have not been any significant programming changes. Radio Van's<sup>2</sup> (also Ruskoye Radio) station director, Shushanik Arevshatyan, says that as a result of the crisis there was a slight change in the themes covered by the station. If political subject matter was the focus last year, this year the focus has shifted to social issues, in an attempt to see how the experts and others saw a way out of the crisis and its effects. Advertising revenue at the station has also fallen. By March and April of 2009, revenue had dropped by 35–40 per cent.

Arevshatyan stated: " We started to return to normal levels back in March. The crisis was a good learning example for those whose sole revenue base is advertising in the sense that, during times of economic ups and downs, other income sources must be explored, and believe me when I say that they can be found. We also started searching for new revenue sources, in addition to advertising, since a news outlet cannot survive on ad income alone; especially when ad revenue has dropped 40 per cent due to the crisis. We began to utilise our production facilities to a greater extent. As a result, we have narrowed that 40 per cent drop to about 5 per cent. "

At the radio stations managed by Arevshatyan, advertising rates have increased by 15–20 per cent. She states that there is a logic to it: if prices are going up across the board, then ad rates must also increase. There have been no job or pay cuts at these radio stations. "In this crisis situation, I could have told half of the staff 'Goodbye' to save the jobs of the other half. From a business perspective, such a business decision might be correct, but from a management perspective, it is a very incorrect decision. This year, we proved that we could survive." Radio programming and broadcasting hours have also increased rather than decreased.

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<sup>2</sup> Radio Van was founded in December, 1998: see [www.radiovan.am](http://www.radiovan.am)

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Local stations in the Region of Lori, mostly financed by advertising and running notices, are facing difficulties. Mig TV<sup>3</sup> has been affected both in terms of finances and editorially. “The financial crisis has restricted our capability in terms of airing a variety of programming offering a diversity of opinion,” says the founding director, Samvel Harutyunyan. He states that profits were up during 2006–8 due to advertising as a result of local, parliamentary and presidential election campaigns. Advertising revenue dropped a whopping 30 per cent in January 2009. It had fallen to 50 per cent by August. Despite the fact that Mig ad rates were at their lowest, the number of adverts being run dropped.

Margarita Minasyan, director of Tsayk TV in Shirak Marz, says that due to the 30 per cent drop in advertising revenue three programme series have also ceased to be produced. She says that while the duration of broadcasts has not changed, there has been a decrease in original programming such as talk shows, analytical programmes, substituting them with films and programmes produced by other producing companies and repetitions. It is cheaper for the station to purchase programmes from outside sources than to produce original content. The latter demands larger staff and greater investment in facilities, etc. Certain programmes are aired more than once. Eight employees have been fired, or 23 per cent of the total staff. The station has cut ad rates by a third.

Sosi TV enjoys the largest viewing audience in Syunik Marz, where it is based. The executive director, Artur Israyelyan, confesses that reportage from outlying villages has been cut due to the financial constraints brought on by the crisis. In the past, TV crews would frequently travel 90 km to cover the opening of a school in some far-off village. Nowadays, crews are sent out to cover only the most important of news stories. Cuts in ad revenues have also been registered. In 2008, ad revenues totalled AMD 6 million. In the first ten months of 2009, the amount barely reached AMD 2 million.

### **Labour and media content: print media**

In print media, the picture is varied. Here too, there has been a drop in advertising revenue. Of all the papers we have studied, probably the one most affected by the crisis has been the daily *Azg*.<sup>4</sup> The paper’s editor-in-chief, H. Avetikyan, laments the fact that for the first time in the paper’s 19-year history, the paper has been late in paying wages and employees can no longer rely on receiving their wages on the first and the sixteenth of every month. Prior to the crisis, salaries were increased by 10–15 per cent each year. There were no wage increases in 2009. He points out, however, that wages

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<sup>3</sup> Mig TV operates in the town of Vanadzor. On air for 19 years, it is the oldest station operating in the Lori Marz.

<sup>4</sup> *Azg* was founded on 16 February 1991, as a newspaper to be published every three days. It went daily in 1992. The paper has constantly employed 11–13 reporters and three or four analysts. Its circulation is 3,000.

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have not been cut despite the paper's tight finances, nor have any of the 36 employees been made redundant. But some of the reporters at the paper were forced to find a second job in 2009. "I had no moral right to prohibit them, and, naturally, this affected the content of the paper," says Avetikyan. He says that investigative reportage and analytical pieces have suffered as a result. The only exception, Avetikyan notes, would be the issue of Armenian-Turkish relations. The paper has continued to provide in-depth analysis on this important topic. "Given that reporters are tackling more than one story at a time, their hectic schedule has not allowed the paper to cover all the news fit to print. Our mission has suffered as a result. In general, though, we have been satisfied with presenting the opinions of our side," states Avetikyan, and points to the reasons for the serious situation in which the paper finds itself. "First, our shareholders were not in a position to make the necessary investments. Second, at the beginning of the year, several large advertisers pulled out of the paper due to the crisis." According to Avetikyan, in the past, some 70 per cent of the paper's revenues were derived from advertising and that due to the crisis this number dropped by 10 per cent, a substantial amount for *Azg*. In addition, Avetikyan says that the number of special inserts published has dropped by 30–40 per cent as well. Prior to the crisis, the paper was running inserts of 4–24 pages, for a variety of local and international institutions and government agencies publicising various programmes and projects. *Azg* has received no such orders for the past several months.

"I have done the numbers. Without ad revenues, we would have to sell 8,500 papers every day to stay in the black," says the chief editor. The paper's print run has fluctuated from 2,500 to 3,000 during the past few years. This number has periodically risen by 1,000 due to domestic political developments, most notably parliamentary and presidential elections. The chief editor notes that sales of the print edition have also suffered due to the online version of the paper, since news gets posted online before the print edition even hits the newsstands.

The *Hayastani Hanrapetutyun* is a government daily financed by taxpayers. The Chief Editor, Tigran Farmanyan, refused to answer our questions. He merely noted that 35–40 per cent of the paper's revenues derive from advertising and that sales of the paper and government financing account for one-third, respectively. In 2009, due to the financial crisis, the drop in revenue from advertising and other paid notices was 50 per cent.

*Syunyats Yerkir* is the only print newspaper in Syunik Marz. The Kapan-based paper, first published on 1 October 2003, comes out every ten days. With a circulation of 2,100, the paper covers political, social, cultural and economic developments in the region. Advertising has dropped by a staggering 90 per cent, compared with the year before. Two of the four reporters have been sacked. The paper's staff of eight have not had their wages cut, but nor have they gone up, as in previous years. The

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paper gets by on subscriptions (89 per cent of revenues) and newsstand sales (11 per cent). Advertising revenue is only enough to pay the salaries (AMD 50,000) of ad agency staffers.

### **Labour and media content: new media**

Based on a study of [www.a1plus.am](http://www.a1plus.am), [www.tert.am](http://www.tert.am) and [www.lragir.am](http://www.lragir.am), we can state that the crisis has not affected news outlets operating on the web. If advertising has dropped by some 15–30 per cent across the board for TV stations, the internet sites have seen advertising revenue go up. Mesrop Movsisyan, president of Meldex, the company which created [www.a1plus](http://www.a1plus.am), argues that many advertisers are foregoing expensive TV ads and are turning to the internet as a less expensive substitute. “It is the only benefit we have seen from the crisis. The TV stations have been hit hard. We have felt the effect of the crisis in the sense that we do not have price increases in the advertising market. If there exists such a thing, the numbers and percentages are small and the movement slow,” says Movsisyan. The website generated no ad revenue in 2008 whereas it did in 2009.

More and more people appear to be getting their news from internet sites. Vardan Asatryan, director of [www.tert.am](http://www.tert.am), explains this trend by arguing that, in times of financial crisis, people are seeking to get the latest news as quickly as possible. They want to find out what is taking place in the global context. This trend can be seen by examining the number of people visiting [www.tert.am](http://www.tert.am). In 2008, the number averaged 3,000–4,000 visits daily; it has shot up to around 11,000 today. The site had nearly 200,000 unique users in November, 2009. We must note another factor in terms of Armenian internet usage. In October, the third internet provider, the French company Orange, entered the Armenian market. The presence of Orange as a mobile phone and internet provider will hopefully lead to an improvement in internet service and more competitive rates in the country. The more people plugged into the internet should naturally lead to more readers of internet-based news outlets.

### **Media content: consumers' views**

According to those who follow the mass media in Armenia, the financial crisis has had an impact on this sector as well. We sought out a cross-section of representatives in the field to get their opinion on whether or not they saw the crisis as having an effect on the media and, if so, to what extent.

Boris Navasardyan, president of the Yerevan Press Club, believes that broadcasters, in particular have suffered as a result of the crisis, and that their financial woes have only deepened due to the

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drop in advertising. Most print news outlets get by on assistance from various sponsors;<sup>5</sup> advertising revenue plays a non-essential role.

Nuneh Sargsyan, director of Internews in Armenia, believes that since the crisis has hit Armenia hard in general terms, the media, in turn, has also been affected. “Editors and TV station directors have told me that the situation has really become difficult; not only in terms of generating revenue, through advertising and maintain ad prices, but also that it is becoming harder to even find willing sponsors. So, in some sense, the crisis has affected media private sponsorship, too.”

An economist, Andranik Tevanyan, claims that all economic sectors have suffered and that news outlets could not have been immune to the general downturn. However, he argues that “TV in Armenia lumbers on in the Brezhnev-style; regardless of the crisis, and it continues to operate in the same format.”

An MP, Stepan Safaryan, says that the political and economic crises have had an impact in equal shares.

“Due to the economic crisis [...] incomes have dropped and problems overall have increased. TV stations cannot cover that subject in any great scope given that the government’s public relations campaign is designed to convince us that the crisis sort of bypassed Armenia, that its impact was minor, and that the country weathered the storm. Consequently, broadcasters cannot expand programming that points to the exact opposite – that government predictions regarding the crisis were flawed, that the government’s anti-crisis measures have failed, and that all this has created the preconditions ripe for a social uprising.”

He also notes that newspapers, whether vociferously pro-government or pro-opposition, are much more concerned with the struggle for power and news and events associated with it.

Navasardyan thinks that up till now the functioning of news outlets has not been all that dependent on their financial situation. Of primary significance for the press is the politicisation of information. In other words, a given paper gets sold to that sector of the populace which shares your political outlook. “Thus, the growing interest they have in your paper is not necessarily due to any qualitative improvements, but rather due to coverage sensationalising political turmoil and tussle. In this context, social issues and investigative stories are placed on the back-burner in favour of articles covering

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<sup>5</sup> Some newspapers that do not have many subscribers and have low advertising revenues are sponsored by various private donors or local oligarchs and officials which, of course, has an influence on the policy of a newspaper. For example, one of the shareholders of Azg is Ara Abrahamyan, the head of the Union of Armenians in Russia. He is considered to be a person friendly to the government.

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political developments and intrigue. If newspapers play their cards right, interest in what they have to say also increases.”

The question arises of whether the mass media can continue to remain faithful to their current policies in crisis conditions. A blogger, Kamo Tovmasyan, argues that they cannot. “If things go badly then you are forced to convince people that ‘Gogo’s Kebab House’ is actually a great place to have a bite to eat.”

Safaryan argues that the crisis could also serve as an opportunity for news outlets to play their proper role, since the issues are out there and people want to read more about them. All it takes is for the media to cover them properly. Moreover, he believes that if news outlets were more astute and flexible, they could perhaps regain a portion of the independence they gave up after the elections. The business policy of the mass media, according to Navasardyan, has changed during the current crisis period and this is why entertainment programming has increased over the airwaves. “The crisis fosters show business activity over the airwaves. Aspects of show business have proliferated due to business necessities. In the past, a TV station could broadcast 20–25 minutes worth of programming of current affairs reportage, based on revenues derived from show business activities. Today, you cannot afford those 25 minutes and you cut it down to ten. The programming balance is changed in favour of ‘fluff’ and programmes in the public interest lose out.”

Sargsyan is also concerned that during financial hard times news outlets will think twice about sending reporters to the outlying regions of the county and that regional issues will be neglected. “Let’s say that you had news bureaux in six countries and that you were forced to close two and that your pool of 30 reporters was cut to 20. It can have an effect on all that. But our reporters prepare three pieces per day, whether for the papers or TV. Due to the crisis, reporters might not get paid for months on end. All this has an impact on the level of professionalism in the field. The quality of news suffers as a result.”

Many in the field, including management at [www.a1plus.am](http://www.a1plus.am) and [www.tert.am](http://www.tert.am), believe that the increase in those turning to the internet for their news can also be linked to the crisis, making the internet a more affordable and practical option. Our experts, however, tend to disagree with this notion.

Tevanyan believes that more active people have realised that they can get their news and analysis much faster over the internet, with greater diversity and impartiality, as compared with local TV and the newspapers. “In the first place, the internet is a less expensive news outlet in relative terms and secondly, the internet new sources can be said to fall outside the purview of official monitoring, for the

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most part, since government agencies are more concerned with monitoring traditional mass media outlets. This is especially the case when it comes to the airwaves which are being monitored completely from above.”

### **Conclusions**

Based on our study findings, we can state that representatives of various TV stations have pointed out that the crisis has had a serious impact on them: there have been deep cuts both in staff and programming. Others claim that the crisis has bypassed their operations. Six of the TV stations we interviewed have been badly affected by the crisis. The news outlets representatives we talked to argue that the reason is because, in the media sector, it is TV that is most dependent on advertising revenues; followed by radio, newspapers and internet sites. Given that private TV stations derive the bulk of their operating revenue from advertising, the effects of the crisis were unavoidable. The impact was most noticeable during the period from March to May, when the advertising drop was particularly sharp.

The print media, relatively speaking, finds itself in better straits, even though circulation figures are down. When compared with the airwaves, advertising revenues have not dropped as much.

Experts in the field, as well as average media consumers, state that they have not noticed fundamental changes in terms of content other than an increase in programmes and articles devoted to the economy and crisis-related issues. However, in the case of newspapers now operating in the red a certain degree of superficiality of content has been noticed.

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### ANNEX: TABLES

#### Main economic indicators

Population, total	3,238,000
Working population	1,103,900

	2006	2007	2008	2009*
GDP per head				
AMD	824,622	976,068	1,124,491	859,053
\$	1,982	2,853	3,685	2,375
GDP growth (%)	13.3	13.7	6.8	-15(est)
Unemployment	84,600	75,100	74,700	83,000 (till December 2009)
Average wage				
AMD	62,293	74,227	87,406	98,714
\$	150	217	286	272
Internet users (% of the population)	5.75**	6	21	n.a.
Mobile telephones (mobile phone subscribers) %	36.6	57.1	73.1	n.a.
Households with at least one TV set %	95	97	98	n.a.

*Sources: World Bank, OECD Statistics Portal, local statistical offices, Eurostat, International Telecommunication Union, local telecommunication and internet associations, General Characteristics of the Republic of Armenia, <http://www.armstat.am>*

#### Notes

\*Here and henceforth, year-on-year (yoy) using the latest available data.

\*\*<http://www.indexmundi.com/armenia/internet-users.html>