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# Internet Leads in Advertising Growth

By Irina Filatova

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Internet advertising is edging out traditional forms of advertising, like the street advertisement seen here, thanks to high availability and the growing number of Internet users. **Vladimir Filonov**

The amount spent on advertising in 2012 reached 297.8 billion rubles ($9.9 billion), up 13 percent from the previous year, according to figures released by the Association of Communication Agencies of Russia.

However, the growth appeared less impressive compared with a 21 percent year-on-year increase in 2011.

Spending on television commercials, traditionally the most attractive medium for advertisers, increased just 9 percent, down from 18 percent growth in 2011.

Spending on television ads totaled 143.2 billion rubles, the largest amount in any segment, the association said on its website.

A slowdown in growth rates means the dynamics of the Russian advertising industry are

gradually nearing those of developed countries, analysts and market players said.

The decline was predictable, and it's actually a good sign because it means the market is getting stable, said Vladimir Yevstafyev chairman of the association's expert commission.

Unlike in developed countries, where an increase in advertising expenditures reflects potential economic growth for the following year — since advertisers plan their budgets a year in advance — the gap between the GDP growth rates and that of the advertising industry in Russia remains wide, he said.

The Russian economy grew 3.4 percent in 2012, down from 4.3 percent a year before, the Federal Statistics Service said.

Yevstafyev's opinion was echoed by Andrei Braiovich, the managing director of advertising agency BBDO in Russia. He told Vedomosti that 13 percent growth is a very good figure for developed markets. He added that Europe is seeing more modest growth.

One reason the growth of Russia's advertising industry is more rapid than what is seen in Western economies is that advertising rates in Russia are still much lower.

For example, the price of a one-minute television advertisment during prime time in the United States might be equal to that of an entire campaign in Russia, Yevstafyev said.

Spending is also rising, since more foreign companies are entering the Russian market and investing in local promotion, he said, adding that more companies are taking advantage of online advertising.

High availability, the growing number of Internet users and the presence of good opportunities for targeting the audience are the main advantages of online advertising, said Investkafe analyst Ilya Rachenkov.

"The Internet is nudging all other media, not only print media," he said. "It's a visible trend that is felt by everyone, although it's still a rather weak [effect] on television. For that reason, the growth rates of Internet advertising are very high, although they are slowing as well."

Last year, the Internet was the best-performing sector in terms of growth rates, with the amount spent by advertisers skyrocketing 35 percent to 56.3 billion rubles. However, growth rates were lower than they were a year before, when online advertising sales surged 56 percent over the 2010 level.

The enthusiasm to advertise on the Internet is gradually calming down, Yevstafyev said.

The Association of Communication Agencies of Russia expects the growth of advertising spending to continue to slow down this year and ultimately correspond with the country's GDP growth in the future.

But the volume of advertising revenues is likely to continue rising unless a new crisis occurs, Yevstafyev said.

Rachenkov said current tension in global markets poses risks to the Russian economy. That

means big companies are likely to be cautious about their promotional spending in the future, he said.

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