

The Hollywood Reporter PRINT THISPowered by  Clickability

Russian TV channels feeling the pinch

Some local channels seeing a 50% decline in ad revenues

By Vladimir Kozlov

July 16, 2009, 10:35 AM ET

MOSCOW -- Facing a substantial decline in ad revenues, major Russian TV channels are cutting back film and TV series production, as well as purchases of foreign content and formats.

In the first half of 2009, the country's national TV channels experienced a dramatic decline in revenues from advertising. "In the second quarter of 2009, the First Channel saw a 34% decline in ad revenues, year-on-year," Konstantin Ernst, the channel's general director told The Hollywood Reporter. "And this figure doesn't take the decline in the value of the ruble into account. But we are the market leaders -- some channels saw a 50% decline in ad revenues."

Responding to declining incomes, the channels are reconsidering their strategies and programming policies, trying to save costs. Practically all of them have reduced their in-house content production and lowered prices for content from outside producers.

"We canceled several expensive shows in very early stages and suggested new parameters of production budgets, which the channel can now afford, to our partners," Ernst said. "Certainly, production budgets are smaller than in previous years."

According to Ernst, the production and acquisition of new local content for the channel has more than halved.

Meanwhile, Vyacheslav Murugov, general producer of the CTC Media group, which runs the channels CTC, Domashni and DTV, told The Hollywood Reporter that the volume of the group's in-house production of TV series and sitcoms has not declined year-on-year, staying at just over 600 hours. "But we couldn't yet speak about the fall of 2009," he said. "What declined is the costs of in-house TV series production, which is by 12% to 13% in rouble terms and even more in dollar terms."

Purchases of foreign content and formats have also fallen prey to the channels' cost saving strategies. "As for imported products, purchases declined by several times," Ernst said. "In recent years, this kind of product has been less and less effective in the Russian market because of increased theatrical and DVD distribution. The majority of the audiences see it before it is on TV."

At the moment, no one in the industry dares to predict when things could begin to improve, and the overall situation in the TV market is best described as uncertain. "No one knows how soon the economy will resume growth," said Murugov. "So, advertisers, especially

public companies, were not in a hurry to spend allocated budgets in the first half of the year, moving some to the second half. They act very conservatively and cautiously."

Links referenced within this article

Find this article at:

http://www.hollywoodreporter.com/hr/content_display/television/news/e3icf26a0dad6f10016f52775c7826c5c10

Uncheck the box to remove the list of links referenced in the article.

© 2008 Nielsen Business Media, Inc. All rights reserved.