CREATION OF INFORMATION ASYMMETRY THROUGH TELEVISION ADVERTISING IN THE REPUBLIC OF MACEDONIA[♦]

Vanco Uzunov [*]

Biljana Petrevska [**]

Abstract

The goal of our paper is to analyze the advertising industry, actually the factors which affect the development of the advertising industry and hence of media in the Republic of Macedonia. The analysis is based on both quantitative data and qualitative assessment of legal acts and strategic documents of relevant institutions. We also are going to look at the challenges and obstacles faced by the business entities in the media market in the Republic of Macedonia. Finally, we are going to analyze the basic features of the television advertising in the Republic of Macedonia – its specifics, characteristics of the product/service, as well as the characteristics and structure of Macedonian market for television advertising. Our main finding is that the Government of the Republic of Macedonia is by far the largest political advertiser on the market. Hence, we conclude that the media in the country are highly exposed to biased political pressure. By and large the government – or, better said, political parties in office – abuse their position for creation of information asymmetry through which they profoundly affect voters' expectations and attitude. It has both short- and long-term implications over the entire political stance in the country.

Key words: television advertising, media market, political pressure.

I. Introduction

The role of media in creation of public opinion, views and attitudes of the audience is without a doubt very huge. The same holds true for the provision of responsible government in any society. Therefore, one of the basic tenets of the modern era is that the media are – or have to be – obliged to provide independent, accurate and professionally formulated information, free as much as possible from influences and impacts of any particular stakeholder in the society. If only the modern world could have been so perfect and straightforward.

In the modern society, the media are businesses, that is to say very often they are companies created for the sake of making profits. In doing this, media have to balance

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[*] Vanco Uzunov, PhD, , Full Professor, Ss. Cyril and Methodius University, Faculty of Law "Iustinianus Primus", Skopje, R. Macedonia, e-mail: vancou@unet.com

[**] Biljana Petrevska, PhD, , Assistant Professor, Ss. Cyril and Methodius University, Faculty of Law "Iustinianus Primus", Skopje, R. Macedonia, e-mail: petrevskabiljana@yahoo.com

revenues and expenditures, with the prospects of making revenues as much as possible higher than expenditures. They have several types of sources of revenues but, by and large, most important are the consumers of media services, or the audience. Consumers basically have a two-fold impact on media revenues: they either pay for the service they consume or, which is much more domineering and imperative, they are an attraction for various other businesses which strive to inform their potential consumers about their products or services through advertising. Large audience, by default and under ceteris paribus, means higher attractiveness for advertisers since they gain greater efficiency as advertising increases the demand for products and/or services (Bagwell, 2005:140). Then again, advertising is the "service" for which media charge the advertisers. In such setting, media which succeed to attract higher share of audience are the ones which make higher profits. In doing so, the media actually compete in a market which is segmented along the lines of different types of media: TV, radio, press, Internet portals, etc. By the same token and notwithstanding the very swiftly increasing prominence of Internet portals, television remains the most important and most influential type of media. Hence, the market for television advertising is an open field in which broadcasters of television programs compete to attract viewers (higher share of the total TV audience). And both in theory and in practice the market for television advertising is a market of two sides (Doyle, 2009:12), whereas the essence of television is "*to produce audience"* (Alexander et al, 2004:155).

On the other hand, besides for players in the business sector of a country, as "producers of audience" media, especially television broadcasters, are very attractive for political thespians. The reasons are consonant: politicians also need the attention of public since they as well strive first to inform as many people as possible about their "services", and also to (try to) alter their attitude. They do this either through participating in television debates, interviews, etc., through advertising or, if it is possible, through prizing television broadcasters to produce biased information about opposing political actors. At the same time, it is also very important to point out that politicians in office, above all in immature or fragile democracies, have at hand various "instruments" for exercising power over other stakeholders in the society. Media certainly are among the first victims of such attitude and behavior. And apart from being in direct collision with the aforementioned basic tenet of media in modern societies – that they are obliged to provide independent, accurate and unbiased information – it also points out the complexity of modern societies in the context of the position and the role of media.

Having this in mind, the main aim of our paper is to review and study the situation of the market for television advertising in the Republic of Macedonia. Our major goal is to identify the underlying trends, constraints and barriers for the development of television broadcasters in the country, explore different ways to overcome them, and propose mechanisms for future development. The market for television advertising in the Republic of Macedonia is specific, particularly since the country is small and underdeveloped, while it is also a young and fragile democracy, with features and limitations arising from its diversity and past. Moreover, the rules of the modern market game in the country are not fully functioning. Finally, there is also huge number of television broadcasters for which that overall market potential is very small.

The paper is organized as follows: after this introduction, the next section explores the legal aspects and the strategic documents in the field of broadcasting in the EU and in the Republic of Macedonia; the third section tackles the limiting factors which affect the development of advertising and of media in the Republic of Macedonia; the fourth section tackles the characteristics and the structure of Macedonian market for television advertising; and the final section concludes.

II. Legal framework and strategic documents in the field of broadcasting in EU and in the Republic of Macedonia

a. The most important EU document for regulation of television advertising is Directive 2007/65/EC of the European Parliament and of the Council amending Council Directive 89/552/EC on the coordination of provisions laid down by law, regulation or administrative action in Member States concerning the pursuit of television broadcasting activities (OJ L 332 of 18.12.2007). The *Directive on Audiovisual Media Services* was adopted by the European Parliament in November and came into force in December 2007. The Council of Europe adopted a codified version of the Directive in February 2010, while its text was consolidated and the legal framework for audiovisual services was modernized.

For the purposes of this Directive, audiovisual media services are as much cultural as they are economic services. Their growing importance for the society, democracy (in particular through ensuring freedom of information, diversity of opinion and media pluralism), education and culture justifies the application of specific rules to these services (Directive 2007/65/EC : Article 3). The definition of audiovisual media service covers mass media in their function to inform, entertain and educate the general public. This includes audiovisual commercial communication, but excludes any form of private correspondence, such as e-mails sent to limited number of recipients (Directive 2007/65/EC : Article 18). The term audiovisual, refers to moving images with or without sound, thus including silent films and not covering audio transmission or radio services (Directive 2007/65/EC : Article 22).

Audiovisual commercial communication means images with or without sound, designed to promote, directly or indirectly, the goods, services or image of a natural or legal entity pursuing an economic activity. Such images accompany or are included in a program in return for payment or for similar consideration or for self-promotional purposes. The forms of audiovisual commercial communication include, inter alia, television advertising, sponsorship, teleshopping and product placement (Directive 2007/65/EC : Article 1). According to the Directive, the proportion of television advertising and teleshopping spots within a given hour should not exceed 20 percent (Directive 2007/65/EC : Article 18.) The Directive also simplifies and relaxes the rules on the insertion of advertising, while encouraging self- and co-regulation.

In February 2014, the European Commission adopted a formal Decision establishing a group of national regulators in the broadcasting area - The European Regulators Group for Audiovisual Media Services. The main objectives for the Group are to (EPRA, 2014):

- advise and assist the Commission in its work to ensure a consistent implementation of the AVMSD (Directive on Audiovisual Media Services), as well as in other matters related to audiovisual media services within the Commission's competence;
- facilitate cooperation between the regulatory bodies in the European Union, as provided for in the Directive regulating audiovisual media services; and
- provide exchange of experience and good practices.

b. The legal framework of the market for television advertising in the Republic of Macedonia is set-up with the Law on Audio and Audiovisual Media Services, which became operational in the beginning of 2014. By the Law, audio or audio-visual communications are defined along the lines defined by the explicated EU Directive. Yet, there are plenty of opposing opinions on this Law in the country, especially targeted to its implementation in practice. Most important derogatory opinion is that the Law *should contain provisions which will shrink – if not eliminate – the possibility of influence of any political party over the media and hence help to maintain depoliticized environment.* Other disapproving opinions assert that: (i) the Agency for Audio and Audiovisual Media Services (which is the legal successor of the Broadcasting Council of the Republic of Macedonia), should be comprised in majority by members of independent associations; (ii) its decisions should be made by qualified majority; (iii) there should be no control over printed and electronic media; (iv) program oversight of media should be deleted; (v) the penalties should be reduced to avoid the danger that self-regulation turns into self-censorship; and (vi) media should be protected from massive campaigns of the government. Yet, due to the short time since it was enacted, it remains to be seen in which way the implementation of the Law on Audio and Audiovisual Media Services in the Republic of Macedonia will look alike in practice.

While the Law on Audio and Audiovisual Media Services prescribes that a national system for ratings and audience measurement of the broadcast media shall be set-up, media owners and managers expressed fears that it will be rigged in favor of pro-government media, so that government could justify its media buying decisions. The first steps towards the set up of such system are made with the creation of an association of national television broadcasters — the Macedonian Media Association, under the auspices of the Macedonian Chamber of Commerce, and it was advertised as the starting step towards the creation of a joint committee which will regulate the relations on the advertising market.

III. Factors which hinder the development of the market for advertising and of media in the Republic of Macedonia

Several characteristic issues for the Republic of Macedonia pose serious obstacles and have huge impact upon the market for advertising. Thus they hinder the swifter development of the media and of modern journalism in the country. Explicitly and in brief they are the following:

1. The relatively *low level of development* of Macedonian economy, i.e. the low level of GDP per capita. In 2012 Macedonian GDP per capita was EUR 3,630; in 2013 it rose to EUR 3,616; and in 2014 it was EUR 3,930 (State Statistical Office of the Republic of Macedonia, 2013:24, 2014:24 and 2015:24). Macedonian GDP per capita is around 35 percent of the EU average (EC, the Former Yugoslav Republic of Macedonia Report 2015:25). In terms of advertising and media development this poses the hindrance of the low purchasing power, actually the rather limited overall amount of funds available for financing swifter pace of improvement.
2. The *small size of Macedonian market*. The market of the Republic of Macedonia is rather small, with total of two million citizens (State Statistical Office of the Republic of Macedonia, 2015:9). Considered together with the previous feature it appears that, articulated in the jargon of economists, the market is both small and shallow.
3. The *linguistic diversity*, i.e. the very different languages of the diverse ethnic groups which reside in the Republic of Macedonia. People of each ethnic affiliation prefer TV programs and contents of other media broadcasted in their native language. This

impairs even more the setback of the overall small market making it all the more shallow.

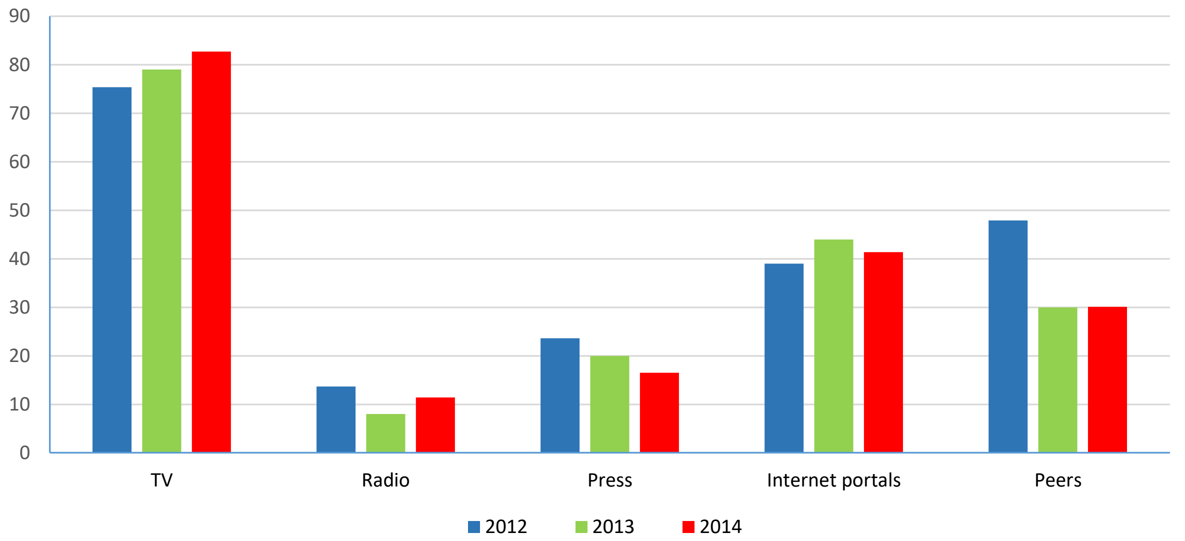
4. The *rise of foreign media markets without language barriers*. This creates availability – but at the same time also greater market competition – of numerous TV channels which broadcast in Macedonia from neighboring and other countries via recently established cable operators. Hence the small and shallow market is also shared by many players.
5. The *lack of organizational (management) and administrative skills of high quality*. This is not typical solely for the media in Macedonia, however it is also not less so for them. The lack of organizational and administrative skills, poses significant burden for higher efficiency and sustainability of media, as successful running of complex organizations in a challenging environment requests excellence in every respect.
6. Last, but certainly not least, the *enduring – and even more the escalating – readiness and willingness of politicians to use their position for abusing of media*. This surely is not the case only for the Republic of Macedonia, nonetheless that does not make this factor less significant. In this context, in 2013 the Republic of Macedonia had a Media Sustainability Index of 1.54, in 2014 it was 1.40 and in 2015 1.72. Or, as it as it was highlighted in a recent report: "the country minimally meets the objectives, with segments of the legal system and government opposed to a free media system. Evident progress in free-press advocacy, increased professionalism, and new media businesses may be too recent to judge sustainability" (Europe & Eurasia Media Sustainability Index, Macedonia Media Sustainability Index, 2014:70 and 2015:72).

IV. Structure and characteristics and of Macedonian market for television advertising

a. *Structure of the overall media market in Macedonia*. The competition among media on the market is two-fold. They compete in a market which is segmented along the lines of different types of media: TV, radio, press, Internet portals, and next among the broadcasters within each type of media. Having said that, on the overall media market in Macedonia television is the leader. Namely, survey data on sources (suppliers) of information for Macedonian citizens reveal that for over 80 percent of Macedonian citizens television is *the most important* source of information, followed by Internet portals and information obtained from peers, while printed press and radio are far less important informants (Chart 1.). In this context, as a type of media television broadcasters in Macedonia are most attractive for advertisers, but as well for the political players. Stated differently, for politicians which are eager to exert power and control over citizens' political opinions and attitudes, domination over Macedonian television broadcasters is inevitable.

b. *Number of players on the television market in Macedonia*. A really huge number of television broadcasters compete on the media market in the Republic of Macedonia. In 2012 the number of television broadcasters which transmitted in Macedonian ether was 68, and in 2013 and 2014 their number was 65 (Broadcasting Council of the Republic of Macedonia, 2013:5; Agency for Audio and Audiovisual Media Services of the Republic of Macedonia, 2014:11 and 2015:9). The huge number of broadcasters certainly creates diversity and richness of choice for television spectators. At the same time, though, it poses a serious barrier for swifter development of the broadcasting industry. Since, given the fact that it is a small market, this makes the relatively small overall advertising chunk widely dispersed to too many too small chunks. On one hand, small budgets negatively affect the quality of Macedonian TV broadcasters' program contents. On the other hand, since funds from sale of advertising time are major source of income for many – if not all – broadcasters, this also makes individual broadcasters financially fragile, and hence, contingent on byers of advertising time. Players which are huge and dominant byers of television advertising time can actually – although informally – exert control over television broadcasters.

Chart 1. ***Share of the audience obtaining daily information from...*** (in%)



Source: Agency for audio and audiovisual media services, (2015), Analysis of the Broadcasting Market in 2014, Republic of Macedonia, page 12.

c. *Composition and characteristics of Macedonian television market*. Although typified by vast number of players, the distribution of influence among the television broadcasters in Macedonian television market is far from equitable. Due to the influence of several specific drives – such as the distribution of licenses for coverage (national, regional or local), of public funds, etc. – over the course of two decades Macedonian television market has shaped the following peculiar composition and characteristics:

- In terms of absolute amount of total income the national (public) broadcasting service MTV earns income almost equal to the five private broadcasters with national coverage (Sitel, Kanal 5, Telma, Alsat M and Alfa), but has much higher number of employees. In terms of income per employee ratio MTV is comparable to Telma, Alsat M and Alfa, but Sitel and Kanal 5 are much better off. TV Sitel is the unsurpassed superior broadcaster in this respect.

Table 1. **Characteristics of television industry in Macedonia**

	Years	Share in total number of TV watchers	Total income (mill EUR)	Income from advertising (mill EUR)	Income from advertising as % of total income	Total costs (mill EUR)	Total gains (mill EUR)	Number of employees
MTV*	2012	8,4	17,38	0,88	5,08	15,02	2,36	597
	2013	9,0	20,90	0,43	2,05	19,89	1,01	576
	2014		21,57	0,80	3,71	20,78	0,79	852
TV Sitel	2012	29,0	9,55	9,54	99,91	7,31	2,24	130
	2013	28,6	9,51	9,05	95,15	7,70	1,81	135
TV Kanal 5	2012	16,7	5,88	4,50	76,58	5,41	0,47	97
	2013	12,8	4,39	4,34	98,84	3,74	0,64	92
TV Telma	2012	3,2	1,84	1,25	68,13	1,83	0,01	80
	2013	3,0	1,68	1,21	71,87	1,67	0,01	81
TV Alsat M	2012	5,9	2,41	2,36	97,62	2,39	0,03	95
	2013	5,3	2,55	2,47	96,73	2,48	0,07	90
TV Alfa	2012	-						
	2013	3,2	2,87	2,86	99,72	2,38	0,48	127
Total for 5 TVs named above (excl. MTV) in 2014			20,07	18,71	93,21	19,33	0,74	517
Satelite TVs	2012		3,01	2,95	97,95	3,62	-0,61	241
	2013		1,44	1,37	95,42	1,71	-0,27	124
	2014		1,40	1,34	95,97	1,69	-0,30	127
Regional TVs	2012	14,3	0,94	0,52	55,40	1,42	-0,49	49
	2013		3,17	2,81	88,61	2,79	0,37	168
	2014		4,94	4,62	93,35	3,68	1,26	215
Local TVs	2012		2,37	2,04	85,99	2,06	0,31	212
	2013		1,22	1,09	89,19	1,07	0,15	109
	2014		1,10	1,00	90,71	1,03	0,07	108
TOTAL	2012	77,5	43,37	24,03	55,41	39,05	4,32	1501,00
	2013	61,9	47,71	25,61	53,67	43,43	4,27	1502,00
	2014		49,08	26,46	53,92	46,52	2,56	1819,00

* Comprising MTV 1, MTV 2 and the Parliamentary Channel

Source: Broadcasting Council of the Republic of Macedonia (2013): Analysis of the Broadcasting Market in 2012, page 11; Agency for audio and audiovisual media services (2014): Analysis of the Broadcasting Market in 2013, page 9; and Agency for audio and audiovisual media services (2015): Analysis of the Broadcasting Market in 2014, page 6.

- From the point of view of share in total income, MTV is utterly divergent from all other private broadcasters, including TVs with national coverage, satellite, regional and local. MTV earned 40, 43.8 and 43.9 percent of the total income of the television industry in Macedonia in 2012, 2013 and 2014 respectively. In 2014, entire 87.79 percent of the total income of the television industry were revenues of MTV and the five commercial television broadcasters with national coverage. Satellite broadcasters earned 3.02 percent, regional broadcasters earned 6.64 percent, while local broadcasters earned 2.55 percent of the total revenues of the television industry.

- TV Sitel is the broadcaster with highest share of TV spectators, followed by Kanal 5, than by MTV. Yet in 2013, only MTV had higher share of the total number of spectators than in 2012. Unfortunately, no such data for 2014 and 2015 is available[1]. It is our best estimate that those relations have since not changed considerably.
- In 2012, all TV broadcasters together earned 24 million EUR from sale of advertising time, while in 2013 and 2014 the amounts were 25.6 and 26.5 million EUR respectively. Hence, the total amount of funds in the television advertising market exhibits constant albeit slow growth.
- Of the total funds from advertising in 2012, MTV had 3.7 percent, the five private TV broadcasters with national coverage 73.4 percent, satellite TVs 12.3 percent, regional TVs 2 percent and local TVs had 8.5 percent. Yet, of the total funds from advertising in 2014, MTV had 3 percent, the five private TV broadcasters with national coverage 71 percent, satellite TVs 5 percent, regional TVs 17.4 percent and local TVs 3.8 percent. Those structural changes confirm the growing importance of regional TV broadcasters as opposed to satellite and local TV broadcasters. Due to the lack of data on spectators for 2014, we are not able to assess whether the structural changes of the share of funds from advertising and of the share of total spectators are correlated.
- The total expenditures of Macedonian television industry in 2012 were 39 million EUR, of which MTV had 38.5 percent, the five private TV broadcasters with national coverage 43.3 percent, satellite TVs 9.2 percent, regional TVs 3.6 percent and local TVs had 5.3 percent. On the other hand, of the total expenditures in 2014 MTV had 44.7 percent, the five private TV broadcasters with national coverage 41.5 percent, satellite TVs 3.6 percent, regional TVs almost 8 percent and local TVs 2.2 percent.
- In terms of financial results from operations by far most profitable broadcaster is TV Sitel, followed by Kanal 5, while the other private broadcasters have moderate to low profitability. Satellite TV broadcasters have even negative profitability.
- Finally, in terms of number of employees, while all private broadcasters have policies of hiring supposedly optimal number of employees, the national broadcaster has quite an

[1] Because the Agency for Audio and Audiovisual Media Services no longer accepts the data from Nielsen Audience Measurement. Some media outlets express mistrust and dispute Nielsen's ratings, which are not really used, for example, in the government's decisions on media buying for its advertising campaigns.

opposed policy. Namely, the number of its employees has risen by almost 43 percent from 2012 to 2014, much more than its revenues. In 2014, MTV had 40 percent more employees than the five private TV broadcasters with national coverage together, and almost 47 percent of all employees in all TV broadcasters in the country.

From this analysis we can conclude that the characteristics and composition of Macedonian television market are pertinent for easy exertion of power and control over broadcasters. A market player which can dominate or control the national broadcaster (MTV) and, if not all the two biggest private broadcasters with national coverage, has huge potential for impact upon the opinions and attitudes of enormous part of the citizens in the country. This analysis is not apt to answer the question whether such market composition was deliberately engineered by the market regulator (which is dominated by the politicians in office), yet that does not makes the last conclusion less convincing. Having in mind the emphasized willingness of Macedonian politicians to use their position for abusing media – a proof of which, among other indications, is the speediness with which the current government employed new staff in the national (public) television broadcaster – hints that it is most likely that it was actually contrived.

d. *Advertisers on commercial television broadcasters in Macedonia.* Data on the advertisers on commercial television broadcasters in the Republic of Macedonia is provided by the agency "Nielsen Audience Measurement" from Skopje. For the construction of the rankings, “Nielsen” uses official prices for advertising listed on official pricelists of television broadcasters multiplied by duration of advertisements for each advertiser throughout each year. Table 2 presents the data on the 15 major advertisers on commercial television broadcasters in Macedonia in 2012 and 2013, while their complete register is in the Annex. However, in 2015, the Agency for Audio and Audiovisual Media Services ceased utilizing data obtained by "Nielsen Audience Measurement", hence no official data for 2014 is available. Likewise, no official institution in Macedonia discloses information on each advertiser’s number of advertisements on each television broadcaster, which would allow deeper insight into the issues analyzed here.

Table 2. **Biggest fifteen advertisers on commercial television broadcasters in Macedonia**

	Advertisers	Share in total in 2012 (in %)	Share in total in 2012 (in %)
1	Government of RM	4,02	4,99
2	Procter & Gamble	3,73	5,4
3	One	3,16	3,79
4	Coca-Cola	2,95	4,89
5	Alternativa Medika	2,44	-
6	Pivara Skopje	2,4	2,52
7	Magroni	2,35	2,53
8	VIP	2,28	1,69
10	T-Mobile	2,02	2,06
11	S.C.Johnson & Wax	1,8	1,27
12	VMRO DPMNE	1,75	2,84
13	Tinex	1,71	0,89
14	Montenegro	1,52	1,65
15	BS	1,51	-

Source: Broadcasting Council of the Republic of Macedonia, (2013), Analysis of the Broadcasting Market in 2012, page 29; Agency for audio and audiovisual media services, (2014), Analysis of the Broadcasting Market in 2013, page 33.

Data presented on Table 2 allow robust conclusions. Dominant advertiser on the market for advertising in Macedonia, ranked 1st in 2012 and 2nd in 2013, is the Government of the Republic of Macedonia. In 2013 the Government payed a total of 17,639 advertisements with value of almost 5 percent of the total funds spent on advertising. And if we add the amount which the political party VMRO DPMNE – at the same time it being the political party in office – spent on advertising (that is 1.75 and 2.84 percent of the total in 2013 and 2014 respectively), as well as the amount (0.62 percent of the total in 2012) which the Ministry of Finance (separately from the Government) also spent on advertising, it becomes obvious that the advertising market in Macedonia is dominated by incumbent political actors. Major television broadcasters in Macedonia endure biased pressure by the most influential political actor in the country.

By doing this, the Government of the Republic of Macedonia abuses its position for creation of political information asymmetry. This asymmetry arises from the straightforward comparison of two points: (i) extent of advertising time on Macedonian TV broadcasters arrayed by ruling and opposition political actors; and (ii) amount of money spent on advertising – thus creating additional revenues for TV broadcasters – provided by the ruling as opposed to the opposition political actors which, in the ranking of advertisers on commercial television broadcasters in Macedonia, are not ranked even within those which have a share of at least 0.38 percent in total funds spent on advertising (70 biggest advertisers). Within the political context and framework of the country this forms a typical principal/agent problem[2]. Under current circumstances, instead of receiving unbiased and accurate information, citizens (the voters, or "the principal") obtain vast amount of information about public issues fashioned according to the needs of the government officials ("the agent"). And the issue is not only about information supplied through advertisements, but also information supplied through journalists' tales and narratives who earn salaries from funds secured (at least in part) from political actors with executive power. This has profound impact upon shaping voters' expectations and attitudes. This has both short- and long-term implications over the entire political stance in the country in favor to the incumbent political parties. Moreover, the selective and non-transparent allocation of funds for government campaigns encourages unfair competition and violates proper regulation of the television market.

In addition, one of the several sets of amendments to the Law on Audio and Audiovisual Services, prescribe that the government will subsidize – with up to 50 percent of total production costs – the domestic production of documentaries produced in the languages of the ethnic groups in Macedonia. The Law prescribes a procedure including a committee composed mostly of government ministries' representatives to decide on the distribution and allocation of the subsidies. This is a possible opportunity and additional instrument for channeling public funds towards pro-government media.

V. Conclusions

Our analysis of the situation in the market for advertising and the media industry in the Republic of Macedonia allows the following conclusions:

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[2] Information asymmetry is a well-known economic concept which arises when two "opposing sides" – byers and sellers – meet on the market but, instead of balanced (equal) information, which is a basic requirement for achieving efficient outcome, one of the players has considerably less information, actually has information as much accurate and relevant as the opposing player is willing to disclose. This generates unequal standing, a constellation among a superior and an inferior contestant, which by default leads to inefficient (one-side biased) outcome. Likewise, the so-called principal/agent problem is also a well-known economic concept which arises from information asymmetry. It is the situation when two "opposing sides" – at a guess owners and managers – have opposing interests while their realization is indorsed by the principal to the agent, but the principal has information about all relevant issues as much accurate and relevant as the agent is willing to disclose. Such situations are by no means rare. The key question is how can the principal make certain that the agent works in his best interest? The simple solution is to make information symmetrical, actually to devise mechanisms by which the agent will have to disclose all accurate and relevant information. Economists have devised myriad of remedies for such situations. As highly relevant in the political context, the paradigms of information asymmetry and principal/agent problem are used here in the political context in the Republic of Macedonia.

1. The market for television advertising in the Republic of Macedonia is specific, particularly since the country is small and underdeveloped, while it is also a young and fragile democracy with features and limitations arising from its diversity and past. Moreover, the rules of the modern market game in the country are not fully functioning. There is also huge number of television broadcasters for which that overall market potential is very small.
2. The legal framework for television advertising market in the Republic of Macedonia is set-up by the Law on Audio and Audiovisual Media Services which is operational since the beginning of 2014. Although it was an important step for harmonization with the EU Directive 2007/65/EC of the European Parliament, there are numerous critical opinions on the Law, targeted especially at the possibilities for influence upon the media market by political parties. It is up to the future to see how the implementation of this Law look will like in practice.
3. Limiting factors which affect the development of the market for advertising and of media in the Republic of Macedonia are: (i) the relatively low level of development of Macedonian economy, i.e. the low level of GDP per capita; (ii) the small size of Macedonian market; (iii) the linguistic diversity, i.e. the very different languages of the diverse ethnic groups which live in the Republic of Macedonia; (iv) the rise of foreign media markets without language barriers, which creates availability but at the same time also greater market competition; (v) the lack of organizational (management) and administrative skills of high quality; and (vi) last but not least the enduring and even escalating readiness and willingness of politicians to use their position for abusing of media.
4. Private media in the Republic of Macedonia rely heavily on revenues from advertising. On average income from sale of advertising time accounts for over 90 percent of media's total revenues, while the rest is supplied from sponsorships. On the other hand, advertisers in Macedonia prefer traditional over new media. Of the total funds allocated to advertising with an estimated amount of around $35 million, over four-fifths go to television broadcasters, and three to four percent – the official estimate is less than one percent – go to online and mobile advertising.
5. The Government of the Republic of Macedonia is fervent to abuse its position for market interference through promotion and spending substantial public funds on advertising. Political influence over the distribution of the national advertising market has been the bane of the media sector.

6. The stability in the financing of the public broadcaster, seen as a crucial requirement for its financial independence, remains an unresolved issue. The direct contributions from the state budget have been increasing as a share of its total annual budget, in spite of the relatively stable and high collection rate of the monthly broadcasting fee (set at about $3.25 per household). This significantly undermines its independence and pushes towards editorial policies favorable to the government.
7. Media buying and spending on advertising is also under huge political interference. The government was the largest and the second largest advertiser in the country in 2012 and 2013, respectively. In addition, the government decides how public enterprises, state institutions and, according to arguably unconfirmed rumors, even private business entities spend their advertising and marketing budgets.
8. The Government of the Republic of Macedonia creates political information asymmetry. This arises from a straightforward comparison of two points: (i) extent of advertising time on Macedonian TV broadcasters arrayed by ruling and opposition political actors; and (ii) amount of money spent on advertising – thus creating additional revenues for TV broadcasters – provided by the ruling and the opposition political actors which, in the ranking of advertisers on commercial television broadcasters in Macedonia, are not even ranked among the 70 biggest advertisers. Within the political context and framework of the country this is a typical principal/agent problem. Therefore, instead of receiving unbiased and accurate information, citizens (the voters, or "the principal") obtain vast amount of information about public issues fashioned according to the needs of the government officials ("the agent"). And the issue is not only about information supplied through advertisements, but also information supplied through journalists' reports who earn salaries from funds secured (at least in part) from political actors with executive power. This has profound impact upon shaping voters' expectations and attitudes. And it has both short- and long-term implications over the entire political stance in the country in favor to the incumbent political parties.

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Annex

No.	Advertisers	Share in 2012 (%)	Share in 2013 (%)	No.	Advertisers	Share in 2012 (%)	Share in 2013 (%)
1	Government of the Republic of Macedonia	4.03	4.99	35	Euroimpeks	0.74	0.45
2	Procter & Gamble	3.73	5.40	36	Nestle	0.72	1.82
3	One	3.16	3,79	37	TCC Plaza	0.71	-
4	Coca-Cola	2.95	4.89	38	EVN	0.70	-
5	Alternativa Medika	2.44	-	39	Prilepska Pivara	0.69	1.36
6	Pivara Skopje	2,40	2.52	40	Studio Moderna	0.68	0.44
7	Magroni	2.35	2.53	41	Kia Motors	0.64	-
8	VIP	2.28	1.69	42	Makpetrol	0.63	0.70
9	T-Mobile	2.02	2.06	43	Ministry of Finance	0.62	-
10	S.C.Johnson&Wax	1.80	1.27	44	Sileks	0.62	-
11	VMRO-DPMNE	1.75	2,84	45	Office plus	0.61	-
12	Tineks	1.71	0.89	46	Nikob	0.59	-

13	Montenegro	1.52	1.65	47	Stopanska banka	0.57	0.83
14	BS	1.51	-	48	General Motors	0.57	-
15	Mlekara Maestro	1.49	0.49	49	Total TV	0.57	-
16	Herbal +	1.38	1.87	50	Vitaminka	0.56	0.89
17	Henkel	1.36	-	51	Loreal	-	1.28
18	La danza	1.32	-	52	Rio	-	1.17
19	Fikosota	1.31	2.22	53	Saponija Osijek	-	0.92
20	Beohemija	1.28	-	54	Play	-	0.81
21	Alkaloid	1.23	1.40	55	JSC Osiguritelna Polisa	-	0.73
22	Baersdorf	1.22	1.27	56	Podravka	-	0.61
23	Automotiv Grup	1.21	-	57	Medobil	-	0.59
24	Chipita	1.05	1.37	58	Mik Sveti Nikole	-	0.53
25	Dalia	1.02	-	59	Colgate & Palmolive	-	0.50
26	Unilever	0.96	1.57	60	Tutunska Banka	-	0.47
27	Makedonski Telekom	0.95	-	61	Soko Stark	-	0.47
28	Neptun shop (Euro media)	0.94	0.48	62	International Health	-	0.47
29	Droga Kolinska	0.93	-	63	Krka	-	0.47
30	Kozuvcanka	0.93	-	64	Ferero	-	0.45
31	Zdravje Radovo	0.82	0.37	65	Dijamant	-	0.45
32	Vivaks	0.78	1.07	66	Ducat	-	0.45
33	Paskalin	0.75	0.45	67	AMC	-	0.40
34	Wrigley	0.75	0.93	68	Zito Luks	-	0.38