

УНИВЕРЗИТЕТ „СВ. КИРИЛ И МЕТОДИЈ“
ПРАВЕН ФАКУЛТЕТ „ЈУСТИНИЈАН ПРВИ“ – СКОПЈЕ

ГОДИШНИК

НА ПРАВНИОТ ФАКУЛТЕТ
„ЈУСТИНИЈАН ПРВИ“ ВО СКОПЈЕ

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DE LA FACULTÉ DE DROIT
“JUSTINIANUS PRIMUS” DE SKOPJE



ПО ПОВОД 40 ГОДИНИ ОД ОСНОВАЊЕТО
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УНИВЕРЗИТЕТ „СВ.КИРИЛ И МЕТОДИЈ“
L'UNIVERSITE "ST CYRILLE ET METHODE" – SKOPJE

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“TELEVISION ADVERTISING MARKET IN THE REPUBLIC OF MACEDONIA”

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ABSTRACT

The objective of this paper is to analyze the situation in the advertising industry, in order to conclude which are the limiting factors affecting the development of the advertising industry and therefore the media industry in the Republic of Macedonia. The analysis is based on both quantitative data and qualitative assessment of legal acts and strategic documents and publications of relevant institutions in the field. It explores the challenges and problems faced by the entities in the market which pose serious obstacles of modern journalism in the Republic of Macedonia. The paper is going to analyze the basic features of television advertising in the Republic of Macedonia, its specifics that make advertising industry different from other industries, the characteristics of the product or service that is the subject of trade in this market, the characteristics and structure of the Macedonian television advertising market, and audience measuring data that will be represented.

The main finding of the analysis is that until recently the Government of the Republic of Macedonia was the largest advertiser in the market, and the media in the country were highly exposed to biased political pressure. The decrease in advertising revenues on television in the Republic of Macedonia in 2015 and 2016, is largely due to the Government's decision to stop advertising from July 2015, then the merger of 3 major and very important advertisers - ONE, Vip and Blizoo, which led to a reduction of advertising budget of the new entity, as well as the fact that because of a continuous political crisis advertisers have reduced their advertising budgets.

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KEY WORDS: media, market, television industry, advertising, media market.

ПАЗАРОТ НА ТЕЛЕВИЗИСКОТО РЕКЛАМИРАЊЕ ВО РЕПУБЛИКА МАКЕДОНИЈА

РЕЗИМЕ

Целта на овој труд е да ја анализира ситуацијата во рекламната индустрија со цел да заклучи кои се ограничувачките фактори што влијаат на развојот на рекламната индустрија, а оттука и на медиумската индустрија во Република Македонија. Анализата се заснова на квантитативни податоци и квалитативна процена на правни акти и стратегиски документи и публикации на релевантните институции во оваа област. Таа ги прикажува предизвиците и пречките со кои се соочуваат деловните субјекти во медиумскиот пазар во развојот на модерното новинарство во Република Македонија. Овој труд, исто така, ќе ги анализира основните карактеристики на телевизиското рекламирање во Република Македонија, неговите специфики кои влијаат на рекламната индустрија да се разликува од останатите индустрии, карактеристиките на производот или услугата којашто е предмет на размена на овој пазар, карактеристиките и структурата на македонскиот пазар на телевизиско рекламирање, како и мерење на податоците на гледаност кои ќе бидат застапени.

Нашиот главен заклучок од анализата е дека Владата на Република Македонија до неодамна беше најголемиот огласувач на пазарот, со што медиумите во земјата беа високо изложени на пристрасен политички притисок. Намалувањето на приходите од рекламирање на телевизиите во Република Македонија во 2015 и 2016 година, во најголема мера, се должи на одлуката на Владата од јули 2015 година да престане да се рекламира, потоа на спојувањето на три големи и многу значајни огласувачи – „Оне“, „Вип“ и „Близу“, што доведе до намалување на буџетот за рекламирање на новиот субјект, како и на тоа што поради континуираната политичка криза огласувачите ги намалиле своите буџети за рекламирање.

КЛУЧНИ ЗБОРОВИ: медиум, пазар, телевизиско рекламирање, медиумски пазар.

1. INTRODUCTION

The role of the media is undoubtedly huge in creating the public opinion, the views of the audience, and in the provision of responsible government in any society. The media must provide independent, accurate and above all professional information, which will be abstracted from the effects of certain interest groups in the society.

Given the fact that *the television advertising market in any country is actually the most important source for providing funds in the media industry*, we came up with the idea to analyze its meaning in this paper. Therefore, *the aim of this paper* is to consider the situation of the television advertising market in the Republic of Macedonia, to identify the underlying trends, the constraints and barriers to the development of the media industry, to find different ways to overcome them, and also to find mechanisms for future development.

We could say that *the television advertising market in the Republic of Macedonia is very specific*, especially because our country is small and underdeveloped economy in which there are problems from the past, and also we have a market where the market rules are not fully functioning, while there are a large number of television stations for which that market potential is very small.

The television advertising market is actually such a *market in which television stations are competing to attract viewers*, from one hand the citizens in the Republic of Macedonia as their consumers, and on the other hand this television advertising market can also be successful in attracting advertisers. These advertisers are having the highest efficiency ratings of the television in the Republic of Macedonia, because their advertising increases the demand for products and services. (Bagwell, 2005:140). Therefore, in the theory the television advertising market is called "*market of two sides*" (Doyle, 2009:12). At the same time, the essence of television is to "*produce audience*" (Alexander et al, 2004:155).

2. THE ANALYSIS OF SEVERAL LEGAL ACTS AND STRATEGIC DOCUMENTS IN THE FIELD OF BROADCASTING IN THE EUROPEAN UNION AND IN THE REPUBLIC OF MACEDONIA

The most important document within the European Union that regulates the television advertising is the *Directive 2010/13/EU of the European Parliament and of the Council of 10 March 2010* on the coordination of certain provisions laid down

by law, regulation or administrative action in Member States concerning the provision of audiovisual media services (Audiovisual Media Services Directive), OJ L 95 of 15.4.2010.

According to this *Directive*, an *audiovisual media services* are as much cultural services as they are economic services. Their *growing importance* for societies, democracy – in particular by ensuring freedom of information, diversity of opinion and media pluralism – education and culture justifies the application of specific rules to these services (Directive 2010/13/EU:Article 5). For the purposes of this Directive, the definition of an audiovisual media service should cover mass media in their function to inform, entertain and educate the general public, and should include audiovisual commercial communication but should exclude any form of private correspondence, such as e-mails sent to a limited number of recipients (Directive 2010/13/EU:Article 22). The term audiovisual should refer to moving images with or without sound, thus including silent films but not covering audio transmission or radio services (Directive 2010/13/EU: Article 23).

The articles 49 to 55 of the Treaty lay down the fundamental right to freedom of establishment. These audiovisual commercial communications must respect the human dignity, and prevent discrimination on any ground, and both must be exploited minors.

The *audiovisual commercial communication* means images with or without sound which are 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 2010/13/EU: Article 1).

According to these Directive, *the proportion of television advertising spots and teleshopping spots within a given hour shall not exceeded 20%* (Directive 2010/13/EU:Article 87). The Directive also simplifies and relaxes the rules on the insertion of advertising, while encouraging self- and co-regulation.

On 3 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*: (EPRA, 2014)

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

The legal framework of the television advertising market in the Republic of Macedonia constitutes the Law for audio and audiovisual media services which became operational in the beginning of 2014. According to the institutions that have prepared these Law, the audio or audio visual communications that are defined within the law are defined at the same way as they are in the Directive of the European Union. But there are also many critics of this Law in the Republic of Macedonia, critics that are targeted to its implementation in practice. The Law should remove the influence of any political party and should be depoliticized. The Agency for audio and audiovisual media services, which is the legal successor of the Broadcasting Council of the Republic of Macedonia should provide the majority to come as a proposal of an independent associations, their choice should be made by two-thirds, and there should not be any control of the print and electronic media, also it should delete the provisions for program oversight of the media, should reduce the penalties, and thus avoid the danger self-regulation to turn into self-censorship and should provide protection of the media from subscribed government campaigns.

In September 2017, Ministry of Information Society and Administration has given Proposal Law for amending the *Law for audio and audiovisual media services*, because the implementation of the Law for audio and audiovisual media services in the Republic of Macedonia was without results in practice. With the proposed amendment to the Law on Audio and Audio Visual Media Services, it is expected to provide a transparent, independent, efficient and accountable public radio broadcasting service and a transparent, independent, efficient and accountable regulatory body in the field of audio and audiovisual media services. The content and the substance of the proposed amendment and amendments comprise the remarks of the journalist and media organizations that have been ignored so far, and the key recommendations of the experts of the Council of Europe and the OSCE regarding the reduction of political influence in the media, the public service and the media regulator.

3. THE LIMITING FACTORS AFFECTING THE DEVELOPMENT OF THE ADVERTISING MEDIA INDUSTRY IN THE REPUBLIC OF MACEDONIA

The next question that we're going to analyze in this paper is to explore *several problems faced by the entities in the market and which pose serious obstacles of the modern journalism in the Republic of Macedonia*. Namely, after the qualitative analyze of data provided from documents and publications of relevant institutions in the field, we can indicate *several limiting factors affecting the development of the advertising industry and therefore the media industry in the Republic of Macedonia*.

First, *the insufficient level of development of the Macedonian economy or low GDP per capita* (Gross Domestic Product per capita), which in the Republic of Macedonia was EUR 3630 in the year 2012, EUR 3616 in the year 2013, EUR 3930 in the year 2014, EUR 4382 in the year 2015, and EUR 4691 in the year 2016 (State Statistical Office of the Republic of Macedonia, 2013:24, 2014:24, 2015:24, 2017:39).

Second, *the size of the Macedonian market* is also a limiting factor. Namely, it is a small market with a total of 2.062.294 population in 2012, 2.065.769 population in 2013, 2.069.172 population in 2014, 2.071.278 population in 2015, and 2.073.702 population in 2016 (State Statistical Office of the Republic of Macedonia, 2013:9, 2014:9, 2015:9, 2016:10, 2017:12).

Third, *the internal linguistic divisions*, i.e. the different ethnical groups that are living in the Republic of Macedonia want more to see those televisions that broadcast program in their native language,

Fourth, *foreign markets without language barriers*. This is the question of the availability of too many channels of Macedonian audience from neighboring countries through cable operators, and

Fifth, *the lack of developed managerial and administrative skills*. This is the question of the quality of managerial and administration skills of management that play an insignificant role in the level of success or sustainability of individual media, because access to the advertising market and available advertising budgets depends on other external factors, notably the political dictate of the ruling parties.

Taking into account these limiting factors, the Republic of Macedonia in the year 2013 is estimated with an index 1.54, an index 1.40 in the year 2014, an index 1.72 in the year 2015, an index 1.62 in the year 2016, and an index 1.57 in the year 2017, which means that there is an *unsustainable mixed system*, namely "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, 2015:72, 2016:80, 2017:72).

4. THE CHARACTERISTICS AND STRUCTURE OF THE MACEDONIAN TELEVISION ADVERTISING MARKET

The media market in the Republic of Macedonia is indeed characterized by a *number of television stations*, which is a serious barrier to the development of the broadcasting industry of the Republic of Macedonia. In the year 2012 that number was 68 televisions, throughout the year 2013 programme was broadcasted by additional 65 commercial television stations, in the year 2014 that number was also 65 televisions, throughout the year 2015 programme was broadcasted by additional 66 commercial television stations, and in the year 2016 that number was 63 televisions (Agency for audio and audiovisual media services of the Republic of Macedonia, 2013:5, 2014:11, 2015:9, 2016:6, 2017:5).

Given the fact that it is a small market on the one hand, and there are a number of televisions on the other hand, *advertising is really dispersed*, and this affects the *cutting quality of program content* that are broadcasting by the Macedonian television stations. So, we think that by allowing the market to function in this way, *all citizens of the Republic of Macedonia suffer direct harm*, i.e. consumers of the programs of the Macedonian television stations, or the audience.

We also know that today, *television is still the most important source of information for the Macedonian audience*. Namely, in the year 2014 even 82.7% of respondents said that they were informed by television about the domestic and foreign events daily, while in the year 2015, the percentage was 74.9%. This is far more than the percentage of the share of the audience that are obtaining daily information from the radio (17.80%), press (12.10%), internet (48.10%), or other people (30.50%). (See Table No.1.)

Table No.1: Share of the audience obtaining daily information from...

	...2012	2013	2014	2015
TV	75.40%	79.00%	82.70%	74,9%
Radio	13.70%	8.00%	11.40%	17,8%
Press	23.60%	20.00%	16.50%	12,1%
Internet	39.00%	44.00%	41.40%	48,1%
Other people	47.90%	30.00%	30.10%	30,5%

Source: Agency for audio and audiovisual media services 2016:12-18

The best way that we can see the state of the television industry in the Republic of Macedonia is in the following Table No.2 from the survey of the Broadcasting Council (Broadcasting Council of the Republic of Macedonia, 2013:11), and of the Agency for audio and audiovisual media services, (Agency for audio and audiovisual media services, 2014:9, 2015:6, 2016:6, 2017:5), as follows:

Table No.2. The state of the television industry in the Republic of Macedonia (2012, 2013, 2014, 2015, 2016)

In million MKD denars							
	Year	Total audience Share	Total Income	Income from advertising	Total costs	The result from operations	The Number of employees
MTV (MTV 1, MTV 2 and Parliamentary Channel)	2012	8.37	1069.08	54.29	923.92	118.35	597
	2013	9.00	1285.11	26.36	1222.93	62.18	576
	2014		1326.35	49.22	1277.83	43.01	852
	2015		1284.19	25.56	1223.87	51.7	907
	2016		1189.83	44.23	1130.37	68.7	864
Sitel	2012	28.98	587.16	586.61	449.42	137.74	130
	2013	28.60	584.67	556.34	473.43	108.33	135
Channel 5	2012	16.71	361.42	276.78	332.67	25.81	97
	2013	12.80	269.78	266.64	230.29	37.13	92
Telma	2012	3.19	113.17	77.1	112.72	0.18	80

	2013	3.00	103.37	74.29	103	0.26	81
Alsat M	2012	5.97	148.4	144.87	146.81	1.29	95
	2013	5.30	156.78	151.65	152.31	4.13	90
Alfa	2012	/	/	/	/	/	/
	2013	3.20	176.2	175.71	146.61	29.58	127
TV on the state level	2014		1234.33	1150.52	1188.78	39.44	517
	2015		1297.85	1226.86	1269.06	13.67	585
	2016		1101.07	984.97	1083.75	14.66	578
Satellite TV	2012		184.99	181.2	222.34	-37.76	241
	2013		88.57	84.51	105.2	-23.66	124
	2014		85.86	82.40	104.18	-20.01	127
	2015		58.62	35.72	132.39	-73.87	211
	2016		65.9	38.83	101.5	-35.58	110
Regional TV	2012	14.3	57.54	31.88	87.37	-29.98	49
	2013		194.75	172.57	171.78	22.17	168
	2014		304.06	283.85	226.60	69.47	215
	2015		250.59	221.03	260.65	-12.19	397
	2016		199.05	139.62	246.87	-48.22	336
Local TV	2012		145.7	125.29	126.41	18.98	212
	2013		74/83	66.74	65.66	8.42	109
	2014		67.82	61.52	63.56	3.44	108
	2015		35.17	29.38	40.21	-5.14	76
	2016		38.06	31.38	35.18	2.85	77
TOTAL	2012	77.52	2667.46	1478.02	2401.66	234.61	1501
	2013		2934.06	1574.81	2671.21	248.54	1502
	2014		3018.42	1627.51	2860.95	135.35	1819
	2015		3102.26	1691.40	2926.18	-25.83	2152
	2016		2730.12	1507.55	2805.04	-69.27	2222

Source: Agency for audio and audiovisual media services, 2014:9, 2015:6, 2016:6, 2017:5.

Table No.3. Average weekly reach of national television stations in the Republic of Macedonia (2015, 2016)

TV	Average weekly reach	
	2015	2016
Sitel	49.4%	51.93%
Channel 5	44.4%	47.48%
Telma	19.78%	27.61%
MTV1	19.75%	18.21%
Alfa	18.78%	19.32%
Alsat-M	16.95%	24.78%
MTV2	1.90%	3.02%
Parliamentary Channel	0.28%	1.51%

Source: Agency for audio and audiovisual media services, 2016:71, 2017:65.

If we analyze the Table No2, and the Table No.3, we can conclude the following:

- ✓ According to the data in the Table No.3, in the years 2015 and 2016, the biggest weekly reach has TV Sitel (49.40%, and 51.93%) and TV Kanal 5 (44.40% and 47.48%). After them, TV Telma (19.78% and 27.61%) and the First Program Service of the Macedonian Television - MTV1 (19.75%, and 18.21%) are almost equal in weekly reach. The average weekly reach of TV Alfa was 18.78% and 19.32%, and on TV Alsat-M - 16.95%, and 24.78%. The lowest value of this indicator is for the Second Program Service of the Macedonian Television MTV2 (1.90%, and 3.02%) and the Parliamentary Channel (0.28%, and 1.51%).
- ✓ According to the data in the Table No.2, the total income that all stakeholders of the television industry realized in the year 2012 was amounted to 2667.46 million MKD denars, and 40% of this amount was income of the Macedonian National Television - MTV. The total income that all stakeholders of the television industry realized in the year 2013 was amounted to 2934.06 million MKD denars, and 43.8% of this amount was income of the Macedonian National Television - MTV. The total income that all stakeholders of the television industry realized in the year 2014 was amounted to 3018.42 million MKD denars, and 43.9% of this amount

was income of the Macedonian National Television - MTV. The total income that all stakeholders of the television industry realized in the year 2015 was amounted to 3102.26 million MKD denars, and 52,94% of this amount was income of the commercial televisions, 41,4% of this amount was income of the Macedonian National Television – MTV, and 5,67% of this amount was income of the commercial radiostations. The total income that all stakeholders of the television industry realized in the year 2016 was amounted to 2730.12 million MKD denars. 56.41% of this amount was income of the commercial televisions, and 43.58% of this amount was income of the Macedonian National Television – MTV.

- ✓ All television stations jointly exercised 1478.02 million MKD denars from the *sale of advertising time* in the year 2012. Most of these funds have showed that television broadcast on national level was (89.37%), regional television achieved 2.16% and 8.48% of the local total revenue were from advertising on the television industry. All television stations jointly exercised 1574.81 million MKD denars from the sale of advertising time in the year 2013 that is 6.55% more than in the previous year. Most of these funds have showed that television broadcast on national level was (84.81%), regional television achieved 10.95% and 4.23% of the local total revenue were from advertising on the television industry. All television stations jointly exercised 1627.51 million MKD denars from the sale of advertising time in the year 2014. Most of these funds have showed that television broadcast on national level was (78.77%), regional television achieved 17.44% and 3.78% of the local total revenue were from advertising on the television industry. All television stations jointly exercised 1691.40 million MKD denars from the sale of advertising time in the year 2015. Most of these funds have showed that television broadcast was (91.55%), and 8.45% of the local total revenue were from advertising on the radiostation industry. All television stations jointly exercised 1507.55 million MKD denars from the sale of advertising time in the year 2016. Most of these funds have showed that television broadcast was (85.75%).
- ✓ *85.75% of the total revenues of commercial TV stations were realized by selling advertising time.* The highest revenues from TV commercials were realized by TV Sitel (466.15 million denars), from satellite TV - TV 24 (32.04 million denars), from TV stations via public broadcaster - TV

Nova (88.51 million denars), from the regional HDTV Mega (14.43 million denars), and from the local TV Orbis (5.74 million denars). (Agency for audio and audiovisual media services, 2017:6).

- ✓ In the year 2012, the total expenditures were amounted to 2401.66 million MKD denars. Most of these funds were cost of the Macedonian National Television – MTV (923.92 million MKD denars). In the year 2013, the total expenditures were amounted to 2671.21 million MKD denars, and it means that *11.22% more funds were spent than in the previous year*. Most of these funds were cost of the Macedonian National Television – MTV (1222.93 million MKD denars, or *45.78% of the total cost in the television industry*). In the year 2014, the total expenditures were amounted to 2860.95 million MKD denars. Most of these funds were cost of the Macedonian National Television – MTV (1277.83 million MKD denars). In the year 2015, the total expenditures were amounted to 2925.18 million MKD denars. The cost of the Macedonian National Television – MTV was 1223.87 million MKD denars, or 42% of total expenditures. The cost of all commercial television in 2015 was 1702.31 million MKD denars. The costs of TV on the state level was 82,33% from this amount, the costs of the regional televisions was 15,31%, and the costs of local TV was 2,36%. In the year 2016, *the total expenditures were amounted* to 2805.4 million MKD denars. The cost of the Macedonian National Television – MTV was (1130.37 million MKD denars, or *40.3% of the total cost in the television industry*), and the costs of TV on the state level was (1675.03 million MKD denars) or 71,57% from this amount.
- ✓ *The realized result from the operation of all stakeholders of the television industry*, including the public service was a profit of 234.61 million MKD denars in the year 2012, 248.54 million MKD denars in the year 2013, and 135.35 million MKD denars in the year 2014. The financial result was different in 2015, namely it was loss of 25.83 million MKD denars. The financial result of the operation of all commercial televisions was a loss in the amount of 77.53 million MKD denars, which is mostly due to the loss of state-level television stations via satellite or through a public electronic communications network (73.87 million MKD denars). Also the financial result in 2016, was loss of 69.27 million MKD denars. The financial result of the operation of all televisions was a loss of 137.97 million MKD denars. Almost half of these amount (71.68 million MKD

denars) is the loss of TV stations broadcasting a program at the state level through an operator of a public electronic communications network.

- ✓ The average number of employees in full time employment in all television stations in the year 2012 was 1501 persons, of which 597 were employed in the Macedonian National Television – MTV. In the year 2013 the average number was 1502 persons, of which 576 were employed in the MTV. In the year 2014 these number is increased to 1819 persons, of which 852 are employed in the MTV. In the year 2015 these number is increased to 2152 persons, of which 907 are employed in the MTV. In the year 2016 these number is increased to 2222 persons, of which 864 are employed in the MTV.

The data on major advertisers in commercial television stations in the Republic of Macedonia were provided by the agency "Nielsen Audience Measurement" from Skopje. For calculating the values, the agency uses the prices for advertising that are listed in the official price lists of television stations, multiplied by the duration of advertisements. Below are presented data on the share of the value calculated in this way, on the advertisements of certain advertisers in calculated value of broadcast videos of all advertisers during the year that is analyzed. *But we must point out that in the analysis of the Agency for audio and audiovisual media services issued in July 2015, unlike previous analyzes, are not presented data from electronic measuring viewership in 2014, because the Agency for audio and audiovisual media services has stopped using the data from the research agency which implemented such a measure.*

Table No. 4. The major advertisers for commercial television stations in the Republic of Macedonia (2012, 2013)

No.	Participation advertiser	Share in 2012	Share in 2013
1	The Government of the Republic of Macedonia	4.03%	4.99%
2	Procter & Gamble	3.73%	5.40%
3	One	3.16%	3.79%
4	Coca-Cola	2.95%	4.89%

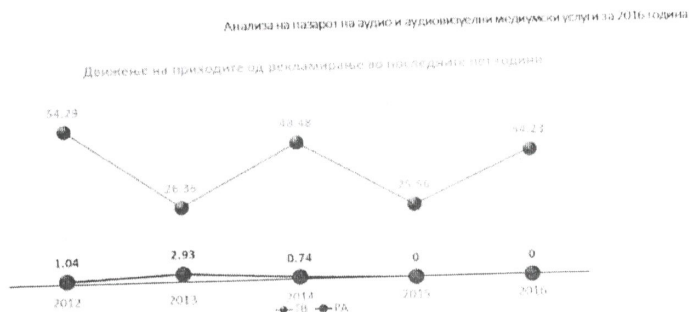
Source: Agency for audio and audiovisual media services, 2014:33.

If we analyze the Table No.4, we can notice that *the major advertiser for commercial television stations in the television advertising market in the Republic of Macedonia in the year 2012 was the Government of the Republic of Macedonia.* In 2013, the most important advertiser of the six television stations was the foreign company *Procter & Gamble*. The gross value of the total of 31,377 commercials that ordered by this company constituted 5.40% of the gross value of all commercials broadcasted on these six television stations. *The second on the list of most significant advertisers of these six television stations was the Government of the Republic of Macedonia, which, in the analysed year, ordered a total of 17,639 advertisements, the value of which reached 4.99% of the total gross value.*

We think that in this way the media in the country can be directly exposed to political pressures by the state. We must point out that the majority of Macedonia's traditional media rely on advertising revenue, which, on average, accounts for more than 90 percent of their total revenue with the remaining coming from various sponsorship deals. We have noted that it is only formally so, having in mind the distortions of the market due to the government interference through its promotion and advertising budgets.

If we analyze the Graph No.1, we can notice that *the Macedonian Radio Television (MTV) has made a total of 44.23 million denars from the sale of advertising time, which compared to 2015 means higher funds by 73.04%. In the period of 2012-2016, MTV achieved higher advertising revenues only in the years when it broadcast significant sports competitions, namely, the World Football Championship (in 2014) or the European Football Championship (in 2012 and 2016).*

Graph No.1. Revenue from advertising of MTV (2012-2016)



Source: Agency for audio and audiovisual media services, 2017:12.

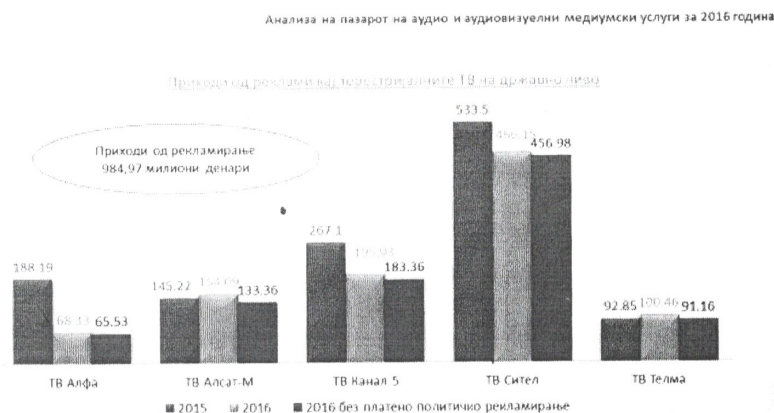
If we analyze the Graph No.2, which presents the *Revenue from advertising of the Televisions on the state level*, we can notice that in 2016, TV Sitel was presented almost half of all income from advertising and teleshopping (466.15 million denars). TV Kanal 5 realized 195.93 million denars on this basis, TV Alsat-M 154.09 million denars, TV Telma 100.46 million denars, and TV Alfa 68.33 million denars. Compared to 2015, only TV Alsat-M (8.87 million denars more) and TV Telma (7.61 million denars more) managed to achieve higher sales revenues than advertising, while the revenues of the other three televisions decreased. The biggest drop in these revenues was registered with TV Alfa, which in the analyzed year realized as much as 119.86 million denars less. Revenues from advertising on TV Kanal 5 were lower by 71.17 million denars, and on TV Sitel for 67.35 million denars. In the total advertising revenues on each of these 5 televisions, the revenues from *paid political advertising* were calculated during the Early Parliamentary Elections in 2016. Considering that there were no elections in the previous year and television stations did not realize this kind of income, if the revenue from paid political advertising is deducted from advertising in 2016, it can be noted that each of the 5 TV stations on state level earned less advertising revenues than in the previous year.

According to findings from in-depth interviews conducted by the Agency for audio and audiovisual media services with representatives of the five televisions

and marketing agencies, revenue reduction is largely due to the Government's decision to stop advertising from July 2015, then the merger of 3 major and very significant advertisers - ONE, Vip and Blizoo, which led to a reduction in the advertising budget of the new entity, as well as the fact that because of a continuous political crisis advertisers cut advertising budgets.

The highest amount of paid political advertising was realized by TV Alsat-M (20.73 million denars), followed by TV Kanal 5 (12.57 million denars), TV Telma (9.3 million denars), TV Sitel (9.17 million denars), and TV Alpha (2.8 million denars). (Agency for audio and audiovisual media services 2017:17).

Graph No.2. Revenue from advertising of TV on state level in 2015 and 2016



Source: Agency for audio and audiovisual media services, 2017:16.

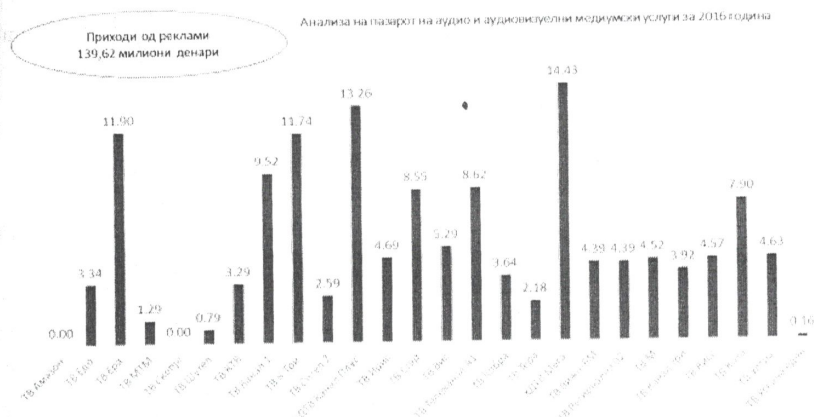
Also, higher advertising revenues in 2016 compared to 2015 were realized by Satellite TV stations: TV 24, Nasha TV, and TV Sitel 3. From paid political advertising during the Early Parliamentary Elections in December 2016, TV 24 achieved 6.72 million denars, Nasha TV 1.02 million denars, and TV Sonce 0,6 million denars.

From TV stations via public broadcaster, TV Nova (88.51 million denars) recorded noticeably more revenue from advertising and teleshopping compared to TV Company 21-M (21.65 million denars) and TV Shenja (15.82 million denars).

TV Company 21-M realized the most funds for broadcasting videos in the election campaign for the Early Parliamentary Elections in December 2016 (5.74 million denars). TV Nova from these advertising spots made 2.70 million denars, and TV Shenja has gained 1.71 million denars.

From the *Regional televisions* (see Graph No.3 below), the most attractive for the advertisers was HDTV Mega, which broadcasts a program in the broadcasting region D5, which generated 14.43 million denars from advertising. More significant advertising revenue was also shown by HDTV Channel Plus from the D3 region (13.26 million denars). Most of the revenues from broadcasting paid political advertising were realized by TV Terra (1.76 million denars), TV Star (1.52 million denars), TV Kanal one (1.31 million denars) and TV Regional 02 (1.1 million denars).

Graph No.3. Revenue from advertising of Regional TV in 2016



Source: Agency for audio and audiovisual media services, 2017:33.

The most attractive for the advertisers on the *Local level* was TV Orbis from Bitola, which according to this basis showed revenues of 7.74 million denars. Along with 3 other TV stations (TV Intel from Strumica, TV Plus from Kumanovo and TV Kocani - LK from Kocani), they made almost 41% of advertising revenues of all 23 local TV stations. The highest revenues from broadcasting paid political

advertising were realized by TV Orbis from Bitola (1.46 million denars), TV Spektra (0.44 million denars), TV Dibra (0.24 million denars), TV Anisa (0.4 million denars), TV Kanal 8 (0.42 million denars), and TV Protel (0.38 million denars).

On August 22, 2017, the Government of the Republic of Macedonia adopted the measure from Plan 3-6-9 which refers to stopping government advertisements of commercial broadcasters and print media, billboards, internet portals (excluding social media) and transferring communication with citizens through the public broadcasting service. The only media for communicating government ads will be MRTV and social networks like Facebook and Twitter.

We think that this is the correct measure that will significantly reduce the high exposure until recently of the media to biased political pressure by the Government. The authors of this paper believe that the government - or, better speaking, the political parties in office - will no longer continue to abuse their position for creating information asymmetry, through which they profoundly affect voters' expectations and attitude in the short and long term. Televisions in the Republic of Macedonia should be left to competition on the market, and advertisers should choose where they are most suitable to give their money for advertising.

5. CONCLUSION

After analyzing the situation in the advertising industry and therefore the media industry in the Republic of Macedonia we can conclude that:

1. The television advertising market in the Republic of Macedonia is very specific, especially because our country is small and underdeveloped economy in which there are problems from the past, and also we have a market where the market rules are not fully functioning.
2. The legal framework of the television advertising market in the Republic of Macedonia constitutes the Law for audio and audiovisual media services which became operational in the beginning of 2014. Although this was an important step for the harmonization with the Directive [2010/13/EU](#) of the European Parliament, there were many critics to the Law. In September 2017, Ministry of Information Society and Administration has given Proposal Law for amending the *Law for audio and audiovisual media services*. With the proposed amendment to the Law on Audio and Audio Visual Media Services, it is expected to provide a transparent, independent, efficient and accountable public radio broadcasting

service and a transparent, independent, efficient and accountable regulatory body in the field of audio and audiovisual media services. The content and the substance of the proposed amendment and amendments comprise the remarks of the journalist and media organizations that have been ignored so far, and the key recommendations of the experts of the Council of Europe and the OSCE regarding the reduction of political influence in the media, the public service and the media regulator.

3. The limiting factors affecting the development of the advertising industry and therefore the media industry in the Republic of Macedonia are: the insufficient level of development of the Macedonian economy or low GDP per capita; the small size of the Macedonian market; the internal linguistic divisions, i.e. the different ethnical groups that are living in the Republic of Macedonia want more to see those televisions that broadcast program in their native language; the question of the availability of too many channels of Macedonian audience from neighboring countries through cable operators, and the lack of developed managerial and administrative skills.
4. The role of the media is undoubtedly huge in creating the public opinion, the views of the audience, and in the provision of responsible government in any society. The media must provide independent, accurate and above all professional information, which will be abstracted from the effects of certain interest groups in the society. To achieve this, we think that there must be the cooperation of all stakeholders in the advertising industry in the Republic of Macedonia, namely: the television stations, the regulatory bodies, an advertising agencies and other institutions that indirectly affect the market for television advertising in the Republic of Macedonia.
5. According to the data in our paper, in the years 2015 and 2016, the biggest weekly reach has TV Sitel and TV Kanal 5. The total income that all stakeholders of the television industry realized in the year 2016 was amounted to 2730.12 million MKD denars. 56.41% of this amount was income of the commercial televisions, and 43.58% of this amount was income of the Macedonian National Television – MTV. In the year 2016, the total expenditures were amounted to 2805.4 million MKD denars. The cost of the Macedonian National Television – MTV was (1130.37 million MKD denars, or 40.3% of the total cost in the television industry), and the costs of TV on the state level was (1675.03 million MKD denars) or

71,57% from this amount. The financial result in 2016, was loss of 69.27 million MKD denars.

6. According to the data in our paper in 2016, 85.75% of the total revenues of commercial TV stations were realized by selling advertising time. The highest revenues from TV commercials were realized by TV Sitel (466.15 million denars), from satellite TV - TV 24 (32.04 million denars), from TV stations via public broadcaster - TV Nova (88.51 million denars), from the regional HDTV Mega (14.43 million denars), and from the local TV Orbis (5.74 million denars).
7. The highest amount of paid political advertising was realized by TV Alsat-M (20.73 million denars), followed by TV Kanal 5 (12.57 million denars), TV Telma (9.3 million denars), TV Sitel (9.17 million denars), and TV Alpha (2.8 million denars). From paid political advertising during the Early Parliamentary Elections in December 2016, TV 24 achieved 6.72 million denars, Nasha TV 1.02 million denars, and TV Sonce 0,6 million denars. TV Company 21-M realized the most funds for broadcasting videos in the election campaign for the Early Parliamentary Elections in December 2016 (5.74 million denars). TV Nova from these advertising spots made 2.70 million denars, and TV Shenja has gained 1.71 million denars. Most of the revenues from broadcasting paid political advertising were realized by TV Terra (1.76 million denars), TV Star (1.52 million denars), TV Kanal one (1.31 million denars) and TV Regional 02 (1.1 million denars). The highest revenues from broadcasting paid political advertising were realized by TV Orbis from Bitola (1.46 million denars), TV Spektra (0.44 million denars), TV Dibra (0.24 million denars), TV Anisa (0.4 million denars), TV Kanal 8 (0.42 million denars), and TV Protel (0.38 million denars).
8. The main finding of the analysis is that until recently the Government of the Republic of Macedonia was the largest advertiser in the market, and the media in the country were highly exposed to biased political pressure. The decrease in advertising revenues on television in the Republic of Macedonia in 2015 and 2016, is largely due to the Government's decision to stop advertising from July 2015, then the merger of 3 major and very important advertisers - ONE, Vip and Blizoo, which led to a reduction of advertising budget of the new entity, as well as the fact that because of a continuous political crisis advertisers have reduced their advertising

budgets. We believe that the government - or, better speaking, the political parties in office - will no longer continue to abuse their position for creating information asymmetry, through which they profoundly affect voters' expectations and attitude in the short and long term. Televisions in the Republic of Macedonia should be left to competition on the market, and advertisers should choose where they are most suitable to give their money for advertising.

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