

**Tentative Transition to Market Communications:  
Early Television Advertising in Kazakhstan**

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**Abstract**

While there has been considerable growth of commercial media such as in local, national and regional television in Kazakhstan, the reality is still one of oligopolistic competition with much political intervention. Utilising personal interviews with and secondary data from ad agencies, market research firms and media-owners, this paper maps the early history and development of television and advertising industries in this Central Asian state. This research suggests that the tentative practice of advertising in this transitional economy resembles that of developing countries rather than emulation of the developed models upheld. Yet its challenges with account handling, media buying and creative services in Kazakhstan might hold lessons for other newcomers to the capitalist production system in its region. The author argues further that its practitioners and policy-makers could learn from the historic experience of developing, emergent and transitional economies worldwide.

*Keywords:* advertising, television, post-Soviet, transitional economy, media oligopoly, Central Asia

**Introduction**

While the countries in Central Asia might have become politically independent in the early 1990s, there remained economic and cultural dependence on Russia, former Soviet states as well their Eastern Bloc dependencies. Being closest to Russia geographically and somewhat culturally as well as the largest within its region, Kazakhstan was the pace-setter amongst Central Asian countries in the shift from communism to capitalism in post-Soviet Union era. Thus the development of its media scene in this immediate transition period of the late 1990s to early is deserving of scrutiny, even if it was less energetic and more tentative than that of Central Europe.

The advertising industry in Kazakhstan was no exception, taking its cue from Russia- and Ukraine-based counterparts, often affiliates of transnational advertising agencies and multinational marketers themselves. Despite rapid growth of commercial media in Kazakhstan over the turn of the century, advertising agencies still encountered an oligopoly in media ownership. Their innovative adaptation to the challenges facing the fledgling industry in the transitional free-market economy should have relevance to other developing and emergent economies. Although there was soon a range of advertising media in Kazakhstan, this article will concentrate on television, due to constraints of obtaining comparable data across all media in the remote country. Nonetheless it will constitute a critical case-history of the television and advertising industries in this transitional economy over their first decade of existence.

**Comparative Media Histories**

Media privatisation in other post-communist countries was to prove instructive for Kazakhstan in its own transition to capitalism. In Russia, privatisation of the media did not necessarily leave the state out of ownership because it came to coexist with corporate interests or rather domestic politicized capital with the Internet as the sole outlet for counter-cultural dissent (Rantanen, 2002, pp. 92–104). In Estonia, a post-Soviet state like Kazakhstan, the press and television sector expanded exponentially in the 1990s. Privatisation of local television and availability of foreign channels eventually resulted in the state-owned media losing market share. According to Lauk (1999) advertising spending grew exponentially with growth rates as much as 46 percent annually. Print media received the lion's share of advertising spending at 47 percent with television commanding 27 percent. Interestingly the largest advertising agency in Estonia came to own four agencies in other former Soviet states in the Baltic region as well as in Ukraine and Russia. Yet the local media themselves have survived only as parts of media conglomerates with foreign ownership, often Scandinavian.

Countries constituting the former communist Eastern Bloc bordering capitalist Western Europe adopted the market system in a more thorough-going fashion than those of the former Soviet Union. U.S. multinational corporations such as General Electric, Proctor & Gamble, Eastman Kodak, McDonalds and Mobil were there immediately after the end of communism, ahead of European corporations. Their ad agencies such as Saatchi & Saatchi, McCann-Erickson and Young & Rubicam soon entered into joint-ventures in Hungary, Poland, Czechoslovakia and the former Yugoslavia (Lane & Smith, 1991). In its first decade of liberalization, the burgeoning print media in Bulgaria faced serious competition from more

market-oriented 'infotainment' periodicals. The intrusion of private television and unregulated access to satellite and cable television from foreign sources competed with local channels for market share (Raycheva 1999). Immediately post-communism, Hungary's print media grew to over 2,800 publications with foreign media conglomerates News Corporation and Bertelsmann soon entering. The Czech national broadcaster formed an alliance with a French firm to market its advertising. Minimal government intervention in the media of transitional economies of Central Europe meant more ready investment by foreign multinationals.

In understanding the changes that have taken place in Eastern or Central Europe, Jakubowicz (2005) differentiates between 'mimetic' and 'atavistic' approaches. The former would apply to countries like Hungary where the Western model of a dual broadcasting system, in which media free was guaranteed, was transferred in full. The latter refers to those like Poland where the dominant media were under the political interests, whether of the government or other vested interests claiming to promote economic reform. Instead of a homogeneous model of 'Western' media systems, Hallin and Mancini (2004) propose a three-fold classification of them. First there is the 'libertarian or liberal model' illustrated by the Anglo-Saxon or largely English-speaking countries of UK, Ireland, US and Canada with a public-private mix and minimal government intervention. Then there is 'democratic corporatist' model of northern Europe and the 'polarized pluralist' model of southern Europe, with greater government regulation but varying concerns about the private-public balance. However they astutely caution against the application of these ideal 'Western' types in the flux of the post-communist countries of Eastern and Central Europe.

### Methodology and Constraints

Since there were limited published sources of data as a whole, and certainly much less in English, personal interviews were a primary source of information about the television and advertising industries in Kazakhstan. Many members of the industry were unfamiliar with academic research and some were initially suspicious, perhaps fearing that our agenda might be industrial intelligence-gathering. Still, altogether 12 interviews were conducted with executives drawn from advertising agencies, broadcasters and market research organizations, of local, national, regional and global pedigree (Table 1). In reporting selected views or factual statements within this article, each respondent is given an alpha-numeric code because of assurances of anonymity given in the authoritarian country, while their professional designations are provided in the references for richer appreciation of their perspective.

Given the fact that Russian remains the lingua franca of business and English scarcely spoken, this researcher had to depend on interpreters in conducting the in-depth interviews in various locations, as well as in arranging the briefings and logistics involved. There was also the constraint of time in conducting field research in about a fortnight within two cities of Kazakhstan: one was a state capital, Oskemen (formerly Ust-Kamenogorsk and still referred to locally as 'Usk') and the other the commercial (and former political) capital, Almaty which was better known in the Soviet era as Alma-Ata. As the researcher was not resident in the country there was no opportunity for return visits long-distance for further data-gathering.

Table 1: Personal interview respondents in Kazakhstan

<i>Affiliation</i>	<i>Number</i>
Advertising agencies : National	2
Advertising agencies : Global	2
Broadcasters: City/State	4
Broadcasters: National	2
Market Researchers: Regional	1
Market Researchers: Global	1
<i>Total</i>	12

### Television R/evolution

*Soviet Era:* First introduced in Almaty in 1958, television was rolled out to Ust-Kamenogorsk, Karaganda, Akola, Semipalatinsk and other major regional cities over the next seven years. It was upgraded to stereophonic sound in 1975 and to color vision in 1981. Initial broadcasts were bilingual: 40 percent in Kazakh and 60 percent in Russian, though languages of significant minorities were slowly introduced. As of the end of the Soviet Union broadcasts were in three other languages of Uygur, German and Korean, introduced consecutively in 1984, 1989 and 1992 (Barlybaeva, 1995). As might be expected, television broadcasting in the Soviet/communist era was entirely state-owned and run.

Since the technology to broadcast nationally was unavailable during the initial years of television, by default this enabled some regionalism, though this was soon superseded by centralization from Moscow during the Stalin era. This was to remain the situation till the era of glasnost under Gorbachev in the 1980s which television responded to demands for ethnic and localized programming in the non-Russian states (Mickiewicz, 1988: 207-208). While state broadcasting in the Soviet era was the dominant paradigm there was limited advertising on television (Personal interview Kzs04). This tended to be by

local tourism bodies promoting holiday destinations within the Soviet Union such as on the Black Sea or warning of the ills of alcoholism (Personal interview Kzs05).

*Post-Soviet Era:* After the fall of the USSR in 1991 media organizations began flourishing. In this the history of ownership of television stations and newspapers in Kazakhstan was similar as for all other businesses. Privatisation following the fall of the communist system, meant ownership of state entities went to people from all layers of society, but the former communist elite proved more astute with their purchases than others and so largely become the new capitalist elite (Personal interview Kzs07). Consequently ownership of the various media was via holding companies which in classical fashion were clusters of print, radio and television firms. By the early 2000s, most media were believed to be part of larger Kazakhstan conglomerates though this was unofficial and never made transparent.

Immediately upon independence in the early 1990s, the state-funded Kazakh State Television and Radio Broadcasting Company operated two television channels, Inter-Channel and the National Channel for a daily total of 18 broadcasting hours. By 1993, a private channel, KTK had its own transmitter and studio in the then capital Almaty, and was preparing to go national. Two other private channels, Tan-TV and TVIN, were more limited in terms of programming, broadcast hours and largely confined to the capital city region (Hadlow, 1994). The market leader among domestic broadcasters was Khabar TV which was certainly managed by family members of the Kazakhstan president.

There were also many Russian, Kyrgystan and Uzbekistan channels, local cable and terrestrial commercial channels available in about 12 regional centers of the country. Even a small provincial capital like Oskemen soon had four commercial channels, though a decade later only one survives, namely Kalkent TV (Personal interview Kzs01). Even by the late 1990s, the media was still considered an adjunct of the state, both by the general public and the political leadership, reflecting the legacy of the communist era of propaganda (Mukatayev, 1995).

### Advertiser-Agency Relationships

*Fledgling Agencies:* Multinational corporations introduced advertising after the fall of the USSR in 1991, with creative work initially produced in Moscow and primarily of a sales promotional nature (Personal interview Kzs05). Thus advertising in Kazakhstan was just over a decade old by the early 2000s when this research was done. Publishers had provided some advertising services soon after political-economic liberalization. Likewise television and radio stations offered their own advertising services in-house (Personal interview Kzs05). Advertising was thought to represent only about 45 percent of television station revenue in Kazakhstan with the rest coming from production services (Personal interview Kzs07).

Given the opportunities for creating advertising were limited at the media-owners, some of their staff left to start their own agencies. Till the 2000s most local advertising agencies in Kazakhstan acted for international agencies as what are called locally 'chain agencies'. The first agency was Styx which was formed in 1990 by people with a background in journalism and publication, and they now represent the international advertising agency Leo Burnett (Personal interview Kzs03). The first clients of Styx in 1990 were in fact Russian companies selling grain. Then in 1994, Procter & Gamble and Philip Morris came to Kazakhstan, the latter sending a 'pool book' of their international advertisements for possible adaptation (Personal interview Kzs06).

Table 2: Major advertisers on television media in Kazakhstan 2000

<i>Advertiser</i>	<i>Ad spending</i>	<i>Percentage</i>
Procter & Gamble	US\$ 3,849,409	7.34 %
Caxaphbn Uehtp	US\$ 3,464,163	6.61 %
Unilever	US\$ 2,826,396	5.39 %
LG Electronics	US\$ 1,914,221	3.65 %
Bank Tyranalem	US\$ 927,648	1.77 %
Air Kazakhstan	US\$ 850,873	1.62 %
<i>Total</i>	<i>US\$16,789,820</i>	<i>32.02 %</i>

Source: Gallup Media Asia, cited in Advertising (2001)

*Budgets and Autonomy:* Advertising budgets tended to be set on a percentage-of-sales basis, in which sales of previous advertising year were monitored to plan the next year's advertising. The budgets of multinational corporations in the region were generally set in Moscow and then allocated to the national markets (Personal interview Kzs05). Generally, agency income from their multinational corporation clients was still based on a media commission but negotiable with local clients (Personal interview Kzs05). The way that the budget was set was oftentimes vague and the agency just provided with a fixed budget to work on for Kazakhstan. Little or no regional advertising was done even by a major agency such as Leo Burnett Styx (Personal interview Kzs06). The primary role of ad agencies in Kazakhstan seemed to be that of advising clients, both foreign and local, on media planning locally.

## Media Planning and Buying

*Questionable Ratings:* Television viewership research in Kazakhstan in the 2000s involved the diary method rather than the more reliable people-meters used in developed countries. Print readership surveys were done only twice a year. There was only limited monitoring of advertising and pre-testing/post-testing of advertising was only done on behalf of Procter & Gamble (Personal interview Kzs06). Two independent firms, Gallup Media and Brif, collected data on television audiences and print readership respectively (Personal interview Kzs05). Their research confirmed that advertising spending had been rising steadily over the first decade, and demonstrated the television was the leading medium (Personal interview Kzs03).

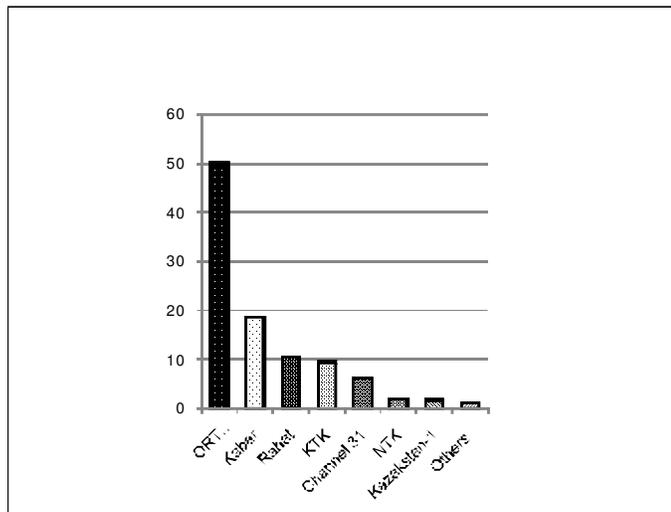
Since ratings were the basis for advertising media-buying decisions, there was allegedly motivation for some stations bribing ratings agencies to doctor them. Because ratings were not necessarily factual or transparent in Kazakhstan, one station preferred to evaluate audiences via its advertisers' intuitive preferences. Hence public relations effort by any television station was thought to be more important to attracting advertising than ratings (Personal interview Kzs07). In Kazakhstan generally, news programming received top ratings, movies came second with sports programs receiving the third-highest ratings, followed then by music channels (Personal interview Kzs10). ORT had the largest share of prime time audiences estimated at around 50 percent, with Khabar and KTK each at about 13 percent, while Kaz One has less than one percent (Personal interview Kzs11).

*Airtime Buying:* In the 1990s advertising agencies bought television time in advance and then re-sold it on to their clients. Initially there were multiple media brokers but by the early 2000s TV Media Holdings had acquired a monopoly on television media sales and almost all the national newspapers. The firm was said to at least be managed by the Kazakhstan president's daughter who was allegedly owner of Khabar TV (Personal interview Kzs05). Its only competitor was Alma Media which sold media on a single major newspaper Caravan, on a major television station KTK, and on some radio stations (Personal interview Kzs03). This firm also worked on a commission basis for the leading Russian channel RTP. Yet its management saw no conflict of interest arguing that it used different teams to market each television entity (Personal interview Kzs10).

Advertising spending figures were said to be about 20-30 percent inaccurate since they were based on rate-card costs. This was because, as often is the case in developing markets, there was considerable discounting with volume discounts negotiated with clients and kept confidential. A media research firm estimated that press advertising was discounted by about 20 percent, while outdoor advertising was not discounted, and television advertising discounts were subject to volume of purchase (Personal interview Kzs08). Generally in summer, television viewing declined in Kazakhstan and so advertisers concentrated their spending then on print media (Personal interview Kzs03). In the early 2000s there was very limited media buying on a regional Central Asian or former USSR basis, and most was on a national or provincial or local basis (Personal interview Kzs03).

Typically, Kazakhstan ads were incorporated into Russian channels and into specific programming that were rebroadcast in Kazakhstan, yet the advertising revenue was not remitted to or even shared with those Russian channels and program producers (Personal interview Kzs04). Although ORT was dominant in the local media scene, it was deemed rather expensive to buy advertising time on. Hence only major marketers like leading local banks and multinational firms like the Korean LG, which had a sizeable stake in the local white goods market, used it. KTK was considered the most effective domestic media buy for most other clients. Generally, provincial television had better quality of broadcast signal and was more efficient than ORT (Personal interview Kzs03). Some cable channels also accepted local advertising, such as the Russian ones and Nickelodeon. On channels for which cable networks did not pay royalties, overseas advertising came along with the programming in 'real-time' (Personal interview Kzs10).

Figure 1: Allocation of advertising to television channels by major marketers in 2000



Source: Gallup Media Asia, cited in Advertising (2001)

### Program Sponsors versus Advertising Spots

*Sponsorship Deal-making:* Soon after the fall of the Soviet Union in 1991, the US multinational Johnson & Johnson imported Disney cartoons to Kazakhstan with a sponsorship message of 'care for your family with premium health products'. There was no product advertising though since their products were not yet available in this market. Yet the positive attitude generated paid off two years later once the products were launched in the market (Personal interview Kzs05). Thus the practice of sponsorship in the region has had as long, if not longer, a history than advertising.

Across the channels only about 15-20 percent of advertising-spend was on sponsorships versus advertising spots (Personal interview Kzs06). This was attributed to the tax structure in Kazakhstan, only one percent of sponsorship was exempt from tax perhaps in an attempt to restrict 'grey' economic capital from being 'laundered' through legal media outlets (Personal interview Kzs07). Still there appeared to be a trend towards sponsorship rather than advertising on Khabar TV (Personal interview Kzs03). This trend seemed evident in program format adaptations like 'Who Wants to be a Millionaire' which was sponsored by Kommerzbank (Personal interview Kzs11). Nonetheless trend analysis was near-impossible because the media research firm Gallup/Brif did not collate sponsorship data (Personal interview Kaz08).

*Commercials Creativity:* Advertising creativity was sometimes adapted from overseas materials provided by multinational marketers and their ad agencies, but most 'western' television commercials allegedly did not work in the region for cultural reasons. Likewise Orth, *et al* (2007) had found that consumers in neighboring Central European transitional economies had quite different emotional, cognitive and attitudinal responses to standardized advertising. Hence the trend in Kazakhstan early on was to develop its own advertising and even to export its creative products to culturally similar countries such as to Turkey. Ad agencies specialized in specific forms of creative production and so were sometimes sub-contracted as creative hot-houses to different clients (Personal interview Kzs03).

Creative production was very competitive as there were many local agencies established in the first decade. Furthermore some newspapers and television stations did creative work in-house for their advertiser clients (Personal interview Kzs05). About 80 percent of Kazakhstan advertising involved new creative work and the remaining 20 percent comprising adaptation of foreign advertising. Leo Burnett Styx, for instance, did most of its own creative development but outsourced production for better quality of finish. Initially it used television and radio stations for broadcast advertising but more recently used independent local film studios. Print advertising was increasingly being outsourced to Turkey and the Baltic states (Personal interview Kzs06).

As of the mid-2000s Kazakhstan still had no advertising law and the industry was believed subsumed under the media law. Though there were also laws governing pharmaceuticals and alcohol that were pertinent to their advertising (Personal interview Kzs11). No law existed concerning local advertising content equivalent to the Mass Media Law, yet an agency like Leo Burnett perceived it as its mission to

create Kazakhstan advertising. Furthermore most ads by its key client Procter & Gamble were made locally and that was claimed to be the only case of a marketer doing pre-testing and post-testing of its local ads (Personal interview Kzs06).

### **Discursive Commentary**

Unlike Eastern Europe, most Central Asian nations retained former regimes despite democratic elections triggered by ardent nationalism following the dismantling of the Soviet Union. Many of these enduring leaders converted from totalitarian communism to authoritarian capitalism, benefiting themselves, family and friends from the privatisation of state-owned corporations and monopolies. Often media establishments were owned by these *nouveau-riche* oligarchs and/or their conglomerates which have thus influenced public opinion and political leaders in favor of their business enterprises. After surveying the literature, Hughes and Lawson (2004) conclude that political liberalization in many developing and transitional economies had consistently not resulted in the democratization of the media. In Kazakhstan there was no evident development of and support for civil society officially, and hence no related access by such groups and the wider community to autonomous media and communications. Since all media were now dependent on advertising revenue, they were constrained to uphold the ascendant free-market ideology and its proponents in power. Where occasionally some new commercial media have attempted to play their role as the fourth estate, as in Russia, governments have sought to reign them in through intimidation of executives and owners, withdrawal of advertising or journalist access, or at an extreme, reverse-privatisation.

Given the fact that commercial media and the advertising industry were just over a decade old when researched there had been quite rapid development despite the steep learning curve. In the medium term, television advertising in Kazakhstan resembled that of developing countries rather than that of the developed economies of the West. Its research, media buying, creative pro and sponsorship practices seemed to lag behind those developing countries turned emergent economies such as India, Brazil and South Africa that had belatedly become more integrated into the capitalist world economic system. For the time being, the oligopolistic state of the media and advertising industry in Kazakhstan was remarkably similar to those under past authoritarian regimes in Asia, Africa and Latin America that espoused capitalism even in the Cold War days. As such advertising practitioners, media owners and government policy-makers alike in Kazakhstan would do well to learn from the radical changes that occurred in the crony-capitalist television industries of Asian countries such as Indonesia, Philippines and Taiwan that followed democratic revolutions in the 1980s and 1990s (Gunaratne and Thomas, 2006) .

The question remains whether in the longer term, the advertising and media industries in Kazakhstan will emulate those of the transitional economies of Central Europe, or their present forms might serve as models for other former Soviet states, particularly in Central Asia. It could benefit from the experience of other post-Soviet states and satellite countries such as in the Baltic states and Central Europe, which have progressed considerably further in the commercialization of their media and adoption of 'Western' quasi-liberal norms concerning the media freedoms. Then again other transitional economies in Asia such as China and Vietnam where the ruling communist parties have retained stringent political control over their media despite mercerization provide alternative models. In Kazakhstan, survival of local media has been achieved largely by near-monopolistic control of advertising media-buying, mostly obtained from foreign multinationals, via non-independent media brokerages and government patronage. Given the fact that all media are now fully commercial in the post-Soviet era, marketers and their advertising agencies in Kazakhstan may have a semblance of considerable choice, yet are constrained to participate in a curious blend of free-market ideology and political authoritarianism.

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