

POLITICS AND ADVERTISING IN RUSSIA DURING VLADIMIR PUTIN
REGIME

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การวิจัยในครั้งนี้เป็นการวิจัยเชิงคุณภาพ(Qualitative Research) มีวัตถุประสงค์ คือ 1) เพื่อศึกษาโครงสร้างของโฆษณาในสหพันธรัฐรัสเซีย 2) เพื่อศึกษาวิวัฒนาการของโฆษณารัสเซีย 3) เพื่อวิเคราะห์ว่าการเมืองในสมัยรัฐบาล วลาดิมีร์ ปูตินมีอิทธิพลต่อการโฆษณารัสเซียอย่างไร 4) เพื่อศึกษาเทคนิคการโฆษณาของรัสเซีย 5) เพื่อศึกษาถึงความสำเร็จของธุรกิจโฆษณาของรัสเซีย

การวิจัยนี้ประกอบไปด้วยข้อมูลจากหลากหลายแหล่งที่มาซึ่งเกี่ยวข้องกับการเมืองการโฆษณาของรัสเซียในสมัยรัฐบาล วลาดิมีร์ ปูติน และวิเคราะห์ข้อมูลเกี่ยวกับการเมืองและธุรกิจโฆษณาของรัสเซียสมัยรัฐบาลวลาดิมีร์ ปูตินในแง่ของวิวัฒนาการของการโฆษณาในรัสเซียและการเมืองว่ายังคงมีอิทธิพลต่อธุรกิจโฆษณาอย่างไร

ผลของการวิจัยพบว่าธุรกิจโฆษณาของรัสเซียในสมัยรัฐบาล วลาดิมีร์ ปูติน มีการเจริญเติบโตอย่างรวดเร็วและยังมีบทบาททางในฐานะที่เป็นสื่อเสรีในสังคมประชาธิปไตย อย่างไรก็ตาม รัฐบาลรัสเซียยังคงพยายามที่จะควบคุมธุรกิจโฆษณาโดยผ่านทางกฎหมายและเข้าครอบครองกิจการเพื่อผลประโยชน์ของนักการเมืองเอง

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This research has adopted a qualitative method. The objectives are 1) to study the structure of advertising in the Russian Federation, 2) to examine the emergence of Russian advertising, 3) to analyze how politics during Vladimir Putin's government has influenced advertising in the Russian Federation, 4) to study Russian advertising techniques in the Russian Federation, and 5) to assess the success of the advertising business in the Russian Federation.

This research has drawn on data from many sources, which are related to politics and advertising in Russia during the Vladimir Putin regime. Then it analyzes politics and advertising business in Russia during this time in terms of the emergence of advertising in Russia and how politics has still influenced advertising business.

The research results show that the advertising business in Russia during the Vladimir Putin regime is growing rapidly and also plays a critical role in a free flow of information in as in other democratic societies. However, the Russian government has attempted to control the advertising business by law and also by other types of control and domination to take advantage of this business.

Field of Study : RUSSIAN STUDIES..... Student's Signature.....

Academic Year : 2012..... Advisor's Signature.....

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CONTENTS

	Page
ABSTRACT (THAI).....	iv
ABSTRACT (ENGLISH).....	v
ACKNOWLEDGEMENTS.....	vi
CONTENTS.....	vii
LIST OF TABLES.....	ix
 CHAPTER	
I INTRODUCTION.....	1
Background and Rationale.....	1
Objectives.....	4
Hypothesis.....	5
Scope of Study.....	5
Conceptual Framework.....	5
Literature Review.....	6
Research Methodology.....	9
Significance of Study.....	10
Data Collection and Data Analysis.....	10
Plan for Research Activities.....	10
II RUSSIAN ADVERTISING.....	12
The Meaning of Russian Advertising.....	12
The Emergence Russian Advertising.....	14
The Growth of Russian Advertising Market.....	16
III POLITICS IN RUSSIAN ADVERTISING.....	22
Russian Politics during Vladimir Putin Regime.....	22

	Page
Russian Advertising during Vladimir Putin Regime.....	24
Politics and Advertising in Russia.....	27
IV CONCLUSION.....	34
REFERENCES.....	37
BIOGRAPHY.....	40

LIST OF TABLES

	Page
TABLE No. 1 Advertising Volumes in Russian Media, 2002-2005.....	18
TABLE No. 2 Relationship between Political Parties and PR companies and Sponsors	29

CHAPTER I

INTRODUCTION

Background and Rationale

Advertising is a significant communication tool in marketing. It is used to persuade an audience to take some products, ideas and services. Many advertising campaigns are presented on a daily basis through various mass media.

In the Soviet era, most of the media people were educated and inducted into the journalism system of the state. The leaders attempted to educate the public about communist values and to encourage their support for the regime itself. They all were controlled through the censorship and direction from party officials. The media were called propaganda tools of the party authorities in the Soviet Union because they had the largest circulations in the world of newspapers. In 1980, the party daily *Pravda* (Truth) had a circulation of nearly 11 million while another important central newspaper called *Izvestiya* (News) had a circulation of 7 million.¹ However, the Soviet people, especially adults, enjoyed reading print media and sought useful information from even banal statements by officials. A survey in Leningrad (now St Petersburg) in the early 1970s found that 75 percent of those surveyed read a newspaper everyday and a further 19 percent did so three to four times a week, suggesting that virtually every adult in the city was a regular newspaper reader (Firsov and MuZdybaev 1975)². Thus the media always mirrored the policy of the state especially during the Joseph Stalin era. That is why advertising business at this time did not make any progress and was out of date when compared with those in the European countries. But in the time of Nikita Khrushchev, there was a period of

¹ Oates, S., White, S., Gitelman, Z., and Sakwa, R., Media and Political Communication, in *Social Policy in Post-Soviet Russia*, pp.116. New York: Palgrave macmillan, 2005

² Ibid.

‘thaw’ that saw the publication of some dissident writers. This shows that this was a period of relative openness.

When the new policy, Glasnost and Perestroika, was launched by Mikhail Gorbachev, there was discussion of the deficiency of the communist system in the mass media but there was no plan for the promotion of freedom of the press and there remained attempts to keep control of all the mass media. Therefore, the Soviet citizens suspected this openness in the media system. This policy became an unstoppable process that moved from slight openness on a narrow range of topics to full freedom of speech within the course of a few years.³ Concerning advertising in the early Glasnost and Perestroika period, entrepreneurs were not concerned about marketing impacts or the quality of their advertising. They adopted just simple advertising because they had no more experience and no real selling skills. It became fashionable to set up a marketing department, to hire marketing and MBA graduates. Many organizations began to seek marketing advice from Russian and/or Western consultancies⁴.

Although the media outlets struggled with a chaotic economy, Russians still had their habit of heavy media consumption from the Soviet era. A 2001 survey commissioned by the University Glasgow found that about 80 percent of Russians tuned to television seven days a week and almost 70 percent of them watched for at least two hours a day on weekdays and even more on their day off. In addition, 57 percent of them picked up a local paper several times a week and 36 percent of them read a national newspaper at the same rate. In addition, more than 80 percent of Russians tuned to radio daily. It should be noted, however, that radio contents have become progressively less political since Putin’s first election in 2000 and the two major radio networks are owned by the state.⁵ In 2005 the advertising market was worth around £2.7 billion, but attitudes to impartial political reporting are not progressing as quickly. Svetlana Shupe, chief executive of Zentth Optimedia said,

³ Ibid. pp. 118.

⁴ Repiev, A., **A glimpse of Russia's advertising and marketing**, [online], 10 August 2011. Available from www.repiev.ru/articles/glimps_en.htm

⁵ Ibid. pp. 120-121.

“The distribution system for goods is not developed, and press distribution is like the distribution of all other goods”⁶

In 2006 the media industry in Russia was booming, which was the effect of substantial growth in the Russian advertising market in 2001. Going well beyond the forecast 26% increase in 2004, it reached 4 billion dollars that year. Advertising continued to increase at the rate of 33% in the first three quarters of 2005. There have been two remarkable trends:

1. Television has firmly established itself as the leader in advertising, and the gap with other types of media has noticeably increased.
2. Internet advertising has become increasingly popular, despite the fact that it generated a mere 30 million dollars in 2004. Internet advertising grew by 67% in 2004, and by 65% in the first three quarters of 2005.⁷

According to Joseph Ghossoub, President of the International Advertising Association, “The advertising business in Russia is growing at a rate of 30% per year, which will bring more creative and business-minded people here. Great things are expected for Russia. That's why everybody from around the world is here.” There is still a lot of change ahead for the industry, but with more and more young people being eager to create and promote goods, and more demand for their services, the future of Russian advertising looks positive.⁸ Though the Russian advertising businesses are booming in this time, they are also under the state power. From the time of the Soviet Union to the present, Russian advertising business has always been controlled by the state. An independent media would have been a very valuable asset for the development of civil society in Russia. The lack of an independent media, particularly television, makes it even more difficult than it would otherwise have been

⁶ Esposito, M., THE MEDIA AND THE MOB. *Campaign*, (7 July 2006): 29.

⁷ RUSSIA: Media boom brings no editorial independence. *Oxford Analytica Daily Brief Service*, (16 January 2006): 1.

⁸ **Russia stages global advertising forum**, [online]. 10 August 2007. Available from <http://rt.com/news/russia-stages-global-advertising-forum>.

for citizens to remain informed and engaged in a democratic process.⁹

The investment in the advertising business in Russia today is on a higher level than in the past. According to estimates by **VTB Capital**, the investment specialist, the media industry in this European nation was worth 204.2 billion rubles (\$6.9 bn; €5.1 bn; or £4.6 bn) in 2009.¹⁰ During the Soviet era, the advertising business was under the control of the state, which was a socialist regime. Therefore, the advertising business was not free to expand its business, and the business did not make any progress, as they should have done when compared to other countries in Europe. Alexander Repiev, Associate Professor of Moscow Humanitarian University of Higher Commercial School (MBA), Moscow, said, “In 1966, when I began freelancing there as an English-language copywriter, there was no literature on advertising, no courses, no contacts with Western advertising communities, no nothing. Those were the days of the Iron Curtain”¹¹. After the transition of the economic system to capitalism especially during the Vladimir Putin regime, all business sectors were growing and also advertising media marketing.

Objectives

1. To study the structure of Russian advertising media in Russian Federation.
2. To examine the emergence of Russian advertising.
3. To analyze how politics during Vladimir Putin influences advertising in Russian Federation.
4. To study Russian advertising techniques in the Russian Federation.
5. To assess the success of the advertising business in the Russian Federation.

⁹ Oates, S., *Media and Political Communication*, pp.129.

¹⁰ Staff, W. **Russian advertising market set for growth** [Online]. 11 September 2010. Available from <http://www.warc.com/LatestNews/News/ArchiveNews.news?ID=26448>.

¹¹ Repiev, A., **A glimpse of Russia's advertising and marketing** [Online]. 10 August 2007. Available from http://www.repiev.ru/articles/glimps_en.htm

Hypothesis

The transition of the Russian economy is a significant factor that has improved the Russian advertising business, such that the latter has become a booming business nowadays. However, the Russian advertising business is still not free because of political interference.

Scope of Study

The scope of this research is to study Russian advertising business in terms of how, and to what extent, politics from the period of the Vladimir Putin regime has influenced this business.

Conceptual Framework

1. Theories of the Press

Many theories of the press exist today. However, in studying the advertising business in the Russian Federation, this research has focused upon only two theories, namely:

Authoritarian Theory: According to this theory, mass media, though not under the direct control of the State, has to follow its bidding.

Soviet Media/Communist Theory: Lenin thought of private ownership as being incompatible with freedom of the press, proposing that modern technological means of information must be controlled rather than allowed to enjoy effective freedom of press.

2. The Political Business Circles

Political business cycles are cycles in macroeconomic variables output, unemployment, and inflation that induced by the electoral cycle.¹² Political

¹² Drazen, A., **political business cycles** [online], Available from http://econweb.umd.edu/~drazen/working_papers/palgrave_pbusinesscycle.pdf

cycles in fiscal policy variables, termed 'political budget cycles', are treated in a separate article. There are two basic types of models. 'Opportunistic' political business cycles are expansions in economic activity induced by an opportunistic incumbent before an election meant to increase his chances of re-election. 'Partisan' political business cycles are fluctuations in macroeconomic variables over or between electoral cycles resulting from leaders having different.

Literature Review

To understand the general structure and features of advertising in Russia, I have explored many sources I can access. Then I classify the significant sources into various categories to be used for analysis in each chapter.

Social Policy in Post-Soviet Russia

Edited by Stephen White, Zvi Gitelman and Richard Sakwa, **Social Policy in Post-Soviet Russia** discusses the mass media of Russia in both Soviet and Russian Federation era. I have used the article on the media and political communication as a source of information to analyze Russian mass media and public opinion during the glasnost era. This section focuses on television and its news coverage as a critical part of the political process. What emerges from the study of Soviet and Russian journalism is the notion that the media have never managed to establish independence from the state and, as the regime becomes less free, the media are forced to follow its dictate. While it would appear that the media became freer during the glasnost era in Soviet times and in the early days of the Russian state, in fact the media have never switched their role from being champion of political cause of the Soviet era to serving as a watchdog in service of the public in Russia.

Western concepts, Russian perspectives: Meanings of advertising in the former Soviet Union.

This article is in the *Journal of Advertising*, written by Ludmilla Gricenko Wells. The article mentioned the western concepts in Russian perspectives about

meanings of advertising in the former Soviet Union. Western advertising professionals base their interpretations of advertising in the former Soviet Union on a Western model of advertising and neglect Russian perspectives on advertising. Symbolic interactionism suggests that things have different meanings for different people at different times. A study discusses the influence of Russian culture on advertising in the former Soviet Union and the problem of imposing Western concepts. A month-long research was conducted in Moscow, Russia, in May 1991. Interviews with government officials, business and advertising industry professionals, academicians, and students were audiotaped. Findings suggest that advertising in the former Soviet Union was an interaction between social and economic realities and not just a means of uncovering a new marketplace. I have used the issue from this article to illustrate the different of meanings of advertising between the world of capitalism and communism.

The media and the mob

“The media and the mob” is an article from *Campaign Newspaper*, written by Maria Esposito. The News mentioned that if a magazine or newspaper is linked to political, strategic or economic issues, then Russia is an ideologically difficult place to live in. Russia leaves a lot of freedom for consumer content but their group does not have any daily newspapers. It would not be possible to have a strong editorial product, because you would not be able to report on everything. The biggest problems for new entrants to the *Russian* media market are largely self-inflicted. The ad market, which was worth around £2.7 billion last year, may be playing catch-up, but attitudes to impartial political reporting are not progressing quickly. As a result of this factor I can pick this issue to analyze the structure of Russian advertising business, which is linked to politics in the period of Federation.

RUSSIA: Media business faces advances and setbacks.

This is a report from *Oxford Analytics Daily Brief Service*, which was written in June 2003. The report provides information about the media's downgrading to 'not

free' in the Freedom House annual survey. The regular Freedom House survey is widely used by governments, academics and the media across the world. However, its methodology, while taking economic considerations into account, neglects the media's structural problems. I have used this information to explain the features of advertising business in Russia.

Advertising in Post-Soviet Russia: New Trends.

“Advertising in Post-Soviet Russia: New Trends” is a paper of Dr. Marianna Seferova, Faculty of Journalism, Moscow State University. This paper discusses the advertising volumes in Russian media during 2002-2005, and the conclusions are:

- The advertising revenues are growing from year to year.
- The structure of advertising media market is improving.
- Advertising in Russia is being integrated into the world’s advertising market.
- The present Russian advertising is very positive for the further development of the ad market.
- The new Federal Advertising Law has imposed more restrictions on the Russian advertising practice but, on the other hand, it promotes the development of many segments of the advertising market.

I have used this section to analyze the structure and the features of Russian advertising business.

The SAGE Handbook of Political Advertising

This book was written by Lynda Lee Kaid and Christina Holtz-Bacha. The book includes substantial information on the state of political advertising in developing democratic countries in Eastern Europe, Asia, and Africa. It is useful as a basic reference for background information on political advertising in various countries. There is the information on Russia in chapter V entitled “A Spiral of Post-Soviet Cynicism: The first Decade of Political Advertising in Russia”. I have used information in this chapter to analyze the evolution of Russian advertising business and the features of advertising business in Russia.

Understanding the political realities of the mass media in the post-communist context: Poland, Russia and China

This article, which is based on a paper first delivered at XXIX Congresso Brasileiro de Ciências da Comunicação in Brasília in September 2006, offers an alternative to the dominant theory of transition, which was developed partly in relation to the Latin American experience, and in particular to that of Brazil. In its place, the article resumes the theory of elite continuity developed to explain changes in the central European post-communist countries in the 1990s. The article tests whether this approach can (a) be extended in time to explain the political realities of the mass media after a decade of social change and (b) whether it can be extended in space to explain the political realities of the mass media in other societies in which the nature of transition has been different. While we can in the Polish case make an argument for a relatively successful transition to democracy, Russia is often seen to have regressed from the immediate post-communist period towards a more authoritarian order, and China, which has experienced rapid and successful marketization, remains a communist dictatorship. The article examines the relationship of the mass media to political life in these three countries and finds a surprising number of similarities. The theory of elite continuity, for which there is now more substantial empirical evidence, explains these processes much better than do available alternatives. In one important respect, the theory that was developed to explain the central European cases requires modification, with a stress upon the necessity of a political revolution to form the hold of the Communist Party, since the Chinese experience demonstrates that it is possible for the elite to recompose itself without any substantial political transformation.

These are only some of the significant sources that I have studied and relied on for the research for my thesis.

Research Methodology

This study on “Politics and Russian Advertising Business” is a qualitative

research that attempts to accumulate existing information and data regarding Russian advertising and politics. I have relied on documentary research for the analysis of how the transition from the Soviet Union to the Russian Federation has been responsible for the boom in Russian advertising business today.

The study began with an in-depth review of literature on Russian advertising business, mass media in Russia and general advertising industry. As I have access to both Russian and international resources, archival documents and materials such as dissertations, books, journals, news, reports and Internet articles have been used for my study. In short, primary as well as secondary sources have been made use of in this research.

Significance of Study

Important changes are occurring in a society in transition like present-day Russia. Advertising business is a sector that has been undergoing important transformation. Changes in this sector reflect and influence the overall transformation of Russian society today especially its politics. Understanding of this sector in Russia today will contribute to our understanding of the process of change in other countries undergoing democratization in Europe as well as other parts of the world.

Data Collection and Data Analysis

Primarily, the researcher started with collecting data about Russian advertising from books, websites, articles and journals. Thereafter, she read and analyzed data to understand all of them and wrote the thesis by separating them into several topics.

Plan for Research Activities

Length of time Research Activities	2011			2012								
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	
Data Collection process	—————											
Literature Review	—————											
Thesis and analysis writing							—————					

CHAPTER II

RUSSIAN ADVERTISING

The Meaning of Russian Advertising

Advertising is a significant tool in marketing. It is used to persuade an audience to take some products, services and ideas. Many advertising campaigns are presented on a daily basis through various mass media such as television, radio, Internet, billboards, and the press. The main objective is to sell something (products, services or ideas)¹. Its objectives or functions are to create effective communication between producers and customers, in that it drives costumers' behavior with respect to commercial offering, although political and ideological advertising is also common.² The advertising is a link between the producer and the consumer. There are two types of advertising, insofar as its purpose is concerned, namely, commercial advertising and political advertising. Commercial advertising is used to promote the distribution of goods and services. On the other hand, political advertising is a tool that authorities use to persuade the public to take some ideas and to inform the public about politics.

In Russia, during the Soviet Union, advertising was quite an unnecessary tool in marketing because in the socialist market there was no need to promote goods and services. Therefore, Soviet advertising was a tool to inform and educate in a persuasive manner.³ During the time of Glasnost and Perestroika, there was a new vision of socialism. The concept of perestroika was the process of reformation. It redefined the role of Soviet mass communication and indirectly the role and function of advertising. Glasnost was more of a means, by which society informed itself about

¹ Puranik, A., **Meaning, Definition, Objective and Function of Advertising** [online]. Available from <http://www.publishyourarticles.net/knowledge-hub/business-studies/advertising.html>

² **Advertising**[online] Available from <http://en.wikipedia.org/wiki/Advertising>

³ Wells, L. G., "The Emergence of Advertising in Russia," in International Advertising: Reality and Myths, Jones, J. P. (USA: Sage Publications, Inc), p. 184.

the government's activities through mass media, and oral as well as visual presentations.⁴

Perestroika and Glasnost were symbols of economic reform and information propagation.⁵ Moreover, propaganda⁶ is a form of communication that is aimed at influencing the attitude of a community toward some causes or positions by mainly presenting only one side of an argument. Propaganda is usually repeated and dispersed over a wide variety of media in order to create the chosen result in audience attitudes. As opposed to providing information, propaganda, in its most basic sense, presents information primarily to influence an audience. Propaganda often presents facts selectively to encourage a particular synthesis, or uses loaded messages to produce an emotional rather than rational response to the information presented. The desired result is a change of the attitude toward the subject in the target audience to further a political, religious or commercial agenda. Propaganda can thus be used as a form of ideological or commercial warfare.

While the term propaganda has acquired a strongly negative meaning by association with its most manipulative and hostile goals, propaganda in its original logic was impartial, and could refer to uses that were generally kind or harmless, such as public health recommendations, signs encouraging citizens to participate in a survey or election, or messages encouraging persons to report crimes to law enforcement authorities, among others.

In addition, the propaganda in the perception of the Soviet Union had a special word called "agitprop" ("агитпроп"). It was derived from agitation and propaganda and originated in the Russian SFSR (The Russian Soviet Federative Socialist Republic).⁷ In one sense, agitprop was a tool to distribute ideas of communism. On the other hand, propaganda meant a distribution of any kind of valuable knowledge. Agitation meant some methods to urge people to do what Soviet leaders expected

⁴ Ibid p. 182.

⁵ Ibid

⁶ **Propaganda** [online] Available from http://en.wikipedia.org/wiki/Propaganda#Russian_revolution

⁷ **Agitprop** [online] Available from <http://en.wikipedia.org/wiki/Agitprop>

them to do. Another dimension of state propaganda was that the Bolsheviks actively used transportation such as trains, aircraft and others for this purpose.⁸

The Emergence of Russian Advertising

A long time ago before the era of Christ, the oldest form of advertising was believed to be the crier in the street of merchant. The advertising was developed along with selling goods and the talk between merchant and customer.⁹ Later on it was handbill, paint on the wall and wall poster, which are believed to be originated by a smart Egyptian trader using a papyrus to create the early stage of wall posters. The evidence of the Greeks and Romans who wanted to persuade their customer in order to generate more sales was also found in the ruins of Pompeii. Then the merchant would use the sign with the image associated with their trade, when the town became bigger, and most of the people were unable to read.¹⁰ Advertising moved forward, in the second half 14th, the printing and movable advertisement press was invented by Johannes Gutenberg¹¹ who was a German goldsmith. Then in 1586, a French doctor, Théophraste Renaudot, invented a notice board for job seeker. It soon became popular as a means of distributing information for offering and seeking job and public announcement.¹² By the 17th century, when printing was improved and newspaper was common among people, advertising was appearing in a weekly newspaper in England, even through it was only a book's promotion.

The advertising continues to appear on the printing and newspaper until 19th century when it started to become more creative. Brand names became famous for

⁸ Ibid

⁹ Tungate, M., Adland: A Global History of Advertising (London: Kogan Page, 2007), pp.10-11.

¹⁰ Tej k.,B., Advertising in Rural India: Language, Marketing Communication, and Consumerism (Tokyo: Tokyo Press, 2000), pp. 62-68.

¹¹ History and Origins of Advertising, **The Beginning Era: Advertising as a Product of Religion, Nobility, and the Arts (1400s -- 1700s)** [online], 25 September 2007. Available from <http://historyofadvertising.blogspot.com/2007/09/beginning-era-advertising-as-product-of.html>

¹² Tungate, M., Adland: A Global History of Advertising, pp. 10-11.

patent medicine craze in Victorian period,¹³ salesman started to use logo and brand name to represent their products from mass-production at the beginning of industrial revolution. As the economy further developed during 19th century, advertising also grew along with it. In the 19th century new technologies were developed and brand-new methods invented. As a result, a surplus of production was formed. Warehouses of many factories were set up. In this way it was necessary to create useful advertisements, which would cover all large spaces, utilizing a large variety of mass media sources. The first advertising agent who created such a network was Volney Palmer. In 1841 he proclaimed himself an advertising agent in Philadelphia and then created similar offices in Boston and New York. About 20% of the commissions for media brokers were paid to the publishers. The head of the company or its representative offered texts of advertising. People who wanted to put their advertising in the newspaper paid him a commission. Such activities became very popular during the second part of 19th century in all European countries.

American brokers made significant advances in advertising development. In the early 1850's, John Wanamaker caused a revolution in the retail trade. He created a price lists for a variety of goods and returned the money if the commodity was not of the promised quality. As a result, he gained a lot of profits by using this strategy and he then opened a network of consumer goods shops. The reason of such great success was professional advertising.

Advertising became big business in the 20th century¹⁴, offering many different jobs in advertising agencies and the marketing section. The use of the media, like newspapers, television, direct mail, radio, magazines, outdoor signs and of course the Internet made this growth possible. It is a form of transporting information to the consumer. There are both positive and negative effects advertising. There are many critical aspects about it, like persuading people to doing unhealthy things, like smoking, or producing special stereotypes for other people to follow. Nevertheless,

¹³ **The History of Advertising** [online]. Available from <http://visual.ly/history-advertising>

¹⁴ **The History of Advertising** [online] Available from http://www.rzuser.uni-heidelberg.de/~el6/presentations/pres_c2_hoa/

advertising has become international, since producers and companies try to sell their products on a globalized market in almost every corner of the world.

The development of advertising has followed the same pattern in Russia. Advertising started with crying out on the street. Then there appeared the sources of semiotic in ancient Russia, the evidence of advertising that came from the Age of Tsar. They used stamps for all posted documents to inform citizens about the news. Later in the 17th century cartoon characters were popular for advertising; and then in 18th century painting and hand writing sign and press developed.¹⁵ In 1914 Russian industrialists and merchants were a good match to their foreign counterparts. And the Russian advertising of the day was impartially advanced. After the Bolshevik revolution there was a temporary revival of market economy in the 1920s. The only advertising agency in those days was Vneshtorgreklama (a Russian reduction for “foreign trade advertising”), an awkward and amateurish institution under the Ministry of Foreign Trade, which produced advertising in foreign languages for the collection of foreign-trade organizations.

The Growth of Russian Advertising Market

The Russian advertising market has grown dramatically in the past five years. It has gone well beyond the forecast 26% increase in 2004 by reaching 4 billion dollars in that year. Advertising continued to increase at the rate of 33% in the first three quarters of 2005. There have been two remarkable trends; that is, television has firmly established itself as the leader in advertising, and the gap with other types of media has noticeably increased. Internet advertising has become increasingly popular, despite the fact that it generated a mere 30 million dollars in 2004. Internet

¹⁵ Старых, Н. В., “Реклама В России: от Средневековья к Новому времени,” В ИСТОРИЯ РЕКЛАМЫ (Москва: Юнити-Дана, 2008), С. 146-182.

advertising grew by 67% in 2004, and by 65% in the first three quarters of 2005.¹⁶

Marketing in Russia is mostly a qualitative rather than quantitative exercise. Emphasis is necessarily on marketing as a craft, experience and intuition often being more productive than formal quantitative methods.

In Western markets, firms are used as well-defined ready-made distribution channels. In Russia, they are just taking shape in some industries. Western firms seeking to establish their existence in Russia are well advised to cultivate personal relations with agents, to proceed incrementally, and to retain a fallback position should a relationship become sour. Experience has shown that perhaps the highest risk strategy is to visit Russia once or twice, select an agent, grant him or her exclusive representation, and then move quickly to consignment or credit sales without establishing a consistent track record first. Russian agents can help a foreign supplier by placing his/her products on store shelves, and handling customs, transportation matters and other operations. It is only rare that they can be entrusted with sophisticated marketing and advertising projects.

During the last 10 years, Russia has demonstrated stable and mostly positive growth rates. Many Russian industries have recovered from the 2008 crisis faster than the global average, and in 2010, the Russian media sector outperformed even positive growth predictions. It is expected that this impressive growth will continue and will lead to a rise in the importance of the Russian market within the global media industry. Below I have outlined key trends in the Russian media sector to illustrate a vision of prospects for this dynamic market.

Advertising market in Russia is relatively undeveloped but in spite of that it has made some impressive progress and acquired some global and national features. Lately, the experts have predicted growth of the purchasing capacity in Russia and the competitive activity on the consumer market, thus letting the Russian advertising industry to become competitive in the worldwide advertising market. The advertising

¹⁶ Marianna Seferova, **Advertising in Post-Soviet Russia: New Trends** [online], Available from http://www.humanities.manchester.ac.uk/medialibrary/llc/files/russian-media-conf/seferova_marianna.doc

market volume \$3,85 billion in 2004 and about \$4,65 billion in 2005 lets Russia take the first place in the Eastern Europe, outperforming Poland as the ad leader for many years and take its place in the top ten economies in Europe, trailing only after Germany, Great Britain, France, Italy, Spain and the Netherlands. Russian advertising market today is among the 15 largest advertising markets in the world,¹⁷ whose structure has been improving. This has been shown in two ways:

1) In 1990s more than 90% of ad budget had been spent in Moscow, but in the 2000's about 30% of the media ad budget were spent for the regional advertising. The largest regional center is Saint Petersburg. Its ad market has a volume of more than US\$200 million. Yekaterinburg, Novosibirsk, Samara, Krasnoyarsk etc. are keeping up.

2) With regard to the structure of the highly publicized goods, the Russian advertising market has adapted better to the world advertising industry. Eight of the 10 most popular types of goods in Russian advertising market (among them: Soft drinks and beer, hygiene, food, confectionery, household chemical goods, communication services, sales promotion, popular actions, pharmacological products and food supplements, camouflaged advertising) coincide with TOP 10 most popular on foreign ad markets. (For example: in USA, Japan and some European countries TOP 10 also consisted with cars and finances and insurance). In the nearest future, experts look for these two categories of goods and service as well as probably social advertising, which are popular enough in Russia to take place in the Russian Top 10.

In consequence of introduction of up-to-date technologies (technical base of mass media, production and creating methods, media planning technologies etc.), the quality of the Russian advertising market is also steadily improving. Russia became a combination in the world advertising market. There are lots of foreign and international brands (like Procter & Gamble, L'Oreal, Samsung Electronics, Nestle,

¹⁷ Marianna Seferova, **Advertising in Post-Soviet Russia: New Trends** [online], Available from http://www.humanities.manchester.ac.uk/medialibrary/llc/files/russian-media-conf/seferova_marianna.doc

LG, Henkel, Philip Morris etc.) being engaged in the modern post-Soviet Advertising market. The annual advertising budget of each of them is about US\$25 million.¹⁸

Almost every popular international advertising holding is present in the modern Russian market. Close to 70% of the advertising budget on the national television comes from the international network of media agencies such as Starcom MediaVest, Initiative, Media Direction, Universal Media and Optimum Media etc. Top six publishing houses in Russia, specializing in magazines, include four foreign publishing houses like: Independent Media, Burda, Hachette Filipacchi Presse, Conde Nast. Each of them brings more than US\$25 million of ad budget every year.

Table No. 1 ADVERTISING VOLUMES in RUSSIAN MEDIA, 2002-2005¹⁹

Media		\$ Million				Share, %			
		2002	2003	2004	2005	2002	2003	2004	2005
Television		920	1240	1700	2120	41.6	42.9	44.1	45.6
Radio		115	155	200	237	5.2	5.4	5.2	5.1
Press	Newspapers	165	195	250	288	7.5	6.7	6.5	6.2
	Magazines	260	350	470	558	11.8	12.1	12.2	12
	Special advertising	330	390	480	539	14.9	13.5	12.5	11.7

¹⁸ Marianna Seferova, Advertising in Post-Soviet Russia: New Trends

¹⁹ Ibid

	newspapers								
Outdoors		400	530	710	857	18.1	18.3	18.4	18.4
Internet		11	18	30	51	0.5	0.6	1.0	1.1
TOTAL		2 210	2 890	3 855	4 650	100	100	100	100

Television has the largest share of the advertising budget with 45.6%. On average, Russians watch TV about 3-5 hours daily. That television is the most popular and accessible media in Post-Soviet Russia is explicable in terms of several factors, especially the geographical location of the country and the press distribution system. Six largest national channels (First, Russia, NTV, STS, RenTV and TNT) combined share about 80% of the advertising budgets. The volume of radio broadcasting advertising is a little bit more than 5% of the total volume of Russian advertising. Press has a second-rate share in the Russian advertising market. Advertising in press is about 30% (12% of which are magazine's ads with an almost equal share – 11.6 % - with the advertising in special advertising newspapers). Though Russians do not read newspapers as much as, for example, the Japanese (the nation most fond of reading) and about 21% of Russians do not read newspapers at all, a lot of young Russians today mostly prefer to get news from the Internet. So the online versions of newspapers get the part of audience of print newspapers. That is the global trend, which could be explained by the growing popularity of the Internet as the efficient and interactive media. Anyway, RuNet (Russian Internet) is not enough accessible yet to be used as a mass communication system. Online newspapers take only about 2% of revenue from the printing ads. The volume of advertising on Internet shows intensive growth from year to year. During 2005 its volume increased to 1.1% in the total volume of Russian advertising (the Internet ads' share is about 4-5% the total volume of world ads). Today only 11% of the population in Russia (about 16 million

of people) has access to the Internet (for comparison: on average there is about 40-60% of population have access to Internet in Europe, about 64% in the USA, about 61% - in Japan, about 8,5% - in China = 111 million of people). In spite of that the forecasts mention that advertising on the Internet in Russia is going to increase for about 70% from year to year and in 2010 its share was already expected to reach more than 5% the total volume of advertising.

A further increase in the volume of television advertising is nearly impossible. The main federal channels such as First Channel, Rossiya, STS, NTV, Ren-TV and TNT that together control almost all of the Russian advertising market have reached the limits of their airtime that can be allocated to advertising. The average on these channels during prime time hovers around 20%. Media sellers are planning drastic increases in prices in 2006, which are likely to be accepted by advertisers.

CHAPTER III

POLITICS IN RUSSIAN ADVERTISING

Russian Politics during Vladimir Putin Regime

The politics of the Russian Federation takes place on the basis of a federal semi-presidential republic. According to the Constitution of Russia, the President of Russia is head of state. Russia now has a multi-party system with the executive power being exercised by the government, headed by the Prime Minister, who is appointed by the President with the parliament's approval. Legislative power is vested in the two houses of the Federal Assembly of the Russian Federation, while the President and the Government Issue various decrees legally required by laws.

Since acquirement its independence with the collapse of the Soviet Union at the end of 1991, Russia has faced serious problems in experimenting with democratic government modeled that of the western world after nearly seventy-five years of Soviet rule. An example of such problems is that leading figures in the legislative and executive branches have put forth opposing views of Russia's political direction and the governmental instruments that should accordingly be used. That conflict reached a climax in September and October 1993, when President Boris Yeltsin used military force to dissolve the parliament and called for new legislative elections (Russian constitutional crisis of 1993). This event marked the end of Russia's first constitutional period, which was characterized by the much-amended constitution adopted by the Supreme Soviet of the Russian Soviet Federative Socialist Republic in 1978. A new constitution, creating a strong presidency, was approved by referendum in December 1993.¹

With a new constitution and a new parliament representing diverse parties and

¹**Politics of Russiaa** [online] Available from http://en.wikipedia.org/wiki/Politics_of_Russia

factions, Russia's political structure subsequently showed signs of stabilization. As the transition period extended into the mid 1990s, the power of the national government continued to decline as Russia's regions gained political and economic concessions from Moscow. Although the struggle between executive and legislative branches was partially resolved by the new constitution, the two branches continued to represent fundamentally opposing visions of Russia's future. Most of the time, the executive was the center of reform, and the lower house of the parliament, State Duma, was a bastion of anti-reform communists and nationalists.

When Vladimir Putin was elected president in 2000, he declared his intention to reinforce Russia's standing in the world and increase the state's power, while continuing to move toward a market economy. His authoritarian and reformist intentions have raised questions, and his long awaited government reform has turned out to be little more than a Cabinet shuffle. One of Putin's first acts was the restoration of Soviet national anthem with different words. His rule has nevertheless brought some political stability to Russia, but new anti-terrorist laws and measures to control the media raise fears of growing authoritarianism. Communists, splintered among several parties, have attempted to reorganize to provide stronger opposition. Putin has strengthened his cooperation with the United States but stood firm with France and Germany in opposing the US invasion of Iraq. He won re-election in 2004 and 2008. After the election in 2008 Unity party won 313 seats in December election to Duma. Dmitry Medvedev became Putin's successor in the position of the president and Putin took a place of prime minister at that time. In 2012, Putin won the 2012 Russian presidential election again even though anti-Putin protests did occur after the presidential campaign.²

In this new regime and new market system of the Russian Federation the advertising business has come to play a critical role in Russia; the business is booming and the growth rate is increasing year to year. This is related to politics-

² **Vladimir Putin [online]**, Available from http://en.wikipedia.org/wiki/Vladimir_Putin

oriented business circles,³ which can be explained by a theory concerning the politics and business. This shows that politics is always related to business. On the other hand, the business has usually received advantages from politics as well. Actually each has always supported and taken advantage of each other.

Russian Advertising during Vladimir Putin regime

Particularly, the advertising business during the democratic transition in Vladimir Putin's time was not quite stable. It was under the control of the government and was closely monitored. The government claimed that it was to protect people from terrorists. The committee to protect journalists was worried about the freedom of journalists, which quickly declined under Putin's government. Especially when the government did not pay attention to finding the culprits for journalist murders cases. In addition, the government has introduced new rules to control and punish the journalists. One of situations that is of utmost concern to the committee to Protect Journalist involves the control of Russia government over the advertising. A case in point is that of the prosecution Vladimir Rakhmankov, editor-in-chief of the independent news Web site Kursiv, who satirized President Vladimir Putin's campaign to boost the birth rate, for criminal insult. According to the report, the local prosecutors brought up the case without involving Putin's representatives.⁴

In the meantime, Putin has faced many problems from media during the transition period from communism to the democratic system. Many media have been influenced by Western countries. As the result, the government has taken additional control over and interfered more with the media and advertising. The government claimed that since it was in the transition period the power of the Putin government was not strong enough to allow media to speak freely like other media in democratic countries; with the current situation it could destroy the country's image.

³ Treisman, D., Gimpelson, V., Political Business Circles and Russian Elections, or the Manipulation of "Chudar." February 1999.

⁴ Committee to Protect Journalist, **RUSSIA: Journalist on trial for satirizing Putin**, 21 September 2006. Available from <https://www.cpj.org/news/2006/europe/russia21sept06na.html>

President Vladimir Putin said that control and interfere are needed over media and advertising since this will build up confidence and trust from foreigner countries and finally lead investors to come to invest in Russia.⁵ This will improve Russia's economy according to the target that will bring Russia back to be a powerful country.

The Putin Government can separate the interference into 2 types, namely, control and interfere in media. These are the methods by which the Putin government control and interfere with the media. One of the most worrying movements is the association of state control over all major federal television channels, by which live broadcasting has almost disappeared; and when this is allowed, it has to be approved in advance, often at the highest level. And all programs criticizing state policies have been shut down and freedom of news broadcasting has been severely circumscribed.

The estimates indicate that there are around 1,500 TV and radio stations currently broadcasting in Russia and roughly half of them are not owned by the state directly but indirectly. However, in the majority of cases, this does not mean that they pursue independent editorial policies. The process of seizing assets in the broadcasting media from businessmen considered disloyal to the Kremlin was completed in 2005 (RUSSIA: Law applied selectively to curb opposition - November 3, 2003).⁶ Currently, the elite groups loyal to President Vladimir Putin control all federal media assets. In television, in particular, major shareholders and managers of large media assets who have demonstrated loyalty to the Putin regime are appointed by the state and have links with the power structures. Foreign media ownership is only possible when authorized by the government.

The ownership change has resulted in editorial policy change. Foreign representatives have taken no action against these developments which have undermined hopes in the Russian media community about possible positive effects of foreign capital on promoting editorial independence. It is now clear that foreign investors are welcome to invest in the Russian media only if they agree to avoid

⁵ Ibid

⁶ "Recent trends in the Russian media," Oxford Analytica Daily Brief Service (16 Jan 2006): 1

political issues. Furthermore, a government funded English language channel name Russia Today started its broadcasting in December 2005. It is tasked with promoting and improving Russia's image in the West. The channel works in cooperation with state news agency "RIA-Novosti" and is supervised by Putin's press secretary Aleksei Gromov and presidential adviser Mikhail Lesin. And also the military and the Orthodox Church have emerged as important actors in the media business. A new joint-stock patriotic channel, "Zvezda" (Star), was launched. With open support from the Federal Licensing Commission as well as regional political and business elites, the channel has been rapidly expanding. TV channel "Spas" (Saviour) has also had a well-financed promotion campaign since its launch in July 2005. Church representatives have made it clear that they intend to run the channel as a business, using investments from Orthodox entrepreneurs.

Media companies at the national and regional level have accepted the new type of media-state relations because entertainment formats are more profitable and safer in political terms. The main positive trends in the media have been rapid growth in the advertising market and increased network competition for audience including the introduction of new media technologies. The media industry as a whole has received a powerful improvement from the merger of TV and film businesses, which has led to the increase in domestic TV series production including the release of three motion pictures that is co-produced with television companies. The series fetched around US\$ 20 million. The expansion of television into motion picture production has given new motivation to Russia's film industry. TSN Gallup Media polls estimate that on an average week, Russia's top six national channels show films and light entertainment 44% of all television programs but 5% of television series (situation comedies, drama, and soap operas) and 13% of games and quiz shows. News and information programs account for only 8% of airtime (RUSSIA: Media business faces advances and setbacks - June 18, 2003)⁷. Major satellite and cable TV systems offer program packages that include over 60 domestic and international channels. New digital Stream TV, launched in May 2005, offers 100 satellite channels. This means that information not controlled by the state is becoming available, mainly through

⁷ "Recent trends in the Russian media," Oxford Analytica Daily Brief Service (16 Jan 2006): 1

international media. However, it may be limited only to a small number of wealthy citizens, as high subscription costs are likely to leave out the majority of Russian viewers.

Politics and Advertising in Russia

In regard to the relationship between politics and advertising of the Russian Federation, it is considered that since the start of the Russian Federation, Russia has had no real media freedom because it was controlled by the state much like in the communist era. Now it has only been replaced by a corrupt plural system.⁸ Although, politics has changed, its interference in the advertising business remains because of the good benefits from the media serving as a tool to sell, persuade and draw the attention of an audience to support the producer or sponsor.

Advertising is a significant tool for promoting commercial as well as political interests. Vladimir Putin has published articles in the Russian press on a number of occasions, in particular before and during his presidential campaign in 2012. Soon after the announcement that he would run for another term of the presidency on 24 September 2011, in his article called "New Integration Project for Eurasia – A Future That Is Being Born Today" (Новый интеграционный проект для Евразии – будущее, которое рождается сегодня), which published by Izvestiya on 3 October,⁹ he brought to the attention the idea of the Eurasian Union. These are Kazakhstan, Belarus and possibly other post-Soviet states. This publication was rapidly followed by the presidents of Belarus, Kazakhstan and Russia, who signed an agreement on 18 November 2011, which established the Eurasian Commission (modeled on the European Commission) from 1st January 2012 and set a target of establishing the Eurasian Union (modeled on the European Union) by 2015.¹⁰ In order to promote his election program, the 2012 presidential campaign, Putin published 7 articles in different Russian editions. In those articles, he presented his vision of the problems,

⁸ The Russian Media Fund, **Democracy in Russia Vis-à-vis The Russian Media** [online]. Available from www.russianmediamarket.com/russianmediafund/press.shtml

⁹ **Vladimir Putin** [online], Available from http://en.wikipedia.org/wiki/Vladimir_Putin

¹⁰ Ibid

which Russia had successfully solved in the last decade and the goals yet to be achieved. The topics of the articles were as follows: the general overview, the ethnicity issue, economic tasks, democracy and government efficiency, social policy, military, foreign policy.¹¹ Furthermore, State gas monopoly Gazprom increased its media assets, after it had acquired daily 'Izvestiya' and a number of radio stations.

In the Italian general election in 1994, Silvio Berlusconi won a large majority of the chamber by used his massive campaign of electoral advertisements on his three TV networks. He is a media tycoon and also the controlling shareholder of Mediaset (Gruppo Mediaset), which is an Italian centered mass media company. He subsequently won the elections with highest percentage of any single party.¹² This situation, which was called “Berlusconism”, influenced Russian businessmen and authorities to follow. The Russian businessmen and authorities have attempted to dominate the media and advertising business. At the same time they built it by themselves in case of too late to buy.¹³

The authorities are keen to seize mass media because of its significance in providing them with success. The businessmen and authorities themselves hope to be successful by used image building. Russian Politicians and businessmen who support politicians can use the media to achieve their purposes as following:

1. To expansion network of drawing public's attention to their ideas.
2. To persuade the public to help them achieve their political objects.
3. To lobby the organizations to achieve their own profits.
4. To discredit rivals
5. To be well known and reach significant political positions.

¹¹ Bummer, P., **7 статей и джек-пот: Путин завершил серию публикаций** [online], 7 May 2012. Available from www.NepRussia.ru.

¹² Available from http://en.camera.it/4?scheda_informazioni=3

¹³ Деловые люди 77 (1997): 52.

Because building a new media business takes too much time, these people thus normally resort to buying one.¹⁴

After the collapse of the Soviet Union, the Russian economic and political systems changed to a free-market and democratic system. The advertising business in the democratic transition during the Boris Yeltsin period was quite significant for his party. His party used advertising to promote its activities, which led it to success. As a result of this success, businessmen and authorities have tried to control and keep their own popular advertising firms to support their political agenda. Expanding higher education has also contributed to reading, listening and also searching behavior of Russian population. The significance of media in new Russia strongly influenced especially the election during Boris Yeltsin's first era. Around US\$150 million was used for this purpose.¹⁵

Moreover, during the Presidential election of 1996, Yeltsin spent more money on election. According to the "Center for communicative technology" (Propaganda) company, he spent US\$1.5 billion on the presidential election campaign,¹⁶ although the legal limits was not over US\$800,000 by donations from companies or political supporters. Normally, there are legal and illegal donations in Russia. In addition, the election of deputies of the State Duma of Assembly of the Russian federation has widely depended on advertising in various exist medias. The advertising agencies take responsibility for political campaigns, which the political supporters support directly, as following:

Table No. 2 Relationship between Political Parties and PR companies and Sponsors¹⁷

Political Party	PR Companies/Agencies	Sponsors
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¹⁴ Власт 7 (1997): 71-72.

¹⁵ Коммерсантъ-денги 14 (1999): 23-27, 22 (1999): 10, 35 (1999): 24.

¹⁶ Коммерсантъ-денги 22 (1999): 10.

¹⁷ Коммерсантъ-денги 42 (1999): 11-13.

and Political Group		
“Our home-Russia”	Center of Political Technology (I. Bunin)	“Gazprom” “LUKoil”
“Yabloko”	“Tainy Sovetnik” (L. Levin) “VDO international” (Yu. Zapol)	“Most” “Tim-Group” “UEC Russia” “UKOS”
Communist party of Russian Federation	“Valentin Kuptsov”	“Rosenergoatom” “Rosagropromstroj” “Korund” “Kaprolaktam” “Dzerzhinskhhimmazh”
“Fatherland-all Russia”	“IMA Consulting” “Kontakt” “Mezhdunarodny Press-Klub”	“Gazprom” “LUKoil” “Sistema” “Most” “Tatneft”

<p>“Union of the right force”</p>	<p>“VDO international” (Yu. Zapol)</p> <p>“Effective Politics Foundation” (G. Pavlovsky)</p> <p>“GOST” (E. Ostrovsky)</p>	<p>“Transneft”</p> <p>“Sibirsky Aluminiy”</p> <p>“LUKoil”</p> <p>“UEC Russia”</p>
<p>“Yedinstvo”</p>	<p>“VDO international” (Yu. Zapol)</p> <p>“Image-Contact” (A. Sitnikov)</p> <p>“Nikolo M” (I. Mintusov)</p>	<p>“KpAZ”</p> <p>“Sibneft”</p> <p>“Transneft”</p> <p>“LUKoil”</p>
<p>“Bloc Zirinovsky”</p>	<p>“Twin-Media” (E. Lebedev)</p>	<p>“BIN-Bank”</p> <p>“Zarubezhneft”</p> <p>“LUKoil”</p> <p>“KpAZ”</p>

The media founders

Our Home-Russia Party has usually used famous stars, celebrities, soldiers, and directors and so on to promote their activities and also to disseminate

information.¹⁸ Furthermore, US\$250,000 dollars – 5 million per candidate is also spent on holding election polls to raise political elite favor through various media.¹⁹

Therefore, politicians and businessmen give precedence to the advertising business because it contributes to their success. Especially if they own such a business, they will save much money. For example, V. Potanin, the owner of the private association Interros ONEKСIM Bank, dominates publishing house Komsomolskaya Pravda (“Комсомольская Правда”) and Sevodnia (“Севодня”).²⁰ The chairman of "Gazprom", Rem Vyakhirev founded “Gazprom Media”²¹, held 30% of the shares of ORT (“ОРТ”) and also became partner with three publishing companies:

1. “Trud” (“Труд”)
2. “Rabochaya Tribuna” (“Робочая Трибуна”)
3. “Delovoy Mir” (“Деловой Мир”)

More over, “Rosprom Yukos” “Роспром-ЮКОС” led by Mikhail Khodorkovsky founded a media company named Independent media which produces various press such as Capital newspaper, Moscow times, St. Peters Times, Cosmopolitan, Playboy²²

The media dominations

Luk oil (“Лук ОЙЛ”), directed by Vagist Alexperov, holds shares with Imperial group and sponsors national games such as racing and football.

Boris Berezovsky, the owner of “Сибнефт”, has dominated several significant media companies such as TV stations; ORT 26%, TV6 “ТВ-6”, Newspapers; “Независимая Газета”, “Новая Известия”, “Россиский Вестей”, “Общая Газета”,

¹⁸ Агументы и факты 41 (1999)

¹⁹ ibid

²⁰ Эксперт 43 (1997): 4-5.

²¹ РАО ГАЗПРОМ-М, (1997): 4-5.

²² Menatep Group News 5 (November 1996): 2.

Journal “Огонек”, Radio “НСН”. Then he took over V. Gusinsky’s company, КОММЕРСАНТ- Publish house; Коммерсант-Власть, Коммерсант-Денги, Коммерсант-Daily.

Yuri Luzhkov, director of “Банк Москвы”, owns newspapers: “Вечерная Москвы” and “Метро”.

V. Gusinsky is a chairman of “Медиа-Мост”. He has dominated various mass media and founded NTV. He also extended NTV business to CSI. Their media that he owns include radio station “ЭЖО Москвы” and Publish house “7 Дней” and also newspaper “Домовой”, “Севодня”, “Караван”, “Столица” and “Автопирот”. He also founded the advertising company named NTV Holding. This station has many channels such as “НТВ-Плюс”, “НТВ-Кино”, “НТВ-Профит” and “НТВ-Дизайн”.²³

Some businessmen have used advertising as a tool to achieve their political goals. Examples include V. Potanin, who used to be Deputy Prime Minister, and Boris Berezovsky, who used to be the National Security Advisor and Deputy Secretary in charge of CIS. Boris Yeltsin focused on mass media activities strongly. He appointed Valentin Yumashev Chairman of the Presidential Executive office to manage the promotion campaign for him. In addition, he also assigned his daughter as a personal advisor to take care of his image. This behavior of the businessmen and also authorities shows that the advertising business certainly has a significant role in politics. Therefore, Russian authorities make every effort to take over this business to gain advantages in the political realm.

²³ Коммерсант 6 (1997): 10.

CHAPTER IV

CONCLUSION

Advertising is a communication form, which used to inform, educate, promote and also persuade public ideas through various mass media. According to main function that used to persuade an audience's attention thus advertising is a significant tool in both of marketing and political system. Concerning with the political business cycles theory, advertising is used to be a significant tool to increase the politician chances of re-election¹ and their political power.

Focused on Russian political and advertising market especially during Vladimir Putin regime, which is Democracy regime and new market system of the Russian Federation the advertising business has come to play a critical role in Russia; the business is booming and the growth rate is increasing year to year. This is related to politics-oriented business circles,² which can be explained by a theory concerning the politics and business. This shows that politics is always related to business. On the other hand, the business has usually received advantages from politics as well. Actually each has always supported and taken advantage of each other.

Considered that the level of advertising market should correspond to the level of the state's economy. In the mid 1990's when Russian economy just began to shape up, advertising market was in the same position. The situation changed in 2000s. Advertising is one of the main factors, which affect and form the nature of post-Soviet media. It is one of the main income titles for almost every single media.³ The principal standard performance is a Federal Advertising Law. Its first edition entered into force on the 25th of July 1995.⁴ In the beginning of the 2006 upper house of parliament passed changes to the Federal Law on Advertising and on the 13th of

¹ Drazen, A., **political business cycles** [online], Available from http://econweb.umd.edu/~drazen/working_papers/palgrave_pbusinesscycle.pdf

² Treisman, D., Gimpelson, V., Political Bussiness Circles and Russian Elections, or the Manipulation of "Chudar." February 1999.

³ Seferova, M., "Advertising in Post-Soviet Russia: New Trends,"

⁴ Ibid

March 2006 president of Russia Vladimir Putin signed the new edition of the Law. The new Law regulates special requirements for advertising, the methods of their placement and restricts the advertising of some products, like alcoholic drinks, beer, tobacco and tobacco items, medicines, medical equipment, items of medical destination and medical services and also arms, armaments and military equipment, financial services and securities. In particular, according to the Law the volume of TV advertising was cut to 20% of broadcast in 2006-2007, and to 15% starting from 2008. This fact influences on cost increase of the TV advertising.⁵ On the other hand the new Law promotes the developing of many segments of advertising market, especially outdoor advertising and public service sphere.

The advertising revenues are growing from year to year. The structure of advertising media market is improving. The present of Russian advertising is very positive for the further development of the advertising market. Eventhough, the legislation practice of Russian advertising industry administrative and criminal law, special advertising law and legislative restraints for unfair competition and protection of consumers work. The new Federal Advertising Law submitted more restrictions to the Russian advertising practice but on the other hand it promotes the developing of many segments of advertising market. Advertising serves as a benchmark for Russia's integration into the international consumer market. The present findings show that, despite prevailing assessments of Russia as backward and isolated from the west, the business community adapted to meet the changing needs of trade, and urban residents were inescapably part of a cosmopolitan commercial culture.

The research results show that the advertising business in Russia during the Vladimir Putin regime is growing rapidly and also plays a critical role in a free flow of information in as in other democratic societies. However, the Russian government has attempted to control the advertising business by law and also by other types of control and domination to take advantage of this business.

⁵ Ibid

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