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GLANCE OF SERBIAN DM

PIERA PROMO

PREVIEWING THE TOPICS

- Facts about Serbia
 - Advertising Expenditure
 - Media overview & trends
- Situation in DM field
 - Overall situation
 - Opportunities and difficulties
- DM disciplines
- Direct mail with examples
- Market potential



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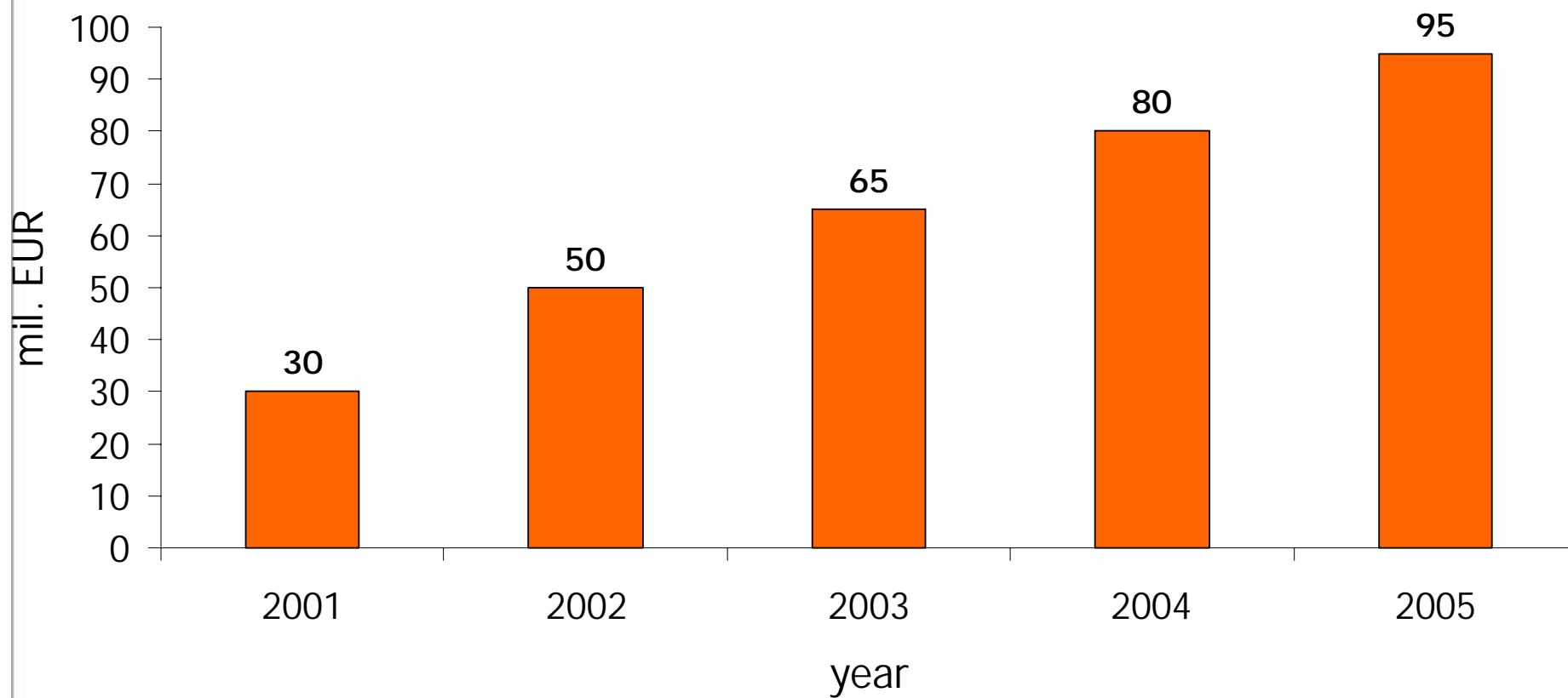
FACTS ABOUT SERBIA

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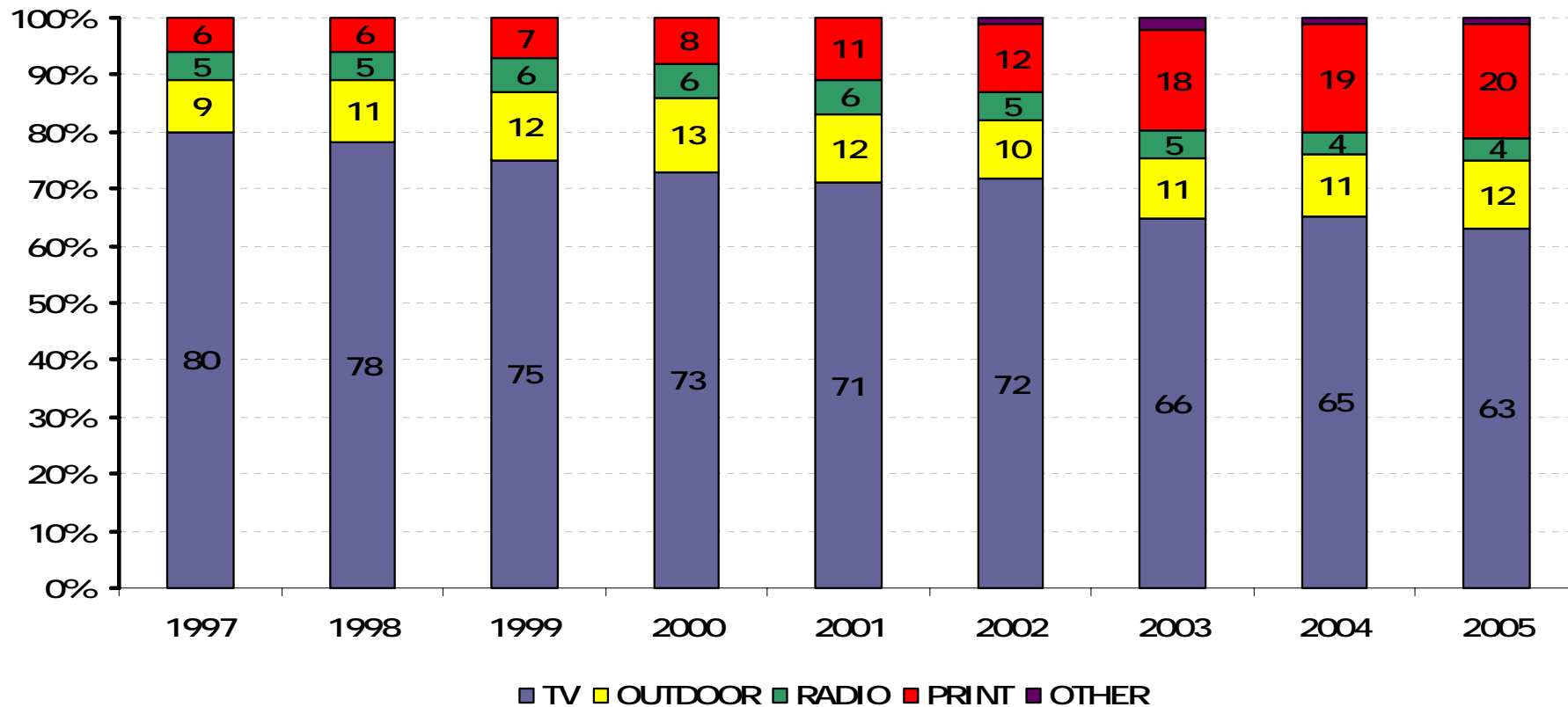
MEDIA OVERVIEW IN SERBIA

- Broadcast and Other Electronic Media
- Print Media
- Outdoor
- The Internet
- Direct Mail
- Telemarketing

MEDIA TRENDS - ADVERTISING EXPENDITURE

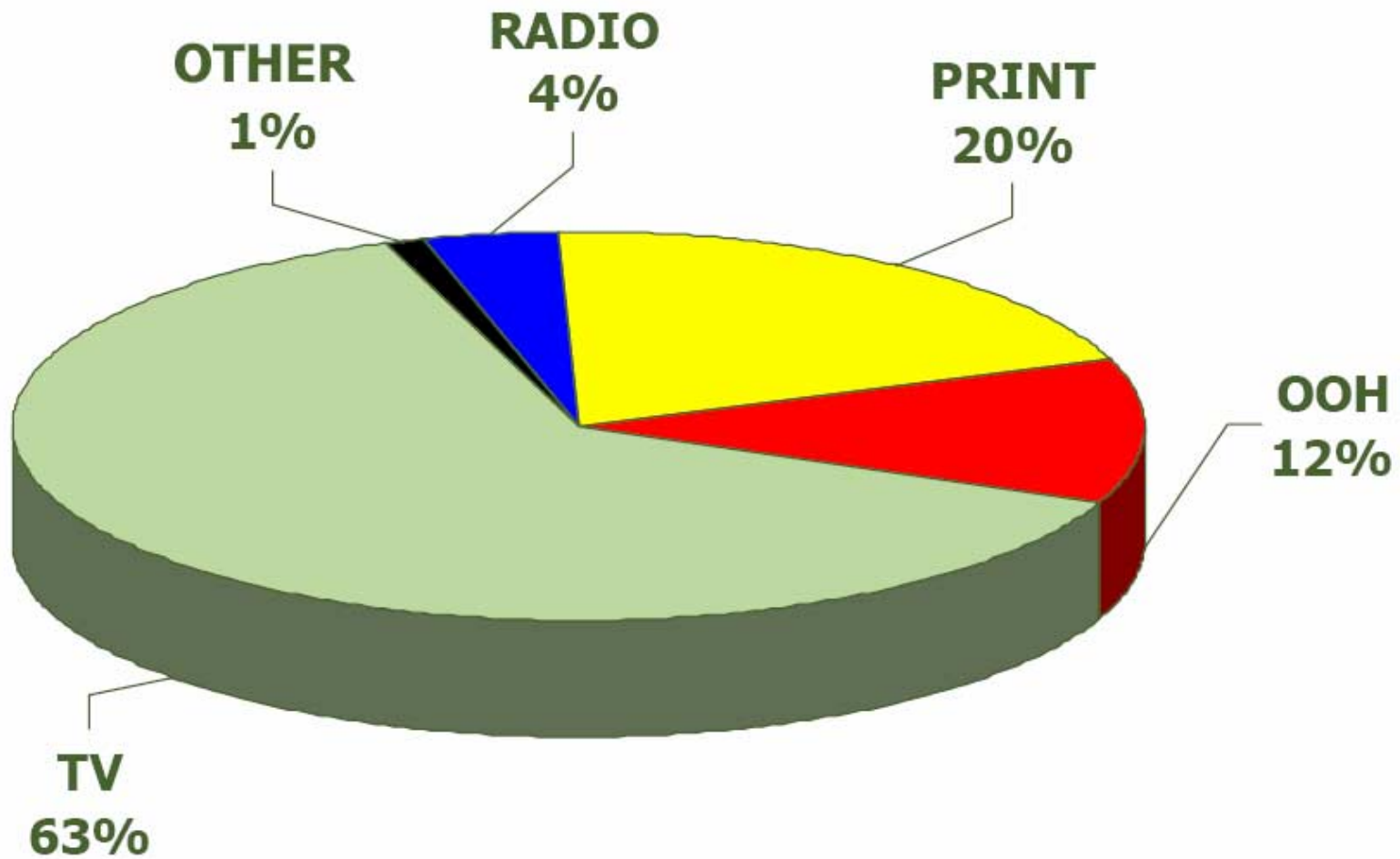


MEDIA TRENDS - ADVERTISING EXPENDITURE



AGB Estimation

MEDIA TRENDS – MEDIA SPLIT 2005



TELEVISION

- Share in total market in 2005 is 63% - 60 mil €
- TV is by far the most popular media in Serbia
- More than 140 TV channels have been operating across Serbia until April 2005
- Tender for 5 commercial national frequencies was held
- Apart from commercial TV stations, RTS as a public service has two channels – RTS1 and RTS2

PRINT

- Share in total market in 2005 is 20% - 19 mil €
- There are approximately 250 newspapers and magazines on the Serbian market
- 17 dailies , 27 weeklies, over 80 monthlies and other...
- Enormous growth of this segment in the last two years

OUTDOOR

- Steady share in total market is 12% - 11.4 mil €

There are over 4,200 billboard and backlight locations and 700 citylights on the territory of Serbia.

Outdoor is also possible on: walls/facades, shopping malls, cafes, clubs, supermarkets, health institutions & hospitals, bus stations, airport, in public transportation, sports centers, arenas & playgrounds, street displays...



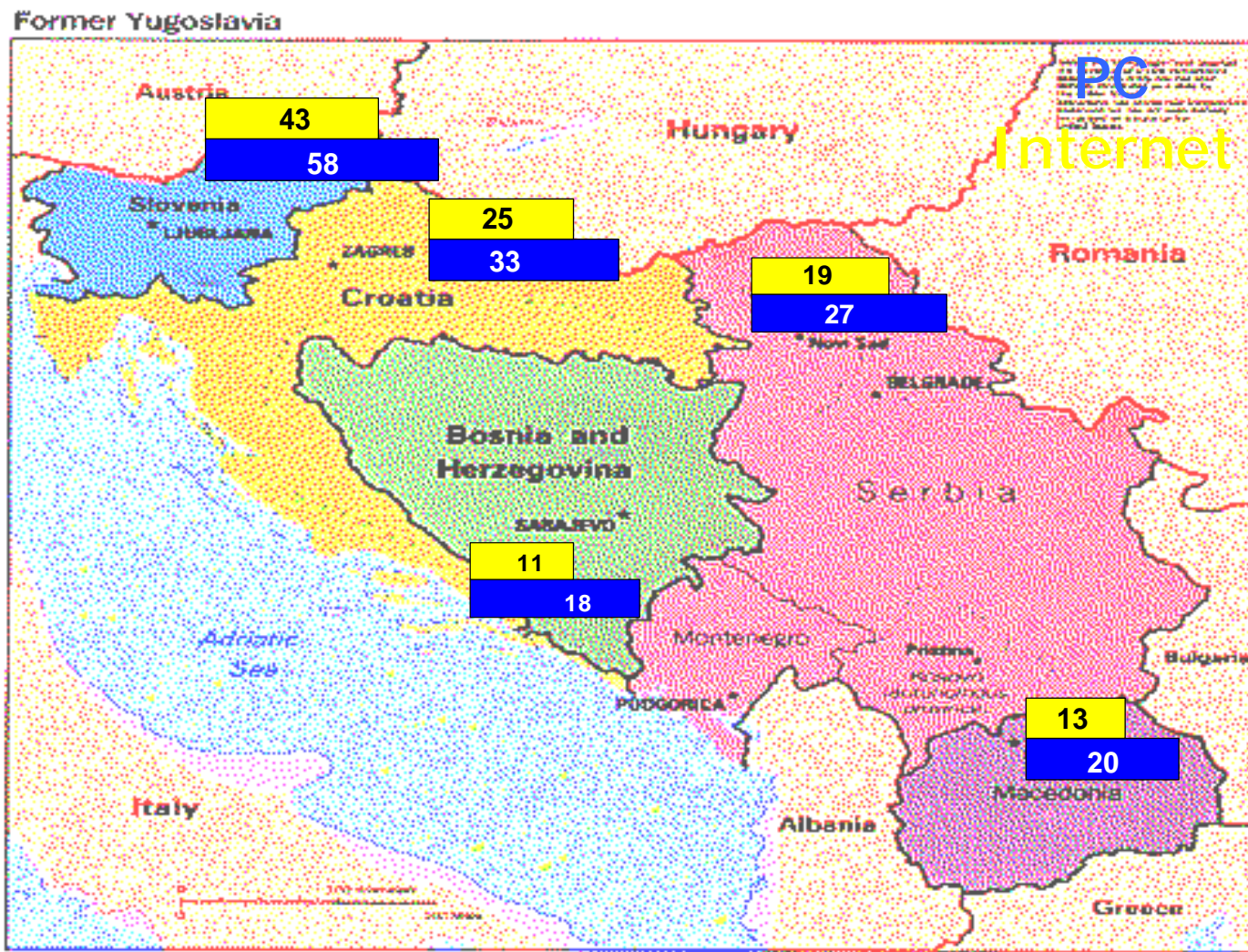
RADIO

- Share in total market in 2005 is 4% - 3.8 mil €
- Radio is considered to be very popular amongst youth
- There are approximately 30 radio stations only in Belgrade
- Almost all populated areas in Serbia have one or more local radio stations
- Local stations are the most popular ones

INTERNET

- Internet marketing share in total market in 2005 is insignificant - 0,3% or 240,000 €
- 44% Internet population is not irritated by Internet ads
- Latest available research (Nov 05) shows that:
 - 39,3% of households owns a computer
 - 29,3% of households are connected to the internet (dial-up and cable connection)
 - Internet advertising is underdeveloped
 - low percentage of shopping via Internet

INTERNET PENETRATION 2004





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DIRECT MARKETING SITUATION

MY EXPERIENCE

- Cosmetics – plan to form a database of special clients
- My first contact with DM in Serbia – through utility bills
- Experiences while contacting clients: Resistance, unawareness, comparing prices to TV and other traditional media
- My job – education

DM DEFINITION

DM is an **interactive** system of marketing that uses one or more advertising media to effect a **measurable** customer **response** or transaction at any location and **stores information** about that event in a **database**.

Source: The Direct Marketing Association

SERBIAN DM

- Is not **interactive**
- Few companies seek **measurable response**
- They DO seek transaction
- Almost nobody **stores information**
- Nobody uses and creates **database**

OVERALL SITUATION

- Most companies do not know what DM is
- Those who use direct marketing, use it as a supplemental medium
- For many companies, direct marketing constitutes a new model for doing business – they experiment
- Most clients do not accept advices other than their advertising agency, they usually already have a design that follows the advertising campaign
- Nobody employs DM as their *only* approach

USERS OF DIRECT MARKETING

- Financial institutions
- Car industry
- Profit and non-profit organizations
- Fund-raising organizations
- Political action groups

- At the end of 2005. a marketing festival “Zlatni Petao” (Golden Rooster), was organized, which included all marketing disciplines. No DM campaigns were presented
- DM appears here and there, but only as an additional support to advertising campaigns, but generally very poorly done.
- It is usually based on direct mail – more unaddressed than addressed – or newspaper and magazine inserts
- NO PAID RESPONSE – NO FEEDBACK – NO 2 WAY COMMUNICATION (The main potential of direct mail is not used)
- No measurement

DM AND CONSUMERS

- Legal issues – very little about DM
- Direct mail – opt out
- Lack of education
- Invasion of privacy – many consumers are afraid of somebody having their personal data
- Irritation to Consumers – only the dropouts and email (foreign spam)

RESEARCH

- Even though DM is a growing area of marketing in Serbia, there is very little research on this matter
- DM is not part of regular research (as traditional media is), it must be specially ordered, even then it is hard to measure it

POSTAL SERVICES

- National post office – unique operator
- Postal Services Law accepted - monopoly up to 350g
- Prices – for Serbian market too high (direct mail distribution around 0.1 €/piece)
- Restrictions on DM – more than 2000 letters of the same content is considered direct mail, if it includes a payment notice, then it is not direct mail
- Delivery – often poor: problems with subscription, returned mail and paid response...
- Future projection – emergence of private postal operators

POSTAL OPERATOR IN SERBIA OFFERS

- Direct Marketing
- Direct Mail
- Paid response
- Advertising in post offices
- Express postal services
- Telemarketing

CRM

- Very few companies distinguish between transaction-oriented marketing and relationship marketing
- Loyalty programs - Interactive Relationships almost do not exist
- Supermarkets are starting to value customer, until recently the only supermarket savings card was from MERKATOR (Slovenian supermarket)
- Creative – advertising agencies oriented towards traditional media
- CRM and loyalty programs will develop rapidly



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DIRECT MAIL, DATABASE, MAGAZINE INSERTS

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DIRECT MAIL

- Addressed and unaddressed direct mail represent 4-6% of total mailings of the post office traffic
- Current situation - a promotional medium, used to inform, remind and persuade, but rarely to collect response
- Often not creative
- Addressed direct mail use – political parties, financial institutions, aid organizations
- Unaddressed direct mail use – everyone
- Future projection – development over the next 1 to 2 years

INSERTS – NEWSPAPERS AND MAGAZINES



- Current situation – Very present
- Who uses inserts – banks, car industries, supermarkets, cosmetics...
- Here and there you can find something creative
- Future projection – it will stay the same



PRICE COMPARISON

MEDIUM	BUDGET NET EUR	REACH
Addressed direct mail (through utility bills)	18.000	540.000 households Belgrade
Addressed direct mail (individual envelopes)	18.000	78.260 households Serbia
Unaddressed direct mail (Drop-outs)	4.500	540.000 households Belgrade
OOH campaign	18.000	24 backlighted posters or 54 billboards – Serbia or Belgrade
Inserts (magazines and newspapers)	18.900	Inserters in Gloria, Elle, Story, Playboy, Maxim, Blic, V. Novosti – total 650,000

DATABASE

- The most important issue is how to sample targets
- Emerging database companies, very few of them make targeting possible
- Lack of knowledge about forming quality database
- Only geographic and demographic, no psychographic, lifestyle or behavioral data

"Do you know that your colleagues drink during work time?"

...Zanimljivo da svi...
 ...Zanimljivo da svi...
WATER COOLING
 ...Zanimljivo da svi...
**DA LI ZNATE
 DA VASE
 KOLEGE
 PIJU
 ZA GEME
 RODNOG
 VREMENA?!**

LA PANTANA
 ...Zanimljivo da svi...
PANTANA PANTA
 ...Zanimljivo da svi...
LA PANTANA
 ...Zanimljivo da svi...
LA PANTANA

- Utility bills have bad database of companies
- Many companies are in rented apartments
- Bad targeting

TEMPLE OF ST. SAVA

- December 2003 - utility bills in Belgrade (520.000 households)
- The first similar action
- Response: 300.000 responded to the action



source: Serbian Orthodox Church

DUNAV INSURANCE

- Dunav Insurance - utility bills in Belgrade (530.000 households)
- The campaign was "Insure your apartment with Infostan"
- Response: over 11.000 apartments were insured after the campaign



SAMPLES

- DON KAFA and GRAND KAFA inserted both leaflets and samples of their new tastes
- Samples entered every household in Belgrade
- No measurement of results (only overall advertising campaign)



TELEMARKETING

- Used in both consumer and B2B markets.
- Includes both *outbound* and *inbound* calls.
- Service providers: telekom, post office, 1 private company
- Service users – banks, financial institutions, aid organizations, computer and technological equipment
- Future projection – will develop at the same rate as direct mail



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MARKET POTENTIAL

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MEDIA TRENDS

- New Advertising Law implementation since December 25th 2005
- Growth of print market in last two years (from 11% to 19% share)
- TV decrease to 65% of total media market, compared to 75% in 2003
- 2006 media market estimated to 120 mil. EUR – 20% increase
- Estimated media inflation 30%

OPENING MARKET

- Computers and Technology advancement
- Credit Cards increase
- Changing Lifestyles
- New advertising law – Restricts advertising of alcohol and tobacco on TV, leaves space for direct marketers (breweries amongst the biggest advertisers)
- National frequencies – higher prices for advertising on TV

PROJECTION

- Direct mail will develop rapidly
- Telemarketing equally
- Customer loyalty programs – 1st to be accepted
- Internet will not develop as quickly, slow penetration in rural areas
- Serbian DMA will be created over the following year

THANK YOU

- Serbian market is in the transition right now, trends that are changing: salaries increase, technology advance, increase of shopping trends, lifestyle changes, broadcast prices and restrictions...
- Given all the facts - direct marketing has future indeed, and it is going to develop extremely quickly over the next 2 years
- Next year I will be here to tell you whether my predictions came true
- Thank you for listening, if you have any questions...

See you next year



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