

Media





DIGITISING THE MARKET

Digital media is fast replacing traditional media (including media such as outdoor, print and television) as an effective medium for advertising. Marketing and advertising firms are diverting marketing budgets towards digital media as they find more value and impact in it.

The primary factors driving this shift are the rapid evolution of digital media and changing consumer preferences. The Internet has brought in a sea change in advertising, as has mobile technology, with the launch of multimedia mobile handsets, the increase in subscriber base, low operating costs and the boom in mobile data services. There has also been a transition in consumer preferences — digital media is finding many takers as customers seek to personalise the kind of information they receive, its frequency

and the channels.

This puts pressure on consumer firms to explore new channels and find the right advertising mix.

Traditional media is losing its appeal to digital media, which allows marketers to engage the customers more efficiently. Understanding of people engagement, Internet behaviour, product display, brand reputation, customer expectations and customer engagement, have in fact become clearer with digital media. The benefits of digital media for the advertisers include:

Pull vs. Push

- Digital media generates a higher return on investment (ROI) than traditional media as it uses a pull method as compared with traditional media's push method.
- Online advertising is driven by consumers — advertisements are not pushed to consumers (unlike in traditional media); rather, consumers choose what they want to see.

Cost Effective

- Advertising campaigns become a

lot more targeted and less expensive with digital media.

Round-the-Clock Reach

The advancement in technology and easy availability of web access over the mobile phone helps to target the audience across the globe irrespective of the time.

Global Reach

- Digital media has given advertisements a global reach. Such access to different kinds of audiences allows companies to customise their advertisements for different consumer segments and markets.

Greater Measurability

- Unlike traditional media, digital media enables the measurement of the effectiveness of advertising campaigns. Some metrics used by advertisers to measure effectiveness are:
 - CPA (cost per action): The advertisers pay per sale or registration completed after the visitor clicks on their advertisements.
 - CPM (cost per thousand): The advertisers pay for every 1,000 impressions of their advertisements.
 - CPV (cost per visitor or cost per view): The advertisers pay depending on the number of visitors viewing the display advertisements on an advertiser’s website.
 - View through rate: The advertisers pay for delayed visits to the site without a direct ad click-through.

Instant Sales

- Such advertisements can also result in instant sales over the web.

Direct to Customer

- It provides a one-on-one interaction between the company and the consumer.

AdWords Optimisation

- Digital media allows consumers to search for advertisements based on their needs.
- Advertisers can get themselves



listed or ranked based on specific keywords used by the consumers to search for a product or service.

Pricing Flexibility

- Firms may have a differential pricing for products sold offline and online to boost their sales. Advertisers are increasingly realising the benefits of digital media in the advertising mix. Banks, insurance service providers, and travel and Internet businesses, which place a lot of emphasis on return on investment (ROI), are spending heavily on the Internet.

Forms of Advertising

Digital media advertising has undergone a transformation over the years. Some concepts that have emerged on the

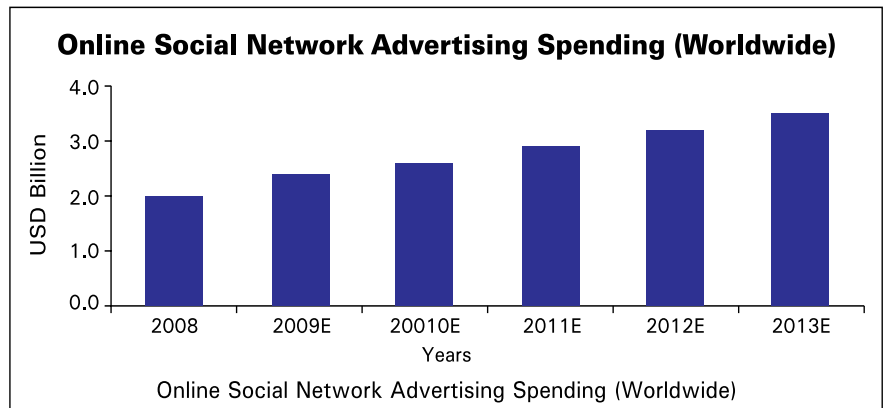
advertising scene and have driven growth over these years are search engine, social network and mobile marketing.

Search Engine Marketing

Search Engine Marketing (SEM) increases the visibility of a website on search engine result pages. Based on the search criteria or the keywords used by the consumer, the advertisers rank their pages and bid for the consumer’s business. It helps to direct more visitors from search engines to the marketing web. This form of marketing can be implemented both on the Internet and mobile.

Search-based advertising can be implemented in different ways, including:

- Search Engine Optimisation: This helps to improve the ranking of relevant keywords in search results. It is done by improving the website structure, content and relevant back link count.
- Paid Placement Strategies or Pay per Click: It uses sponsored search engine listings to drive traffic to a website. This assumes importance for businesses selling goods and services online, non-profit organisations, universities, governments and political parties looking to promote their ideas or campaigns. SEM helps to:
 - build the brand,
 - generate sales lead,
 - enhance reputation and relations



Source: Interactive Advertising Bureau (IAB) US



- with investors,
- generate media coverage,
- drive web traffic to physical business locations,
- and cut costs.

Search engine advertising is growing at the rate of 100 per cent annually and forms a major part of the marketing mix in India. The increasing convergence of the Web and mobile is set to drive growth of search-based marketing in the country.

Social Network Marketing

This form of social media advertising uses online social networks or communities sharing interests and activities, to increase the Web presence of a business.

Most social networks are Internet based. Advertising on social networks can be undertaken in the following ways:

- Direct advertising on social networking sites
- Self-serve advertising through internal ad networks
- Advertisement serving on social network applications
- E-mail

Some websites also provide advertisers with an option to create profiles to increase their visibility and reach customers.

Social networking provides various benefits to marketers:

- Enables small business owners, professionals and brands to connect with specific user groups
- Enables businesses, including publishers and developers of social network applications, to monetise their applications

There are a large number of social networking sites in operation today. Of them, MySpace and Facebook are the most widely used in North America; Bebo and Hi5 in Europe; and Friendster and Orkut in Asia.

The global economic crisis has impacted the spending on social network advertising, creating pressure on developing effective advertising models.

The major developments in social networking expected in 2009 include:

- Rapid growth in social networking as a consumer activity across the globe.
- Sites expected to put in more efforts to develop alternate revenue sources to advertising.

Mobile Advertising

Mobile advertising is the placement of advertisements on mobile devices. The mobile advertising industry is in its nascent stages of development, with significant growth expected over the next few years. It caters to the various needs of the consumers,

mobile operators and advertisers. An advertisement over the mobile phone can be categorised into message, search and display advertising.

- Mobile message advertising
 - It is a leading form of mobile advertising, primarily used to promote mobile games, ring tones, events and regional specials.
- Mobile search advertising
 - It is used by the customers to search for products and services, and is perceived as a useful tool for navigation.
 - The formats of search advertising services include mobile website/landing page design, keyword research, ad copy writing, campaign set up, and visitor tracking and analysis.
- Mobile display advertising
 - In this form of advertising, display advertisements comprising picture, video streams etc. are targeted at the customer.

Mobile advertising is popular due to the following benefits associated with it:

- Greater accuracy in direct marketing and detailed tracking as compared to advertising on the Internet.
- Businesses can reach potential consumers irrespective of location and time.
- Marketers have now become aggressive in their use of mobile phones for advertising as these wireless devices have a wider reach than traditional forms of media (also because mobile phones have higher penetration than PCs). Consumers develop a one-on-one relationship with their mobile phones while they are at work, at home and even when they are on the move.
- Mobile services are becoming highly personalised.
- Consumers are increasingly using their phones for more than just making calls.
- The usage is driven by content (games, sports scores, maps, etc.).
- Enhanced mobile technology, including better screen quality, has increased the demand for rich media over the phones.

- Improved mobile networks have enhanced the usability of mobile data. The emergence of smart phones and mobile broadband (3G) networks is expected to play an important role in the transformation of marketing strategies.

Digital Marketing Models

A combination of older techniques such as e-mail-based marketing and newer techniques such as user generated content (UGC) and blogging are being used for digital marketing.

E-Commerce

E-commerce deals with transactions over the Internet. It involves buying and selling of goods and services over the world wide web. E-commerce is growing due to the following reasons:

- Reduction in communications costs.
- Reduction in technological infrastructure cost.
- Faster and more economic electronic transactions with suppliers.

Online Publishing

Online publishing involves dissemination of digital information over the Internet. The information can be disseminated in the form of newsletters, online magazines, etc.

E-mail Marketing

E-mail marketing is a form of direct marketing that uses electronic mail to communicate with the customers. E-mail marketing has proved to be an effective form of marketing due to the increasing use of E-mail and its ability to provide tracking and analysis of communication with the customer. E-mail marketing is less expensive than direct mail or newsletters and needs less design time.

E-mail marketing helps to:

- Achieve targeted and relevant communication.
- Generate sales and acquire new customers at a lower cost.
- Push the message to potential customers.
- Improve awareness and strengthen

er-generated media (CGM) is the content developed and uploaded on the Internet by the users or non-media professionals. It includes material such as video (as uploaded on YouTube), songs, etc.

High-speed Internet access and search technology have made UGC one of the more significant forms of media — in fact, it is one of the fastest growing forms of content on the Internet.

Blogging

Blog or weblog refers to websites managed mostly by individuals providing information to visitors.

A blog seeks to create a community of visitors with similar lifestyles and interests, and using similar products/ services. It helps to generate traffic to a website, facilitates personal interaction with the visitors and generates sales. A proper mix of marketing and information on the blog is a must to maintain its credibility. A blog generates sales by placing banner advertisements that are in line with its theme.

Blogs also offer the following benefits to the marketers:

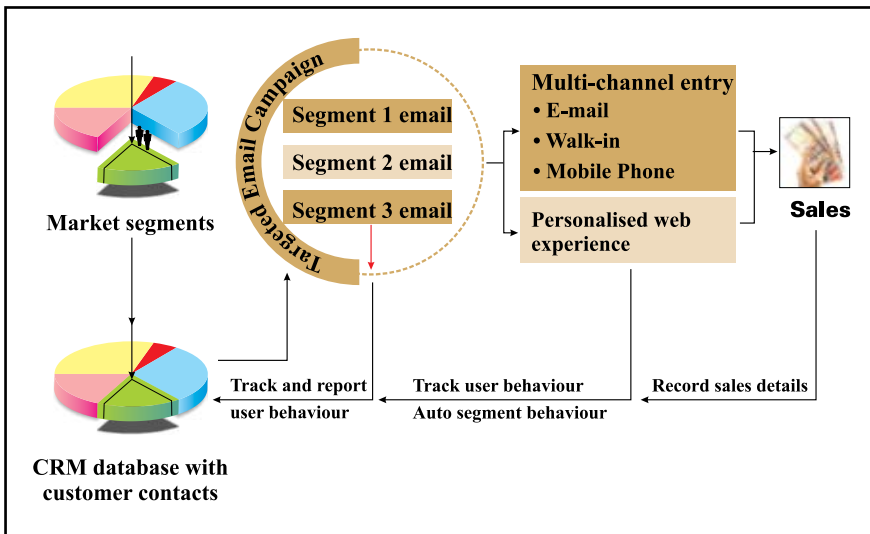
- Interactive communication with and feedback from the visitors.
- Low-cost self-publishing.
- Easy sharing of news and information with the visitors.
- Customer and partner development.
- Strengthening of brand value.

Affiliate Marketing

Affiliate marketing helps to provide publicity to products or services. Here, the affiliate directs the viewers visiting its website to the website of the advertiser through hyperlinks (references to the Web businesses). The redirection results in purchases for the advertising website and commissions for the affiliate website.

Affiliate marketing provides various services including hosted services, shopping carts with affiliate features, standalone software and third-party affiliate networks.

This form of marketing helps in attracting new customers and has



Source: Evalueserve Analysis
The customer relationship management (CRM) database can be built in-house or outsourced.

- Lower global information sharing and advertising costs.
- Less expensive customer service alternatives.
- Mass customisation.
- Faster processing of transactions with customers having greater control.

- brand value.
- Build relationship with existing clients.
- Build database management.

User Generated Content

User generated content or consum-

become popular as technological advancements in the area have led to a significant decline in the cost of such programmes.

Websites and services based on Web 2.0 such as blogging and online communities have made affiliate marketing more attractive. The new media has enabled the merchants to get closer to their affiliates and improved two-way communication.

Joint Venture Marketing

Joint Venture Marketing helps combine the marketing efforts of different businesses and persons. Various Internet marketers work together to benefit from each other. A few forms of joint venture marketing are:

- Sharing of mailing lists.
 - Trading content by publishing articles on each other’s websites.
 - Using blogs or podcasts to share business ideas and information.
 - Offering public speaking events and seminars.
 - Social networking sites that pop up, allow users to go in, set up a blog, upload videos or pictures and offer links.
 - Setting up affiliates on website.
- Joint ventures help to increase the traffic on a website by leveraging services of other firms. It also helps to acquire prospects and leads for the website.

Camouflage Marketing

This form of online marketing helps to leverage the benefits of offline marketing. It enables the buyers to choose the websites they prefer to visit based on the information they get offline.

It targets an entirely different set of customers, who reveal their preferences while they are offline. It leverages the fact that customers also see URLs while checking their mail, watching TV, reading magazines or listening to the radio.

A mix of camouflage and joint venture marketing provides many benefits:

- Attracts prospects and leads to the website.
- Becomes more effective (since it is camouflaged).

- Costs little or nothing (since it is a joint venture).

Advertising Media Mix

Companies targeting higher return on advertising budgets are gradually shifting to digital media. The Internet’s effectiveness as an advertising medium is evident from its increasing share in the advertisement expenditure – newspaper, in particular, is gradually losing its share to the Internet. Internet advertising is estimated to account for 15.6 per cent of the global advertisement expenditure in 2011. This will bridge the difference between contribution of the Internet and newspaper from 15.1 percentage points in 2008 to 5.6 percentage points in 2011.

Trends

- Television is expected to maintain its position as the major advertising medium. It has performed well as an advertising medium amid the global economic slowdown, with

- The news channels’ foray into online news has led to a decline in the share of print media.

- In the US, publishers are working towards creating a model comprising online subscription charges. This will help to create revenue sources other than just advertising.

In India, newspapers and TV dominate the advertising market, accounting for about four-fifth of the market. The current low share of Internet or digital media and the increasing reach of the Internet and mobile telephones in the Indian market, present a strong opportunity for the advertising sector.

Spending on mobile advertisement forms a small part of the overall advertisement spend. The spending on mobile advertising was USD 4.6 billion in 2008 as compared with USD 485.6 billion spent on advertisements excluding mobile as a medium. Mobile marketing and



advertising expenditure shifting from secondary media to television. A similar pattern was witnessed during the earlier slowdowns in 1991–1992 and 2001–2002.

- This is a result of increased television viewership during a slowdown, at a lower per hour price to the consumer.

advertising have moved further from the experimental stage. According to emarketer, the global spending on mobile advertising is estimated to reach USD 19 billion in 2012.

Text-based messaging is expected to dominate the mobile advertising market, followed by search and display services. Location-based advertising

is expected to cut across all formats. Technological developments have led to the emergence of innovative mobile marketing activities including ad-supported or sponsored multimedia tools and idle screen mobile advertising. However, these categories are in their early stages of development.

Trends in Mobile Advertising

- Publishers are focusing on mobile-native content development.
- Payments through mobile are expected to drive the market in the future.
- Mobile phones are increasingly being recognised as a separate line item by brands and agencies.
- The usage of mobile search is increasing.
- Flat-rate data plans have been introduced by various mobile operators.
- The market has witnessed the launch of advanced products such as Apple’s iPhone and Google’s Android operating system for mobile handsets.

Indian Online Advertising Industry

The Indian advertising industry is evolving. The advertising frameworks and models are changing with technological advancements and customer empowerment, forcing the advertisers to plan an appropriate media mix, which includes the Internet. So much so that the Internet has taken away a part of traditional advertising.

According to Evalueserve survey results, marketers give more weight to targeting (type of people), reach (number of people) and cost while deciding on a media channel.

The emergence of new online portals, and increase in the number of Internet and mobile users have enabled the marketers to send targeted advertisements to a larger number of customers.

Digital media is being perceived as an easy way to connect with the consumer due to the cost effectiveness associated with it. A large number of traditional media users are moving to digital media to reduce their print and audio visual costs.

Factors Driving Digital Marketing in India

Growing Internet and Mobile User Base

Internet access and the use of mobile phones are growing fast, and so is digital

marketing, as advertisers try to be in touch with their customers through the media accessed by them.

Internet penetration in India has been increasing over the years as the gap between the number of claimed Internet users and that of active Internet users is bridging. Growing Internet usage is expected to drive advertisers towards the online medium. With increased Internet usage, E-mail is increasingly becoming a mass market media channel for office workers and professionals. Mobile phone penetration has grown at a compound annual growth rate (CAGR) of 87 per cent from March 2001 to March 2008, while fixed line penetration has grown at a CAGR of 2.5 per cent. In March 2008, mobile phones formed 87 per cent of all telephone subscriptions in India. Moreover, the lifestyle of Indian consumers has changed with digital media, with the mobile phone and the Internet becoming an important part of an Indian consumer’s life. Further, it is believed that the launch of advanced technologies and devices such as 3G and iPhone will drive the mobile advertising market.

Mobile penetration in rural areas has enabled advertisers to plan specific and targeted advertisement plans for the rural population. Mobile advertising in rural areas will primarily include informative and permission-based marketing messages to

interested consumers.

While mobile usage is high in India, the mobile and the Web are not expected to converge before late 2010.

The Internet is fast replacing other advertisement media as customers are spending more time on the Internet and other digital media. The usage of traditional media is declining.

The frequency and the time spent by Indian consumers on the Internet have gone up because of the availability of various digital tools. With the increase in the time spent on the Internet, the time spent on traditional media has reduced. The working segment of the population is more exposed to the Internet and accesses it daily or several times a week. Access to the Internet through cyber cafes is also witnessing an uptrend. Similar to the trend witnessed in mobile phones, the Internet would gradually become a one-stop destination for customers, who are already using it for not just accessing information but also for bill payments and social networking. The increase in the number of Web 2.0 applications has also driven the increase in the time spent on the Internet by Indian netizens.

Media Consumption Habits

Consumers have access to different media at different points in time and need to be



targeted through advertisements across all media.

Consumer preferences for media have witnessed a change over the last few years. The number of Internet users, who click on an online advertisement has increased from 56 per cent in 2006 to 80 per cent in 2007. In fact, these days the inclination towards digital media is such that Indian consumers using banking services, for example, are keen on shifting to institutions that provide phone banking or online banking facilities.

Targeted Advertising

The Internet enables advertisers to customise their advertisements for

specific target audiences. A targeted online advertisement helps to influence the purchasing behaviour of the consumers and also helps the advertiser measure the results of the advertisement campaign for a targeted segment.

Most advertisements over traditional media are not customised to the interests of a particular user. Targeted advertising through search engine optimisation could help resolve this issue. It provides the option of keyword selection for searches that depict the intent of the consumer. E.g., if a customer is looking for part-time courses on a particular subject, the advertisers providing only such courses will get themselves ranked based on the keyword.

Cost Effective

Advertising on the Internet is a less expensive option. It offers the advertisers a better ROI because of less spillage levels.

Rising E-Commerce Trend

Rising e-commerce activities have been further driven by the increasing reach of digital media. Digital advertising allows detailed information search about the product or service resulting in an immediate sale.

Advertisements on traditional media are a one-way communication with consumers and do not result in an immediate sale unlike on digital media.

Although the click on the advertisements for hotels, tours and packages were

FUTURE OF DIGITAL MEDIA IN INDIA

The Indian advertising market is presently at a nascent stage. Television and print media are expected to remain the basic media for the next few years due to their broader presence and penetration. Gradually, the advertising budget allocation is shifting from traditional media to digital media, as digital media gains more acceptability and matures to emerge as an effective media. Firms are reevaluating their current media mix and have started treating digital media as an integral part of their marketing campaigns. However, only advertisers with larger budgets are expected to spend more on such media.

According to the survey conducted by Evalueserve, 'print' emerged as the most important media channel in use, with its usage set to increase over the next 12 months.

According to the survey results, digital media such as 'the Internet' and 'Mobile' are expected to witness growth over the next 12 months. Marketers seek to target their customers through new websites, gaming portals, search engines and gaming sites over the Internet.

According to the results, 'Internet' and 'Mobile' advertising budgets on

digital media would remain more or less consistent in the future. This consistency is primarily due to the benefits marketers see in using digital media, including its cost effectiveness and wide reach.

Future Trends in Digital Advertising

Apart from the survey results, the future trends expected in the usage of digital media in advertising are:

Infrastructure

As Internet and broadband penetration in India grow, advertisers will need to include digital media in the advertising mix to remain relevant and effective. The growing adoption of technology in the education system is also expected to lead to an increase in Web usage, thereby increasing the consumer base for the advertisers to target.

Sectors

Apart from the BFSI and ITES sectors that are presently driving the growth in the online advertising industry, the education sector has emerged as one of the fastest growing sectors over the last few years. The sector witnessed a y-o-y growth of 130 per cent in 2008-09 in the overall advertising spend.

Technological Advancements

Technological advancements, including rich media, 3G networks and advanced

mobile handsets, are expected to lead to a convergence of the mobile and the Web applications. The 3G spectrum allocation in India is expected to increase the data usage significantly and is being seen as the future of the Indian advertising industry.

Interactive advertisements will witness high growth as they provide a two-way real-time communication between the advertiser and the consumer.

UGC and Social Networking

User generated content is changing the fundamentals of interaction between the audiences and the Internet. It has also transformed the way advertisers reach these audiences.

With social networking on the rise in the Indian market, advertisers seek to use this platform to reach out to consumers, both over the Web and the mobile. The increasing sign-ups for websites such as Orkut and Face Book suggest the rising popularity of this form of marketing. Advertisers are trying to enable access to social networking sites over mobile devices to reach out to the consumers even when they are on the move. Such growth in social networking is expected to promote networking marketing.

low, the impact of the advertisements on the sale was highest for this segment. It was followed by the financial services and IT sector.

Contribution by Industry

Banking, financial services and insurance (BFSI), online publishing and ITES sectors jointly account for over 60 per cent of the online advertising space. Banks, insurance firms, and travel and Internet businesses spend heavily on advertising on the Internet in expectation of a higher return on investment (ROI).

The BFSI and the education sectors witnessed a growth in their shares in the online advertisement market in 2008–09. The share of the education sector grew the most, i.e., from 4 per cent in 2007–08 to 7 per cent in 2008–09.

An increasing number of Indian firms are opting for Internet-based advertisements, with ICICI Bank and Citibank being the major spenders. Further, matrimonial portals also offer affiliate marketing features.

Challenges for Digital Media in Indian Advertisement Industry

Uncertainty Associated with Digital Media

Many advertisers are still not comfortable with the use of digital media and its importance as a critical component of their advertising media mix. This is due to lack of awareness and knowledge about the potential of this media.

Although advertisers are opting for online advertisements, it forms a minimal part of their media mix. Growth has come mainly from the financial and ITES sectors. FMCG and consumer durables, two of the largest and fastest-growing sectors in India, do not allocate a significant part of their advertising budgets towards digital media. The overall Indian market for online marketing is expected to increase annually by about 45–50 per cent, while per customer spend on online advertisement is expected to rise by only 25–30 per cent.

In fact, creative personnel in leading advertising agencies are hesitant in adopting online advertising, although they believe digital media is here to stay. A client spending about INR 2.5 million on a TV commercial is reluctant to invest even INR 0.1 million on online creatives, a

reality most advertisers have to face.

Lack of customer data records is one of the primary reasons for such reluctance. The use of digital media for advertising is still in the evolution phase and lacks maturity in terms of the industry structure, and systems and processes required to propel growth in this market. Unlike the TAM (Television Audience Measurement) in television and Indian Readership Survey (IRS)/National Readership Study (NRS) in print, the online advertising industry has no third-party reporting body.

Limited Geo-Targeting

Most content over the Internet is available in English. Visitors on the Internet, who are not comfortable with English, do not therefore indulge in activities other than checking their e-mails. This prevents many SMEs from reaching out to their consumers over the Internet. This assumes a challenging position, given the highly unorganised structure of the Indian retail industry. It is therefore important to develop content keeping in mind the geographic diversity and industry structure.

Spam

Some advertisers use un-targeted advertisements and in the process, spam users' inboxes. This could lead to a negative perception about this form of marketing and customers may start ignoring such advertisements irrespective of their relevance.

Instead of wasting bandwidth by

sending spam messages, Internet marketers should focus on a particular segment. For example, to use mobile advertisements effectively, there is a need to send personalised messages instead of mass messaging to the consumers.

High Cost and Low Innovation

Multiple clicks and limited content searches due to low surfing speed of the current GSM and CDMA networks have prevented customers from using mobile phones to access data. Further, the delay in 3G spectrum auction in the country has also affected growth in this market.

Internet usage on mobile phones has also not picked up as much as it was expected. The high cost and complexity associated with value added services (VAS) has affected the adoption of new technologies.

Cost becomes a factor as the scale and involvement are not in favour of online advertising firms, when compared with offline agencies. It is, therefore, unfair to benchmark the fee paid to online agencies to that of offline agencies. However, a few firms sign advertising deals on unviable business terms, resulting in a loss for the advertiser, creating a negative perception about the efficacy of the medium. ✂

Editor's Note: The above paper was jointly prepared by the Confederation of Indian Industry (CII) and Evalueserve and was presented at the Tenth CII Annual Marketing Summit.

