

Advertising Industry in India – The Prospective



Commerce

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ABSTRACT

Advertising industry in India is growing at a very fastpace It has got bright future and can add to development of Indian economy. Many advertising firms have been opened in India –small as well as big. Growing income level, shift in lifestyle, Increase in use of smartphones, online shopping, brand awareness, availability of products, healthy policies of Indian Government are some of the factors due to which the future of advertising industry is bright. In this paper, attempt has been made to discuss these factors

Introduction

Advertising is a big business. It is becoming stronger and bigger. Firms in the advertising industry prepare advertisements for other companies and organisations and design campaigns to promote the interests and image of their clients. This industry includes media representatives-firms that sell advertising space for publications, radio, television, and the Internet; display advertisers-businesses engaged in creating and designing public display ads for use in shopping malls, on billboards, or in similar media; and direct mail advertisers. A firm that purchases advertising time (or space) from media outlets, thereafter reselling it to advertising agencies or individual companies directly, is considered a media buying agency.

Most advertising firms specialise in a particular market niche. Some companies produce and solicit outdoor advertising, such as billboards and electric displays. Others place ads in buses, subways, taxis, airports, and bus terminals. A small number of firms produce aerial advertising, while others distribute circulars, handbills, and free samples. Groups within agencies have been created to serve their clients' electronic advertising needs on the Internet. Online advertisements link users to a company or product's Web site, where information such as new product announcements, contests, and product catalogue appears.

The Indian advertising industry is a very upcoming and promising sector. However there is severe competition and there is survival for the fittest and the best. In this sector what matters the most is knowledge and experience of the work and the industry and its functioning. The more the knowledge you have the better the productivity you give.

With increasing brand awareness amongst the Indian youth and purchasing power of the upper class in tier II and III cities, spending by Indian consumers is expected to grow four times to US\$ 4.2 trillion by 2017, according to a joint study by YES Bank and a leading industry body. According to the joint report, the Indian luxury market is estimated to be worth US\$ 18 billion by 2017 from the current level of US\$ 14 billion with unprecedented growth in luxury categories including fashion, automobiles and fine dining. Such high growth potential in consumer spending attracts huge interest in different marketing and strategy initiatives.

While various estimates exists on the size and growth potential of the Indian luxury market; most estimates are unanimous on anticipated growth rates of 20 per cent given the tremendous potential in products such as apparel and accessories, pens, home décor, watches, jewellery, service like spas, travel & tourism, fine dining & hotels and assets: yachts, fine art, automobiles & real estate

Role of Government

The Indian government has given tremendous support to the advertising and marketing industry. Advertising expenditure is

likely to increase in the financial sector, driven by Reserve Bank of India (RBI) policies which could result in a more favourable business environment. Also, proposed licences for new banks and better market sentiments render the advertising and marketing industry in India a fertile space.

The Governments of India and Canada have also signed an audio-visual co-production deal which facilitates producers from both countries to harness their collective artistic, technical, financial and marketing resources, and encourage exchange of culture and art between the two countries. The agreement is also likely to lead to better promotion of Indian locales for shooting films. "The agreement will also lead to the transparent funding of film production and boost export of Indian films into the Canadian market," as per the agreement.

India and Poland are seeking to enhance cooperation in the digitisation and restoration of film archives. This was decided in a meeting between Mr BimalJulka, Secretary of Information and Broadcasting, India, and a delegation from Poland led by Ms MalgorzataOmilanowska, Secretary of State. The two countries will form a joint working group that will help improve cooperation in fields such as student exchange programmes, animation, films and digitisation, among others.

Market Size

With the luxury market expected to grow at over 20 per cent year on year, PE investments in the luxury segment are expected to increase and support the enhanced size of the Indian luxury market. High internet penetration across tier-II and tier-III cities along with high disposable income shall lead to approximately 80 million transactions on the internet by 2020. As a result, the luxury consumption is going to increase manifold in the country.

With this level of growth and subsequent investment from luxury businesses, it is estimated that by 2020 the luxury market in India will be responsible for employing 1.8 million people. This will not only help in preserving traditional craft skills and heritage, but will also support communities, create employment and provide training.

The online advertising market in India will touch Rs 3,575 crore (577.97 million) by March 2015, a 30 per cent rise from Rs 2,750 crore (US\$ 444.59 million) in March 2014, as per a joint study by the Internet and Mobile Association of India (IAMAI) and IMRB International. Of the current Rs 2,750 crore (US\$ 444.59 million) digital advertisement market, search and display contribute the most - search advertisements constitute 38 per cent of total advertisement spends followed by display advertisement at 29 per cent, as per the study.

The Internet's share in total advertising revenue is anticipated to grow twofold from eight per cent in 2013 to 16 per cent in 2018, as per a joint report by Confederation of Indian Industry (CII) and PricewaterhouseCoopers (PwC). Online advertising, which

was estimated at Rs 2,900 crore (US\$ 468.84 million) in 2013, could jump threefold to Rs 10,000 crore (US\$ 1.61 billion) in five years, increasing at a compound annual rate of 28 per cent.

Also, according to the report, Indians paid Rs 25,200 crore (US\$ 4.07 billion) to access the Internet in 2013, a figure greater than the Rs 22,300 crore (US\$ 3.61 billion) the print medium garnered in subscription and advertising.

Future of Advertising Industry

The advertising and marketing sector in India is expected to enjoy a good run. Growth is expected in retail advertisement, on the back of factors such as several players entering the food and beverages segment, e-commerce gaining more popularity in the country, and domestic companies testing out the waters. The rural region is a potentially profitable target. For instance, in the automobiles sector, the focus of two-wheelers on rural areas could mean more launches and more advertising spends. The telecom sector could see growth as well, driven by better smartphone penetration and service providers cutting down on prices.

India offers huge business potential for online advertising industry with rising population, growing income level and changing lifestyle. With increasing number of educated people and migration to urban areas, increase adoption in Internet and online advertising is being witnessed. Despite the growth, many challenges continue to plague the industry such as underdeveloped infrastructure and lack of faith of both advertisers and audiences.

The online advertising is developing rapidly in the country but a fall in advertising revenues have been noticed during 2009 due to the global economy slowdown, while overall advertising industry in the country registered 22.00% and 12.04% growth in 2007 & 2008. The total advertising spending declined 6.80% from 2008 level due to its dependency over other industries and country's economy. Year 2010 has shown a recovery period and advertising spending increased by 19.27% from 2009 figures (USD ~ billion in 2010 and USD ~ billion in 2009).

In 2010, demand for online advertising grew 34.14% and surpassed growth rate of other advertising formats like TV, print and radio. The factors that helped the industry growth were, increase in internet penetration, e-commerce, social networking and population growth. The online advertising industry grew from USD ~ million in 2006 to USD ~ million in 2010.

Display advertising has always been the leading category in the online advertising market. In 2010, display advertising accounted for 48.25% of the online advertising; USD ~ million and 22% growth over 2009 was registered by the segment. In India, the online display advertising spent per user was INR ~ in 2009, which is low when compared to other developed countries. Also, in terms of USD ad spent per user declined in 2009 compared to 2008 due to fall in USD currency rate.

The advertising industry in India has several competitive advantages:

- India has a rich pool of strategic planning, creative and media services personnel: Indeed, Indian advertising industry has been exporting senior-level talent to many countries, particularly to the Gulf, South-East Asia, China, the UK and the US. Indian talent is recognised and respected in global agency networks.
- No other country has access to so many trained management graduates who can provide strategic inputs for brand and media planning.
- Indians are multicultural: we learn at least two languages and that gives us a head start in understanding cultural diversity.

- Most of the top 20 agencies in India have a global partner or owner, which should provide an immediate link to global markets.
- Our production standards in TV and print have improved: With a vibrant animation software industry, we have access to this area of TV production.
- India's advanced IT capabilities can be used to develop Web-based communication packages for global clients.

According to an estimate of GroupM, The growth in 2014 to Rs 13,490 crores, is being attributed to an increase in spending due to elections (both General and State elections), as well as advertising from categories like e-commerce and Telecom. "The FMCG sector, which contributes to nearly a third of the AdEx, had a steady year, growing broadly in line with the industry average," GroupM said in a statement.

CVL Srinivas, CEO, GroupM South Asia said in a statement that advertisers are cautious but optimistic: "With a new Government coming to power the negative sentiment has lifted but there is still some bit of caution amongst advertisers. We continue to operate in the same zone as last year at an overall level." In addition, GroupM is "seeing a lot more confidence amongst local businesses to invest in brand building than before. This is a positive sign for the industry. Penetration of smartphones coupled with the popularity of online video is making FMCG spend more on digital. Another trend is the emergence of categories like e-Commerce and the increased competition in Telecom both of which are aiding the growth of traditional media channels including Print and TV apart from Digital."

India's entertainment and media sector is expected to grow steadily over the next five years as per CII-PwC's report, titled 'India Entertainment & Media Outlook 2014'. The industry is expected to exceed Rs 227,000 crore (US\$ 36.49 billion) by 2018, growing at compound annual growth rate (CAGR) of 15 per cent between 2013 and 2018.

Significantly, with the increased penetration of smartphones and expansion of 3G network in India, the country is likely to see around nine billion mobile application (apps) downloads during 2015, which is five times more than 1.56 billion in 2012, as per Deloitte's India Technology, Media & Entertainment and Telecom (TMT) Predictions. This uptick in app-downloads is also expected to increase the revenue from paid apps to an estimated over Rs 15 billion (US\$ 241.16 million) as against Rs 9 billion (US\$ 144.7 million) in 2014, Deloitte said.

Additionally, industry estimates reveal that video games industry grew at a record 16 per cent in 2013 over 2012; wherein its net worth rose to US\$ 277 million. Another report by Research and Markets stated that the Indian animation industry was valued at US\$ 247 million in 2013 and is forecasted to grow at 15-20 per cent per annum.

The foreign direct investment (FDI) inflows in the information and broadcasting (I&B) sector (including print media) in the period April 2000 – January 2015 stood at US\$ 3,890.94 million, as per data released by Department of Industrial Policy and Promotion (DIPP).

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Conclusion

Advertising industry in India has got bright prospects. There are many factors which can and are contributing to the growth of this industry. Growing income level, shift in lifestyle, Increase in use of smartphones, online shopping, brand awareness, availability of products, healthy policies of Indian Government are some of the factors due to which the future of advertising industry is bright. But to have healthy growth, Indian govt. must ensure that the malpractices of marketers like deceptive ads, misleading ads, unethical ads are curtailed so that power of advertising is properly used to inform and persuade the consumer.

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