



Growth Drivers of Advertising

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ABSTRACT

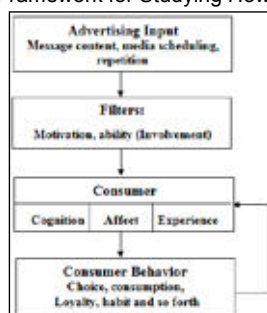
In 2011, the Indian Media & Entertainment (M&E) industry registered a growth of 12 percent over 2010, to reach INR 728 billion, said by FICCI- (Federation of Indian Chambers of Commerce and Industry) and KPMG (Klynveld Peat Marwick and Goerdeler) report. A slow economy in 2012 could put a speed breaker on advertising growth rates. Rs 30,600 crore Advertising Industry, including Print, Broadcasting, Radio, Digital and Outdoor Media, grew 12-15% in 2011, riding a robust first half. The allocation for digital is expected to go up as advertisers will tread cautiously in traditional print and television media. Categories with big advertising budgets such as automobile companies, telecom, real estate and financial sector firms will cut back on expenditure. Even the cricket spending is set to decline by as much as 15-20%, said by several media buyers. In 2011, the industry spent over Rs 2,000 crore on cricket properties, including the Indian Premier League. The research paper discusses about the growth of electronic and print media. The media which includes television, radio, internet and print has been discussed in the paper. The study is based on secondary data collected from newspaper, journals and internet. The results were analyzed that television and print continued to dominate the Indian M&E industry, sectors such as gaming, digital advertising, and animation Visual effects (VFX) grew at a faster rate and showed tremendous potential in the coming years, finds the report. Contrary to most other markets in the world that continue to witness an erosion of the print media industry, in India, the sector witnessed a growth of 10 percent in 2010 and is expected to continue to grow at a similar pace over the next five years.

Keywords : Advertising, Print Advertising, Broadcast and Covert Advertising

Introduction:

Advertising helps to make the product appealing to a person's basic motives and influences their behavior and attitude towards the product. It is a form of communication intended to persuade people to purchase or take any action with respect to the products or services. Joseph E. Levine said "You can fool all the people all the time if the advertising is right and the budget is big enough". The desired result is to drive consumer behavior with respect to a commercial offering, although political and ideological advertising is also common. In Latin, ad vertere means "to turn the mind toward". Advertising messages are usually paid for by sponsors and viewed via various traditional media; including mass media such as newspaper, magazines, television commercial, radio advertisement, outdoor advertising or direct mail; or new media such as blogs, websites or text messages. Digital media is transforming consumer behavior and traditional business models. While creating new opportunities and its disruptive influence is being accelerated by the global recession. The purpose of advertising may also be to reassure employees or shareholders that a company is viable or successful.

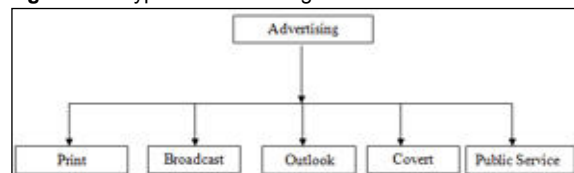
Figure 1 : A Framework for Studying How Advertising Works



Source: Vakratsas, Demetrios and Ambler, Tim (1999), Journal of Marketing.

With much Advertising expenditure wasted in effective campaigns, advertisers should be concerned with how advertising affects consumers, how it works, in order to formulate more effective advertising strategies. The first formal advertising was AIDA- Awareness –Interest – Desire – Action. As the world of advertising becomes more and more competitive, advertising becomes more and more sophisticated. Yet the basic principles behind advertising copy remain the same that it must attract attention and persuade someone to take action and this idea remains true simply because human nature does not really change. Sure, we become increasingly sharp, but to persuade people to do something, we still need to grab their attention and to create interest in them as how the product or service can help them, and then persuade them to take the action, such as buying our product or visiting our website. There are several branches or types of advertising which can be used by the companies.

Figure 2 : Types of Advertising



Print Advertising - The print media has been used for advertising since long. The newspapers and magazines are quite popular modes of advertising for different companies all over the world. Using the print media, the companies can also promote their products through brochures and fliers. The newspaper and magazines sell the advertising space and the cost

depends on several factors. The quantity of space, the page of the publication, and the type of paper decide the cost of the advertisement. An ad on the front page would be costlier than on inside pages. Similarly an ad in the glossy supplement of the paper would be more expensive than in a mediocre quality paper.

Broadcast Advertising - This type of advertising is very popular all around the world. It consists of television, radio, or Internet advertising. The ads on the television have a large audience and are very popular. The cost of the advertisement depends on the length of the ad and the time at which the ad would be appearing. For example, the prime time ads would be more costly than the regular ones. Radio advertising is not what it used to be after the advent of television and Internet, but still there is specific audience for the radio ads too. The radio jingles are quite popular in sections of society and help to sell the products.

Outdoor Advertising - Outdoor advertising makes use of different tools to gain customer's attention. The billboards, kiosks, and events and tradeshows are an effective way to convey the message of the company. The billboards are present all around the city but the content should be such that it attracts the attention of the customer. The kiosks are an easy outlet of the products and serve as information outlets for the people too. Organizing events such as trade fairs and exhibitions for promotion of the product or service also in a way advertises the product. Therefore, outdoor advertising is an effective advertising tool.

Covert Advertising - This is a unique way of advertising in which the product or the message is subtly included in a movie or TV serial. There is no actual ad, just the mention of the product in the movie. For example, Tom Cruise used the Nokia phone in the movie *Minority Report*.

Public Service Advertising - As evident from the title itself, such advertising is for the public causes. There are a host of important matters such as AIDS, political integrity, energy conservation, illiteracy, poverty and so on all of which need more awareness as far as general public is concerned. This type of advertising has gained much importance in recent times and is an effective tool to convey the message.

Major Highlights:

Print: The Print Industry grew by 8.3% from INR 193 Billion in 2010 to INR 209 billion in 2011. The growth was slightly lower than the expectation 9.5% last year due to challenging macro-economic environment and reduced advertised spends.

Television : The overall television industry is estimated to be INR 329 billion in 2011 and is expected to grow at CAGR (Compound annual growth rate) of 17% through 2011-16 to touch Rs 735 billion (US\$ 13 billion), according to report by FICCI-KPMG. (FICCI- Federation of Indian Chambers of Commerce and Industry; KPMG- Klynveld Peat Marwick and Goerdeler).

Radio: The radio industry with around 36 FM radio operators, is estimated at Rs 1,200 crore (US\$ 210 million). The Government plans to increase number of private FM radio channels to around 839, from the present 245, through e-auctions starting Dec 2012 over next three years. This plan would cover 227 cities with population of over 0.1 million. All India Radio (AIR) proposes to set up 385 new FM transmitters, under the Twelfth Plan, so as to provide FM coverage to 90 per cent of the population. Currently AIR reaches out to about 41per cent of the population.

New Media: Digital advertising is expected to grow at a CAGR (Compound annual growth rate) of 30% from 2011-16, digital advertisements spend reached approximately 5% of total M&E industry advertising revenue in 2011. Growth is largely driven by increase in internet penetration and proliferation of new devices.

Digitization: Flourishing DTH, cable digitization and launch of new digital platforms for content delivery have completely changed the face of media distribution over the last 5 years. These media along with other online platforms have made digital advertising a major player in the market. Digital advertising is expected to grow at a CAGR of 30 per cent during 2011-16.

Films: With several high budget Hindi releases lined up across the year, 2012 is expected to sustain the growth momentum witnessed in 2011. The Indian film Industry is projected to grow at a CAGR of 10.1% to touch INR 150 billion in 2016. The industry is estimated to be INR 93 billion in 2011 indicating a growth of 11.5 percent Vis -a- Vis 2010.

Table 1 Growth Projection

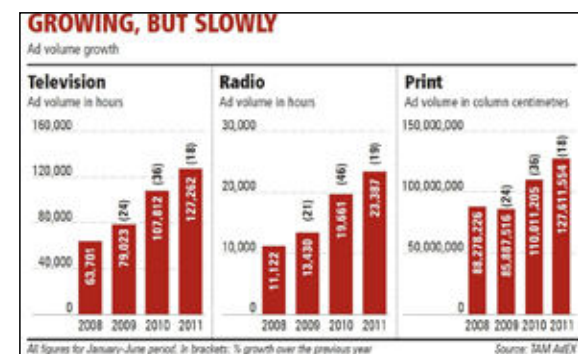


Source: FICCI-KPMG report. (FICCI- Federation of Indian Chambers of Commerce and Industry; KPMG- Klynveld Peat Marwick and Goerdeler).

In terms of performance, 2011 proved to be a year with mixed results in terms of growth across different sub sectors. The traditional media businesses experienced a slow down compared to last year, especially in second half of the year. However the new media segments like Animation and VFX (Visual effects), online and gaming businesses witnessed phenomenal growth rates.

Rajiv Kumar, FICCI says "The Key highlights are rise in digital content consumption, launch of diverse content delivery platforms, strong consumption in Tier 2 and 3 cities, rising footprint of the players in the regional media, rapidly increasing new media business and regulatory shifts."

Table: 2



A steep drop in sales across industries, amid persisting uncertainty in domestic and global markets, have driven companies to rethink marketing budgets, curbing growth in advertisement volumes across radio, print and television platforms.

While total ad volumes across media platforms have not registered a decline, the growth rates have moderated sharply over last year. Data with TAM, which monitors ad expenditure, shows advertising on television, had grown by 24 per cent between January and September 2010. This year, it has been 19 per cent. In print, the growth this year has been 17 per cent (against 27 per cent in the year-ago period) and in radio, 14 per cent (from the earlier 44 per cent).

Conclusion:

- **Television:** TV Households to surge to INR 156 billion by 2015; digitization and addressability to go mainstream. Advertising and subscription revenues to touch INR 214 billion and INR 416 billion respectively.

- **Print:** Overall Print industry to see a CAGR of 10 percent to touch INR 310 billion in five years. Regional print expected to grow at a higher rate of 12 percent
- **Radio:** With increase in scale, expected changes in regulation from phase three and music royalty structure, the industry is expected to grow at 20 percent per annum and become profitable.

- **Films:** 2010 was a challenging year for the industry. However with better content, increase in multiplexes, investment in research and continued cost corrections, the industry is estimated to grow from INR 83 billion to INR 132 billion by 2015.

- **Out Of Home:** With economic resurgence, advertising on this medium bounced back with a growth of 21 percent in 2010 and is expected to reach a size of INR 29.6 billion in 2015.

- **Music:** Digital is here to stay! Spurred by environmental factors such as growth in radio, huge telecom subscriber

base, live events and performances, device innovations in smartphones, tablets etc. and despite the controversy around royalty the industry is expected to register a healthy growth of 17 percent per annum to cross INR19 billion by 2015.

- **Animation and VFX:** Growing demand for content, increasing investments in training talent, growing comfort of Indian production houses for VFX, continued growth in outsourced work, conversion of 2D to 3D formats and emerging digital platforms are expected to help the industry grow at 18.5 percent per annum.

- **New Media:** Digital advertising and gaming are expected to witness the maximum growth and account for approximately INR 73.8 billion by 2015. This growth is expected to be driven by the 3 C's of Consumer, Connectivity and Convergence.

The report however, highlights that the market environment has become increasingly challenging for the sector, on the back of economic slowdown and the consequent slowdown in advertising revenues, especially in the last quarter of 2008. Sectors like Television, Print, Radio and Outdoor which depend on advertising revenues were largely affected and this is estimated to continue into the current year too.

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