Internet And Mobile Association Of India

2017

DIGITAL ADVERTISING REPORT

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EXECUTIVE SUMMARY

Riding on growing popularity of smartphones, widespread availability of 3G/4G services and surge in internet penetration in the country; digital advertisement spend in the country is now at 15.5% of the overall advertising spend. The Indian digital advertising industry currently stands at INR 9,266 crore and is expected to witness an increase from the current level to reach INR 12,046 crore by 2018.

Key highlights:

- Digital advertising spend in India is estimated to be around INR 9,266 crore by end of 2017 growing at a rate of 27% over the year 2017.

- BFSI, E-Commerce is leading online spends in terms of volume, followed by FMCG & Travel. 68% of the overall digital adds spends comes from this four vertical.

- BFSI brands incurred the highest share of advertising on digital media with 46% of their overall advertising spends on digital followed by Ecommerce and Telecom.

- Ad spends on Search are likely to be INR 2,502 crore followed by Video at INR 1,779 crore. Mobile ads are a key avenue that has shown a 34% growth over last year one year.

- Social Media (LinkedIn/Facebook/Twitter, etc.) and Mobile ad markets are likely to be at INR 1,668 crore and 1,761 crore respectively.

- As digital ads can be customized as per target audience, consumers feel more connected to the ads. From consumer's view point, a large number of those who view online advertisements feel that these helped them in finding the right product they search for. Viewers also mentioned online ads as being informative.

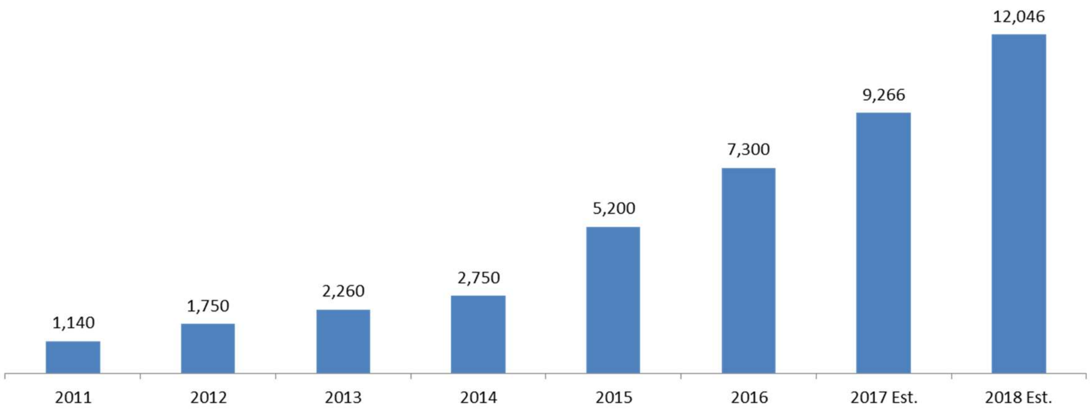
- The growth in spend on digital advertising is expected to continue, at a rate of 30% over the next year and the total spend is expected to touch INR 12,046 crore by end of 2018.

OVERVIEW OF DIGITAL ADVERTISING IN INDIA

Digital media has been the harbinger of growth for the advertising industry in India in the last few years. Every year a sustainable proportion of advertising budget is being spent on digital media and it is growing every year.

India has an estimated 289 million people in Urban India and 182 million in Rural India who were online as of October 2017. With such a large user base, the country provides an immense potential for marketers to pitch their products and services through digital media. This trend is visible across industries i.e. FMCG, Consumer Durable, E-Commerce, Automobile manufacturers, BFSI, Telecom and among many more. With the smartphone becoming more affordable and surge of high speed internet penetration, digital advertisements will continue to grow in the near future.

Trend: Digital Advertising Spend (INR Crore)



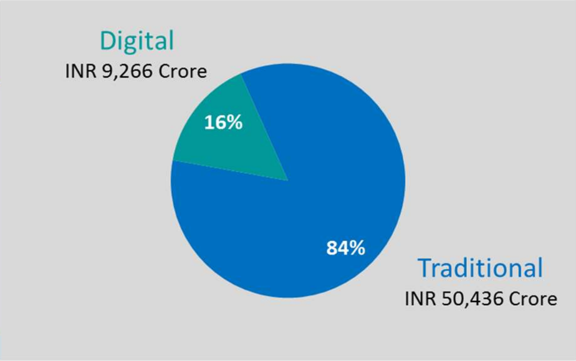
Source: KANTAR IMRB Estimates, December 2017

In line with the trends seen in digital media across sectors, digital advertising spends outperformed expectations in 2017, growing almost 27% over 2016 and are estimated to be INR 9,266 crore in 2017. This spend, however, does not account for government spends incurred on digital advertising. The growth in spend on digital advertising is expected to continue, at a rate of 30% over the next year and the total spend is expected to touch INR 12,046 crore by end of 2018.

INDUSTRY-WISE AD SPENDS

The overall advertising industry size in India is estimated to be close to INR 59,700 crore in 2017 with the share of FMCG and Consumer Durables being the highest in terms of overall advertising spends, followed by E-Commerce, Auto, Travel, BFSI and Telecom.

	Ad Spends in INR Crore	Share of Vertical Spends
FMCG + CD	19,702	33%
Ecommerce	5,970	10%
Telecom	3,582	6%
Education	2,424	4%
Travel	4,549	8%
BFSI	4,411	7%
Auto	5,051	8%
Others	14,012	23%
Total	59,702	100%



Source: KANTAR IMRB December 2017

Digital advertising spend is about 16% of the total ad-spends in the country. In terms of total spend, BFSI lead the digital ad-spend with spends around INR 2022 crore, followed by Ecommerce.

A comparison of these verticals in terms of share of spends on Traditional vs. Digital show that BFSI brands incurred the highest share of advertising on digital media with 46% of their overall advertising spends are digital, followed by E-Commerce, Telecom and Travel.

Share: Traditional Vs Digital Advertising Spends by Verticals

Industry Vertical	Traditional Ad Spend (INR Cr)	Digital Ad Spend (INR Cr)	Share of Digital Ad Spend by Vertical
FMCG + CD	18,447	1,255	6%
Ecommerce	4,260	1,711	29%
Telecom	2,567	1,015	28%
Education	2,127	297	12%
Travel	3,269	1,280	28%
BFSI	2,389	2,022	46%
Auto	4,200	851	17%
Others	13,177	835	6%
Total	50,436	9,266	100%

Source: KANTAR IMRB December 2017

Trend Digital Ad-Spend (INR crore) by key Industry verticals

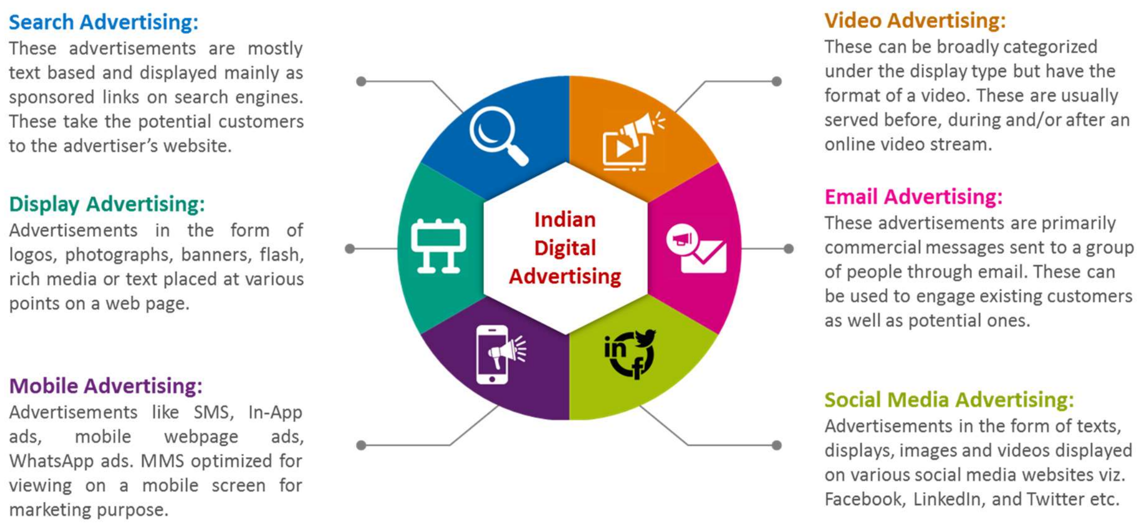
Industry Vertical	2015		2016		2017	
	Digital Ad Spend	Share of Digital Ad Spend by Vertical	Digital Ad Spend	Share of Digital Ad Spend by Vertical	Digital Ad Spend	Share of Digital Ad Spend by Vertical
FMCG + CD	676	13%	1,069	15%	1,255	14%
Ecommerce	1,040	20%	1,361	19%	1,711	19%
Telecom	780	15%	902	12%	1,015	11%
Education	312	6%	340	5%	297	3%
Travel	572	11%	1,026	14%	1,280	14%
BFSI	728	14%	1,069	15%	2,022	22%
Auto	540	9%	724	10%	851	9%
Others	552	11%	809	11%	835	9%
Total	5,200		7,300		9,266	

Source: KANTAR IMRB December 2017

E-Commerce includes Online retail stores, online classifieds etc.
Telecom include Telecom & Internet service providers and handset manufacturers
IT/ITeS comprises IT Hardware and Software
Auto segment includes automotive products and auto components
Travel includes Bus, Railways and Air ticket booking along with holiday packages
Others include sectors like print media, manufacturing etc.

DIGITAL ADVERTISING AVENUES

The various avenues for advertising in the Indian digital industry are, as given below:



Quintillions bytes of data is consumed everyday via emails, videos, social media, digital advertising serves as the backbone that holds the construct together.

While the above definitions are being followed in various articles (even in the current one), it is increasingly evident that digital media is converging rapidly and a more holistic perspective is required to define the digital advertising market size. Considering that technology is not a hindrance, different platforms are being used to display relevant ad formats. As a result, these definitions are changing the landscape of digital ad planning.

Also, because of this ever-changing digital world and its ongoing transformation phase, as of now, there is no clear demarcation possible between the spends on various digital media avenues. Consequently, this report has not segregated online advertising spends between web and mobile.

TRENDS: SPEND BY VARIOUS DIGITAL ADVERTISING AVENUES

Digital Advertising works best when it is omnipresent for the convenience of its buyers. Interaction with buyers across multiple channels and devices is important together with the consumers.

As of end 2017, the various avenues for advertisement on the digital medium are display, search, search, social media, mobile, video and email. Search takes the lion's share of digital ad spending. 27% of total digital ad spends (INR 2,502 crore) is made on search. This is followed closely by spends on video and mobile around 19% with ad spend being INR 1,779 crore and 1,761 crore respectively. Spends on social media stand at 18% with ad spend around INR 1,668 crore and least one being display ads with only 16% with total ad spend being only INR 1,483 crores.

Search contributes maximum among all ad avenues and is totally intent driven and a completely pull strategy. Spends on Video ads such as YouTube have shown a significant increase over 2016 with 27% growth vs last year. This sustainable pattern is driven by new on-time demand such as entertainment (movie, TV series) channel launches, by enhanced monetization across various platforms and high CPMs on premium content.

To connect with the consumers at an emotional level, Video ads are considered to be a great branding tool. They have an enormous power to connect with the consumers. In order to cater to the video ads platform, most of the companies are bringing in fundamental changes with adoption of programmatic advertising and advanced analytics to enhance the consumer experience. Compared to the display ads, it is a cost effective approach as it tries to engage directly with the right user at the right time.

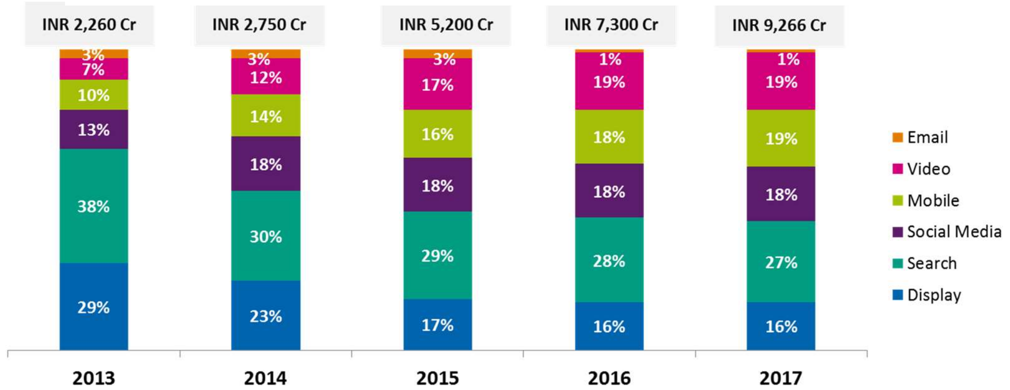
Spend on mobile advertising (SMS/In-app ads) also recorded high YoY growth of 34%: from INR 1,314 crore in 2016 to around 1,761 crore in 2017. This is because advertising on mobile is considered to be innovative and conveys the message clearly. Also in-app Advertising Avenue is currently being explored and used across various industry sectors since it is believed to fetch better monetization.

Search has the maximum share among all ad avenues followed by Video and mobile, each being 19% of total spend. Search has seen a slight decrease with mobile advertising compensating for it. Driven by falling data prices and availability of low cost handsets, mobile advertising is expected to increase.

In addition to various ad avenues, an online marketing form, popularly known as Native ads are becoming quite popular. These ads operate as a connector between advertisers and publishers. It solves a problem for them by providing consumers with content that does not disrupt their online experience and is more likely to be seen by them.

It provides better user experience and makes the audience feel more engaged with the content, thereby driving better brand exposure. Native ads are more contextually relevant and therefore excellent content format for lead generation.

Share of Digital Spends by Ad Avenues



Source: KANTAR IMRB December 2017

Spend by Ad Avenues & CAGR (INR crore)

	Display	Search	Social Media	Mobile	Video	Email
2013	655	859	294	226	158	68
2014	633	825	495	385	330	83
2015	884	1,508	936	832	884	156
2016	1,168	2,044	1,314	1,314	1,387	73
2017	1,483	2,502	1,668	1,761	1,779	74
YoY Growth (2016-2017)	27%	22%	27%	34%	28%	2%

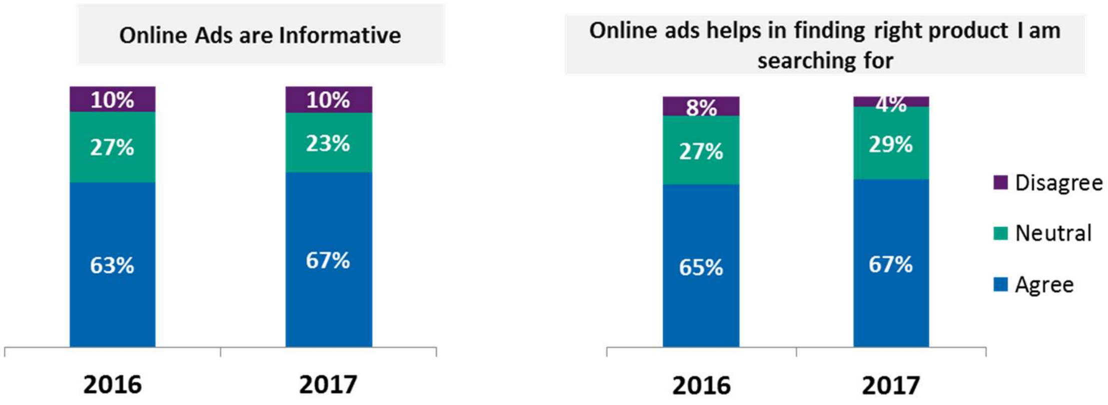
Source: KANTAR IMRB December 2017

DIGITAL ADVERTISING: THE CONSUMER PERSPECTIVE

The success of any form of digital advertising has been driven by the consumers' liking of digital media i.e. the platform, the ad avenue and the content. From a consumer's perspective, the ability to view filtered content, choosing and being provided with only that content which they wish to view, consume and having access to relevant ads and communications, makes digital advertising extremely relevant. Based on KANTAR IMRB's annual syndicated study on Internet in

India (ICUBE 2017), the proportion of Internet users who believe that online ads are informative and that they help them in finding the right product/service they were searching for, is greater than 2016. More important, there has been an increase in the number of consumers who felt that relevance of digital advertising has increased.

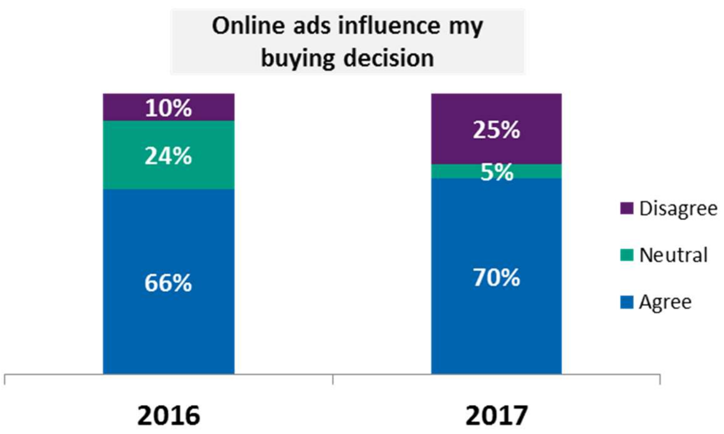
Relevance of Information



Source: KANTAR IMRB December 2017

Almost 70% of consumers believe that online advertising, in some form or another, influence their buying decision. This proportion has seen an increase over the previous year.

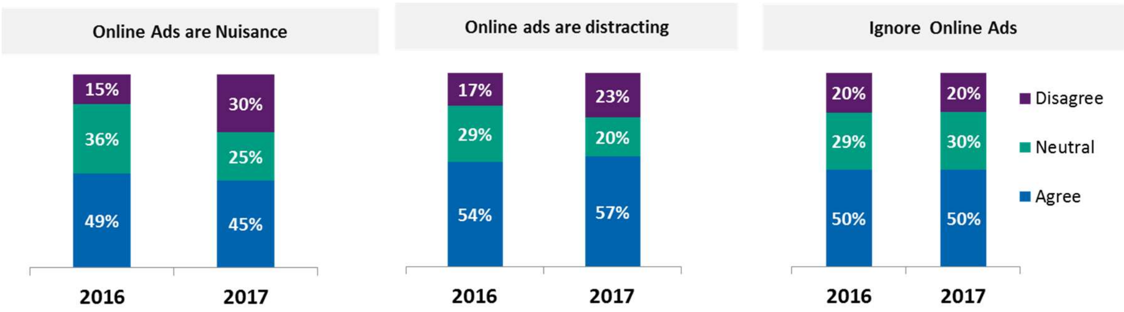
Digital Ads as Influencer



Source: KANTAR IMRB December 2017

While there are positive attributes that draw views to digital advertising, there are also a few concerns. There are a growing number of viewers who feel that online ads are distracting and this has led to increased blocking of ads.

Digital Ads - Challenges



Source: KANTAR IMRB December 2017

ADVERTISING EFFECTIVENESS

Among digital advertisements that were seen most, mobile ads top the list, followed by search engines, social networking sites, and banner ads. Mobile ads have the highest conversion in terms of viewership. 91% of those who have seen an advertisement on a mobile have clicked on the same followed by Social Networking sites, Banner ads and Sponsored links in search engines. Market trends suggest that viewership of mobile ads will increase in the coming year whereas email ads are estimated to decrease.

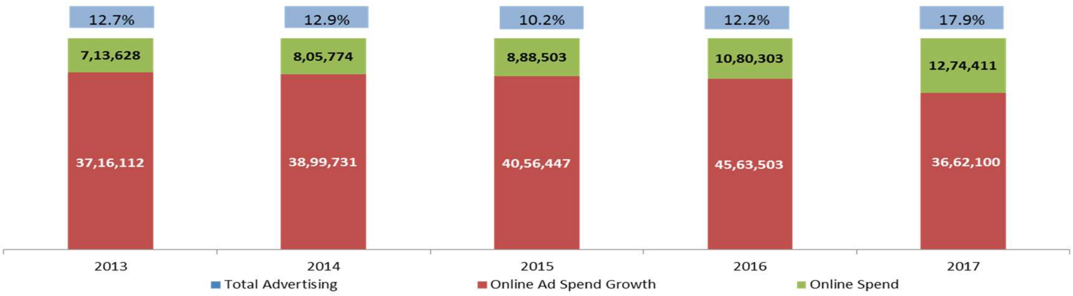
Ad conversion ratio

Source: KANTAR IMRB ICUBE 2017, December 2017

DIGITAL ADVERTISING: GLOBAL SNAPSHOT

Globally, overall advertising spend is around INR 36, 62,100 crore by end of 2017.Global digital ad spend has grown at 18% during the same timeframe to reach INR 12, 74,411 crore. The advertising spend has gone down due to significant market slowdown across the globe. Globally, between 2013 and 2017 spend on digital advertising has grown at a CAGR of 16%.

Global Online Ad Spending vs Total Ad Spending (INR CR)



Source: eMarketer Global Online Advertising Spend
All figures in INR crores

Online Ad Spend by Regions

Share of Online Ad Spending by Regions

Region	2013	2014	2015	2016	2017
North America	39%	38%	38%	37%	38%
Western Europe	27%	28%	29%	30%	38%
Asia - Pacific	26%	26%	24%	24%	17%
Eastern Europe	4%	4%	4%	5%	4%
Latin America	4%	4%	4%	4%	3%
Middle East and Africa	1%	1%	2%	2%	2%

Source: eMarketer Global Online Advertising Spend

North America and Western Europe holds the maximum share in terms of total spends in digital advertising with a share of 38% each. Countries in Asia Pacific and Eastern Europe hold the next two spots with a share of 17% and 4%. Latin America and Middle East and Africa hold around 5% of market share.

Top Countries by Digital Spends

USA and China hold the top two spots on digital ad spend. Among countries from Western Europe, UK, Germany, France, Italy and Spain are among the top spenders on digital advertising. Japan and China are among the top spending nations in the Asia Pacific region. China has grown by almost 3 times from 2016.

Spend on Digital Ads (INR crore) by countries

	2013	2014	2015	2016	2017
USA	3,12,758	3,55,132	3,86,744	4,17,010	5,39,500
Canada	19,236	21,724	23,944	30,603	69,810
UK	58,516	65,242	70,152	81,990	83,853
Germany	49,906	57,978	63,022	62,484	71,650
France	23,540	26,567	28,383	28,653	30,000
Italy	13,519	15,268	17,756	20,380	31,135
Spain	9,954	11,232	12,375	14,864	15,656
Japan	59,928	64,435	68,403	84,411	2,71,050
China	51,319	63,627	76,407	1,10,844	3,26,834
India	2,260	2,750	5,200	7,300	9,700

Source: eMarketer Global Online Advertising Spend
India numbers: KANTAR IMRB Estimate, December 2017

Digital Ad-spend Share of Total Advertising Spend: 2017

Digital ad-spend in the Netherland accounts for 58% of the total ad spend. Among the other top countries whose share of spend on digital advertising in greater than 50% of total advertising spend are Denmark, China, UK.

Share of Digital Ad-spend by Country

Netherlands	58%
Denmark	53%
UK	51%
China	51%
Australia	53%
Canada	44%
South Korea	38%
US	37%
Norway	34%
Sweden	30%
India	16%

Source: Global: e Marketer Global Online Advertising Spend
India numbers: KANTAR IMRB Estimate, December 2017

CHALLENGES

Digital advertising industry has managed to increase its share, owing to technology advancements and innovations.

Digital advertising is the destiny of tomorrow, be it programmatic, analytics or various online media strategies will be the driving forces of communication within digital ecosystem. Industry stakeholders are anticipating challenges specifically in terms of the view ability as well as usage of ads.

Programmatic advertising is expected to negatively impact digital advertising industry. Security and privacy of the content is the expected challenge within this type of advertising. Stakeholders would like industry bodies to bring in place, some kind of anti-ad fraud products and cyber security software that are able to identify and potentially exclude non-human traffic. This will reduce the risk and therefore will enhance the usage within all the stakeholders.

Indian consumers are comparatively less receptive to display advertising. Consumers are seen actively filtering unwanted content through ad-blocking software, mental firewalls, banner blindness, as a result of which most online advertising is ineffective.

Audience customization and content management are also some of the major challenges within digital advertising. Due to the exponential growth of advertising across platforms, ad-blockers have been created to curb inappropriate and recurring advertisements. While this allows for better browsing, advertisers will have to innovate their offerings and move beyond simple display ads on websites to garner attention and sales

The evolution of new agencies in the past few years, along with numerous intermediaries viz. agencies, publisher networks, etc. has left the value chain fragmented and the marketer now has to decide from several options, thereby making the process more complex and tedious.

In addition to the mentioned challenges, there is a need to develop infrastructure developed to understand the ad conversions/ sales and ROI co-relation for digital advertisements.

CONCLUSION

Globally, some regions such as North America have not showcased much movement in terms of their proportions of spend on digital advertising; in fact, some regions have maintained a status quo and also showed a slight decline such as Asia Pacific. Asia Pacific's share has decreased from 24% in 2016 to 17% in 2017. Though USA and China are holding the top two spots on digital ad-spends.

With the increasing adoption of Internet and the growing popularity of smartphones, there has been a shift in advertising spends from traditional to digital media. Nowadays, digital medium is preferred because there is a scope of engagement between the brand and the user, unlike traditional medium. To a large extent, content on digital media is customizable as per the target audience. Also, significant time is spent on accessing Internet through mobile phone, because of the portability and seamless compatibility offered by smartphones. While, currently, it accounts for 15.5% of the advertising pie, this is expected to grow further in 2018.

Search continues to lead the digital advertising avenue spends but social media, video & mobile ads are becoming rapidly popular.

Mobile advertising avenue that has grown this year vis-a-vis the last year and is likely to further grow at a faster pace and strengthen its presence in 2017. Also, increased affordability has led to increase in content consumption and hence more opportunity to engage consumers via mobile. Mobile as a medium itself, acts as a rich source engagement experience which makes it an effective marketing medium.

Industry stakeholders continue to be optimistic about the growth of digital advertising with the use of mobile phones as a key access device will continue to grow across the nation (i.e. both urban as well as rural areas). Mobile as medium continues to dominate with share of 80% in digital advertising industry compared to PC.

With an estimated growth of 30% in 2018, digital advertising is expected to reach INR 12,046 crore.

Globally, the Internet remains the fastest-growing medium for advertising compared to others. Also more and more countries are moving to programmatic advertising and therefore are expected to be the future of digital advertising.

To conclude, future of digital advertising lies in increased mobile usage coupled with continuous technology upgradation, richer audience engagement and programmatic advertising.

About IAMAI

The Internet and Mobile Association of India (IAMAI) is a young and vibrant association representing the entire gamut of digital businesses in India. It was established in 2004 by the leading online publishers but, in the last 13 years, has come to effectively address the challenges facing the digital and online industry including mobile content and services, online publishing, mobile advertising, online advertising, ecommerce and mobile and digital payments among others.

Thirteen years after its establishment, the association is still the only professional body representing the online industry. The association is registered under the Societies Act and is a recognised charity in Maharashtra. With a membership of nearly 300 Indian and overseas companies, and with offices in Mumbai, Delhi, Bengaluru and Kolkata, the association is well placed to work towards charting a growth path for the digital industry in India.

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About Kantar IMRB

Kantar IMRB is a pioneer of market research services in Asia. It partners its clients across the entire brand lifecycle through a unique mix of innovation and analytical thinking to design customized solutions that deliver maximum impact. By leveraging on its large array of syndicated services and specialist divisions, Kantar IMRB helps clients in crafting marketing and consumer strategies. With a multi-disciplinary and multi-cultural workforce, it is at the forefront of research and consulting services.

An eight-time recipient of "Agency of the Year", Kantar IMRB's footprint extends to 50 offices across 19 countries.

This report has been drafted by the specialized Technology division of Kantar IMRB.

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