

# DIGITAL ADVERTISING IN INDIA

April 2012



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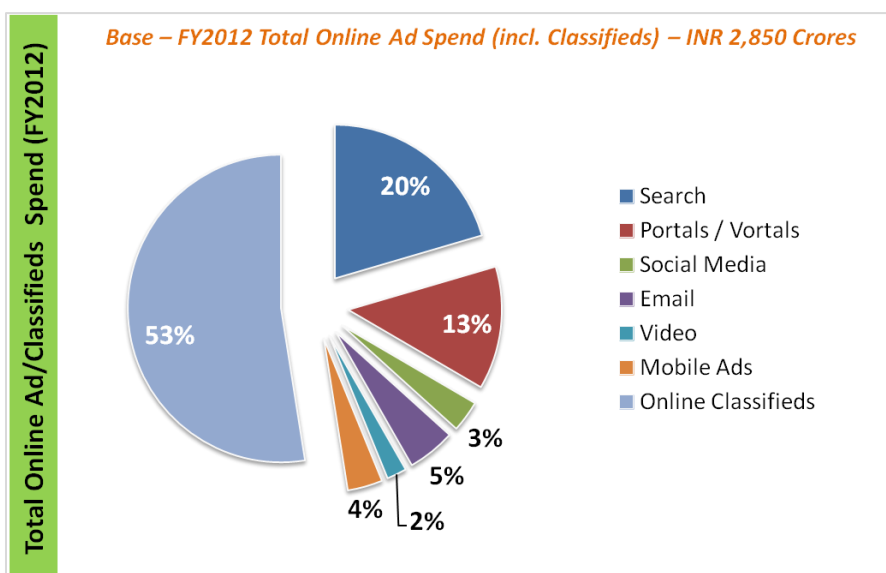
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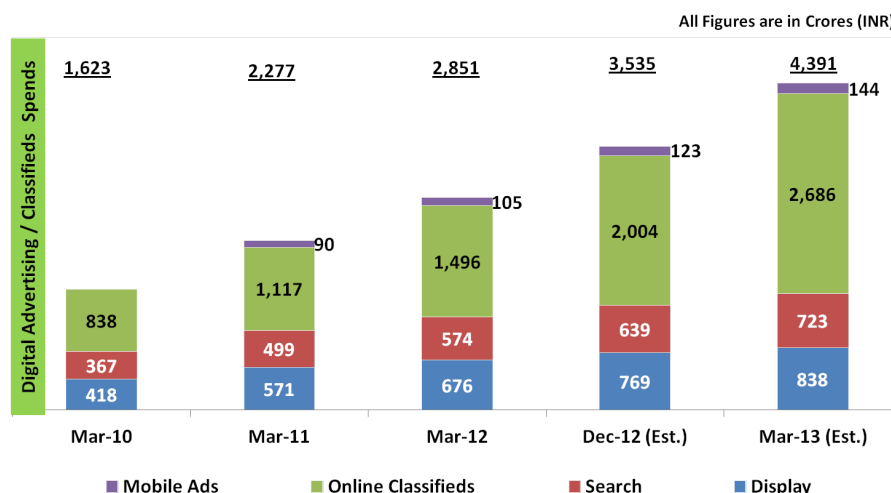
# Executive Summary

**Digital Advertising** simply put, is an extension of online advertising, including advertising done on **mobile phones and tablets**. With these devices a core component of media today, it has been necessary to encompass various forms together into a category called Digital Advertising. In addition, classifieds have also been included as a part of the total digital advertising industry. Classifieds related to matrimonial/dating, jobs and other B2C classifieds have been included. IAMAI in association with IMRB International is pleased to publish the 4<sup>th</sup> Edition of the **Digital Advertising report**.

As of March 2012, the total advertising spends including classifieds was valued at INR 2,850 crores. Of which, 20% are in search advertising, 13% in Portal/Vortal websites, 3% in Social Media ads, 5% in advertising on Email services, 2% on video ads, 4% in mobile devices and the major part (i.e. 53%) relates to classified listings.



Since March 2010, there has been a strong growth of around 25% in all the components of digital advertisement (Search, Display, Classifieds and Mobile) as depicted in the figure below. Further, it is expected that this growth is going to continue – reaching INR 3,535 Crores by this year end and INR 4,391 Crores by the next financial year (March 2013).



## Digital Advertising - Quick Findings

### On Display Ads

- ✓ Travel (1<sup>st</sup>), Auto (2<sup>nd</sup>) and Telecom (3<sup>rd</sup>), BFSI (4<sup>th</sup>) are top verticals using Display advertising
- ✓ **39%** of all Display Ads are of **Simple Flash**
- ✓ **24%** of all Display Ads are **Images**
- ✓ **24%** of all Display Ads are **Rich Media with Video**

### On Search Ads

- ✓ Travel (1<sup>st</sup>), BFSI (2<sup>nd</sup>) and Online Publishers (3<sup>rd</sup>) are top verticals using Search advertising
- ✓ In FY2012, **90%** or **INR 525 Crores** of Search spend is in terms of **SEM** (Search Engine Marketing) i.e. buying or bidding for Adwords; this is in comparison to **INR 58 Crores for SEO**

### On Mobile Ads

- ✓ FY2011 Total Size – **INR 90 Crores**
- ✓ FY2012 Total Size – **INR 105 Crores**
- ✓ Main Types
  - **WAP / Browser Based Ads (74%)** of Total Mobile Ad Spend
  - **In-App Advertisements (20%)** of Total Mobile Ad Spend

## On Social Media Ads

- ✓ Total Spend of **INR 80 Crores** in FY2011
- ✓ Total Spend of **INR 94 Crores** in FY2012
- ✓ Contextual Advertisements
- ✓ Engagement with users through Company Fan pages
- ✓ Facebook leads Social Media Revenue charts
- ✓ LinkedIn Ads Most Effective

# Research Methodology

The findings of the current edition of the report have been arrived at by conducting primary and secondary research. The report follows the Indian financial year and details information captured from various respondents for FY2010-11 (April 2010-March 2011) and FY2012. Estimates are for the year FY2012-13 (April 2012-March 2013).

**Primary Research** - Primary Research has been done with Internet Users and Industry Experts.

***Internet Users:*** Structured Face to Face (F2F) interviews have been conducted with almost 800 individuals across 19 cities during ICube 2011, a syndicated product of eTech, IMRB International.

Cities by Strata	
<b>Top 4 Metros</b>	Delhi, Mumbai, Chennai and Kolkata
<b>Other 4 Metros</b>	Bangalore, Hyderabad, Ahmedabad and Pune
<b>Small Metros (More than 1 Million Population)</b>	Patna, Cochin, Baroda, Lucknow, Coimbatore, Indore
<b>Non Metros (Between 0.5 to 1 Million Population)</b>	Surat, Nagpur, Guwahati, Bhubaneshwar, Chandigarh

***Industry Experts:*** Depth interviews have been conducted with industry experts from various stakeholder categories of the Digital Advertising Industry in India. Respondents for the depth interviews included experts from Ad Agencies, Media Agencies, Ad Networks, Publishers, Advertisers as well as Affiliate Marketing Agencies.

**Secondary Research** - Secondary Research was done to understand the structure and dynamics of Indian Digital Advertising industry. Information from various published resources was used to perform a data validation check. Information collected from Secondary as well as Primary Research has been thoroughly analyzed in the preparation of the report.

**Additions to Current Edition of the Report** - Since 2007, the Digital Advertising Report has been updated year on year to encompass changing market dynamics. New sections added in the current edition of the report include -

- Mobile Advertising
- Advertising on Social Media
- Online Classifieds Advertising

# Internet Usage in Urban India

The Internet, arguably the most exciting medium of the modern generation is witnessing appreciable growth in India since the turn of the century. As per I-Cube 2011 estimates, there are nearly 100 Mn Active Internet users in India as of December 2011; of this 73 Million users reside in urban cities. **(Source: ICube 2011)**. This represents a growth of almost **20%** as compared to September 2010, when the number of Active Internet Users was **59 Million**. In terms of the number of Claimed Internet Users, the numbers have risen from **78 Million** in 2010 to **88 Million** over the same period. This represents a growth of about **13%** in the last year. For a similar time frame, the number of PC Literates also exhibited a **12.5%** increase with the total number of PC literates going up from **106 Million to 119 Million**. In simpler words, once an individual is exposed to the Internet, it is quite likely that he or she would continue using it like any other media as television, newspapers or radio.

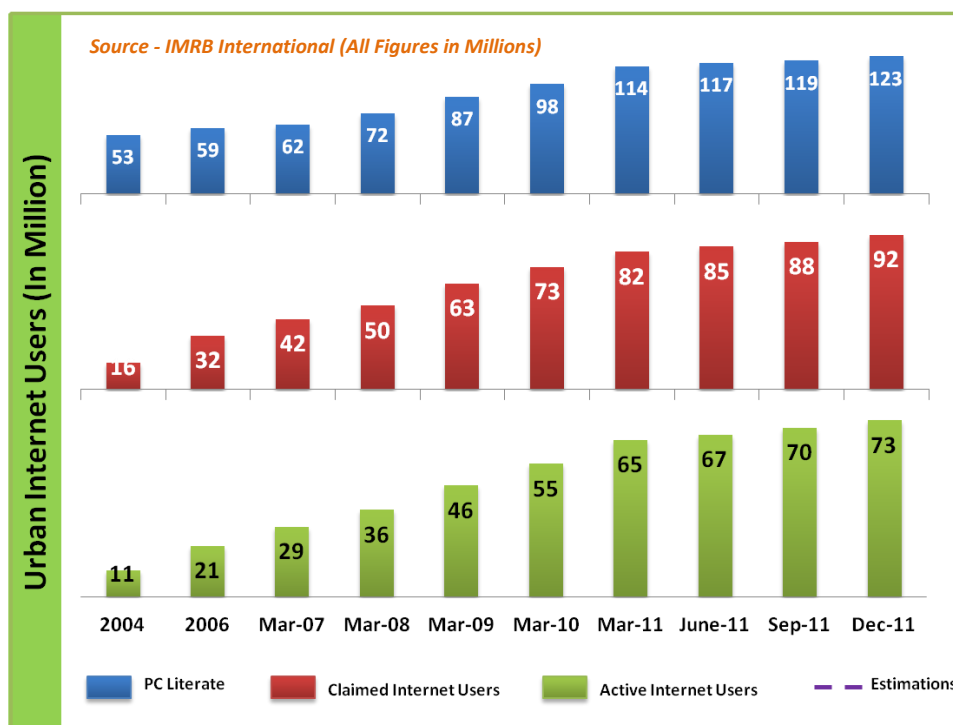


Figure (1) - Indian Urban Internet Users

The traditional devices for Internet access in India have been Personal Computers and Laptops. Increasingly now, Mobile Devices like mobile phones and tablets are devices used

regularly for Internet access. With mobile phone penetration reaching dizzying levels i.e. **in excess of 70%** across India, this is not so surprising. Moreover, the cost of owning a feature rich (and Internet enabled) mobile phone is decreasing every day. As per various industry estimates, one can avail of an Internet enabled phone for as little as **Rs. 3000 (~\$60 USD)** in India! Above all, mobile Internet subscription plans are also very affordable, starting at about **Rs. 50 (~\$1 USD)** per month. In addition, mobile telecom service providers are bundling Internet services to various prepaid and postpaid plans. As a consequence, mobile phones are increasingly serving as an entry level access point for many Internet users today.

Once an individual realizes the power of the Internet, and its ability to offer real time information so conveniently, it is relatively unlikely that an individual would give up Internet usage. Therefore even though traditional media such as television still remains the preferred medium for information, entertainment and leisure, the Internet is catching up fast. Therefore understandably still, traditional media forms such as television, newspapers and radio command majority of the Indian advertising pie. Increasing penetration of Internet has the potential to appreciably alter this landscape. While it is likely that television will continue to dominate the bulk of Indian advertising revenues in the near future, the Internet will make its presence felt and increase its overall share in the currently **INR 50,000 Crores (USD ~\$10 Billion)** valued Indian advertising industry.



# Digital Advertising: Components

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## Introduction

Online advertising maybe defined as a form of **marketing communication** on the Internet intended to **persuade an Internet user** (viewers, readers or listeners) to purchase or take an action based on content displayed on a website (or webpage). This communication may be in relation to products, ideals or services.

Advertising viewed or consumed on **mobile phones and tablets** is increasingly an inherent component of online advertising today. It is therefore necessary to encompass these forms of advertising together under a category which is called **Digital Advertising**. In other words, Digital Advertising is simply an extension of online advertising, including advertisements on mobile phones and tablets.

## Main Components of Digital Advertising

Digital Advertising can be classified into the following main components:

**Display Ads** - Advertisements that are placed at various points on a web page that typically contain logos, photographs, other images or even text. Banner ads are priced slightly higher than Search Ads and are known to have higher effectiveness.

**Search Ads** - Advertisements made up of text (displayed largely as sponsored links on search engines) constitute this category. These are backed by hyperlinks that when clicked on, take the potential customer to the advertiser's website. Search Ads are usually lower in cost than banners, as they are simple and a lot of websites accept them.

**Online Classifieds** – Classifieds include various listings that are posted on various websites that are meant to attract consumers and sellers at a single site. These listings are posted on matrimonial/dating, job or other B2C classified websites.

**Mobile Ads** - The number of **Active Mobile Internet users** has touched about **35 Million users** (Source - ICube 2011) by **March 2011**. This has reached **48 Million by March 2012** as per latest reports. As a result, advertisements placed on mobile phones and tablets are increasingly becoming commonplace. Additionally, Internet accessibility is another reason why Mobile Ads are increasingly gaining prominence. Moreover, advertisers have realized

that end users of such devices predominantly belong to higher socio economic classifications (SECs) i.e. usually SEC A and SEC B. Therefore placement of advertisements to a desired target group can be effective.

# Market Size and Growth

As per the previous edition of the Indian Digital Advertising report by IMRB International and IAMAI, the Indian market was **INR 1,623 Crores** as of **March 2010** – comprising display, search and classifieds. As per our primary research findings, the industry size has increased to **INR 2,277 Crores** by **March 2011** and to **INR 2,851 Crores** as of **March 2012**.

It is expected that by **FY2013** the digital advertisement spends will be **INR 4,391 Crores**. On an average, the digital ad spends have been growing at 25% year-on-year basis. The graph, below, showcases this industry growth.

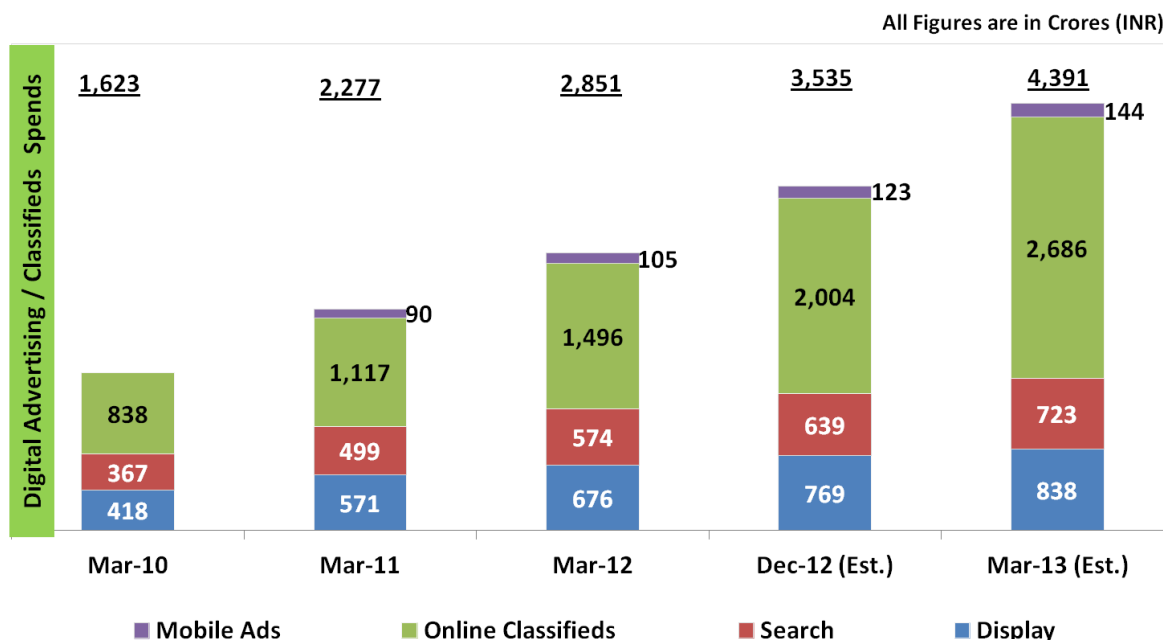


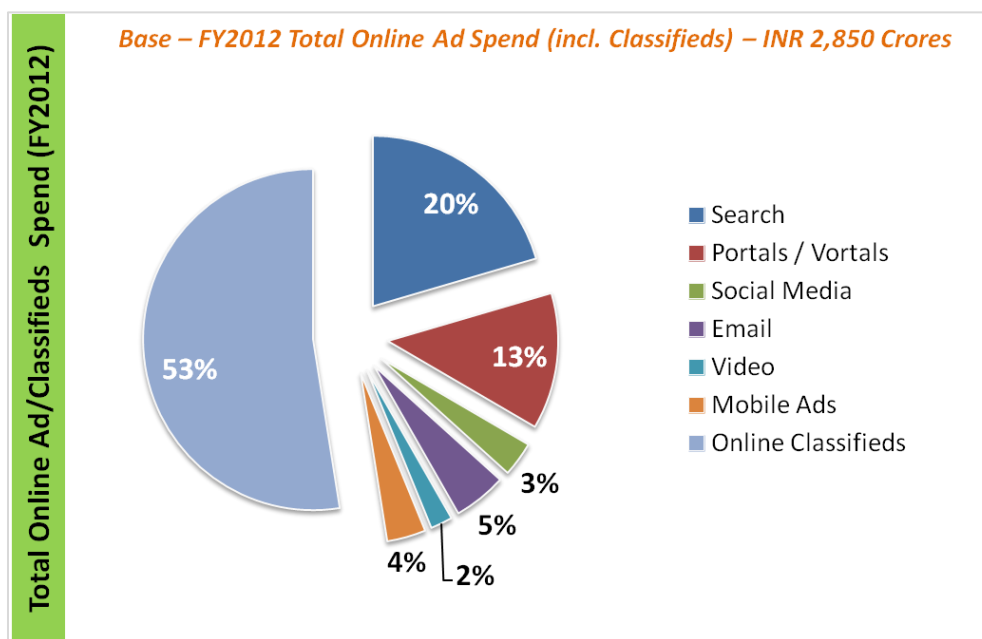
Figure (2) - Indian Digital Advertising Market

It must be noted that Mobile Ad types have been additionally covered in this edition of the report. So the FY2011 and FY2012 findings include Display, Search as well as Mobile Ads. The FY2010 findings consisted of Display and Search Ads, which were the dominant ad types at the time. The findings for FY2012 include all three types.

The total online advertising spend can be subdivided among the following categories -

- ✓ Search
- ✓ Portals / Vortals

- ✓ Social Media
- ✓ Email
- ✓ Video
- ✓ Online Classifieds



**Figure (3) - Online Advertising Spend - Share**

As seen above, **Search** advertising constitutes about **20%** of the total online advertising spend or about **INR 570 Crores**. Display advertisement which has many components form a sizeable portion of advertising spends. Advertisements on portals and vortals form **13%** of the overall pie (i.e. **INR 369 Crores**). Advertisements on Social Media, Email and Videos over the Internet form **3%** (**INR 94 Crores**), **5%** (**INR 144 Crores**) and **2%** (**INR 59 Crores**) respectively. Mobile ads form nearly **4%** (**INR 90 Crores**). A major proportion i.e around **53%** of the overall digital advertising spends are classifieds listing (**INR 1,496 Crores**).

# Types of Digital Ads and Growth

Display, Search and Mobile Ads are the dominant online ad types today, not only in India, but also globally. As per primary research in this phase of the research, Display and Search Ads are still the popular ones. However, **Mobile Ads** are now **widely increasing**, thanks to the **proliferation of mobile phones** in India as well as **increased Internet connectivity**.

The graph below showcases the growth in the online ads industry as per different advertisement types.

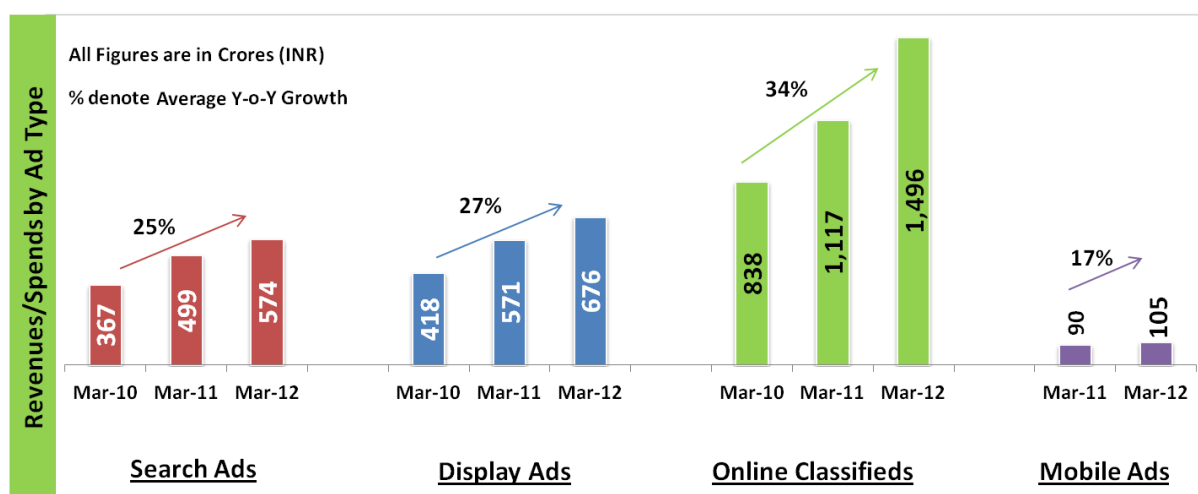


Figure (4) - Main Types of Digital Advertising and Growth

Since 2010, spends in Search Ads have grown from INR 367 Crores to INR 574 Crores in March 2012 – an average Y-o-Y growth of 25%. Spends in Display ads have grown from INR 418 Crores to INR 676 Crores with an average Y-o-Y growth of 27%. Spends in online classifieds have grown at 34% Y-o-Y on an average reaching INR 1,496 Crores as of March 2012.

Although smartphones have been in the global market as early as 2007, the launch of tablet devices as the iPad by mid 2010 as well as favorable economic conditions have paved the way for the Mobile Ads ecosystem to grow appreciably. By March 2011 (FY2011), Mobile Ads accounted for about INR 90 Crores of the total Indian Digital advertising industry. In FY2012, the share of Mobile Ads have grown 17% and is at INR 105 Crores.

The graphs below illustrate the share of revenue between the three main advertisement types for FY2010, FY2011 and FY2012.

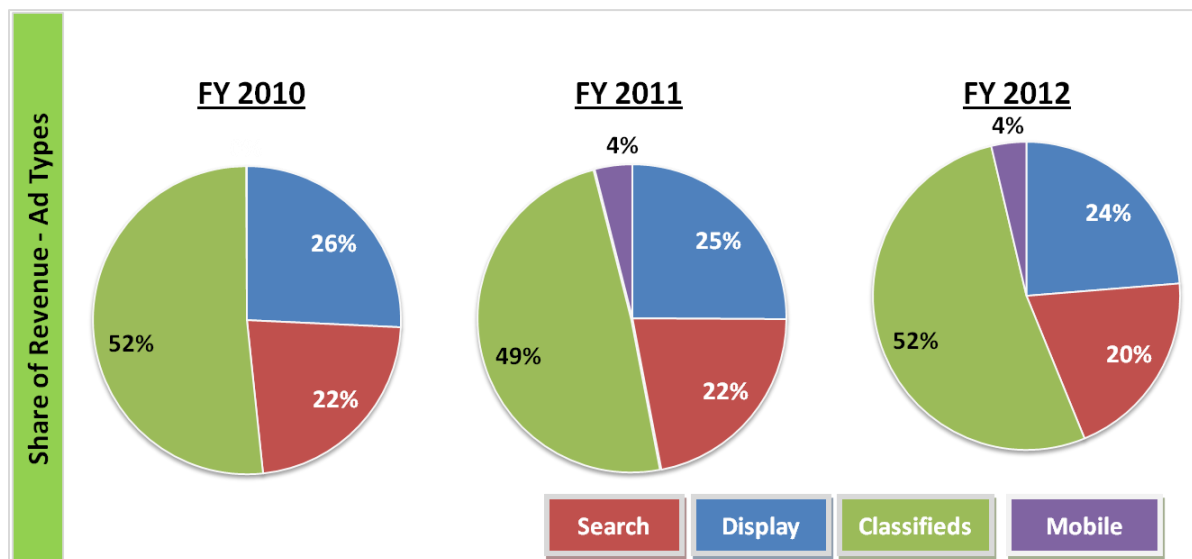


Figure (5) - Share of Revenue among Types of Digital Advertisements

Thus, the percentage share of Online Display advertising in the overall market seems to be increasing, albeit only slightly. Companies are trying to develop content similar to television, which could be a reason attributed for the same.

Smartphones and Tablets are gaining popularity. So in the upcoming years with such devices becoming increasingly affordable to a larger base of people, the share of mobile advertising is sure to rise. The opportunities for individual mobile app developers as well as organizations to tap this market further are therefore worth considering.

## Display Ads

Online Display advertising has matured quite an extent today. Various technologies are being used to develop such ads. Display Ads usually are in the form of web banners that contain images, flash objects or interactive media using audio or video. The images can be static or dynamic. In terms of **Technology Formats**, Display Ads are categorized as follows -

- ✓ Image (GIF/JPEG)
- ✓ Simple Flash
- ✓ Rich media with video
- ✓ Rich media without video

Display Ads are further classified into sub categories based on **Size of the Advertisement**. They are broadly classified into the following types, with an illustration below -

- ✓ Banners & Leaderboards
- ✓ Buttons
- ✓ Rectangles & Boxes
- ✓ Skyscrapers

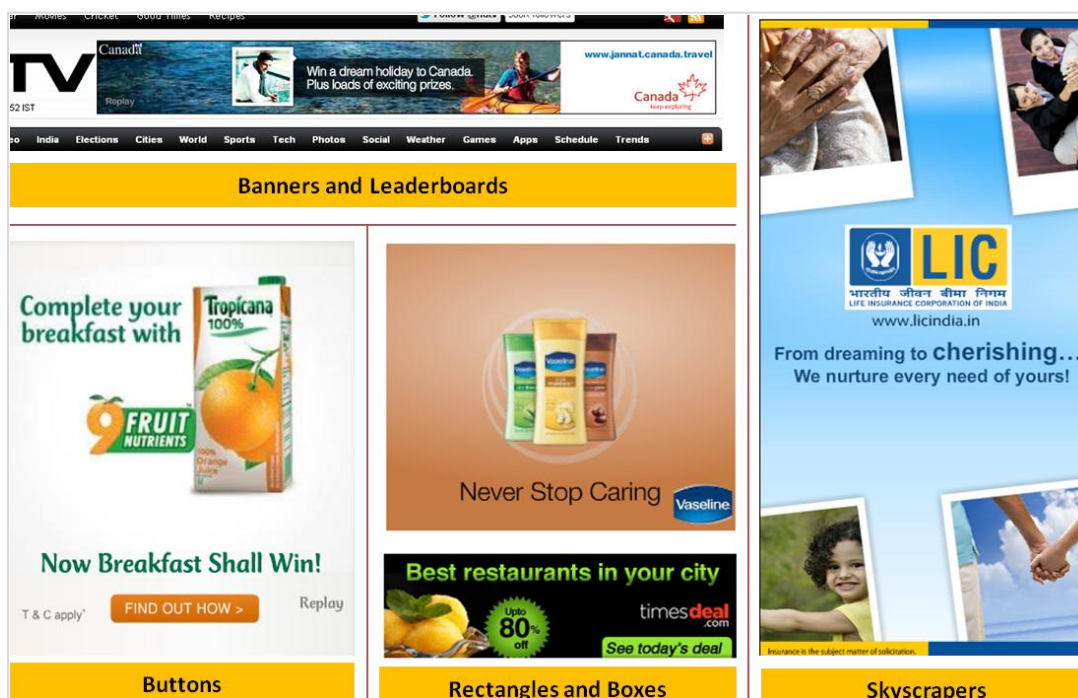


Figure (6) - Display Advertising Types

## Display Ads - Industry Wise Spend

A comparative chart below showcases the share of Display advertising **spend by various industry verticals** for the two financial years i.e. **FY2011 and FY2012**.

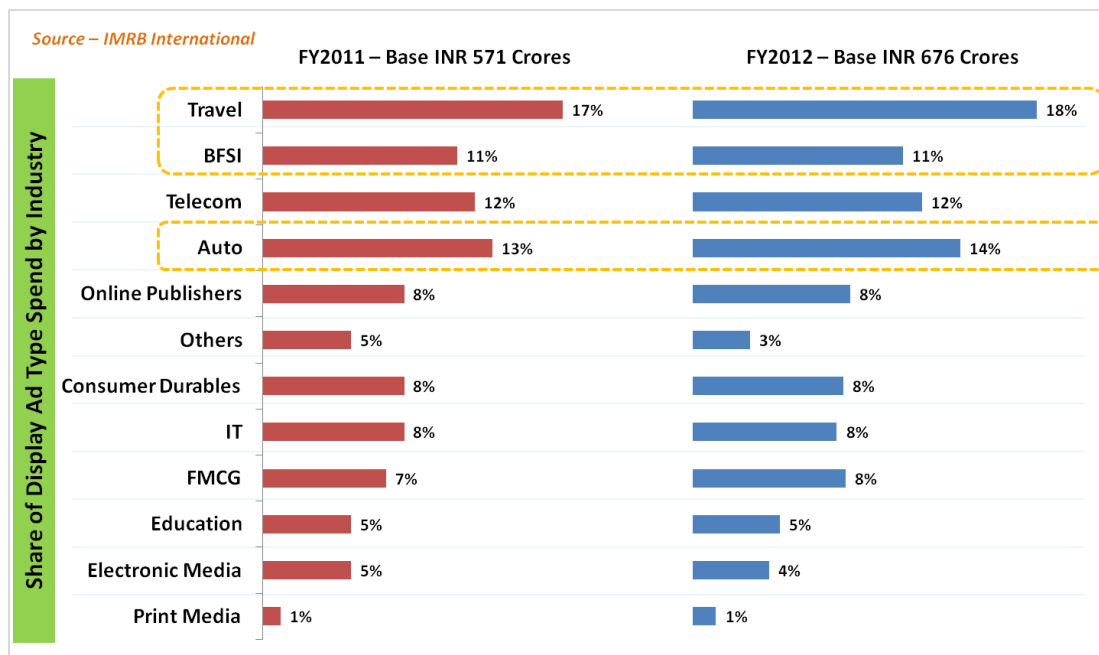


Figure (7) - Share of Display Ad Type Spend - Industrywise

As seen above, **Travel and BFSI** continued to be the main spenders as far as Display Ads are concerned. The Display Ad spend by **Automotive** companies has appreciably increased. Its overall share has risen from **9%** in FY2010 to **13%** in FY2011 to **14%** in FY2012.

## Ad Placement on Webpage

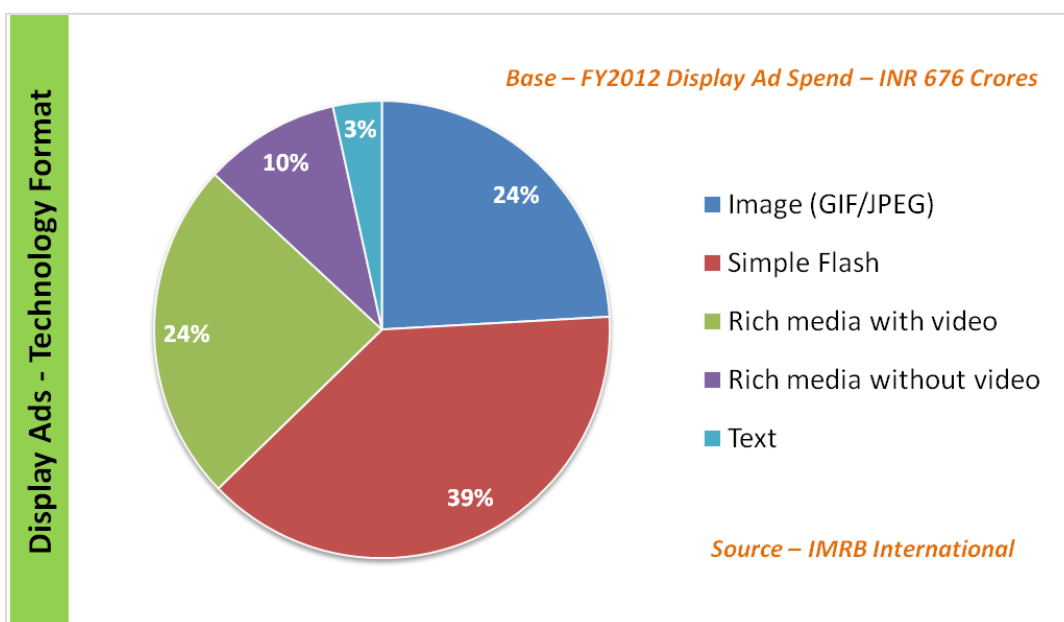
**Banners and Leaderboards** are almost always placed on the **top** of the webpage. On the other hand, **rectangle and boxes** can be placed either on the **left or right sides** of a webpage. However, as per various research studies, these ad types are usually placed on the right side of the web page.

**Skyscrapers** are another popular display ad type. These tend to be also placed on the **right** side of the webpage.



## Display Ads - Spend as per Technology Format

As per **FY2012** survey findings, the manner in which Display Ad spend is divided (in terms of technology formats) is explained by the following illustration –



**Figure (8) - Display Ads - By Technology Format**

As seen above, Display Ads using **Simple Flash** forms the majority of online display advertisements. They contribute about **39%** to the total online display advertising spend.

## Search Ads

Search advertisements type forms an important component of digital advertising. Companies belonging to various verticals continue to invest in such advertisements for their **cost effectiveness**. A few illustrations of Search Ads are given below -

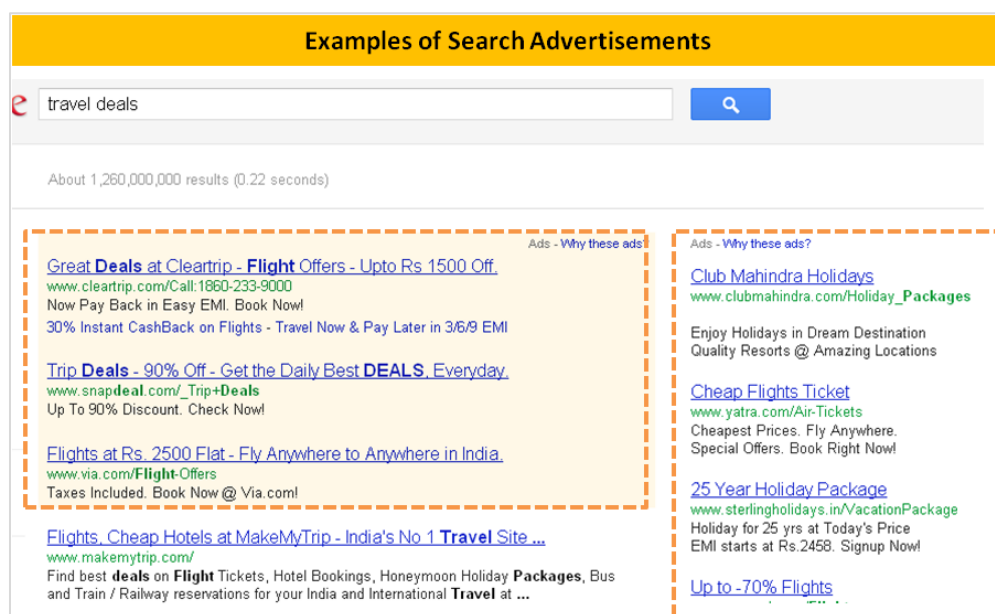


Figure (9) - Illustration of an Online Search Ad

**Google**, which is the industry leader as far as Search is considered, dominates the Search advertising revenue. It is widely expected to garner **in excess of 75%** of Search ad type revenue.

### Search Ad Types - SEO vs SEM

As per the primary findings, the search ad type spend is shared between **SEM and SEO** i.e. Search Engine Marketing and Search Engine Optimization respectively.

As seen in the graph, SEM i.e. buying or bidding for Adwords forms the majority of Search ad budget.

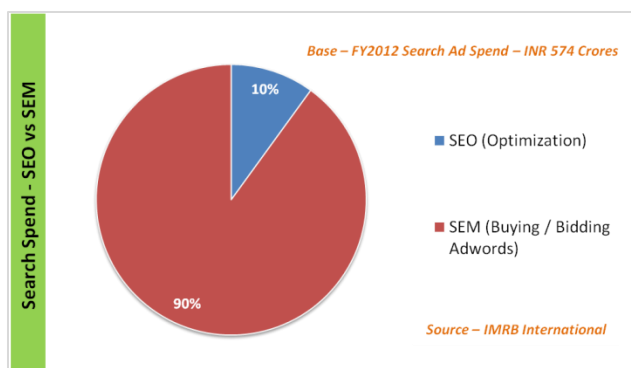


Figure (10) - Search Ads - SEO vs SEM

About **90%** of Search spend is in terms of **SEM** i.e. **INR 525 Crores**, as compared to **INR 58 Crores** for **SEO**.

## Search Ads - Industry Wise Spend

A comparative chart below showcases the share of Search advertising spend by various industry verticals for the two financial years i.e. **FY2011** and **FY2012**.

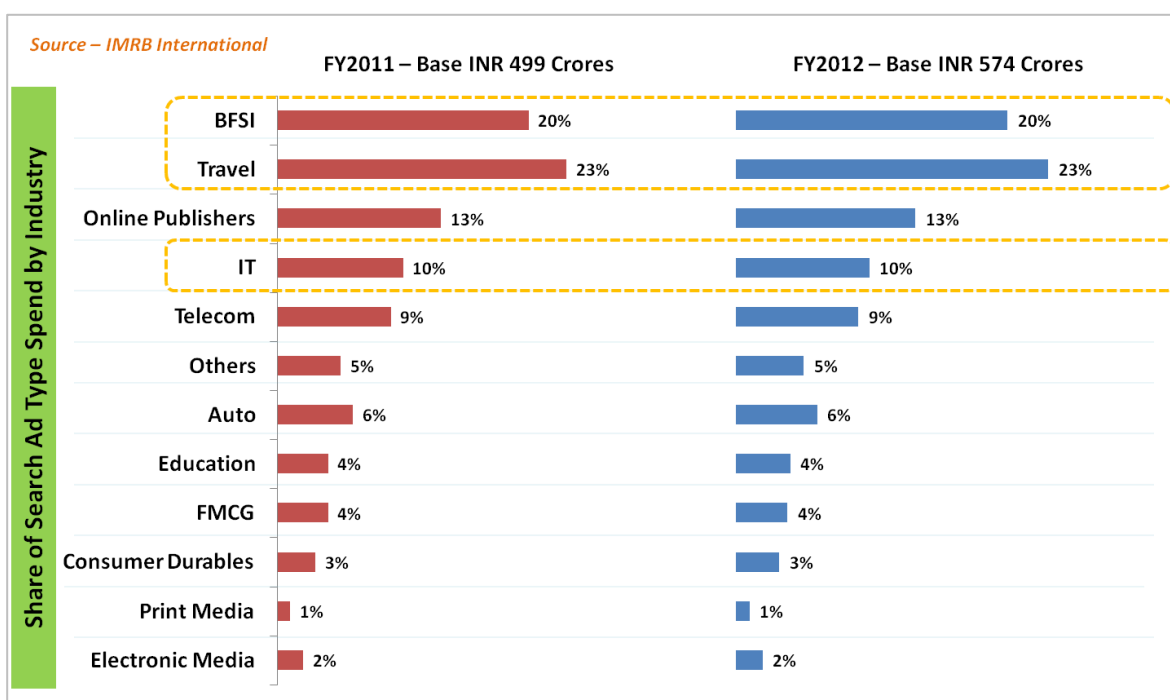


Figure (11) - Share of Search Ad Type Spend - Industrywise

As seen above, **BFSI**, **Travel** and **Online Publishers** were the main spenders as far as Search Ads were concerned. The **Travel** vertical's share has increased from **20%** in FY2010 to **23%** in **FY2011** and has been relatively stable at **23%** in **FY2012**.

In fact, the share by industry verticals has been virtually the **same** for both **FY2011** and **FY2012**.

## Mobile Ads

Globally, the Mobile Ads ecosystem has developed with the arrival of Smartphones in 2007, when **Apple** formally launched the **iPhone**. Other companies like **Samsung, Nokia, Google, Microsoft** etc are playing catch up, but are increasingly playing a major role in the war of smart mobile phones and tablets.

**Mobile applications or 'Apps'** as they are popularly known as, have played a major role as far as popularity of the digital medium is concerned. In India of course, with the arrival of tablet devices in 2010, the digital ecosystem has evolved. The iPad, Galaxy Tab have been the front runners as far as tablets devices are concerned.

### Mobile Ad Types

As per IMRB International's primary survey findings, the main types of mobile advertisements include -

- WAP / Browser Based Ads
- In-App Advertisements
- Short Messaging Services (SMS)

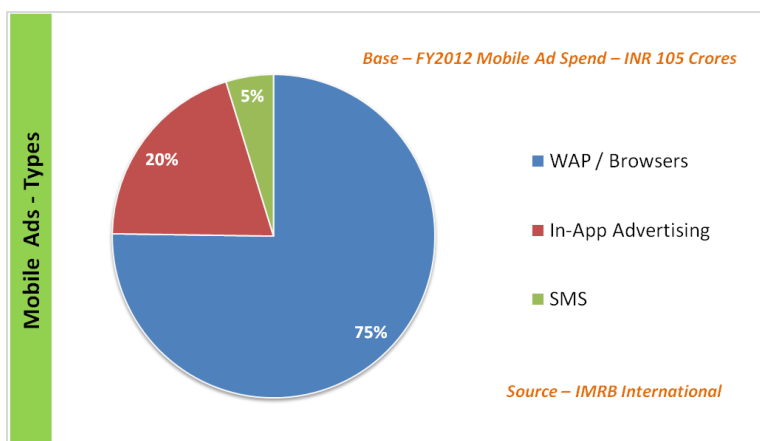


Figure (12) - Mobile Advertisement - Types

As seen with the figure, the advertising viewed on **Mobile Browsers or WAP** forms the largest share of mobile advertising at **75%**.

This translates in absolute spend of **INR 79 Crores** in **FY2012**.

Comparatively, about **INR 21 Crores** was spent on **In-App Advertising** and about **INR 5 Crores** on **SMS** by various companies investing in mobile advertisements.

## Advertising on Social Media

Social Media has been a **global buzz word** for over a decade now. In India, **Orkut** made **early inroads** in social networking till 2008-2009. **Facebook**, founded in **2004**, however has taken over ever since, and is the **preferred social networking site** not only in India but also globally. As per various industry sources, Facebook has over 800 Million accounts across the globe today! As a consequence, **Facebook easily leads** LinkedIn, Orkut, IBIBO among other social networking sites in terms of **social media revenue share**.

Through primary findings, the **Social Media Spend** of all companies based in India is believed to be **INR 94Crores** in **FY2012**.

### Social Media Ads - By Website

A few illustrations of popularly seen social media advertisements are seen below. The following illustration showcases social media ads observed on Facebook.

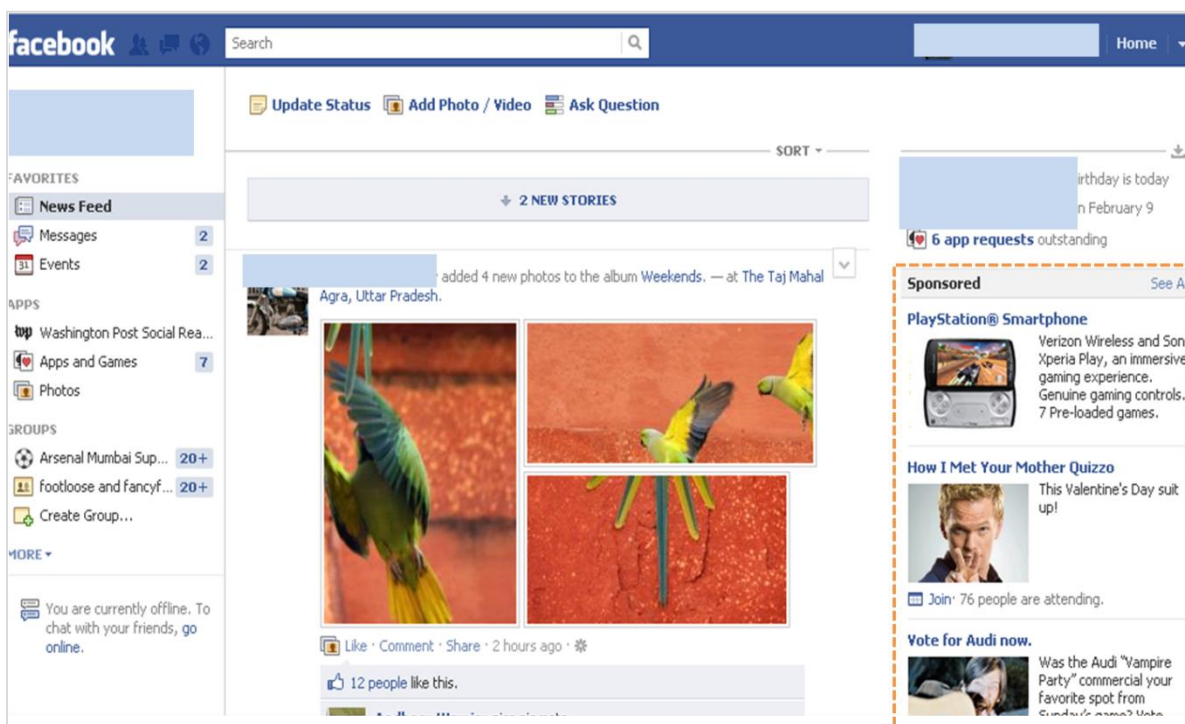


Figure (13) - Advertisements on Facebook

As seen above, the placement of Facebook ads are usually on the **middle to bottom right side** of the page. These typically belong to different categories depending on the personal interests of that Facebook user. Thus, the concept of **contextual advertisements** is understood, where advertisements related to a person's **interests/hobbies** are displayed.

**Orkut** is still a popular social networking site among Indians today. Therefore advertisers like Shaadi.com are using the website to target young Indians. The **ad placement on Orkut** tends to be on the **top right hand side** of the webpage.

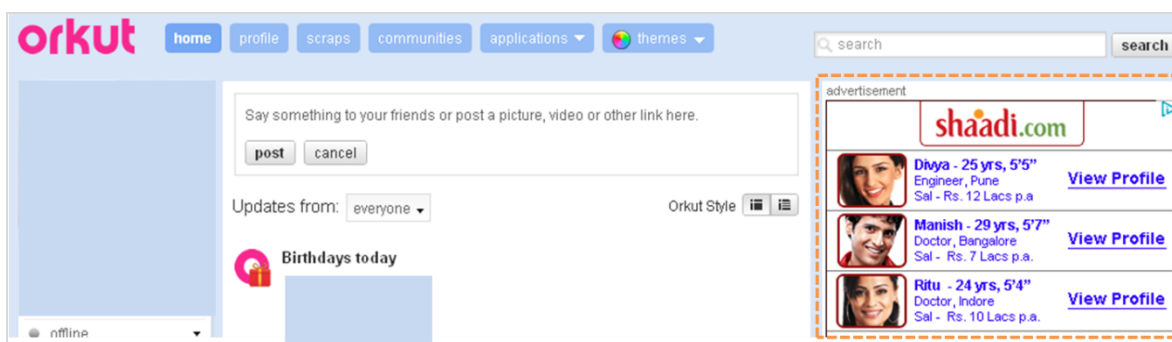


Figure (14) - Advertisements on Orkut

**LinkedIn**, which is a **professional network than an outright social one**, can be considered in the same category for the purpose of this study.

In fact, **LinkedIn advertisements** are known to be **quite effective** with studies indicating a **highest visitor-to-lead conversion rate of 2.74** (Source: HubSpot). This is almost three times higher than the conversion rates of Facebook (0.77) and Twitter (0.69).

An illustration of advertisements posted on LinkedIn are illustrated below –

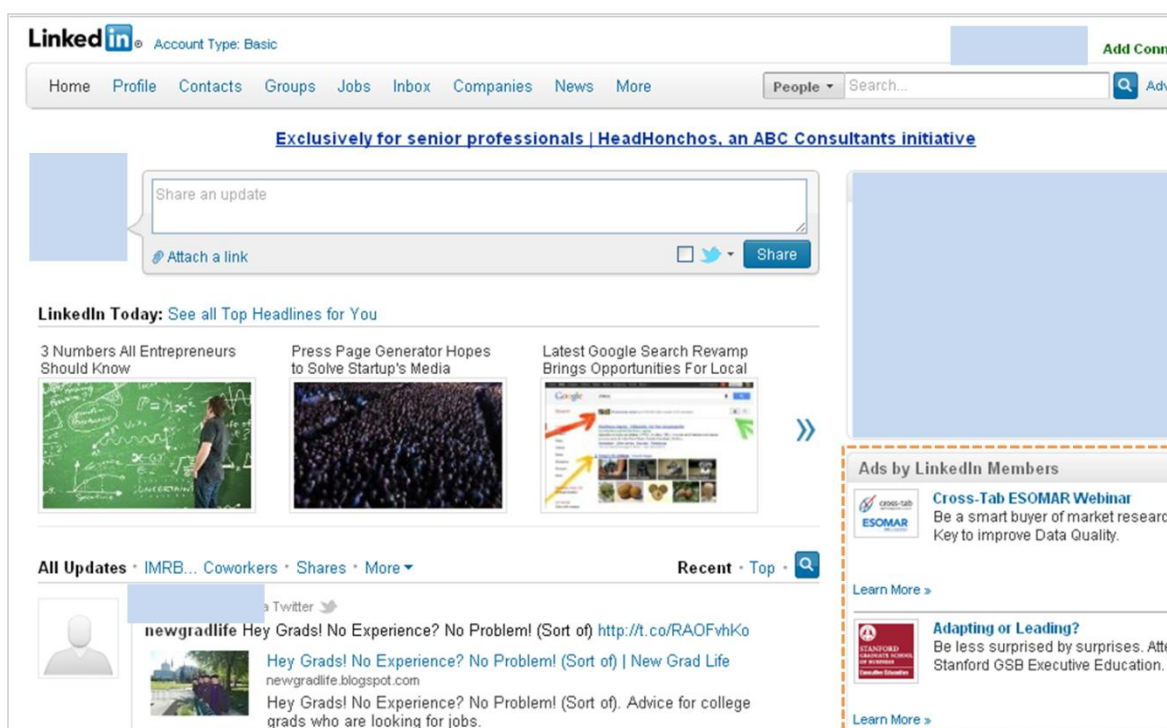


Figure (15) - Advertisements on LinkedIn

## Other Aspects of Social Media Advertisements

Advertising using social media is increasingly a common strategy adopted by Indian marketers. While social media advertising usually is paid for, Indian companies today are using **social media to engage** with their customers through Facebook Fan pages, Twitter Accounts, LinkedIn Company Pages among a host of other avenues. As a result, companies can have **firsthand account** of a product's experience, features, likes or even dislikes from their customers.

Globally, FMCG companies have tapped into social media, and engaged with consumers actively. The trend in India is seemingly yet to catch on; however it seems imminent to happen in the near future. Companies therefore are investing a greater amount of resources than ever before to facilitate such moves. The demand for social media experts is therefore also on the rise.

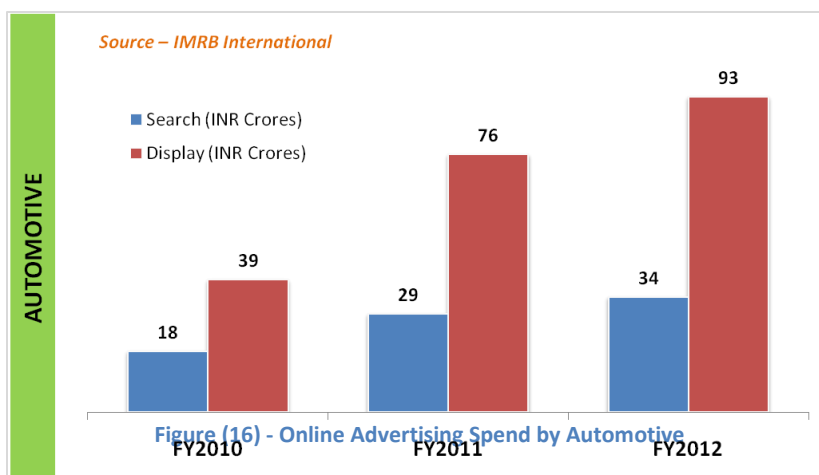
# Industry Wise Trends

The current edition of the Digital Advertising report continues to elaborate on industry wise spends. With further maturity of the industry, IMRB International has been able to more accurately represent spends by various verticals in this edition of the report. **BFSI, Automotive and Travel** categories continue to be the main online advertisers.

Please note these industry-wise advertising spends are reflective of Display and Search advertisement types only.

## AUTOMOTIVE

The **Automotive** sector exhibited one of the **highest increases** in online advertisement spends in **FY2011**. Buoyed with rising disposable incomes, in urban as well as rural India to an extent, the growth exhibited by this sector is worth mentioning. The auto vertical covers all advertisers from the automotive sector including OEM manufacturers, cars and passenger vehicle manufacturers, tire manufacturers etc.



Automotive display advertising almost doubled in **FY2011** to reach **INR 76 Crores**, representing growth of **95%**. Comparatively, the growth in **FY2012** is **22%**.

On the other hand, the growth in search advertising for the two financial years is also

charted above. It has been **61% in FY2011** and **17% for FY2012**. Clearly, the automotive sector therefore continues to invest a **far greater amount to Display** advertising as compared to Search.

With the global economy iffy currently, automobile makers have seen sluggish sales in Q3 and Q4 of FY2012. Online advertising spend has been expectedly affected by these macroeconomic conditions.



## BFSI

BFSI continued to be **one of the largest online advertisers** in FY2011 and FY2012. It continued sizeable online advertising investments in display as well as Search advertising.

**Search advertising comprised a greater share** in overall online advertising for this vertical.

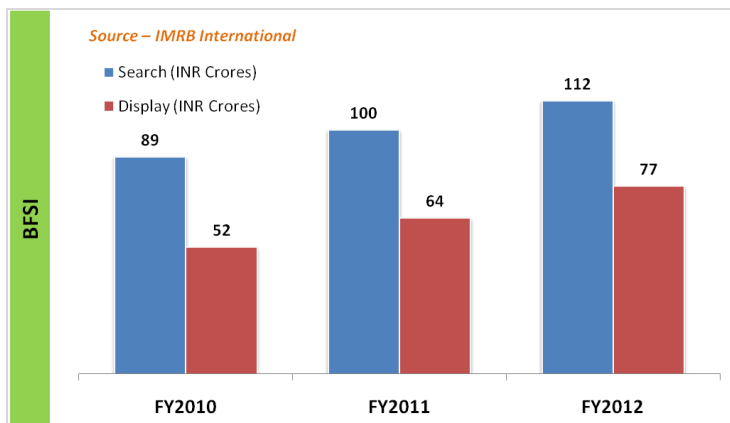


Figure (17) - Online Advertising Spend by BFSI

The vertical which comprises of Banks, Non Banking Financial companies, Insurance companies, Asset Management Companies, Credit rating agencies among others, exhibited an overall **growth of 16% in FY2011**.

Display ad spends rose **23%** to reach **INR 64 Crores in FY2011** and **20%** in FY2012 to reach **INR 77 Crores**. On the other hand, Online Search Ad spend grew **12% in FY2011** and reached **INR 112 Crores in FY2012**, a **growth of 12%**.

## CONSUMER DURABLES

The Consumer Durables vertical encompasses goods like Air Conditioners, Refrigerators, TV and Audio Systems. It excludes IT and Mobile products. For the segment, online display advertising forms the bulk of online advertising.

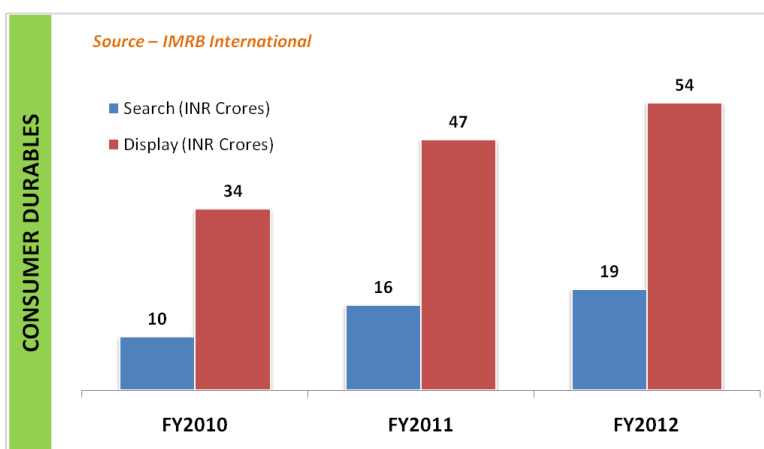


Figure (18) - Online Advertising Spend by Consumer Durables

The vertical is exhibited steady growth of **15%** in Display Ad spends in **FY2012**. In **FY2011**, an actual growth of **38%** was observed for display advertising. Although Search ad spend grew **60% in FY2011** as compared to FY2010, one must note that the base was very low at INR 10 Crores.

## EDUCATION

The education sector's share in the overall Display + Search online advertising types hovers around **5% in FY2011**.

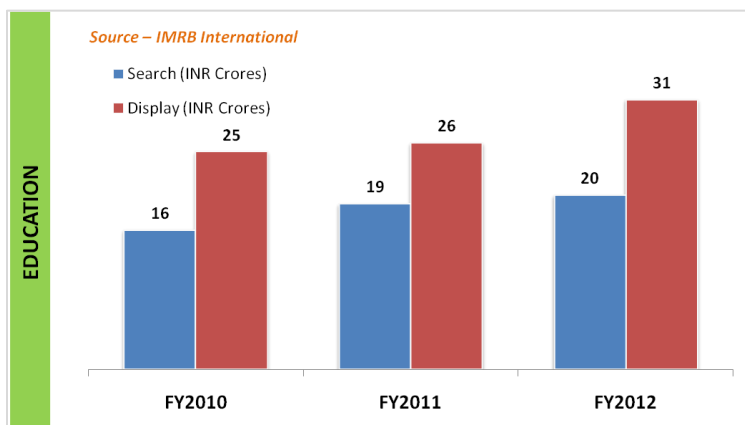


Figure (19) - Online Advertising Spend by Education

As a result of other sectors growing faster in **FY2012**, the share of Education to the overall pie therefore has reduced to **4%**. However more institutions are expected to invest in the online medium through display as well as Search advertising in FY2013.

In absolute numbers, Display Ad spend has reached **INR 31 Crores** in **FY2012** as compared to **INR 26**

**Crores in FY2011**. Relatively, for this vertical, Search advertising has witnessed very limited growth with spends of **INR 20 Crores in FY2012**, as compared to INR 19 Crores in FY2011.

## ELECTRONIC MEDIA

Electronic media which include advertising from radio and television channels, programmes, reality programme participation, ratings etc. is expected to exhibit stable online spend.

The emergence of video websites such as YouTube, DailyMotion and Metacafe as channels to view various shows can explain the very low estimated growth in online advertising for this vertical. YouTube primarily serves as a medium for “free” online advertising of various television and radio programmes. Therefore, by making shows available on the Internet, producers are expected to maintain their current level of spending as far as online advertising is concerned.

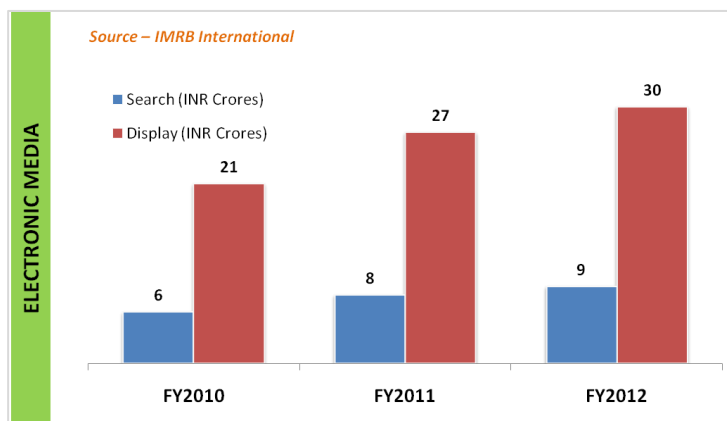


Figure (20) - Online Advertising Spend by Electronic Media

## FMCG

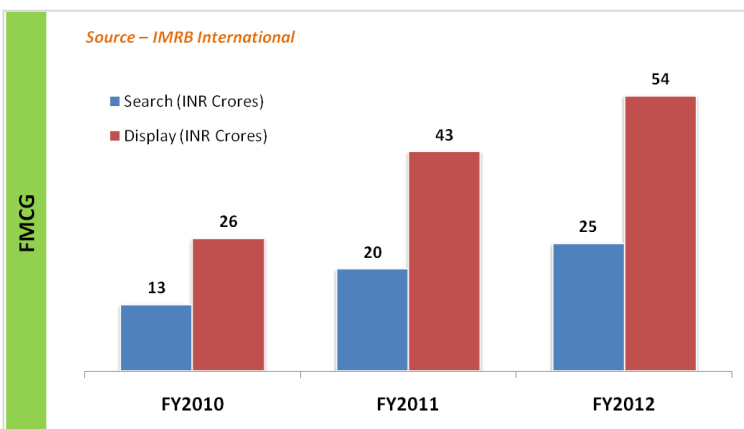


Figure (21) - Online Advertising Spend by FMCG

62%. This was largely attributed to increased **online display advertising** spend, which reached **INR 43 Crores**.

The FMCG sector is the primary spender as far as offline advertising is concerned. However, it continued to account for only about **8% of total online advertising spend** in **FY2011** and **FY2012** as well.

In terms of absolute numbers, the online advertising spend grew appreciably in **FY2011** to reach **INR 63 Crores**, a rise of

## INFORMATION TECHNOLOGY

Information Technology as a vertical includes companies selling packaged / customized software applications or solutions, or computer hardware products like PCs, Laptops, Servers, PC accessories like Keyboard, Mice etc.

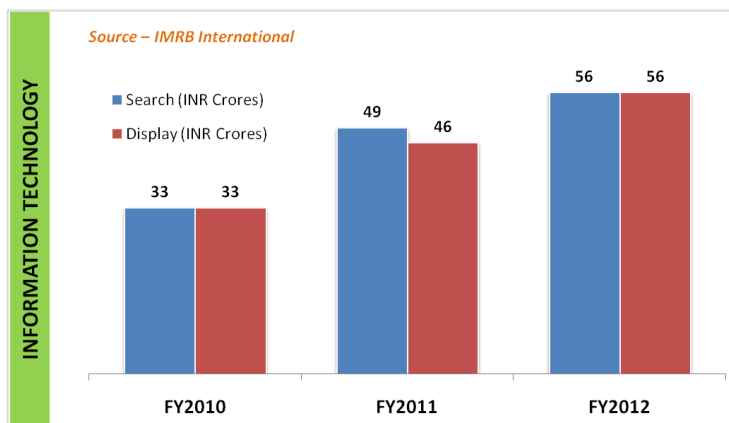


Figure (22) - Online Advertising Spend by Information Technology

As per the findings, online Search advertising observed a higher growth in FY2011 as compared to FY2010 when spend on Search as well as Display Ads was **INR 33 Crores** each. FY2012 saw Search ad spend increasing from **INR 49 Crores to INR 56 Crores**. Online Display advertising grew slightly faster and reached **INR 56 Crores** in the same period.

## ONLINE PUBLISHERS

Advertising emerging from online publishers in Email, Portals, Gaming, Matrimony, Ticketing, Travel, Online Classifieds and Job websites is considered collectively for this industry vertical.

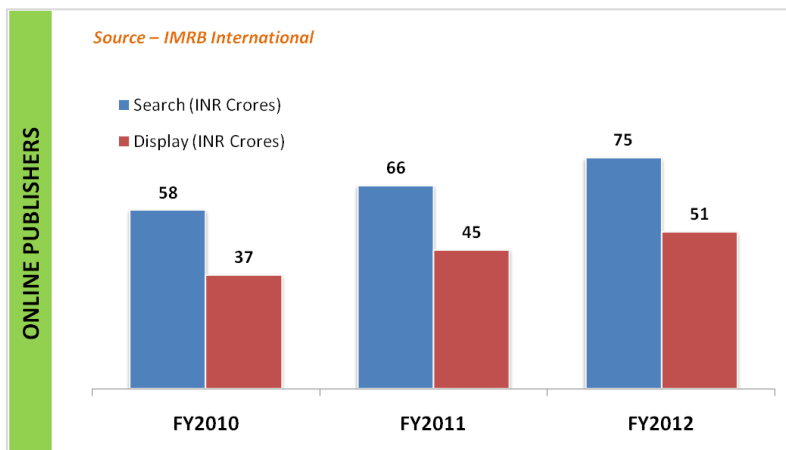


Figure (23) - Online Advertising Spend by Online Publishers

Online advertising for this vertical has reached **INR 126 Crores in FY2012**, which represents 13% growth as compared to FY2011.

## PRINT MEDIA

Print media which encompasses online advertising done for magazines, newspapers, print classifieds, ratings etc has witnessed minimalistic growth in FY2011 and FY2012.

Globally print media as an industry has taken a hit. However, the Indian Print Media industry

continues to do much better in terms of selling print newspapers, magazines as well as classifieds. Therefore advertisers of this vertical continue to rely on traditional forms of advertising and have not felt the need to invest significantly in the online medium.

In addition, most of the well known newspapers and magazines usually have their own websites used for referencing smaller brands. For example, a Times of India will provide links for smaller brands like Zigwheels, iDiva, HotKlix etc and do not feel the need to advertise these brands separately.

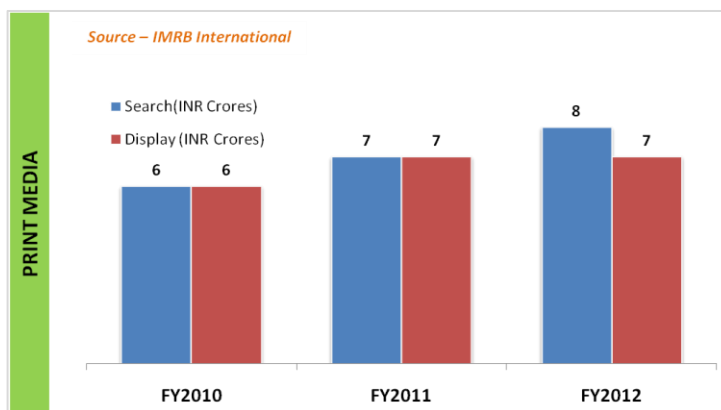


Figure (24) - Online Advertising Spend by Print Media

## TELECOM

Telecom encompasses online advertising done for telecom related products and services including Pre-Paid cards, Mobile Services, Landline Services, Mobile Phones and PDAs etc.

The 2011 financial year saw further investments in the telecom space, with advertisers increasing online spends.

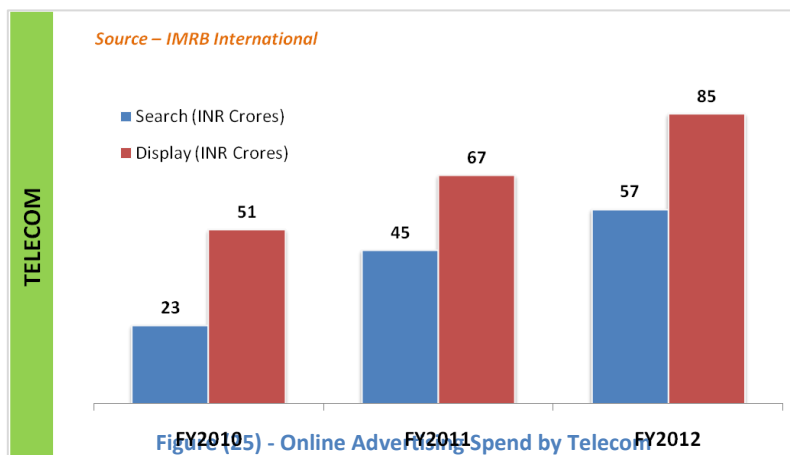


Figure (25) - Online Advertising Spend by Telecom

Online **Display** advertising spend increased to **INR 67 Crores in FY2011** and increased to reach **INR 85 Crores in FY2012**. **Search** advertising spend almost doubled to reach **INR 45 Crores in FY2011** and is reached **INR 57 Crores in FY2012**.

## TRAVEL

The **Travel sector** is by far the **leading online advertiser** among various verticals. The total online ad spend in FY2011 was **INR 214 Crores**. This has risen **20%** and reached **INR 258 Crores** by FY2012.

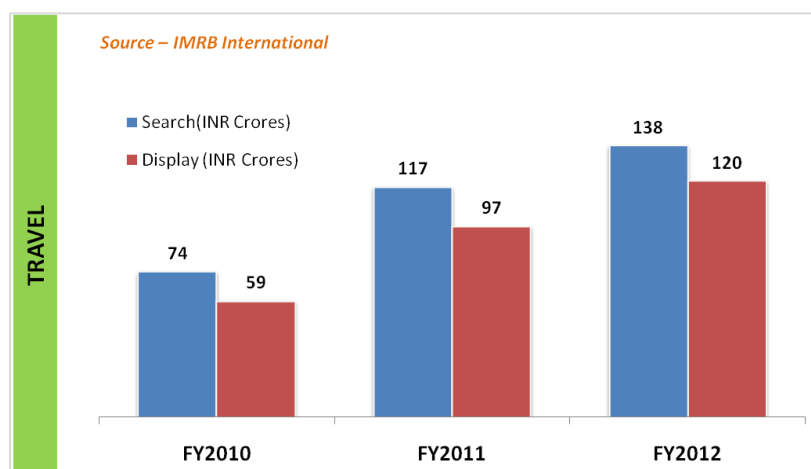


Figure (26) - Online Advertising Spend by Travel

The vertical includes online advertising done by various travel companies. With the Indian economy doing reasonably well, people are spending a greater amount on travel than ever before. The increase in the number of air travelers as well as rail passengers has been very appreciable.

Online ticketing which usually offers a host of discounts (and options) to travelers has in turn resulted in greater online advertising spends by various travel companies. In addition, with the convenience of the online medium, travelers who might not even own a personal computer are using the Internet to book air and rail tickets.

# Advantages of Digital Advertising

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Digital Advertising is increasingly an inherent budgetary component of many organizations today. Organizations of all sizes use the medium to promote their products and services. So well, why do so many organizations use the medium? Simply put, it is due to the numerous advantages that online advertising offers. These are discussed in the paragraphs ahead.

**Reach** - The ability of the online medium to **target a certain demographic of users** is one of the greatest advantages of digital advertising. In addition, the **geographical reach** of the online medium is far greater than that of traditional media. It's not only **cost effective** to achieve a **wider geographic area** but the ads can also be targeted to the desired audience. For example, if an advertiser is keen on selling his or her products targeted to a certain demographic of people, it is quite possible through online advertising. Digital advertising has matured to the extent that web publishers, media agencies and advertisers themselves know the optimal ways and websites for a certain category of products or services.

**Measurement** - With various tools becoming available, **tracking effectiveness of ad campaigns** is becoming possible today. In other words, **measuring Return of Investment (ROI)** is increasingly possible today. Organizations that were previously reluctant to spend online, now realize that the online medium does offer means to alleviate any such fears. Moreover, when properly designed online marketing campaigns generate the desired results, advertisers are further encouraged to continue advertising online.

**Interactivity and Engagement** - The Internet is arguably the most interactive and engaging medium among various others. **Interactive campaigns** have become a **norm** with the power of the online medium. One such advertisement worth mentioning is the campaign by AXE where the end user could alter the smile of a woman as he/she liked to i.e. in an interactive framework. The advertisement struck an instant chord with the youth to which AXE the brand is positioned for.

Customers are basically just a click away from the advertisers. In other words, direct contact is easier through the online medium.

**Creativity** - Creativity that advertisers can have in the online medium is additionally worth mentioning. There are **numerous multimedia tools** that make online ads powerful, engaging and above all, effective.

**Time** - Through the Internet, an advertiser can **reach** a desired target group or demographic in a **much shorter time frame**. For example, if an advertiser needs to plan some sort of **ambush marketing**, the online medium can be an effective means of achieving it. Even otherwise i.e. for regular marketing campaigns, the total time necessary to complete an online advertising campaign is less than that of traditional advertising methods.

**Cost** - When compared to traditional forms of advertising, **Digital Advertising is cheaper**. Various payment models are available between the advertisers and publishers. Many a time, advertisers are charged only when visitors click on their ads. The various payment models are discussed in detail in the next section.



# Payments Models

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There are various payment models that have matured over the past decade. However, the most popular in the Indian Digital Advertising industry include **CPC** (Cost per Click) and **CPA** (Cost per Action or Cost per Acquisition) and **CPM** (Cost per Thousand Impressions). The models used in India are pretty much in line with the ones preferred globally.

Since the last few years, the global online advertising ecosystem has been inclined to a **performance based system**. CPC and CPA are therefore, are more preferred payment models as compared to CPM.

The **popularity of Hybrid models** i.e. a combination of Performance based and CPM has **declined globally**, as well as in India.

**Cost Per Click (CPC)** - CPC is a payment model commonly used in online advertising. From an advertiser's perspective, it is the second most preferred model after CPA. In other words, an **advertiser pays** the publisher **only when a visitor actually clicks** on the relevant advertisement. Although CPC isn't as popular among publishers, it is more widely accepted than the CPA model.

**Cost Per Action or Cost Per Acquisition (CPA)** - CPA is an online advertising payment model in which the advertiser pays for each specified action linked to the advertisement. The **action** could be **a form being filled** or **a product being purchased**, among other actions. The CPA model is the most preferred model from an advertiser's perspective and least acceptable from a publisher's point of view.

**Cost Per Thousand Impressions (CPM)** - 'Impressions' is the number of times a particular web page is viewed. Each time a webpage is accessed by a visitor, the impressions count increases. CPM is a widely used payment model in which the advertiser pays the publisher depending on the **number of impressions (in thousands) that the publisher's website receives**. With performance based payment models increasingly the order of the day, CPM has had to take a back seat, at least in comparison to CPC.

# Online Ads by Indian Internet Users

Internet Users in India are increasingly viewing different types of online advertisements today. The online medium is evolving at a rapid rate with a plethora of companies investing. Naturally, online advertisements of different types are inherent to the medium and seen by numerous Internet users.

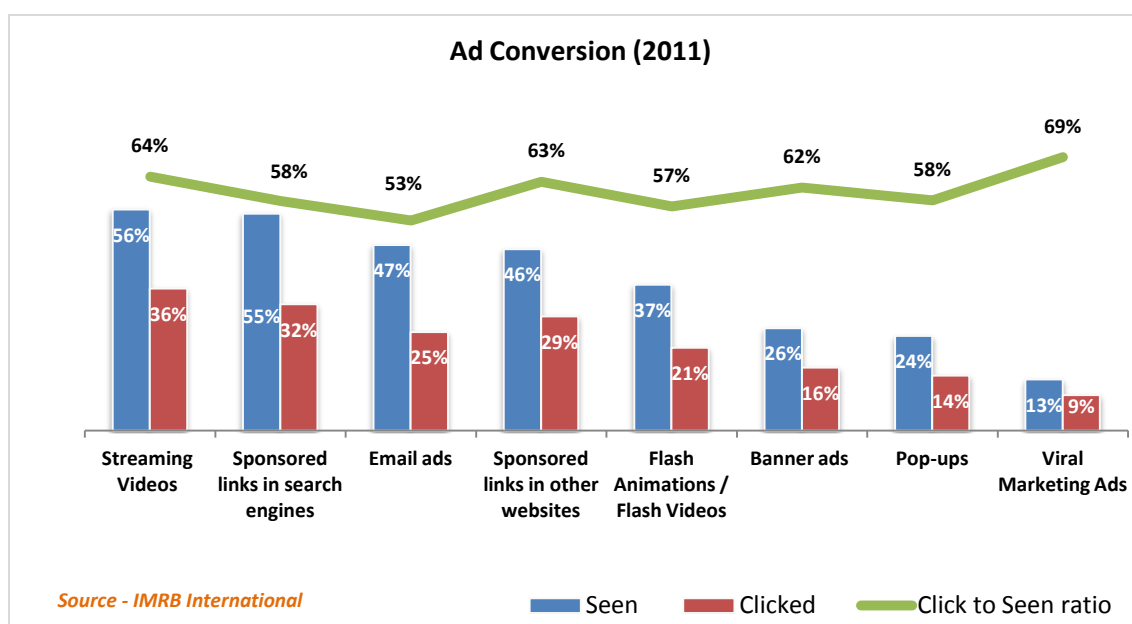


Figure (27) - Online Ad Conversion (2011)

As compared to 2009, it is quite interesting to understand the evolving and changing behaviour of active Internet users as far as online advertisement viewership and clicking behaviour is concerned.

With greater bandwidth availability, advertisers today are trying to make advertisements that are as close to television ads, which are the dominant ad types. This has translated into a **greater number of streaming video ads viewership (56%)** by Indian Internet users. This is in stark comparison to just **24%** of individuals that mentioned of **viewing/seeing streaming video ads in 2009**.

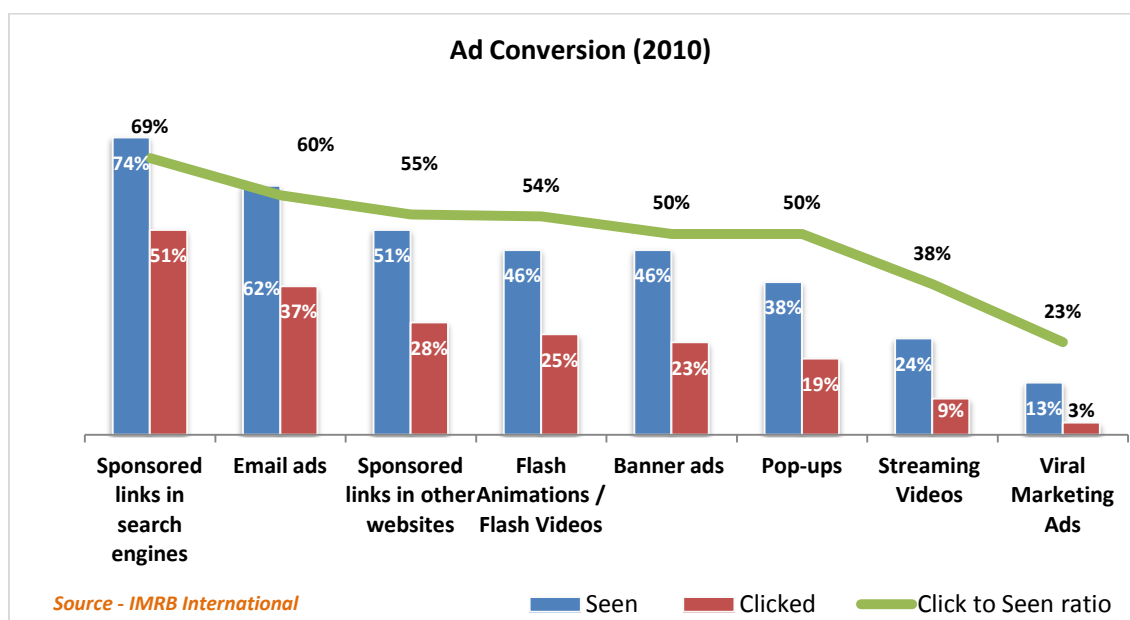


Figure (28) - Online Ad Conversion (2009)

Interestingly, the number of Internet users that viewed sponsored links on search engines has decreased from **74%** in 2009 to **56%** in 2011. The percentage of people clicking on such sponsored links has therefore also reduced to **32%** in 2011 from **51%** in 2009.

Also, the probability of an end user clicking on a streaming video ad is more than most other ad types. As per the findings, **64%** of individuals that saw streaming video ads, clicked on the ads. This Click to Seen ratio was much lower in 2009 with **38%**; the number of people clicking on streaming ads then was also comparatively less at **9%**.

Also, among the ad types that Indian active Internet users like to see include Sponsored Links in Search Engines, Pop-Ups and Email Ads. This is interesting to note as although Streaming Videos are the most commonly seen ad types, users are compulsorily made to watch them. As a result, they are not one of the ad types that end users particularly like.

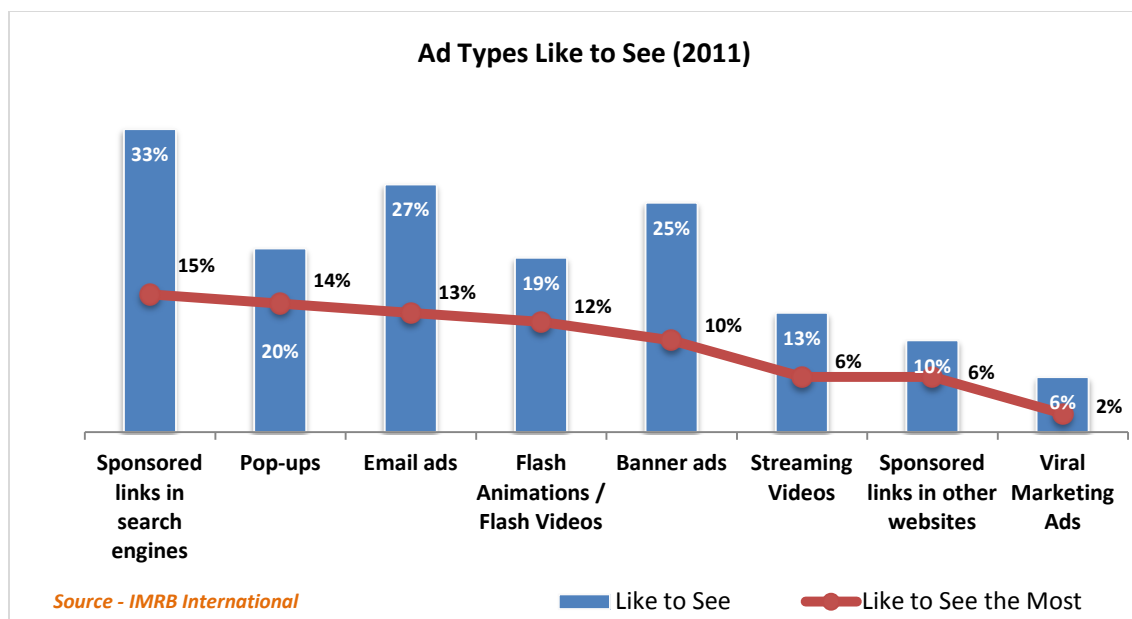


Figure (29) - Ad Types Like to See (2011)

On the other hand, sponsored links in search engines are slightly unobtrusive that can explain them as being one of the better liked ad types (33%). Email ads (27%) are also acceptable to end users, as they have voluntarily signed up to receive such ads.

When compared to the ICUBE 2009 findings, the ad types that Indian Active Internet users today like continue to be by and large the same. However, there is clear indication that a number of Internet users do not like advertisements of any type, with 22% of respondents not liking even a single ad type the most. This percentage has doubled i.e. in 2009 the percentage of such individuals was only 11% comparatively.

The above findings therefore have some pertinent points for advertisers, agencies as well as publishers. To begin with, **Internet is often considered as a pass time/relaxation** activity by many. Therefore, majority of the individuals **do not want their personal space** to be **interfered in**. Advertising, which end users can relate to, is therefore important.

Next, as per the findings, **video advertisements or streaming video ads are increasingly** the most seen by Indian Internet users. Unfortunately, these are not the most liked ad types. The primary reason being, **these advertisements are compulsory** that an end user needs to

watch without any option. In simpler words, a majority of such ads are pre-rolls i.e. they start before the main video content starts. End users do not appreciate this aspect of streaming ads. Moreover, often the same advertisement is replayed when a user tries to see some other video, **adding to the frustration of the Internet user.**

Further analyzing streaming video ads, the **length of such advertisements** is also a matter of debate. The attention span of any Active Internet user to a particular page tends to be short i.e. usually for a few seconds. If a streaming video ad is about 30 seconds long, Internet users can **easily transverse multiple pages and windows**, before the advertisement finishes and then return to the original page. Therefore advertisements of shorter durations need to be designed by media agencies. The exact duration would need to be determined through research studies. However, it is likely this duration would be somewhere between **5 and 15 seconds.**

In sum, online advertising which is an obvious necessity needs to be **fun, engaging and thought provoking** for an Indian Internet user to accept.

# Perception of Online Advertisements

In terms of the attitudes of Internet users to online advertisements, there emerge some interesting points. About **67% mentioned** that they **clicked on ads that were relevant** to them, while **62% felt** that online ads helped them **find the right product** that they were searching. Also, a sizeable percentage of respondents felt that **online ads were informative (62%)**.

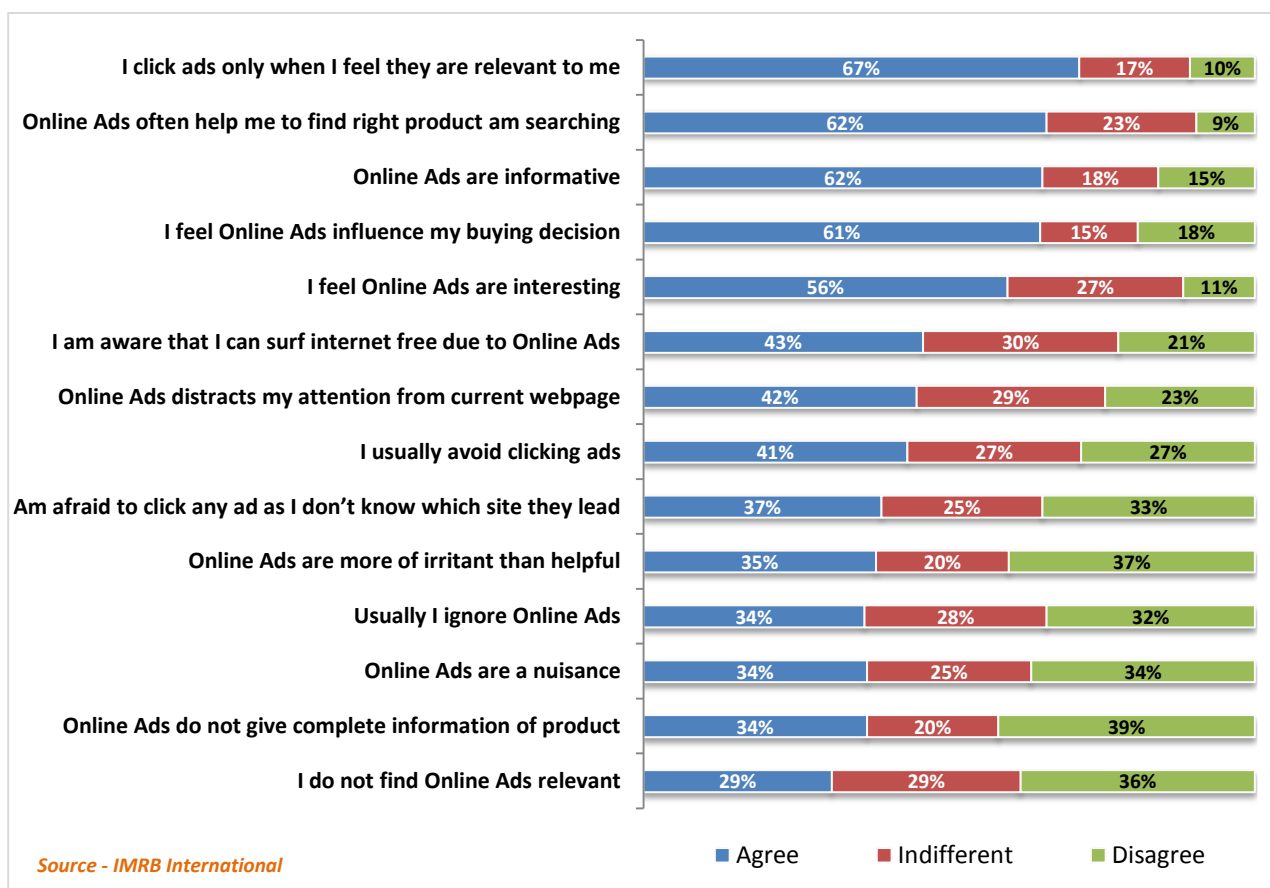


Figure (30) - Attitude of Internet Users to Online Advertisements

Quite interestingly, **61%** of respondents mentioned that **online ads did affect their buying** decisions. In other words, if advertisers are able to develop innovative and compelling ad content, they have a sizeable chance of sales conversion. In short, the advertisement would not always result in a sale, but it could positively influence buying behaviour of a certain product or service.

# Foreseeable Challenges

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Although there has been continuous growth of the Internet usage and adoption in the last few years, investing in digital medium for a large number of advertisers remains an **“after-thought”**. With more than **100 Million Active Internet** users (urban as well as rural India); the medium is still not being given its due attention. It remains one of the last media avenues in the long-tailed consideration set of various avenues. Consequently, for any media campaign there are limited monies allotted towards the digital medium. Moreover, the digital platform is being considered as a lead-generating platform rather than a brand engagement platform. The topical question to ponder over is that when traditional media are not measured based on performance why should an emerging digital platform be subjected to such stringent examinations? The critics could argue that the platform allows itself to be inherently measurable. However, the fact remains that the **brand engagement advertising** on traditional media (such as television, print, radio and outdoor) is **measured** based on **brand saliency parameters**. It would be more equitable to examine the effect of digital medium on similar parameters as other media avenues.

The overall challenge needs to be addressed at various levels: **supply or provisioning, content as well as better targeting**. A major hindrance in accessing the digital medium is the **lack of infrastructure** in terms of broadband connectivity. **Accessibility and availability** of the medium remains a challenge that the stakeholders need to address. **Connectivity** is largely governed by the regulations; as of now, the **governments** at various levels are still **initiating policies** (National Telecommunications Policy, being one of them) to provide a fillip to the broadband dissemination among rural as well as urban areas. The effects of such regulations are yet to be seen.

Marketers tend to segregate audiences as they do in the traditional media avenues. On the digital platform, a user navigates to different types of content - popular mass content & niche content at a mouse click. So the obvious segregation of premium and mass publications seems irrelevant. It is really important on the digital medium to ensure that the **advertisements are better targeted** based on the geographical, socio-economic, demographic characteristics of the users. At the same time, **segregating them** based on the **actual usage of online properties**.

Additionally, as the audience size swells the stakeholders are increasingly providing different types of content. **The increase in content** is leading to a **large supply** due to which the **inventory** for displaying online advertisements is being **sold at a very low rate**. Considering that the content will never be reduced; publishers could limit the number of ad units per page. **Larger advertising formats** might provide advertisers **better value for their money** and could improve the overall returns on the advertisements.



# About IMRB International and IAMAI

eTech Group | IMRB International (*a specialist unit of IMRB International*) is a research based consultancy offering insights into IT, Internet, Telecom & emerging technology space.

Our continuous link with industry and a constant eye on the pulse of the consumer ensures that we can decode the movements of technology markets & consumers. To our clients we offer an understanding of the present market environment and a roadmap for the future.

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## About Internet and Mobile Association of India (IAMAI)

The Internet & Mobile Association of India (IAMAI) is a not-for-profit industry body registered under the Societies Act, 1896. Its mandate is to expand and enhance the online and mobile value added services sectors. It is dedicated to presenting a unified voice of the businesses it represents to the government, investors, consumers and other stakeholders. The association addresses the issues, concerns and challenges of the Internet and Mobile economy and takes a leading role in its development. The association's activities include promoting the inherent strengths of the digital economy, evaluating and recommending standards and practices to the industry, conducting research, creating platforms for its members, communicating on behalf of the industry and creating a favorable business environment for the industry. Founded in January 2004 by leading portals in India, IAMAI is the only specialized industry body in India representing the interests of online and mobile value added services industry.

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