

dentsu AEGIS network

exchange 4 media

DIGITAL
REPORT
2017

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Flipkart
Ads

DIGITAL ADVERTISING IN INDIA 2016



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FOREWORD



NAWAL AHUJA
Co-founder, exchange4media Group

India is in the midst of a digital revolution. This has resulted in a vibrant digital ecosystem, which includes digital agencies, technology companies, digital marketers, and others. Despite this, the Indian digital ecosystem is still somewhat lacking in terms of metrics, measurement standards, and best practices. To this end, the exchange4media group, India’s one-stop destination for the entire Marketing, Media, and Advertising industry, and Dentsu Aegis Network, one of the leading global media conglomerates in India that specialises in Media, Digital, and Creative offerings have joined hands to launch the very first edition of the Dentsu Aegis Network e4m Digital Report.

The Dentsu Aegis Network e4m Digital Report is the most comprehensive report, which analyses trends, spends, and all there is to know about the effervescent medium of digital. The report is backed by thorough research, expert insights, and inputs from top advertisers and spenders across different verticals.

The overall Ad industry is growing at a rate of CAGR 15 per cent and will reach INR 99,595 Cr by 2020. The report deep-dives into the various drivers responsible for this growth. Digital stands at 12 per cent. It’s estimated that by 2020, these numbers will change to 24 per cent, shrinking the share of traditional media from the current 88 per cent to 76 per cent.

Currently, the top digital spenders are E-Commerce, Telecom, BFSI, Media & Entertainment, and Consumer Durables—however, will these continue to rule the numbers’ game or is the situation bound to change by 2020?

The Dentsu Aegis Network exchange4media Digital Report aims to be the only guide for advertisers, agencies, publishers, and Ad networks to make their digital inventory planning and buying decisions, and help marketers to set new benchmarks in the digital marketing space.

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FOREWORD



ASHISH BHASIN

Chairman & CEO South Asia
- Dentsu Aegis Network
Chairman Posterscope & MKTG
- Asia Pacific

Internet adoption in India is growing at an unprecedented rate. The Digital Media Industry is standing in the midst of immense growth and moving at a speed that's way faster than any other media avenues. In this wake, it is important for Advertisers, Agencies and Ad networks to understand how this industry will shape up in the next couple of years.

Dentsu Aegis Network is over-invested in digital. Of our 3000 people, more than 1000 are in our digital companies. Nearly one-third of our revenue comes from digital at a time when the market average in India is still 10-12 per cent.

We recognise that there is a need for an industry level research report which not only covers the market size but also gives a direction towards which this industry is moving. The report should also be able to identify the trends that will define and dominate the industry in the near future and how the stakeholders will adapt to these.

Dentsu Aegis network and e4m have collaborated to come up with the most comprehensive report which will act as a guiding light for the stakeholders in this Industry. This report is based on a strong research methodology, which includes Primary research amongst Advertisers and Publishers along with Secondary data from internal sources. We plan to monitor the growth and trends in this industry annually to provide a much deeper understanding of the ever evolving Digital Media to the marketers.

EXECUTIVE SUMMARY

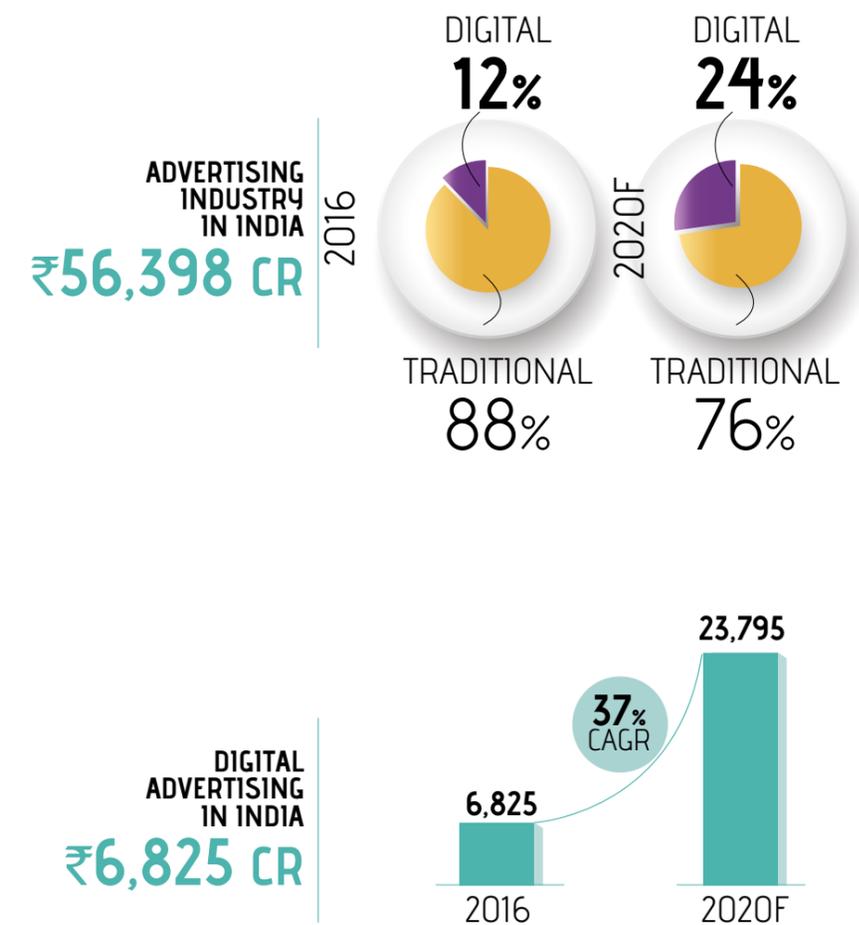


The Indian advertising industry currently stands at INR 56,398 cr and is expected to grow at a rate of 14% to reach INR 64,488cr by 2017. TV and print contribute to the largest share while digital advertising contributes to 12% of the overall advertising share in India. Among industry verticals, the e-commerce sector contributes the highest proportion (25%) of its overall marketing budget towards digital media.

The share of spends on digital media is expected to reach 24% by 2020 from the current 12%. The reason behind this growth will be a shift from traditional mediums to digital mediums due to greater effectivity and benefits of hyper-targeting.

The digital advertising industry currently stands at INR 6,825 cr and is expected to grow at a CAGR of 37% to reach INR 23,795 due to an increase in consumer adoption of mobile phones as an important medium of communication along with increased Internet usage. An additional opportunity for marketers to attract a diverse audience is by including local language content because it has been observed that a large majority of the Internet users in India are most comfortable while viewing content and interacting in their respective local language.

The key players in the digital advertising ecosystem are advertisers, agencies, publishers and ad networks. All of them are tightly linked to each other for the primary purpose of selling and buying of inventories.



From an advertiser's perspective, there are concerns regarding the digital medium, which include the need to continuously upgrade technology, time consuming content creation, lack of content, etc. But the future of this medium looks strong with the evolution of new agencies, entry of rural consumers, audience engagement, programmatic ad buying, and other factors at play.

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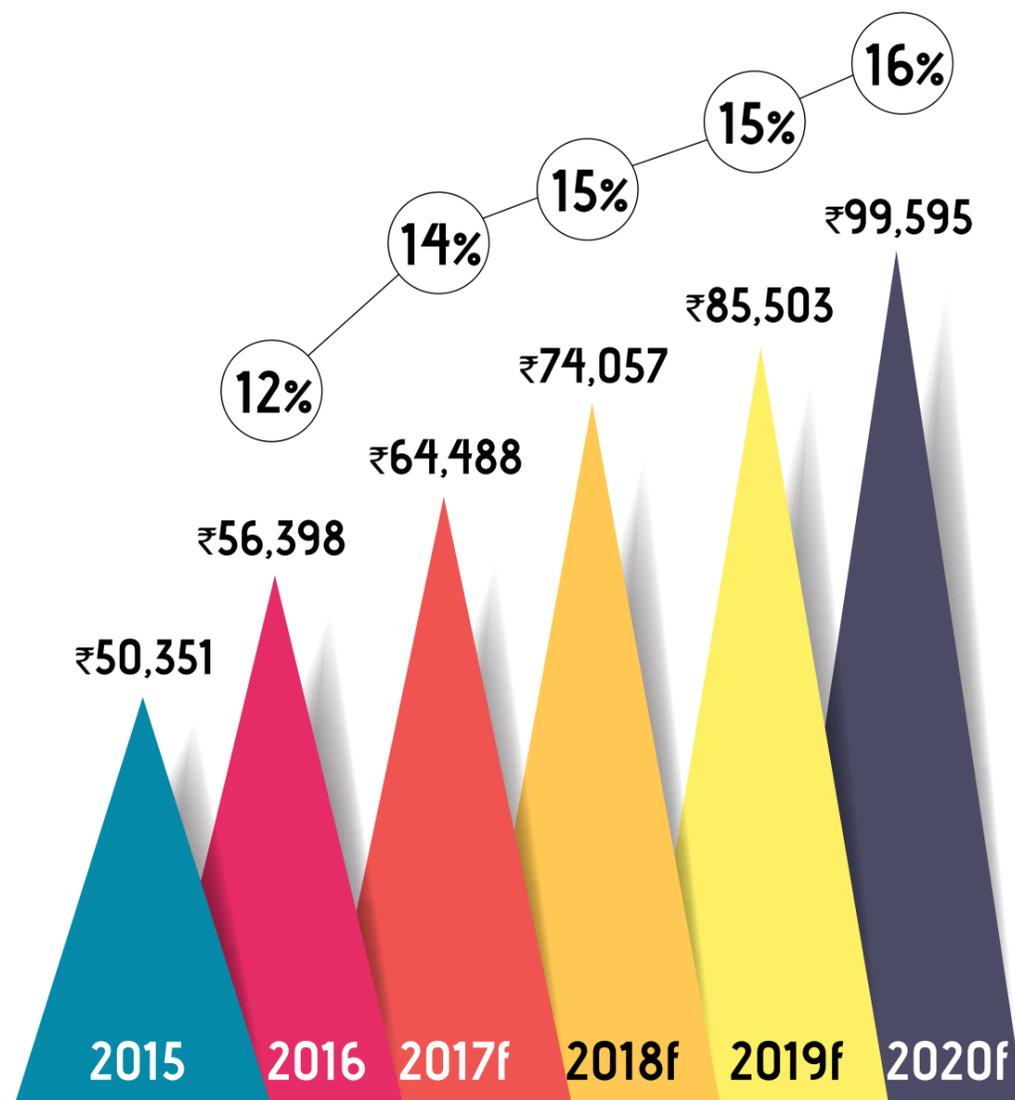


AD INDUSTRY IN INDIA



The overall advertising industry in India stood at INR 56,398 cr as of 2016. This is expected to grow by 14% to reach INR 64,488 cr by 2017 and with a CAGR of 15% to reach INR 99,595 cr by the end of 2020.

A large proportion of this growth can be attributed to the increasing penetration of internet access and smartphone ownership in India.



ALL FIGURES IN INR CRORES - SOURCE: DENTSU AEGIS NETWORK ESTIMATES 2015-16



AD SPENDS ON VARIOUS MEDIA



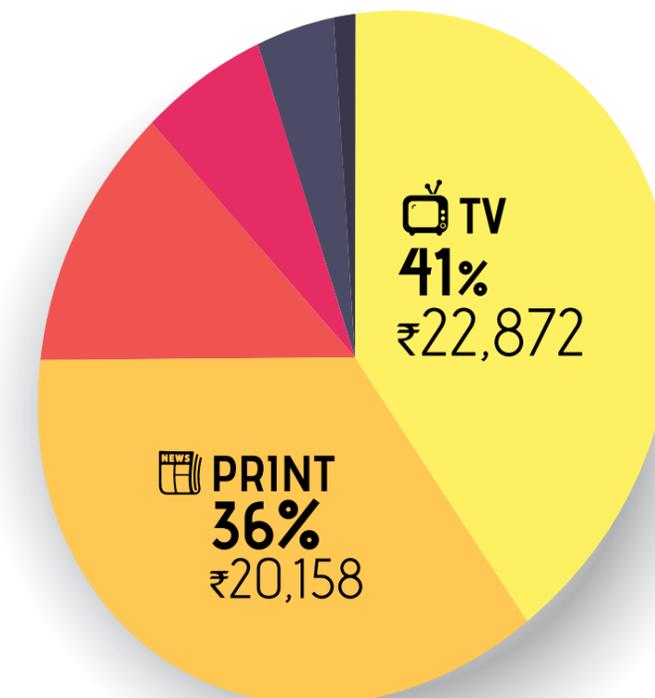
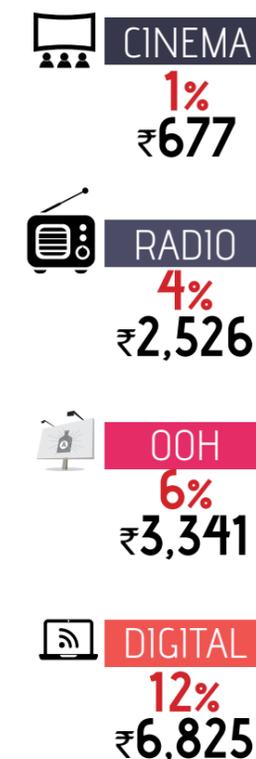
AD INDUSTRY IN INDIA
INR 56,398 CR

ALL FIGURES IN INR CRORES

Digital media has been the harbinger of growth for the advertising industry in India. Every year an increasing proportion of marketing budget is being spent on digital media thanks to the increasing affinity of the consumer towards the digital experience. With the smartphone becoming more affordable, digital screens will soon become the primary source of media consumption in the Indian digital world.

As stated earlier, the Indian advertising industry currently stands at INR 56,398 cr with spends on traditional accounting for 88%, while digital media spends stand at INR 6,825 cr and accounts for 12% of total ad spends.

Among the various traditional media, spends on television stand at 41% with INR 22,872 cr, followed by print (36%), Out of Home (6%) and the remaining budget distributed across radio and in-cinema advertising.



BY INDUSTRY VERTICALS

AD SPENDS BY INDUSTRY VERTICALS

FMCG has been the highest spender when it comes to advertisements. The industry contributes 29% to the INR 56,398 cr advertising industry in India. This is followed by auto (10%) and e-commerce (9%). BFSI contributes 7% while consumer durables, telecom and retail contribute 6% each to the advertising sector.

ADVERTISING INDUSTRY IN INDIA **₹56,398 CR**

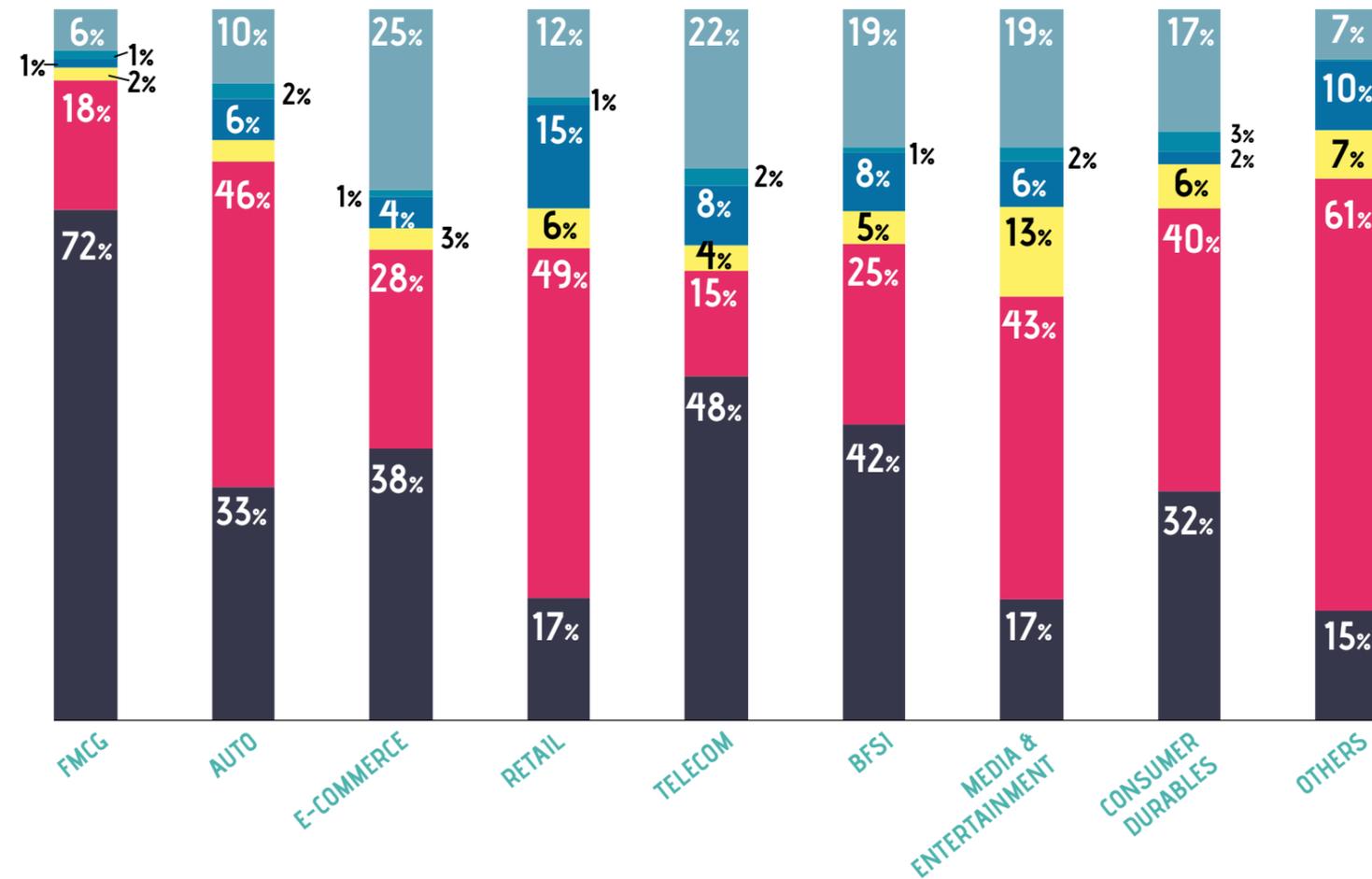
- OTHERS 21%
- MEDIA & ENTERTAINMENT 5%
- RETAIL 6%
- TELECOM 6%
- CONSUMER DURABLES 6%



- FMCG 29%
- AUTO 10%
- E-COMMERCE 9%
- BFSI 7%

OVERALL AD INDUSTRY: VERTICAL VS MEDIA

- TV
- PRINT
- RADIO
- OOH
- CINEMA
- DIGITAL



As for the choice of medium, the FMCG sector spends the highest on TV (72%) followed by print (18%). It spends 6% of its marketing budget on digital media.

The automotive sector spends the highest on print (46%) followed by TV (33%). 10% of the marketing spends

go todigital, followed by 6% on OOH.

Among all industry verticals, e-commerce spends the highest proportion of its marketing budget on digital(25%). This is only next to their spends on TV (38%) and print (28%).

Retail spends the highest

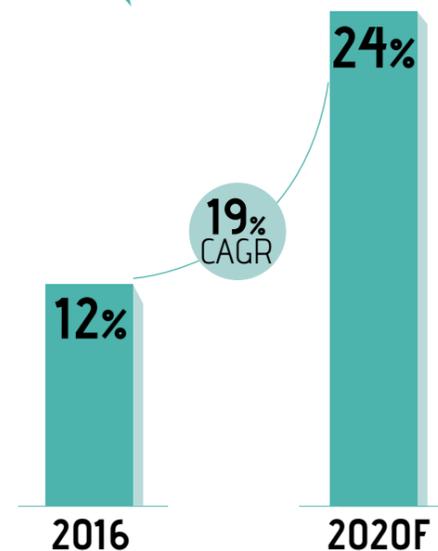


on print (49%) followed by TV (17%) and OOH (15%). 12% of marketing spends in the retail sector are made on digital.

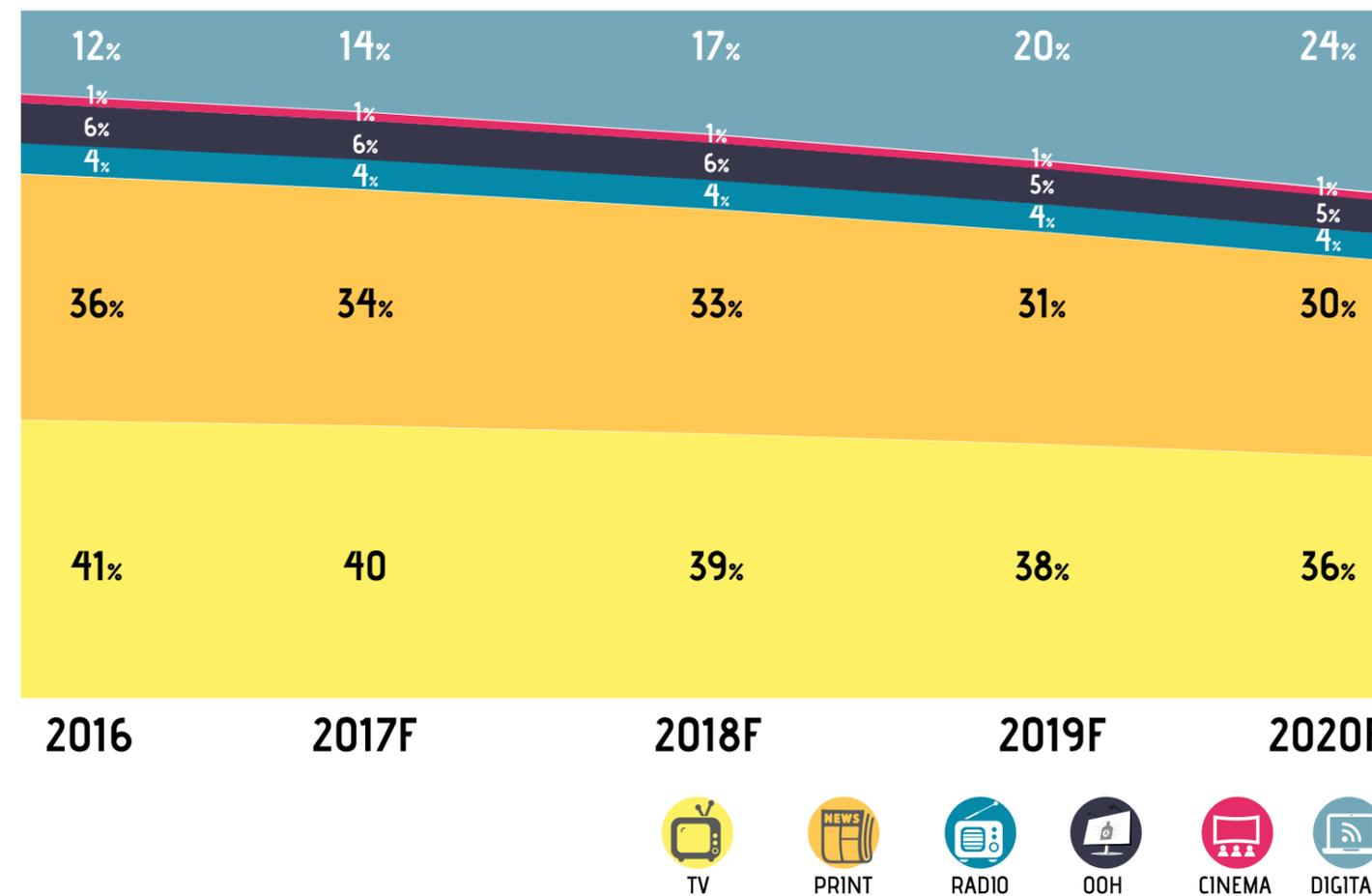
Telecom, BFSI and consumer durables sector spend the highest on TV and print, followed by digital.

E-Commerce, telecom, BFSI and media & entertainment (M&E) spend nearly one fifth of their marketing budgets (19%) on digital media.

PROPORTION OF SPENDS ON DIGITAL MEDIA



AD SPEND ON VARIOUS MEDIA - FORECAST



Spend on digital media are expected to grow by 37% CAGR to reach 24% by the end of 2020. Considering the rapidly increasing adoption of Internet in India, the spends on traditional media will reduce from the current 88% to 76% by 2020. The proportion of spends on cinema will continue to remain the same.

The advertising spends on TV will reduce by 4% from the current 41% to 36% by 2020. Ad spends on print will reduce by 6% to reach 30% by 2020.

TRENDS IN THE AD INDUSTRY IN INDIA

The Indian Advertising Industry has gone through a huge revolution with the advent of Internet in India; brands have started adopting Digital platforms to reach out to the increasingly digital audience. Greater effectiveness and possibility of hyper targeting are the prime reasons for adoptions of Digital platforms viz. Mobile/PC among Marketers.

DEMAND DRIVERS

The new era of advertising has been largely driven by digitization and high Internet usage over time. For most users, the Internet has become a key platform of engagement thanks to social networking, e-mails, web browsing, entertainment, etc. Over the past few years, consumers have started accepting mobile devices as an important medium of communication and as a medium for gaining information about new/existing products/services in the market, information on current trends, happenings, etc. Mobile devices have also become the de-facto screen for the rural population. One of the reasons behind this is that mobile phones have become highly

affordable. Also, in an environment where electricity supply is irregular, a mobile device becomes a more dependable medium than television.

From the consumer's research perspective, there has been a shift in the trend from offline research to online research. The collective intelligence of online review sites and social media has allowed consumers to easily access second opinions. As consumers seek input from online sources before buying, it becomes easy for brands to attract traffic with the help of mobile advertising. Mobile advertisements have become popular as they are catchy, innovative and convey the message clearly.

ADOPTION OF LOCAL LANGUAGE CONTENT ON THE INTERNET

India is a multi-lingual nation consisting of around 22 major languages, of which, Hindi and English are the official languages used by the Central Government. According to the India Human Development Survey 2005, around 72% men do not speak English while 28% speak at least some English, of which, 5% are fluent. Among women, the corresponding percentages were 83%, 17% and 3%.

The number of Internet users in India has seen rapid growth over the last few years but the penetration of Internet is still quite low. It is seen that around 40% of Internet

users in India are comfortable viewing videos that include local content, the remaining 60% hesitate to use the Internet due to lack of local language content. It is seen that a large number of people in India understand English but they generally make use of a regional language while conversing. Hence, enabling local language content on Internet will lead to further growth in the Internet user base and Internet penetration.

Local language should be included in digital content on all platforms as it has the power to attract maximum people and also

DEMAND DRIVERS OF DIGITAL MEDIA IN INDIA



SMARTPHONE PENETRATION



INTERNET USAGE



LOCAL LANGUAGE ADOPTION

gives consumers the freedom to express their ideas. Since smartphone usage has witnessed rapid adoption growth among all age groups in the past few years, local language content on smartphones and tablets will help further motivate non-English literates to join in and make use of Internet for gathering information.

It is observed that some of the top advertising spenders viz. FMCG, consumer durables, telecom, etc. will always advertise in regional languages on traditional platforms. Regional language plays a vital role here because these sectors attract both the English literate and English non-literate audience. To remain in the top consideration set of consumers, it is necessary for brands to advertise in a language that the larger section of the audience is familiar and comfortable with.

Geo-targeting and geo-fencing will be major focus areas for digital advertisers in the next three years. Geo-targeting is all about detecting the location of a website visitor and offering content that is best suited to the visitor based on his/her location, such as country, state, city, etc. whereas geo-fencing is a location-based service which works with help of Global Positioning System (GPS) which sends messages to smartphone users when they enter a particular geographic area for instance, a store, mall or neighborhood.

Inclusion of local language content will play a significant role in effectively connecting the brands with their consumer base. According to the major internet players, in 2015, Hindi content on the web had risen by about 94 per cent, whereas English content had risen only by 19 per cent.

COMPARISON WITH GLOBAL MARKET

The Indian digital advertising industry is still catching up with the global advertising industry because of data issues, which refers to the reliability and quality of data, optimum usage of data, data applications, etc.

Differences between the two markets also crop up due to socio-economic differences and factor conditions. For example, the US used car market is a demand starved market whereas in

India, it is a supply starved market. And advertising will always be dependent on the nature of a market.

When quality of digital engagement and creativity is taken into consideration, the Indian advertising market stands at par with the global advertising market. Global Internet leaders have started launching products that have local language content so that they can maximize the size of their audience.

CHALLENGES FOR THE INDIAN ADVERTISING INDUSTRY

SLOW ADOPTION OF TECHNOLOGY

FACTOR CONDITIONS OF MARKET

DATA INFRASTRUCTURE



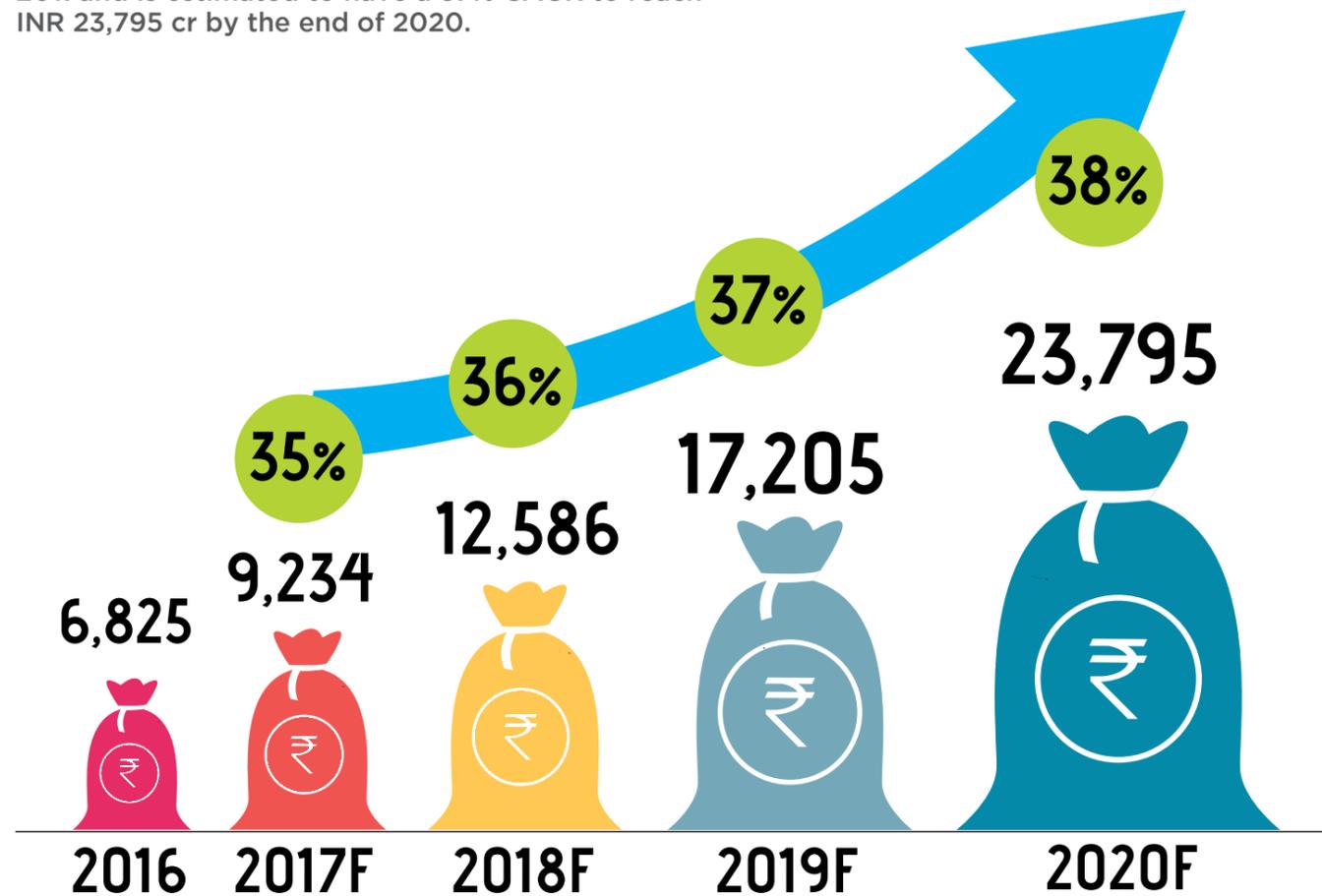
"Everyone - regardless of language, ability, location, gender, age or income - will be able to communicate and collaborate, create valued content, and access the information that they need to improve their lives and communities."

SIR TIM BERNERS LEE

Inventor of the World Wide Web

DIGITAL ADVERTISING IN INDIA

As stated earlier, the digital advertising industry is expected to grow by 35% to reach INR 9,234 cr by 2017 and is estimated to have a 37% CAGR to reach INR 23,795 cr by the end of 2020.



All Figures in INR Crores
Source: Dentsu Aegis Network Estimates, 2015-16

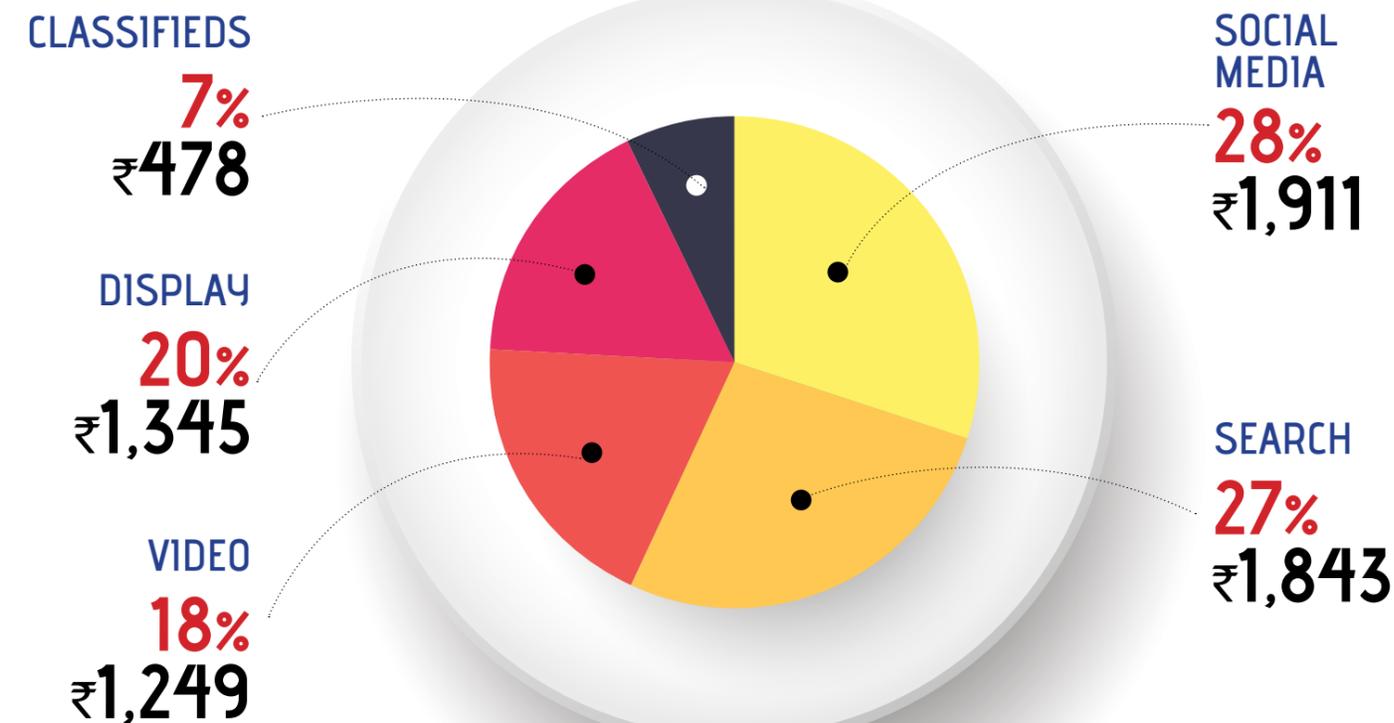
AD AVENUES IN DIGITAL MEDIA

The various avenues for advertisement on the digital medium are social media, search, online video, display and online classifieds.

Social media and search take the lion's share of digital ad spending. 28% of total digital ad spends (INR 1,911 cr) is made on social media. This is followed closely by spends on search (27%, INR 1,843 cr). Spends on display stand at 20% (INR 1,345 cr) while that on video is at 18% (INR 1,249 cr).



DIGITAL AD INDUSTRY IN INDIA
₹6,825 CR



RISE OF THE NATIVE ADVERTISING FORMAT

While the number of users adopting the Internet in India has been growing rapidly, a sizable proportion of users feel that the advertisements on this medium are intrusive. These users are actively installing software that can stop these ads from appearing on their browsers. As of 2016, Around 122 Mn Internet users in India have installed some kind of ad blocking software on their browsers#. This is making advertisers and publishers lose a huge amount of Advertising revenue

Thus, Native Advertising, one of the most innovative advertising formats in digital advertising has been adopted by the Industry to tackle the issue of Ad Blockers. Native Advertising is an advertising format wherein the ad experience follows the natural form and function of the user experience in which it is placed. This type of advertising is non-intrusive and completely intent driven and hence, has significantly higher conversion rates. Thus, this format presents advertisers with an opportunity to have increased brand recall, higher engagement and performance compared to the other digital advertising formats.

#PageFair: Mobile Ad Blocking, May 30, 2016

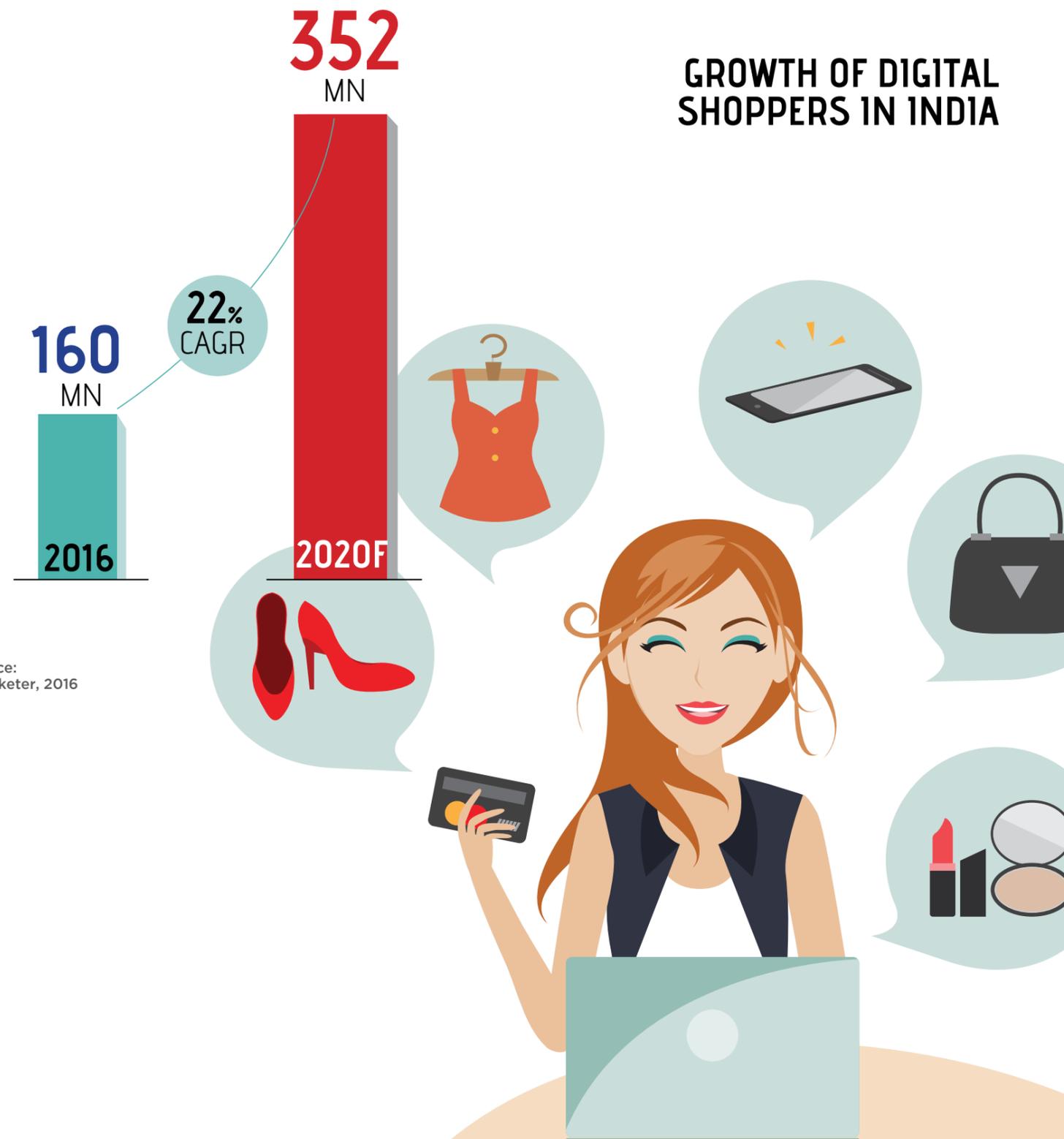
1 eMarketer, 2016

The increasing shift towards digital media along with Indian government's push towards digital transactions / finance will increase the number of online shoppers from current 160 Mn to 352 Mn in 2020 (CAGR of 22%¹). With this increasing customer base, E-Commerce is evolving from a mere transactional/ selling & buying platform to a potential advertising platform.

Every customer visits the E-Commerce platforms with an intent to either purchase a product or at least research or read reviews. With the rapid adoption of E-Commerce platforms in India, the conversion rate (i.e. number of visitors making actual sales) has increased significantly to 10%. Remaining 90% of the non-shopping visitors on the e-Commerce platform perform activities such as browsing, researching, comparing or reviewing products. Thus, the intent to purchase among the visitor base of this platform is higher, which gives an opportunity for the advertisers to target these customers on this platform.

The ever expanding E-commerce user base coupled with increasing preference given to non-intrusive ad format by the advertisers has led to the innovation in the digital advertising space: commerce advertising.

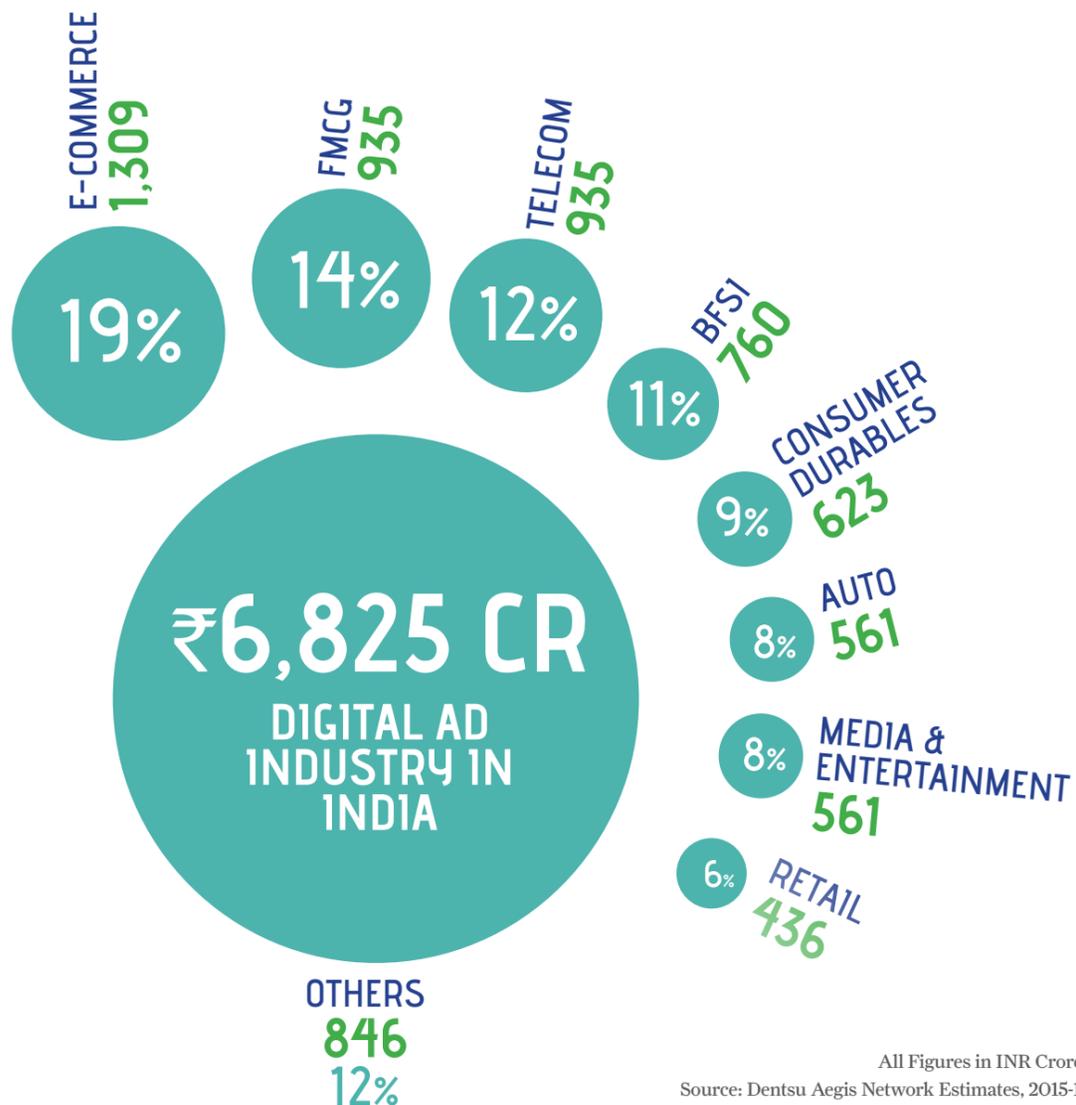
Commerce advertising is a new and emerging form of digital advertising offered by e-commerce platforms, which allows advertisers to target online shoppers with high intent of purchase visiting these platforms. The ads displayed are aligned with the purpose of shopping / e-tailing. Since the intent to purchase is higher among the target audience who are viewing these ads, the conversion ratio for this format is higher than banner ads, take overs and other form of display ads.



GROWTH OF DIGITAL SHOPPERS IN INDIA

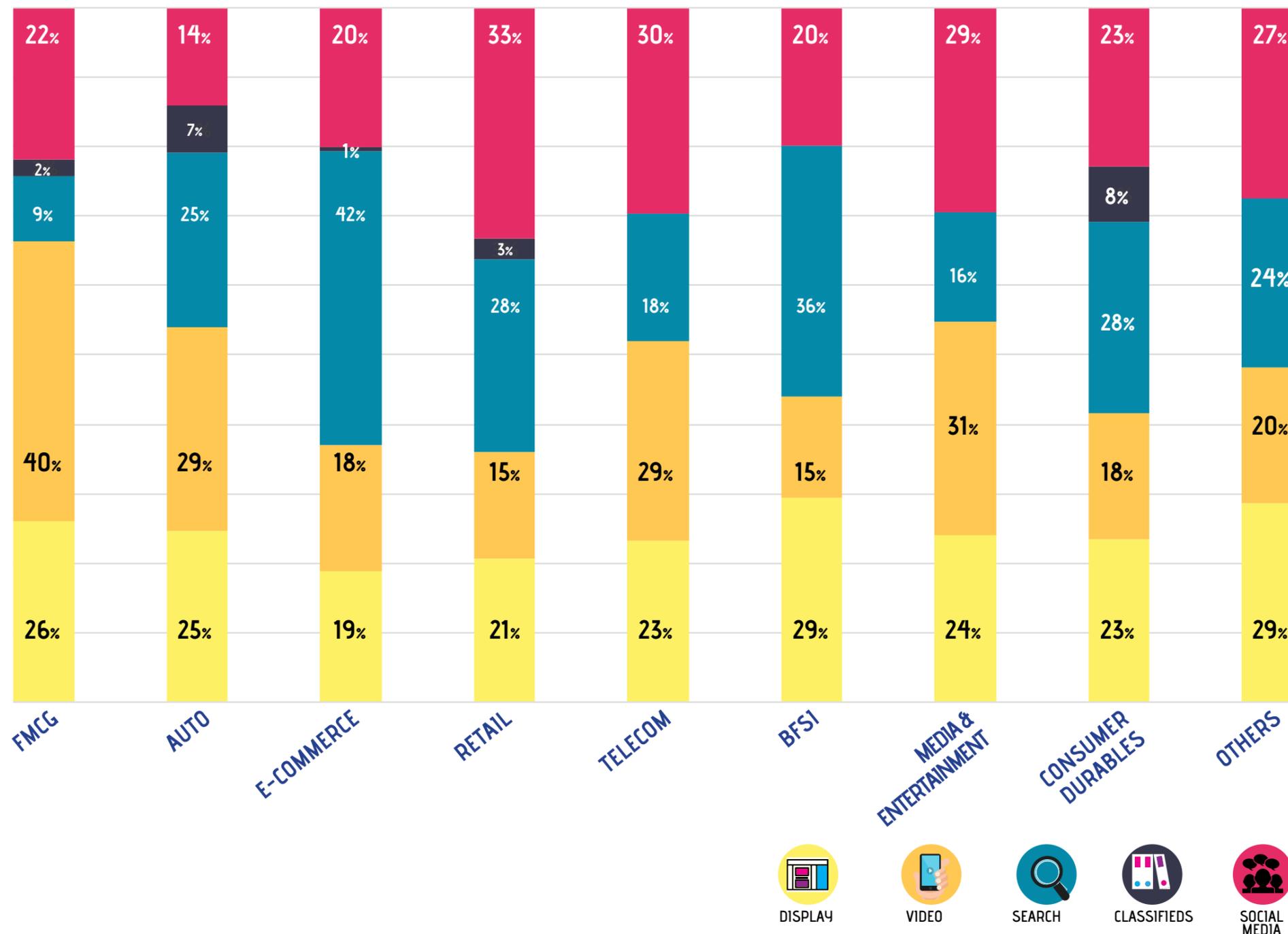
AD SPEND ON DIGITAL MEDIA BY INDUSTRY VERTICAL

E-commerce is the biggest spender on digital media, accounting for 19% or INR 1,309 cr of total digital spends. This is followed by FMCG, which accounts for 14% i.e INR 935 cr, telecom (12%) and BFSI (11%). The other significant contributors are consumer durables (9%), automotive sector (8%), media & entertainment (8%) and retail (7%).



All Figures in INR Crores
Source: Dentsu Aegis Network Estimates, 2015-16

DIGITAL AD INDUSTRY: VERTICAL VS MEDIA



For the FMCG category, the lion's share of spends on digital media is taken by video (40%) followed by display (26%) and social media (22%).

The automotive segment spends the majority of its digital ad budget on video (29%) followed by search (25%) and display (25%).

The e-commerce segment spends the majority of its digital ad spends on search (42%), followed by social media (20%).

Social media accounts for nearly one third (33%) of the digital ad budget for the retail sector. This is followed by search (28%), display (21%), videos (15%) and classifieds (3%).

The telecom segment spends the majority of

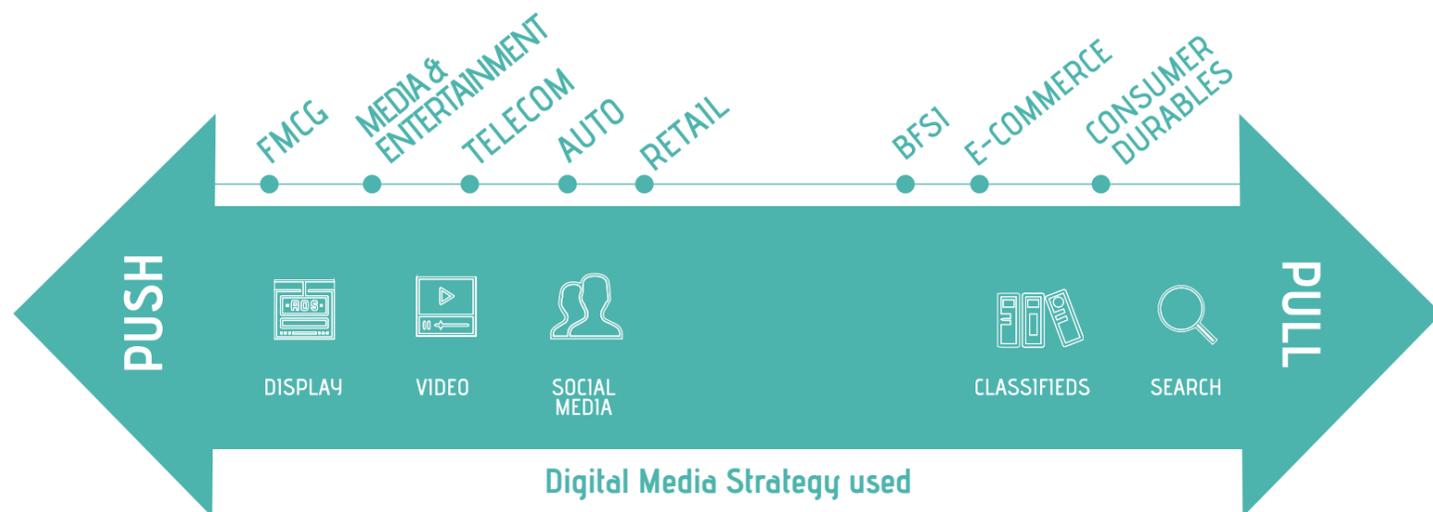
its digital media budget on social media (30%) and video (29%). The remaining budget is spent on display (23%) and search (18%).

The BFSI segment spends majority of their digital media spends on search (36%) and display (29%). The rest of the budget is spent on social media (20%) and video (15%).

Media & Entertainment segment spends a large among of its digital media budget on video (31%) and social media (29%). The remaining budget is spent on display (24%) and search (16%).

Consumer Durables segment distributes a large part of spend towards search (28%) and social media (23%). This is followed by spends on display (23%) and video (18%). The remaining budget is spent on classifieds (8%).

MARKETING STRATEGIES FOR DIGITAL MEDIA ADVERTISING



GROWTH TRENDS ON DIGITAL AD AVENUES



DISPLAY



VIDEO



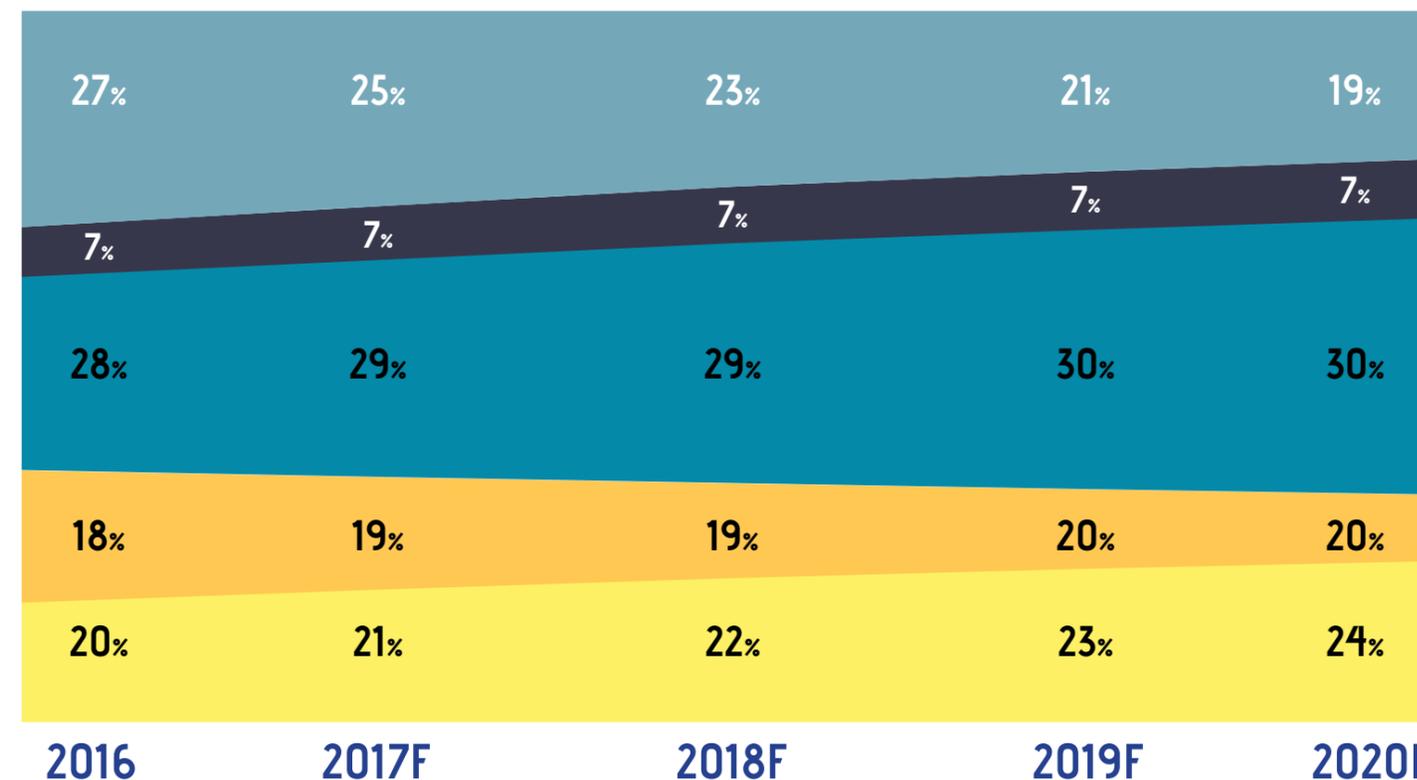
SOCIAL MEDIA



CLASSIFIEDS



SEARCH



Digital marketing strategies can be classified into two major categories:

- **Push Strategy:** This involves taking the product/service/brand directly to the consumer through communication modes or any other means to ensure that the consumer is aware of the brand during the purchase process.
- **Pull Strategy:** This involves making the product/service/brand visible to the consumer during their active search process.

The various digital media avenues can be classified further into the two aforementioned strategies.

- **Display:** This media avenue is mostly push and has no pull involved
- **Video:** This avenue is lower than display in terms of push and has little amount of pull involved in terms of searching for a particular video
- **Social Media:** This has a comparatively higher degree of push than pull
- **Classifieds:** This has a comparatively

higher degree of pull than push

• **Search:** This is totally intent driven and is completely pull

The strategies followed by the various industry verticals can be understood based on their marketing budgets spent on the above digital media avenues.

FMCG, media & entertainment and telecom adopt a heavy push communication strategy foremost of their products as the consumer does not look for a lot of information on the Internet.

Automotive, retail and BFSI sectors adopt a mixture of push and pull communication strategy as the consumer first discovers the product/service/brand and then they research about it on the Internet.

Consumer durables and e-commerce sectors adopt a heavy pull strategy because most of the purchases in these categories are intent driven wherein consumers search or look for the products/services/brands.

While we expect spends on digital media advertising to grow at 37% CAGR, spends on display, video and social media are estimated to have the highest CAGR.

We expect display to grow with a CAGR of 43% to reach 24% of the total digital media spends pie from the current 20%.

Spends on video will grow from a current share of 18% to reach an estimated share of 20% with a growth rate of 40% CAGR.

Social Media, which stands at spends share of 28% currently will grow at a CAGR of 39% to reach 30% of spends share in 2020.

Spends on search will see a reduced growth rate of 25% CAGR to have a spends share of 19% in 2020 from 27% currently.

Although still in its early stages, Commerce advertising has seen high adoption from a large number of advertisers. For example, more than 500 advertisers having created at least 1 campaign on Flipkart in the last one year.

Services offered under this new format of advertising can range from dedicated premium or large format spaces for Brands to narrate their story to sponsored product listings based on keywords and search history on platform.

The major native ad formats falling under commerce advertising are:
 Brand Stories (Flipkart): Non-intrusive large format space / landing page provided to Brands
 Premium Ads (Flipkart): Homepage / Special sections on the homepage dedicated for Brands
 Sponsored Products (Amazon India): Keyword based advertising on a prime location in the search results
 Product Ads (Snapdeal)

Apart from being a native and non-intrusive format, commerce advertising offers the advertisers the benefit of targeting the customer who is already in the purchase funnel. The ads displayed are based on the customer's intent and browsing and product research behavior on the platform, thus improving the conversion rate significantly. For example, the average CTR on Flipkart's Brand Stories format is 2%.

Most of the commerce advertising

While we expect spends on digital media advertising to grow at a 37% CAGR, spends on display, video and social media are estimated to have the highest CAGR. We expect display to grow with a CAGR of 43% to reach 24% of the total digital media spends pie from the current 20%.

CASE STUDY PLATFORM: FLIPKART COMMERCE ADVERTISING

Objective:

Build awareness during the launch of a four wheeler brand and maximize leads for test drives.

Approach:

"Brand Stories" format was used on Flipkart

Results:

Although the click-to-lead ratio is higher on social media than e-commerce platforms, the number of users converting into test drives was due to commerce advertising. Data from Flipkart shows significant jump of 10% through their intent driven targeting tool.

WEBSITE

1.8 MN
IMPRESSIONS

37,805
CLICKS

2.10%
CLICK TO CONVERSION

1,271
LEADS

7%
CONVERSION RATIO

MOBILE

1.2 MN
IMPRESSIONS

11,948
CLICKS

1.01%
CLICK TO CONVERSION

2,158
LEADS

1%
CONVERSION RATIO

Insight:

This case demonstrates that branding on commerce advertising platform goes in much deeper than merely Click-through-rate and leads to real conversions even for brands that are primarily sold offline.

Intent driven targeting of the transactional audience along with highly engaging ad formats on commerce platform improves the advertising performance more than the traditional forms of digital advertising.

platforms also provide a full purchase funnel measurement tool to identify, measure and track the customer behavior right from awareness and consideration to purchase.

Shift From Traditional To Digital

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, the time spent on accessing Internet through laptops/ desktops has gone down because of the portability offered by smartphones.

E-commerce has grown at a tremendous pace in India in the recent past. Users are accessing e-commerce platforms because of the comfort, convenience and user-friendly interface they offer. A large number of brick and mortar retailers are expanding their channels to online platforms because it takes less effort and investment to build a website than it takes to build a physical store.

For e-commerce platforms, it is easy to measure and track the consumer's buying habits and offer them customized solutions in addition to rewarding them with loyalty points, membership, special discounts, vouchers and gifts.

Traditional mediums have seen a flat or a slow growth because new users are moving straight to the digital medium.

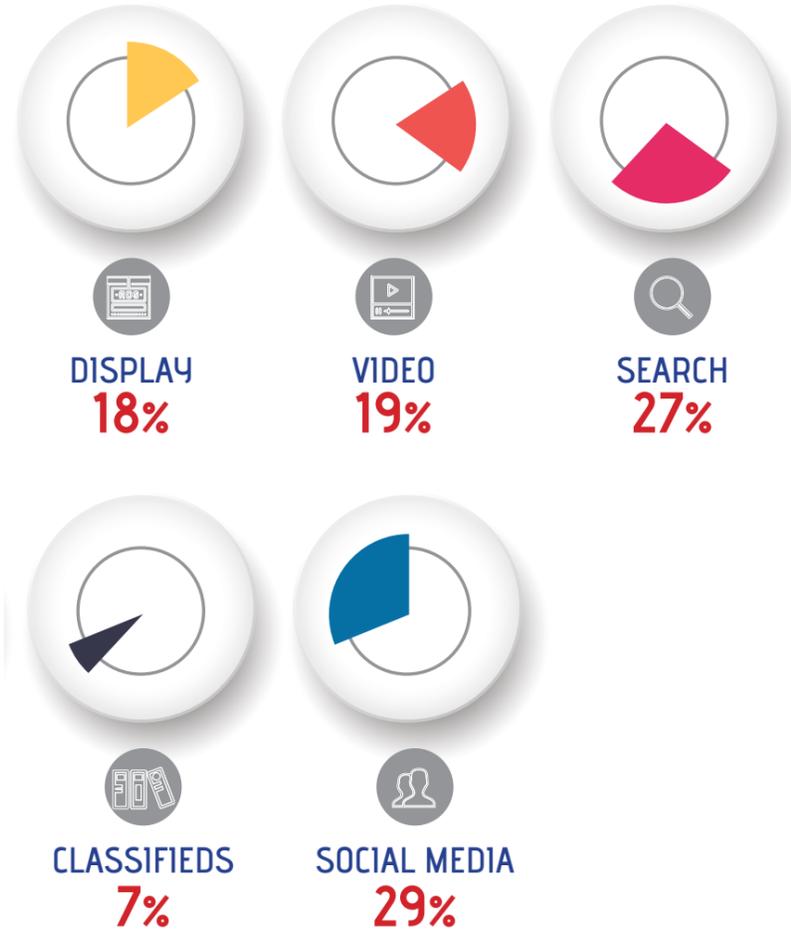
AD SPEND ON DIGITAL PLATFORMS/DEVICES

As of 2016, 63% of the digital media budget is spent on advertising on the desktop (INR 4,300 cr) and the rest 37% is spent on mobile devices (INR 2,525 cr).

The majority of the digital media budget on desktops is spent on social media (29%) followed by search (27%), video (19%), display (18%) and classifieds (7%).

AD SPENT ON DIGITAL MEDIA AVENUES: BY DEVICE / PLATFORMS: DESKTOP

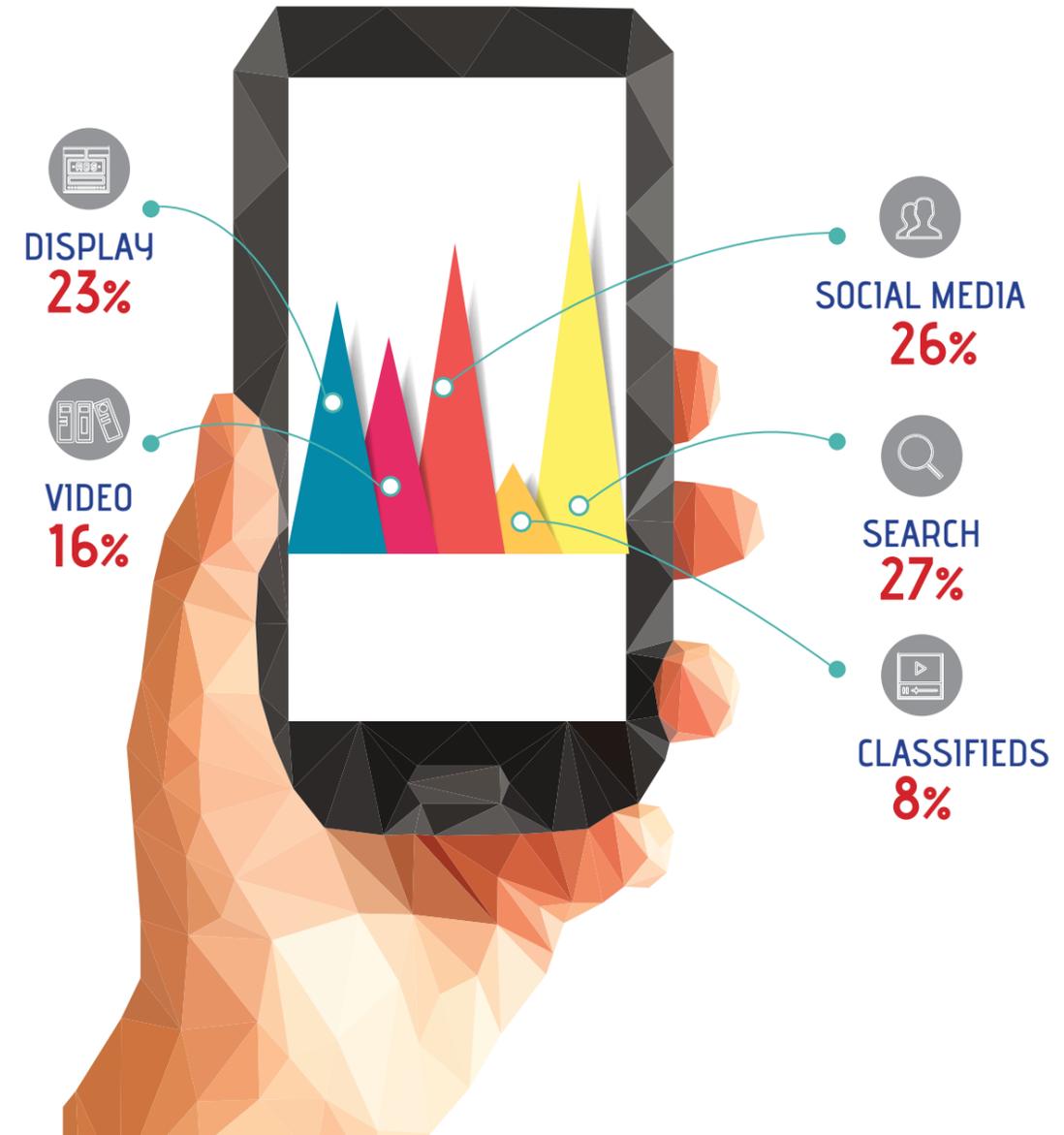
₹4,300 CR
DESKTOP AD SPENDS



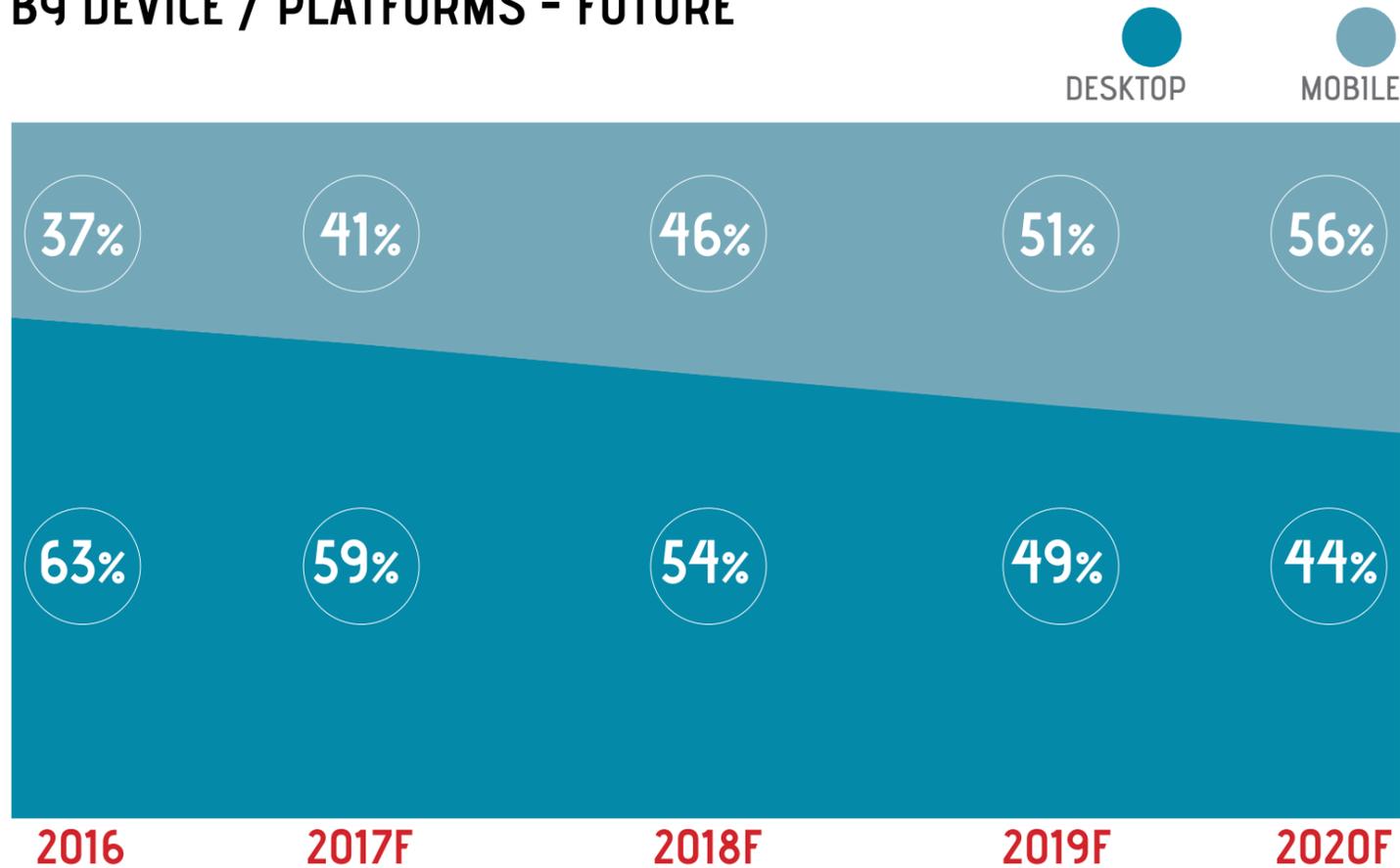
AD SPEND ON DIGITAL MEDIA AVENUES: BY DEVICE / PLATFORMS: MOBILE

₹2,525 CR
MOBILE AD SPENDS

Digital media spends on mobile devices are distributed mostly on search (27%) followed by social media (26%) and display (23%). The rest is spent on video (16%) and classifieds (8%).



AD SPEND ON DIGITAL MEDIA AVENUES: BY DEVICE / PLATFORMS - FUTURE

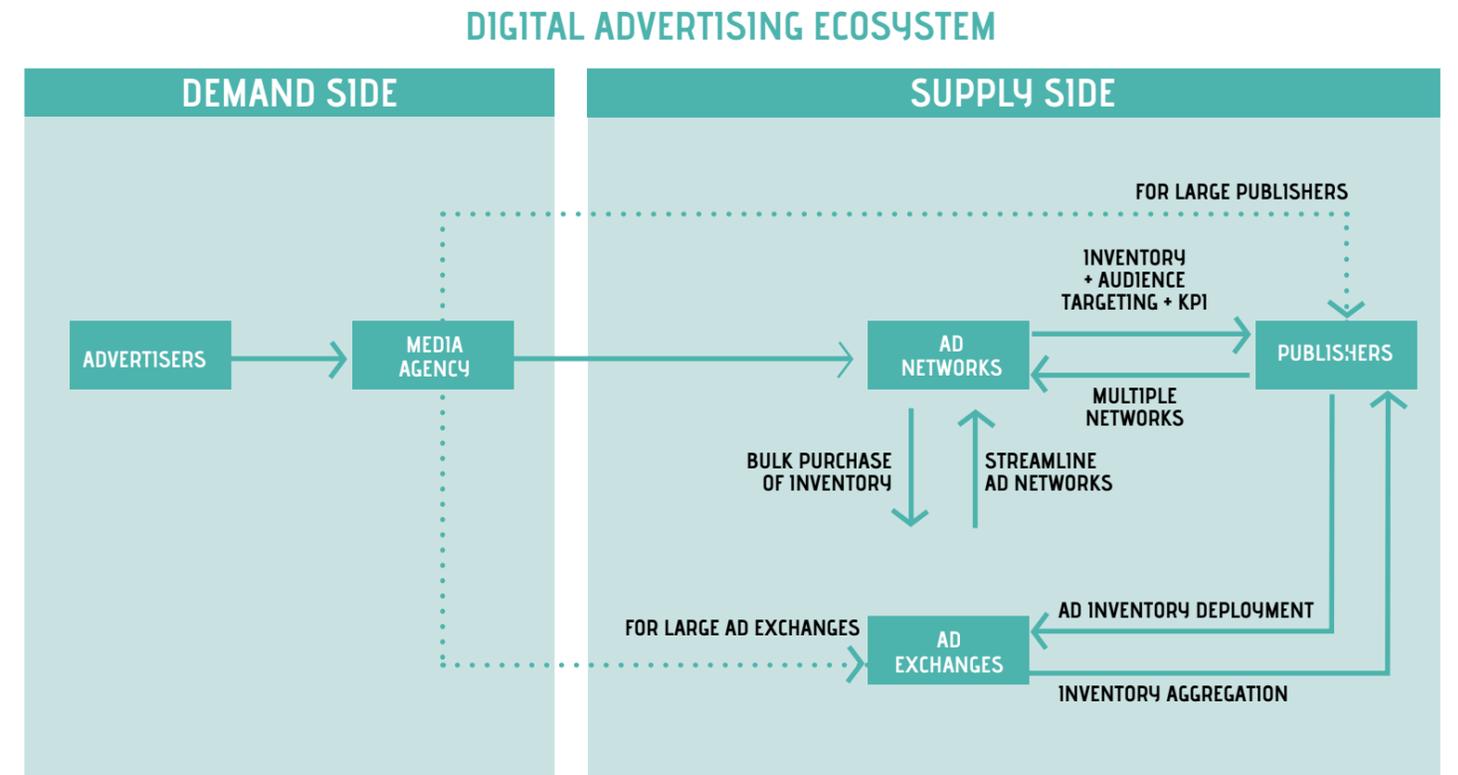


Although digital media spends are more skewed towards desktop than mobile currently with 63% of spends on desktops, ad spending on mobile is estimated to grow at a rate of 52% CAGR to overtake desktop spends and reach INR 13,325 cr in 2020. This is 56% of the estimated digital media market size. This is due to the high rate of mobile Internet penetration and the shift from the traditional TV/desktop screens to the mobile device as the preferred screen of interaction.

On the other hand, digital media spends on desktop are estimated to grow at 25% CAGR to reach INR 10,470 cr.

Digital media spends are more skewed towards desktop than mobile currently, ad spending on mobile is estimated to grow at a rate of 59% CAGR to reach INR 13,325 cr in 2020.

DIGITAL ADVERTISING ECOSYSTEM IN INDIA



The digital advertising industry in India has been witnessing rapid growth over the past few years. In the digital advertising ecosystem, the key players on the demand side of the advertising value chain are advertisers and agencies and on the supply side are the publishers and ad networks.

The advertisers vary in size but have a common aim i.e., to get best Returns on Investment (ROI) on their ads. Ad agencies are an important aspect of the digital advertising industry, their function is to create ads, buy inventories or sometimes both. Agencies that buy inventory for the client are known as media agencies. The ad inventories from the ad networks are usually

purchased by the media agencies since they mostly buy in bulk and have higher buying power and expertise than the advertisers. Media agencies usually purchase ad inventory from the various ad networks.

Ad networks are of three types; premium networks, who sell the unsold inventory of large publishers; vertical networks, these networks focus on a particular industry or technology; contextual networks, who sell keyword based ads on small sites.

Publishers are the ones that supply ad inventory to ad networks who in turn sell them to advertisers and agencies. They are of three types - large publishers, small

Five years down the line, with inventories being bought with automation and ad exchanges start doing rich media, consolidation might happen on the supply side with publishers getting leaner with the digital value chain primarily consisting of ad networks and ad exchanges.

publishers and search engine publishers. The unsold ad inventory of the publishers is sold by ad networks at a higher price to the advertisers and agencies which benefits them, as they can advertise their ads without having any direct relationship with the publishers.

An advertiser/media agency usually purchases display and video ad inventory directly from the large publishers.

A publisher has their own set of sales team and they sell their inventories directly to the advertiser on guarantee basis, usually in case of premium placements. An advertiser/media agency also has an option to buy from an ad network that aggregates a publisher's unsold ad inventories and resells it to advertisers and agencies with different buying.

An advertiser/agency can also buy inventory from an ad exchange. Ad exchange is a marketplace for buying and selling of ad inventories. Publishers sell their ad inventory and advertisers can buy inventories through real time bidding. In order to buy inventory on ad exchange, a publisher needs a layer of technology known as Demand Side Platform (DSP). The DSP has the real time bidding capability to bid on the inventory within the ad exchange. Benefits of buying through DSPs are: audience-targeting/re-targeting, global control i.e. frequency capping and creative management, real time bidding capability and enables the advertiser to buy from leading ad exchanges. On the supply side, a publisher needs a layer of technology known as Supply Side Platform (SSP) for making the ad inventory available on ad exchange. Third party data providers compile data from various sources for display audience targeting, they make special type of data i.e., consumer data or business data. A Data Management Platform compiles audience data from various sources like, first, second

and third party data and makes it accessible for cross channel marketing.

Five years down the line, with inventories being bought with automation and ad exchanges start doing rich media, consolidation might happen on the supply side with publishers getting leaner with the digital value chain primarily consisting of ad networks and ad exchanges.

Digital Media Buying

The digital media for display and video can be purchased in two ways: direct media buying and programmatic media buying.

Historically, most of the ad inventory on various media avenues are bought directly. The advertisers/agencies contacted the publishers/ad networks with requirements for ad sizes, rates for which ads to run, when and for how much duration to run them. As the order volume increased over time with multiple publishers/ad networks, execution and tracking became tedious.

Programmatic media buying removes all manual processes in digital advertising where algorithms scan and filter ad impressions combined with consumer usage data. This now allows advertisers to specify media budgets and objectives. Programmatic is known to reduce risks and improve the ROI of the advertiser.

Globally, programmatic is said to be the future of digital advertising and ad spends in programmatic is forecast to grow exponentially.

In India, digital media is still primarily purchased directly (90%), though programmatic buying has started to make inroads. It is estimated that by year 2020,

the share of spends on programmatic media buying will increase by 74% CAGR to reach 25% of the entire digital media budget.

Challenges With Digital Advertising In India

The evolution of new agencies in the past few years, along with numerous intermediaries viz. media agencies, platforms, etc. has left the value chain fragmented and the marketer now has to decide from several options, which in itself is a time consuming process.

Lately, there has been a technological revolution in many sectors. Just as marketers need to become savvy about technology, data and analytics, so does the technical staff on the digital side have to become more creative. Continuous upgradation in technology and marketing strategies leads to an additional training cost to keep the staff updated with latest trends in the market.

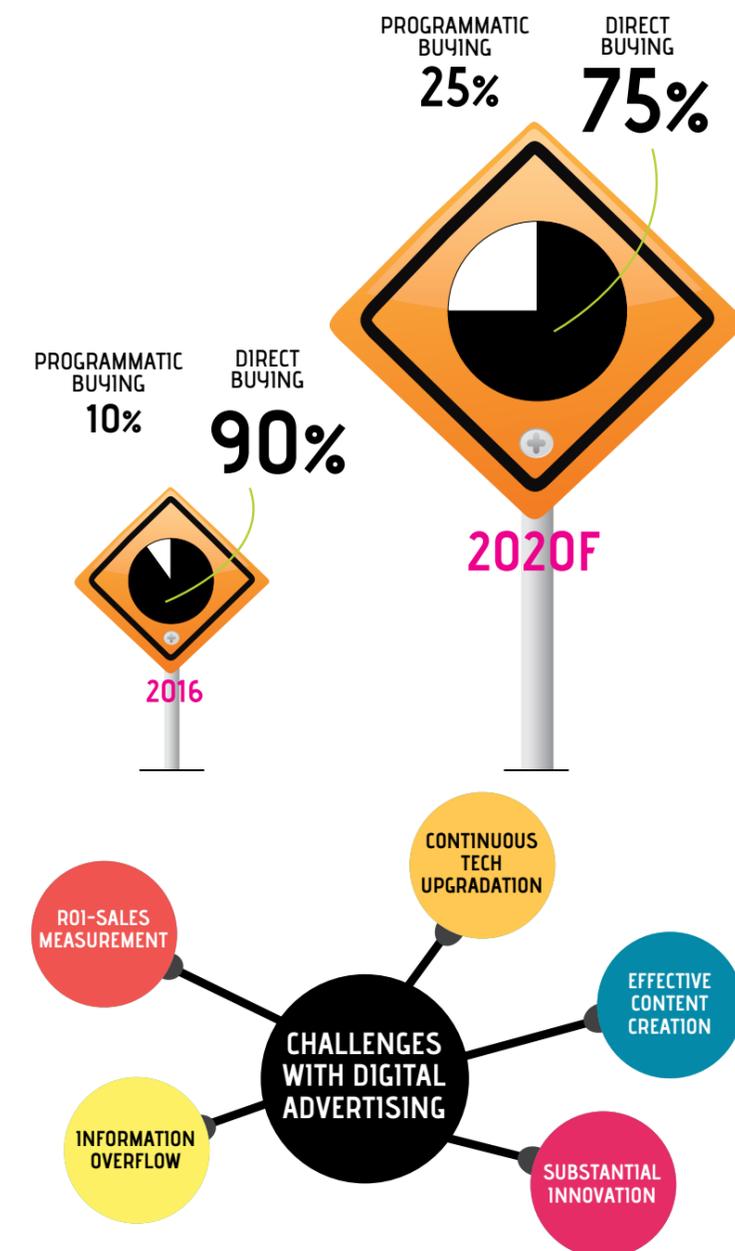
For an advertisement to be effective and appealing, it is necessary for the content to be equally effective. For example, a brand that is into varied product lines, the content of the advertisement for each product category will be different in terms of media, design and price. Also, content writing is a time consuming process.

The ad industry is dynamic and innovative and has the power to influence cultures and daily life. There are times when talent/creativity acts as a hindrance to the industry's environment, this is due to the lack of substantial innovation in the industry.

It is noticed that consumers are less willing to absorb new ideas from display advertising. This is because consumers actively filter unwanted content through mental ignorance, ad-blocking software, etc. thus rendering most of the information ineffective.

In addition to that, the advertisers feel that infrastructure needs to be developed to understand the sales-ROI co-relation for digital media investments.

AD SPEND ON DIGITAL MEDIA AVENUES: MEDIA BUYING



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FUTURE OF DIGITAL ADVERTISING IN INDIA

MOBILE & INTERNET USAGE

EVOLUTION OF MEDIA AGENCIES

TECHNOLOGICAL UPGRADATION

RICHER AUDIENCE ENGAGEMENT

TEST & LEARN MANTRA

ENTRY OF RURAL CONSUMER

AUTOMATION

DATA ANALYTICS

The Future Of Digital Advertising In India

Mobile And Internet Usage: With the increase in the number of mobile and Internet users, digital media is a space for the future. With data rates going down and speed going up, this will further lead to higher amount of data usage for various purposes including online research and thus promote digital advertising.

Evolution Of Agencies: Due to the emergence of new agencies in the past few years, there has been a battle for a greater market share. This has proven beneficial for the publishers since they get competitive media rates.

Technological Upgradation: With continuous innovation and upgradation in technology, the driving force will be targeted messaging to increase the digital advertising relevancy. Messages can be targeted with laser focus to very specific groups offering them relevant as well as regional content. Lately, web-based advertising is advancing in India; automated generation of content and putting it out to the universe with the help of technology will promote content marketing and video development.

Richer Audience Engagement: From the advertiser as well as the publisher's point of view, it is necessary to keep the target audience engaged with right data from the right source. This strategy plays to the strengths of programmatic advertising, one which

can be positioned and delivered on the basis of the characteristics of the target audience.

Test And Learn Mantra: The digital advertising industry is demanding in nature. According to the 'Test and Learn' mantra, it is always beneficial to 'Test' the advertisement pre-launch and 'Learn' from the deficiencies post-launch, if any. Thus, this puts lot of emphasis on research and data driven brand strategy, which improves the efficiency and effectiveness of the campaign.

Entry Of Rural Consumers: The growth of India's Internet usage is expected to be largely driven by rural users. The reason behind this growth will be cheap availability of smartphones and low data rates. Mobile Internet plays a vital role in promoting local content and lately, the Indian population has been more attracted towards vernacular language content.

Automation: With the technological advances in digital media and the increasing volume of investment in this category, automated content generation and programmatic buying of media will become a norm. This along with native advertising will increase the adoption of commerce advertising format among advertisers in the near future.

Data Analytics: The communication and media strategies will be driven more by data analytics, which will lead to better measurement and improved utilization of spends.


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RESEARCH METHODOLOGY:

The findings presented in the report have been arrived at through Primary and Secondary Research.

Primary Research: Interviews were conducted with Advertisers across Industry verticals, Media Agencies, Online Publishers and Ad networks to understand their advertising investments across media along with other focus areas in digital media.

Secondary Research: Secondary research was done to identify the market structure and dynamics of the Digital Ad market in India. Information was collected from various external and internal sources and analyzed thoroughly for validating the primary data.

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