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# Digital Advertising In India 2018

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## FOREWORD

### ASHISH BHASIN

**CHAIRMAN & CEO SOUTH ASIA - DENTSU AEGIS NETWORK**  
**CHAIRMAN POSTERSCOPE & MKTG - ASIA PACIFIC**

Digital is no longer a medium - it's a way of doing business. It is how consumers interact with brands. The digital transformation is affecting every business and agencies and marketers who don't recognize this will be left behind. Digital is a behavioral change taking place with the consumers, not just a way of building a brand. This is a critical difference many don't understand.

Dentsu Aegis Network is over-weight on digital. Of our 3500 people, more than 1570 are in our digital agencies. Nearly 40% revenue comes from digital at a time when the market average in India is still 12-15%. Last year, we recognized 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 lack of detailed and accurate Digital Advertising Spends is surprising for a medium that lends itself to measurement. It is in order to fulfill this gap that all the 8 agencies of the Dentsu Aegis Network i.e. Isobar, iProspect, Merkle Sokrati, WatConsult, Dentsu Webchutney, SVG Media/Columbus, Fractal and Amnet, collaborated with E4M again this year, for the 2nd edition of our Digital Report that extensively covers Digital trends, spends and insights across all sectors.

We welcome inputs from the entire industry to help establish a robust eco-system for this fast growing and increasingly important part of our advertising industry in India.



## FOREWORD

### NAWAL AHUJA

**Co founder & Director**  
exchange4media Group

Terming Digital as the new age media is a passe. Digital by all measures is the new 'Traditional'. As our report with Dentsu Aegis highlights:

Digital ad spends will touch almost 19K Crs in 3 years, almost same as the size of print ad industry today. It is expected to grow at 3X of industry average over this time to touch almost a quarter of ad spends. Of this, mobile is expected to take 60% of share.

It is true that two companies, Google and Facebook continue to take the majority share of these spends, by some estimates, 80-85%. But this year might change that, given these factors in play:

- 1) Augmented Reality and Virtual Reality will start receiving serious interest. Currently, these technologies are mainly used in piecemeal campaigns but there is a great potential for strategic campaigns using them as well as better integration.
- 2) Storytelling and content marketing will become driven by data insights. We will also see an increase in visual storytelling through images, gifs, videos, etc.
- 3) Amazon and other entities, especially the likes of Alibaba, Tencent, etc could emerge as serious contenders to Google and Facebook. The duopoly of the two in digital marketing will also be challenged as agencies and publishers continue to express distrust over the situation. We have already seen some court cases going against Google and Facebook in Europe last year. This seems like an indication of the general mood.
- 4) More and more devices are going to have interfaces different from what we are seeing today. For example, Google and Amazon's smart home devices are completely voice-driven. Some say that only 5% of connected devices will have a keyboard by 2020. You can actually refer to his interview for some more insights -
- 5) Ad fraud will continue to be a major concern and we might see stricter guidelines and more scrutiny after all the brand safety and ad fraud issues of last year.

Digital which used to be spoken about as the future, is unfolding right in front of us. An industry, that barely existed In India at the start of this century, might surpass all other media in another 7- 8 years time. Just a quarter of a century to upend the entire advertising ecosystem, and we would have lived right through the middle of it.

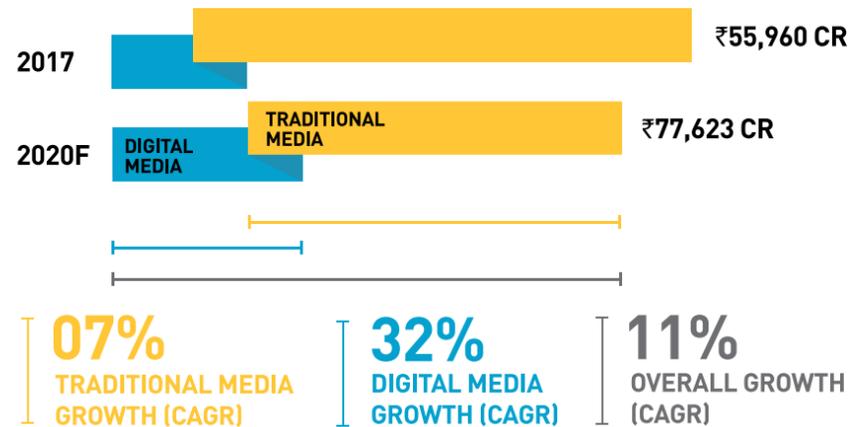


## EXECUTIVE SUMMARY

The increasing penetration of Digital media among the Indian audience is creating huge opportunities for marketers to reach out to untapped audiences in newer ways than before. With the gamut of opportunities to interact with consumer broadening, marketers are getting innovative with the way they choose to advertise to their audience.



### ADVERTISING INDUSTRY IN INDIA



As of 2017, the Indian ad industry stands at INR 55,960 Crores (~USD 8.6 Bn) and is estimated to grow with a CAGR of 11% till 2020 to touch INR 77,623 Crores (~USD 11.9Bn). This growth will be driven by the smart phone revolution and the subsequent spends on digital advertising.

Ad spends have seen the highest increase in E-commerce (13%) and BFSI (11%) sectors. Television takes the largest share of media spends at 40% (INR 22,526 Crores) followed by Print at 34% (INR 18,981 Crores) and Digital media at 15% (INR 8,202 Crores). While spends on Television will grow with a CAGR of 8% till 2020, its contribution to the advertising market has been on a decline.

The Digital Advertising industry currently stands at INR 8,202 Crores and is expected to grow with a CAGR of 32% to reach INR 18,986 Crores by 2020. This growth can be attributed to the rollout of 4G, reducing data costs, increasing smart phone penetration and increasing time spent on mobile phones.

Digital Media spends currently contribute to 15% of the total advertising industry and are expected to reach 24% of the entire market by 2020.

E-Commerce is the biggest spender on Digital media contributing 19% of all digital spends followed by FMCG, telecom and BFSI. E-commerce and telecom spend the highest on digital as a percentage of their overall ad spends.

Currently, social media takes the lion's share of digital ad spends (28%) followed by search (26%), display (21%) and video (19%). Video is expected to see the highest growth of CAGR 38% and will have a spends share of 22% by 2020. Spends on display is expected to grow at CAGR of 36%, while social media is expected to grow at 34% CAGR drop till 2020. Search will see a slower growth rate of 25% with its spends share reducing from current 26% to 22% by 2020.

Spends on Mobile is expected to grow at a CAGR of 49% to overtake spends on desktops and reach a spends share of 60% by 2020.

Some of the drivers of the growth of digital media in the near future are video content along with the engaging mobile experience, voice based interaction, transformations in payment mechanisms, etc.

# The Indian Digital Revolution



# DIGITAL PENETRATION IN INDIA

## TRANSITIONING INTO A DIGITAL ECONOMY

India is on the brink of transitioning into a digital economy with a big push from the government and the Public Private Partnership model.

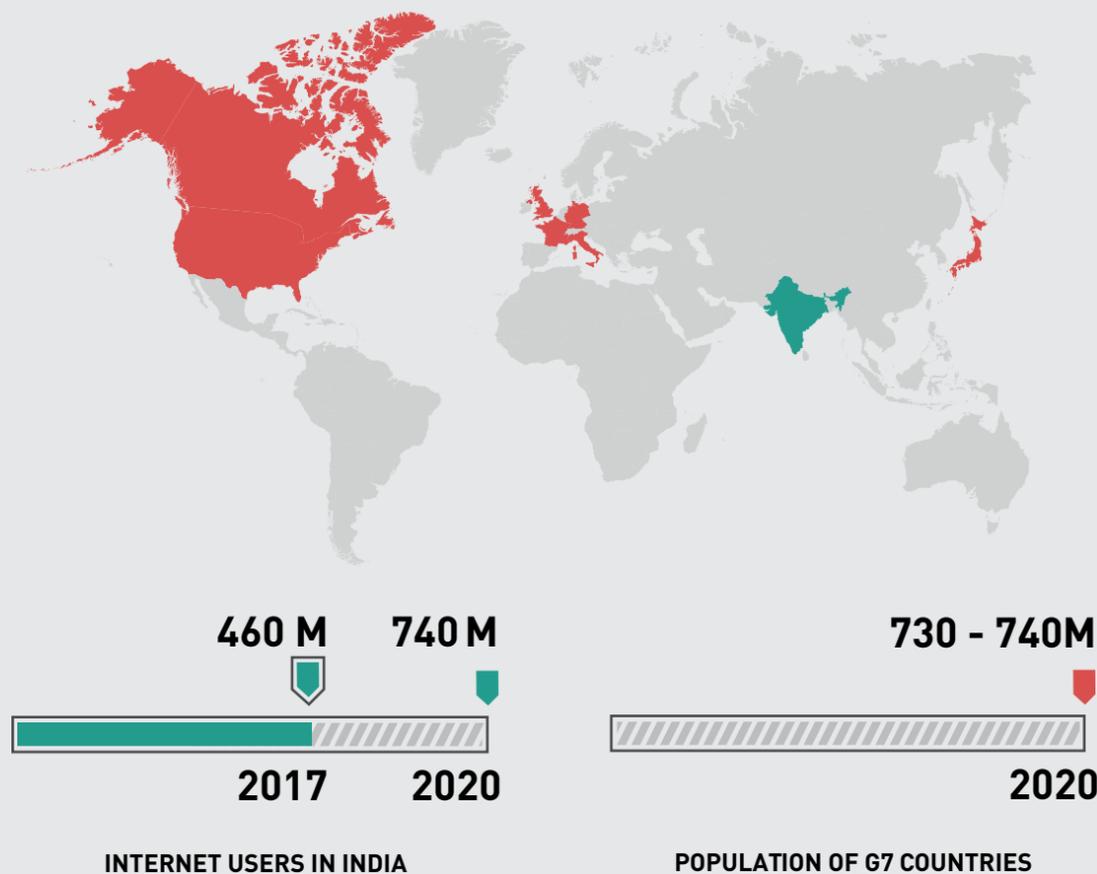
The Indian government's concerted endeavours to boost digitisation coupled with an array of economic reforms and policies have infused higher momentum into India's participation in a digital economy. The telecom sector has contributed in equal measure - lower data rates, improved connectivity have put India on a path to a mobile revolution of sorts.

## INCREASE IN INTERNET POPULATION

TRAI estimates the Internet population in the country to hit 738 Mn by 2020. Currently India's Internet subscriber count stands at around 430 million. As per TRAI's performance indicator report for July-September 2017, a total of 129 million rural subscribers and 300 million urban subscribers are connected via Internet or broadband services. The tele-density in urban areas is 74% where as it is around 14% in rural India.

## NEW OPPORTUNITIES FOR NEW AUDIENCES

Digital penetration is creating huge opportunities for reaching out to untapped audiences. The Internet Economy will generate new growth opportunities and open up fresh markets. This will also create new job opportunities with the potential to become a huge business opportunity across sectors in the next couple of decades.

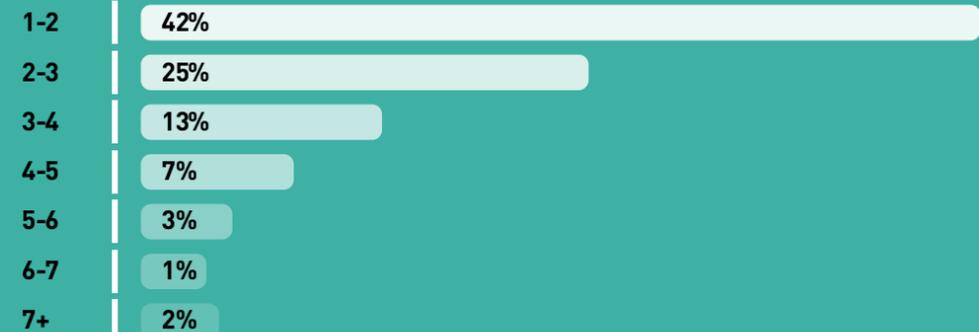


**21** percent of the Indian population accesses Internet daily. In a hyper-connected world, people are plugged in 24x7, conversing in real time about everything from hyper-local issues to global developments. The digital economy relies on this hyper-connectivity across personal and work lives.



PERCENTAGE OF AUDIENCE

**85** percent of the Internet user base spends up to 1/4<sup>th</sup> their waking hours on the Internet. Proliferation of on-demand video content on mobile is overshadowing linear TV viewership. Streaming mobile video content has seen exponential growth in the last two years on the back of 4G connectivity and cheaper data plans. That video is driving data usage and Internet usage, is no surprise. It is only a matter of time before the introduction of 5G delivers new and bigger



HOURS

**11** percent increase in smart phone penetration has been due to the influx of Chinese smart phone models, cheaper and more affordable smart phones, and falling data prices. Smart phone makers are looking at India as one of their primary markets, and investing in setting up manufacturing facilities even. The mobile opportunity is attracting more and more international smart phone brands.



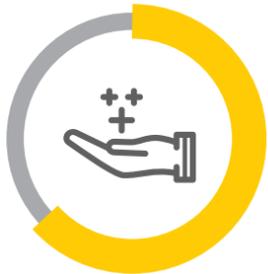
PERCENTAGE OF URBAN POPULATION



## INDIAN ADVERTISING INDUSTRY

With the spectrum of opportunities to interact with the customers widening every day, Marketers are getting innovative with where and how they choose to advertise. Out-stream video, chat bots, etc. are some of the new formats that are catching the interest of marketers.

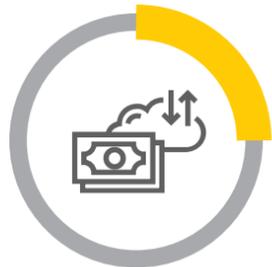
### INDIAN INDUSTRY AS OF 2017



**₹55,960 CR**  
AD INDUSTRY



**11%**  
CAGR



**₹8,202 CR**  
DIGITAL INDUSTRY



**32%**  
COMPOUND RATE

The Indian ad industry stands at **INR 55,960 Crores** (~USD 8.6Bn) and is estimated to grow with a **CAGR of 11%** (2016 – 2020). Digital advertising, which currently stands at **INR 8,202 Crores** (~USD 1.3 Bn), could jump 2.3 times to **INR 18,986 Crores** (~USD 2.9) by 2020, increasing at a compound annual rate of 32%.

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

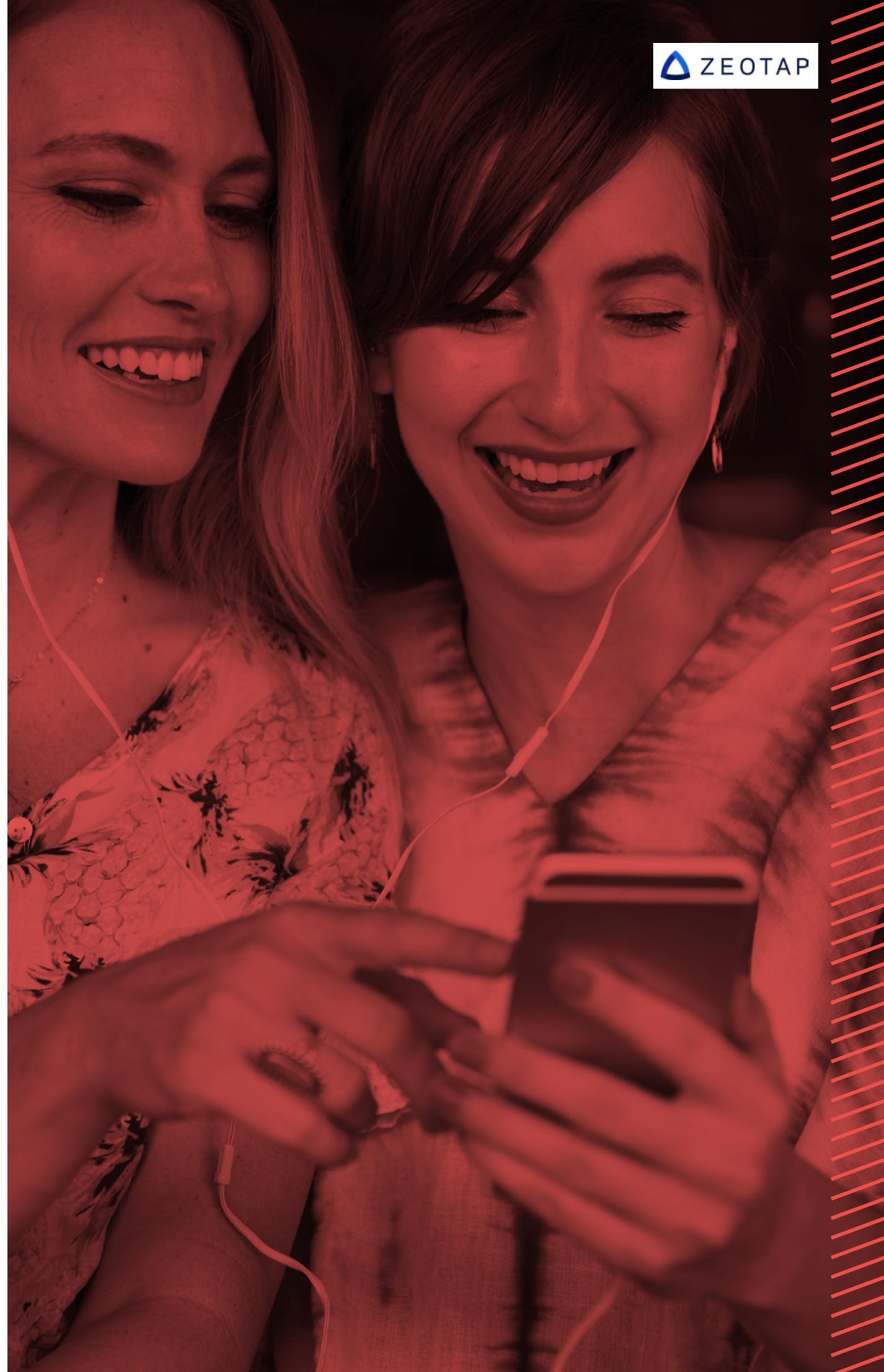
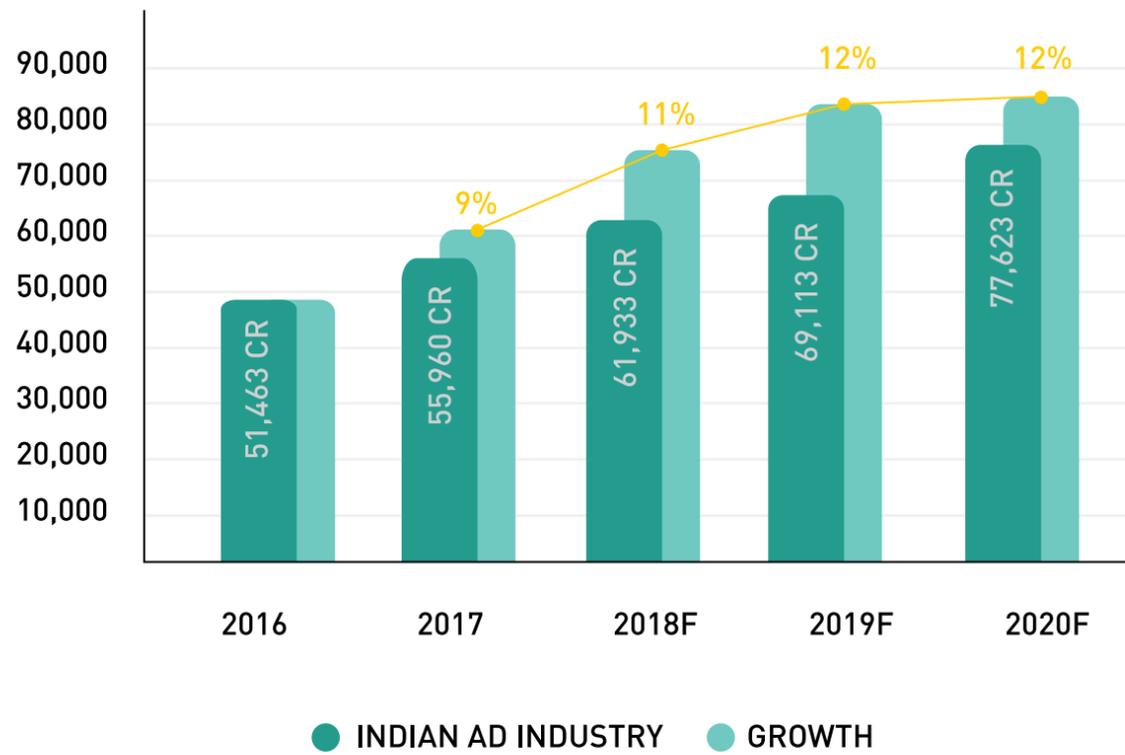
Advertising expenditure is likely to increase in the financial sector, driven by Reserve Bank of India (RBI) policies which could result in a more favourable business environment. Also, proposed licenses for new banks and better market sentiments render the advertising and marketing industry in India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

India owns a unique place in the advertising space. While digital and social are at a steep growth trajectory, a large part of the audience still identifies with traditional media with the latter evolving in its own manner through technology infusions along the way. The winning mantra is to strike the right balance based on what resonates with your audience mix.



### INDIAN INDUSTRY AS OF 2020

The Indian ad industry is pegged to touch the **INR 77,623 Crores** (~USD 11.9Bn) mark by 2020. The Indian advertising market is expected to grow at a very high rate over the next few years. It is well-poised to compete with China in the Asian market. This growth will be driven by the smart phone revolution and the subsequent spends on digital advertising.





## MEDIA BY FORMATS

Television takes the largest share of media spends at 40% (INR 22,526 Crores) followed by Print at 34% (INR 18,981 Crores). In India, TV continues to be a key medium for both advertisers and broadcasters owing to the medium's unmatched reach. Digital media contributes 15% (INR 8,202 Crores) of the overall ad spends.

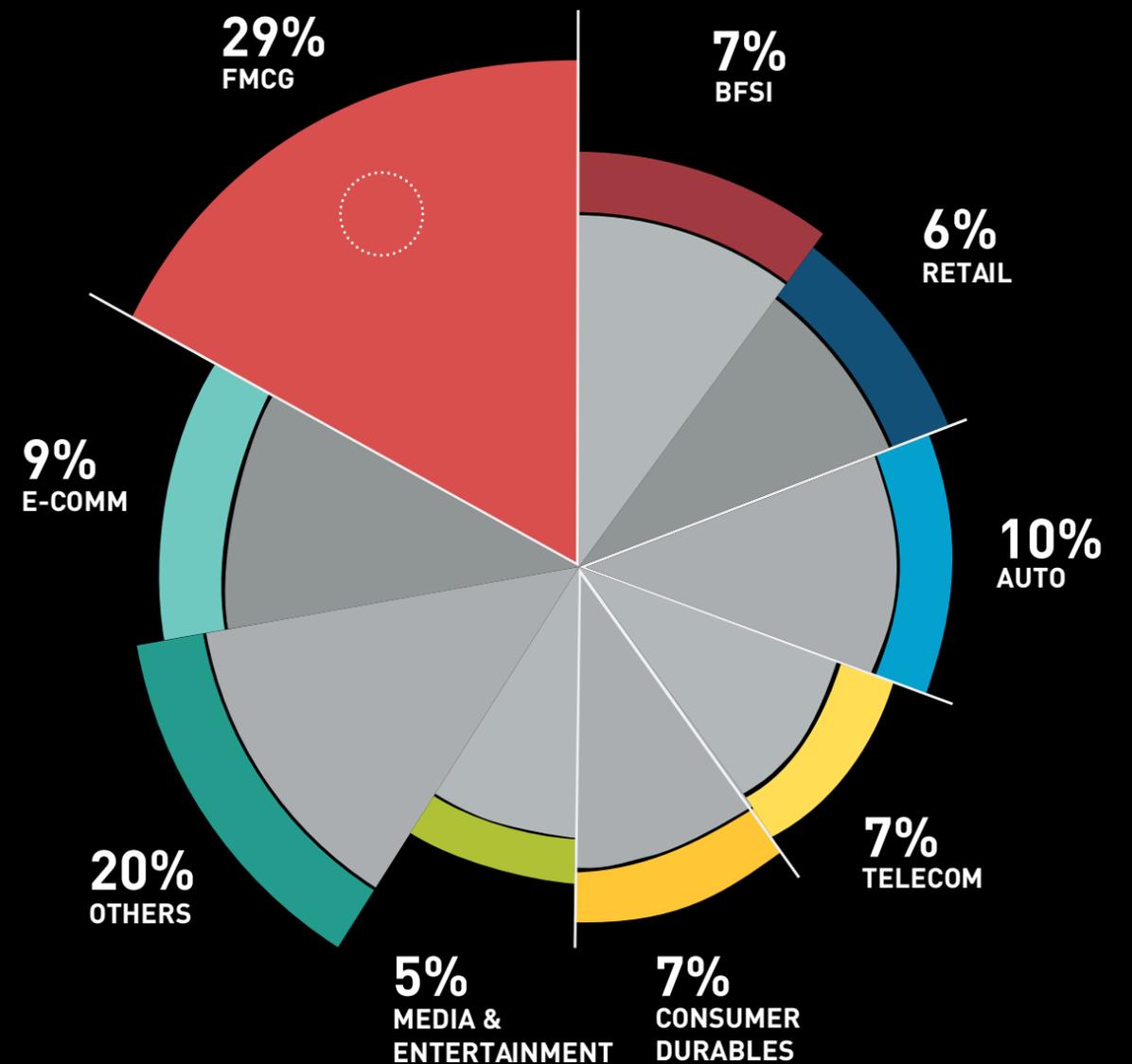
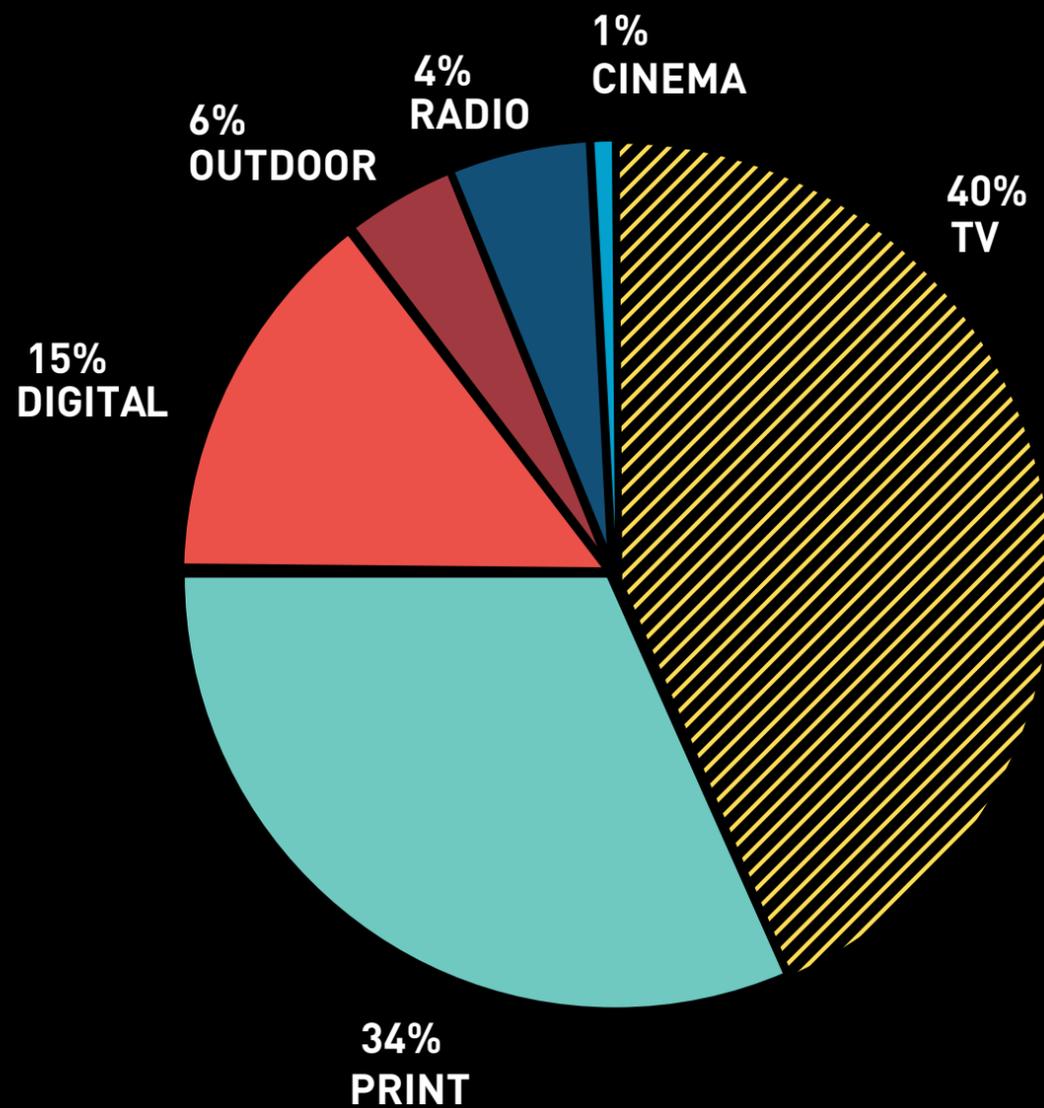
### Growth in Ad spends

E-Commerce	13%	Consumer Durables	6%
Telecom	10%	Retail	5%
BFSI	11%	Auto	10%
Media & Entertainment	7%	FMCG	8%
Others	8%		

## AD SPENDS ACROSS INDUSTRY VERTICALS

FMCG spends the highest on advertisements contributing 29% to the industry. This is followed by the Automotive and Ecommerce sectors. FMCG the evergreen sector and mainstay of the advertising industry witnessed ad spends to the tune of INR 16,164 CR while the automotive sector, another significant spender contributes around INR 5,702 CR to the advertising pie. E-commerce a high spender on high decibel advertising especially during the festive season, contributes up to 9% of the total ad pie.

The ad spends has seen the highest increase in e-commerce (13%) followed by BFSI (11%). Automotive and Telecom sectors have seen 11% increase in ad spends respectively. The telecom sector could see further growth, driven by better smart phone penetration and service providers cutting down on prices.





## OVERALL AD INDUSTRY: VERTICALS VS MEDIA

The FMCG Sector spends the highest on TV (70%) followed by print (17%). It must be mentioned that the Advertising expenditure in India will increase by 11% this year to touch INR 55,960 Crores, with television retaining its leadership status in this industry.

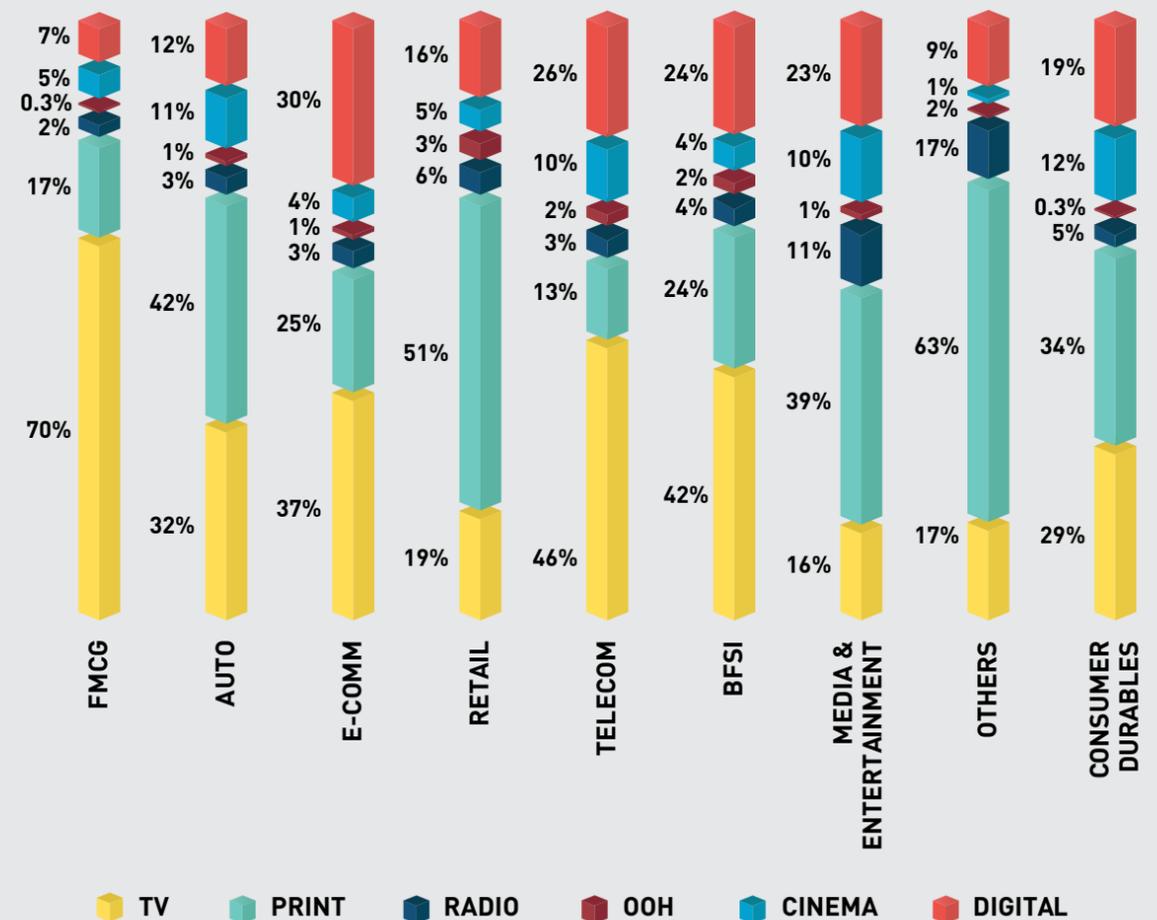
Automotive sector spends the most on print (42%) followed by TV (32%). The auto industry is also second largest advertiser commanding about 10% of the country's overall advertising capex.

E-commerce spends the maximum on TV (37%) closely followed by spends on Digital (30%). The Indian e-commerce industry has been on an upward growth trajectory and is expected to surpass the US to become the second largest e-commerce market in the world by 2034.

In terms of proportion of ad spends on Digital, e-commerce spends the highest followed by Telecom, BFSI and Media & Entertainment. Backed by growth of the Indian e-commerce industry, the Internet economy is expected to double from by 2020.

Spends on TV has seen the highest growth of ad spends from the Automotive sector, followed by E-Commerce and BFSI. With Free to Air (FTA) channels adding more inventory and high definition (HD) content gaining ground, television advertising is expected to grow at a CAGR of 8% till 2020. The consolidation of niche channels will create fresh opportunities.

Spends on Digital has seen the highest growth of ad spends from the Automotive sector followed by BFSI and E-commerce. With the consumer base being primarily youth and heavy Internet users, the spends on digital media for these segments have seen significant growth in the past few years.





## FUTURE TRENDS IN AD SPENDS ON VARIOUS MEDIA

Spends on television will grow with a CAGR of 8% till 2020. Although television accounts for a majority share of advertising spends in India, it's worth noting that its share has been on a decline for the last two years. Its share of ad spends is estimated to decrease from current 40% to 36% by 2020. Ad spends on Print will increase by 6% CAGR but spends share is estimated to decrease from the current 36% to 30% by



Television



Print



Radio



Cinema



Outdoor



Digital

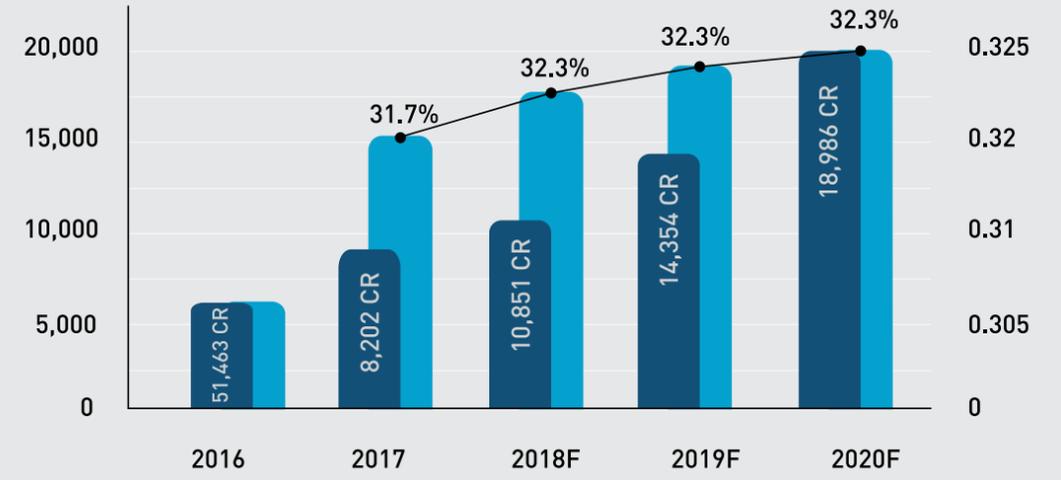
	Television	Print	Radio	Cinema	Outdoor	Digital
2016	41%	36%	4%	1%	6%	12%
2017	40%	34%	4%	1%	6%	15%
2018F	39%	33%	4%	1%	6%	18%
2019F	38%	31%	4%	1%	5%	21%
2020F	36%	30%	4%	1%	5%	24%

# Digital Advertising in India

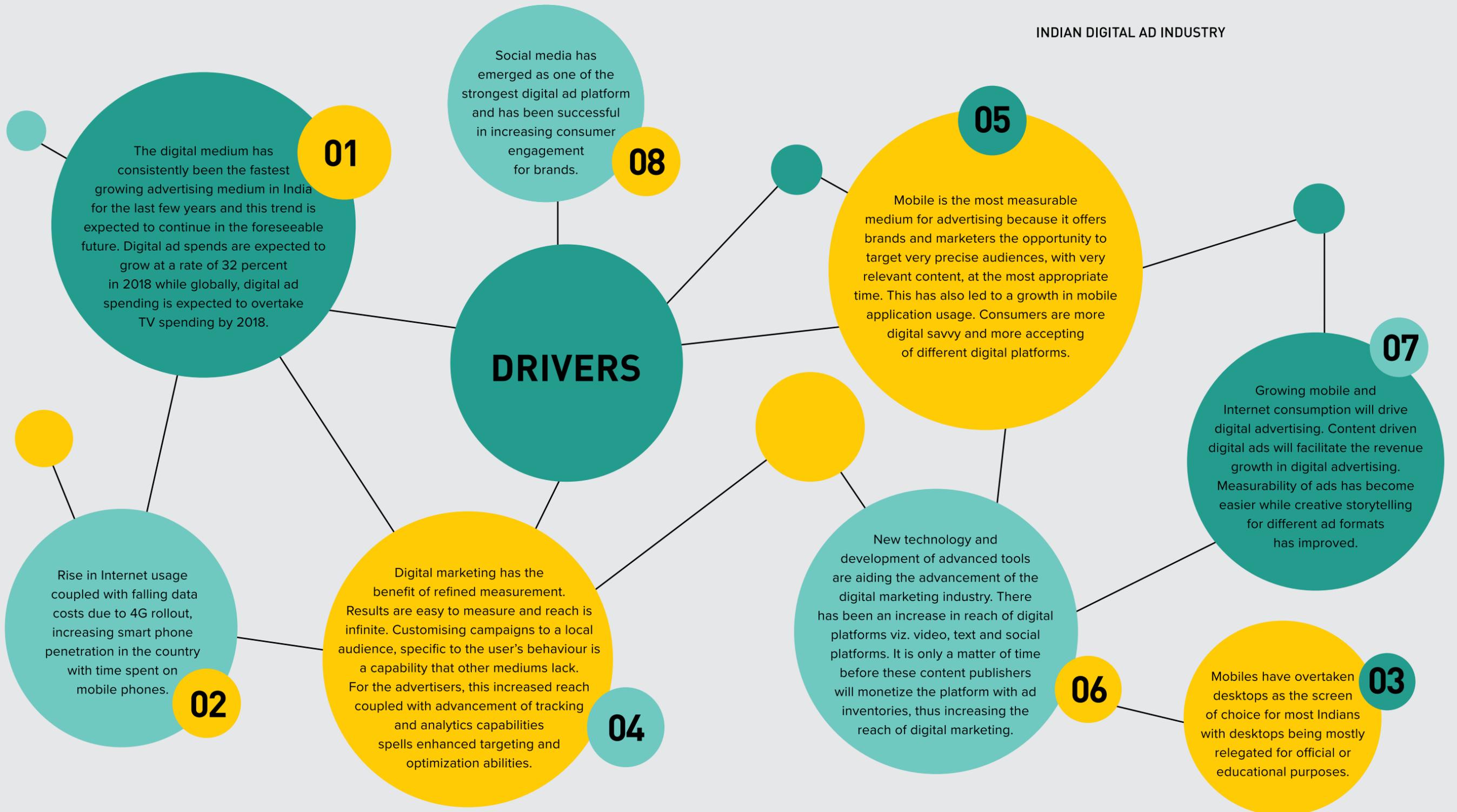


# GROWTH OF DIGITAL ADVERTISING

The Digital advertising industry stands at INR 8,202 CR by the end of 2017 and is expected to grow with a CAGR of 32% to reach INR 18,986 CR by 2020. Spends on Video ads have shown a significant increase and accounted for 19% of the overall spends in digital advertising. This category is estimated to witness growth of 38 per cent CAGR till 2020. Spend on mobile advertising also recorded high year-on-year growth

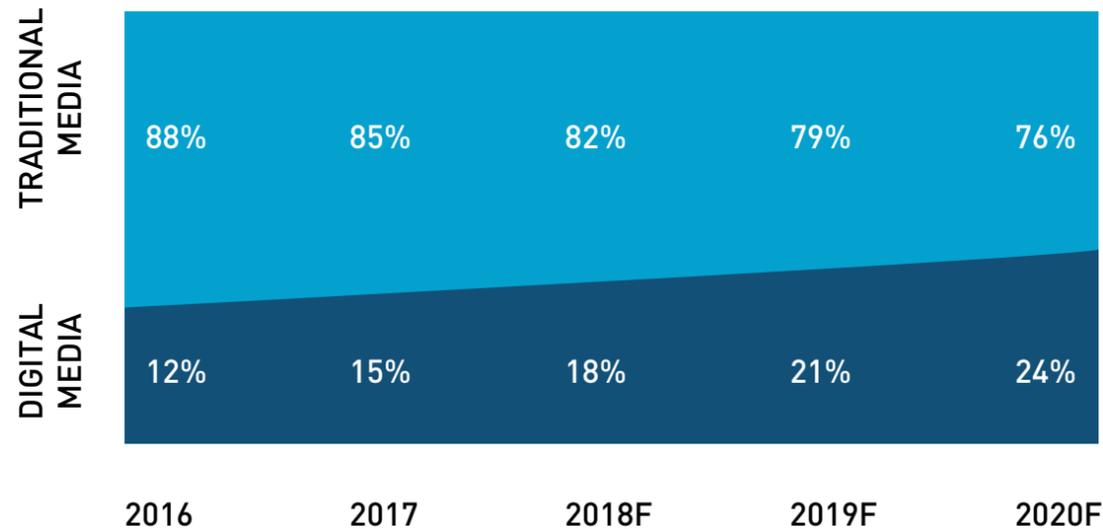


INDIAN DIGITAL AD INDUSTRY



## SHIFT FROM TRADITIONAL TO DIGITAL MEDIA

Digital media spends currently contribute to 15 per cent of the total advertising industry. It is expected to reach 24 per cent of the entire market by 2020. Spends on Video ads have shown a significant increase and accounted for 19% of the overall spends in digital advertising. This platform is expected to see the fastest growth till 2020.



Brands are slowly shifting their marketing budgets to digital platforms as the digital medium becomes all pervasive and consumers increase time spent on this medium. Even though digital ad platforms have been instrumental in direct sales, so far they do not match up to traditional media when it comes to brand building. Brand building is largely happening through mature ad mediums such as TV rather than digital.

Marketers are moving from purely mass-targeting platforms to a mix of traditional and digital platforms. This makes use of the relative advantages of both media for an optimal marketing strategy. Traditional media provides a better reach in comparison with digital media while the latter is unparalleled when it comes to measurability. When it comes to performance marketing, digital media has evolved as a powerful platform.

The explosive growth of Internet-enabled businesses such as e-commerce, digital wallets, etc. has also caused a shift of ad

money towards this medium as businesses targeting consumers inclined to online transactions rely on digital ad platforms.

Meanwhile, the smaller brands also prefer to make investments on digital platforms as compared to bigger brands it provides better Rate of Interest.

Consumers are looking for brand stories. Content has become more story driven. The 'one creative fits all' approach is waning.

Marketers are seriously considering or are already building an omni-channel-market strategy where a customer has a seamless shift between the devices of choice anytime during the day.

As businesses grow and the pool of available data becomes stronger, leveraging data-led actionable insights for not just tracking transactional metrics but also behavioural metrics is no longer an option but a necessity. Plugging in these inputs to optimize strategy

at every point is the order of the day today. While right data is an enabler, the volume that it is available today can get overwhelming. Sieving through its layers and arriving at best tools and techniques to make sense of the data is another game altogether.

Also, marketers are increasingly understanding the importance of entering a customer's buying journey much earlier in the purchase cycle and are relying on quality content which has become an important differentiator to stand out in the cluttered market space today.

Proof of concept will help marketers gain more confidence. Better measurability will attract more and more brands to digital. Educating traditionally run organisations in digital advertising will expand digital ad base in the country.

Even though digital media is growing at a CAGR of 32%, it still accounts for 15% of the total marketing pie. This is much lower than

the average 40% in the more evolved markets around the globe. India has huge potential for digital with the increasing affordability of smart phones and data consumption. Digital ad spend is growing rapidly and we are already seeing an increase in its share of spends from advertisers. The future of advertising will be defined by a number of aspects of digital advertising. Take for instance, that online video is set to grow by 38 per cent CAGR till 2020; digital display will grow by 36 per cent CAGR; social media by 34 per cent CAGR; and programmatic by 66 per cent CAGR.

To stay ahead of competition and offer the best experiences to consumers, brands will need to embrace the potential of disruptive technologies such as AR, VR and voice activation. The extent of adoption of these services will depend on a number of factors and brands may be slow to adopt these technologies for advertising.





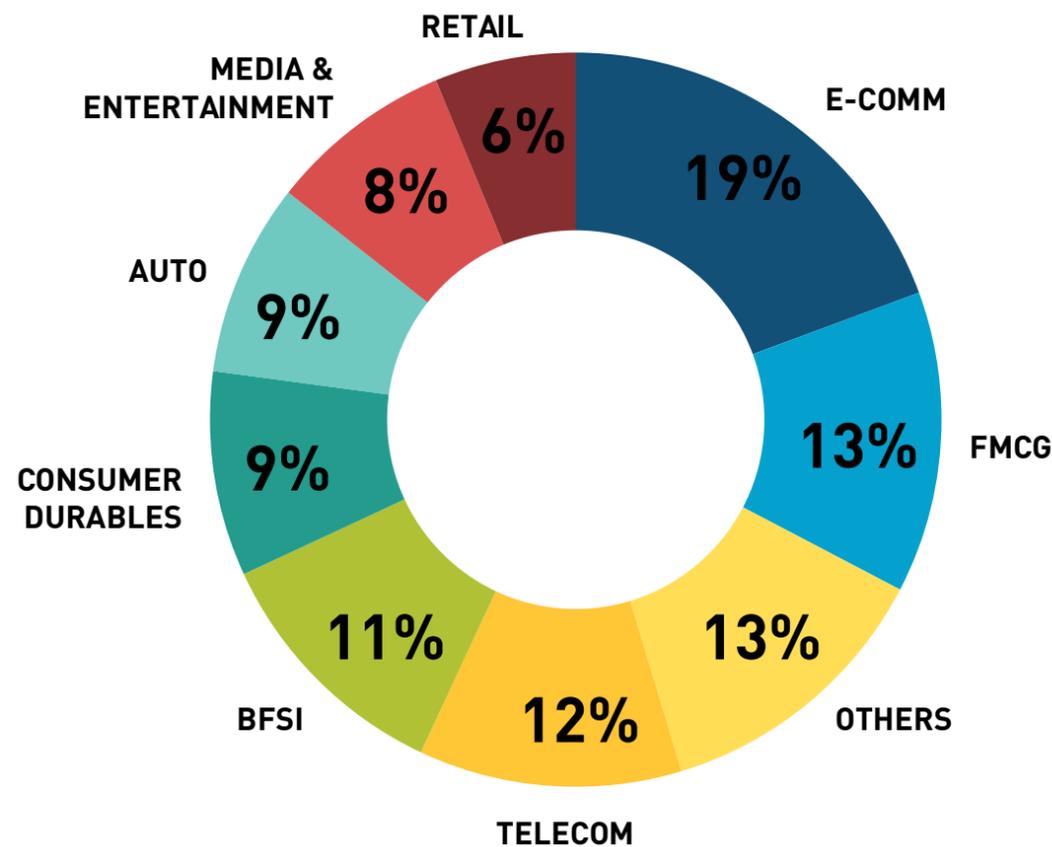
# DIGITAL MEDIA SPENDS ACROSS INDUSTRY VERTICALS



E-Commerce is the biggest spender on Digital media accounting for 19% (INR 1,589 CR) of all digital spends. This is followed by FMCG (13%), telecom (12%) and BFSI (11%). E-commerce also spends the highest (30 percent) on digital as a percentage of their overall ad spends. Telecom spends around 26 percent of their overall ad spends on digital media followed by BFSI, which spends 24 percent of their overall ad spends on digital media. While FMCG has one of the highest contribution to the digital ad market, it spends the lowest proportion (7 percent) of its overall ad spends on digital media.

**Sector Digital Spends As A Percentage Of Overall Ad Spends**

E-Commerce	30%	Consumer Durables	19%
Telecom	26%	Retail	16%
BFSI	24%	Auto	12%
Media & Entertainment	23%	FMCG	7%



## B2B MARKETING IN THE DIGITAL AGE

### 1. What's the point of a lead?

This new year, let's make a resolution to treat B2B marketing as marketing for humans and not machines. We won't abandon TOFU, MOFU or ROI calculators yet, but we will pay attention to what matters the most- the people. If we focused on our customers as people with needs, goals and desires, and not leads with a bottom-line; would our marketing not become more effective and less formulaic? Let's get a little clichéd and think differently-

### 2. The death of the marketing funnel

Now, don't get us wrong. We know how important a lead is to the business, after all, if you're not acquiring new leads, then what's the sales team going to do? We believe that there is a need to shift our strategy from being so top-heavy to being more bottom-heavy. Instead of working on tactics to increase the number of new people to call, we need to make more calls to our existing customers and clients. Keep your other-half happy, it's a better ROI in the long run.

### 3. All the cool kids are hanging out at CX

We have a request of you, if you are in any way connected with business marketing, you see that marketing funnel? Wait, you can't see it right now because it resides in your favourite slide of your pitch presentation, But, yes, delete it. The funnel died some time ago and we are all holding on to its memory as our security blanket. Why do we say that? Because in Business Marketing, we are more often than not talking to people at every stage of the purchase cycle, and the funnel inherently forces us to love people on top more. Foster deeper relationships with your customers instead of abandoning them as they 'move down the funnel'.

No, seriously. We know this may have already been said a million times, but the truth is that just when things get interesting, we hand over our customers to some other department. After Programmatic, Referral Marketing, Influencer Marketing, UGC Marketing and Lifestyle Marketing, make Customer Obsession the new buzzword that you don't just throw into your presentations. Be obsessed with your customers, stalk them like the burger of your dreams. What do they need? Why do they need you? When will the seven-year-itch hit them? Obsess, obsess, obsess

In conclusion, we all know business-to-business buyers take lesser risks, they evaluate and measure every decision with the precision of a hawk. It is on us to meet the target audience's needs; and to do that, we must take the next step to ensure that our services meet and exceed customers' demands by breaking away from clichés and marketing 'rules'.



## AUGMENTED REALITY WILL BE THE FUTURE STRIKE ZONE FOR DIGITAL MARKETING

Sci-Fi movies have a tendency of becoming real. So many things that seemed were made just for cinema have come to life. Augmented reality is no different.

It is here to blur the boundaries between physical and virtual world. The possibilities it offers is bound only by the limits of human imagination. It promises to change the way we interact, shop, experience, live and do everything else. For instance “Pokemon Go” showcased the potential of AR splendidly. And the future is only bright for AR and its applications.

As the AR gear gets more accessible, more and more people will have AR gear. And why not, it is easy and convenient to carry. In fact, it will be simplest wearable around. Google and Snapchat have been experimenting with glasses and established the foundation for more experiments.

In its nascent stages, while it was just about creating game and some fun experiments, AR is now maturing as a technology. It is now ready to redefine our experiences and interactions. It is a great opportunity for marketers to change the way their consumers experience the brand.

Your Mobile “Camera” will become the most important thing to create & consume content. Your UI & UX will evolve & revolve around it. Just by simply pointing their mobile camera, users will be able to unlock valuable information about brands and products. Everything will be readily available to users as well as to the brand.

Imagine walking in a retail store and just seeing products that match your diet. Or movie titles that might interest you. In the same way, a retailer can offer customized deals to users basis the consumption history. For fashion and lifestyle brands, AR presents a new way for the user to see how a certain product would look on them. This will make the decision process faster and more convenient.

This will also mean the death of traditional retail store. Or the stores we are most familiar with. Brand will have to transform stores into experience zones. Users will walk in looking for specific information. The availability of that information can be make or break for a brand.

Till a while ago, AR suffered from the lack of a viable mobile platform. With the advent of ARCore on google’s android and ARkit on Apple’s iOS, a significant increase in the number of AR apps and features is expected.

Marketing has always looked for innovative ways to entice consumers. And AR could be the future we are looking for.

# Digital Ad formats: Adoption and Performance

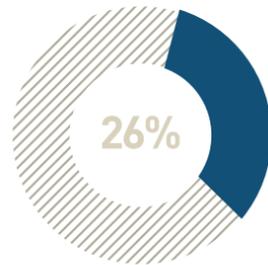


# ADOPTION OF DIFFERENT FORMATS

Social Media takes the lion's share of digital ad spending with 28 per cent of all Digital media spends made on Social Media (INR 2,309 CR). This is followed by Search at 26 per cent (INR 2,128 CR) and Display at 21% (INR 1,714 CR). Spends on Video stands at 19 percent (INR 1,598 CR) while that on classifieds stand at 6 percent (INR 452 CR).



**SOCIAL MEDIA**  
2,309 CR



**SEARCH**  
2,128 CR



**CLASSIFIED**  
452 CR



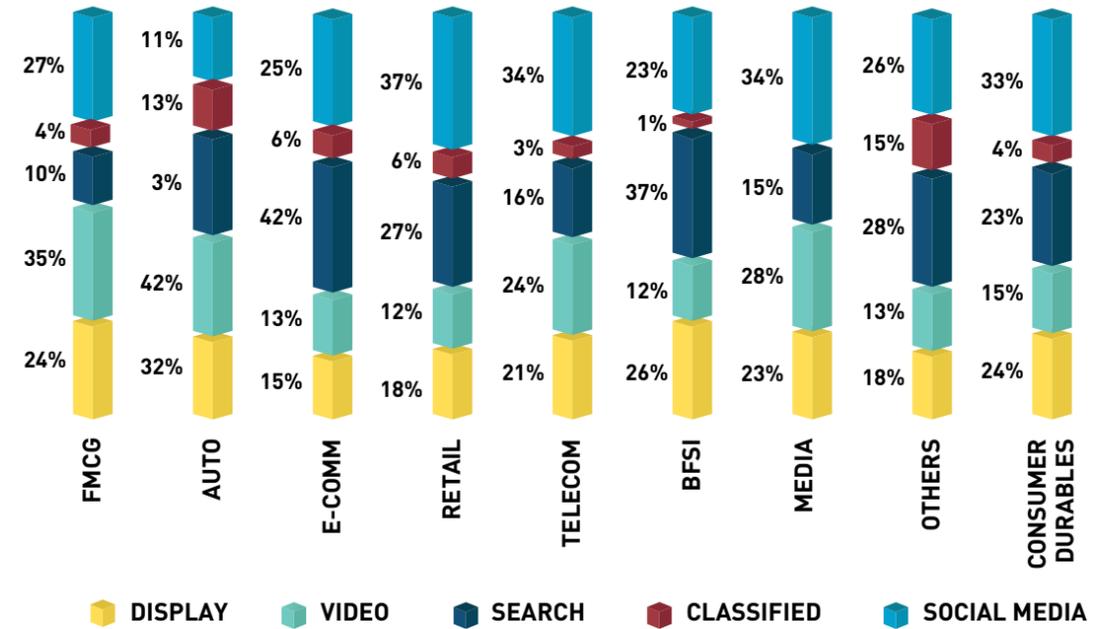
**DISPLAY**  
1,714 CR



**VIDEO**  
1,598 CR

## DIGITAL MEDIA : ADVERTISING FORMATS

# DIGITAL SPENDS: INDUSTRY VERTICAL BY MEDIA



FMCG sector spends the largest share of its digital media budget on Video (35%) followed by Social Media (27%) and Display (24%).

The automotive segment spends 25% of its digital media budget on Search followed by Video (23%) and Display (20%). The automobile sector will witness further growth in the coming years thanks to the increased domestic demand because of the rising income and the younger population. This, in addition to the growing demand for commercial vehicles owing to Government's focus on electric vehicles and heightened infrastructure activity, will significantly increase the ad spends in this sector.

E-commerce segment spends 42% of its digital media budget on Search, followed by Social Media (25%) and display (15%). It spends 13% of its digital media budget on Video.

Retail segment spends 37% on Social Media followed by Search (27%). It spends 18% on Display and 12% on Video.

Telecom spends 34% on Social Media followed by 24% on Video. 21% is spent on Display while 17% is spent on Search.

BFSI spends majority of its digital media budget on Search (37%) and Display (26%). It spends 23% on Social Media and 12% on Video.

Media and entertainment spends major share of its digital marketing budget on Social Media (34%) closely followed by Video (28%).

Consumer Durables segment distributes its digital media spends mostly on Search (28%) followed by Social Media (26%). It spends 18% on Display and 15% on Classifieds.



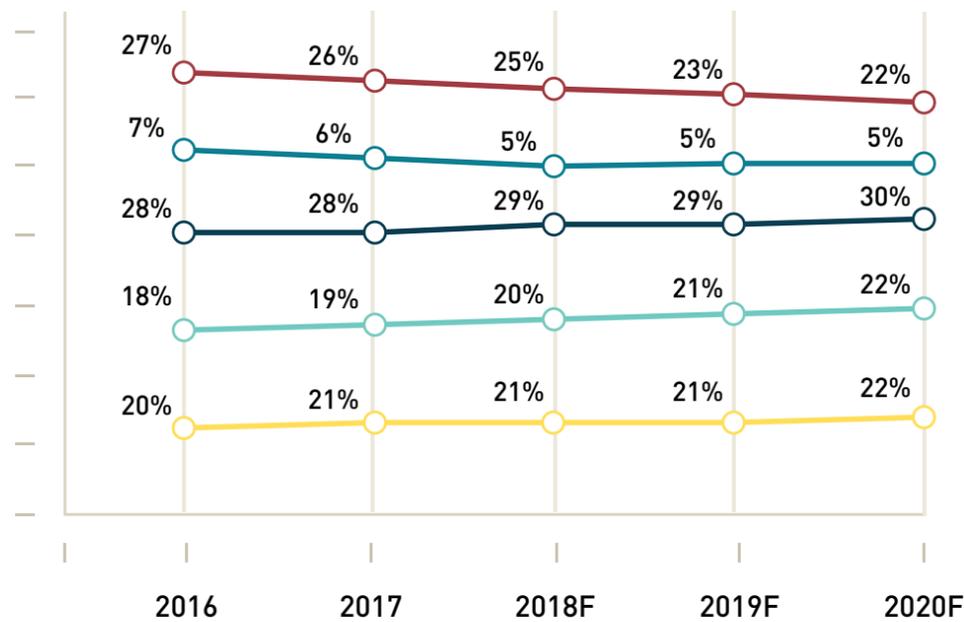
## GROWTH TRENDS ON DIGITAL AD FORMATS

Spends on Digital Video is expected to see the highest CAGR of 38 per cent from 2016 – 2020. Its share of spends is expected to increase from current 19 per cent to 22 per cent by 2020.

Spends on Display is expected to grow at a CAGR of 36 percent to reach from the current spends share of 21 percent to 22 percent by 2020.

Spends on Social Media is expected to grow at 34 per cent CAGR to reach ad spends share of 30 per cent by 2020 from the current 28 per cent.

While we are expecting to see a slower growth of 25% CAGR for Search, its spends share will reduce from current 26% to 22% by 2020.



● DISPLAY ● VIDEO ● SOCIAL MEDIA ● CLASSIFIED ● SEARCH

Growth of Digital Ad avenues for Ad formats (CAGR 2016-2020)

Display	36%
Video	38%
Social Media	34%
Classified	24%
Serach	25%

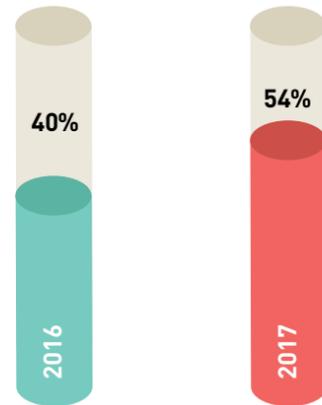
# STANDING TALL AMONGST GIANTS

Firstpost is now the second most visited news site in the country.\*

As a General News website, Firstpost.com has jumped to #2 position behind NDTV.com  
 \*Source: comScore India MMX, Nov 2017: News/Information-General News website (Desktop)  
 Expanded categories

## INCREASING ADOPTION OF OTT / DIGITAL VIDEO

### DIGITAL VIDEO PENETRATION



**Consider this: Digital video has seen a tremendous growth of around 49 per cent. The penetration of digital video among Internet users has increased from mere 40% in 2016 to 54% this year. Growth of this magnitude will impact advertising spends on video across all platforms. Advertisers will go where the eyeballs are and that destination is Over-the-top platforms. Advertisers will shift spends to OTT platforms as more and more people stream content on OTT platforms.**

Multiple factors are contributing to the growth of OTT platforms in India - from low data rates, cheaper smart phones, and extensive Internet penetration. OTT is becoming a primary platform for video consumption. Cable TV consumption is coming to its natural end and witnessing a rapid death as consumption of OTT video has grown and evolved at a high pace over the last year. OTT being the best place to view premium content at an affordable price, it has just become an effective medium for brands to advertise. OTT is gaining traction especially in the sports category. Because of this, live streaming has emerged as a focus area for OTT players giving much greater options to advertisers.

The OTT market in India is largely driven by advertising-led revenue model or AVOD (Advertising Video-on-Demand) comprising around 90% of the market compared to subscription-led revenue model, SVOD (Subscription Video-on-Demand) comprising around 3% with the rest of the market being Premium content. The AVOD market is expected to grow at a rate of around 36% CAGR till 2021 while the SVOD market is expected to have a growth rate of around 63% CAGR till 2021.

Ads on OTT platforms have high viewership. More than 1/3<sup>rd</sup> of OTT visits are over an hour long, and viewers complete 98% of all premium video ads. Soon, major online video and OTT providers such as Google, Facebook, Amazon, and Apple, will aggressively expand their streaming offerings to retain audiences and serve advertisers better.

The benefits of OTT platforms are varied. Marketers reach a younger demographic on OTT platforms as compared to other traditional mediums. It is the youth who have led the way in the cord cutting phenomenon as OTT platforms are less expensive than other entertainment options.

The content that viewers are watching on OTT platforms is also evolving with time. Viewers are taking advantage of live programming within their OTT platforms of choice. While sharing online videos on social media and consumption of short-form video content has been the first wave of data consumption, long-form content consumption is now seeing rapid growth on the back of improved connectivity and lower data costs.

**Digital media thus far has been dominated primarily by search based advertising which relies heavily on performance. Digital Video is changing this landscape. Now advertisers can use this medium for branding as well as performance. The scope of digital video is vast and therefore advertisers are looking at it as an alternative to television as a source of consumption.**

**The reason digital video is in demand is that in addition to providing the desired frequency and reach to advertisers, it also plays an important role in providing value additions of better experience and engagement to viewers across multitude of screens viz. PC, mobile, tablets etc. Display falls short in this aspect currently. An OTT platform provides marketers with the important**

**measurement metrics viz. reach, frequency in addition to targeting the content to the required profiles on their preferred device and location of access. This in turn increases the engagement and eventually advertisers' ROI.** OTT helps in targeting specific group of audience depending upon the demographics and psycho-graphics and it also helps in understanding consumer behavior through number of clicks, conversation rate, etc.

**In addition to all these benefits, OTT specifically addresses the major concerns marketers have with digital advertising: Viewability and Brand Safety. Brand Integration in Video content has been proven to increase the brand health.** Most OTT ad views come from authenticated viewers who have paid subscriptions for their website, which means that a potential customer is actually watching the ad- something most advertisers prefer.

**The only concern that needs to be addressed is the need to measure the unduplicated reach across platforms viz. TV and digital. Given all the benefits of OTT, once the issue of measurement is resolved, OTT will be a formidable force in the media and entertainment space.**



# THE PREVALENT TRENDS ON DIGITAL VIDEOS / OTT:

## Live Sports

The potential of this sub-segment could be gauged by the recent IPL auctions where Facebook bid a substantial amount of around INR 3,900 CR for the digital video rights for five years. There is no doubt in the potential that live sports holds in the OTT space. Live content, especially sports, will witness an increase in viewership and create more growth opportunities for digital video/OTT.

Live Sports events were once thought to be the proprietary domain of broadcast television. That is no more the case. Ratings across TV and linear services continue to fall, but this does not mean that audience is spending less time watching sports; it's just that the medium, platform and formats have changed. The adaptation of online video streaming through OTT has steadily broken down barriers to live sports and events along with long-form episodic content. The way fans consume and experience sports is rapidly evolving.

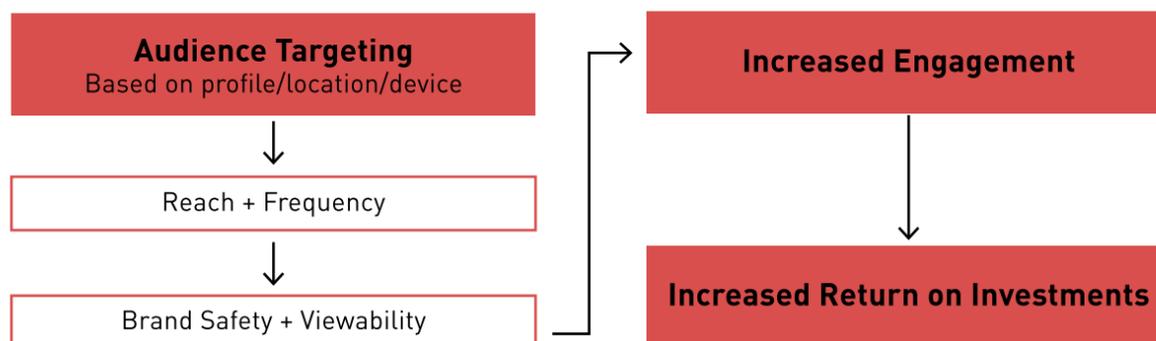
Sports segment has a significant value for the consumer when viewed live and lends itself well to potential monetisation. Live sport broadcasts garner high advertiser interest and ad rates both on linear television broadcast as well as live streaming, case in point being ad rates on OTT platforms, which have nearly doubled for the IPL and Champions Trophy.

Premium content from the top level (and long-tail content from the lower levels) of every sport is increasingly accessible to people with Internet connectivity. Fans are being empowered to vote with their eyeballs.

## Brand Integration in Video Content

With the growing audience and hence consumption of digital video content, advertisers and brands are looking to leverage the audience using content which is more native in nature and pertains to the video content. This increases the engagement rates and the health of the brand with its audience.

### EFFECTIVENESS OF OTT



# CASE STUDY – SONY LIV MYNTRA FESTIVE SALE CAMPAIGN

## Sony LIV is one of India's Mobile first Premium platform with content for all audience

There has been a growth of 355% on the hours of streaming per month over last year and 150% increase in the average watch time per viewer per day. There has been more than 100% growth in average users in 2017 vs. 2016 and around four times jump in viewership in FY'17 vs. FY'16. This platform has seen the Highest Y-o-Y growth in 2017 since the launch of SonyLIV in 2014.

SonyLIV tied up with Myntra for the latter's festive sale campaign. This was run on the property: 'Kaun Banega Crorepati (KBC)' during early October 2017.

	2015	2016	2017	% CHANGE
Hrs of content per year (in 0.00s)	7	20	30*	50%
Hrs of content average per day	8	10	12	20%
Hrs of streaming per month (mil.)	NA	2.2	10	355%
Streams per month (mil.)	NA	9	52	478%
Avg. watch time per day per viewer	NA	10	25	150%



### Journey of the KBC user on the platform SonyLIV

- Out of the overall users, 21% of the users exclusively watched KBC
- 7% of the users watched KBC post streaming other GEC Shows
- 48% of the users navigated to other GEC shows post watching KBC
- 14% of the users navigated to Sports properties after watching KBC
- Top Shows viewed by users Post and Pre KBC: Beyhadh, Taarak Mehta ka Ooltah Chashma, The Kapil Sharma Show, Super Dancer 2, Tenali Rama, Drama Company, Haasil to name few
- Avg. Time Spent per User: 41 Mins

The campaign had a total impression of 3.37 Million spread across the top and metros in India. The view rate of KBC was 91% compared to the industry standard of 80%.

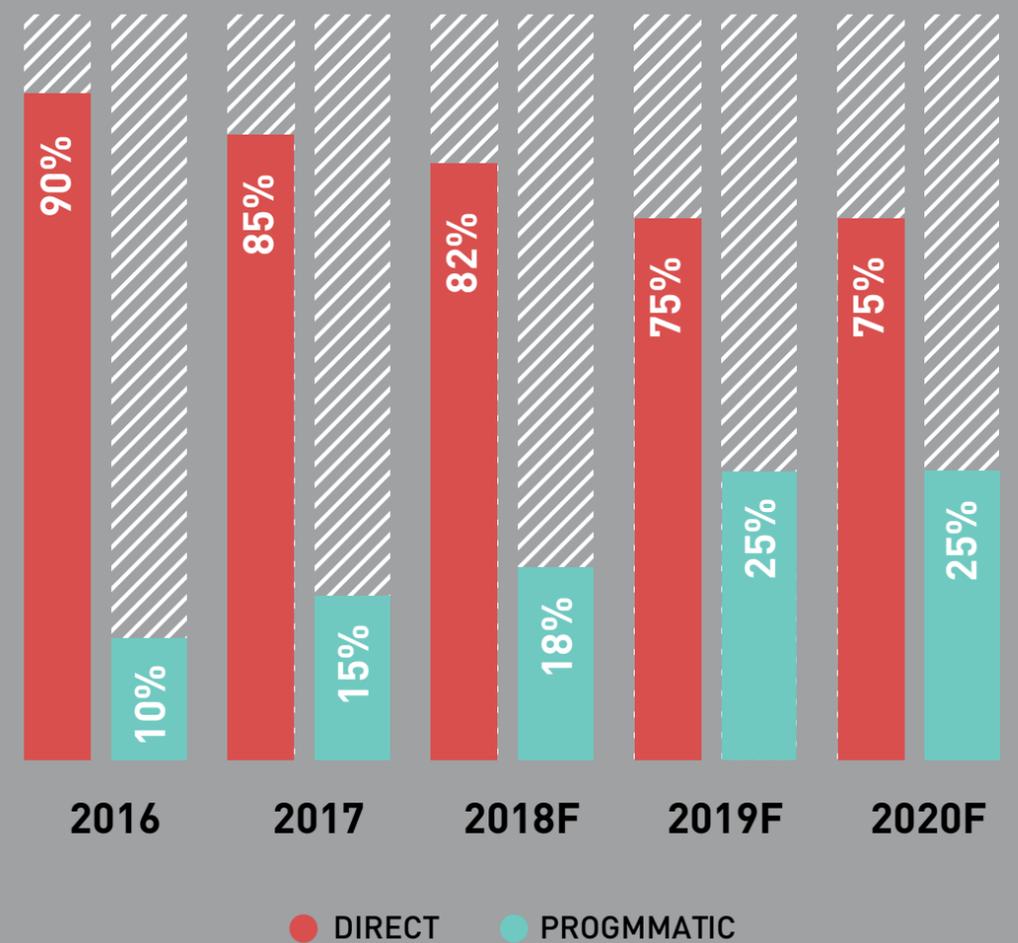
### Campaign Results

- 01 Bounce rate of the sessions were lower than the industry standard
- 02 Myntra saw better Click-to-conversion rate from traffic coming from SonyLIV, almost 3x better than the industry standard
- 03 Time spent per session was 2.5x better than the industry standard



## TRENDS IN DIGITAL MEDIA BUYING

While 85% of the digital media is currently purchased directly, we expect programmatic to contribute to a quarter of all the digital media buying in India by 2020. With the improvement in ad fraud detection and better data privacy policies, advertisers are growing more confident about Programmatic and more implementation will happen in the near future. AI will continue to be the biggest game changer in 2018.





# AD SPENDS ON LOCAL LANGUAGE



India is a land of diversity and the importance of regional languages cannot be stressed enough. Regional language penetration is huge mainly aided by usage of



The number of non-English Internet users is expected to grow manifold in the next few years. There has been a growth of 10x in queries in local language on the Internet



Video content in vernacular language is also growing compared to text and images. The ability to translate content in regional



Local language video content will increase



# CASE STUDY: ABP LIVE APP



The user base has increased by 230% over 2016 and the consumption of Live TV and videos on this app have increased by 120%.

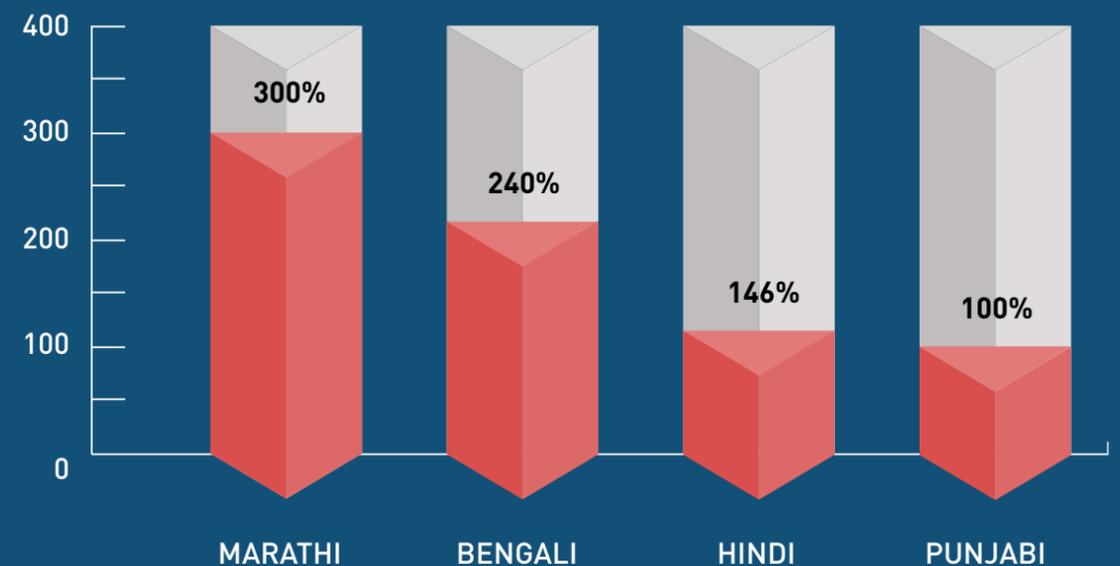


There has been significant increase in the consumption of digital content in local Indian languages on the app.



Making content available in the local language will increase the adoption of digital content among the masses creating more opportunity of growth.

Percentage Increase in Sessions (2016-2017)



Source : ABP Live, 2016 - 2017



## ADOPTION OF PROGRAMMATIC CASE STUDY: SONYLIV & MONDELEZ



SonyLIV is currently the only OTT on DFP Premium which offers innovative solutions like Audience Reservation. Mondelez tied up with SonyLIV to run both Preferred and Programmatic Guaranteed deals with multiple Video Campaigns as well as Display Roadblocks.



### Platform Offerings

- Integration with different SSP's like Google Ad Ex & PubMatic to offer the advertisers flexibility in terms of campaign execution
- DAR & MOAT certified for additional campaign reporting
- First party data stored in own DMP can be used for targeting
- Currently Live with native for display and testing for video

### Campaign Results

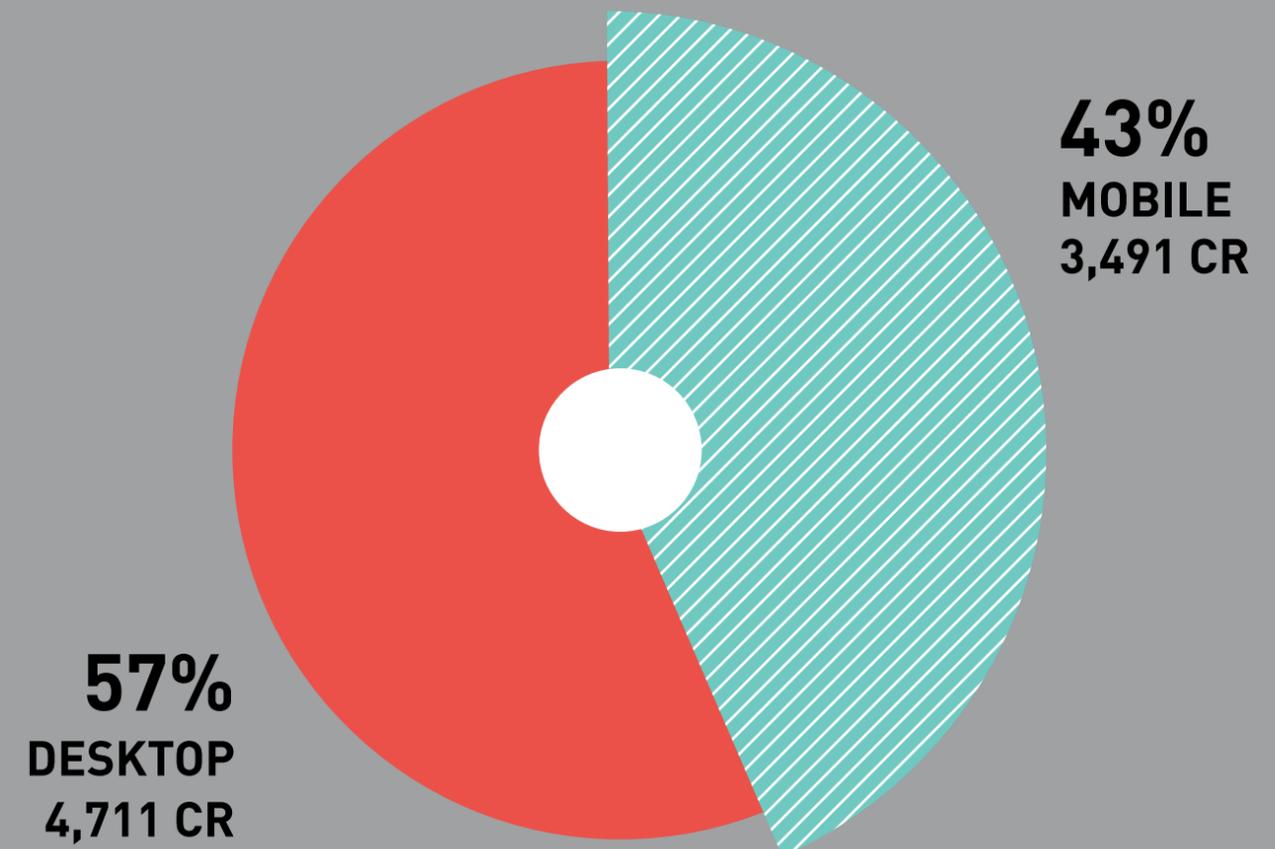
- 01 High video completion rates: ~ 85 percent
- 02 High view through rate and in-view percentage: ~75-80%
- 03 Organic human and viewable percentage: ~90%

Post the initial engagement for programmatic in September, there has been a steady increase in the Programmatic spends by advertisers on Sony LIV. This is expected to grow substantially in the next quarter.

## AD SPENDS BY DEVICE: MOBILE/DESKTOP

### DIGITAL MEDIA SPENDS ACROSS DEVICES

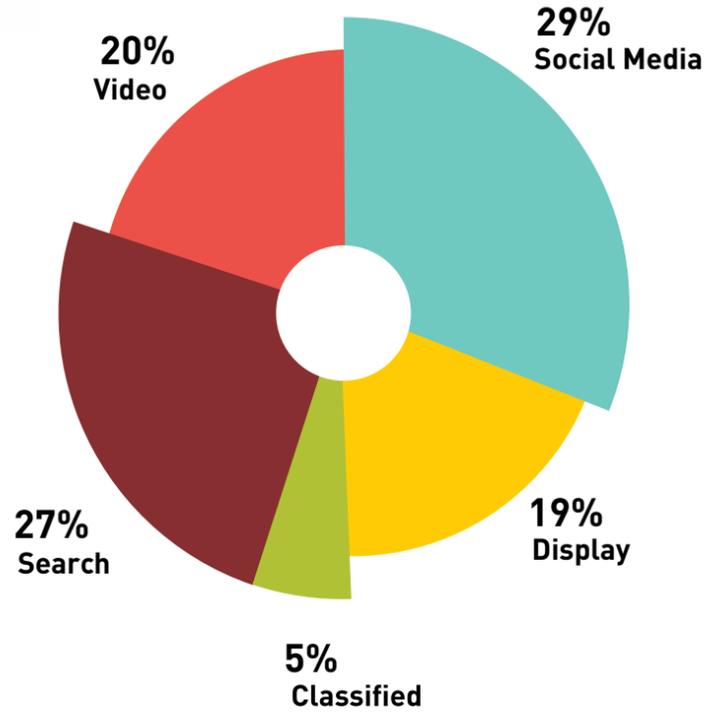
As of 2017, 43 percent of the Digital media budget is spent on advertising on the Mobile devices (INR 3,491 CR). The rest is spent on desktops (57 percent).





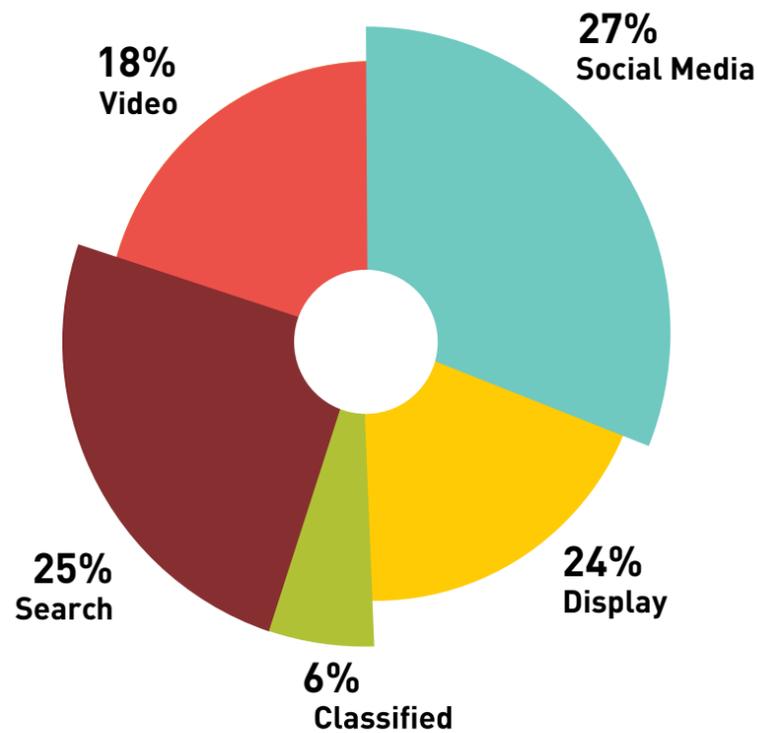
**DIGITAL MEDIA SPENDS ON DESKTOP**

Majority of the spends on desktops are made on Social Media (29%) followed by Search (27%) and Video (20%). Spends on Video on Desktops have seen the highest growth of 28% followed by Display (22%) and Social Media (20%).



**DIGITAL MEDIA SPENDS ON MOBILE**

Majority of the spends on mobile are made on Social Media (27%) followed by Search (25%) and Display (23%). Spends on Video on Mobile has seen the highest growth (74%) followed by Display (60%) and Social Media (57%).



**सटीक.  
सबसे तेज़ भी**

सब्सक्राइब करें 4000 से ज्यादा पत्रकारों को जो परखते हैं खबरों की सच्चाई, इससे पहले वो आप तक पहुंचें

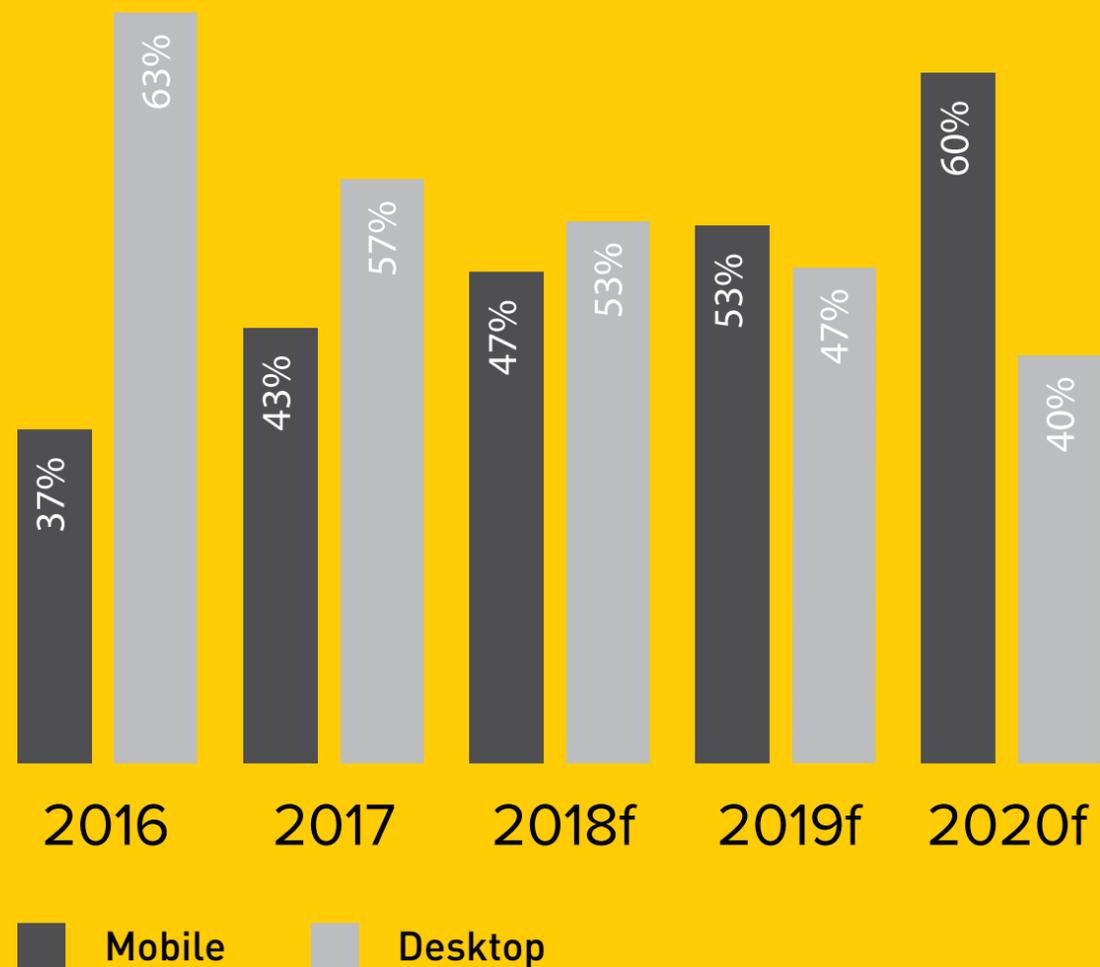




# Advances in Marketing Technologies

While current digital media spends on mobile stands at 43%, it is expected to grow at a CAGR of 49% to reach INR 11,392 CR by 2020 (60% of the spends share). It will overtake spends on desktops by 2019.

Digital Media spends across devices





# ARTIFICIAL INTELLIGENCE & MACHINE LEARNING: THE NEW FOUNDATION OF MARKETING

## WHERE DOES ARTIFICIAL INTELLIGENCE & MACHINE LEARNING COME IN?

Given the above scenario, a business needs to do the following:



Provide a compelling product/service that is truly distinctive



Provide it at an efficient cost to beat out alternatives



Communicate to the consumer on an individual level

This means that businesses today have to “acquire and retain” consumers extremely efficiently in the marketing process. The first two points of course are beyond the realm of this conversation, but coming to the third point of “communicating to the consumer on an individual level”: this entails a significantly different approach than we as marketers have pursued to date.

There is a limit to how many line items a digital marketer can create and manage effectively at a human level. No matter how many segments our planners create, no matter how finely we slice and dice the data, it’s extremely difficult to connect all the dots.

Here is where machines come in. Machine Learning is the practice of “letting the computer write the rules based on the data and desired outcome, rather than an analyst writing heuristic rules based on statistical analysis.” This is a fundamental change in how we have interacted with computers. Traditionally, a computer is told (“programmed”) to do a particular task and is given the exact logic (“algorithm”) to do it. However, in Machine Learning, all we do is give the computer the data and “an approach” to use to gather connections within the data and infer on rules to make the desired outcome happen.

This enables us to put all the tons of data our consumers generate to good use.

## QUICK BACKDROP

Marketing has been an ever-evolving field. It’s normally exposed to so many new technologies and is an early adopter for most of them. This happens for primarily for two reasons:



### THE CONSUMER IS NEARLY ALWAYS A STEP AHEAD:

No matter which industry a brand caters to or which market, in today’s world the consumers are paving the way for marketers to follow, dictating where and how they want to be reached, what exactly is that they want and how much they are willing to pay for it.



### COMPETITION IS STIFF:

The word “competition” itself has become quite interesting. Competitors are defined as “other companies operating in your market that are vying for the same consumer”. The tricky part is, how do you define a market? You would think that the restaurant and cinema businesses are inherently different markets. But from a consumer’s point of s/he has INR 1000 and wants to make a day out of it. So, does s/he spend it on a movie or on a dining experience? This means we are no longer competing within our category, but our competition is cross-category, making our consumer even harder to fight for





## SO, ARE WE USELESS AND LET'S LET THE MACHINES DO EVERYTHING?

Far from it. In a nutshell, Artificial Intelligence has not reached “General Intelligence”. AI is very good and can often beat humans at a given task, but it can't create these tasks on its own. At least, not yet. Also, the market place is extremely dynamic, for example when you run an Adwords campaign, it's not just about your own historical data, but there is a Google Trends data that might indicate a shift in preferences, or your competitors might get more aggressive on social media rather

than Google and woo potential customers away. There could be certain news events that would have an impact on regulations in the industry that the brand operates in, which may create new opportunities or threats that are not apparent at first when you only look at your own performance data. Of course, one could argue that you could take data from all these external factors as well and feed it in. You could, and that's the direction in which we are moving, however, it doesn't solve everything for everyone.

To summarize, we think we are currently experiencing a tectonic shift in thinking. As marketers, we need to embrace it. AI and ML are not a silver bullet to everything like how some want us to believe, at the same time, dismissing its impact is equally precarious. We need to work the line of prudence. Use AI and ML where we think it makes sense, plan for the future where it may make sense and then manage ours and our stakeholder's expectations on what to expect.

“The road ahead is foggy. You cannot see it entirely, but with an able driver and good headlights, you can definitely ensure, you are not falling off the cliff”

## ADVANCES IN MARKETING TECHNOLOGY



### PROGRAMMATIC MEDIA BUYING

Programmatic buying of media help brands target their customers better. Though programmatic and other automated ad formats are still at a relatively nascent stage in India, they are generating a lot of interest from brands. It is generally seen that the more evolved companies will deploy automated ad formats. Going forward, we expect to see increasing investments in programmatic advertising, content marketing and native advertising. Mobile-specific technologies will also take the lead in the future. Search based re-targeting will also continue to grow as it enables brands to show the right ads to consumers at the right time.



### DATA MANAGEMENT PLATFORMS

Data Management Platforms (DMP) will also help publishers improve impressions by enabling them to make better sense of the enormous amounts of data created on the digital medium. Consumer data is often zealously guarded by the insights team and more often than not, never used beyond some campaign level understanding.



### MARKETING AUTOMATION

While the sales team knows about the consumer to the last mile and to the grassroots, often the CRM team does not share information with the sales team which would help classify the consumers on the basis of their actual interaction with the product. Often, the CRM team has a 'two-way' view of the consumer, which is much deeper. Marketing Automation can help remove this obstacle and create more efficient integration and data usage.



### DATA ANALYTICS

Despite having the best analytics, return on investment from search has never been applied to the learnings from any social media engagements. We are still living on case to case attribution of different platforms but not a 360-degree view of a consumer. The entire journey of the consumer from awareness to action is only in theory or a hypothesis but never fully complete.



### AUGMENTED / VIRTUAL REALITY

Some newer technologies that are slated to become important in the near future are Augmented Reality and Virtual Reality. However, brands need to take care that they do not utilize these technologies as just marketing gimmicks but create a sustained value proposition built around these technologies for their clients.



### ARTIFICIAL INTELLIGENCE & MACHINE LEARNING

Artificial Intelligence and machine learning will give clear opportunities for brands to better anticipate consumer needs in order to serve more relevantly and also to cross-sell products.

A marketer needs to retain focus on the need for their business and figure out which format, channel and story works best for their goals and target audience. Online, true to its nature, will always bring in fresh ways to communicate, add new technology and ways to understand customer behaviour. A marketer needs to stick to the core philosophy of getting the right message out and at the right time.





# CHALLENGES FACED BY THE DIGITAL ADVERTISING INDUSTRY

## 01

### SLOW PACE OF DIGITAL TRANSFORMATION

Traditional marketing channels have always been the go-to medium for large enterprises. The slow pace of digital transformation has been one of the key challenges for the de-prioritization of digital marketing in India. Digital advertising in India is catching up with its traditional counterparts as advertisers begin to realize the effectiveness of Digital over Print and TV, and stop turning a blind eye to traffic quality and targeting. The challenge with non-traditional forms of advertising is how to prove effectiveness; whether the objective is to make people more aware, change perceptions, or take action.

## 02

### LACK OF UNIFIED METRIC SYSTEM

There is no unified metric system to measure ads which makes it difficult to evaluate ad campaigns against the traditional media formats.

## 03

### ROI ON PROGRAMMATIC

ROI on programmatic ads is the biggest concern in the Indian context due to lack of transparency of inventory.

## 04

### AD FRAUDS

Ad fraud continues to remain a major issue for the digital ecosystem leading to mis-evaluation of ad impressions and wastage of money. Ad Fraud is one of the key concerns of digital advertising. With the advent of bots, the increase of invalid impressions served are robbing advertisers of their money. The detection of ad fraud is mostly based on automated approach, which is prone to security breach as it is not difficult to adapt to the systems of anti-fraud companies and mimic human behaviour. App install frauds have also become profound in recent times. All these factors create a deficiency of trust, which is unhealthy for the digital advertising sector.

## 05

### GROWING USE OF AD BLOCKING SOFTWARE

One of the more serious challenges that has emerged in the past couple of years is the growing use of ad blocking software. The usage of ad blockers has increased phenomenally in the last couple of years and is expected to continue to increase. The industry needs to make efforts to understand the reasons behind this and then take steps to correct them.

## 06

### BRAND SAFETY

Brand Safety is another concern stemming from the guidelines from multiple regulatory bodies for each industry e.g. SEBI for mutual funds, IRDA for insurance, etc. Furthermore, brands need to protect their reputation by avoiding compromising publishers and inappropriate content especially with increased user generated content being monetised for serving digital ads.





## FUTURE TRENDS IN DIGITAL MEDIA



### RISE OF VIDEO CONTENT

Video content consumption will rise, not just in terms of time spent, but also with big players increasing their content offerings. Innovation in bigger digital platforms like OTT will drive the digital industry



### ENGAGING MOBILE EXPERIENCE

Video advertising is going to enter the next phase and we will see it become more interactive, more responsive and custom-built for mobile experiences. We will also see more content developed specifically for mobile, location based marketing, micro-video moments, and rise of m-commerce.



### SMARTER TECHNOLOGY FOR CONVERSATIONS AND STORYTELLING

Augmented reality/Virtual reality will change the experience and story driving stickiness. The phone will certainly be the click button for the Internet of Things (IoT). All our digital assistants will get smarter so our phone will be a bridge to Artificial Intelligence (AI) too.



### TRACKING CONSUMER BEHAVIOURAL PATTERN

Gaining insights into customer behavioural patterns will play a crucial role in creating focused and targeted campaigns. Big data can help make sense of the information gathered, such as retention cost, average transaction value and even customer satisfaction



### POWER OF CHOICE

Consumers will no longer accept content pushed upon them. The future is a more choice-based, 'pull' environment; more in demand and streaming



### VOICE BASED INTERACTION

Voice will be the next big thing. With voice activated search and AI, along with innovation in smart home technology, the way consumers interact with devices is heading for a major change and brands will need to be ready for this new future.



### TRANSFORMATIONS IN PAYMENT MECHANISMS

Digital payments and wallets will become main stream. Rise of mobile-first business in a shared economy coupled with innovation in the payments space will cause massive disruption in the way people have consumed products and services.



### DATA SCIENCE AND MACHINE LEARNING

Data science and machine learning will play a pivotal role in the understanding of consumer behaviour, and predictive algorithms will allow marketers to bid and execute media buys on a real-time basis to deliver highest ROI.

## 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.

## SOURCE

Dentsu Aegis Network, December 2017 estimates  
Dentsu Aegis Network, Connected Consumer Survey, Urban India  
TRAI Performance Indicator, July-September 2017  
Internet World Stats

## SPECIAL THANKS TO

Samera Khan – Executive Vice President, Dentsu Webcutney, *B2B Marketing in the Digital Age*  
Gurbaksh Singh – Chief Creative Technologist, Dentsu Webcutney, *Augmented Reality will be the future strike zone for Digital Marketing*  
Gautam Mehra – Chief Data Officer, Dentsu Aegis Network South Asia, *Artificial Intelligence & Machine Learning: The new foundation of Marketing*

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WATCONSULT



PRESENTS



CO-POWERED BY



CO-GOLD PARTNERS



ENTERTAINMENT PARTNER



ASSOCIATE PARTNERS



PREFERRED PARTNER



TRADE MEDIA PARTNERS



BUSINESS MEDIA PARTNERS



DENTSU AEGIS NETWORK



Connect | Converse | Collaborate | Co-create





Photograph by Bharat Bhushan - HT Media

# STAND OUT WITH A STORY

Meet **HT Brand Studio** – the native content specialists

A team of storytellers, we connect a wide and astute audience with India's topmost brands through diverse, original, and highly engaging content. Our stories travel far across HT Media's expansive digital universe – inspiring lives, capturing imaginations, and unlocking exciting new narratives in your brand's journey.

THE STORY SINCE JAN 2017:

**500+**

ARTICLES

**50+**

INFOGRAPHICS

**10+**

SPECIALITY  
BRAND HUBS

PARTNERED WITH  
MORE THAN  
**100 TOP  
BRANDS** FROM  
AROUND THE WORLD

Let's tell stories together! Contact us at [brandstudio@htlive.com](mailto:brandstudio@htlive.com)

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