A Report on Indian Digital Advertising Industry 2015
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1. Executive Summary

Digital Advertising has gained substantial space in the Indian advertising industry, having a share of 12% of the overall advertising spend in India, which was around INR 5200 crores till end of December. This report aims at providing a snapshot of emerging trends in the digital advertising space.

- Digital advertising spend in India was INR 5200 crore by end of 2015 growing at a CAGR of 35% between 2011 and 2015.

- E-Commerce lead the digital space on online spends in terms of volume of spends, followed by BFSI and Telecom. However a look at digital spends in terms of contribution by verticals to the overall pie shows that BFSI has the highest share of spend which is around 40%.

- Ad spends on Search stood at INR 1488 crore followed by Social Media (LinkedIn/ Facebook/ Twitter etc.) at INR 940 crores. Video is the other key avenue that gained in 2015 with a YoY growth of 173%, amounting to INR 900 crores and is expected to record a YoY growth of 22% to 23% by end of 2016.

- From consumer’s perspective, a large number of those who view online advertisements feel that these advertisements helped them in finding the right product they search for. Viewers also mention online ads as informative.

- The growth in spend on digital advertising is expected to continue, at a CAGR of 35% and the total spend is expected to touch INR 7044 crore by end of 2016.
2. Overview of Digital Advertising in India
Going online is a popular trend that is visible among Indians today cutting across urban and rural space. The internet revolution that the country has witnessed in the last couple of years can be said to be amongst the most important drivers for such behaviors. India has about 351 million people who are online as of December 2015.

Such disruption in the digital ecosystem has caught the eyeballs of those engaged with the advertising world, as they see the digital space as an important avenue to build connect between the customers and their product or service offerings. The trend is visible across industries be it FMCG companies, Automobile manufacturers, Banking, Travel Agencies among many more. With mobile devices becoming a predominant mode to access internet among internet users in India, this trend is expected to gain further momentum.

Digital advertising spend in India was INR 5200 crore for the year ending December 2015. This marked an 89% jump from the previous year. This spend however does not account for government spends incurred on digital advertisement. The growth in spend on digital advertising is expected to continue, at a CAGR of 35% when the total spend is expected to touch INR 7044 crore by end of 2016.
3. Industry wide ad spends
Overall Advertising industry size is estimated to be close to INR 45,000 crore. Share of FMCG and Consumer durables is the highest in terms of overall ad spends, followed by e-Commerce, Telecom and IT/ITES.

Digital Ad spend is about 12% of the total advertisement spends in the country. In terms of volume e-Commerce lead the digital advertisement spend which was around INR 1040 crores, followed by BFSI and Telecom.

However a comparison of these verticals in terms of share of spends on Traditional Vs Digital show that BFSI organizations incurred the highest share on Digital spend. 40% of their overall advertising spends was on Digital. Ecommerce, Telecom and Travel follow at a distance.

### 3.1. Overall Ad Spends by Verticals

<table>
<thead>
<tr>
<th>Vertical</th>
<th>Ad Spends INR CR</th>
<th>Share of Verticals</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMCG</td>
<td>14850</td>
<td>33%</td>
</tr>
<tr>
<td>Ecommerce</td>
<td>4050</td>
<td>9%</td>
</tr>
<tr>
<td>Telecom</td>
<td>3150</td>
<td>7%</td>
</tr>
<tr>
<td>Education</td>
<td>2700</td>
<td>6%</td>
</tr>
<tr>
<td>Travel</td>
<td>2250</td>
<td>5%</td>
</tr>
<tr>
<td>BFSI</td>
<td>1800</td>
<td>4%</td>
</tr>
<tr>
<td>Auto</td>
<td>4500</td>
<td>10%</td>
</tr>
<tr>
<td>Others</td>
<td>11700</td>
<td>26%</td>
</tr>
<tr>
<td>Total</td>
<td>45000</td>
<td>100%</td>
</tr>
</tbody>
</table>

### 3.2. Share: Traditional Vs Digital Ad Spends

<table>
<thead>
<tr>
<th>Vertical</th>
<th>Traditional Ad Spend (INR Cr)</th>
<th>Digital Ad Spend (INR Cr)</th>
<th>Share of Digital Spends by Verticals</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMCG</td>
<td>14174</td>
<td>676</td>
<td>5%</td>
</tr>
<tr>
<td>Ecommerce</td>
<td>3010</td>
<td>1040</td>
<td>26%</td>
</tr>
<tr>
<td>Telecom</td>
<td>2370</td>
<td>780</td>
<td>25%</td>
</tr>
<tr>
<td>Education</td>
<td>2388</td>
<td>312</td>
<td>12%</td>
</tr>
<tr>
<td>Travel</td>
<td>1678</td>
<td>572</td>
<td>25%</td>
</tr>
<tr>
<td>BFSI</td>
<td>1072</td>
<td>728</td>
<td>40%</td>
</tr>
<tr>
<td>Auto</td>
<td>3960</td>
<td>540</td>
<td>12%</td>
</tr>
<tr>
<td>Others</td>
<td>11148</td>
<td>552</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39,800</strong></td>
<td><strong>5200</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: IMRB International Estimate, FY 2015, Jan-Dec

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

The various avenues for advertisements in the Indian Digital Advertisement industry are as given below:

Search Advertisements: These advertisements are mostly text based and displayed mainly as sponsored links on search engines. These take the potential customers to the advertiser’s website.

Display Advertisements: Advertisements in the form of logos, photographs, banners, flash, rich media or text placed at various points on a web page.

Mobile Advertisements: Advertisements like SMS, In-App ads, mobile webpage ads. MMS optimized for viewing on a mobile screen for marketing purpose.

Social Media Advertisements: Advertisements in the form of texts, displays, images and videos displayed on various social media websites viz. Facebook, LinkedIn, and Twitter etc.

Email Advertisements: These advertisements are primarily commercial messages sent to a group of people through email. These can be used to engage existing customers as well as potential ones.

Video Advertisements: These can be broadly categorized under the display type but have the format of a video. These are usually served before, during and/or after an online video stream.
While the above definitions are being followed in various articles (even in the current one), it is increasingly evident that the digital media is converging ever so rapidly. A more holistic perspective is required to define the digital advertisement market size as the digital media is converging. Considering that the technology is not a hindrance, different platforms are being used to display relevant ad formats. As a result, these definitions are changing the landscape of digital ad planning.

It may also be noted that across digital ad avenues, around 30 to 35% of spend is on mobile, barring mobile sms/ in app ads and email segments. However this report doesn’t include any segregation.

5. Trends – Spend by various Digital Ad Avenues

As of 2014, search ads constituted 30% of the overall ad spends followed by Display ads at 23% and Social Media at 18%. Search continue to lead in 2015 with spend of close to INR 1488 crores. Social Media spend was close to INR 940 crores. Spend on video ads such as YouTube also showed huge gains in 2015 and accounted for 17% of the overall ad spends in the digital space. This has been driven by higher Internet speeds available to the consumers coupled with an increase in mobile advertisements. As these trends continue, video advertisement is expected to gain further in 2016.

Spend on mobile advertisement (SMS/in app ads) also recorded high year on year growth of 116%, growing from INR 385 crores in 2014 to 832 crores in 2015. This avenue is being used widely in sectors such as BFSI, Retail and Real Estate.

Spend on email ads also continue to grow and stood at 156 crores, growing at 88% YoY. Though this avenue has the lowest spend volume, when compared with other digital avenues, the relatively low cost of email advertising is, has ensured that this segment continued to grow. Email ad is also popular with Small and Medium sized MSMEs.

Display advertisement spend has witnessed a decline in 2015. In 2014, while the overall share of spend on display advertisement was 23%, in 2015, it was 17%. Similarly, the share of spend on search advertisement saw a dip from 30% of overall digital ad spends in 2014 to 29% of digital ad spends in 2015.
The success of online advertisement has been driven by the consumers’ liking of the digital media. From the perspective of the consumers, ability to filter content, freedom to view what one wishes to view and having access to relevant ads and communication, makes digital advertisement extremely relevant to the consumer segment. A larger number of those who view online advertisements felt that these advertisements helped them in finding the right product they search for. More importantly, there has been a substantial increase in the number of consumers who felt that the relevance has increased for them. In addition, viewers also felt that online ads were informative for them.
A growing number of consumers also felt that online advertisements influence their buying decision. Unlike traditional media such as television, where people do have a choice but to view an advertisement, the fact that digital media offered that kind of flexibility to the consumers was highly appreciated.

While there are positive attributes that draws views to digital advertisements, there are also few concerns around digital advertisement. There are a growing number of viewers who felt that online ads distract attention. Therefore many ignore online ads.
7. Advertisement effectiveness

Among digital advertisements that were seen most, those present on social networking sites tops followed by mobile ads, banner ads, and email ads. However ads on social networking sites have the highest conversion in terms of viewership. 86% of those who have seen an ad in social networking site have clicked and viewed the same. Mobile and Banner ads follow at a distance.

8. Digital Advertising – Global Snapshot
Globally overall ad spend has touched INR 40, 56,447 crores by end of 2015, which is a 5% spent growth YoY over 2014. Global digital Ad spend has grown at 10% YoY during the same time frame to reach INR 8, 88,503 crores. Between 2011 and 2015 spend on digital advertisement has grown at a CAGR of 10%.

### Online Ad Spend by Regions

North America hold the maximum share in terms of total spends in digital advertisement with a share of 40%. Countries in Western Europe and Asia Pacific hold the next two spots with a share of 26.5% and 26.2%. Eastern Europe, Latin America as well as Middle East and Africa hold around 7% of the market share.
Top countries by Digital Spends

USA and Canada from North American region holds top two spots on digital ad spends. Among countries from Western Europe UK, Germany, France, Italy and Spain are among top spenders on Digital Advertisement. UK first country in world where half of all ads spend is on digital media. Japan and China are among top spending nations from Asia Pacific region.

### 7.3 Spend on Digital Ads (INR CR) by countries

<table>
<thead>
<tr>
<th>Region</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>215231</td>
<td>265676</td>
<td>312758</td>
<td>355132</td>
<td>386744</td>
</tr>
<tr>
<td>Canada</td>
<td>14528</td>
<td>17084</td>
<td>19236</td>
<td>21724</td>
<td>23944</td>
</tr>
<tr>
<td>UK</td>
<td>47956</td>
<td>53202</td>
<td>58516</td>
<td>65242</td>
<td>70152</td>
</tr>
<tr>
<td>Germany</td>
<td>37732</td>
<td>44324</td>
<td>49906</td>
<td>57978</td>
<td>63022</td>
</tr>
<tr>
<td>France</td>
<td>19370</td>
<td>21523</td>
<td>23540</td>
<td>26567</td>
<td>28383</td>
</tr>
<tr>
<td>Italy</td>
<td>10223</td>
<td>11972</td>
<td>13519</td>
<td>15268</td>
<td>17756</td>
</tr>
<tr>
<td>Spain</td>
<td>8071</td>
<td>9483</td>
<td>9954</td>
<td>11232</td>
<td>12375</td>
</tr>
<tr>
<td>Japan</td>
<td>48494</td>
<td>54480</td>
<td>59928</td>
<td>64435</td>
<td>68403</td>
</tr>
<tr>
<td>China</td>
<td>30737</td>
<td>41768</td>
<td>51319</td>
<td>63627</td>
<td>76407</td>
</tr>
<tr>
<td>India</td>
<td>1140</td>
<td>1750</td>
<td>2260</td>
<td>2750</td>
<td>5200</td>
</tr>
</tbody>
</table>

*Source: Global: eMarketer Global Online Advertising Spend*  
*India numbers: IMRB Estimate*
Digital ad spend share of total advertising spend -2015

Digital ad spend in UK accounts to 50% of the total ad spend. Among other top countries whose share of spend on digital ad in greater than 40% of total advertising spend are Norway, China, Australia and Denmark.

According eMarketer Digital Ad Spending in India 2013-2018 outlook, India’s digital ad spends is among the third-smallest share worldwide, ahead of only Argentina and Indonesia. But by 2019, when more than a quarter of ad spending in India is digital, the country will have pulled ahead of several others, including France, Spain, Italy and Brazil, by this metric.
9. Conclusion

Digital advertisement has curved a substantial space in the overall advertising space. While currently it acquires 12% of the advertising pie, this is expected to grow in 2016. From this perspective, 2016 is expected to be to be the watershed year for digital advertisement.

E-Commerce lead the digital space on online spends in terms of volume of spends, followed by Telecom and BFSI.

Search continues to lead the digital ad avenue spends. Social Media and Video are among other key digital avenues with high share of spend. Video is expected to further strengthen its presence in digital space in 2016. Mobile & email avenues are among other avenues that have gained and will continue to gain further.

Avenues that seem to be losing steam is Display. Display seems to be having a direct relation with online viewer’s discomfort, wherein, a growing number of viewers indicated online ad to be distracting.

With an expected CAGR growth of 35% in 2016, digital advertisement is expected to become the key investment gainer and reach INR 7044 crores. The benefits of digital advertisements and the convenience of the avenue with the consumer will ensure that this segment continue its growth.

Industry players in India are optimistic about the growth of digital in advertisement space, as use of mobile phone as a key device for internet access will continue to grow across town class and the in rural areas. Therefore, in order to gain wider reach, players will continue to move their investment to Digital & mobile space.

Globally, the internet remains the fastest growing medium for advertising and it is predicted to surpass traditional television by 2020 on overall advertising spends.
About IMRB International and IAMAI

About Internet and Mobile Association of India (IAMAI)

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

Eleven years after its establishment, the association is still the only professional industry body representing the online and mobile VAS industry in India. The association is registered under the Societies Act and is a recognized charity in Maharashtra. With a membership of nearly 200 Indian and MNC companies, and offices in Delhi, Mumbai and Bengaluru, the association is well placed to work towards charting a growth path for the digital industry in India.

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About IMRB International

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