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Webchutney works with leading companies in India by developing award winning and memorable experiences for brands to connect, engage with and build sustained relationships with their consumers online.

Our clients include Unilever, P&G, HP, Airtel, and Microsoft among others. We work with them in areas of online advertising, website design, mobile marketing and social media.

Ranked as India's Number 1 Digital Agency, Webchutney is committed to leading the interactive marketing industry.

Our offices are located across New Delhi, Mumbai and Bangalore.

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Digital Media Outlook 2009

A study of the Indian Digital Marketing Scenario

Knowledge Partner Juxt 360° Market Research Online

With global trends indicating continuing decline of ad spends in the traditional media, budget spends on interactive media continue to grow and deliver quantifiable results for the brand advertisers. Given the surge of interest in digital advertising in 2008, many consider 2009 to be the year when digital finally gets the spotlight in the 4 billion dollar Indian advertising and marketing space.

A frenzy of new media and emerging communication channels have led to a more connected and in-control consumer, who drives powerful conversations, becomes a brand evangelist and generates buzz for the marketer. This does not equate to brands losing control over their marketing strategies, but provides new challenging opportunities to reach out to the user through better, more meaningful consumer experiences online.

The pace at which these trends emerge, consume and disappear leave brands unsatiated and confused. Since yesterday's digital best practices may be obsolete today, marketers need to constantly adapt themselves to the vast and ever evolving digital landscape to leverage their brands.

To understand the status of the top 500 advertisers in India (who control two thirds of all advertising spends) and to see how seriously and purposefully these prominent Indian marketers are looking at using the digital medium in their marketing plan, we decided to conduct a research study on the topic and share the findings as presented in the first ever Webchutney Digital Media Outlook 2009 report.

This document attempts to have a healthy discussion on what are the perceptions and 'mis-perceptions' around the medium. It is a critical time for brands to shrug off these perceptions, and keep pace with the dynamic nature of this medium, and choose their ad-spends wisely. I hope you enjoy reading the report, as much as we enjoyed compiling it!

Sidharth Rao
Chief Executive Officer
Webchutney

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Prologue

'New Age' media trapped in 'Old-school' marketing mind-set

A lot of optimism is associated with the Internet as an advertising medium in India. The dot com bust in the 90s wiped out a substantial number of online properties and businesses, but it is heartening to see the relentless effort of folks who survived, in driving the medium to reach where it has today.

The Internet in India is still at a nascent stage with 47 million users* and a relatively low penetration level of 4.2% with reference to the Western world and other smaller countries. The stark urban-rural divide, between the 'haves' and the 'have-nots', is hard to ignore in the Indian context. However, access to the Internet is slowly falling into place with declining prices that are likely to go down even further. Computing devices are becoming affordable, though prices need to fall further. Mobile/handheld devices are emerging as the 'next biggest thing' with the 3G licensing in place.

In an entertainment seeking consumer market like India, which has multiple regional languages and scripts, it is surprising to witness growth in Internet usage sans a local language computing environment. The development of such properties and executions would be hard to ignore for long. There are many positive signs and compelling reasons created by stakeholders to engage the 47 million Internet users, who represent the 'regular Indian consumer' today.

With a small reach of just 4.2%, how potent and relevant is the Internet as a medium of marketing in India especially in comparison with other popular mediums - TV at over 50%, Mobile touching 40%, and Print and Radio at over 20%, you might ask? Further, can it really play any meaningful and distinctive role in an 'integrated' marketing

*Source: Juxt India Online 2009 Reports – an annual internet usage estimation study of 135,000 individuals from 28,000 households, 16,000 households in 40 cities covering town classes of all population strata and over 12,000 households in 480 villages covering village classes of all population strata.

plan to effectively target, reach and communicate with consumers? Or will it stay relegated to the 'peripheral', a 'nice to have' and 'good for projecting a new age image' for the brand?

The answers one gets to these questions will depend on which side of the 'marketing telescope' is used to look at consumers online. From the 'far side' of the telescope, if we look at the percentage of our target audience online for sale of mass products like soaps & detergents, then we find a very small percentage of such users (as many still don't have access to a computer or the Internet). However, if we take a closer look from the 'near side' of the telescope, then all Internet users are definitely soap & detergent users, i.e., 100% online users are our target audience. Which other medium would provide such cost-effective reach with zero wastage?

The purpose and role of the Internet as a 'medium of effective branding and communication' becomes clear when marketers realise that 'reaching the consumer' is inadequate without 'staying top of mind'. And in this game, any medium which offers 'selective' targeting by creating an exciting, engaging consumer experience at the 'right time and context', plays a 'primary' role rather than a 'peripheral' role in the modern day integrated marketing and communication plan (For instance, interactive/display advertisement of a personal grooming product for users on a dating website).

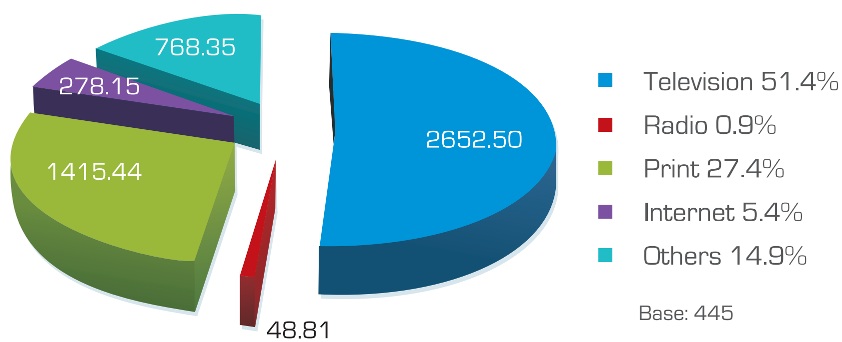
We decided to study the perceptions and understanding of brand marketers to understand the status and usage of the Internet as a medium, and share our findings as presented in the 'Digital Media Outlook 2009' report.

The study was conducted from January to March 2009 representing the top 500 advertisers in India. An in-depth interview was conducted with the sampled marketers, who were typically C-level executives (13% of them were Brand Heads, 15% were Marketing Communication Heads and almost 72% were Marketing Heads). We conducted an exhaustive discussion with them using a semi-structured guide.

Current Scenario

82% of the top 500 marketers spend only 5% Online

It is interesting that while almost 82% of the top 500 marketers allocate ad spends to the Internet, the spend share of this medium is just 5%. We estimated that the top 500 advertisers in India spent close to Rs. 5,163.26 crore in advertising, during FY 2008-09. From this, only 5.4% was spent on the Internet - approximately Rs. 278 crore. We expect this Rs. 278 crore to be not more than 64% of total spends on the Internet by all marketers (making the total online ad spend to be over Rs. 435 crore or so).

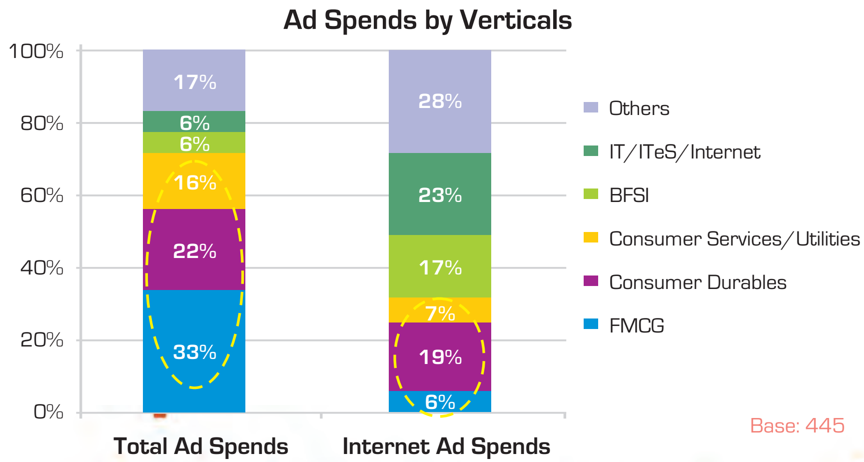


Current ad-spends by top 500 marketers for 2008-09 (in Rs. crore, % share)

Internet advertising by verticals: A 70–30 paradigm

It is a well known fact that BFSI has been an early adopter of the Internet as a medium of advertising in India. Currently, it accounts for almost 17% of total spends online among the top 500 marketers. It is second to the IT/Online sector which accounts for 23% of all online spends.

While this is encouraging, the fact that sectors which account for almost 70% of total ad spends across all mediums (FMCG, Consumer durables and Consumer services & utilities) account for only 30% of online ad spends is disappointing. It is time for these sectors to convert their bricks to clicks, and create a dominant presence online.



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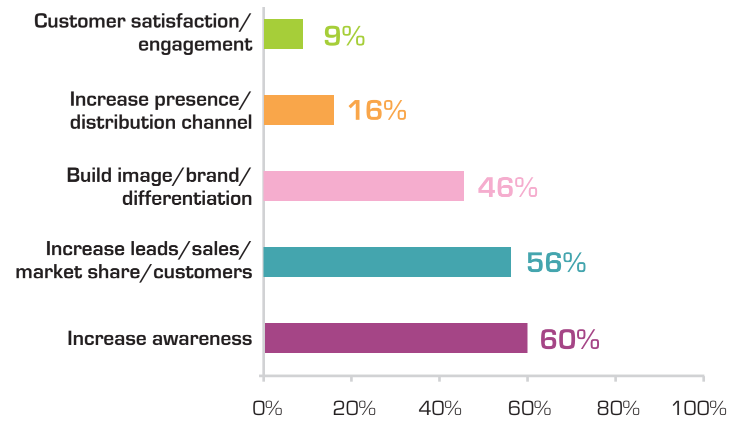
The 'Reach' myopia in brand objectives



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Almost 60% of the advertisers mentioned 'increasing awareness' as the biggest objective followed by 'increase lead/sales/market share/customer base' (56%). Only 46% mentioned 'building brand image/differentiation' as their marketing/advertising objective.

In an increasingly competitive marketing scenario, it is quite a paradox to see only 9% marketers leaning towards 'customer satisfaction/engagement' as one of the objectives in their overall brand strategy.

‘Reaching the TG’ drives current budget allocations

Marketers across verticals explain that ‘reaching the target audience’ or ‘building awareness’ is the biggest driver in allocating ad spends across mediums. This explains why the Internet accounts for only 5% of their total spends.

The Internet as a medium in India, cannot be compared with other mediums in terms of plain vanilla marketing/media objective of ‘reach’. However, it seems that in their single minded pursuit of reaching consumers, marketers ignore the ‘unique ability’ of the Internet to deliver ‘selective & targeted reach’ with less or no wastage for any branded product category targeting Urban Indian Consumers while providing the best platform to ‘engage’ them in brand conversations.

Rationale behind media budget allocation	All Companies	BFSI	Consumer Durables	Consumer Services/ Utilities	FMCG	Internet/ IT/ITeS	Others
Reaches TG and Masses	46.4%	43.2%	46.0%	81.5%	67.0%	43.6%	31.3%
Helps create strong market presence	15.5%		10.0%			18.8%	31.3%
Builds brand awareness and recall	13.4%	13.6%	10.0%		28.6%	37.6%	6.1%
Build image/Brand differentiation	12.4%	43.2%	22.0%	18.5%	4.4%		6.1%
Lead generation	10.3%		3.0%				25.3%
Increase leads/sales/ market share/ customers	2.1%		9.0%				

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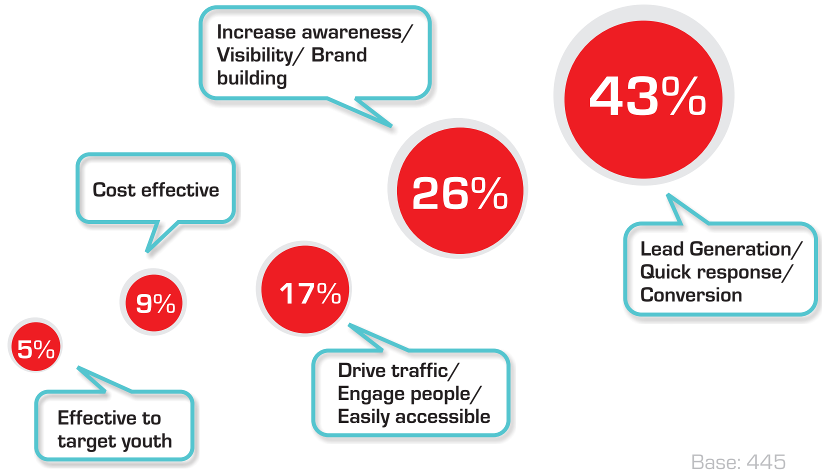
‘Lead generation, quick response & conversion’

A blinkered vision of the Internet as an advertising medium.



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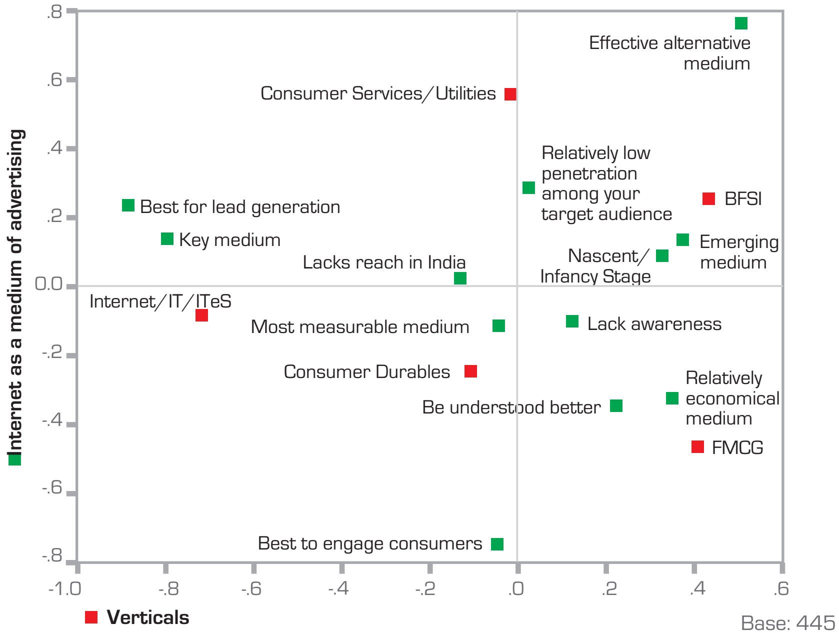
The defined objective of the top 500 marketers using the Internet as an advertising medium is heavily skewed towards ‘lead generation and conversion’. It is evident that the medium is popularly perceived and is being used as a ‘direct marketing platform’ rather than a medium of marketing communication.

'Misperception' is Reality

While mapping marketers' perception of the Internet as a medium of advertising the emerging 'mis-perception' is evident. The perceptual map clearly depicts how marketers from almost all verticals move away from considering it as an 'effective alternative medium', 'most engaging medium' and 'most measurable medium' (consumer durable companies being the only exception).



Note: The closer a vertical is to an attribute, the stronger it associates with that attribute vis-a-vis other attributes.

The perceptual landscape of the Internet as a marketing and communication medium raises some very pertinent questions and observations about the 'myths and realities' associated with other mediums preferred by top marketers in India:

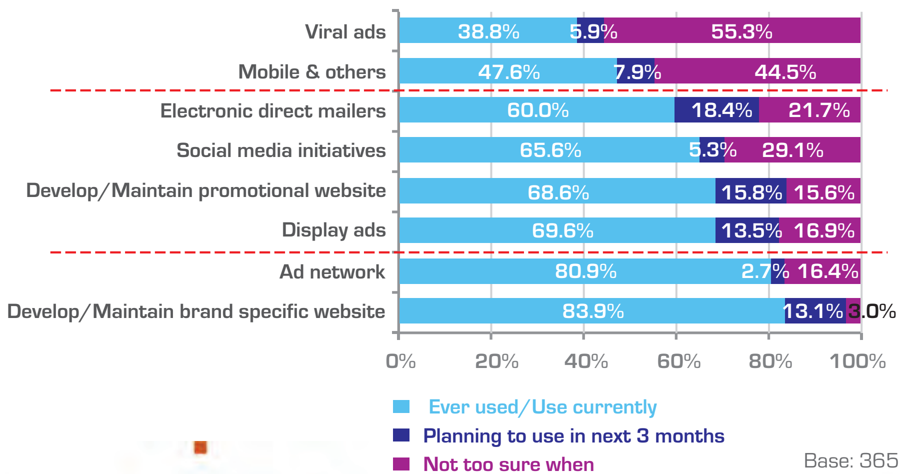
- If the Internet is 'not the most engaging medium' then which one is?
- If the Internet is 'not the most measurable medium' then which other medium is?
- If only 1 in 3 of the top 500 advertisers believe that the Internet is 'highly effective to reach young urban consumers' then which other medium are the other 2 of 3 considering?
- If only 8% of them are using the Internet for 'selective targeting' and 'contextual targeting', which are probably the biggest differentiators of this medium, then there is a serious need to educate marketers on the true benefits of the Internet. This awareness is most critical for the Internet to stand out and live up to its potential of being the only true 'individualised mass medium' and the 'window shop' of the future.

A sizable chunk of marketers are exploring most of the digital marketing executions

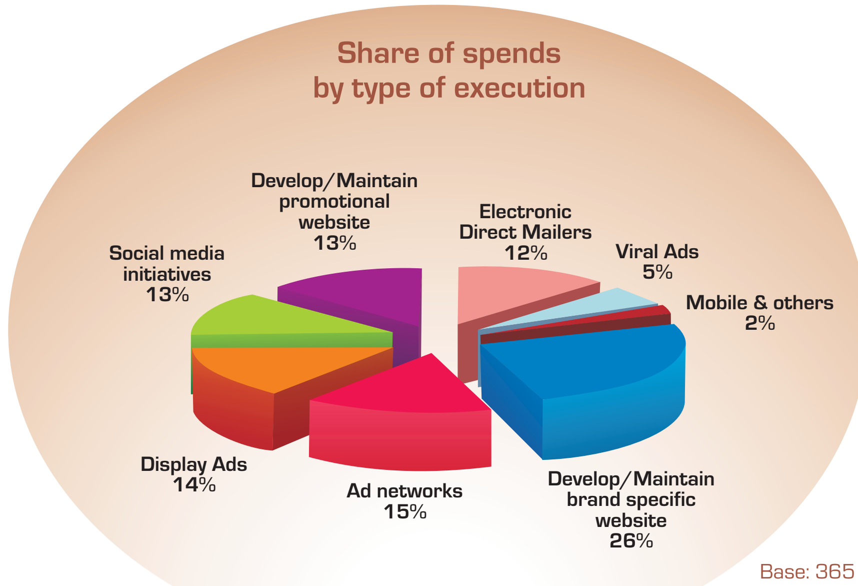
It is interesting to see that out of the 82% of top 500 marketers who spend online; almost 8 in 10 have a brand specific website.

Almost 7 in 10 have used or are using display ads and develop and maintain a promotional website with the claim of taking social media initiatives. Lastly, while 5 in 10 are experimenting with mobile advertising, only 4 in 10 mentioned using viral ads.

Stage of using digital marketing execution



26% of current digital ad spends utilised in brand websites



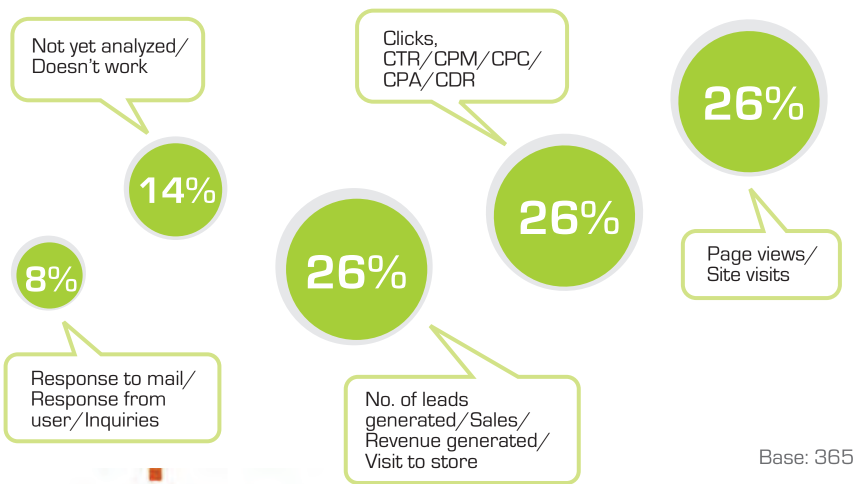
A quarter of the current Digital Marketing spends are dedicated to the 'development and maintenance of brand specific and promotional websites'. About 34% is spent on 'advertising' through pure display ads, viral ads and ad networks. It is a welcoming change to see that almost 13% of spends go into social media initiatives and 2% towards mobile and other initiatives.

Measurement Metrics for activities are still basic

As observed earlier, 'lead generation' is the biggest focal point of current marketing objectives. Therefore, measurements of online marketing campaigns also hover around the number of leads generated. Some of the other metrics as propagated by the publishers, agencies and inventory aggregators are - 'number of impressions', 'clicks', 'conversions' and 'cost of conversions'.

It appears that 'measurability', which is the real advantage of the Internet over other mediums, has been stretched to 'over-measuring', turning it into a disadvantage in the Indian context.

Typical measurement of effectiveness



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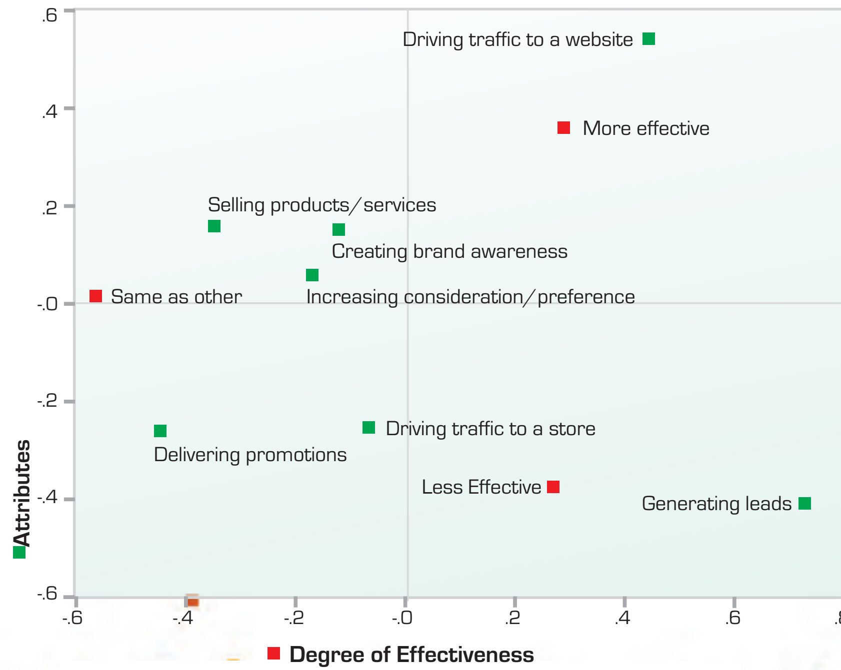
Online perceived more effective in 'driving traffic', not 'generating leads'

It is ironical to see that while marketers look at the Internet for 'lead generation' as their objective, they feel that it is not as effective in generating leads vis-a-vis conventional mediums. This innate contradiction in marketers' mind-set is the real reason for 'Mis-perceptions' arising around the medium. Marketers in India still need to decide which side of the telescope they choose to view their online consumers.

The good news is that they feel it is equally adept as the other mediums to deliver in terms of brand 'awareness' and 'consideration'.



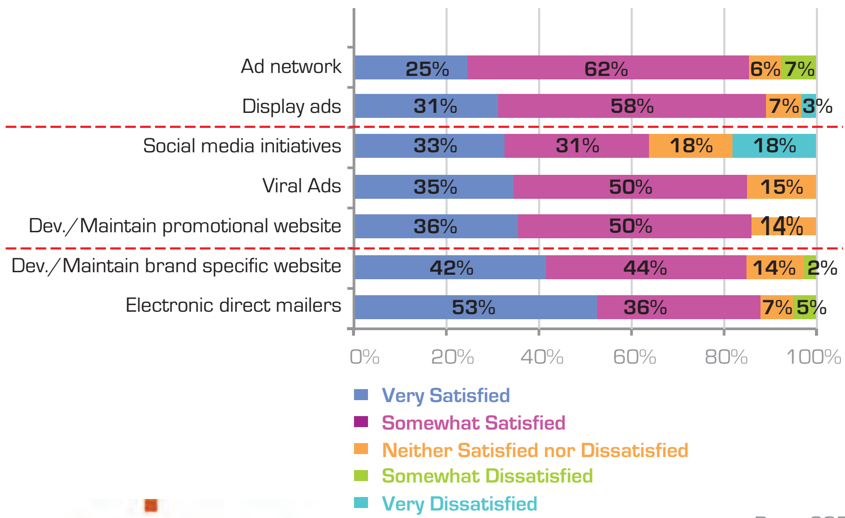
Note: The nearer the Degree of effectiveness is to an attribute, more strongly it is associated with that attribute as compared to the other attributes.

The low level of satisfaction calls for a serious course correction

The degree of satisfaction with the usage of various online marketing elements vary quite significantly, with the highest level of very satisfied experience delivered by 'electronic mailers' and the lowest levels delivered by 'ad networks' and 'display ads'.

It is quite disappointing to see the lowest overall satisfaction levels delivered by the 'social media initiatives' undertaken online by the top 500 marketers. This points to the lack of understanding of marketers for the Internet medium, its usage and measurability.

Level of satisfaction with various types of execution undertaken



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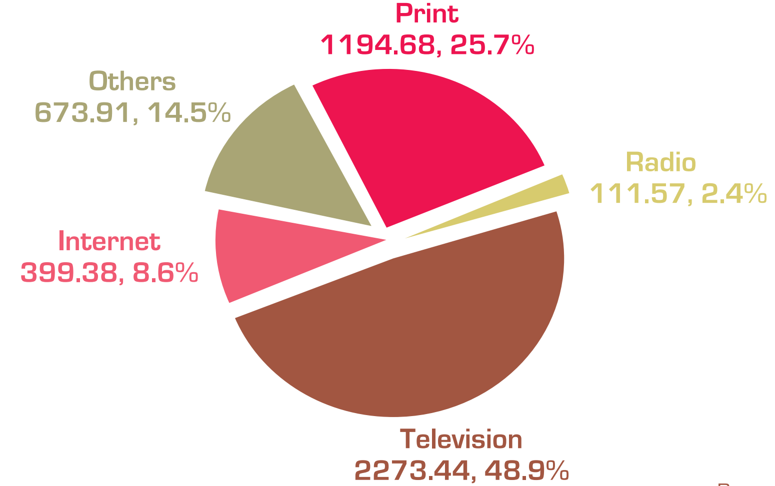
Future Outlook

Overall ad spends to fall by 10% but online to grow by 44% in FY 2009-10

Overall ad spends from the top 500 spenders are likely to fall by 10% from Rs. 5,136 crore in 2008-09 to around Rs. 4,653 crore in 2009-10. But spends on digital media by the top 500 marketers is likely to grow 44% from current Rs. 278 crore to Rs. 399 crore. And if top marketers continue to account for only about 2/3rd of the total online spends, then the total online ad spend kitty may well cross Rs. 625 crore or so in 2009-10.

Estimated Ad Spends by top 500 Marketers for 2009-10 (in Rs. crores, % share)



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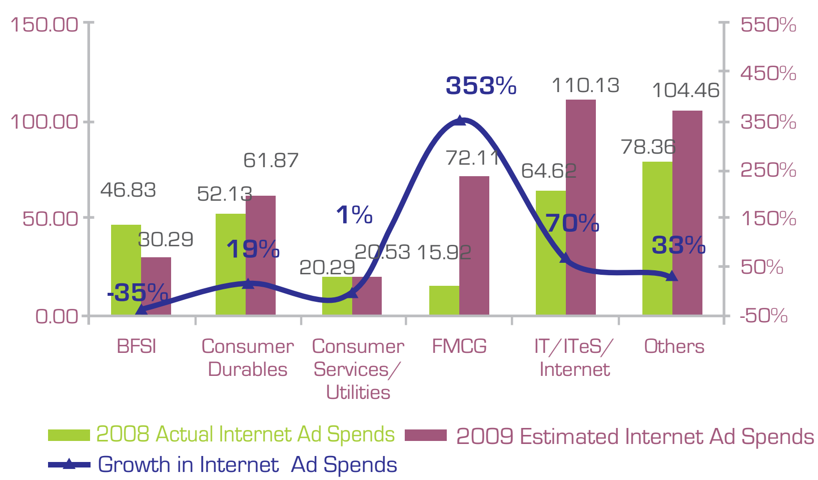
FMCG online spends to grow by 353% BFSI spends to drop by 35%

It is estimated that the current online spends of the FMCG category which is around Rs. 16 crore, is likely to go up to almost Rs. 72 crore in 2009-10, a 353% jump. IT/ITeS/Internet companies would continue to spend in a healthy fashion on the Internet and are likely to grow their spends by almost 70%. BFSI, one of the early adopters of Digital marketing in India, are likely to cut down spends by 35% from their current Rs. 47 crore budget to Rs. 30 crore.



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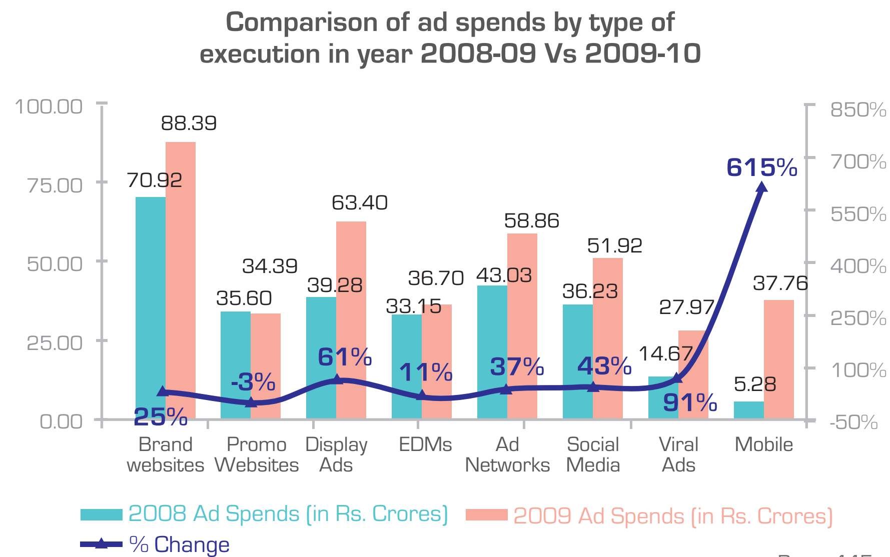
Mobile's big year?

Expected to grow over 600%



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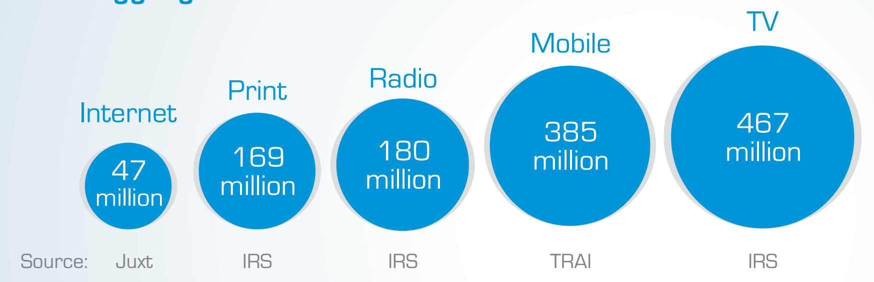
It is evident that the top 500 advertisers are exploring the mobile medium to include in their digital marketing strategy. It is likely to grow from the current miniscule share of 2% of the overall digital spends to 9% of digital spends.

The next most promising area of digital spends may be Viral Ads, which is likely to grow by almost 90% to double its share in the overall online ad spends pie.

Marketers must see the Internet from the 'right side' of the telescope

The fact that marketers are looking at increasing their digital marketing efforts is highly encouraging. The Internet provides an appropriate and effective platform for consumer marketing, communication and engagement. Marketers also need to embrace the medium on its current 'strength' and not on its perceived 'weakness'. They need to broaden their horizon beyond 'reaching' consumers on the net and beyond 'generating leads'.

The Juggling act of reach



Choosing the appropriate medium of advertising will always remain a juggling act, but a significant change that has taken place is the need to look at digital mediums like the Internet and mobile as serious mediums of marketing and advertising. All mediums have inherent strengths and should be included to create the perfect media mix.

Consumer goods and services companies must see the digital marketing platform from the 'right side of the telescope' – that spending money online has 'minimum waste value' and therefore maximum 'bang for the buck'. At the end of the day, marketing communication is not about 'reaching customers' – it is about 'reaching customers and staying at the top of their minds'. The

The Internet provides them the most cost-effective way of staying top of mind amongst their most profitable customers.

Marketers seem to be looking from the wrong side of the telescope today. Their view appears 'myopic' because they consider to look at the number of Internet users (read reach) among their product category owners. But if they were to look at the medium from a perspective of 'cost-effectiveness of reach' the whole view would change dramatically. The Internet is a desirable part of any 'integrated' marketing and media plan.

To utilize the full potential of this 'new media' they probably need to approach it with a 'new mind-set'.

The Internet as a medium is best suited for building 'excellent consumer experiences and relationships' and is not just a medium to sell.

Household assets	Far side of the telescope - % Asset owners using Internet (Reach)	Near side of the telescope - % Internet users owning Assets (Effective Reach)
Bank account	18%	68%
Colour TV	20%	78%
Mobile phone	20%	71%
Life Insurance	20%	46%
Cable TV connection	21%	66%
2-Wheeler	24%	51%
Fridge	33%	53%
Car (< Rs. 4 lakhs)	52%	10%
Invested in shares	52%	14%
Credit card	56%	26%
Air Conditioner	63%	13%
Digital camera	69%	48%
Computer/Laptop	80%	70%

Source: Juxt India Online 2009 Study

The Internet represents mass as much as class and will overtake other dominant mediums

If marketers consider to study and understand the growth of the online medium carefully, they would realise quickly that contrary to popular belief, the Internet is not just confined to the premium products and the 'elite class'. The composition of Internet users makes it evident that its reach expands to both the 'masses' and the 'classes'.

Internet User Composition	
Male	79%
19 - 35 years	82%
SEC 'A', 'B', 'C'	65%
Works in the corporate world	36%
Owns a vehicle	61%

Moreover, popular new media continues to engage more and more people, and has ensured a steady increase in the daily use of the Internet for users. Wouldn't it therefore make sense to reach out to them through the same medium rather than expecting them to use any other?

Daily access	
From Home	88%
From Office	84%
Users with usage session of 2 hours or more	
From Home	43% weekdays, 54% weekends
From office	53% weekdays
Users spending 2 hours or more daily on other mediums	
TV	14% weekdays, 40% weekends
Newspaper	14% weekdays, 29% weekends (more than an hour)
Radio	6% weekdays, 12% weekends