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Research Article

GROWTH OF ADVERTISING INDUSTRY IN INDIA

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ABSTRACT

Advertising is a powerful tool of communication force, highly visible that helps to sell goods, services, and ideas etc... Advertising reflects the need of the times, whether we like it or not advertisements are seen everywhere. Advertising with its cognitive and persuasive nature can easily polish the mind of target audience and create the sense of motivation to purchase the value offered by the companies in the form of product, to satisfy their various needs which in turn helps to enhance the living standard of them. This paper will highlight the road map of Indian advertising industry. This paper will also discuss about the recent developments and trends in Indian advertising industry.

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INTRODUCTION

Advertising is many things at same time. It is a communication process a social phenomenon, a mean to exercise right to choose, a salesmanship in print and many more. Advertising is a big business and ranks among the top industries of the world along with oil, automobiles, information technology and agriculture. The growth of the advertising industry is on direct relation with the health of any country economy. The size of advertising industry is indicator of standard of living of one's nation.

Table 1

- Egyptians made sales messages and wall posters on papyrus-paper. Paper made from the papyrus plant by cutting it in strips, was used by ancient Greeks and Romans too.
- Commercial messages and political campaign displays have been discovered in the ruins of ancient Arabia.
- Wall or rock painting for commercial advertising is another example of an ancient advertising form, which is present to this day in many parts of Asia, Africa, and South America.
- The tradition of wall painting can be traced back to Indian rock-art paintings that date back to 4000 BC

The Indian advertising industry has seen a phenomenal growth from a small scaled business to full fledged industry. Advertising and other forms of promotion have become an integral part of our society and economic society. Due to the emergence of new technology, availability of new media and media vehicles and increase in the aspirations of middle class income group the advertising industry has evolved to greater extent. The race is to attract, create and offer more value and retain customers. Companies ranging from global players to small local retailers (kirana shops) are increasingly relying on advertising to help in selling their products and services. India will be they fastest growing advertising market this calendar with total ad spend rising 15% says Lindsay Pattison, Global Chief Executive at media buying agency Maxus.

Modern advertising is largely a product of twentieth century. The first ad in any language to be printed on circulated sheet appeared in Germany news pamphlet in about 1525. The first advertisement in an English newspaper appeared in 1625. The first ad in America appeared in 1704. Volney B. Palmer was the first advertising agent. J. Walter Thompson is known as the inventor of modern advertising agency. The first ad for:

- Coffee in 1652
- Chocolate in 1657
- Tea in 1658

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The first modern 'advertising agency' started operating around 1875 in the United States of America, when Mr N. W. Ayer and Sons of Philadelphia offered to produce advertisements and also to contract for space in newspapers.

Most of the advertising growth was seen after World War II and by the mid 1950s, professionals in the area of sales promotion, merchandising and public relation are running the advertising industry.

History of Advertising in India

There has been a long tradition of advertising in India since the first newspapers published in India in the 19th Century carried advertising. Two British advertising agencies J. Walter Thompson and D. J Keymer were the ones who laid the foundations of professional advertising in India. The first advertising agency was established in 1905, B. Datram and Company, followed by The India-Advertising Company in 1907, the Calcutta Advertising agency in 1909, S.H.Bensen in 1928, J. Walter Thompson Associates through its Indian associate, Hindustan Thompson Associates in 1929, Lintas (Lever international Advertising Services) in 1939 and McCann Erikson in 1956. Under the more socialist political environment of the 1960s and 1970s there was little incentive for companies to advertise because advertising was not tax deductible. In the 1970s there was a 58% growth in the number of registered agencies from 106 in 1969 to 168 in 1979, and this included a growth in Indian agencies. The first advertising appeared on state television in 1986. The Advertising Club of Mumbai celebrated its silver jubilee in March 1980.

With the opening of the economy in the 1980s there was a growth in the number of alliances with multinational agencies and an expansion in advertising though foreign network participation in agency ownership was limited. In 1987 Hindustan Thompson was affiliated to J. Walter Thompson. Lintas, the 2nd ranking agency, held only 4% of its subsidiary, as did Ogilvie and Mather. Saatchi and Saatchi/Compton had minority interests in Compton as did Lintas. In 1984 the ratio of advertising expenditure to sales had risen from .64 in 1976, to .71 in 1980 to .74 in 1984. The largest advertiser throughout the period was Hindustan Lever which was nearly 10% of the advertising budget of the corporate sector companies. Pharmaceutical companies were also significant advertisers at this time.

Some Important Years in Indian Advertising History

- In 18th century Concrete advertising history begins with classified advertising Ads appear for the first time in print in Hickey's Bengal Gazette. India's first newspaper (weekly).
- Studios mark the beginning of advertising created in India (as opposed to import from England) Studios set up for bold type, ornate fonts, and more fancy, larger ads.
- Newspaper studios train the first generation of visualisers & illustrators
- Major advertisers: Retailers like Spencer's, Army & Navy and Whiteaway & Laidlaw Marketing promotions: Retailers' catalogues provided early example
- Ads appear in newspapers in the form of lists of the latest merchandise from England

- Patent medicines: The first brand as we know them today were a category of advertisers
- Horlicks becomes the first 'malted milk' to be patented on 5th June 1883 (No. 278967).
- 1931- National Advertising Service Pr. Ltd. Bombay set up
- 1936- Indian Broadcasting Company becomes All India Radio (AIR)
- 1978 -First television commercial seen
- 1990-Marks the beginning of new medium Internet
- 1991- First India-targeted satellite channel, Zee TV starts broadcast

At present in India, there is no central statutory agency or uniform legislation regulating the advertising industry. The Indian advertising market as a whole is regulated and controlled by a non-statutory body, the Advertising Standards Council of India (ASCI). In the absence of uniform integrated legislation, it is necessary for advertisers to ensure that an advertisement is in compliance will all local and national advertisement laws.

Role of the Advertising Standards Council of India (ASCI)

ASCI is a voluntary self-regulatory council established in 1985 to promote responsible advertising and to enhance public confidence in advertisements. The council's objectives are:

- To ensure the truthfulness and honesty of representations and claims made by advertisements
- To ensure that advertisements are not offensive to generally accepted standards of public decency
- To safeguard against the indiscriminate use of advertising for the promotion of products regarded as hazardous to society or to individuals.
- To ensure that advertisements observe fairness in competition so as to inform the consumer on choices in the marketplace while observing the canons of generally accepted competitive behavior in business

ASCI consists of a Board of Governors and a Consumer Complaints Council. The Board of Governors comprises four members from each of the four sections connected with the advertising industry:

- Advertisers
- Advertising Agencies
- Media (owners of press, television, radio etc.)
- Related sectors (e.g. outdoor agencies, PR, market researchers, ad producers, business schools)

Market Size

India's Advertising industry is expected to grow at a rate of 16.8 per cent year-on-year to Rs 51,365 crore (US\$ 7.61 billion) in 2016#, buoyed by positive industry sentiment and a strong GDP growth of 7 per cent and above.

Asia Pacific is the second largest regional advertising market in the world with projections to maintain this position in the coming years. Advertising spending in the region reached a total of 158.3 billion U.S. dollars in 2015, and is forecast to increase to about 235.5 billion U.S. dollars by 2020. The growth in the region is mainly driven by China, the world's

second largest ad market, and India, one of the fastest growing advertising markets in Asia.

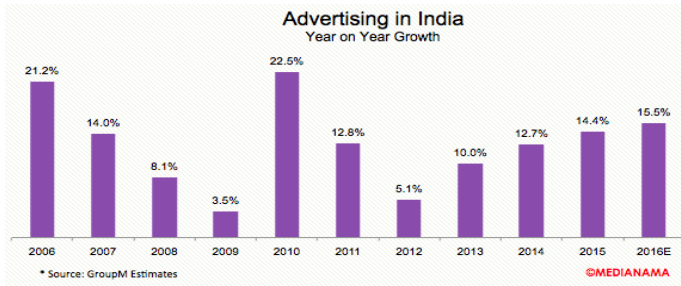


Figure 1

India's digital advertising market has grown at a fast pace of 33 per cent annually between 2010 and 2015##, while spending as a percentage of total advertising increased to 13 per cent or nearly US\$ 1 billion in 2015.

Print contributes a significant portion to the total advertising revenue, accounting for almost 41.2 per cent, whereas TV contributes 38.2 per cent, and digital contributes 11 per cent of the total revenue. Outdoor, Radio and Cinema make up the balance 10%. Of the current Rs 2,750 crore (US\$ 407.66 million) digital advertisement market, search and display contribute the most - search advertisements constitute 38 per cent of total advertisement spends followed by display advertisement at 29 per cent, as per the study.

The Internet's share in total advertising revenue is anticipated to grow twofold from eight per cent in 2013 to 16 per cent in 2018. Online advertising, which was estimated at Rs 2,900 crore (US\$ 429.9 million) in 2013, could jump threefold to Rs 10,000 crore (US\$ 1.48 billion) in five years, increasing at a compound annual rate of 28 per cent. The advertising industry is projected to be the second fastest growing advertising market in Asia after China. It is estimated that by 2018, the share of ad spend in India's Gross Domestic Product (GDP) will be around 0.45 per cent.

The advertising industry is projected to be the second fastest growing advertising market in Asia after China. It is estimated that by 2018, the share of ad spend in India's Gross Domestic Product (GDP) will be around 0.45 per cent. In Asia Pacific, the Indian advertising market continues to be buoyant as growth prospects in the country remain high at +12.0% in 2016 and +13.9% in 2017 (Carat Media's). The ad market in India is forecast to increase by 2.84 billion U.S. dollars between 2015 and 2018; this is the fifth largest ad expenditure growth in the world during this time period. Fast moving consumer goods, automobile and e-commerce are the most advertised industries in India.

Few Facts of Advertising Industry in India

Table 2

Traditional Media	Values
Projected TV advertising spending in India	\$2.37bn
Projected radio advertising revenue in India	₹16.6bn
Projected newspaper ad spend in India	\$2.93bn
Digital Media	Values
Automotive share in digital ad spend in India	10%
Change in digital advertising spending in India	30%
Digital advertising spending on search in India	₹8.5bn

Source: Statista

Government Initiatives

The Governments of India and Canada have signed an audio-visual co-production deal which facilitates producers from both countries to harness their collective artistic, technical, financial and marketing resources, and encourage exchange of culture and art between the two countries. The agreement is also likely to lead to better promotion of Indian locales for shooting films. "The agreement will also lead to the transparent funding of film production and boost export of Indian films into the Canadian market," as per the agreement.

India and Poland are seeking to enhance cooperation in the digitisation and restoration of film archives. This was decided in a meeting between Mr Bimal Julka, Secretary of Information and Broadcasting, India, and a delegation from Poland led by Ms Malgorzata Omilanowska, Secretary of State. The two countries will form a joint working group that will help improve cooperation in fields such as student exchange programmes, animation, films and digitisation, among others. Mr Rajyavardhan Singh Rathore, Minister of State for Information & Broadcasting, has announced that Indian government has planned to increase advertising spend on the digital platform which will help increases the government's presence in digital media. (Source: India Brand Equity Foundation)

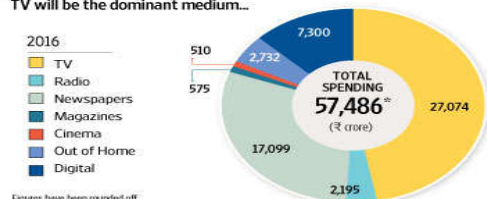
Recent Developments

- The Indian Railways is working on a new advertising policy aimed at installing 100,000 big digital screens at 2,175 railway stations across the country, which is expected generate Rs 11,770 crore (US\$ 1.76 billion) revenue annually. Indian Railways has appointed Ernst & Young (EY) as a consultant to discover its advertising potential, which is in line with the Railway Budget proposal of increasing non-fare earnings to over Rs 5,000 crore (US\$ 741.2 million) in five years.
- All India Radio (AIR) has appointed 'releaseMyAd' as a virtual agency to let advertisers book ads for all of AIR's station online.
- Google is all set to help India implement Prime Minister Mr Narendra Modi's "Digital India" initiative, and the government has a well laid out plan to realise it, said Google's Chief Internet Evangelist Mr Vinton G. Cerf. Digital India is Rs 1.13 trillion (US\$ 16.75 billion) government initiative that seeks to transform the country into a connected economy, attract investment in electronics manufacturing, and create millions of jobs and support trade.
- Tata Motors has appointed renowned football player Lionel Messi as the global brand ambassador for Tata cars and utility vehicles globally, with an aim to tap the youth market and expand visibility and presence of Tata Motors in newer markets.

DIGITAL AD SPENDING TO GROW THE FASTEST IN 2016

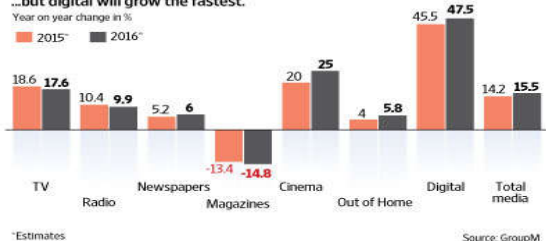
Ad spending in India will grow 15.5% in 2016 to ₹57,486 crore with digital advertising expanding at the fastest pace of 47.5%, media agency GroupM said in its 'This Year Next Year' report released on Tuesday. Digital advertising will account for 12.7% of all ad spending in 2016, the agency estimated, up from 9.9% in 2015. Television and radio will see slower growth than in 2015, according to the report.

TV will be the dominant medium...



Figures have been rounded off

...but digital will grow the fastest.



*Estimates

Source: GroupM

Figure 2

There has been a substantial rise in consumers who feel that relevance with digital ads has increased for them and these ads are helping them find the right product and aiding their purchase decisions better. Many see these ads as informative and unlike traditional media such as television; digital media offers a greater amount of flexibility over viewing or not viewing an ad.

It is also observed that ads on social networking and mobile are seen the most in terms of digital advertising. More people click on these ads, engage with them and more of such ads have resulted in a purchase. In fact, 86% of those who have seen an ad on a social networking site have clicked and viewed it while 76% of those who have seen a mobile ad have clicked and looked for more information.

Trends to Watch

- In India, ad spending will be fuelled by television. The big story of the year will be the return of television, and to some extent, print media, which are expected to grow at a stronger pace due to e-commerce ads.
- Mobile phones-both feature phones and smartphones-have become the gateway to the Internet for most people in India, making it an important digital touch point for brands to expand their customer base, including in rural areas where television and other mass marketing channels have limited reach. This trend will increase as consumer brands are likely to be less active on mass marketing channels.

- With more than 65% of the population communicating in local languages, the need for such content and services is rising. The growing penetration of mobile Internet in emerging markets will result in greater demand for vernacular content on the Internet. Today, 75% of online users in India prefer video content in their local languages and 40% of online traffic is for Hindi content.
- Brands can target individuals across their consumer hyper-local targeting, showing them different messaging depending on attributes such as location, weather, device, local language or time of day.

CONCLUSION

The rapid growth of social media and the mobile Internet is changing ways that businesses reach out to their customers and even more importantly how customers are influencing and shaping companies and their brands. Marketers everywhere are under pressure to deliver increased ROI and better metrics. The challenge for Indian marketers is in not only integrating these evolving communication channels, but in adapting them to India's unique diverse cultures and audiences. Growth is expected in retail advertisement, on the back of factors such as several players entering the food and beverages segment, e-commerce gaining more popularity in the country, and domestic companies testing out the waters. The rural region is a potentially profitable target. For instance, in the automobiles sector, the focus of two-wheelers on rural areas could mean more launches and more advertising spends. The telecom sector could see growth as well, driven by better smartphone penetration and service providers cutting down on prices.

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