

GLOBAL ECONOMIC CRISIS AND ITS IMPACT ON INDIAN ADVERTISING INDUSTRY

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1. ADVERTISING

Advertising is a form of communication used to persuade audience, viewers, readers or listeners to take some action with respect to products, ideas, or services. Most commonly, the desired result is to drive consumer behavior with respect to a commercial offering, although political and ideological advertising is also common. Advertising messages are usually paid for by sponsors and viewed via various traditional media; including mass media such as newspaper, magazines, television commercial, radio advertisement, outdoor advertising or direct mail; or new media such as websites and text messages. Commercial advertisers often seek to generate increased consumption of their products or services through "Branding," which involves the repetition of an image or product name in an effort to associate certain qualities with the brand in minds of consumers. Non-commercial advertisers who spend money to advertise items other than a consumer product or service include political parties, interest groups, religious organizations and governmental agencies. Nonprofit organizations may rely on free modes of persuasion, such as a public service announcement.

Advertising can be defined as an industry that responds to the needs and mood of society and, therefore, is consistent with the state of society and its standards. It is difficult to give an unambiguous definition of the word "advertisement", especially in modern conditions. And not because there exist as many opinions as there are people, but because in modern development of marketing communications it is very complicated to determine what constitutes advertising and what is not. But any definition of advertising is inherent in one objective: to compel the audience to act exactly as desired by the advertiser. This goal represents the essence of advertising and its meaning.

In order to formulate the definition of "advertising", we will examine several existing definitions given by different people or groups of people in different circumstances: These definitions tried their best to define what is advertising; some of them succeeded in defining it. But all these definitions considered to be valid to certain extent but cannot be considered them as the best. "The non-personal communication of information usually paid for & usually persuasive in nature, about products (goods & services) or ideas by identified sponsor through various media"¹. Another definition says "Any paid form of non-personal communication about an

¹ Contemporary Advertising. USA: Richard D. Irwin, A. Times Mirror Higher Education Group Inc, 1996

organization, product, service, or idea from an identified sponsor”². But according to Burnett Advertisement is “Paid non-personal communication from an identified sponsor using mass media to persuade influence an audience”³. Advertisement can also be explained as “The element of the marketing communication mix that is non personal paid for an identified sponsor & disseminated through channels of mass communication to promote the adoption of goods, services, person or ideas”⁴.

Virtually any medium can be used for advertising depending on the characteristics and features of advertisement. Commercial advertising media can include wall paintings, billboards, street furniture components, printed flyers and rack cards, radio, cinema and television, web banners, mobile telephone screens, shopping carts, web popup, skywriting, bus stop benches, human billboards, magazines, newspapers, town criers, sides of buses, banners attached to or sides of airplanes ("logo-jets"), in-flight advertisements on seatback, tray tables or overhead storage bins, taxicab doors, roof mounts and passenger screens, musical stage shows, subway platforms and trains, elastic bands on disposable diapers, doors of public bathroom, stalls, stickers on apples in supermarkets, shopping cart handles, the opening section of streaming audio and video, posters, and the backs of event tickets and supermarket receipts, announcements through auto and taxi, word of mouth, endorse by icons of film, sports, or a particular industry. Advertisements can also be through a political figure, youth icons, dresses, events, models, sponsorships, etc. Any place an "identified" sponsor pays to deliver their message through a medium is advertising.

So, there are many classifications within advertising on different basis. But each and every types of advertising have their own advantages and limitations. It is the job of advertising department to figure out which type of medium is the best and the most feasible for the company. Advertisements can be mainly classified on the basis of media. Broadly for our convenience to analyze the market we have considered major five different form of advertising based on the medium, they are TV advertising, Print advertising, Radio advertising, Out Of Home, Internet advertising all other forms are considered to be the part of these five based on the media employed. Here after throughout this paper only above types of advertisements are considered.

2. ORIGIN AND GROWTH OF ADVERTISING INDUSTRY IN INDIA

The first Indian ad agency, the Indian Advertising Agency, was launched in the very early years of the 20th century. On the other hand, B Dattaram & Co, located in Girgaum in Mumbai and launched in 1905, also claims to be the oldest existing Indian agency! This was followed by the launch of the Calcutta Advertising Agency in 1909. By the 1920s a number of Indian agencies were working from the major Indian cities, the most important being the Modern Publicity Company in Madras, Central Publicity Service in Bombay and Calcutta and the Oriental Advertising Agency in Tiruchirapalli. In 1931, the first full-fledged Indian ad agency, the National Advertising Service, was established. During the post independence era, the advertising business was well on its way to growth and expansion. The Indian Society of Advertisers was

² Advertising and promotion: an integrated marketing communications perspective, By George Edward Belch, Michael A. Belch, Tata McGraw Hill, 1998

³ Advertising: Principles and Practice, William Wells, John Burnett & Sandra Ernst Moriarty Prentice Hall 2003

⁴ "Marketing: Principles and Perspectives, 5e" Bill Bearden, Tom Ingram & Buddy Laforge McGraw-Hill Education, 5th edition September 2006

formed in 1951 and in May 1958, the Society of Advertising Practitioners was established and advertising clubs came up in Bombay and Calcutta to promote higher standards of work⁵.

3. ADVERTISING INDUSTRY AND ECONOMIC CRISIS

Economic crisis is a situation in which the economy of a country experiences a sudden downturn brought on by a financial crisis. An economy facing an economic crisis will most likely experience a falling GDP, a drying up of liquidity and rising/falling prices due to inflation/deflation. An economic crisis can take the form of a recession or a depression⁶.

The Global economical crisis of last five years 2007 – 2011 from sub-prime mortgages in 2007 to the newly downgraded US debt status, the latest crisis point is unlikely to be the last. The last four-five years have seen five key stages of the global financial crisis, with more likely to come. The first Phase was started on 9 August 2007 with the seizure in the banking system precipitated by BNP Paribas announcing that it was ceasing activity in three hedge funds that specialized in US mortgage debt. The second phase took its big on 15 September 2008 when the US government allowed the investment bank Lehman Brothers to go bankrupt. On 2 April 2009 world witnessed the third stage of the crisis at London G20 summit, in the winter of 2008-09 saw co-ordinate action by the newly formed G20 group of developed and developing nations in an attempt to prevent recession turning into a slump. Interest rates were cut to the bone, fiscal stimulus packages of varying sizes announced, and electronic money created through quantitative easing. World leaders committed themselves to a \$5tn (£3tn) fiscal expansion, an extra \$1.1tn of resources to help the International Monetary Fund and other global institutions boost jobs and growth, and to reform of the banks. The fourth phase which began on 9 May 2010 marked the point at which the focus of concern switched from the private sector to the public sector. By the time the IMF and the European Union announced they would provide financial help to Greece, the issue was no longer the solvency of banks but the solvency of governments. Austerity became the new watchword, affecting policy decisions in the UK, the euro zone and, most recently in the US, the country that stuck with expansionary fiscal policy the longest. Fifth Phase may not be the final phase witnessed the worse on 5 August 2011 Friday; the morphing of a private debt crisis into a sovereign debt crisis was complete when the rating agency, S&P announcing that America's debt would no longer be classed as top-notch triple A. From sub-prime to downgrade, the five stages of the most serious crisis to hit the global economy since the Great Depression can be found in those dates⁷.

The basic reason for the present economic crisis can be attributed to the US unregulated financial environment, mortgage lending to subprime borrowers. The scenario of the present economic crisis started with the collapse of American giant financial firms with their careless attitude towards lending. With the collapse of Lehman Brothers and other Wall Street icons, there was uttering recession clearly indicating its effect on the economy of the world. The reason for this is not unknown to anybody. Reason being the attitude of the US financial firms and its work force to make quick money and capture market share. Since the borrowers did not have adequate repaying capacity and also because subprime borrowing had to pay two-to-three percentage points higher rate of interest. But once the housing market collapsed, the lender institutions saw their balance-sheets go into red. With the collapse of Lehman Brothers and other

⁵ www.download.nos.org/srsec335new/ch.17.pdf

⁶ <http://www.businessdictionary.com/definition/economic-crisis.html>

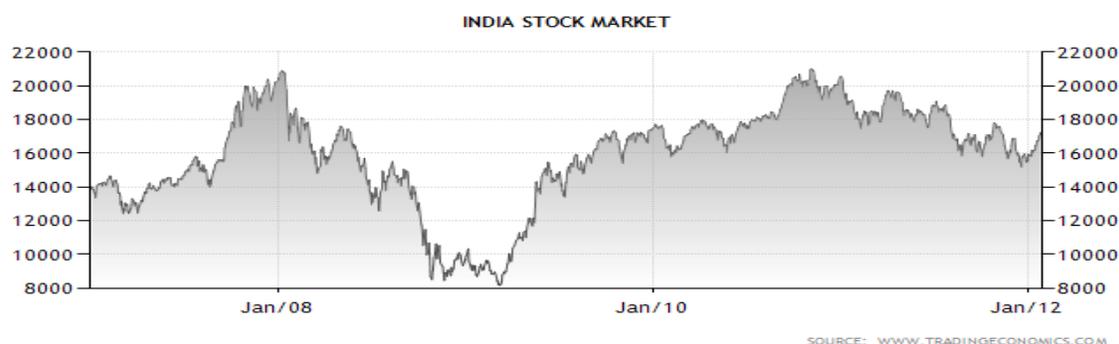
⁷ Larry Elliott, Economics editor, guardian.co.uk. 7th August 2011, global financial crisis key stages

Wall Street icons, there was growing recession which affected the US which in turn affected the whole world. This was the result of large scale defaults in the US housing market as the banks went on providing risky loans without adequate security and the repaying capacity of the borrower. The principal source of transmission of the crisis has been the real sector, generally referred to as the 'Main Street'. This crisis engulfed the United States in the form of creeping recession and this worsened the situation of the world directly and indirectly. As a consequence, US demand for imports from other countries indicated a decline⁸. We are less than halfway through the crisis that began on 9 August 2007. That crisis has just entered a dangerous new phase⁹.

4. IMPACT ON INDIAN ECONOMY

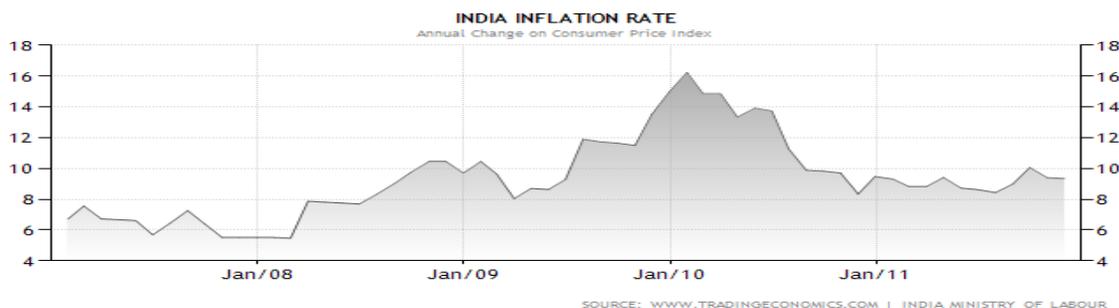
Although at one time it was thought that this crisis would not affect the Indian economy, later it was found that the Foreign Direct Investment (FDI) started drying up and this affected investment in the Indian economy. Indian economy severely affected, resulted in fluctuation in stock market, rupee value, industrial output, inflation, Balance of Trade & GDP.

4.1 INDIA STOCK MARKET



The SENSEX, a major stock market index which tracks the performance of large companies based in India melt down to the lowest in 2007 and 2009 almost reaching 12000 and 8000 points respectively. But they recovered from their worst status after those periods showing appreciable progress. The impact is so severe even now are fluctuating to find steady levels.

4.2 INDIA INFLATION RATE

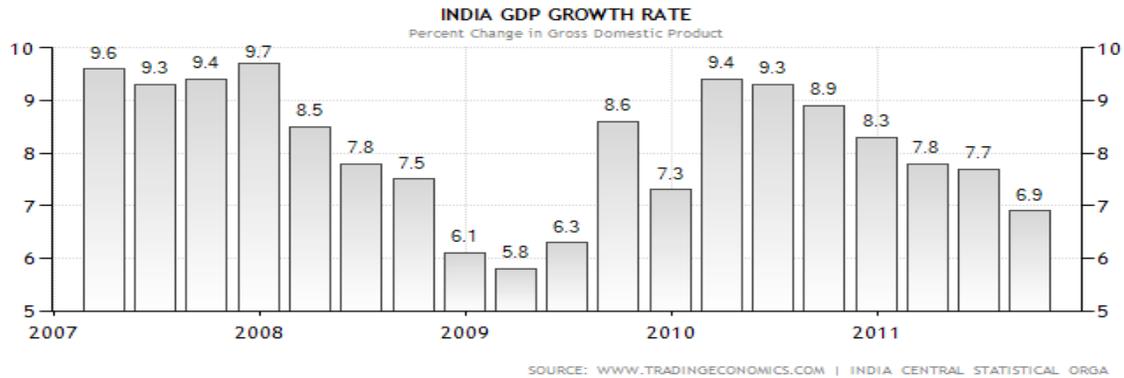


⁸ Ruddar Datt, Mainstream, Vol XLVII, No.15, 28th March 2009

⁹ <http://www.guardian.co.uk/business/2011/ag/07/global-financial-crisis-key-stages>

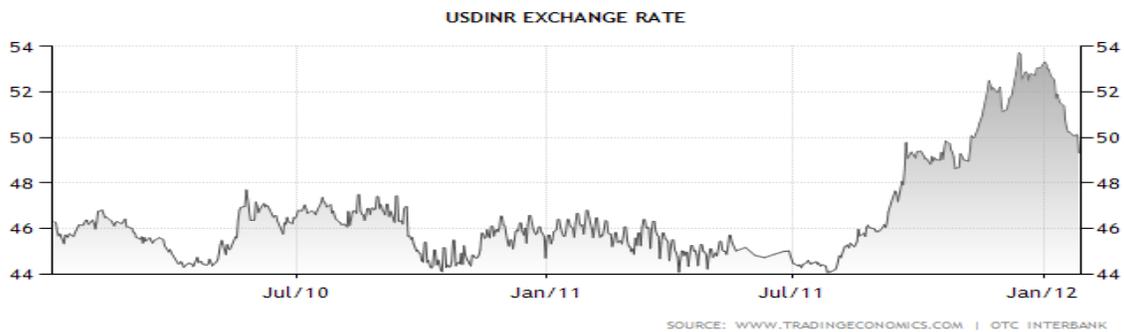
To curb the inflation RBI made several changes in its financial policies. Because of all these the Indian economy experienced its worst growth in the present financial year from an estimated 9.0% at the beginning of the year to present 7.0% in 2011. In the financial year 2010-11 India achieved its growth rate at an average of 8.5%. It was; therefore, felt that the Indian economy will grow at about seven per cent in upcoming financial years. The lesson of this experience is that India must exercise caution while liberalizing its financial sector.

4.3 INDIA GDP GROWTH RATE



The industries most affected by weakening demand were airlines, hotels, real estate, IT&ITES. Besides this, Indian exports suffered a setback and there was a setback in the production of export-oriented sectors. The government advised the sectors of weakening demand to reduce prices. It provided some relief by cutting down excise duties, but such simplistic solutions were doomed to failure. Weakening demand led to producers cutting production, reducing the inventory level. To reduce the impact of the crisis, firms reduced their workforce, advertisement spending, and sales force, ensured utmost care to reduce costs through all means. This led to increase in unemployment, decrease in revenues, and increase in halt time of the machines and severe blow on the economy.

4.4 USD AND INR EXCHANGE RATE



The rupee against USD also fluctuated throughout the reference period reaching to its greatest high in December 2011 and January 2012. This indirectly resulted in increase of the oil prices and thereby influencing the inflation of India. The rupee reached its highest 53.75 in December 2011.

4.5 INDIA INDUSTRIAL PRODUCTION



Industrial Production is an economic report that measures changes in output for the industrial sector of the economy. The industrial sector includes manufacturing, mining, and utilities. Although these sectors contribute only a small portion of GDP, they are highly sensitive to interest rates and consumer demand. This makes Industrial Production an important tool for forecasting future GDP and economic performance. Industrial Production figures are also used by central banks to measure inflation, as high levels of industrial production can lead to uncontrolled levels of consumption and rapid inflation. Consequently, a vicious cycle of weak demand and falling output developed in the Indian economy.

The Index of Industrial Production (IIP) recorded a de-growth of 5.1% in October 2011, relative to the 11.3% growth in October 2010, extending the slowdown in industrial growth witnessed in the recent months (9.5% in June 2011, 3.7% in July 2011, 3.6% in August 2011 and 2.0% in September 2011). The 5.1% contraction in industrial output in October 2011 was sharply lower than the consensus estimates and marks the worst growth performance since March 2009¹⁰.

4.6 INDIA BALANCE OF TRADE

The case was almost similar in case of the India's Balance of Trade. Reached its lowest in 2008 and then in 2010. In both these cases it crossed -15000 million INR mark. It touched its lowest in December 2011 that is -20000 million INR mark according to the sources from directorate general of commerce.



5. IMPACT ON GLOBAL E&M INDUSTRY

¹⁰ Aditi Nayar, Index of industrial Production October 2011: De growth of 5.1% led by broad based slow down in output, ICRA Ltd, Gurgaon, www.icra.in

Worldwide, 2010 saw the global economy begin to recover from a steep decline in the previous years. Improved economic conditions in 2010-11 played a major role in setting the market on a regular path by increasing the consumer spend, advertising spend and most importantly in the E&M spend. While India and China were not critically impacted by the downturn in 2008 and 2009, they demonstrated one of the highest growth rates in the recent year and continued to outperform their global peers. Advertising, the most cyclically sensitive of the three E&M spending streams recorded the largest year-on-year swing, growing by 5.8% in 2010 from almost an 11% decline in 2009. Consumer spending grew 2.2% while E&M spending as a whole grew at 4.6% in 2010. Advertising, the most cyclically sensitive of the three E&M spending streams recorded the largest year-on-year swing, growing by 5.8% in 2010 from almost an 11% decline in 2009¹¹.

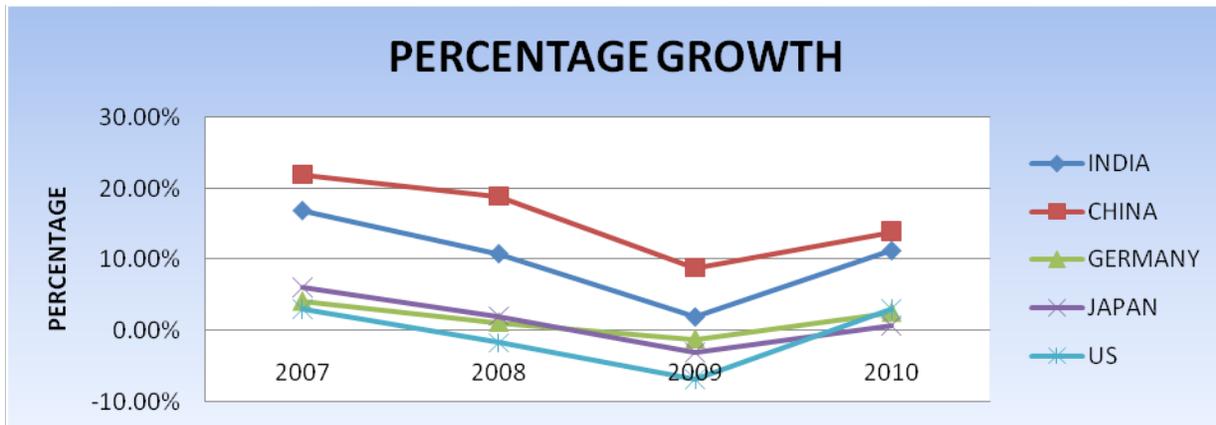
From the below table, Indian market in terms of the spending in absolute numbers is very small in comparison to other countries in the list. But, the global economic crisis also affected India like all others. When the absolute figures are taken into consideration the countries economical impact looks like very marginal but when it is compared with the growth rate year by year impact of the global downturn can be seen with utmost clarity. The real effect of the global economic crisis is majorly on US, Germany and Japan and to a certain extent on China and India. The economic crisis was severe in those three countries because of their well developed market and highly advanced key players in the economy.

	2006	2007	2008	2009	2010p
India	9,782	11,429	12,633	12,907	14,355
China	47,583	58,020	68,992	75,085	85,543
Germany	81,733	85,129	86,131	85,106	87,296
Japan	164,687	174,732	178,279	172,768	174,036
US	455,520	469,713	461,737	429,912	443,144

Source: PwC Global E&M Outlook 2011 -2015, PwC India E&M Outlook 2011

US market grown only by 3% in 2007 thereby continuous negative growth for next two years which was almost -1% and -7% in 2008 and 2009 respectively. Having recovered from this crisis to a small extent in 2010 showed a positive growth of 3% which is again not appreciable because the spending in the year 2010 is lesser than the spending in the year 2010. The case is almost similar in Japan market where in growth percentage drastically came down from 2007 to 2009 but a minor cheer at the end of the year 2010. The growth percentage in the year 2007 was almost 6% and came down to 2% in 2008 thereby a growth of -3% in 2009. But, having recovered marginally Japan showed a positive come back in 2010 with almost 1% growth which is still a matter of concern taking into consideration the Japans advertising potential. The next severely affected country by this downturn is Germany, which has showed 4% growth in 2007, 1% in 2008, -1% in 2009 and backed by 3% in 2010 growth which is appreciable to some extent.

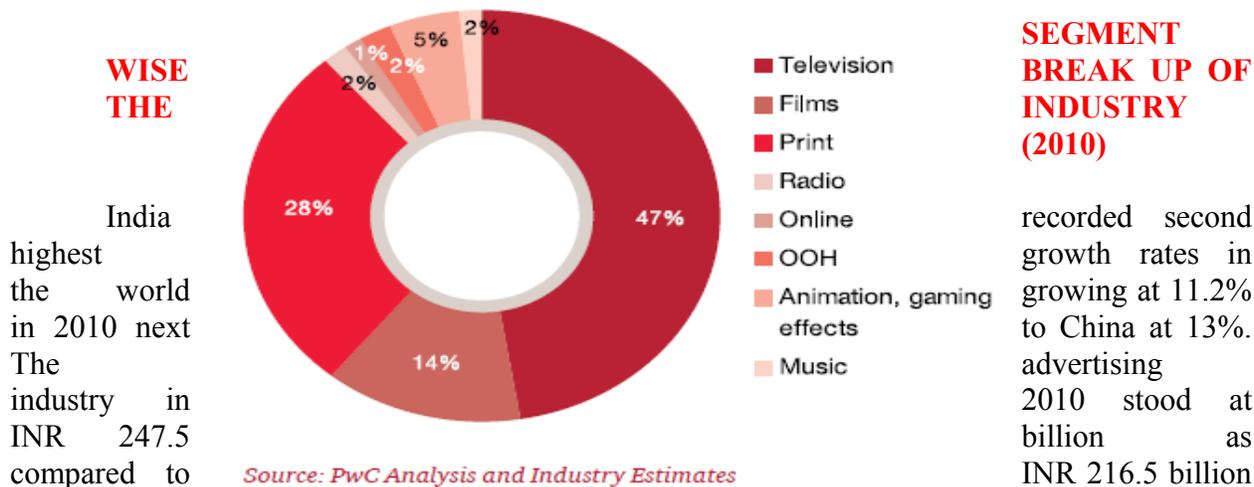
¹¹ PWC's India Entertainment and Media Outlook 2011 – July 2011, p-7



6. IMPACT ON INDIAN ADVERTISING INDUSTRY

Growth in business has led to a consecutive boom in the advertising industry as well. The Indian advertising industry today handles both national and international projects. This is primarily because of the reason that the industry offers a host of functions to its clients that include everything from start to finish that include client servicing, media planning, media buying, creative conceptualization, pre and post campaign analysis, market research, marketing, branding, and public relation services. Keeping in mind the current pace at which the Indian advertising industry is moving the industry is expected to witness a major boom in the times ahead. If the experts are to be believed then the industry in the coming times will form a major contribution to the GDP¹².

The segment wise breakup of the entertainment industry clearly shows that television and prints media together accounts to 75% and plays a vital role. But through this, cannot neglect the other sectors contribution to the industry as whole and their impact on the market. Having other segments in their early stages of the growth the contributions are less and their impacts are also less within the industry and within themselves. Online advertising is picking up its root in India very slowly but once it is developed it will definitely overtake the print media at least in the near future.



¹² <http://www.exchange4media.com/e4m/bottombarfiles/Indian-advertising-industry.asp>

in 2009. The two key industry segments performed to their best against all odd, they are television 14% growth over the previous year and print 13% growth on the same basis. These two media always showed good growth aspects in the recent past but failed to check the impact of global economic crisis. The advertising industry continues to be dominated by TV, print and OOH. Whereas the Internet advertising is gearing up with the recent developments in telecommunication and increase in number of users of internets. More and more players are using this mode of advertising to push their products and build their brands. With the present growth rate Internet advertising will emerge as the second largest media after television by 2015 overtaking the second largest print media in the world. Presently Internet advertising market in India is not so developed mainly because of the lack of interest, developing technology and its outreach in comparison to the dominating television and print media. Having placed at fifth position in India after TV, Print, OOH and Radio continues to deliver its role in advertising market by attracting specific advertisements which are predominantly e-based, customer specific and targeted people.

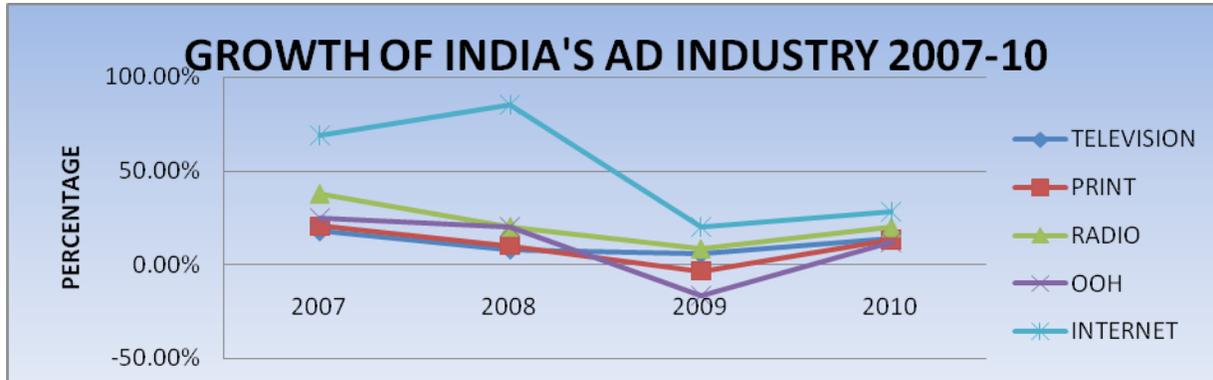
Table 1.3: Growth of the Indian advertising industry in 2006-10						
INR billion	2006	2007	2008	2009	2010	CAGR%
Television advertising	66.2	78.0	84.2	89.0	101.5	11.3
<i>% change</i>		17.8	7.9	5.7	14.0	
Print advertising	78.0	94.0	103.5	100.0	113.5	9.8
<i>% change</i>		20.5	10.1	-3.4	13.5	
Radio advertising	5.0	6.9	8.3	9.0	10.8	21.2
<i>% change</i>		38.0	20.3	8.4	20.0	
Internet advertising	1.6	2.7	5.0	6.0	7.7	48.1
<i>% change</i>		68.8	85.2	20.0	28.3	
OOH	10.0	12.5	15	12.5	14	8.8
<i>% change</i>		25.0	20.0	-16.7	12.0	
Total	160.8	194.1	216.0	216.5	247.5	11.4
<i>% change</i>		20.7	11.3	0.2	14.3	

Source: PwC Analysis and Industry Estimates

Growth of media wise Indian advertisement industry shows clear effect of economical downturn or global economic crisis. The major media of advertisements in India are Print and Television. These two media plays a vital role in the advertisement industry over others, because of their capability to reach mass and effectiveness through creativity. These media were not out of the ambit of global economic crisis and suffered a great set back. The Print media experienced it's de-growth from 20% in 2007 to 10% in 2008 and there by a negative growth -3.5%. But recovered to a greatest extent in 2010 marking 33% growth through which it proved the capability to with stand and deliver against the global economic crisis. Having a lion share in advertisement television media also affected by the global economic crisis. Though there is no such changes in the advertisement spending are concerned, but there is a clear evidence of dip in growth rate from 17% in 2007, 8% in 2008, and 6% in 2009. In 2010 it also recovered from its worst growth trend and reached 14% but not a remarkable progress.

Radio advertisements are very restricted because of the absence of visual trailers. Because of this reason the spending on radio advertisements are very small in comparison to all other media. But, emergence of new radio channels with the developments in communication

technology is attracting good number of advertisements. The global economic crisis also affected this media in its growth which was 38% in 2007 to 20% in 2008 and thereby a drastic low of 8%. But in the year 2010 the same media reached 20% and thereby showed a good come back in terms of growth.



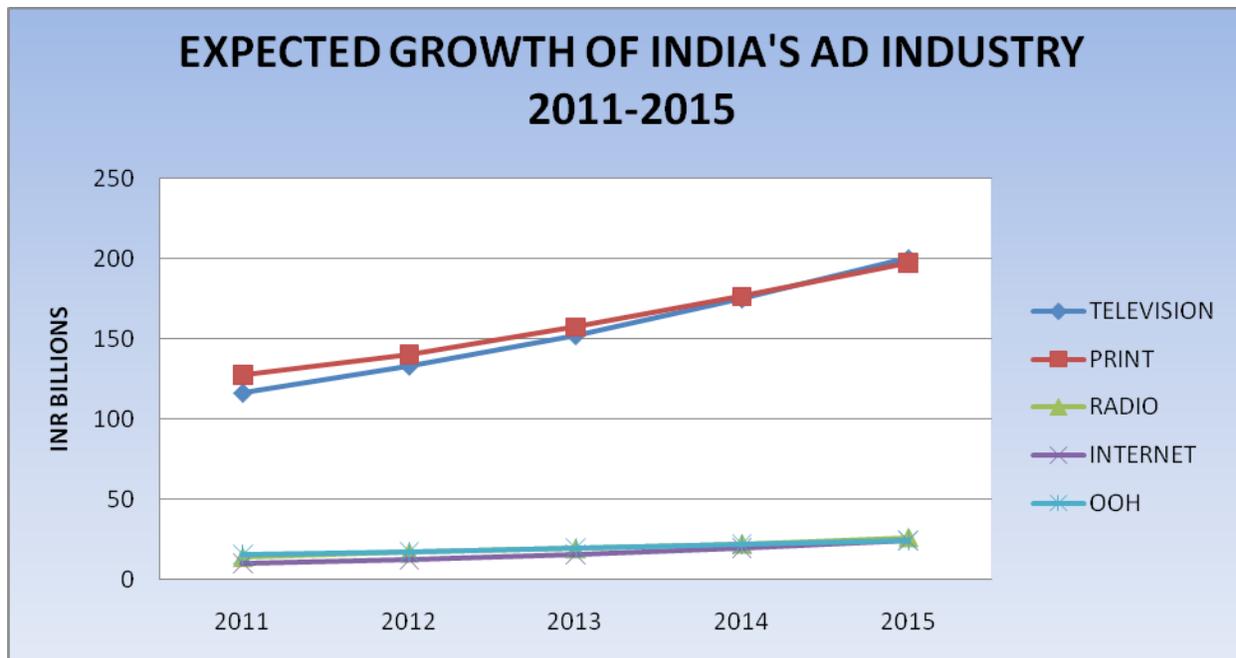
OOH has shown decreasing growth over the above targeted time period. It had a growth of 25% in 2007, 20% in 2008 and fell down to -16% in 2009 but showed a positive come back to 12% in 2010. Here the absolute figures of Radio and OOH advertisements spending are very small but the impact on its growth can be felt only using the growth trend. The internet Media has shown reverse trend in comparison to all other media. In the reference time period the growth started at 68% in 2007 and rose to 85% in 2008. This was not the case in the subsequent years and drastically came down to 20% in 2009. But in 2010 it reached 28% which is appreciable to some extent but really not when the absolute numbers are taken into consideration.

7. EXPECTED GROWTH OF INDIA'S AD INDUSTRY¹³

According to the estimates of future growth by PWC, the India's advertisement industry expected to reach 471 billion INR by 2015. By the same period the huge difference in the Television and Print will narrow down and may reach to the same level of 200 billion INR.

	GROWTH OF THE INDIAN ADVERTISING INDUSTRY 2006-15									
	ACTUAL					EXPECTED				
INR BILLION	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
TELEVISION	66.2	78	84.2	89	101.5	116	133	152	175	200
PRINT	78	94	103.5	100	113.5	127	140	157	176	197
RADIO	5	6.9	8.3	9	10.8	13.5	16.5	19	22	26
OOH	10	12.5	15	12.5	14	15.5	17	19	21.5	24
INTERNET	1.6	2.7	5	6	7.7	10	12.5	15.5	19.5	24
TOTAL	161	194	216	217	247.5	282	319	363	414	471

¹³ PWC's India Entertainment and Media Outlook 2011 – July 2011



8. CONCLUSION

Just by recovering from de-growth it cannot be taken granted as they are fully out of danger from this crisis. The recent down grade of the US economy is yet to show its impact. Current political and financial scenarios may again affect this industry and may push these to the worst condition than the present one. To overcome the future troubles, Indian economy should improve its economical conditions, economical policies and there by becoming economically independent country. By this the indirect effect of the worst from west can be successfully checked and actions plans can be formulated before it uproots the Indian economy.

Indian Advertising Industry is in a nascent stage, it evolved from being a small-scale business to a full-fledged, highly developed, sophisticated and technologically driven industry. It has emerged as one of the major industries in tertiary sector and has broadened its horizons be it the creative aspect, the capital employed or the number of personnel involved. Indian advertising industry in very little time has carved a niche for itself and placed itself on the global map by its rapid advancement. Indian advertising industry with its enormous spending and investments has made jaws drop and set eyeballs gazing with some astonishing pieces of work that it has given in the recent past. The creative minds that the Indian advertising industry incorporates have come up with some mind-boggling concepts and work that can be termed as masterpieces in the field of advertising. Indian economy is on a boom and the market is on a continuous trail of expansion. With the market gaining grounds Indian advertising has every reason to celebrate. Businesses are looking up to advertising as a tool to cash in on lucrative business opportunities and market penetration through its attractive advertisement campaigns.