

Digital Advertising Decisions In The Era of “Make In India” (Evolution, Current Perspective and Ideas for Future Growth)

Bhavika Bali

Freelance Researcher

New Delhi, India

Abstract

The objective of this paper is to analyze the evolution of digital advertising practices in India. Digital advertising revenues in India are projected to increase at a CAGR (2015-2020) of 33%., where the annual revenue projections for 2017 are expected to be INR 114 Billion. (Source: KPMG, FICCI Report). As the Indian consumers are warming up to the idea of Digital India, are there enough theoretical and literary evidences to assess the impact of this recent phenomenon for Indian Small and Medium enterprises? There is substantial research to support the evolution of formal controlled advertising. However there is little research to help SMES understand the dynamics of New Age Digital Advertising in India.

Objectives of the paper

1. This paper is a modest attempt to achieve the following objectives.
2. To overview the evolution of Digital Platform for Marketing.
3. To delve into the emerging trends of Digital Advertising in Indian markets.
4. To enlist the key literary and research achievements in the digital advertising domain.
5. To give certain suitable recommendations to the SME owners for boosting Make In India.

Methods of Data Collection

To achieve the above mentioned objectives previous international and national research papers have been explored. Help of various other secondary sources such as web portals have been sought.

The current research initiative is exploratory in nature.

Digital Advertising in the Era of Make in India

Indian Small and Medium Enterprises are a class example of a sector with great potential which has not been optimized due to poor entrepreneurial development and leadership.

The government of India has set a target of achieving 25% contribution from manufacturing sector in GDP by 2022.

To achieve this growth the initiative of “Make in India” has been launched. The Make in India initiative calls for a paradigm shift in marketing sensibilities and advertising strategies adopted by Indian entrepreneurs.

With increase in the broadband and internet penetration, the need of the hour is evolution of online marketplace models.

Small players often tend to face tough competition from advertising strategies of large scale firm entrepreneurs.

Government of India now organizes regular training programs on packaging for exports, entrepreneurial development programs and Technopreneur promotion program.

Digital Advertising Usage, Entrepreneurial Orientation and their SME growth has been a subject of interest for researchers from long.

Research findings have suggested a strong influence of digital marketing practices on providing substantial competitive advantages to SME’s in India.

Studies conducted in the early years of the Dotcom boom focus on the role that an entrepreneur’s network play in the process of business creation (Hansen, 1995; Ostgaard and Birley, 1996; Sengupta, 2011) and sometimes have also related network usage with company growth. (Hite & Hesterly, 2001; Bhannison, Alexanderson, Nowicki & Seneseth, 1994)

SME growth is more likely to be positive when a firm consistently uses its network as a resource.

Effective usage of intangible resources such as internet mediated network and entrepreneurial orientation can be converted into determinants of SME growth.

The Evolution and Acceptance of Digital Platform for Marketing

As discussed in the American Journal of Marketing (MA/MSI Special issue November 2016) an extensive study was conducted to analyze key articles

and topics, reflecting on the evolution of core Digital, Mobile and Social Media themes from the year 2000 to year 2015. For the purpose of detailed understanding the article throws light on interesting shift in priorities from the year 2000 to 2015 in this particular field of study.

The key findings

1. Academic researchers started focusing on developing a body of literature dedicated to Digital Media, post the year 2000. The internet was accepted widely as the new medium of communication. The research was influenced by adoption of the Hoffman and Novak (1996) model of consumer behaviour in hypermedia CMES and the Netvertising Image Communication Model, that mapped the stages through which marketer generated images are converted into consumer responses. After the burst of the “dot-com” bubble, need to study the marketing dynamics of the newly networked business environment was accepted. This led to establishment of dedicated journals for the study of dynamics of new age interactive marketing communication. This era of academic research focused on understanding the benefits to consumers by augmenting offline life, sharing opinions and narratives and advantages of viral transmission and content creation.
2. The second Era (2005-2010), as suggested in the study, highlighted the role of mainstream consumers taking a keen interest in developing online social interactions through online communities and social networking. Here the stakeholders saw internet as a key medium to raise choice quality, ability to understand consumers through knowledge gained from network position. Internet now evolved as a search and decision support tool”. This paved way of observing internet as a “marketing intelligence tool”, which could successfully anticipate consumer choices and internet became the new digital source of research and data.
3. “Connected Consumer” became the research priority for academicians around the world, in the third phase termed as the “Age of Social Media-2011-2014”. It was widely acknowledged now that the consumers action have the ultimate potential to influence and the social media platforms have now given the consumers the ultimate power to use self-expression as a means of amplifying of dulling any marketing activity.

Schematic Overview of the Digital Advertising Models

Research conducted by Little (1979 D) and studies conducted by Bloom, Jay and Twymann (1977) try to assess the impact of advertising on the magnitude of sales. In a series of empirical studies it is ascertained that the buildup effect of advertising is positive and immediate.

As we reduce the role of advertising, sales also take a hit but the decay is less slow than the rate of sales growth.

Theories surrounding the assessment of advertising response, classify Advertising Response Curve as S shaped, Linear and Concave Shaped.

The effects of any online advertising campaign are set to be a play of three major forces:

Response Phenomena: Little (1979b) identifies three set of controversies for aggregate (as opposed to individual) advertising response models:

Shape: The representation of long term level of sales expected at each different level of advertising moulds the online advertising graph as linear or S shaped.

Dynamics: The advertising response model is influenced by the speed of sales and the influence of increase and decrease of advertising spread.

Interactions: here we try to understand what type of market (strong or weak markets) is a more appropriate target for advertising and second what is the most appropriate structure of interaction of advertising with other elements in the marketing mix.

Studies conducted by researchers have also thrown light on evaluating the advertising–response model with the possibility of sales with zero advertising. The rise and decay rates of online advertising keep on fluctuating and the phenomenon is often referred to as the “wear out”. This is understood by the analysis given by Simon (1982) with the ADPULS model. Another related phenomenon is that of hysteresis; where response falls off when advertising remains constant.

Five key managerial decisions pertaining to development of an advertising program are

1. Determining the communication and sales objectives
2. How much budget is allocated to the advertising campaign?
3. What message should be sent through the advertising campaign (copy development, evaluation and execution)?
4. The type of media to be used (reach, frequency, impact, media type and message timings)
5. Evaluation of the communication and sales impact?

Little has further elaborated in his research that a good advertising response model should always admit the possibility of sales responding dynamically upward and downward, to increase and decrease in advertising. His research have provided evidence to support that steady –state response can be concave or S-Shaped and will often have positive sales at zero advertising.

How to Measure the Actual Effectiveness of an Online Ad?

The actual effective value of a single advertisement is given by

$$V(E_A) = f_1 * f_2 * f_3 * E_A$$

$V(E_A)$ = effective value of a single advertising insertion

F_1 = percentage of persons exposed to medium who have seen advertisement (exposure value)

F_2 = percentage of persons seeing advertisements who registered message

F_3 = percentage of persons registering message who are favorably impressed

E_A = Average number of persons exposed to medium carrying advertisements

The Scheduling and duration of online Advertisements

The two important models that can help researchers tackle the issue of advertising scheduling are proposed by Simon (1982) and Mahajan and Muller (1986a)

Simons model of advertising admits that there are three possible advertising policies which a firm can adopt

1. No pulse (Constant Advertising)
2. Alternate Pulse (pulse-no pulse-pulse-etc)
3. Repeat Pulse (pulse-pulse-no pulse-pulse-pulse-etc)

The key driving force behind the intensity of the advertising pulse is measure of intensity of difference between upward and downward response to advertising. This implies that this is the key reason that increases the difference between pulse and non-pulse budget.

The model proposed by Mahajan and Muller (1986) work on pulsing policies that focus on awareness generation of new products. The five key policies of investigation as proposed by Mahajan and Muller are listed as follows

1. Blitz: A firm would concentrate on all advertising spending in some initial period.
2. Pulsing : A firm here reasons the possibility of choosing high and zero level of advertising
3. Chattering an infinite number of times between high and zero advertising levels

4. Even : in which the budget is spent at a constant level over the planning period
5. Pulse Maintenance : In which any of the policies above is combined with a non-zero level of advertising during the “off period”

Can Digital Advertising Impact Sales?

In the past few decades there have been several streams of research in the field of online marketing. Researchers have been prodding the “Display advertising is indeed effective”.

The effectiveness of digital marketing practices has been measured through simple parameters such as the “Click through Rate”.

Moving beyond the concept of CTRs, research reports started presenting new concepts such as study of the direct impact of display advertising on consumer behaviour such as brand recall (Dreze and Hussherr 2003) and brand specific page views (Rutz and Bucklin 2012), the consumer purchase intentions (Lewus and Reiley 2014, Manchanda et al. 2013).

Studies have also focused on understanding the contextual factors that enhance display advertising effectiveness (Adamopoulos and Todri 2014, 2015; Goldfarb and Tucker, 2011).

Stream of studies in the present times are also studying the impact of emerging work on digital attribution. Digital allocation is concerned with allocating credit for a consumer purchase across marketing channel to which consumers were exposed during the purchase funnel path.

Ananda Ghose and Vilma Todry-Adamopoulos have recently published a research paper titled

“Towards a Digital Attribution model: Measuring the impact of Display Advertising on Online Consumer Behavior”. The relationship between display advertising and several online consumer behaviors were assessed.

The authors have concluded that any display advertising channel can be evaluated across a wide range of consumer behavior apart from increasing consumer propensity to consume.

The key findings of the study have suggested that interest in product and service is spurred the moment respondents are exposed to display ads. This study proved that consumers are influenced by the result of display advertising as they put in a lot of effort to gather information through search engines, as well as passive search.

The duration of the online ad and exposure to display advertisements are more likely to lead respondents to engage in direct search behavior i.e. direct website visits. In this study with the use of incremental lift approach, deployment of large online media and analytical tools on US based retailers was conducted. A customer funnel path was constructed which used touch points that are related to some unique customer identifiers. This customer funnel path would enable the retailers to determine the most effective advertising channel.

How to Choose Your Audience for Online Advertising?

Kunpeng Zhang and Siddharta Bhattacharya conducted one of a kind study to understand large scale network analysis for Online Social Brand Advertising. They presented an online audience targeting form which had 4 phases

1. Extracting and normalizing brand to brand network.
2. Finding a set of closely related brands with respect to a focal brand.
3. Identifying a subset of influential brands.
4. Selecting target audience from selected brands.

Brand to Brand relationship provided an adequate mechanism to form a perspective of consumer's overlapping interests. This worked as a sound basis for audience selection in online advertising.

Suggested Digital Advertising Strategies to Boost “Make in India”

Search Trend Data

Online big data will provide a myriad of opportunities to model and forecast economic phenomenon that were difficult to forecast for SMES. Data generated through search engines, enables business owners to assess the intention, preferences and opinions to be modeled on a massive scale. Online

data generated through crowd is massive as it is the opinion of large number of individuals.

Customer Knowledge Management

Customer knowledge management in context of digital advertising practices refers to the effective management of knowledge resident to a customer. The source and variety of Big Data involves new technologies that create, communicate, or are involved with data-generating activities, which produce different types and formats of data resources. The data which we are referring to here is not just a number that depicts amounts or performance indicator or a scale (Introduction to Big Data Era, Stephan Kudyba). The data would also include less structured formats such as

1. Website Links
2. Emails
3. Twitter Responses
4. Product Reviews
5. Pictures and Images
6. Written Text in various platforms.

Creating Value out of Digital Advertising for SMES

Deriving value out of marketing has always been a frustrating task. Marketing is at cross roads and digital marketing managers today are finding it difficult to assess the gap between promise and practice of effects of measurement, big data and online and offline integration.

As discussed by Lola Esteban and Jose M.Hernandez in their paper titled “Advertising Media Planning, Optimal Pricing and Welfare”, specialized advertising media and its skill full optimization will progressively improve an SME’s ability to target message to the specific group and thus reducing any wastage of online ads. However due to limited resources and capabilities, it is difficult for small players to perfectly differentiate amongst the target groups and reach the actual group of potential customers. The results of the study help us understand that use of specialized advertising can affect firms, consumer and welfare as it brings to table higher cost efficiency as they soften price competition in highly price sensitive consumer groups.

However here we cannot ignore the possibility of low media specialization and high advertising costs. A random targeting technology can bring in large consumer surpluses by reducing the per-head reach cost of advertising.

Online Advertising impact can be assessed in two ways

1. Modeling Secondary Data - Assessment of digital search, social and mobile based database
2. Running Survey Research and Experiments- This approach requires customers and digital marketing managers to react to different marketing interventions

The combined usage of secondary and primary resources can provide exact impact of costs and risks involved in digital advertising.

Directions for Future Research

Digital advertising can indeed be a game changer for future marketing of Small and Mid-Sized enterprises in India. While many are excited about the Digital India Initiative, SMES are finding it difficult to compete with large players due to the backing of global balance sheets. Today India has a measurable consumer surplus of \$9 per user per month, which is on a much lower side than other developed countries.

Companies such as Flipkart, Snap Deal and Ola which saw strong growth in the last few years, are faltering out today at the hands of intense competition from deep pockets such as Amazon and Uber, which are able to deploy cash and technology from US to India. Similarly India's advertising economy is dominated by Google and Facebook, which jointly captures more than 75% of digital advertising revenue.

Through our literature review and research analysis it is clear that SMES could reduce expenses on call centre, business shows and even offline media with the correct usage of digital advertising methods.

The future research for SMES needs to focus on adoption of internet as means of improving competitiveness.

Consistent efforts need to be made to develop affordable yet powerful audience metrics for SMES.

Pertaining to academics there is an urgent call for scholars to theorize the impact of digital advertising for small and mid-sized business operations in India. Consistent with recent international studies and research, new ways of understanding the marketing dynamics, actions and outcomes are called for.

References

- Dan Zarrella (2010), *the social media marketing Book*: O'Reilly Media Inc
- Clara Shih (2010), *The Facebook Era: Tapping Online Social Networks to Market, Sell, and Innovate*: The Prentice Hall
- Joel Comm (2010), *Specifications of Twitter Power 2.0: How to Dominate Your Market One Tweet at a Time*: John Wiley & Sons

- Jason Burby, Shane Atchison (2011), Actionable Web Analytics: Using Data to Make Smart Business Decisions: John Wiley & Sons
- Stephan Spencer, Rand Fishkin, Eric Ege : The Art of Seo O'Reilly Media Inc
- Dave Kerpen (2011), Likeable Social Media: How to Delight Your Customers, Create an Irresistible Brand, and Be Generally Amazing on Facebook: McGraw-Hill
- Tamar Weinberg (2009), the New Community Rules: Marketing on the Social Web: O'Reilly Media Inc
- Dharmesh Shah (2009), Inbound Marketing: Get Found Using Google, Social Media, and Blogs John Wiley & Sons
- Erik Qualman (2010), Socialnomics : How Social Media Transforms the Way We Live and Do Business John Wiley & Sons
- Nicholas Carr (2009), The Big Switch: Rewiring the World, from Edison to Google Reprint Edition W. W. Norton & Company
- Unmarketing (2011), Stop Marketing. Start Engaging : Scott Stratten Wiley India Pvt Ltd
- Ayat Shukairy, Khalid Saleh (2010), Conversion Optimization: The Art and Science of Converting Prospects to Customers: O'Reilly Media
- John Jantsch (2010), The Referral Engine: Teaching Your Business to Market Itself: Portfolio Hardcover
- Ben Hunt (2011) Convert! Designing Web Sites to Increase Traffic and Conversion: John Wiley & Sons