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Finance

Strategic thinking in public finance

We need to attain sustained small primary surpluses

By Snakes & Ladder

Given the limitations of GDP measurement in India, measures such as the interest payment to revenue receipts (IP/RR) ratio are desirable. About 40 per cent of revenue receipts now go to interest payments. In the world of corporate finance, the term "operational leverage" is used to convey the pressure of locked-in payments that are akin to debt-servicing obligations. Indian public finance faces overt leverage (which demands debt servicing) and operational leverage (commitments to pay wages and pensions), which limits the room for manoeuvre. Every borrower runs the risk of falling into a "debt trap": Where debt is repaid through borrowing. A "fiscal crisis" is a short period in which the debt dynamics become adverse, where debt grows dramatically compared with tax revenues. In countries with a fiscal crisis, the debt/GDP ratio surges over a few years. Governments have limited room to manoeuvre by way of cutting spending because of the inflexibility of interest payments and operational leverage. So when debt-servicing costs surge, there is extreme pain. A good tool for understanding debt dynamics is the "primary deficit" (PD). As long as there is a primary surplus (i.e. a PD that is negative), the debt/GDP ratio will decline. It helps that the primary deficit is a fact measured out of public finance accounting, and does not require observation of GDP. We just have to know whether it's a primary surplus or a deficit. When a small primary surplus is obtained, the debt/GDP ratio declines, regardless of the problems of GDP measurement. The primary deficit was above 3.5 per cent of GDP for all the years from 1983- 84 to 1990-91. This worked out poorly. Things worked better from 1991-92 onwards. There was a good period — 2003-04 to 2007-08 — where four out of the five years had primary surpluses. This gave a nice reduction in total debt, from 62.6 per cent in 2002-03 to 57.3 per cent in 2008-09. Small primary surpluses kick off gains in the debt/GDP ratio. The pandemic gave a period of greater difficulty. While the Union government (in my opinion, correctly) resisted calls for vast spending, tax revenues suffered, thus creating fiscal stress. The primary deficit was back up to 5.74 per cent in 2020-21 and is now at values of about 2 per cent. The Revised Estimate for 2023- 24 is 2.3 per cent: Well above zero.

Looking into the next decade, it would be a great step forward for India if a fiscal adjustment of about three percentage points were obtained, so that we get to prudent public finance, the state of affairs where in a normal year, there is a small primary surplus. This would create the space to occasionally run primary deficits, in response to events like a war, a global financial crisis, or a global pandemic. The power of policymakers would be enhanced because, when faced with such crises, they would have the ability to put multiple percentage points of GDP into additional spending.

So far we have engaged in conventional fiscal reasoning, where the numerical values in Budget documents are taken at face value, with the mandatory surgeon general's warnings about the gross domestic product data. The algebra underlying the need for small primary surpluses is impeccable. The second structural

problem of Indian public finance, which gets less attention, is the means used for borrowing. When a corporation or an individual borrows, the financial system has the right to refuse the debt, and the financial system sets the required interest rate. This is not how the Indian state borrows. The bulk of the borrowing of the Indian state comes from financial firms which are forced to buy government bonds. This is called “a financial
repression” system. From the viewpoint of economic efficiency, this constitutes a tax on formal finance. Every user of the Indian financial system—insurance companies, pensions, and banks — is being taxed in the form of an inferior return on account of the forced mobilisation of their resources by the state. In public finance, we know that any tax on one industry is an inefficient tax. It is better to have broad-based taxes — such as personal income tax and goods and services tax—where no excessive burden falls on any one kind of commercial activity.

Finance is the brain of the economy; it’s a particularly important industry. It would be good to not distort this industry.

The financial repression tax reduces the size of Indian formal finance in favour of three alternatives: Non-intermediated capital, overseas intermediation, and informal finance. Each of these imposes a cost upon the economy when compared with a properly working financial system. Dialling back on forcible resource mobilisation will foster economic growth. It will also enhance Indian strategic depth because the government will then build something new: A cadre of private voluntary lenders. This becomes the foundation for enhanced borrowing when faced with a crisis, where higher interest rates can be paid and more resources can be obtained. In contrast, under present conditions, the forced lenders are price-insensitive and have not learned to think about the risk and reward of lending to the Indian state as a business proposition. The strategic sense for Indian public finance, then, runs in two parts: To rise from a world of forced borrowers to voluntary lenders, and to go from chronic fiscal stress to a world of normally having small primary surpluses. These two prongs would create a healthy environment for high growth for the people, and enhance strategic depth in the state by opening up to vast resourcing when faced with a crisis. (FE02022024)

E-COMMERCE

E-com catching up on search?

Brands are spending more on e-commerce ads than ever before

Written by Christina Moniz

Amazon India recorded 28% growth in advertising revenue in FY23 to reach Rs 5,380 crore from Rs 4,171 crore; ad revenues for Flipkart Internet, the marketplace arm of Flipkart, grew 60% in FY23 to reach Rs 3,325 crore.

Advertising monies are increasingly being parked with conversion-based platforms like e-commerce and even social media channels like Instagram, which have made themselves commerce-friendly, putting search in the eye of the storm. Quod erat demonstrandum.

If earlier the ratio of search to e-commerce spends was 75:25, the needle has moved to a “60:40 situation”, say experts.

Shashank Rathore, vice-president, e-commerce at Interactive Avenues, says there has been a notable upsurge in FMCG, food and beverage and grocery categories in quick commerce. That and changes in consumer shopping behaviour are compelling even traditional brands to prioritise commerce. “Brands are allocating 30%-40% of their digital budgets to commerce, and this is expected to increase,” he says. Remember that while urban-focused brands like Hershey’s, The Man Company, and Dyson focus on commerce, mass brands have been more cautious.

Aside from a positive ROI (return on investment), the other most significant factor is that e-commerce has been seeing a robust adoption rate, growing at 30-35% year-on-year, surpassing the 10-12% growth of modern trade. As per a Bain report, the online shopper base in India was 180-190 million in 2021 and is expected to reach 400-450 million by 2027, taking the e-commerce industry to $150 billion. “E-commerce provides brands with the opportunity to engage with a huge customer base. With commerce advertising, companies can even see sales on the same day as the ad’s release and they can also gather data on consumer behaviour for future sales insights,” observes Shradha Agarwal, co-founder and CEO, Grapes.

Shantanu Bhattacharyya, senior VP, digital strategy planning & client success, LS Digital, adds that e-commerce advertising allows customers to engage with ads without disrupting their online experience. “Robust analytics in e-commerce systems enable effortless conversion tracking and measurement. This enhances visibility, especially for lesser-known brands,” says Bhattacharya.

According to Manan Malik, director of strategy and growth at Social Panga, "Marketplaces also help achieve better ROAS and conversion rate, as the cost of consumer acquisition is lesser compared to the search ads.

Shopping online

So, is search under serious threat? Not immediately, say experts. Interactive Avenues' Rathore maintains that search continues to remain potent for new entrants and brands with substantial budgets, capturing attention during the initial phases. "Although search can be relatively expensive in terms of ROI, its effectiveness in capturing attention during the initial phases of the shopping journey is unparalleled. While search spends have decreased in the last two years, search capabilities have guided users through every phase of the purchase cycle. Users now conduct research on search but make evaluations, purchases, and repurchases on commerce platforms," he remarks.

The blend of efficiency, reach, and data-driven insights makes e-commerce an attractive option for brands across diverse industries, from fashion and FMCG to healthcare and electronics, explains Mitesh Kothari, co-founder and chief creative officer, White Rivers Media. "While search advertising excels at capturing active intent, e-commerce allows brands to engage early, nurturing awareness and consideration at lower costs. As the space evolves, innovation like AI personalisation and shoppable video ads will drive seamless purchases, pushing the ecosystem forward," he states.

E-commerce platforms are also pushing the envelope in terms of innovations and new advertising models. An Amazon spokesperson says the way brands reach their audiences tomorrow will look completely different from what it does today. Amazon is adopting model-based solutions that create an informed understanding of the audience while ensuring results.

Investments in the area will grow since advertisers now have to adapt to a future without third-party cookies. Also, advertisers using Amazon delivery service platform now have access to more advanced machine learning models and optimised campaign control systems to enhance bidding and pacing decisions that help advertisers reach previously un-addressable audiences. (FE02022024)

HAPPINESS

The price of happiness: Its perceived value can be a barometer for the socioeconomic standing of a nation

Can these perceptions be used to quantify any key economic parameter, since the expected thresholds are far larger than the real average income, which is likely to occur?

By Atanu Biswas

Undoubtedly, money has a big impact on our lifestyles. But is happiness also a product of money? Well, over two millennia ago, in the pursuit of happiness, a prince from a small Himalayan kingdom departed from the kingdom. Thus, we never stop wondering if happiness exists somewhere beyond the monetary domain. Nevertheless, money may purchase substantial comfort—at least, to a certain extent.

Therefore, when the US financial services company Empower recently surveyed 2,034 Americans and found that 59% of respondents believed that money can buy happiness and that obtaining a certain net worth is essential to contentment, they were undoubtedly referring to a state of "financial happiness," which may be very different from the idea of ultimate happiness as perceived by Prince Siddhartha. So, what is the threshold, or the price tag, of such "financial happiness"? It should be different in different societies and generations. Though 6 in 10 Americans believed that money could purchase happiness, significantly higher percentages of millennials (72%) and people from GenZ (67%) perceived so. And while many claim that having a large income or an ultra-high net worth is necessary for happiness, those things themselves aren't what would make most Americans happy.

A widely-read 2010 paper by Economics Nobel Prize winners Daniel Kahneman and Angus Deaton, who won the award in 2002 and 2015, respectively, promoted the theory that there was a monetary "happiness plateau" above an annual income of $75,000 but that happiness climbed consistently with income up to that point. Of course, this was in the American context. Since then, the idea has been changed. Together, Kahneman, Matt Killingsworth, and Barbara Mellers published a collaborative analysis in 2023. According to their latest research, happiness increases with household income up to $100,000 before "abruptly" levelling out in the event of extreme unhappiness.

And for the happiest 30% of people, happiness increases at an accelerated rate beyond $100,000. But they didn't take earnings over $500,000 into account.What are the characteristics of such financial happiness? According to Empower's recent survey, in the American context, it might entail being able to pay bills on time, becoming debt-free, being able to afford regular modest luxuries without worrying, being able to afford experiences with loved ones, and reaching financial freedom. Generally speaking, having financial freedom allows you to begin managing your time. Financial satisfaction should, therefore, have a definite price tag. According to Empower's survey, the average American feels that having $1.2 million is enough to make them happy. It all comes down to how much one needs to follow their passion and not worry about leading a normal life. But remember, this is an average and varies throughout generations.

According to millennials, to be happy, one would need a net worth of almost $1.7 million. Baby boomers stated that a net worth of just less than $1 million would make them happy, while Gen X-ers estimated that they would require about $1.2 million. The true outlier among the newest adult generation is Gen Z. Empower found that, on average, a net worth of $487,000 would be sufficient for their financial happiness.In the post-pandemic environment, with record-high credit card debt, a falling personal savings rate, and over half of adults living paycheck-to-paycheck, respondents told Empower that they would need to make about $284,000 annually to be happy, while the present median household income in the US is roughly $74,000. And men expect far more than women do ($381,000 versus $183,000). Annually, millennials need $525,000, Gen Z-ers need $128,000, Gen X-ers need $130,000, and boomers need $124,000 each year. While the older generation is content with less, the younger generation believes they need more.

Can these perceptions be used to quantify any key economic parameter, since the expected thresholds are far larger than the real average income, which is likely to occur? I was wondering if the perceived value of happiness, or “happy money,” could serve as a barometer for the socioeconomic standing of a society in terms of its perception about inflation, standard of living, and cost of living. In addition to the actual numbers, could these “expectations” or “perceptions,” when periodically measured, also be significant markers of the economy’s growth, along with society’s mindset? Given that India is set to become the world’s third-largest economy by 2032, what can one expect in terms of “happy money” for the average Indian? To measure such indexes, similar surveys may be required. According to this US survey, Gen Z-ers and millennials were more likely to believe that money can buy happiness. The younger generation, with Gen Z-ers as an exception, required a lot more money to be financially happy. How about India?

In the next three years, there will be 100 million Indians earning more than $10,000 a year, up from the present 60 million, according to the Goldman Sachs report "Affluent India," which was released in January. Well, I attempted to compare the US's "happy money" numbers in the Indian context after adjusting for PPP, and I found that $1.2 million is equivalent to roughly Rs 2.64 crore. According to a PPP comparison, Americans claimed they would need to make $284,000 annually to be happy, which translates to Rs 62.5 lakh (a whopping Rs 5.21 lakh per month!) in India. But if a careful survey is conducted, how would the matching Indian figures turn out? Furthermore, how would those Indian figures differ throughout generations and across different parts of the country? Keep guessing. Nonetheless, studying the intersection of money and happiness and the degree to which money may be used to buy contentment would go on. (FE01022024)

MARKETING

The compelling case for Indian marketers to embrace experiential marketing with immersive VR technologies

Marketers face the constant challenge of building a personal connection with the audience

By Vikram Bhalla

The modern marketing world is all about being innovative and remaining on top of one's game. One area that is gaining speed and needs to be looked into is the application of Virtual Reality (VR) technology. Incorporating fun and engaging immersive VR tech into the Indian marketers' strategies could become a real turning point, which will be able to draw audiences' attention and achieve better results.

VR provides a new approach to the interaction of consumers. Bringing the users from passive observers into active participants in marketing campaigns. This interactive tack has great potential, especially in a diverse country like India where addressing multiple needs and tastes is necessary to capture attention more effectively than normal advertising.

Marketers face the constant challenge of building a personal connection with the audience. VR offers a great chance to close this gap. Through the development of virtual environments that correspond with Indian cultural diversity, marketers can develop individualized treatments. This familiarity is more likely to stick in people's minds, forming a stronger connection between customers and brands. The other half is keeping the attention of your target market once you have it. In this regard, VR experiences have the ability to imprint themselves in the minds of consumers. When a VR application enables people to have an interesting and enjoyable experience of the brand, they are more likely to recall it and thus tend to choose between competitors. Since VR is an immersive form of media, whereby brand message becomes more powerful due to which brand recall and brand recognition increases.

With the world becoming more digital by the day, merging online and offline marketing initiatives is critical. VR has the remarkable ability to close this gap effortlessly by acting as a virtual extension of physical products and spaces. For instance, real estate developers can offer virtual property tours and retailers can give online trial services. This integration does not only improve the general marketing strategy but also responds to the new consumer behavior that has been brought about by technology.

Adopting VR technology also shows that your brand pursues progressive and creative ideas. In an ever-changing world of technology, remaining on the front line is vital. VR will allow Indian brands to become associated with innovation and technology, winning the trust of tech-savvy consumers.

Reaching all demographics effectively in India’s vast and diverse landscape is a challenge. VR could be an effective device for reaching remote audiences Be it by organizing virtual events, product launches, or educational programs, VR can help marketers reach out to people across the country without having to worry about geographical barriers and thus enhancing their campaign’s radius.

Tracking and measuring the outcomes of a campaign is one of the benefits of digital marketing. It is possible to analyze data, such as users’ engagement, time spent in the virtual environment, and behavior within VR. Such priceless information facilitates informed decision-making based purely on numbers, thereby allowing marketers to sharpen their approaches for improved performance.

The initial incursion into the world of VR may seem overwhelming, but its advantages heavily outweigh the costs. Through virtual presence, there is less need for physical setups, travel costs, and other logistical challenges that are associated with traditional forms of marketing. Since VR can be used to create impactful campaigns on a lower budget, it is an attractive and cost-effective solution for those companies trying to squeeze in the maximum return.

In an environment of continuous change in market preferences and technological innovation for Indian marketers, Virtual Reality technology is a smart move that may greatly enhance marketing efforts. Not only does VR technology help brands stand out but it also creates a different and powerful connection between brand and individual, which leads to better marketing performance over the long term. Entering the VR world will open up a door of endless opportunities for marketing success in India. (FE11022024)

Diversifying success: Leveraging multi-faceted marketing strategies in steel industry

The blueprint of an industry-leading performance is delivering the finest and strongest grade products that add significant value to customer projects

By Charu Malhotra

The steel industry in India, often regarded as a conventional and technical sector, is transforming as the country's steel production is estimated to grow by 4-7% in FY24. Building on the foundation that India is home to the fifth-largest iron ore reserves in the world, the blueprint of an industry-leading performance is delivering the finest and strongest grade products that add significant value to customer projects.

Moreover, a company can earn a well-deserved reputation for reliability and trust, making excellence synonymous with their brand name by utilising key strategies like:

Shifting from commodity to brand-driven marketing: As the industry evolves in the building material segment, brand equity, awareness and meaningful customer engagement are becoming paramount. Thus, companies are shifting their marketing approach from a commodity-based marketing strategy to a brand-driven one. This shift focuses on cultivating a brand aura that resonates with customers and the masses at the same time. This shift aims to forge a deeper connection with customers by positioning the company at the forefront of nation-building. Additionally, providing customised solutions and excellent customer service further sets a firm apart in a market where standing out is pivotal for success.

Humanising the brand image: In the present day, humanising the brand image is not just a business strategy but a commitment to build genuine and trustworthy connections with customers. Over the next couple of years, enterprises should focus on ingraining sustainability into the very fabric of their brand identity. Especially, any business of massive stature must stand for a larger purpose. Therefore, more and more companies are choosing to be eco-friendly across their manufacturing operations, which also helps in reducing carbon emissions. They should combine traditional and new-age marketing mix, such as TV, digital and print to communicate the technical intricacies of the steel industry, thereby enhancing brand awareness among stakeholders and the masses.

Leveraging brand ambassadors: In a stand-out move, corporations are strengthening customer confidence in their products by aligning the brand image with well-respected and celebrated brand ambassadors. For instance, APL Apollo's recent partnership with the iconic and legendary Amitabh Bachchan as brand ambassador is acting as a strong connection between the industrial product and a broader audience. These partnerships not only enhance a company's visibility but also create a sense of trust and authenticity as ambassadors provide a human face to the brand and can connect with consumers on a personal level, further reinforcing the humanisation of the brand image.

Influencer connection: A brand's marketing strategy focuses heavily on its trustworthy relationship with various channel partners and influencers such as fabricators, contractors, architects, structural consultants, project owners, government specifiers, officials and diplomats. Companies understand this connection's influence in driving consumer purchase decisions, especially in the B2B-oriented steel industry. Therefore, firms can follow a targeted approach by connecting with the influencers via loyalty and engagement programs.

Digital-first approach: Nowadays, businesses are recognising the significance of crafting a digital identity that resonates with its target audience, creating a lasting impression in the virtual world. Hence, creating informative video content to engage with modern consumers is essential, especially to convey the complexities of the steel industry. Furthermore, using digital platforms to evoke new thoughts and ideas hold transformative potential for any industry in the new digital era.

Thought leadership: Sustainability lies at the core of modern enterprises. Envisioning to become thought leaders, companies are demonstrating a commitment to innovation and a forward-thinking approach. By actively engaging in industry conversations, forward thinkers can share insightful perspectives on the evolving landscape of the industry. Through visionary thinking, brands can inspire change and push the boundaries of what is possible in steel manufacturing. Large-scale businesses can demonstrate expertise in the field by contributing to the advancement of industry standards and best practices via their strong voice of authority. By driving insightful and informative conversations and active participation in industry discussions, companies hope to solidify their position in the industry.

With a continued dedication to the pursuit of excellence and the highest quality standards, along with well-defined marketing strategies, new-age brands are set to play an influential role in shaping the steel industry's future. As we navigate the evolving landscape of the modern economy, our story serves as a testament to the potential of homegrown companies in driving the country's development. (FE10022024)

ADVERTISING MANAGEMENT

Mastering the art of strategic storytelling: A dynamic omnichannel approach for lasting impact in advertising

Amul, often referred to as the "Taste of India," has built a powerful brand through its iconic advertising campaigns

By Sachin Kumar

In the ever-evolving landscape of advertising, strategic storytelling has emerged as a powerful tool to build lasting connections between brands and consumers. Our brains are wired to make sense of the world through stories, encoding snapshots into long-term memory that correlate with future actions and decisions. The importance of emotion in driving human behavior cannot be overstated and making meaningful connections through emotionally relevant narratives is a key aspect of successful storytelling.

For brands that want to achieve high scale and connect with large number of consumers, storytelling is the best creative approach. Effective storytelling is what help build brands. We have seen several examples of these in the past and will continue to see in the future.

Amul, often referred to as the “Taste of India,” has built a powerful brand through its iconic advertising campaigns. The brand’s use of the Amul girl, in topical ads that comment on current events and social issues has been a consistent and engaging storytelling method that has deeply inspired it’s audience through the years.

Tanishq, has also utilised storytelling to redefine the way people perceive and purchase jewellery. Their campaigns often focus on relationships, traditions, and the emotional significance of jewelry in various life events instead of directly talking about the products.

If we take the example of Lifebuoy, effective storytelling has not only promoted its products but also contributed to public health awareness. Lifebuoy has over the years effectively used storytelling to communicate the importance of handwashing with their campaigns that often feature relatable stories of children and families, emphasizing the role of hygiene in preventing illness.

The powerful narratives or stories that these brands have created have helped them build a strong connect and trust with their audience.

Strategic Storytelling in B2B Marketing:

While often associated with B2C marketing, strategic storytelling proves equally effective in the B2B arena. Achieving cut-through in crowded markets demands a unique approach. Many B2B brands like Deloitte, GE have successfully employed story-driven content to increase engagement and drive sales. The key lies in identifying a theme, choosing central characters, personalising the story to reflect the audience, understanding the moral, and fostering a storytelling culture within the business.

In a captivating move to redefine its online presence, General Electric (GE) strategically utilised Instagram to narrate the story of technology. Embracing a steampunk aesthetic through Instagram filters and staged visuals, GE aimed to ignite curiosity around science and technology. The campaign showcased GE's latest innovations, portrayed through the lens of what technology enthusiasts might have envisioned in the past. By steering away from mundane settings and whiteboards, GE adhered to the vital rule of their visual storytelling strategy: always show big beautiful machines.

General Electric's digital marketing overhaul underscored the significance of effective storytelling. GE set forth clear goals – amplify brand awareness, attract young talent, and engage potential shareholders. Defining their voice involved targeting enthusiasts, deepening audience understanding, and crafting a strategy that invoked curiosity. The Digital Era saw GE experimenting on platforms like Instagram, yielding impressive results. Their overarching digital strategy aimed to highlight technology in a fun and engaging manner, aligning with cultural trends. Through steampunk-themed Instagram campaigns, GE unfolded the narrative of their latest innovations, captivating a global audience. This innovative storytelling not only showcased their technological prowess but also bridged generational gaps, positioning GE as a forward-thinking brand with a legacy worth investing in.

The Evolution of Storytelling in the Digital Era:

Immersive storytelling is now taking a new shape and form with new digital trends and innovative technologies and brands have a huge opportunity to leverage in this space. In the past few years especially, global lockdowns during covid and digital expectations have compelled brands to explore innovative ways of storytelling. The emergence of immersive technologies such as virtual reality (VR), augmented reality (AR), gaming technology, and non-fungible tokens (NFTs) has opened new frontiers for storytelling. These tools allow brands to create interactive and memorable experiences, placing the viewer at the center of the narrative. The metaverse, with its virtual spaces, provides a canvas for brands to craft multi-sensory, hands-on interactions that resonate more deeply with audiences.

In all of this however, the pursuit of purpose and authenticity is key to brand communication, as that's the biggest factor that Gen Z is looking for before building trust with any brand.

Components of Effective Storytelling:

Identifying a Theme: A compelling story begins with a well-defined theme. Whether it's a brand's journey, a product's evolution, or a shared value, the theme sets the tone for the narrative.

Choosing Central Characters: Humanising the story through relatable characters helps in establishing a connection with the audience. This could be the brand itself, employees, or customers who have benefited from the brand's offerings.

Personalising the Story: Tailoring the narrative to reflect the audience's experiences and aspirations creates a sense of relevance. Personalisation fosters a deeper emotional connection.

Understanding the Moral: Every story has a moral or takeaway. Brands should identify the core message they want to convey – whether it's about resilience, innovation, or social responsibility – and weave it into the narrative.

Creating a Storytelling Culture: For sustained success, it's crucial to instil a storytelling culture within the organisation. This involves ensuring that every department understands and contributes to the brand's narrative.

Strategic storytelling remains a potent tool for brands seeking to make a lasting impact in the minds and hearts of consumers. In the dynamic landscape of advertising, a dynamic omnichannel approach, leveraging immersive technologies and embracing storytelling in both B2C and B2B contexts, allows brands to craft narratives that resonate across diverse audiences. As brands continue to adapt to the evolving digital landscape, the art of storytelling will undoubtedly play a central role in shaping the future of advertising. (FE01022024)

Indian advertising industry grew 8.6% over 2022 to hold a market size of Rs 93,166 crore, reveals dentsu's digital report 2024

The telecom sector allocates 64% of its media budgets on digital, followed by e-commerce and pharmaceuticals categories

Written by Brand Wagon

According to dentsu's digial report 2024, the Indian advertising industry grew 8.6% over 2022 and presently holds a market size of Rs 93,166 crore. By the end of 2025, it is expected to further grow at a compounded rate of 9.86% to reach Rs 1,12,453 crore. While the digital advertising industry witnessed an impressive growth of 36.6% over 2022 with a market size of Rs 40,685 crore and is estimated to reach Rs 62,045 crore, growing at a compounded rate of 23.49% by 2025.

The report further revealed that digital media has surpassed television, securing the largest advertising spends share of 44%, followed by television (32%) and print media (20%). Additionally, digital media is anticipated to contribute half of the total advertising spends by the end of 2024.

Furthermore, the telecom sector allocates 64% of its media budgets on digital, followed by e-commerce and pharmaceuticals categories. Meanwhile, FMCG segment divides 94% of its media budgets equally between digital and television.

Social Media dominates digital media spends, contributing with a 30% share (Rs 11,962 crore), followed by online video with 29% and paid search with 23%. The telecom sector allocates the highest proportion of its media budget towards digital (64%). Within digital media, telecom evenly distributes around 80% of their digital budget across online video, social media and paid search. While e-commerce segment dedicates 61% of the overall media budget to digital media with 52% of that allocated to paid search.

Talking about the report, Harsha Razdan, CEO South Asia, dentsu, said, “India’s digital revolution is more than a surge of numbers; it’s a wave of change that is sweeping across our lives, our industries and our society. Artificial intelligence is the driving force behind this change, enabling our e-commerce market to reach $200 billion by 2026. But as we embrace this AI-powered era, we must also redefine our vision of success. It’s not enough to aim for financial growth; we must also strive for social good. We must be human in the face of technology—empathetic, creative and courageous—shaping the future of Indian advertising with transparency, accountability and ethics.”

Moreover, a significant focus of the report centers on the ascent of digital advertising as the primary catalyst for industry evolution. It unveils that social media, online video and paid search are at the forefront of digital media spending. E-retail platform advertising also commands a substantial share of the digital media market. The report sheds light on the industry's adoption of programmatic buying for digital media, leveraging advanced technologies for a more efficient and effective media procurement process.

The report envisions a new era of media innovation, where the convergence of technology and human creativity yields immersive and impactful experiences. It explores emerging trends in artificial intelligence (AI), extended reality (XR) and sustainability, showcasing how they will reshape the industry and open new avenues for advertisers and consumers alike.

"We believe that digital media is not just a medium, but a mindset that drives innovation and creativity across all platforms and formats. The report showcases how digital media has become the dominant force in the industry, surpassing television and influencing other media as well. It also reveals the potential of emerging sectors, trends and technologies that will shape the future of advertising and consumer engagement. We are confident that this report will serve as a valuable resource for advertisers, media owners and industry stakeholders, as well as inspire them to embrace the opportunities and challenges that lie ahead," Narayan Devanathan, group chief strategic advisor, dentsu India, added. (FE08022024)

AdTech aids company growth – Managing data privacy and consent management is key challenge

AdTech encompasses a range of tools and platforms designed to optimise the delivery and performance of digital advertising

By Kanika Mathur

As we continue to witness an explosion of internet users and mobile-first adoption, AdTech is becoming increasingly vital in moulding advertising strategies and facilitating business expansion. This surge has not just positioned digital advertising as the leading medium within the Indian Adex landscape but positioned AdTech as the cornerstone of every digital strategy.

AdTech encompasses a range of tools and platforms designed to optimise the delivery and performance of digital advertising. From programmatic advertising and real-time bidding to data analytics and artificial intelligence, AdTech has revolutionised the way businesses connect with their target audience. The ability to use data-driven insights and deliver personalised content at scale has significantly contributed to the success of advertising campaigns.

Here are examples of some common AdTech tools used by the digital industry (not a comprehensive list):

Programmatic advertising: It refers to the automation of the buying and selling of digital ads. This automated, data-driven process allows advertisers to reach the right audience in real time, improving efficiency and targeting precision.

Data management platforms (DMPs): DMPs help advertisers collect, manage, and analyse large volumes of audience data. These platforms enable advertisers to create comprehensive user profiles, enhancing the effectiveness of targeted advertising.

Measurement and analytics tools: Advertisers can track key performance indicators (KPIs) through tools that analyse campaign effectiveness, and make data-driven decisions to optimise their advertising strategies.

Despite this promising growth trajectory, the Indian AdTech industry faces its own set of challenges. Ad fraud, viewability issues, and consumer data privacy concerns stand as significant hurdles that advertisers and AdTech entities need to address to uphold credibility and consumer trust.

In early August 2023, the Indian Parliament passed the Digital Personal Data Protection (DPDP) Act, 2023. This new law introduces a comprehensive data protection framework, including provisions for consent management.

Managing data privacy and consent management

Being transparent with users about how their personal data is being used is crucial to earn their trust. Therefore, advertisers must communicate how user data is collected, used, and shared on their websites.

Transparent practices build credibility and reassure users that privacy is a top priority. Today, we see several companies that have started offering granular consent options, allowing users to choose the specific types of data they are comfortable sharing. This approach provides users with more control over their personal information.

The collection of data also means that businesses must implement robust security measures to safeguard user information. This includes encryption, access controls, and regular security audits to safeguard user information from unauthorised access or breaches.

Getting proper user consent is extremely important before a company collects and processes their personal data, it is one of the fundamental aspects of data privacy. AdTech platforms must prioritise obtaining informed and explicit consent from users clearly explaining the purpose of data collection and how it will be used.

The next step is user control. This emphasises that giving users control over their data is essential. AdTech platforms should provide users with options to manage their preferences, including the ability to opt out of targeted advertising or adjust privacy settings. Empowering users with control fosters a sense of autonomy and respect for their choices.

An ideal situation is when an individual, from whom the data is being collected, is completely aware and understands what is being collected and how it is being used. AdTech companies should start to consider using granular consent. This will allow users to choose specific data collection purposes rather than providing blanket approval. This approach ensures that users have a more nuanced understanding of how their data will be utilised, fostering trust and compliance.

As consent and privacy become crucial, consent managers will soon play a pivotal role in the data privacy ecosystem by enabling individuals, companies and brands to provide, manage, and withdraw their consent for the processing of personal data. They act as intermediaries between data controllers (organisations that collect and process personal data) and data subjects (individuals whose personal data is being processed). A consent manager will soon manage a consent management platform (CMP) that allows data subjects to easily access and manage their consent preferences. Under the DPDPA, consent managers will have several critical responsibilities:

Registration and compliance: Consent managers must register with the Data Protection Authority of India (DPA) and adhere to the data protection principles outlined in the DPDPA.

Consent collection and management: Consent managers must enable data subjects to provide granular and informed consent for the processing of their personal data. This includes providing clear and easily understandable information about the purpose of data collection, the types of data being collected, and the parties involved in the data processing.

Transparency and accountability: Consent managers must maintain transparency regarding their data processing practices and provide data subjects with access to their consent records. They must also implement robust security measures to protect personal data from unauthorised access or misuse.

Grievance redressal: Consent managers must establish effective grievance redressal mechanisms to address any concerns raised by data subjects regarding their consent or data processing practices.

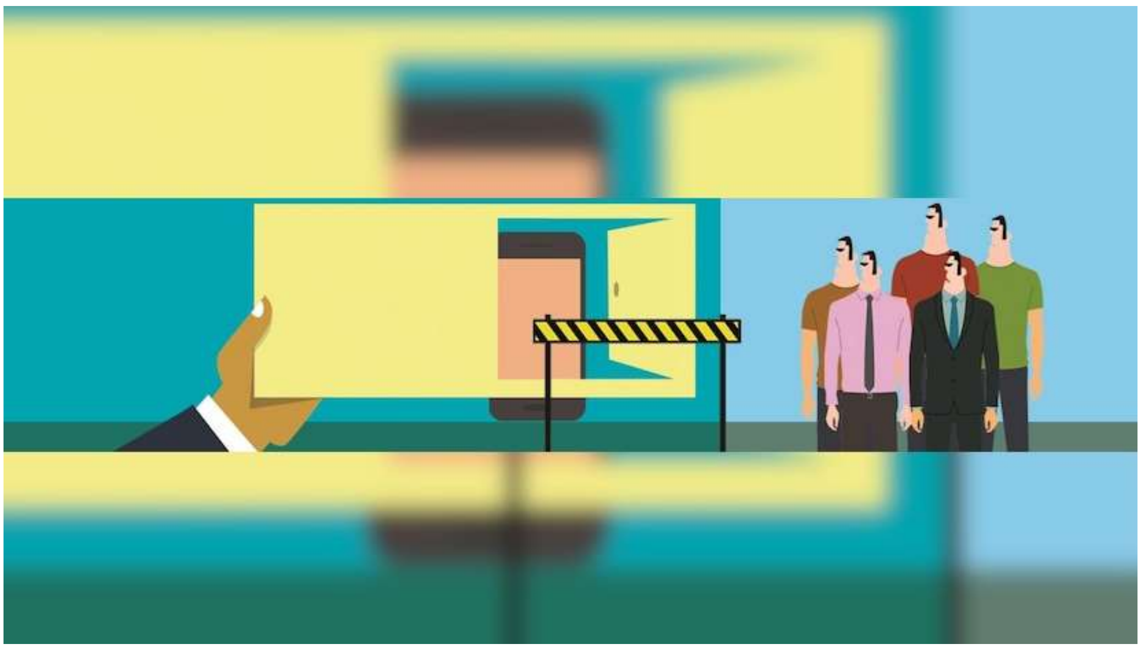
As businesses continue to harness the power of AdTech, a harmonious balance between growth and privacy will be key to long-term success in the evolving digital landscape. (FE10022024)

BANKING

Banking laws and regulatory shake-ups

Regulatory action against Paytm's payments bank points to the need for reform of banking regulation

By K P Krishnan



A press release issued by the Reserve Bank of India (RBI) two weeks ago directed the Paytm Payments Bank Ltd (PPBL) to stop onboarding customers with immediate effect. Existing customers were allowed to withdraw or utilise the balance in all their accounts but were not permitted to make additional deposit or credit transactions. No other banking services can be carried out by PPBL after February 29. Essentially, the RBI has stopped the operations of the PPBL.

Why was this done? An established and respected regulator like the RBI does not act without reason and justification. We presume that PPBL has engaged in egregious violations that necessitated a drastic response. It is likely that many

smaller violations have occurred in the past. We would also presume that the top-management of PPBL was informed about the violations and given a chance to correct past behaviour. But these are presumptions; the truth is we do not know. We do not have a formal legal
order from the RBI setting out the failures and the justification for the action. All we have is a press release that specifies punishments, without offering evidence or rationale.

The press release simply says that "the Comprehensive System Audit report and subsequent Compliance Validation report of the external auditors revealed persistent non-compliances and continued material supervisory concerns in the bank, warranting further supervisory action".

This statement leaves many questions unanswered. We do not know whether a hearing took place, we have not heard PPBL's side of the story, and we do not know the RBI's rebuttal of PPBL's defence. It is thus unclear whether due process and rule of law
principles were followed by public authorities before imposing punitive actions. This is an issue of some relevance because as Lord Hewart, the Lord Chief Justice of England, famously remarked in a 1924 case: "It is not merely of some importance but is of fundamental importance that justice should not only be done, but should manifestly and undoubtedly be seen to be done". At heart, this requires adherence to principles of rule of law and natural justice:

1. The term "rule of law" is about equal treatment of everyone, with
the same set of laws and fair procedures in the legal process. Encyclopaedia Britannica defines it as "the mechanism, process, institution, practice, or norm that supports the equality of all citizens before the law, secures a non-arbitrary form of government, and more generally prevents the arbitrary use of power".

2. Closely related to this notion is the notion of natural justice, which has two basic elements. The first principle is that no person should be judged without a fair hearing, providing the person the opportunity to respond to the evidence

against her. Second is the principle that no one should be a judge in her own cause.

All of us in India will readily agree that a modern market economy requires these concepts to be fully in play, for arbitrary exercise of state power is unfair and deters private investment. Is it possible that banking is special, and hence the foundations of constitutional law need to be suspended in this field? A look at contemporary examples of regulatory orders in the domain from the US and the UK shows that this is not the case. It is possible to reconcile the rule of law and constitutionalism with the field of banking. Another possibility is that if the RBI is more transparent in such matters it could cause a run on a bank. Hence, it is argued that rule of law procedures are inappropriate for regulation and supervision of banks. But that argument cannot be made here. Prior to the action, PPBL had 30 million accounts and over 700,000 point-of-sale terminals. There are more than 35 million UPI QR codes associated with PPBL and 300 million wallets. On the Indian roads there are

nearly 10 million FASTags of PPBL. All of them are impacted by the RBI action. Each of these users does not know what went wrong at PPBL, and only sees strong RBI action. This could lead to panic; if anything, it is the RBI action that potentially might set off a bank run. Indeed, there are market rumours that this entity is not alone; as a result, many other new-age financial firms are also facing considerable stress. On the second principle of natural justice, it is relevant to ask if the RBI supervisors who inspected PPBL and found violations are distinct and separate from those who weighed the evidence and concluded that drastic actions were called for. In all likelihood they are. But we don’t know. Prima facie, the evidence of the application of the two elements of natural justice in the case is thin. We are not able to say that justice has been manifestly and undoubtedly seen to be done. Finally, is the RBI to blame for these observed difficulties? Not really. Section 35A of the Banking Regulation Act effectively instructs the RBI to do all the things that they have done. RBI employees are faithfully implementing the old laws with which they are obliged to work. Consequently, it is time to revisit these old laws.

This is part of India's journey in building the institutions of a modern economy. In the case of Securities and Exchange Board of India (Sebi) the concept of a "speaking order" (with a rationale) came about as a result of two developments. A modern legislation, namely the Securities and Exchange Board of India Act, 1992 and the creation of relevant jurisprudence by the Securities Appellate Tribunal, which performs judicial oversight functions over Sebi. Likewise, India needs a modern Banking Regulation Act, one that would ensure that the rule of law and natural justice apply fully in regulatory enforcement matters, whenever authorities engage with financial firms. After all, in a democracy, financial firms need reassurance that justice will not be arbitrary. And all of us as citizens, depositors, and users of wallets and QR codes have the right to know more about what went wrong at PPBL. (FE14022024)