India's ad-to-GDP ratio dismal despite being among fastest-growing markets

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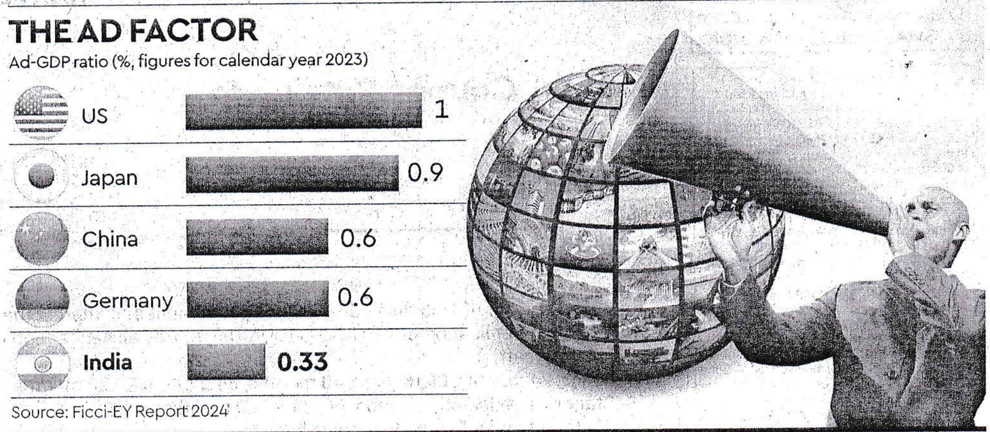

DESPITE BEING ONE of the fastest-growing advertising markets in the world, India's advertising-to-GDP ratio is among the lowest, the 2024 edition of the Ficci-EY report showed.

Most key markets such as the US, China, Japan, Germany and the UK have an advertising-to-GDP ratio in the region of 0.6-1%. In comparison, India's ad-GDP ratio is 0.33%, according to the report.

India's ad market is projected to grow in the range of 11-15% in calendar year 2024, according to recent forecasts by some of the country's top media agencies, including GroupM, Madison Media, Dentsu and IPG Mediabrands.

India is also projected to cross the ₹1-trillion mark in terms of ad spends for the second year in a row in 2024, led by digital, television and print advertising. It will stand eighth overall in terms of ranking of ad markets from the ninth spot earlier, ad forecasters say, led by the general and state elections as well as a likely strong summer, high-impact properties such as the Indian Premier League, and a stable second half of the year.

Yet, the divergence between ad-to-GDP ratio and ad growth rates is hard to miss. Advertising and media industry executives point to a number of reasons for this contrasting trend.

"We actually remain under-invested as an advertising market versus other key markets where even small businesses advertise apart from the larger companies," said Vikram Sakhuja, group chief executive officer (CEO) at Madison Media and OOH.

Also, advertising rates in India versus international markets are lower across media, said Sajal Gupta, CEO of Gurugram-based media consultancy Kiaos Marketing, which has contributed to lower advertising versus GDP. "Despite the ad market growing in size in India, ad rates have not grown substantially," he said, adding: "This has contributed to India's advertising to GDP ratio being low versus global markets."

Sujata Dwibedy, chief investment and trading officer at Amplifi, which is part of the Dentsu group, said the startup sector has cut back on spends, which has led to fewer companies advertising overall. "Startups and new-age companies are high-impact categories that brought in significant advertising dollars, thanks to VC funding earlier. That has slowed now. Secondly, with startups advertising, there was a ripple effect across the economy, pushing more players to advertise. This has taken a backseat for now with the squeeze in funding," she said.