

An Investigation Into Movement of Advertising Expenditure Of India in the Backdrop of Covid-19

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Abstract—The purpose of this paper is to examine the relationship between GDP growth rate and growth rate of advertising expenditure and to analyze the advertising expenditure in different media with special focus on 2020 pandemic period. Secondary data was used for this study which was obtained from Economic survey 2020-21, Pitch Madison Report 2021 and Pitch Madison Advertising Report 2020. It was found that advertising expenditure moved in tandem with GDP and different media had experienced a major change in their share in total advertising expenditure. The study estimate an increase in advertising expenditure with growth in GDP in future.

Index Terms—Advertising expenditure, GDP, advertising media.

I. INTRODUCTION

ADVERTISING expenditures move in tandem with economic growth of a country. Advertising expenditure is an aggregate of the advertising demand in an economy. According to microeconomic theory the demand in an economy increases with an increase in the income level of that economy. In this era of competition, in order to increase their revenue and the total share in the economic pie the companies try to increase their customer base. For this purpose companies employ various techniques and advertising is one of them.

In macroeconomics the economic growth of an economy is usually measured in terms of Gross Domestic Product (GDP). According to IMF, “GDP measures the monetary value of final goods and services—that is, those that are bought by the final user—produced in a country in a given period of time (say a quarter or a year). It counts all of the output generated within the borders of a country”. Before 1990 GNP (Gross National Product) was used as the measure to estimate the economic growth of an economy. According to IMF, “GNP counts all the output of the residents of a country”. In the realm of globalisation when all the economies of the world are becoming one the distinction between products produced within a country (GDP) and products produced “by” a country (GNP) becomes important. The current study used GDP as an economic indicator as the focus is on advertising expenditures done within a country as a whole rather than advertising expenditures done by persons of a country.

II. LITERATURE REVIEW

According to [1] there is a positive relationship between GDP growth rate and advertising expenditures. [2] found that advertising expenditure and GNP moves closely with each other.

[3] studied the relationship between Gross National Product (GNP) and advertising expenditure in years from 1961 to 1983. The results showed that there is no perfect fit between the two in the examined years. According to [4] a strong relationship was observed between economic activity of a country and its advertising expenditure.

[5] observed that in Britain companies decide their advertising budget on the basis of the affordability of the consumers in a year and the percentage of expected sales. The use of these two factors in deciding the advertising budget to some extent explain the relationship between growth of an economy and advertising budget.

[6] found that at the time of recession in an economy the share of magazine in advertising expenditure decreases. While [7] found that at the time of recession the general relationship between GDP and advertising expenditure is not witnessed properly rather this relationship becomes quite weaker than the normal years.

No confirmed pattern is observed between the GDP growth rate and advertising expenditure when an economy is going under recession. According to [6] the advertising expenditure are quite postponable and thus are reduced at the time of recession. [8] also supported this view as advertising expenditure can be adjusted within less time as compared to other fixed and running cost. [9] found that at the time of recession different industries respond differently and that is the reason why some companies increase their advertising expenditure at the time of recession.

According to [7] recession in an economy affects print and OOH media more than TV, radio and cinema. According to [10] retail and classified advertising are most affected by the state of an economy. [11] stated that such advertisement are usually found in newspaper and thus newspaper get strongly affected by the downfall in an economy.

According to [12] magazines are more susceptible to recession as they cater niche audience and their demand for magazine reduces during recession. [13] found out that advertisement in TV are less sensitive to recession.

[14] found that outdoor advertising, magazine and newspaper advertising are affected by the macroeconomic development both during growth as well as recession time period. It was also found that advertising expenditure in TV and cinema are almost unaffected by the macroeconomic factors. On the basis of above two findings increasing gap between TV advertising expenditure and newspaper advertising expenditure can be explained.

III. PROPOSED WORK

The objective of this study is to:

- Analyze the relationship between GDP growth rate of India and growth rate of advertising expenditure of India over the last 9 years.
- Analyze the advertising expenditure in different media over the last 7 years with special focus on 2020 pandemic period.

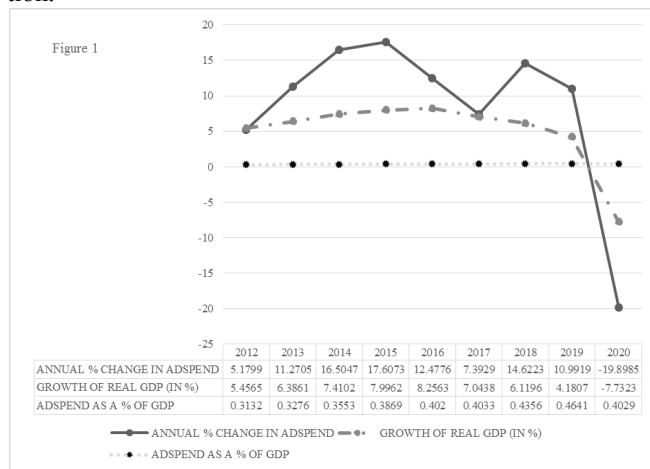
The data has been obtained from [15]; [16]; [17].

IV. RESULT AND DISCUSSION

A. Relationship between GDP growth rate and growth rate of advertising expenditure

The analysis of relationship between GDP growth rate and growth rate of advertising expenditure (Fig. 1) shows that whenever the GDP growth rate is more than 7% the advertising expenditure experiences growth of more than twice the growth of GDP. The analysis also shows that the advertising expenditure (Adspend) as a proportion of GDP has remained almost constant over the past nine years.

[15] has projected a growth of 11% in the real GDP of India in the year 2021-22. Even [18] has projected a growth of 11.5% in the real GDP of India in 2021-22. These projections are supported by the government commitment to vaccinate the whole population by December 2021 so that all economic activities can fall in line and come back to normalization.



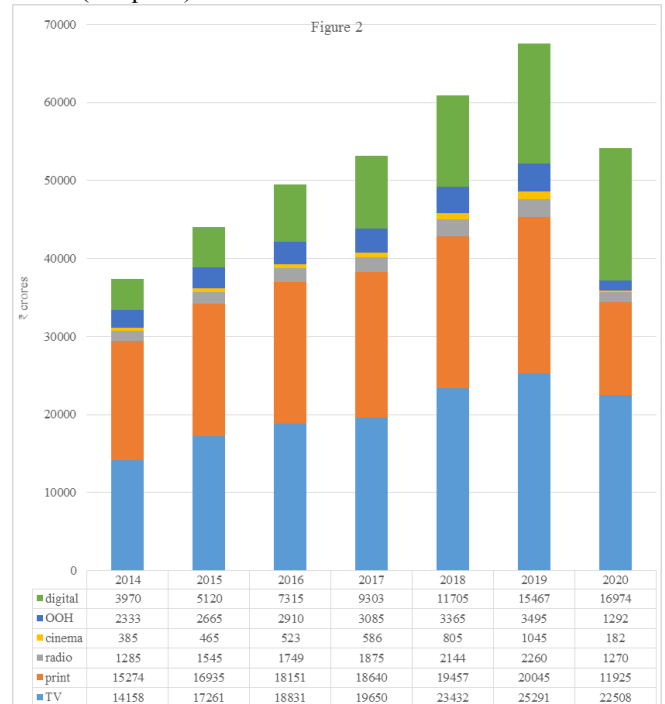
Source of data: Economic Survey 2020-21 Statistical Appendix; Pitch Madison Report 2021

Fig.1. Annual percentage change in advertising expenditure (Adspend) of India, growth in Indian real GDP at constant price, and advertising expenditure (Adspend) as a percentage of GDP

The current year budget has allocated more funds to health, infrastructure (especially rural infrastructure) and agriculture sector. This increase in expenditure by government in these sectors will lead to increase in employment and thus the consumption expenditure by the public. Because of increase in consumption expenditure the demand will increase. A higher level of aggregate demand will lead to more output, income and employment in future. Thus, on the basis of these estimates and government policies and expenditure plan for 2021-22 a growth rate of more than 22% can be expected in advertising expenditure in 2021-22.

B. Advertising expenditure in different media

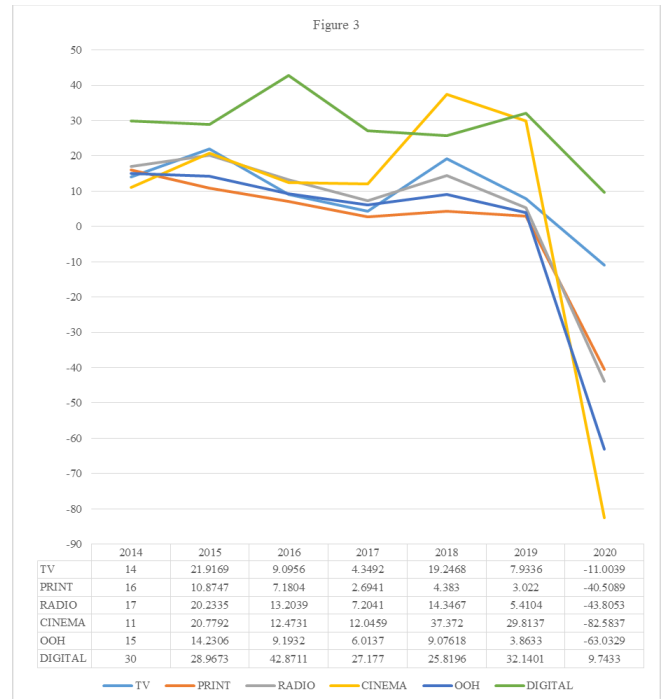
For this study, data has been collected from [16], [17]. The below figure (Fig. 2) shows the year wise advertising expenditure (Adspend) in different media in India.



Source: Pitch Madison Report 2021, Pitch Madison Advertising Report 2020

Fig. 2. Adspend in different media in India

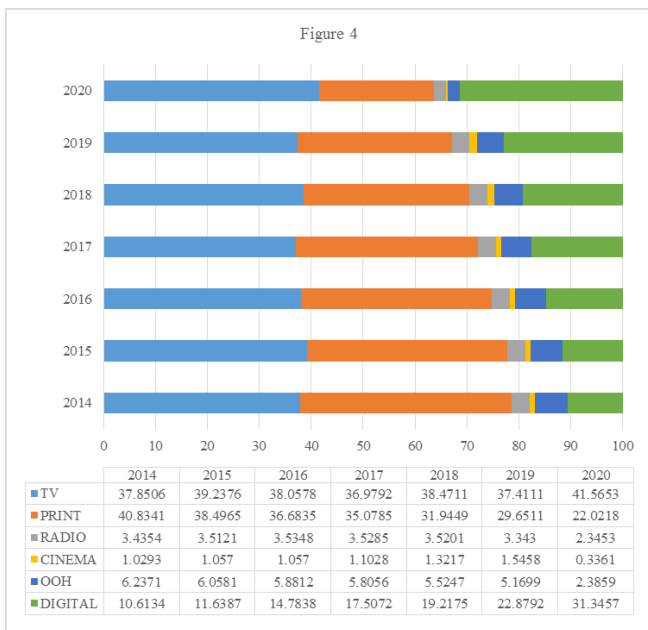
The below figure (Fig. 3) shows the year wise growth in advertising expenditure (Adspend) in different media in India.



Source: Pitch Madison Report 2021, Pitch Madison Advertising Report 2020

Fig. 3. Adspend growth in different media in India

The below figure (Fig. 4) shows the proportion of different media in total advertising expenditure (Adspend) each year.



Source: Pitch Madison Report 2021, Pitch Madison Advertising Report 2020

Fig. 4. Percentage of different media in total advertising expenditure

1) Advertising expenditure in TV media

The analysis of above three figures (Fig. 2, 3 and 4) show that advertising expenditure in TV has been growing continuously over the past years but growth rate has always been volatile. This volatility reached its bottom in the year 2020 when this media experience negative growth rate though it still remain a media with maximum share in total advertising expenditure. The reason for such trend during Covid-19 time can be understood through quarter-wise advertising expenditure which is given in Table 1.

TABLE 1: ADVERTISING EXPENDITURE IN TV MEDIA BY QUARTERS (Q1, Q2, Q3, Q4) (IN CRORES)

Period	Q1	Q2	Q3	Q4	TOTAL
Year 2018	5615 (24%)	6275 (27%)	5412 (23%)	6130 (26%)	23432 (100%)
Growth %		11.75%	-13.75%	13.27%	
Year 2019	5384 (21%)	8815 (35%)	5315 (21%)	5777 (23%)	25291 (100%)
Growth %	-12.17%	63.73%	-39.71%	8.69%	
Year 2020	4661 (21%)	3423 (15%)	5421 (24%)	9004 (40%)	22508 (100%)
Growth %	-19.32%	-26.56%	58.37%	66.09%	
Growth % (19/18)	-4%	40%	-2%	-6%	8%
Growth % (20/19)	-13%	-61%	2%	56%	-11%

Source: Pitch Madison Report 2021

The first quarter shows a negative growth rate and the previous year data shows the same trend. The nationwide lockdown was announced in the end of first quarter because of which shooting of programs stopped and many of the television channels which show daily soap had no new content to air. As a result their viewers decreased and they lost their attractiveness as advertising media. The Doordarshan decision to re-telecast 11 cult classics provided a ray of hope to the other channels and they followed the suit. Moreover, news channels also provided a support in this area as their viewership increased. Broadcasting channels also increased the

rates of advertisement slots because of which expenditure data shows decent amount with less number of advertisements. Because of all these reasons the advertisement expenditure do fall in second quarter but it re-gained in third quarter. The third quarter experienced 58% growth in advertising expenditure. Third quarter also witnessed repositioning of several products like e-commerce sites, FMCG products, learning applications etc. Then the fourth quarter broke all the records with all-time high in last twelve quarters because of IPL.

The journey of advertising expenditure in 2020 can be summarized as: the demand for certain products increased all of a sudden (like soap, hand sanitizer, cleaner, etc.) while the demand for some of the products plummeted (like travel and tourism, etc.) so the companies formulated their strategies in second quarter whose results can be seen in third quarter and then IPL gave boost in fourth quarter.

2) Advertising expenditure in print media

The analysis of figure 2, 3 and 4 show that advertising expenditure in print has been increasing at a decreasing rate over the past years and it finally experienced negative growth rate in 2020 and slipped to rank third in its share in total advertising expenditure. The reason for such trend during Covid-19 time can be understood through quarter-wise advertising expenditure which is given in Table 2.

TABLE 2: ADVERTISING EXPENDITURE IN PRINT MEDIA BY QUARTERS (Q1, Q2, Q3, Q4) (IN CRORES)

Period	Q1	Q2	Q3	Q4	TOTAL
Year 2018	4155 (21%)	4934 (25%)	4901 (25%)	5466 (28%)	19457 (100%)
Growth%		18.77%	-0.66%	15.16%	
Year 2019	4867 (24%)	5830 (29%)	4493 (22%)	4855 (24%)	20045 (100%)
Growth%	-	19.79%	-22.93%	8.06%	
Year 2020	4020 (34%)	1217 (10%)	2583 (22%)	4105 (34%)	11925 (100%)
Growth%	17%	-69.73%	112.24%	58.9%	
Growth % (19/18)	17%	18%	-8%	-11%	3%
Growth % (20/19)	-17%	-79%	-43%	-15%	-41%

Source: Pitch Madison Report 2021

Print media circulation became difficult owing to the restricted movement because of nationwide lockdown. As a result print media lost its attractiveness as an advertising media and has not gained it fully even in the last quarter of 2020. Out of four quarters of 2020 advertising expenditure is maximum in fourth quarter but it is still lower that the advertising expenditure in the quarters of past two years. In order to regain its share print media offered attractive rates but in vain as unhindered movement has not been ensured and the companies remained skeptical about it. Moreover, circulation of print media had faced hit more in metros as compared to other areas because Covid-19 positive cases surged more in metros.

Overall print media had witness a downfall in 2020 but if one look at the deep roots of print media in Indian society one can't doubt the spring.

3) Advertising expenditure in radio media

The analysis of figure 2, 3 and 4 show that advertising expenditure in radio has been continuously increasing over the past years but growth rate has always been volatile. It experienced a negative growth rate in 2020 and dropped back to 2014. The reason for such trend during Covid-19 time can be understood through quarter-wise advertising expenditure which is given in Table 3.

TABLE 3: ADVERTISING EXPENDITURE IN RADIO MEDIA BY QUARTERS (Q1, Q2, Q3, Q4) (IN CRORES)

Period	Q1	Q2	Q3	Q4	TOTAL
Year 2018	473 (22%)	529 (25%)	569 (27%)	573 (27%)	2144 (100%)
Growth %		11.83%	7.56%	0.70%	
Year 2019	615 (27%)	566 (25%)	548 (24%)	531 (23%)	2260 (100%)
Growth%	7.33%	-7.97%	-3.18%	-3.1%	
Year 2020	497 (39%)	71 (6%)	260 (20%)	441 (35%)	1270 (100%)
Growth%	-6.4%	-85.71%	266.2%	69.62%	
Growth% (19/18)	30%	7%	-4%	-7%	5%
Growth% (20/19)	-19%	-87%	-52%	-17%	-44%

Source: Pitch Madison Report 2021

Though radio had seen an increase in listeners in 2020 but still experienced a downfall in advertising expenditure. The advertising expenditure fall sharply by more than 80% in second quarter but it started to recover after that, though didn't fully. The reason for this shift in second and third quarter can be because of the time taken by the companies in strategy formulation. On comparing quarter wise data of radio with other media it can be seen that the recovery is quite slow in radio. It shows that the strategy adopted by the companies is to prudentially use the available funds by focusing more on demonstration techniques through TV and digital media than the visualization techniques through radio.

4) Advertising expenditure in cinema media

The analysis of figure 2, 3 and 4 show that advertising expenditure in cinema has been increasing over the past years but plummeted in 2020. Figure 2 shows that the advertising expenditure had fallen back to years even before 2014. When considered from the side of growth percentage it is the most suffered media with a fall of more than 80% (figure 3). It is evident from figure 4 that its share in the total advertising expenditure was continuously increasing at an increasing rate but it fall to 0.3% in 2020. The reason for such downfall is the closure of cinema during Covid-19 lockdown. Though in most states cinemas were allowed to open in last quarter but at restricted capacity. So this had not really helped much as it provided less exposure opportunity to the companies and thus remained least attractive for them.

5) Advertising expenditure in OOH media

The analysis of figure 2, 3 and 4 show that advertising expenditure in OOH has been increasing at a decreasing rate

over the past years and it finally experienced negative growth rate in 2020. For detailed analysis quarter-wise advertising expenditure can be seen which is given in Table 4.

TABLE 4: ADVERTISING EXPENDITURE IN OOH MEDIA BY QUARTERS (Q1, Q2, Q3, Q4) (IN CRORES)

Period	Q1	Q2	Q3	Q4	TOTAL
Year 2018	813 (24%)	803 (24%)	929 (28%)	820 (24%)	3365 (100%)
Growth %		-1.23%	15.69%	-11.73%	
Year 2019	862 (25%)	844 (24%)	978 (28%)	811 (23%)	3495 (100%)
Growth %	5.12%	-2.09%	15.88%	-17.08%	
Year 2020	753 (58%)	8 (1%)	99 (8%)	432 (33%)	1292 (100%)
Growth %	-7.15%	-98.94%	1137.5%	336.36%	
Growth% (19/18)	6%	5%	5%	-1%	4%
Growth% (20/19)	-13%	-99%	-90%	-47%	-63%

Source: Pitch Madison Report 2021

Table 4 shows that advertising expenditure in second quarter crashed with only ₹8 crore expenditure. On-road movement was restricted, airports, metros were not providing services so the exposure in OOH media was around to nil so companies don't wish to put their money in this media advertisement. Even when some movement was allowed the companies still remain skeptical about OOH media that is why even in fourth quarter the advertising expenditure is not more than half of the expenditure in any of the quarter of previous two years.

6) Advertising expenditure in digital media

The analysis of figure 2, 3 and 4 show that digital media has come out as the winner of the game. All media whether their proportion in total advertising expenditure has increased or decreased has suffered a negative growth in 2020 but digital media is the only one which experienced positive growth rate. For detailed analysis quarter-wise advertising expenditure can be seen which is given in Table 5.

TABLE 5: ADVERTISING EXPENDITURE IN DIGITAL MEDIA BY QUARTERS (Q1, Q2, Q3, Q4) (IN CRORES)

Period	Q1	Q2	Q3	Q4	TOTAL
Year 2018	3043 (26%)	2341 (20%)	2224 (19%)	4097 (35%)	11705 (100%)
Growth %		-	-5%	84.22%	
Year 2019	3867 (25%)	3093 (20%)	3403 (22%)	5104 (33%)	15467 (100%)
Growth %	-5.61%	-	10.02%	50%	
Year 2020	4467 (26%)	2005 (12%)	4206 (25%)	6296 (37%)	16974 (100%)
Growth %	-	-	109.78%	49.69%	
Growth% (19/18)	12.48%	55.12%	53%	25%	32%
Growth% (20/19)	27%	32%	24%	23%	10%

Source: Pitch Madison Report 2021

Table 5 shows that digital media do get affected in second quarter but it responded and jumped back in next quarters and attain an overall positive growth rate in the year. The fall in second quarter can be seen as a result of adjustment and strategy formulation time. Because of lockdown when the cinema was closed and TV was less attractive the viewers get shifted to OTT platform. For shopping e-commerce websites gain preference due to restricted movements. That's why the growth in third and fourth quarter can be associated with the increase in advertisement on OTT platform, online videos, shopping platforms and digital news platforms. Perforation of mobile internet into rural areas has also supported growth of digital media.

V. CONCLUSION AND FUTURE WORK

Advertising expenditure is responsive to the economic growth of India and shows a trend according to which a boom in advertising industry is expected in future. All the media respond differently to the change in economy. The choice of media during Covid time is more affected by the current situation than the economic growth as can be seen in the case of print, cinema and OOH. As the exposure rate in print, cinema and OOH decreases their attractiveness as a media of advertisement also decreases. Similarly the advertising expenditure in TV and digital media have increased because the exposure rate in these media has increased because of increase in viewership and users. Radio seems to be affected by the economic changes only as it shows fall in advertising expenditure despite of increase in number of listeners.

The current research tries to find out the impact of Covid 19 on advertising expenditure in India and for this a trend has been studied which includes previous years immediately preceding Covid 19 years and Covid 19 years. It was found that during Covid 19 economy faced a fall in percentage growth of real GDP and some types of advertising media become less important than the other media. So in order to better understand the trends in advertising spending further study can be conducted to find out the factors which influence companies' decision to choose advertising media during such period because it was found in the current study that even with the increase in number of listeners over radio the advertising expenditure on this media still decreased. The current study is limited to India. Further research can be done on cross-country data and on different groups of countries to better understand the trends and determinants of advertising expenditure

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