The massive Indian market is changing fast. Internet access is mainstreaming among professionals and the use of mobile is intensifying. The pace of change continues to be rapid with digital channels constantly growing in volume and strength. More people spend more time online in India every year, and the digital tools and sites they use play an ever-growing role in their lives. Smart marketers keep on top of the scale of change and ensure their marketing strategies and touchpoints mirror where the consumer is spending their time. These notes give a sense of the scale of change we've seen so far and implies the scale of what is coming.
These notes cover the India market

1. Internet usage
2. Broadband
3. Consumer internet behaviour
4. Online activities
5. Online advertising
6. Search
7. Mobile audiences
8. Reflections
Introduction

The web is now established in India as a mass market media channel for the wealthy. Email has become a mass market media channel for office workers and professional classes, but the use is more fractured than in Europe. The main changes in internet access both at home and at work have happened in the last five years and have seen the internet become an essential part of office life. The number of people with access continues to rise, but it is still only 5% of the country. The time they spend online is rising too and the frequency of use is rising: people who have access use it a lot and continue to use it more and more.

In this report we have collated together a market snapshot of how internet access and use in the country is developing.

Rapid growth, but among the wealthy

Internet access growth started accelerating in 2002 and both the web and email have now mainstreamed as both a consumer and business tool. Not surprisingly internet use is skewed massively towards specific up-market demographics and professional classes that have access as part of their working lives. The twenty something professionals are graduating college with internet access part of their personal landscape so a clear cohort effect is in play – as this group ages they replace the older generation where internet use is more patchy, and the digital behaviour on the whole, less engrained. Email has become an important business tool for both domestic and international firms, and the ability to overcome the geographic challenges of such a large country have made it a quick replacement for fax services. However the role of the web goes far beyond business. For a new generation of consumers it’s become a key lifestyle and entertainment channel, with many strong nationally created entertainment, sport and news sites traceable back to the mid nineties. The strong home-grown content industry India has had, complemented by a strong IT sectors in Bangalore, Mumbai and Delhi have fuelled internet development. In terms of international access, there is an additional pattern of strong use of UK and US websites as well as international sports websites.

Online advertising in India

The internet advertising industry remains young in India and behaves in a similar way to the Western European internet advertising industry 5-8 years earlier. It is enjoying fast growth, albeit from a low base. The sector is dominated by financial services, IT/mobile and recruitment, with consumer package goods and motoring accounting for only small shares of the national online advertising market. However Indian consumers have experienced web advertising from the start of their use of the web so there is greater acceptance than in some of the Western European markets at a similar stage in their growth. The market is nationally driven with extra campaigns coming from global brands, but most of the budget confined to national businesses. However, negative perceptions about advertising remain and on the whole national media have been sluggish to provide online services comparable in quality to those in the UK and USA.

What are people doing online?

Email and information remain the strongest reasons people cite for going online in India, but the use of video has grown rapidly in the past few years and will continue to do so, following trends from Western Europe. National broadcasters as well as the BBC and YouTube have all been early beneficiaries of online video viewing from India. The role of social media is growing rapidly with over 60m people having profiles on social networking sites. This will accelerate through to 2012 by which time internet access should have broadened and social media become a standard element of web use with the vast majority of regular users having at least one social media profile. Blogging and RSS use also prove to be significantly high at present; this will continue, but relative to other tools, blogging’s share of voice will decline throughout to 2010.

Consumer internet behaviour in India

For people with access, it’s a major part of their daily or weekly schedule. The internet is a gateway to world knowledge as well as a massive platform for national media and documentation. Once people start using the internet their behaviour changes permanently and already in India over two thirds of people with access use it several times a week or more. Work audiences account for significant amounts of the online total population. Access from internet cafés remains extremely high, averaging 30% on working days.

Mobile phone use in India

This is the real mass market communication tool. There are around 300m mobile users in India (2008: 286million accounts). 92% of mobile subscribers are on pre-paid connection and remaining 8% on post-paid terms according to the IAMAI research of 2008. The Indian telecommunications market has tremendous growth opportunities – and according to IAMAI is set to exceed 500 million by 2010. Value added services - SMS, Hello Tunes, Music on Demand and Airtel Live - contributed to about 9.5% of the total revenues of the segment and SMS alone accounted for 4.1% of the total revenue in the market according to Go Broadband (2009). Mobile adoption has always been higher, so for SMS marketing, that is the true mass market media channel across many demographics. While mobile use is very high, mobile devices and the web will not properly converge until late 2010 so this remains an SMS text platform rather than mobile internet.

Search engine marketing in India

The role of search is similar to most developed internet markets, although there is a lack of accurate data due to challenges in researching the market size effectively. Search is the largest segment of the online advertising industry in most countries and search engine advertising is rapidly growing in India, roughly doubling in size each year. Search engine optimisation is believed to be a massive part of the marketing mix in India but remains un-quantified. Product development among search engines will now increase, given India’s accelerating status as an internet economy.
India: Market snapshot

People and demographics

- 1,166m people (estimate 2009)
- Urban population: 29%
- Age structure
  - 0-14 years: 31.1%
  - 15-64 years: 63.6%
  - 65 years and over: 5.3%
- Literacy
  - 61% age 15 and over can read and write
  - Male 73.4% / female 47.8%

Industry

- High economic growth rate
- Pockets of high development, but large wealth divide
- Telecommunications infrastructure challenges remain
- Strong software industry
- Strong media and entertainments industry
- Strong outsourced services industry
Internet growth

A rapidly changing economy; one side of the wealth divide.
Internet use in India

Low, but high concentrations among professional classes
## Internet usage: India

### Growth of internet use in India 1998-2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Internet users (m)</th>
<th>Total population (m)</th>
<th>Penetration (%)</th>
<th>Data source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>1.4</td>
<td>1,095</td>
<td>0.10</td>
<td>ITU</td>
</tr>
<tr>
<td>1999</td>
<td>2.8</td>
<td>1,095</td>
<td>0.30</td>
<td>ITU</td>
</tr>
<tr>
<td>2000</td>
<td>5.5</td>
<td>1,095</td>
<td>0.50</td>
<td>ITU</td>
</tr>
<tr>
<td>2001</td>
<td>7.0</td>
<td>1,095</td>
<td>0.70</td>
<td>ITU</td>
</tr>
<tr>
<td>2002</td>
<td>16.5</td>
<td>1,095</td>
<td>1.60</td>
<td>ITU</td>
</tr>
<tr>
<td>2003</td>
<td>22.5</td>
<td>1,095</td>
<td>2.10</td>
<td>ITU</td>
</tr>
<tr>
<td>2004</td>
<td>39.2</td>
<td>1,095</td>
<td>3.60</td>
<td>C.I. Almanac</td>
</tr>
<tr>
<td>2005</td>
<td>50.6</td>
<td>1,112</td>
<td>4.50</td>
<td>C.I. Almanac</td>
</tr>
<tr>
<td>2006</td>
<td>40.0</td>
<td>1,112</td>
<td>3.60</td>
<td>IAMAI</td>
</tr>
<tr>
<td>2007</td>
<td>42.0</td>
<td>1,130</td>
<td>3.70</td>
<td>IWS</td>
</tr>
</tbody>
</table>

Source: Internet World Stats, various 98-07. Data sets include ITU (International Telecommunication Union), Computer Industry Almanac, IAMAI (Internet and Mobile Association of India), IWS (Internet World Stats)

Base: Note that the base and research methodology varies significantly between sources - data is presented to provide an indication of trends.
Internet usage

- Internet access growth started accelerating in 2002
- Use data is skewed massively towards specific demographics
- Email has become an important business tool
- The web is proving itself as both an entertainment and business media platform
- There is a strong home-grown content industry, complemented by a strong IT sector
- There is strong use of UK and US websites
5% of people
Access is low but concentrated in key groups
Broadband use in India

Rapid growth as broadband replaces narrowband connections
# Broadband growth: India

## Broadband subscriber growth 2007-2008

<table>
<thead>
<tr>
<th></th>
<th>Oct 07 (m)</th>
<th>Oct 08 (m)</th>
<th>Growth (m)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.02</td>
<td>5.05</td>
<td>2.03</td>
<td>67.22</td>
</tr>
</tbody>
</table>

Source: Telecom Regulatory Authority of India, Nov 2008

Base: Defined as download speeds of 256Kbps or more.

Interpretation: As the speed of internet connectivity has increased, many countries have evolved their own definition of fast / broadband connections.
Broadband

• India is undergoing the switch to broadband before many people even experienced narrowband

• India will be a broadband internet country and a wireless internet country

• However significant infrastructure problems remain in the rollout of large-scale broadband
Slow connections
Only one tenth of connections are broadband services
Consumer internet behaviour in India
Understanding how audiences use the internet in India
Frequency of internet use: India

Percentage of active internet users who use the internet...

- Daily: 25%
- 4-6 times a week: 19%
- 2-3 times a week: 23%
- Once a week: 18%
- Less than once a month: 12%
- 2-3 times a month: 3%

Source: IMRB International / IAMAI, ‘Internet in India 2007’
High frequency of use
Two thirds of people with access are online at least 2-3 times a week; a quarter are online daily
Internet behaviour: India
Breakdown of amount of time spent online

Working day

- >2hrs: 15%
- <0.5hr: 21%
- 0.5hr - 2hrs: 64%

Non-working day

- >2hrs: 13%
- <0.5hr: 16%
- 0.5hr - 2hrs: 71%

Source: Sify Imagine, Jul 2003
High time online
Around two thirds of people spend between half an hour and 2 hours online daily:
This is a key media channel
Internet behaviour: India

Breakdown of when time is spent online

Working day
- 19:30 - 23:00: 27%
- 23:00 - 9:00: 7%
- 9:00 - 15:00: 38%
- 15:00 - 19:30: 28%

Non-working day
- 23:00 - 9:00: 9%
- 9:00 - 15:00: 18%
- 15:00 - 19:30: 32%
- 19:30 - 23:00: 41%

Source: Sify Imagine, Jul 2003

www.DigitalStrategyConsulting.com
Internet access location: India
Breakdown of where time is spent online

- **Working day**
  - Home: 25%
  - Cyber Café: 30%
  - Work: 29%
  - Other: 16%

- **Non-working day**
  - Home: 47%
  - Cyber Café: 27%
  - Work: 7%
  - Other: 19%

Source: Sify Imagine, Jul 2003
Consumer internet behaviour

• For people with access, it’s a major part of their daily or weekly schedule
• Once people start using the internet their behaviour changes permanently
• Over two thirds of people with access use it several times a week or more
• Work audiences account for significant amounts of the online total population
• Access from internet cafes remains extremely high, averaging 30% on working days
Online activities in India

What are people doing online?
## Online activities: India

### Main reason for using internet

<table>
<thead>
<tr>
<th>Group</th>
<th>Email</th>
<th>Chat</th>
<th>Info</th>
<th>Entertainment</th>
<th>e-commerce</th>
</tr>
</thead>
<tbody>
<tr>
<td>School kids</td>
<td>37%</td>
<td>11%</td>
<td>19%</td>
<td>54%</td>
<td>5%</td>
</tr>
<tr>
<td>College students</td>
<td>31%</td>
<td>31%</td>
<td>19%</td>
<td>54%</td>
<td>5%</td>
</tr>
<tr>
<td>Young men</td>
<td>31%</td>
<td>19%</td>
<td>12%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Older men</td>
<td>35%</td>
<td>11%</td>
<td>16%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Working women</td>
<td>14%</td>
<td>13%</td>
<td>17%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Non-working women</td>
<td>14%</td>
<td>13%</td>
<td>17%</td>
<td>6%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: IMRB International / IAMAI, ‘Internet in India 2007’
Social media and multimedia: India
Behaviour of internet users

<table>
<thead>
<tr>
<th>Activity</th>
<th>% of active internet users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ever watch video clips</td>
<td>85.6</td>
</tr>
<tr>
<td>Have ever read a blog</td>
<td>85</td>
</tr>
<tr>
<td>Have profile on new social network</td>
<td>66</td>
</tr>
<tr>
<td>Upload photos to sharing site</td>
<td>64.8</td>
</tr>
<tr>
<td>Have downloaded a podcast</td>
<td>57.8</td>
</tr>
<tr>
<td>Upload videos to sharing site</td>
<td>52.6</td>
</tr>
<tr>
<td>Have their own blogs</td>
<td>49</td>
</tr>
<tr>
<td>Subscribe to RSS feed</td>
<td>44</td>
</tr>
</tbody>
</table>

Source: Universal McCann, Mar 2008

Interpretation: These activities indicate levels of participation with social media and can be used as a key indicator for the level of sophistication of internet users.
Online activities

• Email and information remain the strongest reasons people go online

• The role of video has grown rapidly in the past few years and will continue to

• The role of social media is growing rapidly with over 60m people having profiles on social networking sites; this will accelerate

• Blogging and RSS use also prove to be significantly high; this will continue
Online advertising in India

Fast growth from a low base
Online advertising sectors: India

Category of advertisements seen by users

<table>
<thead>
<tr>
<th>Category</th>
<th>% of active internet users saw ads for</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance: Banking and loans</td>
<td>59</td>
</tr>
<tr>
<td>Recruitment</td>
<td>59</td>
</tr>
<tr>
<td>Education &amp; training</td>
<td>45</td>
</tr>
<tr>
<td>Mobile telephony</td>
<td>45</td>
</tr>
<tr>
<td>Entertainment</td>
<td>40</td>
</tr>
<tr>
<td>IT: Computer, laptop, equipment</td>
<td>38</td>
</tr>
<tr>
<td>Matrimonial</td>
<td>37</td>
</tr>
<tr>
<td>Personal products</td>
<td>37</td>
</tr>
<tr>
<td>Finance: investment &amp; mutual funds</td>
<td>35</td>
</tr>
<tr>
<td>Finance: Insurance</td>
<td>34</td>
</tr>
</tbody>
</table>

Source: IMRB International / IAMAI, ‘Internet in India 2007’

Base: 12.3m active internet users in 2007 who have clicked on an online ad
interpretation: This type of data can be used to explore potential share of voice for
marketers looking to choose between different media channels
Key advertising sectors
Finance, employment related and mobile/IT
Online advertising: India

Information searched for after seeing specific ads

% of active internet users searched for

- Recruitment: 41%
- Education & training: 35%
- Finance: investment & mutual: 27%
- Mobile telephony: 24%
- Personal products: 22%
- Entertainment: 22%
- Finance: Banking and loans: 21%
- Finance: Insurance: 21%
- Travel: Flights: 17%
- Matrimonial: 17%

Source: IMRB International / IAMAI, ‘Internet in India 2007’
Base: 12.3m active internet users in 2007 who have clicked on an online advertisement
## Online advertising driving sales: India

**Users who bought products after seeing the advertisement**

<table>
<thead>
<tr>
<th>Category</th>
<th>% of active internet users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism: Hotel, tour and holiday</td>
<td>4.3</td>
</tr>
<tr>
<td>Finance: Banking and loans</td>
<td>3.8</td>
</tr>
<tr>
<td>IT: Computer, laptop, equipment</td>
<td>1.4</td>
</tr>
<tr>
<td>Mobile telephony</td>
<td>1.2</td>
</tr>
<tr>
<td>Entertainment</td>
<td>1.0</td>
</tr>
<tr>
<td>Matrimonial</td>
<td>1.0</td>
</tr>
<tr>
<td>Travel: Flights</td>
<td>0.8</td>
</tr>
<tr>
<td>Recruitment</td>
<td>0.8</td>
</tr>
<tr>
<td>Automotive</td>
<td>0.7</td>
</tr>
<tr>
<td>Personal products</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: IMRB International / IAMAI, ‘Internet in India 2007’

Base: 12.3m active internet users in 2007 who have clicked on an online ad
Online advertising interaction: India

Percentage of internet users who have/not clicked on an online ad

2006

- Have: 56%
- Have not: 44%

2007

- Have: 80%
- Have not: 20%

Source: IAMAI, Online banner advertisement market in India, 2008
Base: 15.4m active internet users in 30 cities
Online advertising attitudes: India

Internet users’ attitudes to online advertising remain negative

<table>
<thead>
<tr>
<th>People agreeing with the statement</th>
<th>Respondants (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet ads are less likely to make me purchase the advertised product</td>
<td>65</td>
</tr>
<tr>
<td>I don’t like to click on an internet ad as it distracts me from my work</td>
<td>65</td>
</tr>
<tr>
<td>Usually I ignore online ads</td>
<td>58</td>
</tr>
<tr>
<td>Online ads do not often offer comprehensive information</td>
<td>55</td>
</tr>
<tr>
<td>Advertisements on the internet are not relevant to me</td>
<td>52</td>
</tr>
<tr>
<td>Online ads present misleading information</td>
<td>47</td>
</tr>
</tbody>
</table>

Source: IAMAI, Online banner advertisement market in India, 2008
Base: 15.4m active internet users in 30 cities
Online advertising

- The internet advertising industry remains young in India
- It behaves in a similar way to the Western European internet advertising industry 5-8 years earlier
- However Indian consumers have experienced web advertising from the start of their use of the web
- The market is nationally driven
- Negative perceptions about advertising remain
- National media have been sluggish to provide online services comparable in quality to those in the UK and USA
Search engine marketing in India

The growth of search engine advertising
Search

Search engine advertising and optimisation are fundamental to online marketing in India
Online search demographics: India

Percentage of active internet users who use search

- Young men: 27%
- Older men: 14%
- Working women: 10%
- Non-working women: 7%
- College students: 26%
- School kids: 16%

Source: IMRB International / IAMAI, ‘Internet in India 2007’
Base: 11.5m active users in 30 cities
Online search revenues: India

Search engine marketing (SEM) industry

Industry revenues for 2007-2008 (m) $112.5

Growth expected 55%

Growth over last year 100%

Source: Internet and Mobile Association of India / IMRB 4636
International, search engine marketing report, 2008

Interpretation: The market revenues for 2007-08 are expected to be US$112.5m (approx.), roughly doubling year-on-year. SEM spend is split between three approximately equal segments: domestic firms, international firms with domestic presence and international firms with no domestic presence.
Search

• The role of search is similar to most developed internet markets
• Search is the largest segment of the online advertising industry in most countries
• Search engine advertising is rapidly growing in India, roughly doubling in size each year
• Search engine optimisation is believed to be a massive part of the marketing mix in India but remains unquantified
• Product development among search engines will now increase, given India’s accelerating status as an internet economy
Mobile phone use in India

The mass market communication tool
India

Mobile phone use in India

- 92% of subscribers are on pre-paid connection and remaining 8% on post-paid terms (IAMIA, 2008)
- Indian telecom market has tremendous growth opportunities – set to exceed 500 million by 2010 (IAMIA, 2008)
- Value added services - SMS, Hello Tunes, Music on Demand and Airtel Live - contributed to about 9.5% of the total revenues of the segment. SMS alone accounted for 4.1% of the total revenue of the segment. (Go Broadband, 2009)
- India is world’s second largest wireless market (IAMIA, 2008)
- Total wireless subscribers in 2008 was 286m (IAMIA, 2008)
- Across the Country, about 32m mobile subscribers access the Internet through wireless networks, alongside 11m people who access it through fixed-line technology. (Financial Times, 2009)
- Mobile Subscribers are rising by a staggering 10m a month, but teledensity – the number of phones in use per 100 people - is 32 % in India, below neighbors Pakistan and Sri Lanka. (Financial Times, 2009)

Source: [http://convergence.in/blog/category/broadband/](http://convergence.in/blog/category/broadband/)
Cell phone is the PC of India
Time spent with the phone will exceed PC, TV and Newspapers

Source: Consumer Internet Trends, 2006
www.sherpalo.com/resources/Consumer_Internet_Web_2.0.pdf
Reflections
Reflections

- The web is a mass market media channel for the wealthy
- Email is a mass market media channel for office workers
- Mobile for SMS is a mass market media channel across many demographics
- Mobile use is very high, but mobile and the web will not converge until late 2010
- The main changes in internet access have happened in the last five years
- The internet has become an essential part of office life, and plays a key role in many homes
- The number of people online continues to rise, but so too does the time they spend online
- Broadband access is growing fast, but the number of home connections lags behind comparable markets; however although the number of connections is low, a large number of people in high-end demographics have access
- Significant infrastructure problems remain, creating a high cost of access and a barrier to the rollout of broadband
A divided digital society
Massive technical divide between professional classes and the mass market
This market overview of India covered

1. Internet usage
2. Broadband
3. Consumer internet behaviour
4. Online activities
5. Online advertising
6. Search
7. Mobile audiences
8. Reflections
Digital Market Overview

India

Understanding the scale of change of online audiences and digital media in India

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