Ernst & Young
Quality In Everything We Do

The Dhoni Effect:
Rise of Small Town India

FOREWORD

The Indian market is witnessing some major changes. More consumers, more buying power and more media reach. Then there is the rise of digital media, the fragmentation of mass media, the growing power of young consumers and that of retail. The bigger change, however, is the leveling out of purchasing power across India that brings into focus the markets beyond the metros.

We see a whole new opportunity in non- metro urban markets where the rising affluence levels and changing consumption patterns are opening doors for marketers to service new markets. For instance, the unanticipated growth for male skin-whitening creams in India, now a Rs. 300 crore market, growing at an astonishing 150% p.a. has had most of its growth coming from small-town India.

Even media consumption habits across these markets have been changing. The past decade has seen developments like de-regulation of the radio sector, increased reach of television with content being produced specifically for various regional audiences and rising focus of print players towards the tier 2 and 3 cities. This has changed the way media is consumed across the country and increased the consumer's exposure to various entertainment options. For instance, English movie channels today have higher viewership in cities of Gujarat than some of the larger metros. Further with improved connectivity, infrastructure and the spread of retail, marketers are looking to capture their share of this growth pie.

However, while marketers continue to define the top 15-20 towns as their market, a majority of their investment remains restricted to the metros, though this is gradually changing. This report is an effort to map the trends in marketing spends across the Indian market, given the new address of opportunity and to explore the factors leading to the disparities between marketing focus and spends.

We hope that you find this report insightful to explore the opportunities that these emerging markets have in store for all marketers, media players and the industry at large.

Ernst & Young

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Introduction

India is one of the fastest growing consumer markets in the world and as more than 300 million consumers spend on cars, mobile phones, food and films amongst others, marketers need to reach, remind, persuade and push them towards their brands. In 2006 Indian marketers spent about Rs 17,356 crores (billings) on advertising, and given around 8 % GDP growth rates, this market can only go up.

With the growth of the Indian economy the rising rich and middle class is spreading beyond the metros to Tier 2, 3 and 4 cities. This has accentuated the growth in markets of the Rest-of-Urban-India (ROUI) from beyond the six metros.

On sheer affluence, towns like Chandigarh, Ahmedabad, Jaipur, Lucknow, Indore or Pune are three-fourths or more of the affluence levels of Mumbai. On growth potential, they do even better. The fact that small-town urban India is very attractive – in terms of purchasing power, time spent on media and product consumption, comes across prominently. We like to call this phenomenon, The Dhoni Effect – where the rapidly growing small towns of India are taking center stage in marketing strategies of India's leading brands. Rising affluence levels, increased awareness due to enhanced media penetration, improved physical connectivity coupled with the high aspiration levels have spurred growth in small-town consumer markets to a level similar to that in metro cities of India. This has led to increase in volume of consumption of higher value brands in traditionally conservative markets.

The growing affluence levels across ROUI is a testament to the rise in potential of this markets. ROUI is now beginning to accelerate the next phase of growth for marketers due to their relatively low penetration levels and a large relevant consumer base.

However, even though the marketers are moving on beyond the metros, media spends are not growing in a similar fashion. For instance, an industry estimate puts spends on the six metros at over 60% of the national spend.

This research report explores the current developments and trends in marketing spend across the Indian market. The report focuses on the drivers and factors impacting marketing decisions regarding media spend vis-à-vis actual ground realities of market growth in India.

For the purpose of this research, India was divided into four sections - the top six metros (Mumbai, Delhi, Bangalore, Hyderabad, Chennai and Kolkata), the Key Urban Towns (KUT), which are the twenty two cities for the purpose of the study as mentioned on page 8, the ROUI (urban cities other than KUT) and rural India. During the course of the research we met some of India's largest marketing spenders across categories including FMCG, durables, financial services and media companies amongst others and domain experts such as media planning and buying agencies and advertising agencies besides relying on available published data and in-house media experts.

The Rise of Small Town India

While the Indian urban growth story till now has been driven largely by metros, it is now moving beyond metros into other towns that comprise the KUT. As of 2001, 33% of India's urban population was located in the top 8 cities (including the 6 metros) which also had 40% of its disposable income[1] ; however the concentration of the urban rich and middle class is expected to spread across to the KUT and ROUI. This leveling of purchasing power is leading to marketers' taking cognizance of the emerging potential of KUT and ROUI and paying close attention to making in-roads to new geographies beyond the metros.

Traditionally, focus on Top 10 – 15 cities has given marketers the major chunk of their business and has also resulted in limited presence in KUT. With rise in purchasing power across the KUT, marketers are carefully spreading out to these markets in search of the next growth opportunities.

For marketers, the decision to enter a new market is dependent on a number of factors which help them select and prioritize markets. As shared by some of the leading Indian marketers, the key factors impacting their decisions for gauging market potential and allocating marketing spends are listed below. Among all these, select factors have been analyzed in detail to understand the impact on market selection.

Exhibit 1– Factors impacting choice of market(s)

Factors impacting choice of Markets	
»	Market share of the company in the market
»	Revenue share of the company in the market
»	Penetration of the company in the market
»	Share of new acquisitions in the market
»	Lifecycle of the product/ service offering in the market
»	Brand and its fit to market
»	Consumer Profiling: Awareness, Intention to Buy & Ability to Purchase
»	Competition intensity
»	Presence of Decision Makers within the market

Source - Interviews with companies across diverse sectors including FMCG, Telecom, Media Distribution, Consumer Electronics, Auto & Banking. July-August 2007

[1] Marketing Whitebook, 2007

1) Consumption growth across KUT

Increasing affluence levels have directly led to increased levels of consumption growth in KUT and rural markets which have been relatively untapped till now. A study of the consumption spends shows that metros constitute about 30% of the total consumption market of hundred cities mapped by Indicus Analytics. This implies that KUT, ROUI and rural India together garner almost 70%. In addition given the larger consumer base of these markets in India, increase in share of relevant consumers would imply higher numbers being added in these markets as compared to metros.

This can be seen in product categories like telecom where subscriber growth in the four metros is growing at a scorching 58% but in the rest of India it is even higher at 93%. The volume growth in subscribers is thus coming from KUT and ROUI where the task is more of consumer acquisitions. In the relatively more mature metro markets the focus is to increase Average Revenues Per User (ARPUs) and therefore margins. Hence the emphasis is on value-added-services such as ringtones, wallpapers or news clippings.

Exhibit 2: Increase in subscribers of mobile telephony across markets.

Markets	Mar-02	Mar-03	Mar-04	Mar-05	Mar-06	CAGR
Metros	2,567,757	4,439,524	7,941,766	11,018,998	15,860,318	57.65%
Rest of India (excluding Metros)	3,858,057	8,248,113	18,222,639	30,047,117	53,339,395	92.83%

Source:TRAI Annual Report 2005-06, GSM subscription data

This analysis highlights the fact that rest of India currently is a large, relatively untapped market where investments are required from the marketer to reach out to the consumers. Hence, increased marketing spends would be necessary to ensure increased penetration in these markets. In addition, as the metros and rest of India are at different stages of the product life cycle, the marketing and communication strategy needs for these markets are divergent and would require different approaches from the marketer.

2) Large relevant consumer base and increasing affluence levels

Access to a large and relevant target group is possibly the most important parameter for any marketer in selection of markets. Markets are selected based on their affluence level as well as size (current and expected in the future), as a judicious mix of both would be critical for any market to be seen as high potential.

To better understand the current market potential across top 28 Indian towns, we analyzed each town on the basis of the following factors:

» Affluence levels: Assessed through a combination of factors such as per capita income, per capita savings, employment rate, vehicle ownership, internet usage and credit growth

» Relevant population size: Population with annual income of more than Rs. 3 lakhs

» Future growth potential: Expected market size growth between 2004-2015 for each city

Based on factor weightages all 28 towns were ranked to assess market potential.

While expectedly, the metros score highest on the affluence index, KUT are found to be at half or three-fourth levels of the affluence of the six metros. While individual KUT towns do not score as high as metros in terms of relevant population, the high scores on future growth potential push up the KUT in the overall ranking.

Further, while the absolute numbers of the relevant population base in KUT as a collective market is much higher than that of metros, it is the high concentration of relevant population in metros that has made them more attractive to the marketers.

As detailed below, the analysis highlights the high potential for KUT such as Pune and Chandigarh that rank higher than metros like Chennai and Kolkata. This illustrative example of growth potential of KUT towns is what enables marketers to move beyond the metros to focus on KUT.

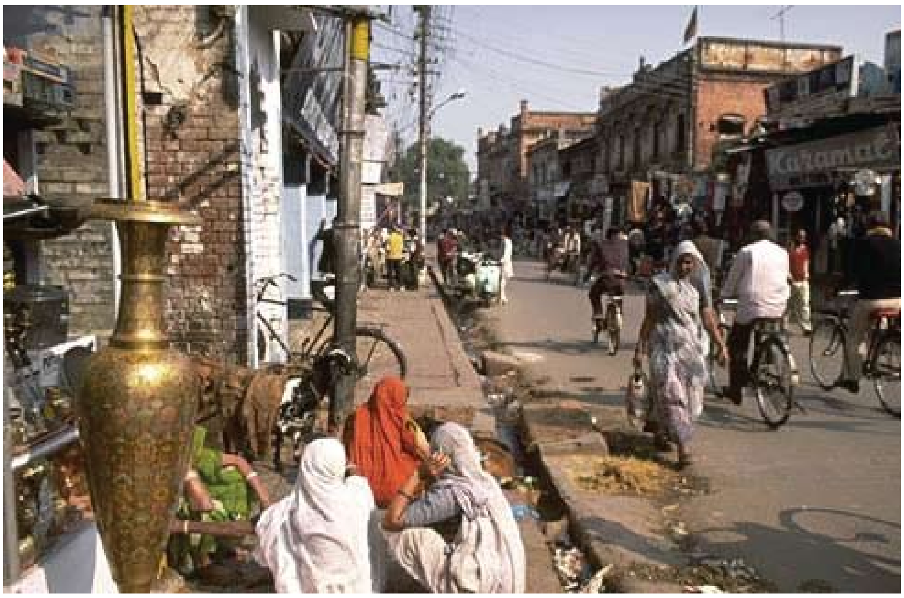


Exhibit 3: The Potential of KUT

S.No.	City	Affluence Index	Relevant Population Size	Future Growth Potential	Ernst & Young Weighted Score
1	Delhi	7.1	10.0	8.66	8.5
2	Mumbai	6.3	6.9	7.60	6.9
3	Bangalore	6.1	1.3	10.00	5.7
4	Hyderabad	5.6	2.3	6.91	4.9
5	Pune	5.9	1.5	7.17	4.8
6	Chandigarh	6.5	0.6	7.42	4.8
7	Thiruvananthapuram	5.9	0.1	8.22	4.7
8	Chennai	4.8	2.2	6.53	4.5
9	Jaipur	5.8	0.1	7.59	4.5
10	Bhopal	4.6	0.0	8.17	4.2
11	Ahmedabad	4.8	1.0	6.90	4.2
12	Lucknow	5.0	0.3	7.17	4.1
13	Ludhiana	5.2	0.9	5.38	3.8
14	Kolkata	4.9	2.4	4.10	3.8
15	Cochin	5.6	0.3	5.25	3.7
16	Vijaywada	4.6	0.1	5.81	3.5
17	Indore	4.5	0.1	5.82	3.4
18	Vizag	5.0	0.1	5.14	3.4
19	Patna	3.8	0.0	6.03	3.3
20	Nagpur	4.5	0.7	4.72	3.2
21	Surat	4.9	0.5	4.25	3.2
22	Coimbatore	4.3	0.6	4.68	3.1
23	Jamshedpur	5.0	0.0	4.37	3.1
24	Amritsar	4.8	0.5	4.15	3.1
25	Nashik	4.1	0.2	4.74	3.0
26	Vadodara	5.0	0.2	3.38	2.8
27	Kanpur	4.1	0.1	3.41	2.5
28	Madurai	4.3	0.1	2.75	2.4

Source: City Skyline of India 2006 by Indicus Analytics, Ernst&Young Analysis, Census 2001

Based on the above analysis, metros account for 30% after total rating of the 28 cities, which implies the growing importance of KUT.

3) Increased physical reach to less developed sections of the KUT

The key challenge for marketing beyond metros, especially in Tier 3, Tier 4 towns and rural India has traditionally been logistics. Recent investments and developments in infrastructure and connectivity have brought the marketer in closer contact with KUT, ROUI and rural areas. In addition, movement of organized retail into smaller towns has meant that it is easier and more cost effective for the marketer to access KUT. The rise of organized retail chains and malls provide a one-stop shop for marketers to park their goods and services while at the same time covering larger areas.

Yet the average outlets to population ratio remain smaller in ROUI in comparison to metros, as of now. Entry of retail players targeting smaller towns and rural areas are capitalizing on this opportunity and providing a thrust to the marketers' efforts to reach out through an established platform.

Exhibit 4: Reach of retail outlets and malls

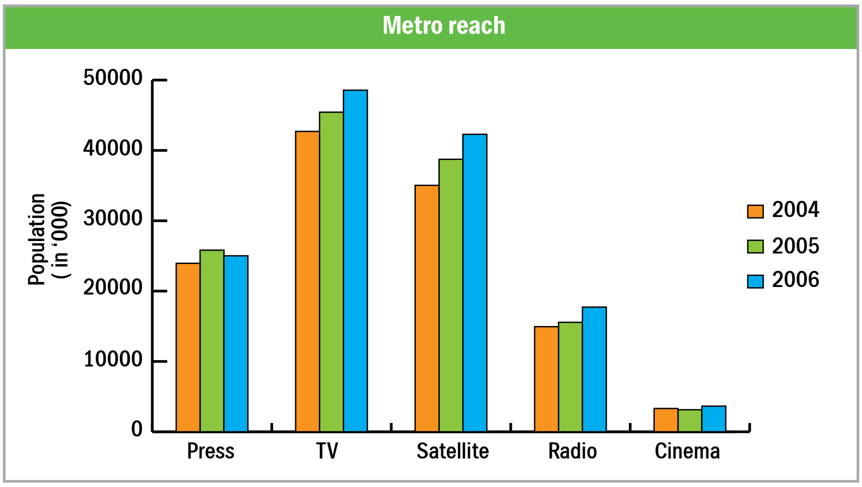
City	Number of Retail Outlets	Population (in '000)	Number of Retail Outlets Per 000s	Number of Malls	Number of Malls Per 000s
Mumbai	151,184	13,165	11.48	28	0.0021
Kolkatta	42,185	4,665	9.04	9	0.0019
Hyderabad	29,504	4,128	7.15	15	0.0036
Pune	34,742	5,131	6.77	9	0.0018
Chennai	30,000	4,544	6.60	4	0.0009
Bangalore	43,199	6,759	6.39	9	0.0013
Jamshedpur	7,776	1,236	6.29	0	0.0000
Patna	14,548	2,348	6.20	0	0.0000
Chandigarh	5,500	958	5.74	5	0.0052
Ahemdabad	30,636	5,338	5.74	5	0.0009
Cochin	7,600	1,530	4.97	1	0.0007
Vijayawada	6,010	1,343	4.48	0	0.0000
Nagpur	13,227	2,962	4.47	4	0.0014
Vizag	7,253	1,642	4.42	1	0.0006
Surat	17,318	3,964	4.37	2	0.0005
Coimbatore	14,823	3,462	4.28	2	0.0006
Thiruvananthapuram	4,769	1,142	4.18	3	0.0026
Nashik	9,076	2,308	3.93	3	0.0013
Vadodara	7,123	1,838	3.88	1	0.0005
Bhopal	6,642	1,731	3.84	2	0.0012
Indore	7,956	2,082	3.82	1	0.0005
Madurai	5,035	1,580	3.19	3	0.0019
Lucknow	8,500	2,697	3.15	5	0.0019
Ludhiana	5,000	1,978	2.53	2	0.0010
Delhi	40,000	16,031	2.50	32	0.0020
Kanpur	8,000	3,234	2.47	2	0.0006
Amritsar	3,500	1,465	2.39	2	0.0014
Jaipur	5,000	3,134	1.60	7	0.0022

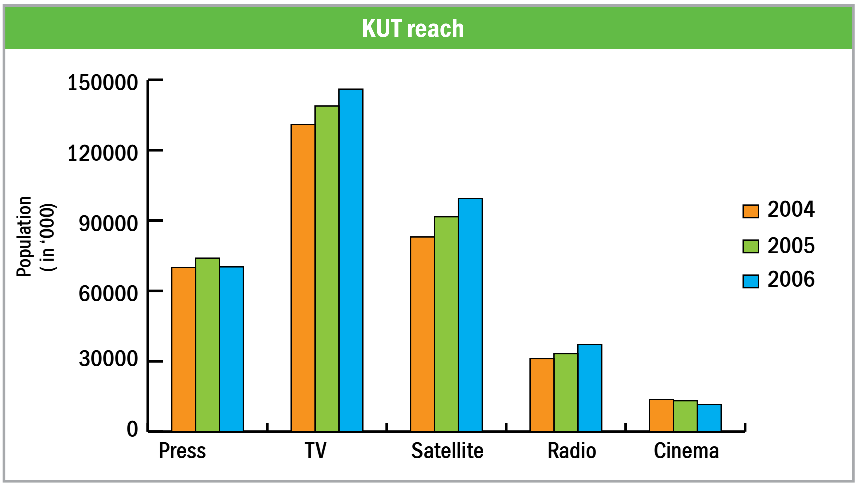
Source: City Skyline of India 2006 by Indicus Analytics, Ernst&Young Analysis

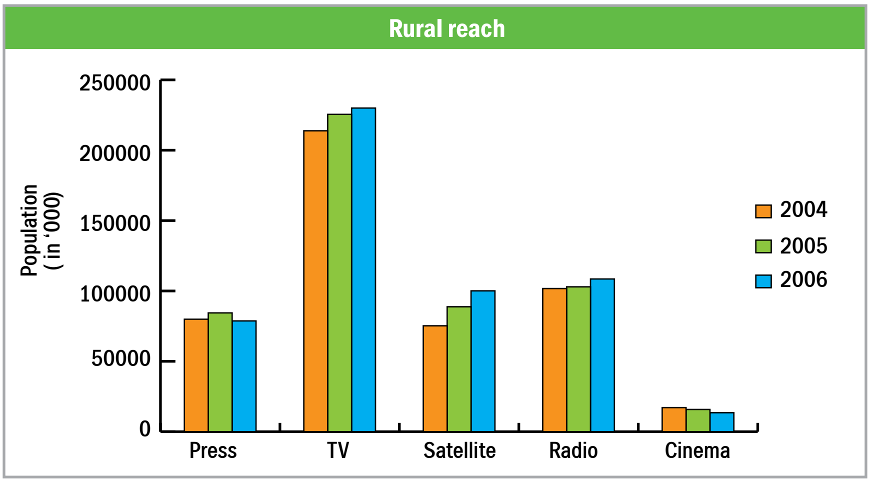
4) Increase in media reach and changing consumption trends

In KUT, ROUI and rural India except for press and cinema, the reach of media has been growing at a fast pace in recent years. Increasing disposable incomes, easier access to credit and better retail reach have been instrumental in pushing television, satellite and radio in KUT in absolute terms. Increased media reach in KUT is coupled with rising media consumption given the easier access of the consumer to multiple media platforms.

Exhibit 5: Media reach across metros, KUT and rural areas across 2004–06







Source: IRS 2005, 2006, 2007 data

Therefore, it is evident that KUT is of growing importance on account of the following:

- Significant consumption expenditure of KUT vis-a-vis the metros
- Increasing affluence levels with a larger relevant consumer base
- Increasing reach of retail and malls
- Increasing reach of media and favourable media consumption patters

Changing Trends in Media Spends

1. Key factors impacting marketer's allocation of media budgets

The factors affecting choice of markets and media cumulatively impact marketing spends. While choice of markets is decisively moving beyond metros with marketers keen on claiming their footprint across KUT, the question at hand is to explore whether media spends are following a similar direction?

Post market selection, the next set of questions to be answered by the marketers is around choice of media platforms and allocation of media and marketing spends. These choices are largely dependent on the combination of the selected market, nature of product / service offering and the stage of the product life cycle of the offering. For instance, the media objective for a company's established soap product line would be brand maintenance. However, for launching new product categories like specialty soaps the emphasis could be on ensuring trial.

The mostly commonly cited factors affecting choice of media by leading marketers are:

Exhibit 6 – Factors impacting choice of media for advertising

Factors impacting choice of Media	
»	Existing clutter level of specific medium within the market
»	Reach of medium across the target group
»	Consumer preference for a specific medium
»	Suitability of medium given the objective of the advertising/ marketing exercise
»	Based on prior experience of the marketer with the success of the medium in a specific market

Source - Interviews with companies across diverse sectors including FMCG, Telecom, Media Distribution, Consumer Electronics, Auto & Banking. July-August 2007

An assessment of the key factors driving media spends across each of the four markets indicates that KUT scores higher on growth and potential given the relatively untapped consumer base. In addition, less media clutter in KUT as compared to metros leads to high media efficiencies. The growth in KUT also indicates that there is clearly an increase in buying power and numbers across the region, however not a necessary shift away from the metros.

Exhibit 7 - Assessment of key factors affecting marketing spends across metros, KUT, ROUI and rural India

The Key Variables	Metros	KUT	ROUI	Rural
Growth rate of market	High	High	High	High
Maturity	High	Medium	Low	Low
Launch expenses	High	Medium	Medium	High
Maintenance needs	High	Low	Low	Low
Brand building expenses	V High	Medium	Low	Low
Media reach	High	High	Medium	Low
Physical reach	High	Medium	Medium	Low
Media efficiencies	Medium	High	High	High
Product penetration	High	Medium to low	Low	Low
Media clutter	High	Low	Low	Low
Time spent on media	High	High	Medium	Low
Measurability	High	Medium to Low	Low	Low

Source- Ernst&Young analysis

The marketer's confidence in the potential of KUT however, does not seem to translate into actual sales and investments into these markets. While data on marketing spends is closely guarded, industry estimates derived through primary research have been taken as the starting point.

Our research indicates that some of India's top marketers now consciously focus on the top 15-20 towns, yet the media spends remain skewed in favor of the metros. An industry estimate puts spends on the six metros at over 60% of the national spend.

The above could however differ depending on the category of products. While KUT has a larger share of consumption spends vis-a-vis the metros (70:30), the ad spends in most product categories are not in the same proportion. As in the case of some of the cola manufacturers, this proportion is as high as 80% in favour of the metros, inspite of metros generating only about 25% of the sales.

However this trend is changing. An analysis of the print spends in 2006 and 2007 shows us that even though metros constituted a larger share of the total print spends in both years, ad spends diverted towards KUT grew at a much higher rate than the spends towards metros. This is indicative of the fact that advertisers are cognizant of the growing significance of the KUT in India.

2. Growing importance of BTL

A new direction taken by marketers in allocating funds that has been highlighted through our research is the significant jump in the investments going into below-the-line (BTL) marketing. Across the board, marketers are spending anywhere between 10-50 % of their total budgets on direct marketing, events, activation and other BTL activities depending on the nature of the product / service and market of choice. The average BTL spends across marketers met during the course of the research was closer to 40 % against about 15 %, just three years earlier. One reason of course is mass media fragmentation and therefore less bang for the above-the-line (ATL) buck. The other more important reason however is the pressure on brand managers for a better return on marketing investments made. This rise in BTL is resulting in a better connect with small-town India because a larger portion of the increased BTL is going to KUT as per marketers.

In the metros, BTL is used because the clutter in mass media is too high and getting audience attention is difficult. The logic for using BTL in KUT, however, is different. Even though media options are limited in many KUT, yet because consumers are looking for new products or services, BTL gets a more than proportionate response. In existing product categories BTL in KUT has helped push up revenue contributions.

3. Constraints limiting marketing spends in KUT

Through our research, an attempt was made to explore the constraints limiting marketing spends in KUT despite the acknowledged potential among the same regions.

Historically, insufficient media options have meant that most KUT markets have suffered from lack of presence and / or sub-optimal quality of local media. In the past, this has restricted alternatives for marketers and has resutled in limiting media and marketing spends. However this is changing with developments like de-regulation of radio sector, rise in regional and vernacular dailies and increased presence of regional / local television channels across markets. Yet, it will take time before the impact of increasing media options in KUT would be reflected in marketers' decisions for the same region.

In addition, the following factors seem to contribute in some way or the other in keeping media spends locked up within the metros and inhibiting comparative media spends in KUT.

» **Limited measurement tools to judge media effectiveness beyond metros**

The effect of marketing spends can be measured in several ways, among which tracking media effectiveness is the most measurable. To validate their choice of marketing spends; most marketers prefer to invest in markets where media effectiveness can be measured. In this regard, traditionally metros have scored higher as these are mature markets that are tracked extensively by various research agencies and industry bodies. Hence, the effectiveness of marketing spends is evident.

On the other hand, many marketers believe that in the case of non-metros, measurability of media spends is limited. Limited availability of standardized tracking and measurement services of all media beyond the metros limit the marketers' options of media spend from the same, as marketers are hesitant to sanction spending in a market that they cannot measure. In addition, the cost investments required for marketers to undertake tracking and measurement initiatives independently turn out to be prohibitive and often get dismissed due to operational difficulties.

In the case of television there are measurement tools like TAM available, that cover 148 towns across the country. However the adequecy of sample size especially for KUT has been questioned by the industry time and again.

While this measurability argument is valid for media like radio and television, it does not hold true for other media platforms such as print, given that IRS goes to 1,178 towns and over 2,800 villages and ABC covers newspapers across most towns.

» **Margin vs Volume game:**

Marketers acknowledge that advertising is just one variable that impacts sales among other including pricing, distributions etc. Products and services that are promotion elastic tend to be highly impacted by price-offs and discounts which increase the likelihood of consumer buying the same. In comparison, products and services that are advertising elastic see higher sales with increased advertising. Many successful categories and brands in KUT are price sensitive and hence promotion elastic. Marketers then choose to divert advertising budgets to on-ground promotions (including BTL and activation) that show a direct impact. In comparison, premium brands that have a greater uptake in metros (given higher purchasing power) tend to be advertising elastic which means that the more they are advertised, the higher is the likelihood of sales. As the consumption patterns in KUT change, slowly advertisers are likely to follow.

» Skew towards decision makers market

The top six metros, especially Mumbai and Delhi, have always been considered markets with a disproportionately high number of decision makers, with Mumbai being seen as the most important market because it is a B2B market in addition to being a B2C market. Given that the metros are the advertising and marketing hubs, there is a tendency to spend a disproportionate amount on these markets vis-à-vis rest of the country.

» Prevailing consumer mindsets: Premium on metro markets and English language

Currently, there is a high premium on metro markets and English language, largely due to the aspirational value of metros. The metros also have a huge B2C influence given their aspirational status amongst the rest of the country. Metro advertising is the image driver for small towns, so to capitalize on the metro premium marketers tend to spend more in metro markets.

In addition, there is a significant premium attached to English language medium among the consumer markets given that English has traditionally been the language of the upper SECs. While this is no longer true the English premium can still be noticed across multiple media.

The English bias is also attributed in part to the advertising, media and marketing circle that has traditionally been inclined to prioritize English language media over vernacular alternatives. However, that mindset has gone through a significant shift in the past years with the growth of vernacular media.

Case Study: English vs Vernacular Divide in Print

Exhibit 8: Comparison of English and vernacular daily advertisement rates in select cities

MPV Rank	MPV Value	Town	Publication	Language	Readers (000's)	B& W rates	Color Rates
1	1000	Mumbai	The Times of India - Mumbai	Eng	1670	1990	2190
			Maharashtra Times	Mar	800	900	2190
2	790	Delhi	Hindustan Times-Delhi	Eng	1984	1530	1605
			Times of India-Delhi	Eng	2074	1500	1600
3	613	Kolkata	Ananda Bazar Patrika	Ben	3061	970	1746
			The Telegraph	Eng	746	640	1152
4	363	Chennai	Daily Thanthi - Chennai	Tam	1219	306	428
			The Hindu - Chennai	Eng	914	1175	1750
5	258	Hyderabad	Deccan Chronicle - Hyderabad	Eng	821	610	850
			Eenadu - Hyderabad	Tel	1584	210	420
6	255	Banglore	Prajavani - Bangalore	Kan	620	210	255
			Times of India-Bangalore	Eng	586	1380	1400
7	221	Ahmedabad	Divya Bhaskar - Ahmedabad	Guj	1449	401	681
			Gujarat Samachar - Ahmedabad	Guj	1185	337.5	465
8	207	Pune	Daily Sakal - Pune	Mar	1167	600	1200
			Lokmat - Pune	Mar	903	240	480
9	124	Surat	Divya Bhaskar - Ahmedabad	Guj	758	158	267
			Gujarat Samachar - Surat	Guj	635	135	187.5
10	95	Kanpur	Amar Ujala - Kanpur	Hin	324	192	309
			Dainik Jagran - Kanpur	Hin	751	306	504
11	94	Jaipur	Dainik Bhaskar - Jaipur	Hin	1140	451	902
			Rajasthan Patrika - Jaipur	Hin	829	475	815
12	87	Lucknow	Dainik Jagran - Lucknow	Hin	464	306	504
			Hindustan - Lucknow	Hin	306	270	390
13	71	Coimbatore	Daily Thanthi - Coimbatore	Tam	220	58	
			Dinakaran	Tam	99	75	150
14	70	Indore	Dainik Agniban	Hin	191	120	180
			Dainik Bhaskar - Indore	Hin	591	253	506
15	67	Kochi	Malayala Manorama - Kochi	Mal	483	172	344
			Mathrubhumi - Kochi	Mal	254	115	230
16	59	Bhopal	Dainik Bhaskar - Bhopal	Hin	457	185	370
17	53	Chandigarh	Dainik Bhaskar - Chandigarh	Hin	253	181	362
			Tribune	Eng	84	310	425
18	50	Madurai	Daily Thanthi - Madurai	Tam	152	44	
			Dinamalar - Madurai	Tam	361	100	200

Source- Note -Ranking of cities is based on the MPVs (Market Potential Value), as enumerated by the RK Swamy Guide to Urban Mkts. Readership figures are sourced from NRS 2006. All Ad-rates are in Rs.per Sq cm. Cost per Thousand Readers (CPT) is: Ad-Rate/Total Readership in 000s. Everything is indexed back to Times of India-Mumbai.

INDEX AGAINST TOI MUMBAI						
B&W CPT	Color CPT	Readers (000's)	B&W rates	Color Rates	B&W CPT	Color CPT
1.2	1.3	100	100	100	100	100
1.1	2.7	48	45	100	94	209
0.8	0.8	119	77	73	65	62
0.7	0.8	124	75	73	61	59
0.3	0.6	183	49	80	27	43
0.9	1.5	45	32	53	72	118
0.3	0.4	73	15	20	21	27
1.3	1.9	55	59	80	108	146
0.7	1.0	49	31	39	62	79
0.1	0.3	95	11	19	11	20
0.3	0.4	37	11	12	28	31
2.4	2.4	35	69	64	198	182
0.3	0.5	87	20	31	23	36
0.3	0.4	71	17	21	24	30
0.5	1.0	70	30	55	43	78
0.3	0.5	54	12	22	22	41
0.2	0.4	45	8	12	17	27
0.2	0.3	38	7	9	18	23
0.6	1.0	19	10	14	50	73
0.4	0.7	45	15	23	34	51
0.4	0.8	68	23	41	33	60
0.6	1.0	50	24	37	48	75
0.7	1.1	28	15	23	55	83
0.9	1.3	18	14	18	74	97
0.3	0.0	13	3	0	22	0
0.8	1.5	6	4	7	64	116
0.6	0.9	11	6	8	53	72
0.4	0.9	35	13	23	36	65
0.4	0.7	29	9	16	30	54
0.5	0.9	15	6	11	38	69
0.4	0.8	27	9	17	34	62
0.7	1.4	15	9	17	60	109
3.7	5.1	5	16	19	310	386
0.3	0.0	9	2	0	24	0
0.3	0.6	22	5	9	23	42

By comparing English and vernacular daily ad rates across different towns, the language divide can be seen to exist in reality. Throughout the country, the same reader of an English and vernacular daily is more expensive to reach through the English daily. Our analysis indicates that on cost per thousand, every vernacular paper studied is roughly half to three-fourths of the benchmarked English daily from Mumbai.

While vernacular and regional media is growing at a fast pace and gradually acquiring more prominence, the gap continues to remain across English and vernacular language media and a change in mindset would be essential before the gap can be completely eliminated.

In Conclusion

With the growing rich and middle class spreading beyond the metros, the face of the urban market place is changing. Growing affluence levels and significant changes in consumption patterns of the KUT are compelling the marketers to take notice of the needs of this growing marketplace.

The key factors affecting the choice of new markets are large relevant consumer base, increasing affluence levels, consumption growth, increased physical reach and increase in media reach and media consumption trends.

The fact that KUT is very attractive in terms of purchasing power, media access and product and consumption comes across prominently. For instance, when assessed on affluence levels, towns like Jaipur, Cochin, Surat or Chandigarh measured up to three-fourths or more of the affluence levels of Mumbai.

In response to the market shifts, marketers that have traditionally been focused on the top 10 – 15 cities for substantial share of their business are now carefully spreading out to the markets in KUT in search of the next growth opportunities.

For the marketers, the factors affecting choice of media and allocation of marketing budgets are largely dependent on the combination of selected market, nature of product / service offering, and the stage of the product life cycle of the offering.

Till recently, most KUT have suffered from lack of presence, and / or sub-optimal quality of local media. This is changing with developments like de-regulation of radio sector, rise in regional and vernacular dailies and increased presence of regional / regional television channels across markets. We expect that in line with these developments, marketing spends will also get realigned overtime. The analysis further suggests that the other constraints limiting marketing spends in KUT include;

» Limited tracking tools: Limited measurement tools for judging media effectiveness beyond metros reduces the marketers' inclination to invest in media in KUT without gauging the value of the same.

» Volume Markets: As the KUT have traditionally been price-sensitive, volume-driven markets, marketers have relied on price promotions over advertising spends. However, as the consumption patterns change, slowly advertisers are likely to follow.

» Decision makers' bias: Skew towards decision-maker's market, which leads to a disproportionate focus on metros by media planners and marketers.

» Prevailing consumer mindsets: Current high premium on metro markets and English language, due to aspirational value of metros for KUT.

One of the new directions taken by marketers in allocating ad spends that could be indicative of changes that can be expected in the future is a growing share of BTL in the total marketing spend. The average BTL spends across marketers met was closer to 40 % against about 15 % of marketing spends, just three years earlier. While in the metros, BTL is used because the clutter in mass media is too high and getting audience attention is difficult in KUT, since media options are limited BTL gets a more than proportionate response from the inquisitive consumers. BTL could therefore be one of the factors that could better harness the marketing and media needs of KUT where marketers can use BTL effectively instead of focusing only on traditional media planks which may not be as readily accessible.

Concentration of media spends in metro markets is a well-established reality, and the opportunity being lost by keeping the focus on these markets at the expense of KUT is the challenge for the marketer. Thus the primary task for the marketers would be to ensure that they can invest in the new and emerging markets and start moving away from current biases that may exist in favor of metro markets. Measurable media solutions could be one of the factors that could ensure that media spends follow the growth potential in these markets. Perhaps that more than anything else, could bridge the gap between potential markets and spends.

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