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Posted: Fri, Nov 7 2008. 12:32 AM IST

Corporate News **RSS**

Advertising budget shrink as consumer

A study said growth in advertising budgets in India in 2008 would be (over the previous year) compared to 24.5% growth in 2007 over 2006

Anushree Chandran and Marion Arathoon



Mumbai: In the wake of the ongoing global credit crisis and a muted Diwali in terms of consumer spending, global and local media buyers and market research firms are scaling down their projections of marketing and advertising spending by companies in 2008-09.

Many of these firms expect things to become even more difficult in the coming months.

According to a recent poll by marketing consultancy firm **R3** of at least 50 marketers who manage around 100 of Asia's top 500 brands, three out of every four Indian companies will spend on marketing in 2008-09 as much as or lower than what they did in 2007-08. And a study released recently by media specialist **Zenith Optimedia** said growth in advertising budgets in India in 2008 would be 4.5% (over the previous year) compared with a 24.5% growth in 2007 over 2006.



Slow growth: A file photo of hoardings. Experts say the first definite signals of advertising budgets shrinking in India came around Diwali. Hemant Mishra / Mint

According to the R3 survey, one in four Indian companies say that they have been forced to scale down its marketing and advertising spending because of the ongoing economic crisis.

At least 30 marketers covered by the R3 survey work for Indian companies or companies operating in India.

"The events since the credit crunch have hit marketers hard," said Greg Paull,

co-founder, R3. Paull predicts there will be significant reductions in marketing budgets in the coming year, even in growing markets such as China and India.

R3 initially conducted its survey a few months ago and at least one in two Indian marketers said then that their marketing and advertising budgets in 2008-09 would increase. "That's changed now," Paull said. In October, R3 contacted the same marketers. About half of them said their marketing budget would fall by 10% with one-fourth of them saying that it could fall by at least 20%.

"Predicting the future has never been more challenging," Paull said.

He added that at least 40% of Indian marketers said they were going to spend more than originally planned on digital media, direct media and promotions.

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The Zenith study, however, predicts that 2009 and 2010 will be better years for India in terms of advertising budgets, which it expects to grow by 13.5% and 12.9%, respectively. These figures are pegged at "constant 2007 prices" or figures which have been adjusted to take general consumer inflation into account, said Jonathan Barnard, co-author of the global study.

Not all advertising growth is driven by the economy, added Barnard. "Ad expenditure growth is only partly explained by economic growth. Technological change (such as the spread of digital TV and the Internet), government regulations and the launch or closure of media vehicles such as new newspapers or radio stations all affect expenditure as well," he said.

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