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### Indian Marketing Spend/Sales Ratio Lags Europe

- 3.4% OF SALES REVENUE IS RE-INVESTED IN ADVERTISING, VS 5% IN EUROPE
- MARKETERS' ALLOCATION OF WORK BETWEEN AGENCIES DUE TO CHANGE
- AGENCY-ADVERTISER RELATIONSHIPS DUE FOR A SHAKE UP, WITH JUST 3.5 YEARS AVERAGE TENURE

New research from 400 interviews with marketers in India shows for every 100 crores of sales made by Indian companies, 3.4 crores are re-invested into advertising; compared to a 5% ratio in Europe. Further, local companies re-investing just 2.4%, well behind multinational marketers in India at 4.2%

So found the recent Marketing and Agency Trends Study conducted by Asia based consultancy R3 in conjunction with European consultancy GC. This study has been conducted for 25 years in Europe and Latin America, more recently in China and now for the first time in India. The results from over 400 face-to-face interviews with the country's top marketers show the changing landscape of advertisers' attitudes and behaviors, as well as perception and performance measures of creative and media agencies in India.

As marketers look to re-work their budgets in order to cut costs, the already low sales/ad ratio may deteriorate. Additional R3 research across the region in October 2008, showed 55% of marketing budgets would decline in 2009, and just 6% would increase. The rest remained unchanged.

As these shifts occur, the choice of media types and the allocation of the work between types of agencies are set to change. Sally Warren, GM Agency Consulting for R3 says "With Digital, Database and Activation high on the new list of media activity in these lower cost times, we see marketers reviewing their agency mix. The Marketing an Agency Trends Study showed that currently, many advertisers are still handling these functions internally; 33% of advertisers still manage digital marketing themselves, 47% for Direct and 42% for Event Management. As the need for talent and bandwidth in these areas increases it will be interesting to watch who the outsourcing goes to and which agencies are best placed to service it."

It will also prove to be a shake-up for agencies who have enjoyed longer relationships with their agencies based on great TV and print work in the past. The Study showed that average agency-advertiser relationships last just 3.6 years, versus over 6 years in Europe and the US. With increasing demands for agencies to deliver more for less, the challenge is on for how agencies can steady those clients who mistake tough times for poor agency performance.



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