

Managing Media in a 10+2 Regime (A Madison Media whitepaper)

Once TRAI regulation comes into effect in October, we expect advertising clutter to reduce by as much as 20%. Various studies have shown that reduced clutter increases Ad effectiveness. Analysing various published findings, we recommend advertisers could safely reduce TV GRPs by at least 20%.

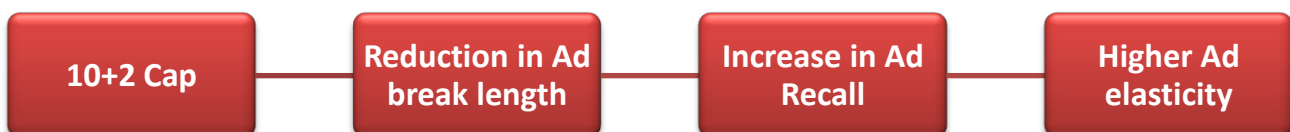
As per the new TRAI regulation, broadcasters will be constrained to carry 10 minutes of commercials + 2 minutes of channel promotions per clock hour. In the medium to short term this could lead to increase in ad rates, exacerbated by the festive season.

Advertiser budgets though, are not going to increase because of the TRAI ruling. In fact the lukewarm state of the economy, middling first quarter performance across sectors and the weakened rupee are all pointing towards a reduction in advertising spending.

While broadcasters might feel justified in asking for price increases in the constrained inventory environment, they should consider the fact that it will not be in the interest of television as a medium. Because, faced with price increases, advertisers will come up with solutions that reduce their reliance on television.

What does 10+2 mean for advertisers and how should they navigate the environment?

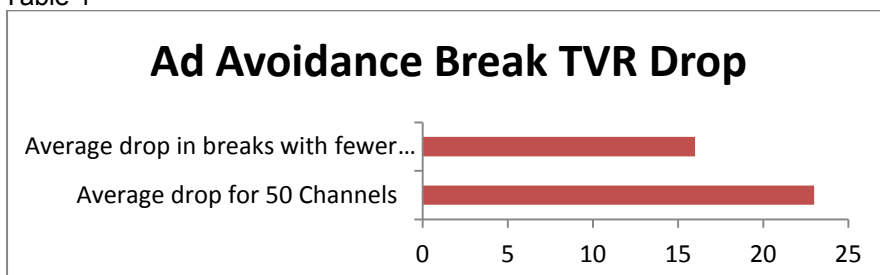
The inventory cap will lead to reduced clutter making advertising work harder. The quantum of advertising (GRPs) required for a communication task will reduce thus benefiting advertisers.



Here are some guidelines for advertisers, on how they could benefit in the new scenario.

- **A GRP may cost more but will also be worth more:** A reduction in advertising clutter drives up break viewership, and increases message effectiveness.

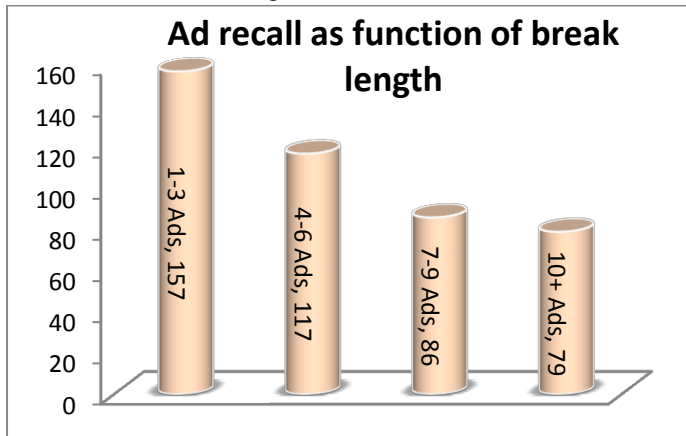
Table 1



Ad Avoidance Ratio (defined as ratio of average rating for break to average rating for programme) on average for 50 Channels stands at 23% meaning that quarter of programme audience avoid advertisements. However, if we consider Ad Avoidance for breaks with fewer ads it is 16% i.e. a 30% improvement.

- **Focus on brand measures will be critical:** Media costs and deliveries are not the end goal for marketers; they are only means to drive brand measures and the business. Robust analysis of Brand tracks will be key to assess communication effectiveness.

Table 2: Ad Break Length and Ad Recall



Nielsen Media Research at the behest of Cable Advertising Bureau (US) conducted a seminal research which among many other findings determined Ad Recall as a function of break length.

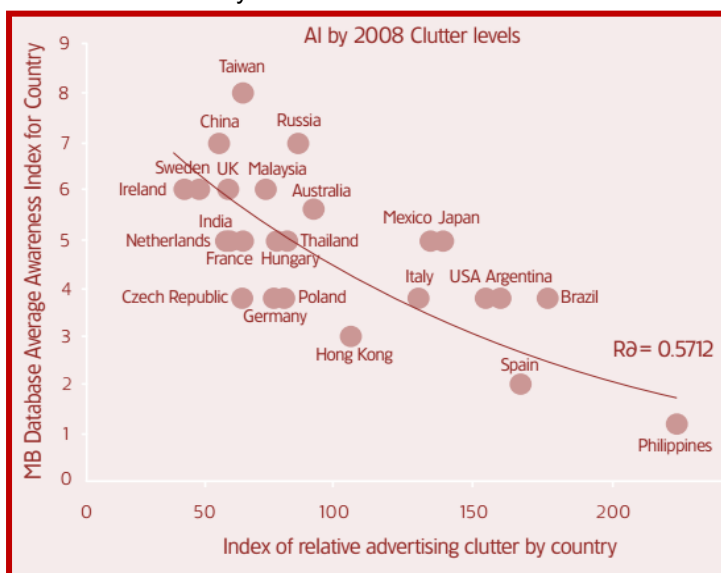
If we were to extrapolate this finding to the imminent 10+2 rule in India, it would possibly read as below. Currently, there are more than 10 ads in a typical break. If the break length reduces post the 10+2 rule we could expect a 7-10% increase in Ad Recall on account of this change alone.

Table 3: Indian context expected post 10+2 rule

Number of breaks every 30 minutes	2
Secondage per break (2.5 minutes)	150s
Average commercial duration	23s
Number of Ads per break	6.5

- **Advertisers can revise operating levels downwards:** It will not be required to operate at historical levels to maintain effectiveness.

Table 4: Ad Elasticity and Clutter



* Note that India would have moved down the curve in the last 5 years and will now move up again closer to the 2008 range.

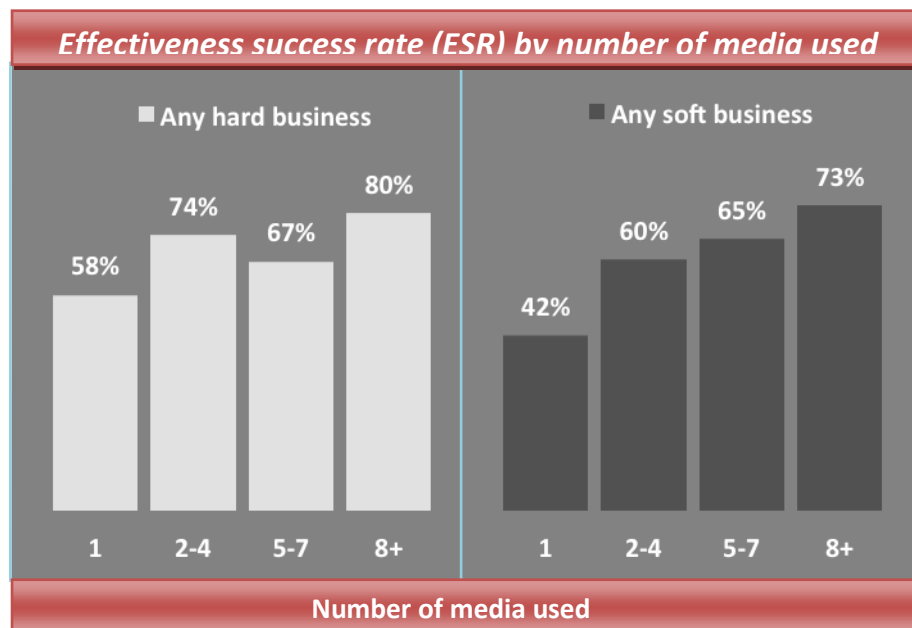
Millward Brown studied the relationship between between ad clutter and the Awareness Index (AI). The AI is Millward Brown measure of “ad impact,” and it describes the increase in advertising awareness per hundred GRPs, after accounting for effects due to media weight, diminishing returns, and advertising history. As shown in the chart above, there is a non linear relationship between ad effectiveness and clutter. Increase in clutter dramatically reduces effectiveness of advertising. **Since the relationship is non linear, one can expect a higher than 20% increase in advertising effectiveness for a 20% reduction in advertising clutter.**

Table 5:

Channel Cluster	% over 10min cap (2012)	Channel Cluster	% over 10min cap (2012)
HSM GEC - 1	21%	WB	27%
HSM GEC - 2	14%	Mah	14%
Hindi News	88%	Kar	6%
Movies	42%	Ker	-10%
Music	60%	TN	20%
Niche	10%	AP	14%
Kids	5%		

- **Shorter average copy lengths will become important:** While it is required for commercials to be of a certain ‘minimum’ duration in order to communicate brand propositions effectively, it will be critical for advertisers to play the mix and reduce average durations using a higher proportion of edits that are shorter duration.
- **Creative will become even more important:** The challenge for marketers and creative agencies will be to make creative that is even more effective for their brands.
- **Non TV media will play a critical role:** Especially for metro TG's/premium categories it will be important to have media other than TV as part of plans, strategically. We already know that multimedia effectiveness is higher than single media. Like any other media, return on TV has a diminishing effect. Advertisers should start investing in other media beyond TV saturation levels. Marketing RoI improves with such a strategy.

Table 6:



Study of IPA (Inst. of Practitioners in Advertising) database of effectiveness awards clearly shows that using 2-4 communication channels positively impacts hard business metrics like sales as well as soft metrics like awareness.

- **Increased focus on digital (video)**: Youtube and other video display options will become more attractive. Advertisers should treat these as channels and start driving spends to these options.

In addition to all this, advertisers should use their experience and judgement in collaboration with their media teams, especially when it comes to daily / monthly operations. Now, more than ever, it will be crucial to prioritize securing inventory over fine-tuning monthly optimization and planning that may show 'on-paper' efficiency but might not be executable in a highly inventory-constrained scenario.