

Annual India e-Marketing 2011

Benchmark Research on
India Digital Marketing



Octane Research, January 2011



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Address:

**The Research Group,
Level 4, Rectangle 1, Commercial Complex,
D-4, Saket, New Delhi - 110 017. INDIA**

Phone: +91 11 324 34 436

research@octane.in

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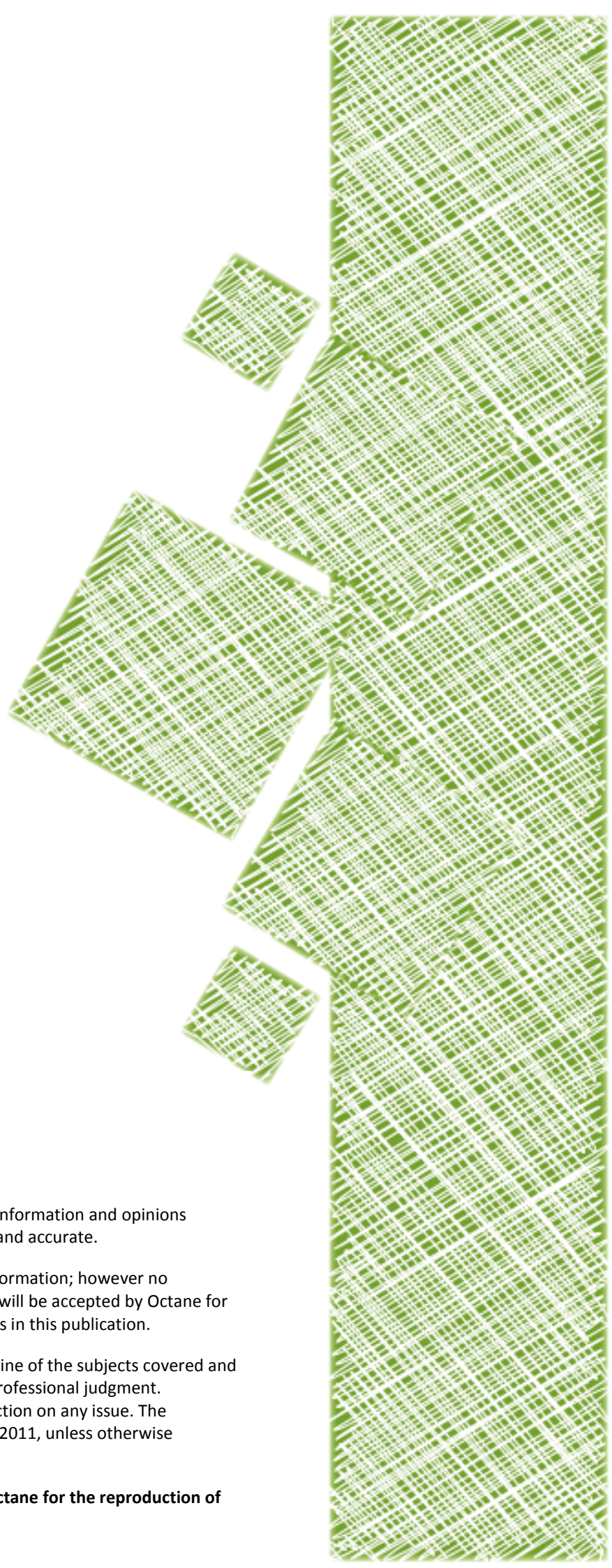
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Message from the CEO...

Indian marketers are moving at a fast speed to tap the 'new normal' opportunity. Consumers are embracing online in large numbers and the companies are using digital marketing techniques to engage with them.

The focus of marketers is shifting from 'sending the message out' to 'start engaging with customers'. In this context, the role of a marketer is changing from 'batch and blast' processing to creating 'listening posts' and 'dialogue hubs' in customer communities. Leading marketers are now precision-targeting their communications with the help of sophisticated analytics based on consumption of messages and usage patterns.

A shift from isolated pure play traditional platforms to an integrated multi-channel approach is helping the marketers address the challenge of new consumers' expectations across many devices and channels. Indian marketers are leveraging the power of various communication channels and technologies- be it Email, SMS or Social Media in their portfolio.

This fast paced change has thrown newer opportunities for e-Marketing. We wanted to capture a snapshot of this change. The "Annual India e-Marketing 2011" Report presents a dynamic view of the current thinking and future prospects of this medium. This being the first such report of its kind will provide us with a baseline benchmark for our ongoing research/studies in the field of e-Marketing.

We are curious to see how this will trend over the coming months and years and it's our genuine desire to share this back with the marketing community in India. We are counting on your support, inspiration and ideas towards such projects in the future. We would be glad to hear your feedback and comments on this report which you can share with us at research@octane.in



Digvijay Bhandari
Co-Founder and CEO
Octane Marketing India
digvijay@octane.in

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1. Executive Summary

While the growth of the digital medium over the last decade has surpassed that of any other media, the year 2010 was especially important in this regard as 86% of top Indian marketers confirmed their use of this channel as the most vital client engagement platform. The prime use of e-Marketing channels in 2010 was customer acquisition. For majority of Indian marketers this platform proved its effectiveness (97%) and a substantial number of marketers are using this platform for daily communications (34%) with their audiences. Overall the use of e-Marketing platform in 2010 was focused on sending promotional communications (62%) and newsletters (52%).

In terms of budget allocation on e-Marketing platform, 36% of Indian marketers' have invested more than 10% of their marketing budgets in 2010. In terms of generating sales through online medium, it is interesting to know that 46% of marketers are generating more than 10% of their sales online. It is not surprising that marketers plan on considerably increasing their budgets towards email and SMS marketing in 2011. 72% of leading marketers have reported of their plans to increase investments in e-Marketing platform in 2011.

With increase in budget allocation, there is a positive outlook for e-Marketing platform in 2011. Customer acquisitions remain to be the prime goal of Indian marketers (59%). According to leading marketers of India, the top three online investment channels for 2011 are Social media, Email marketing and Search marketing.

In email marketing, the main challenges faced by marketers in India are 'Reaching Inbox' & 'Building Subscriber Lists'. As reported by Indian marketers, the top 3 factors impacting email deliverability were: Frequency, content of mailer and sender reputation. In order to decrease inbox clutter, marketers are now focusing on 'Personalization' and 'Targeting' of their mailers. Overall the responsibility of email delivery is fairly distributed between IT team (22%), Marketing group (22%), partnership between IT group and marketing team (26%) and ESPs (19%). There is no single group ownership as yet.

According to marketers in India, the integration of email and SMS will result in a significant increase in the return on campaign investments. About 82% of marketers believe that there is indeed a synergy in integrated service offering to customers. For 78% of marketers, across different verticals, it is important to integrate their email marketing and social media tools in marketing campaigns while 52% of the top marketers said that it is extremely important to integrate email marketing and social media.

2. Partial list of participating companies...

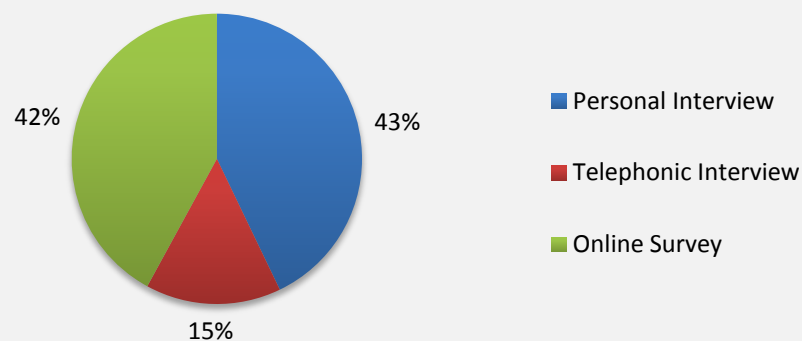
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|----------------------|---------------------------------------|
| ■ 9.9 Media | ■ Indiabulls |
| ■ Aircel | ■ Indiatimes |
| ■ Alootechie | ■ Infoedge India |
| ■ BBC News | ■ Infomedia18 |
| ■ Bharti Airtel | ■ Interactive Avenues |
| ■ Bharti AXA | ■ Jones Lang LaSalle |
| ■ Birla Sun Life | ■ JP Morgan |
| ■ Business Standard | ■ Monster |
| ■ Citi Financial | ■ MTS |
| ■ Dentsu Digital | ■ NDTV |
| ■ Dow Jones India | ■ NIIT |
| ■ DSP Black Rock | ■ Reliance Communication |
| ■ DTZ International | ■ Reliance Industries |
| ■ Euro RSCG | ■ Seventymm |
| ■ Future Group | ■ Shell |
| ■ Genpact | ■ Starcom MediaVest Group |
| ■ Google | ■ Tata Docomo |
| ■ GroupM | ■ TCS |
| ■ HT Media | ■ The Leela Palace Hotels and Resorts |
| ■ Hungama Digital | ■ The Royal Bank of Scotland N.V. |
| ■ Ibibo Group | ■ Times Internet Ltd |
| ■ IMRB International | ■ TripAdvisor India |
| ■ India Infoline | ■ Vodafone |
| ■ India Today Group | ■ Zapak |

3. Research Methodology

The primary objective of this research report is to provide insights to marketers on the trends and technologies impacting e-Marketing/online marketing in India in 2011. The Annual India e-Marketing 2011 is an analysis of feedback received from Chief Marketing Officers, Vice President-Marketing, Marketing Heads and Marketing Managers of select 250 companies in India.

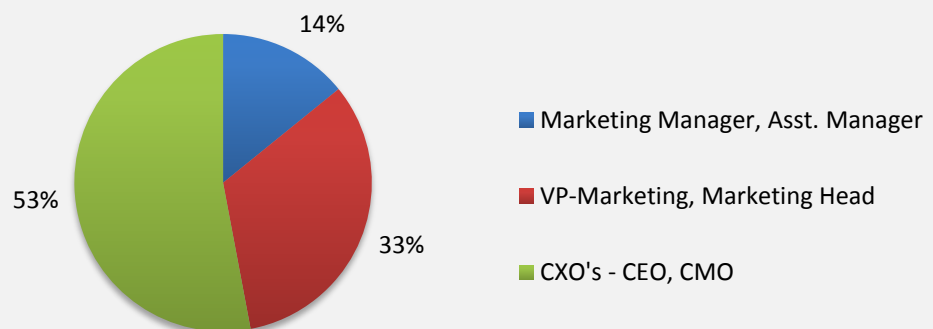
The survey was conducted for a period of 2 months from December 2010 to January 2011. The survey solicited views and opinions of leading marketers across various domains and industry verticals from all over India. The opinions of the marketers were captured using a predesigned questionnaire through face to face interviews, telephonic interviews, and an online survey. A relatively high 43% of face to face interviews lend a deeper credibility and accuracy of the report.

Participants - Survey break up



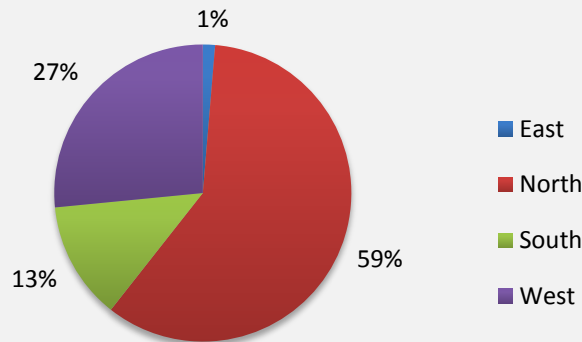
More than 50% of the participants are from top level management at the CMO level or equivalent, which may have provided a senior management bias to this report.

Participants - Profile break up



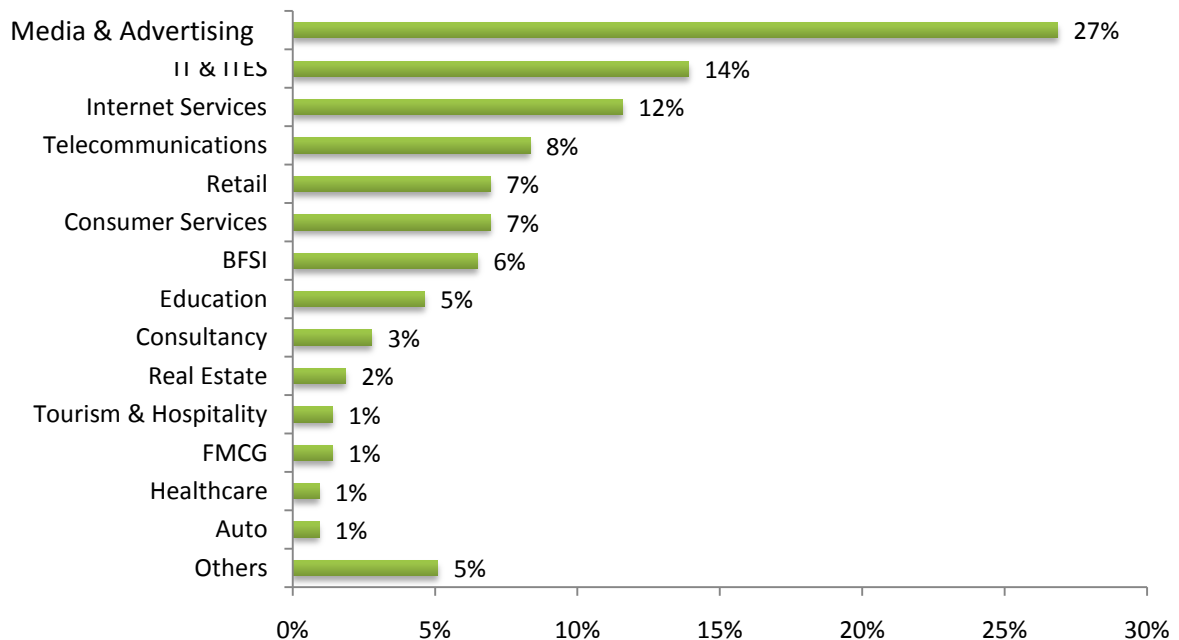
The research project generated participation from marketers all over India. Respondents from North India form the highest share (59%) of the participants. This could be attributed to the fact that a good majority of face-to-face interviews happened in NCR region.

Respondents - Regional breakup



The research team had invited marketers from across industries in India. Looking at the industry wise breakup, the survey reflects high level of participation from Media & Advertising industry (27%) as the survey was also conducted at an online media industry event.

Respondent – Break up by Industry Verticals



4. WHAT INDIA THINKS?

a. Current Scenario

b. Outlook for 2011

4.1 Current Scenario

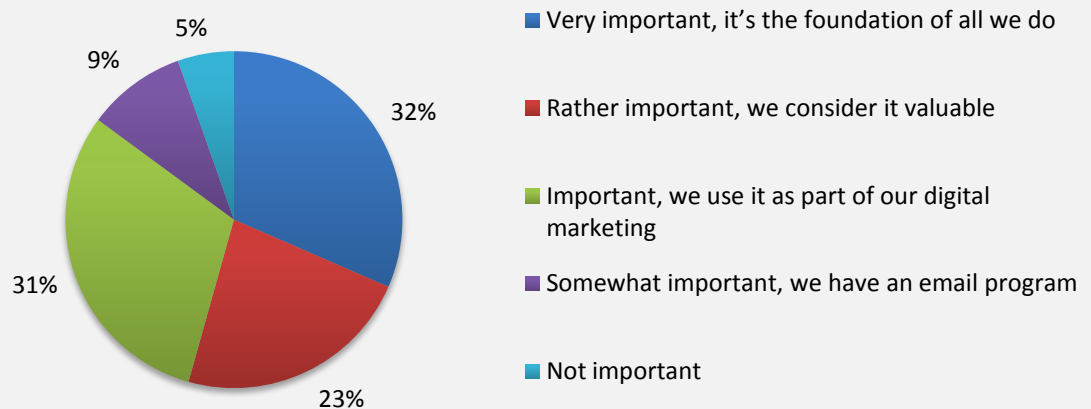
4.1.1

E-marketing forms the baseline for 86% of marketers in India.

The rising importance of online for today's marketers can be attributed to the core facets of e-Marketing platform. The e-Marketing platform provides scalability (important to reach a mass audience) with the flexibility of segmentation and precision targeting the audience. Having a global reach at a lower cost, an e-Marketing program provides results that can be easily tracked, measured and hence improved.

The customer audiences have moved online and are expecting to be reached through appropriate channels. In this context, the focus of marketers is shifting from 'sending their message out' to 'start engaging with customers'. The control is giving way to collaborate. When compared to traditional media like print or TV, online and e-Marketing offers a tremendous range of choice to innovate and engage.

Importance of e-Marketing



So it's not a surprise when for 86% of top marketers in India, e-Marketing is a vital platform for audience engagement while, for 32% of that segment, e-Marketing lies at the core of the foundation of their business model.

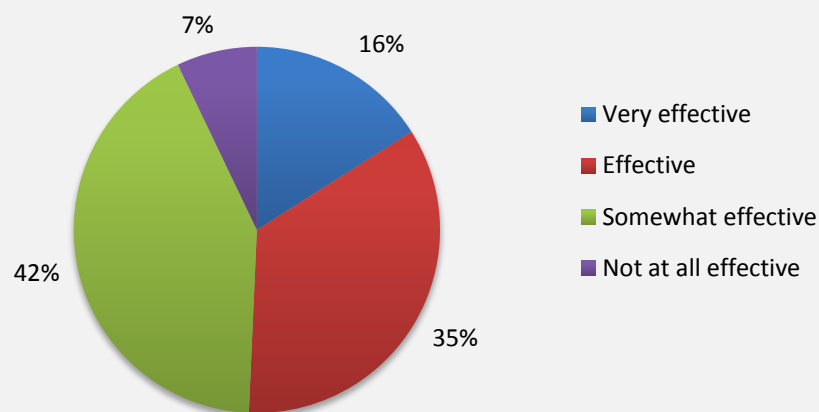
4.1.2

Marketers' dependency on e-Marketing platform proved its effectiveness in FY-10

With the growth of internet in India in 2010, it's not surprising that e-Marketing assumed a central role in marketing effectiveness and efficacy. In the U.S. it is said that for each dollar of investment in e-Marketing channel (email) delivers US \$ 46 of ROI. We may be not there as yet in India but this is an interesting area to be explored perhaps in our subsequent report.

There is almost unanimous acceptance that e-Marketing is one of the most effective communication and promotion vehicles with close to 97% marketers in India agreeing on the effectiveness of this platform.

Effectiveness of e-Marketing platforms



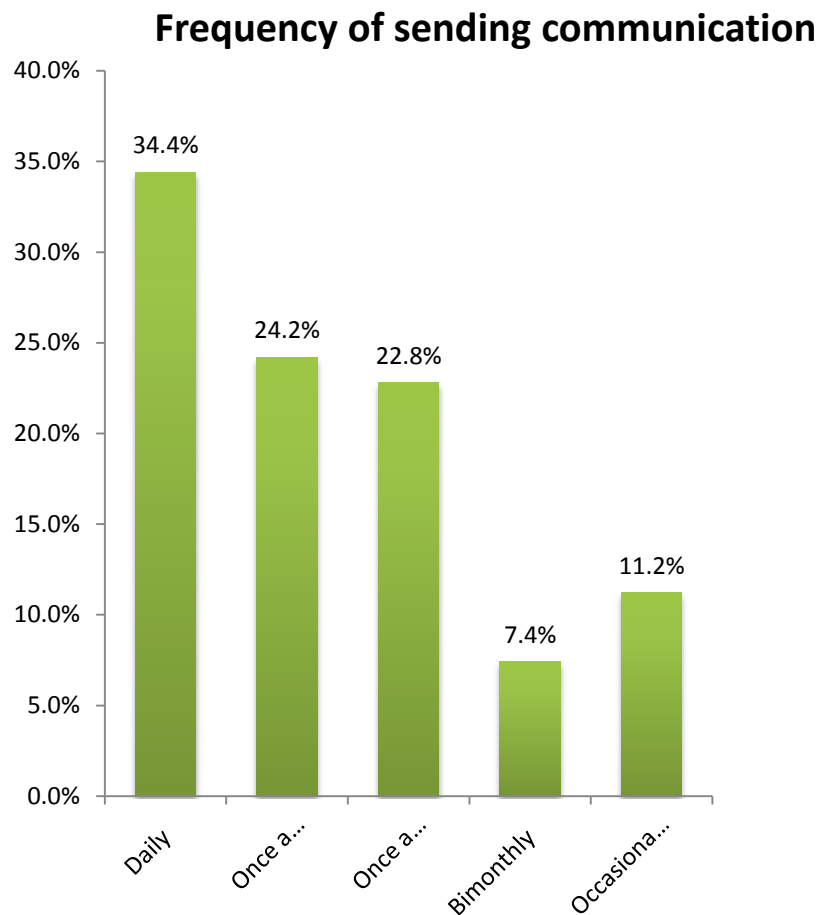
4.1.3

Marketers are gaining effectiveness by periodic communications in 2010

Marketers rely on sustained periodic communications to deliver marketing efficacy. It is interesting to note that 34% of marketers in India are using this platform for their daily communications with their audience. Our experience shows that the frequency of customer communication should be at least once a quarter and never more than once a day. An optimal frequency can lead to higher response rates and conversions.

As a note of caution, increasing the frequency without permission of receiver can potentially run the risks of increased spam complaints, 'unsubscribes' and list fatigue. Short-term response boosts can

at times be at the cost of brand erosion and a long-term loss of engagement. As we will find later in this report (top 3 factors impacting deliverability), the daily frequency is being seen as one of the major contributors towards the core issue of message deliverability.

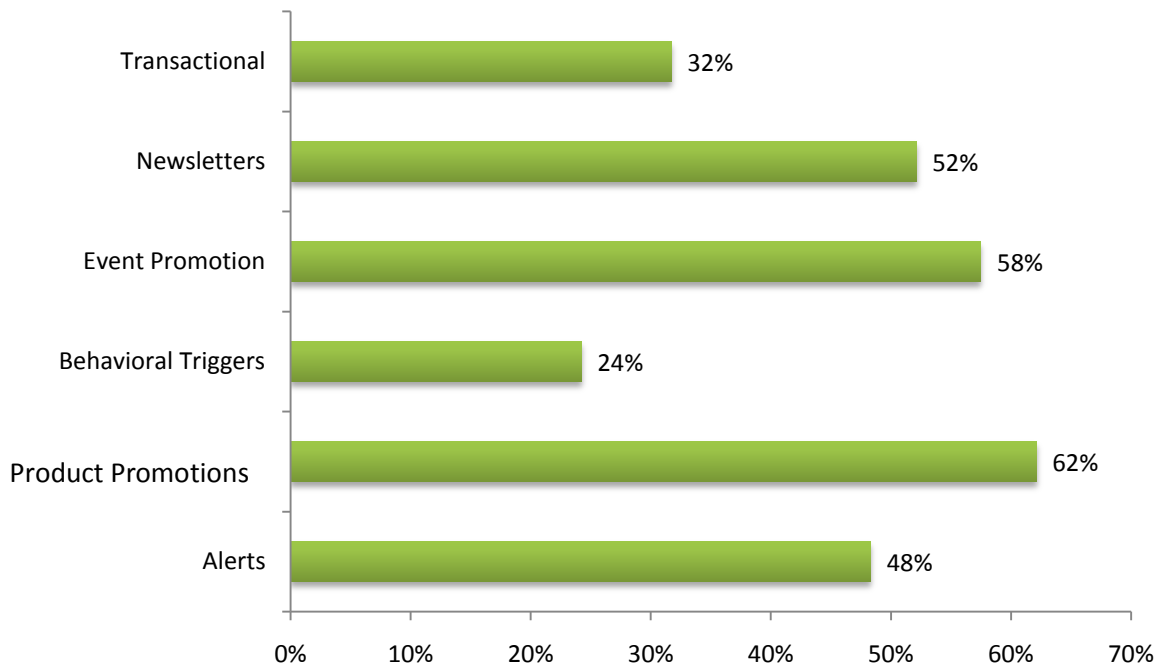


4.1.4

Promotional communication and newsletters are the primary users of use of e-Marketing channels in 2010

4.1.4

The two prime objectives of using e-Marketing channels in 2010 are “promotional communications” and “Newsletters”. With newer developments in e-Marketing technology, marketers today have a plethora of options in which to use e-Marketing as a method of customer engagement and tracking the same. Some of them are purely information based like transaction-based communication (order confirmation, delivery confirmation) and periodic communications (newsletters) while others are revenue generation methods (event promotion, alerts, behavioral triggers, etc.)

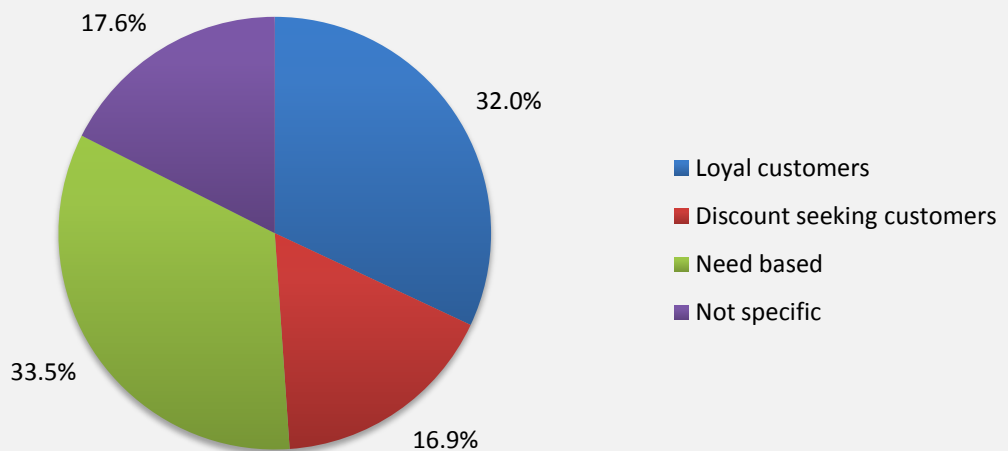


4.1.5

Customer acquisition is the largest driver of e-Marketing for 2010

Indian companies are targeting to acquire newer customers and relationships. In this context it is not surprising that customer acquisition is the key driver for e-Marketing in 2010. E-Marketing delivers

Target segment in e-Marketing



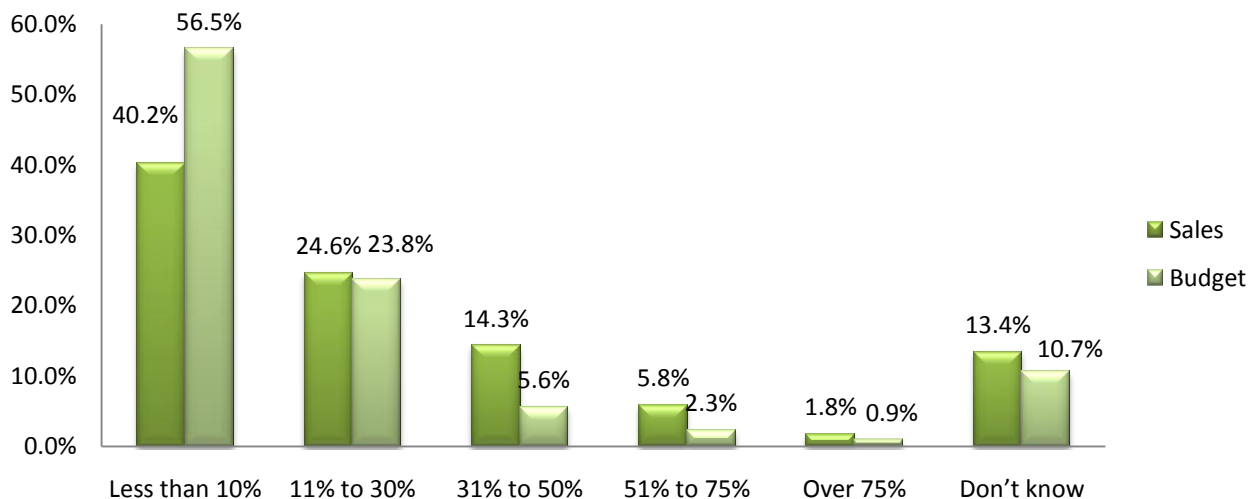
the ability to precision target an audience and effectively engage with them leading to increase in conversion rates.

In 2010, it seems Indian marketers were targeting customer acquisition as more and more marketers are tapping need based customers (E-zines, Newsletters) and discount seeking customers (Deal Sites) to increase their customer base.

Customer retention seems to be the second key driver for e-Marketing with close to 32% of marketers focusing at loyal customers (customers who have bought). There seems to be a correlation between large numbers of loyal customers being targeted 32% and high usage of newsletters at 52%.

4.2 ROI on e-Marketing Channel

Sales vs Budget Allocation in 2010



4.2.1

36% of Indian marketers' invested more than 10% of their budgets in e-Marketing

36% of marketers in India have reported more than 10% of their investments in marketing budgets on e-Marketing channels in 2010. It is interesting to know that e-Marketing forms the baseline for 86% of marketers. The reason for marketers' confidence in online platform can be attributed to the effectiveness of this platform, for which 93% of marketers have positive sentiments.

4.2.2

22% of e-Marketers are generating more than 30% of their sales online

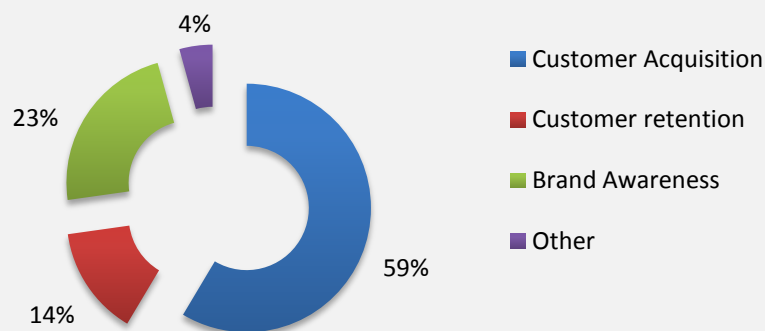
In terms of generating sales through e-Marketing, 46% of marketers are generating more than 10% of their total sales through online channels. An interesting thing to note is that close to 22% of marketers are generating more than 30% of their total sales through e-Marketing efforts.

4.3 Outlook for 2011

4.3.1

Acquisition rules to be marketers' prime goal for 2011

Primary marketing goal in 2011



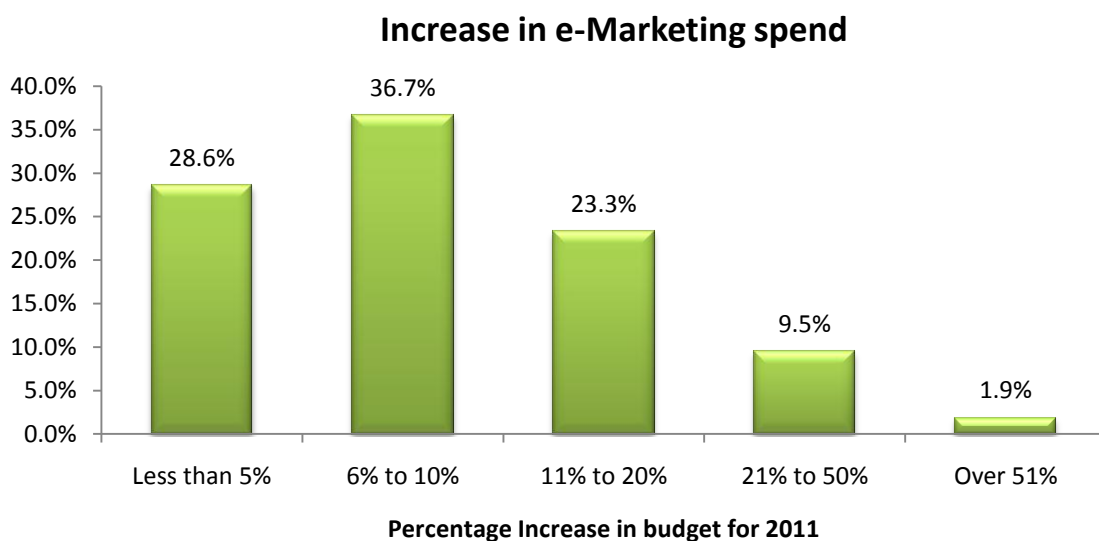
As the Indian economy shifts gears, customer acquisition and brand awareness emerge as the top two goals for the India Marketers. The prime focus for almost 60% of country's marketers for 2011 is to acquire new customers. The next important goal for marketers is to build brand awareness among customers. It seems that organizations are using online platforms for establishing strong brand awareness.

From our research and industry experience, customer retention is one area where marketers could do a lot more in 2011. Marketers who focus on reducing the 'switch' rates while acquiring newer customers and relationships, will be able to sustain growth rates in the longer term. Customer loyalty can lead directly to creating enormous 'Earned media' which is proven to be a very cost effective strategy to win market share without bloating up the marketing budgets.

4.4 Investment plan for 2011

4.4.1

72% of Marketers have plans to increase investments in e-Marketing platform.



This research has shown that most marketers in India have planned a budgetary increase towards the e-Marketing in 2011. A good 35% of the marketers indicated that they have plans to increase their e-Marketing investments in 2011 by 11% or more. Majority of marketers (72%) in India have plans to increase their investments in e-Marketing platforms in India this year.

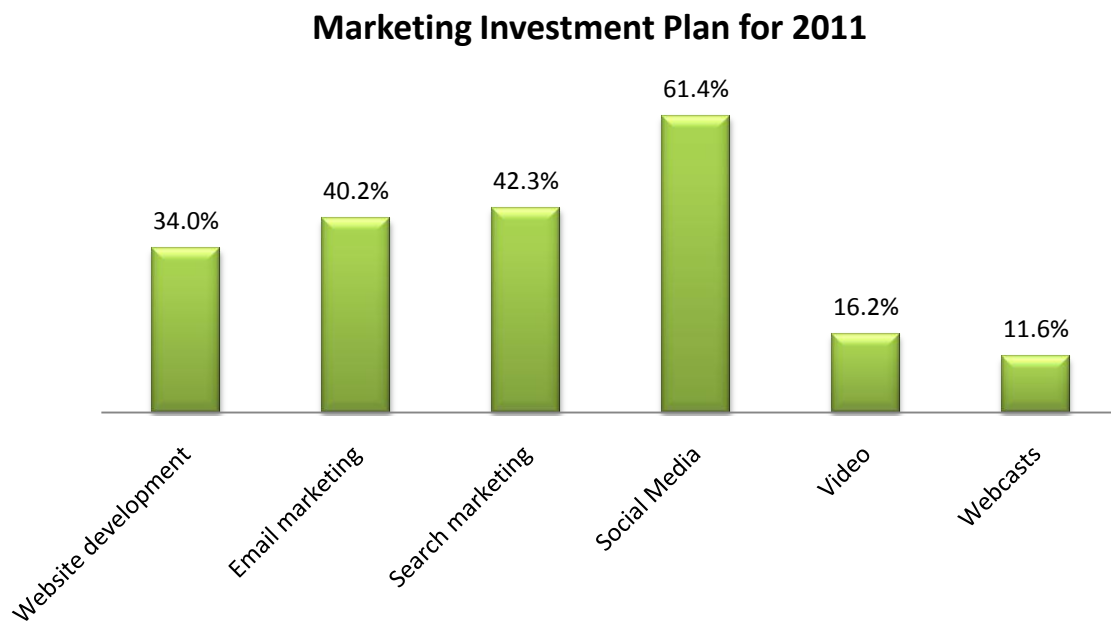
4.4.2

After Social media, Email marketing and Search marketing are the preferred digital channel for 2011

4.1.4

The simple fact that social networks offer companies the opportunity to connect with millions of potential customers, and that too with precision, can count as the main reason for its rising popularity among marketers. After social media, almost neck to neck is Email marketing and search marketing. No surprise that 40% of marketers feel that spending on email marketing will definitely

increase this year, when compared to 2010. Next in line is search marketing. About 40% of marketers plan to increase their investment in search platform, compared to last year. An interesting finding from this report is that video marketing is not catching up with only 16% of marketers indicating a plan to increase their investment in this area.



5. BENCHMARK STUDY ON EMAIL MARKETING IN INDIA



5.1 Managing Deliverability

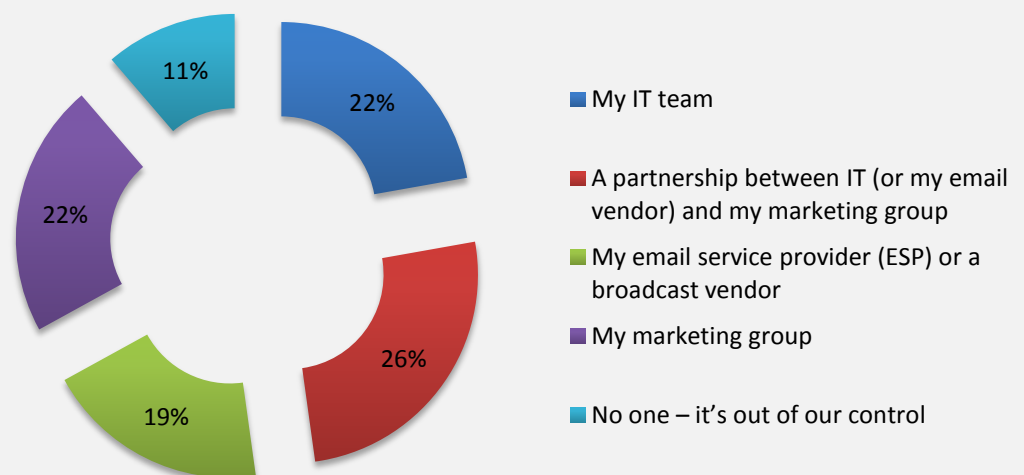
5.1.1

ESP plays a vital role in delivering campaigns.

Email marketing technology has become much more advanced. With the complexity and advancement in tools and techniques, it has almost become a 24x7 process. Hence marketers are trying to outsource this business function to ESP (Email Service Providers). By outsourcing to ESPs and leveraging the scale offered by cloud computing marketers are able to get the best performance without the need for additional investments. Thus by outsourcing to ESPs, the campaigns are delivering optimum results and driving up the impact of email marketing.

In our study the responsibility of email delivery is fairly distributed between IT team (22%), Marketing group (22%), partnership between IT group and marketing team (26%) and ESPs (19%) inside an organization with no clearly defined ownership. It will be good to see how this trends given that outsourcing to ESPs is now becoming popular in India.

Responsibility of email delivery



We anticipate the ESPs share to go up simply because email marketing is becoming more and more advanced with newer technologies and tools emerging every quarter and it may be difficult to upgrade the captive in house marketing infrastructure at such a fast pace. Most CFOs are warming up to the idea of cloud computing and sooner than later they would like to see more and more cloud based marketing technologies which deliver a lower cost and a higher ROI. ESPs provide an easier

and effective way to scale up the impact of email marketing while reducing budget outlay (with flexible 'pay as you go' options with ESPs).

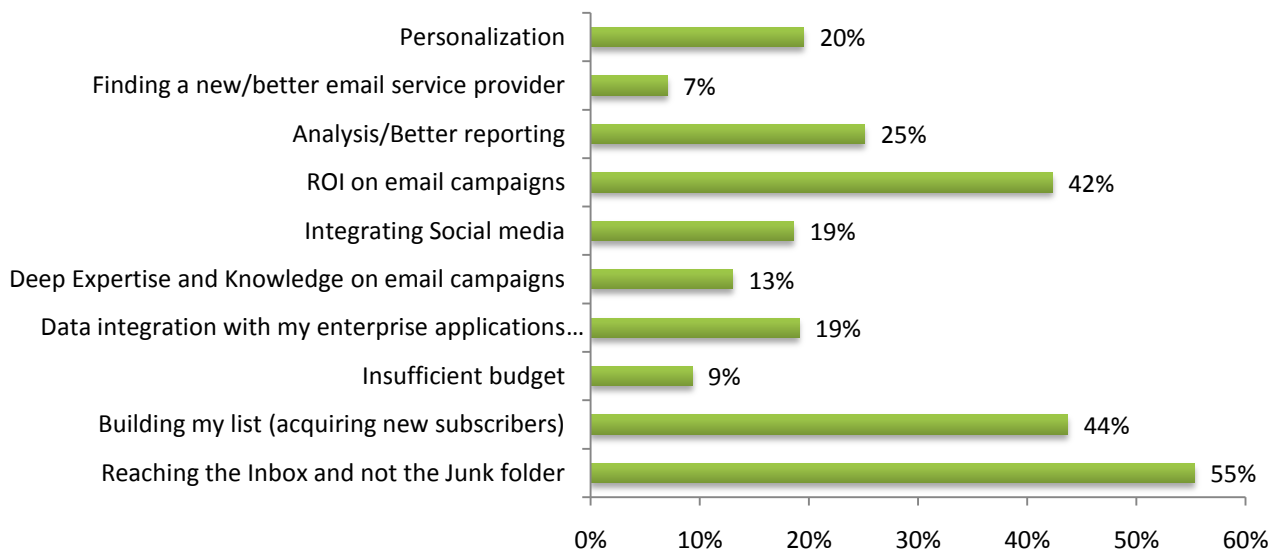
5.1.2

'Reaching Inbox' & 'Building Subscriber Lists' are the key challenges

For making an email marketing campaign a success, it is necessary that emails are delivered to the recipient's inbox. This, however, comes with a lot of challenges. This is an issue faced by 55% of the top marketers in 2010. The next big challenge is to create a list for acquiring new subscribers— with 44% of top marketers reporting it for the last year. The third biggest problem for marketers is generating ROI in their email marketing investments.

The ROI of email campaigns is low because marketers are not able to reach inbox hence deliverability rates are low and click through rates are low. Moreover since the lists are not opt-in 100% (let's face it, spamming is still mainstream in India), it is impacting the inbox deliverability.

Challenges in email marketing



While writing the report, we found out that the top 2 leading Japanese car manufacturers in India don't even have an option for interested prospects to subscribe on their website while they are running large spend on TV and print campaigns. There are many such examples in India where the essential fundamentals to build up subscriber lists are missing and hence companies are not able to leverage the full potential of their campaigns and marketing spends.

5.2 Top 3 factors impacting Deliverability

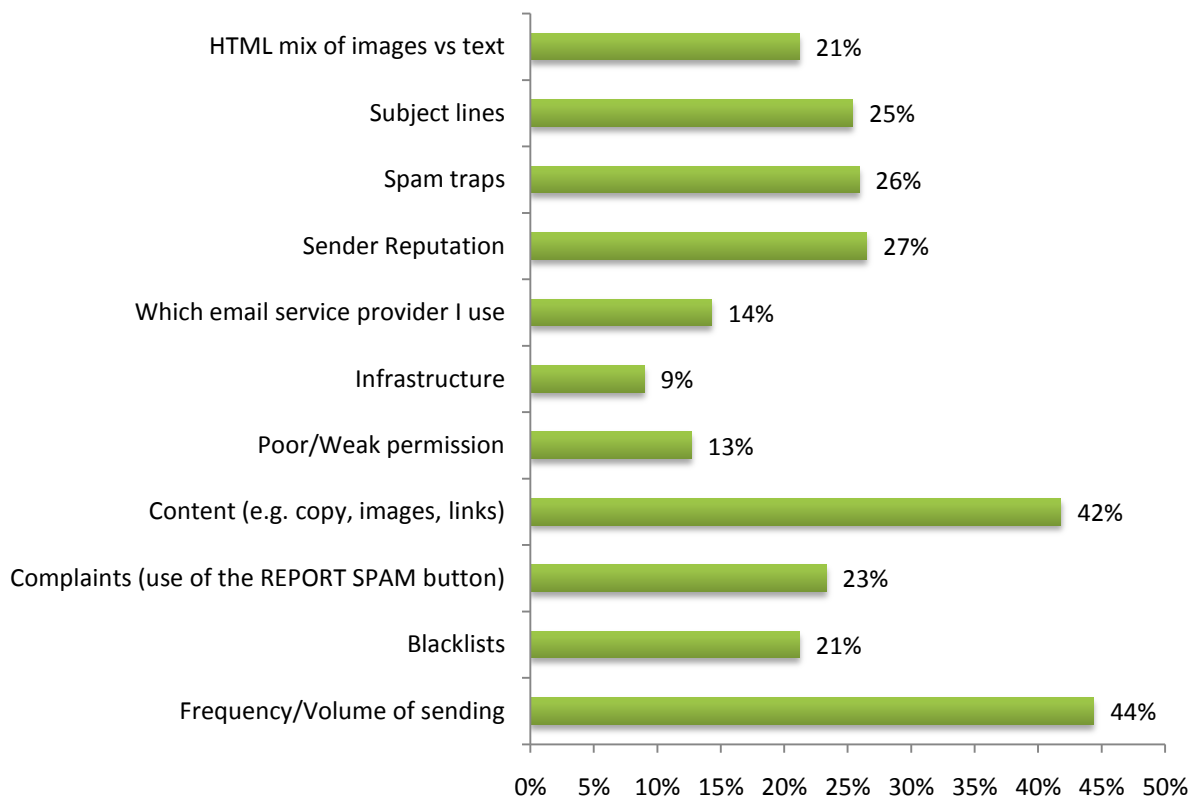
Frequency

Content of mailer

Sender Reputation

Marketers do a lot of things to make sure their campaign is a success. In email marketing, delivery of the message is a major concern. Therefore, we need to dive deep to understand the factors impacting the delivery of the marketing email. The frequency of volume was the major factor with 44% of India marketers. The possible reasons that frequency is impacting the deliverability could be attributed to using non opt-in lists, not adhering to basic fundamentals of email marketing and not adopting the right ESP for deliverability of campaigns (sandbox, safe listing, warming up of the IPs etc.).

Factors impacting email deliverability



44% of the Indian marketers felt that the mailer content was another reason towards low deliverability rates. In our experience, we have seen that marketers are using image-heavy mailers

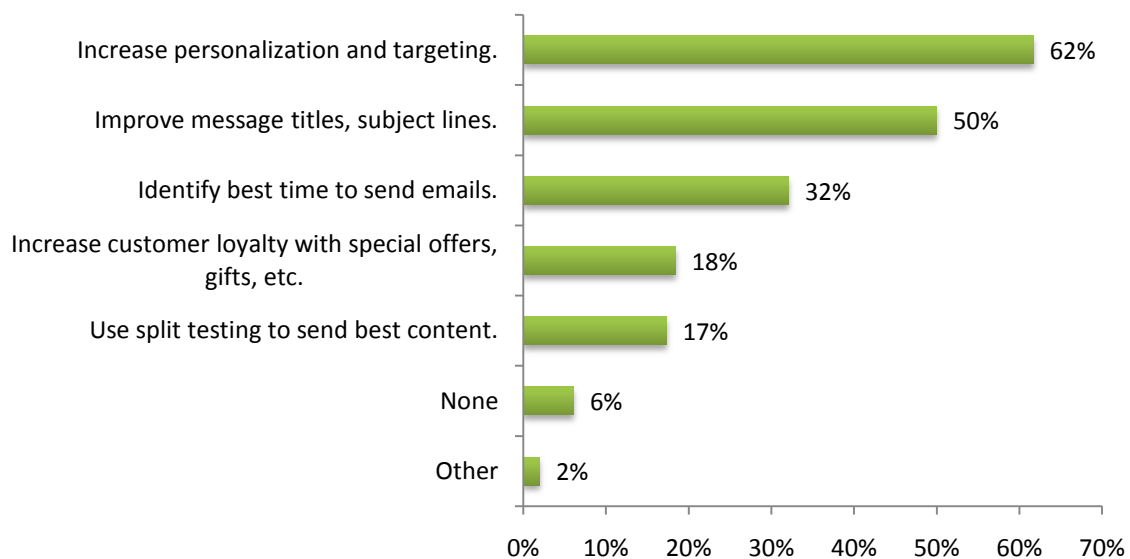
which do not render into the mailbox. The email rules as defined by email servers globally change very frequently so the content/keywords of the message need to be monitored closely to ensure compliance and deliverability.

The third crucial factor impacting deliverability is sender reputation. Marketers focused on evaluating ESPs on low prices may be missing out on a crucial parameter towards ensuring higher deliverability rates. ESPs which are offering best practices and are having expertise in managing IP reputation and deliverability have been rewarded with higher return on email campaigns.

5.2.1 'Personalization' and 'Targeting' are marketers' new tools to increase delivery of mailers

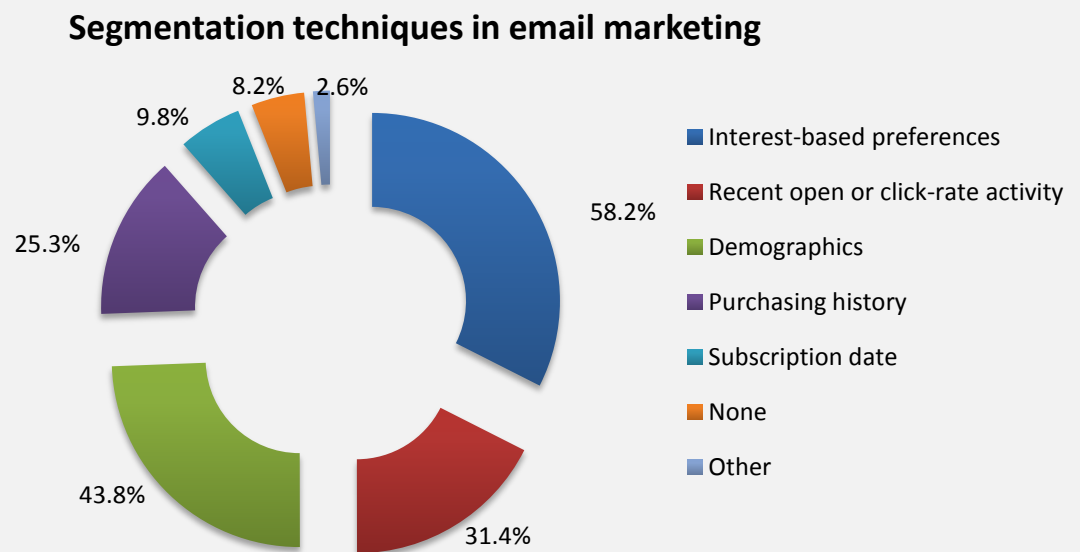
Behavioral targeting is crucial to marketers in various aspects of email marketing. While 62% of marketers use it with increasing personalization and targeting, 49.7% use it by improving message titles and subject lines and a meager 17% are using split testing to send best content. In our experience, it is important to test the subject line, message, personalization, targeting and time of sending mailers. Unless the marketers split test, which is the best way proven, they would not be able to improve the deliverability rates significantly. The survey clearly highlight that there is a gap in what marketers want (high deliverability) and what they do (minimalistic use of split test) and there lies an opportunity with a huge upside on deliverability.

Marketers strategy to reduce inbox clutter



5.3 Power of Segmentation

Marketers are using different segmentation techniques to categorize customers and target - customized messages through emails. There are many segmentation techniques at disposal of marketers, but 58% of marketers use Interest-based preferences as their preferred segmentation technique.



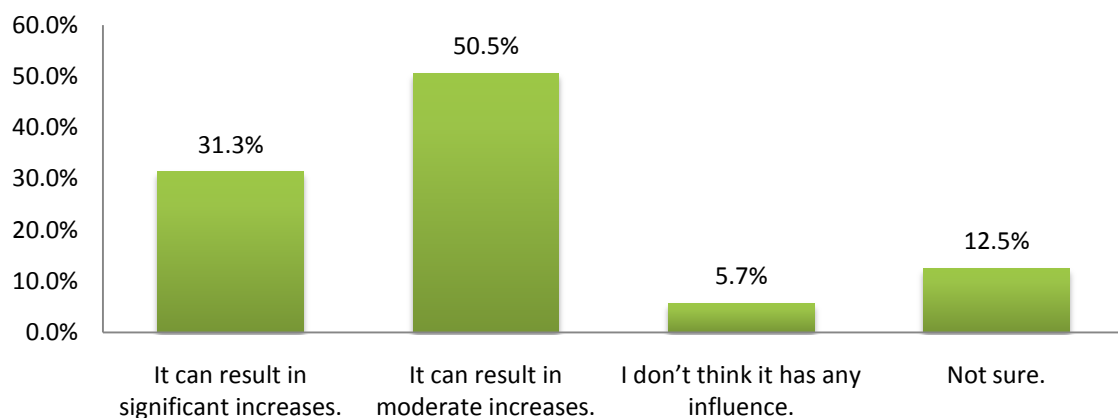
Select marketers (31%) are leading the pack in using 'recent open and click rate activity' to segment and target specific customer clusters. This in our view presents a huge opportunity for other marketers to drive a higher ROI on their conversions by analyzing past performance and open rates of mailers. Additionally, marketers should do split A/B testing which adds on very well.

6. MULTI-CHANNEL COMMUNICATIONS



6.1 Power of synergy and multi-channel integration drives effective customer engagement

Impact of integrated email and SMS campaigns on conversions

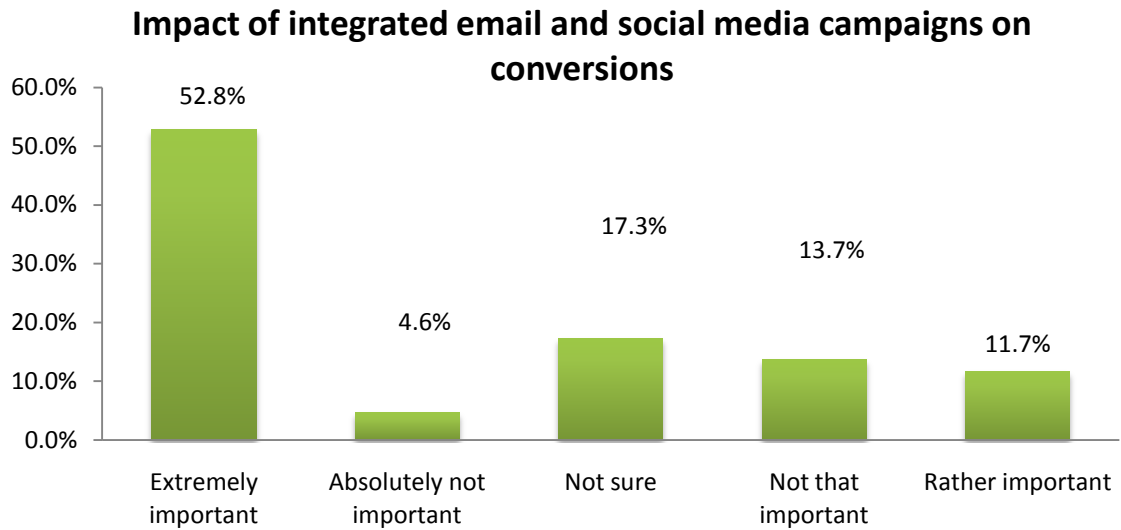


According to marketers in India, the integration of email and SMS will result in a significant increase in return-on-campaign investments. About 82% of marketers believe that there is indeed a synergy in integrating customer communication channels.

With the high increase of online and mobile users in India, marketers are now focusing on the usage of integrated email and SMS campaigns. Integrated email and SMS can help marketers to increase the influence and effectiveness of their campaigns as each of these customer communication channels offers very unique advantages (e.g. 100% deliverability for SMS, online integration for Email). Among the respondents, 32% of the marketers across industry verticals believe that it can have a significant increase on conversion rates, while 50% respondents believe that it may provide a moderate increase.

With social media being the most preferred digital channel for 2011, marketers feel that multi-channel approach of two major platforms, social media and direct email campaigns, can lead to highly successful campaigns. For example, we have seen how Facebook successfully uses email alerts/updates to bring back the users to its site.

For 78% of marketers, across different verticals, it is important to integrate their email marketing and social media tools in marketing campaigns while 53% of the Indian marketers realized that it is extremely important to integrate email marketing and social media. Therefore we anticipate a definite shift in 2011 among marketers in India towards an integrated holistic cross platform approach.



7. Verbatim: Quotes from Indian Marketers

"Improve inbox delivery and increase frequency of interaction"

Head Marketing, Insurance

"Add value in everything you do!"

Brand Manager, Retail

"To make sure my campaigns will not go to spam or junk mail and more than 50% will open and respond me back with their interest."

Manager, ITES

"Connect with customers improving brand awareness and generating business meetings"

Manager, ITES

"Engage digital platform to much larger extent for effective and economical marketing."

VP, Digital Agency

"None. New Year is a reason to party. :-)"

Director, Education

"To create more listening posts with my clients"

Marketing Head, Digital

"Exploring fresh options of marketing, which are more cost effective and have a higher hit rate"

Manager, Real Estate

"Increase the market share"

Head Marketing, Telecom

"To upgrade my skills in new media and platforms of marketing and thus explore innovative options for product/services promotions."

Manager, Service Marketing

8. Glossary

Terminology	Meaning
Behavioral targeting	A method of creating relevant email or Web content based on a user's behavior, including opens and clicks, pages visited or conversions.
Behavioral triggers	An event based on a change or update in status, demographic information or user behavior that causes a lead to proceed along a specific workflow branch or new path.
Blacklisting	A list of names of machines or emails suspected of sending spam. Anti-spam services gather reports about spam coming from certain machines and publish the names of those machines on a "blacklist." Many companies use blacklists to reject inbound email, either at the server level or before it reaches the recipient's in-box.
Email marketing	The use of email (or email lists) to plan and deliver permission-based marketing campaigns.
E-Marketing	Electronic Marketing is the act of trying to achieve marketing objectives through electronic or digital means. Most emarketing campaigns are performed through the use of Internet-based content, such as e-Newsletters and emails.
ESP	A company that specializes in outsourced, bulk email services for permission-based email marketing. ESP's provide tracking information about open and bounce rates, as well as list segmentation to allow the user to send targeted messages to their opt-in readers.
Follow us link	Following a particular website to get regular update from that website.
Junk Folder	The location for storing unwanted e-mail as determined by a spam filter.
List fatigue	A condition producing diminishing returns from a mailing list whose members are sent too many offers, or too many of the same offers, in too short a period of time.
Multi-channel marketing	Multichannel marketing is marketing using many different marketing channels (email, SMS, social media, etc.) to reach a customer.
Netizens	A person who is a frequent or habitual user of the Internet.
Newsletter	A printed report giving news or information of interest to a special group.

Glossary

Terminology	Meaning
Permission	The implicit approval given when a person actively requests to have their own email address added to a list.
Personalization	Method of printing an individual's name from a mailing list on a mail piece or letter.
Search Marketing	Strategies and tactics undertaken to increase the amount and quality of leads generated by the search engines, involving both organic and paid search strategies.
Sender Reputation	Sending emails to valid addresses representing those who want to receive your messages, therefore preventing complaints, red flags from email service providers and being labeled a spammer.
Sign Up form	A method on a web page of entering information such as order details.
Spam	The popular name for unsolicited commercial email. However, some email recipients define spam as any email they no longer want to receive, even if it comes from a mailing list they joined voluntarily.
Spam complaints	The receipt of a complaint from an email recipient who has marked the message as spam.
Spam Traps	E-mail addresses that are created not for communication, but rather to lure spam.
Split Testing	A common testing method in which a list is Split into few parts and every group receives different creative content. This technique enables the performance of every message to be tracked in terms of conversions and determines which is more effective.
Unsubscribes	To remove oneself from an email list, either via an email command to the list server or by filling in a web form.

About Octane



Octane is a marketing technology company that provides a state-of-the-art E-mail, SMS & web-marketing platform. Octane is designed for today's marketer to reach ROI faster on integrated marketing messaging campaigns. It is India's first integrated marketing solution to offer SMS, Email, and Social media messaging in an online (on-demand) or onsite (office premise) edition with an easy to use interface and a pay-as-you-go model.

To know more about Octane, reach us at:

Email: info@octane.in

Call us: +91-11-324 34 436

Address: Level 4, Rectangle 1, Commercial complex, D-4, Saket, New Delhi, India -110017



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