CHAPTER-1

INTRODUCTION
INTRODUCTION:

Literary, globalization means world wide or pertaining to or embracing the total. In market terms, it would mean interdependence of the world based on demand and supply phenomena. In the Indian context, globalization came with the implementation of liberalization in the early 1990’s. The trend, in fact, has been worldwide. The most conservative market has also opened up to foreign competition, as there was probably no other way out. The breaking up of the USSR, the fall of communism elsewhere, the joining of the two Germanys, the creation of the European Union, the opening the Chinese economy to consumerist culture, the need of developing nation to borrow money and technology from the best, factors such as these have contributed greatly to globalization. The impact of globalization can be seen in the various consumer sectors and also on advertising strategies, viz. soft drinks, toothpaste detergent, soaps, cosmetics, colour television, washing machine, air conditioners and refrigerators.

Strategy is the art of deploying available resources to attain objectives in the face of active opposition. In a competitive economy, the success of a company often hinges on its ability to master the advertising strategy. To master the advertising strategies the companies must take into account of consumer interests and purchasing habits, the effects of repeating advertisements, the relation between information, and buying action.
Advertising is inevitably a powerful economic force in any complex industrial society where production capacity exceeds effective consumer demand. But advertising is more than an economic force; it is also a profound influence on culture, values, and the quality of life. Directly, it provides us with constant stimulation, reminders judgments, and guidance, not only about what products we ought to own but about the kinds of people we ought to consider attractive, the kinds of places we should want to live in, and the standard we should observe in our dress or way of speaking. Indirectly, advertising strongly influences our great mass, media; their shape, substance, and style; in fact, their very survival are all profoundly affected by the fact that they are themselves products in a market where the advertiser is the customer.

**Advertising and Advertising World:**

- The word advertising originates from a Latin word advertise which means to turn to.

- *The dictionary* meaning of the term is "to give public notice or to announce publicly."\(^1\)

- The American Marketing Association, Chicago, has defined advertising as "any paid form of non-personal presentation or promotion of ideas, goods or services, by an identified sponsor."\(^2\)

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\(^1\) Concise Oxford dictionary, Oxford University Press, Delhi Ninth Ed pp-20  
\(^2\) American Marketing Association, Quoted in Bennet 2000 pp-177
In the 1990s India has witnessed a massive expansion of advertising, and the advertising sector has quickly been taken over by foreign advertisers and agencies that are affiliated with foreign advertising agencies. The whole advertising sector demonstrates a remarkable degree of concentration.

Profile of Advertising in India:

History:

There has been a long tradition of advertising in India since the first newspapers published in India in the 19th Century carried advertising. The first advertising agency was established in 1905, B. Datram and Company, followed by The India-Advertising Company in 1907, the Calcutta Advertising agency in 1909, S.H. Bensen in 1928, J. Walter Thompson Associates through its Indian associate, Hindustan Thompson Associates in 1929, Lintas (Lever International Advertising Services) in 1939 and McCann Erikson in 1956. With the opening of the economy in the 1980s there was a growth in the number of alliances with multinational agencies and an expansion in advertising though foreign network participation in agency ownership was limited. In 1987 Hindustan Thompson was affiliated to J. Walter Thompson. Lintas, the 2nd ranking agency, held only 4% of its subsidiary, as did Ogilvie and Mather. Saatchi and Saatchi/Compton had minority interests in Compton as did Lintas.

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There was a massive expansion in advertising in India in the mid 1990s and increased competition among multinationals made big budgets a necessity. New entrants in the market, for example Samsung, had to spend heavily to raise brand awareness. Another figure from Zenith Media put expenditure in 1992 at US$415 million. Advertising expenditure in 1996 was US$1052 million and in 2001 US$1748 million, with a slight dip in 1998 after the Asian economic crisis. These increases are also reflected in per capita growth in the 1990s, though expenditure is still very low compared to other countries. In 1990 advertising expenditure per capita was US$.60c.

In 2000 it had increased to Rs.70.07 or US$1.55 per capita and by 2002 had reached US$2.1.

Advertising agencies

The profile of advertising agencies in India changed dramatically in the 1990s. Prior to that advertising was dominated by Indian agencies, but foreign agencies have increasingly come to dominate Indian advertising. In 1992-1993 11 of the top 20 Indian

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agencies were affiliated with multinational agencies and those agencies were allowed to own stock in the local companies since the early 1990s.\textsuperscript{10}

In 1990 the key companies that were the top advertisers in India were also the leading advertisers internationally: 1. Unilever 2. Procter and Gamble 3. Nestle.\textsuperscript{11} In 1992-3 the monopoly of a small range of product categories was associated with a few companies which dominated advertising. Hindustan Lever had a major impact on the content of programming and the initiation of new programmes, associated with their power as the major advertiser on television\textsuperscript{12}. 6 of the top 10 advertisers in 1992 were affiliated with Transnational Corporations, which was reflected an accelerated erosion of local brands\textsuperscript{13}. In 1992 the top advertisers overall were (in descending order): Hindustan Lever; Tatas; Godrej; Procter and Gamble; Parle; Colgate Palmolive; Nestle; International Tobacco Corporation; Bajaj Auto; Philips\textsuperscript{14}.

In 1996-1997 over half of the advertising expenditure came from multinational corporations\textsuperscript{15}. Procter and Gamble and automobile companies are noticeably absent from the list of top companies. The


\textsuperscript{12} (Advertising Club of Bombay Diary, 1994 quoted in Pashupati and Sengupta, 1996:171-72)

\textsuperscript{13} ibid, p 171.

\textsuperscript{14} ibid, p. 172.

\textsuperscript{15} Economist Intelligence Unit, 1998.
largest spender on advertising in 1995/96 was International Tobacco Corporation, which is interesting given the restrictions on tobacco advertising on television. In 1996 the top product category was still personal care products. The companies with the largest advertising budgets in India were: International Tobacco Corporation (cigarette and tobacco products); Hindustan Lever Ltd. (personal care); Videocon International (electronics); Brook Bond Lipton, (diversified products); Colgate Palmolive (personal care); Philips (electronics); Indexport (personal care); Hindustan Times (newspapers); Godfrey Philips (cigarette and tobacco products); Nestle (food, dairy products).\textsuperscript{16}

In 1999 there were about 400 advertising agencies in India employing about 18,000 people. 15 of the top 20 advertising agencies have affiliations or joint ventures with foreign agencies who are among the top international agencies and most of them are American in origin, 12 out of 15. In terms of market share foreign joint venture advertising agencies hold more than 75% of the market, with wholly owned Indian agencies holding the balance. The largest 25 agencies account for 75% of the total billings. In 1999 76% was the maximum foreign ownership in advertising agencies.\textsuperscript{17} Over the decade there was also a growing concentration of agencies. The WPP group from London acquired a fifth

\textsuperscript{16} (A&M, Media Reports, the Economis Intelligence Unit Limited, 1997)

local agency in 1997. Many companies formed alliances with subsidiaries to avoid conflicts of interest with their client companies.18

The advertising industry has expanded again rapidly in recent years. Growth was 23% in 2000-2001 and the top 5 agencies in 2000-2001 earned 47.2% of total revenue19. Foreign companies were seen to be initiating more aggressive advertising campaigns and recent growth in advertising has been driven by television, especially satellite channels many of which are free-to-air.20

Regulations and censorship:

India's constitution, set up at the time of independence in 1947, has a provision for freedom of speech and expression, though commercial advertising was excluded from this provision in a Supreme Court Ruling in 1960.21 A number of laws helped define the limitations of advertising. In 1969 the Monopolies and Restrictive Trade Practices Act included misleading advertising in the definition of 'unfair trade practices', including misrepresentation regarding price, quality and also prohibited the practice 'bait and switches'. In 1954 the Drugs and Magic Remedies Act restricted advertising of some contraceptive devices or those that would facilitate miscarriages, along with the banning of false claims from drugs and medication. The Indecent Representation of


21 Venkateswaren, 1993: 60, quoted in Pashupati and Sengupta, 1996
Women Act in 1986 endeavoured to restrict exploitation of women by the media and was a response to consumer demands. Other acts restrict the use of certain emblems and names; the conduct of promotions and competitions for prizes (1955); comparative advertising that involves defamation, and financial advertising claims. There are also ethical codes of conduct established by the Advertising Standards Council of India and the India Newspaper Society.\(^{22}\)

Advertising Age claims that in 1993 the government lifted its ban on foreign advertising on 5 of Doordarshan’s 5 satellite channels, but still kept the ban on Channel 1, and still banned the advertising of alcohol (4th October, 1993). Before 1994, the national television network banned the advertising of foreign goods and services\(^{23}\) but in 1994 Doordarshan, lifted its ban on the advertising of foreign products such banks and financial services and certain other products such as matrimonial agencies and hair dyes. The key products that are banned in broadcast media are alcohol, cigarettes and tobacco. By 2000 there were 65 satellite television channels in India and it was difficult to censor them all.\(^{24}\)


Advertising is an unusual business because it deals in communication, which unarguably is an art form. So the advertising strategy can be put in simple words as the way one communicate with the prospects. Hence successful strategy requires good information, large vision, lively imagination, and strong aggressive impulses. No one can play at the game and advertising strategy, without understanding that it is not always fought and won by any sensible theory.

Advertising strategy also asks for the following questions.

1. What elements of meaning make messages persuasive?

2. What techniques make the compelling?

3. What research tools can the advertising strategist employ to make ads even more persuasive and compelling?

Objectives of the Study:

Now a days advertising has become a sheet anchor for initial and sustained success of an product/company. The role of the advertising is wide that it influences many departments of a organization. It has helped in building brand image, brand positioning beside fulfilling primary objective. Thus the strategies used in the advertising to convince the target consumer may prove nose-dive or sky rocketed success.

With the markets turning global and satellite communication turning the market places into virtually a single playground, the advertising fraternity in the nineties could not have asked for more.
Such a phenomenon, however, has also brought along with it many challenges especially with regard to the use of strategy, creativity, market insights and, of course, advertising management. How are advertising strategies have been adopted in India to cope up with the change has been a subject of much interest and intrigue.

In this realm of globalization the objectives of carrying out research on advertising strategies lies as under:

**Objective:**

The main objective of the proposed study is to access the impact of Globalization and Liberalization on the advertising strategies of the Indian companies.

**Specific Objective:**

To study the impact that have led the advertisers to go localised or standardised in their advertising approach.

Study the impact of globalisation in strategies formulation viz., cultural. Emotional, rational appeals in advertising.

To analyze the advertising strategies of the MNCs and Indian companies.

To search out the appropriate strategies for Indian companies in order to compete MNCs.
Hypotheses:

The formulation of a hypothesis is another important step in conducting research. Hypothesis in simple terms, refers to a predictive statement made by a researcher. In the present research a hypothesis is that there is an impact on advertising strategies of the Indian companies.

To carry out the research on the proposed subject, some of the following hypotheses are as under:

$H_1$: There have been a marked impact on advertising strategies of Indian companies due to Globalization and Liberalization.

$H_{1.1}$: There have been changes in brand positioning due to Globalization and Liberalization.

$H_{1.2}$: There have been a constant drift in the advertising appeal due to Globalization and Liberalization.

$H_{1.3}$: Most of the medium and small size of Indian companies lost the prime advertising spots due to their opponents.

$H_{1.4}$: Competitions have increased to fetch big stars as their brand ambassadors between Indian Companies and the MNCs.
Rationale of the study:

Globalization is a relatively recent phenomenon that affords marketing managers new opportunities as well as threats and the liberalization playing its own role.

It is very important to carry out research in so highly competitive environment. It is the great importance to know how our competitors are influencing and what action/steps one must take to resolve them. "If we are to play our part in the new world order, we need to master every means and every art by which we can communicate with other peoples."  

As advertising can influence people-influence them without their knowledge, so that they may even deny such influence-has been proved again and again. If cleverly presented, intelligent, educated men succumb to it as easy as untrained farm-hands."

So in order to search for the answers of the questions:

- what mechanism (defensive/offensive/or some other) the Indians companies following?

- They sufficient to counter the opponent?

- What advertising strategy have gone under-change in the present scenario?

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Why some products get picked up faster than others at the local retail outlet, why some people go on buying the same brands for years? The answer lies in the advertising strategies. How the advertiser advertise and what strategy they follow to convince the target consumers?

It is evitable that how the advertising strategies have gone under change over the years and with the liberalization and globalization.

The competition have increased with the entrance of foreign companies in the Indian market. It has posed a challenge to the Indian companies to compete with them in quality, brand positioning, advertising and advertising strategies. With the globalization and liberalization the openness have come to the society, the awareness has increased, the people have become more informative and rational in the choice.

A greater feeling of value is passed to the consumer. More and more marketers are using sales promotion, gimmicks like discounts, exchange of old products, "by one take another free" thus enticing the consumer by a variety of means.

The social changes brought by the globalization and liberalization have also influence the advertising strategies of the Indian companies for example, the recent television commercial of Ariel surely bought some smile to women. A female voice-over teases Ravi, the only character in the commercial, who picks up dirty clothes for washing. Radha, his wife, he informs had taken their child to the doctor. To "ye

Not until long ago, advertising hygiene product in the sanitary napkin segment, was not very frequent if not taboo. During the last few years, the openness the society is witnessing and fierce competition in the segment, not only advertising strategy of competing brands is highly visible but the appeal has taken almost a 180 degree turn.

Study selection criteria:
study selection criteria were as follows:-

(1) Each study should focus on the impact of Globalization and Liberalization on the advertising strategies of Indian companies.

(2) The studies pertaining to general economics and social effects of Globalization and Liberalization were excluded.

(3) The study should be recent and reflect the current, more systematic approach to studying the impact of Globalization and Liberalization on advertising of Indian companies.

(4) The study should be written in English.