

Powering the connected next: How Affle (India) limited created a vernacular mobile advertising ecosystem in India?

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Abstract:

India's entertainment & media industry is expected to reach over Rs 4 lakh crore by 2025, at 10.75 per cent CAGR. These figures come from PwC's Global Entertainment & Media Outlook 2021-2025, the 22nd annual analysis and forecast of E&M spending by the consumers and advertisers across 53 territories. Within the spectrum of growth of entertainment and media industry, growth in mobile ad revenue is expected to be 74.4 per cent of the total Internet advertising revenue of Rs 30,471 crore by 2025. In this emerging field Affle (India) Limited has emerged as a dominant player. Affle (India) Limited was incorporated as a private limited company in 1994. Affle is presently engaged in providing mobile advertisement services through information technology and software development services for mobiles. Present paper seeks to understand Affle India's business strategy that has made it one of the most influential mobile advertising company in India furthermore this paper will discuss how Affle unlocked the true potential of vernacular advertising in India using its 2.0 strategy. (which is primarily anchored on 2 V's i.e. Vernacular and Verticalization.)

Key words: Mobile advertising, Affle (India) Limited, Vernacular Advertising

Introduction:

“If you talk to a man in a language he understands, that goes to his head. If you talk to him in his own language, that goes to his heart”.

- Nelson Mandela

India, a nation enriched with culture & tradition, unites people with its dialects & civilization, making our country distinctive. India has 22 separate official languages, it is home to a total of 121 languages and 270 mother tongues. (Berlitz np, 2018)

A country this diverse in terms of language poses some serious challenges for the business that wants to reach their target audiences. Most of these businesses target young audiences.

Today's young and mobile-first India has massively become digitized as netizens' quest for online content in their preferred languages. Their engagement with online content consumption encourages brands to go 'local' in users' native language to form a deeper sense of connection wherein, the Power of Vernacular Advertising is making a boom in the digital landscape.

In 2021, the digital advertising revenue in India was Rs 246 Billion (FICCI KPMG Report 2021) and there are estimated projections that digital advertising revenue will cross Rs. 314 Billion by the end of year 2022. India's entertainment & media industry is expected to reach over Rs 4 lakh crore by 2025, at 10.75 per cent CAGR. These figures come from PwC's Global Entertainment & Media Outlook 2021-2025, the 22nd annual analysis and forecast of E&M spending by the consumers and advertisers across 53 territories. Within the spectrum of growth of entertainment and media industry, growth in mobile ad revenue is expected to be 74.4 per cent of the total Internet advertising revenue of Rs 30,471 crore by 2025.

This massive jump is all because of an increase in regional content consumption. This is why, many unicorns and tech giants have started creating algorithms for different languages to easily tap, acquire and engage the niche audience and can create a stronger brand recall value as well. So, it can be said that the future of digital advertising lies in creating a strong foothold in the regional and untapped audience because smartphones are bridging a void between advertisers and consumers like never before.

Affle is a global technology company with a proprietary consumer intelligence platform that delivers consumer engagements, acquisitions, and transactions through relevant mobile advertising. The platform aims to enhance returns on marketing investment through contextual mobile ads and also by reducing digital ad fraud

Affle India Ltd: Brief history of the company

Affle (India) Limited was incorporated as a private limited company with the name 'Tejus Securities Private Limited' on August 18 1994. Subsequently in January 2006 the entire equity share capital of Tejus Securities Private Limited was acquired by Anuj Khanna Sohum

individual Promoter along with Anuj Kumar and Madhusudan Ramakrishna. Thereafter the name of the Company was changed to `Affle (India) Private Limited' on September 29 2006. The Company was subsequently converted to a public limited company and the name of the Company was changed to its present name i.e. `Affle (India) Limited' on July 13 2018. Affle (India) Limited is a subsidiary of Affle Holdings Pte Ltd.

What Affle does? And why it is significant player vernacular advertising Industry

Smartphone consumption in India has seen a rise in the past two years. With this, mobile advertising has also seen an uptake by brands and advertisers. Leveraging this rise and claiming to provide better return on investments (ROI) is Singapore based Affle. A proprietary consumer intelligence platform through which it delivers consumer engagements, acquisitions and transactions by using relevant mobile advertising, Affle posted 127.9% year-on-year growth in revenue in Q1 FY2023. (Source Screener.in)

Affle is presently engaged in providing mobile advertisement services through information technology and software development services for mobiles. It provides end-to-end solutions for enterprises to enhance their engagement with mobile users such as developing Apps enabling offline to online commerce for offline businesses with e-commerce aspirations and providing enterprise grade data analytics for online and offline companies. Affle unifies and simplifies the fragmented advertising and marketing tech-ecosystems by providing an end-to-end integrated mobile marketing platform. Affle has designed deep learning artificial intelligence powered algorithms that transform ads into consumer recommendations delivering enhanced engagements, conversions and return of investment (ROI) for marketing campaigns. In 2022 Affle has laid out its 2.0 strategy. This new strategy is anchored primarily on 2 Vs - Vernacular and Verticalization. Affle India's vernacular focus enables hyper- personalized consumer recommendations and Verticalization focus enables deeper insights across customer segments leading to greater ROI impact

	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022	TTM	
Sales +	167	249	334	517	1,082	1,277	Continuous growth in topline (sales)
Expenses +	122	179	246	387	869	1,031	
Operating Profit	46	70	88	130	213	246	
OPM %	27%	28%	26%	25%	20%	19%	
Other Income +	0	0	6	41	72	66	
Interest	1	1	1	4	7	8	
Depreciation	8	10	13	20	32	37	
Profit before tax	37	60	79	148	245	268	
Tax %	24%	18%	17%	9%	12%		
Net Profit	28	49	66	135	215	234	Continuous growth in profits (after tax)
EPS in Rs	2.29	4.02	5.14	10.57	16.05	17.46	
Dividend Payout %	0%	0%	0%	0%	0%		

Image 1: Annual profit and loss statement for Affle (India) Limited (source Screener.in access date 25th September 2022)

Emerging paradigms in Digital Advertising:

In India, as well as in other global emerging markets, the total digital ad spends, versus the total advertising spend is still under calibrated. As per KPMG Digispend 2021 report, in most emerging markets total digital or mobile ad spend would be around 20-30% of the total ad spend. Whereas, in most of the developed markets in the world, it is already more than 50% of the total ad spend. During covid pandemic the consumer adoption of digital payments, connected devices, mobile devices has increased yet we are under-penetrated as there's at least 600 million more connected devices yet to come in from the Indian population. For the next five years, new consumers will come on connected devices every year. Due to this, there will be a massive shift of advertiser's budgets to at least become 50% on digital and mobile, from 30% currently. This growth is anchored on two trends

1. Consumers disproportionately shifting to digital and connected devices to mobile and including being comfortable doing payments from those devices.
2. The advertisers have no choice but to at least shift 50% of their ad spend on mobile and digital.

Affle (India) Ltd's new innovations and the strategy:

In the beginning of financial year 2022, Affle (India) Ltd unveiled its Affle 2.0 consumer platform stack. The stack comprises certain key core innovations and capabilities that the company has focused on and it can be described via two V's- vernacular and verticalisation. Within vernacular, Affle has focused on consumer centricity, so that they can predictably serve any recommendations of products, apps, content, in audience's vernacular affinity preference in to the advertising.

Under verticalisation, Affle deals with industry verticals across categories– E, F, G and H. E includes education, e-commerce, entertainment; category F includes financial services, food-tech, FMCG, category G includes gaming, government, groceries and category H is healthcare and hospitality. The core technical team works deeply on integrated innovations with each of these verticals, and helping these verticals, to give them a very compelling proposition to the consumer segments and cohorts.

Furthermore, the company is also building innovations for online and offline connected journeys of the consumer. Online journey means that the user sees something on the phone and completes the payment transaction on the phone itself. Meanwhile, in an offline journey, the user is seeing something on the phone or is researching something on their digital device but goes to the physical store to complete the transaction or purchase.

Revenue model of the Affle (India) Ltd.:

The revenue model for Affle (India) Ltd. is unique, as per the company's annual report it is referred as CCU (cost per converted user.) Affle (India) Ltd. is in the business of delivering conversions to the advertisers and to the marketeers. On one side, the advertisers see conversions, the other side, the consumers see relevant recommendations. Typically, the conversion can happen in three use cases.

1. One is a new user who has never converted with the advertiser before, gets converted through the company.
2. The second is a repeat conversion, where the user has already converted with that advertiser before but through Affle (India) Ltds recommendations, goes for a repeat conversion with an advertiser online.
3. And the third category of conversion is where we show the engagement on the phone but we drive footfalls into offline locations and drive offline conversions.

In these three broad buckets of conversions, for each conversion that Affle (India) Ltd. deliver, they charge a certain rate. As per the screener.in data in Q3 of year 2021, where Affle (India) Ltd. registered around 128% growth in our revenue, versus last year, i.e. Q3 2020 delivered 61.9 million conversions at an average cost per conversion of Rs 52.1. This accounted for over 90% of our revenue in the previous quarter.

Differentiated Business Model of Affle:

Affle has adopted Cost per Converted User ("CPCW) business model that is supported by the deep connected device intelligence. While the industry is largely dominated by companies operating on clicks, views and impressions. Affle is well differentiated as it drives CPCU based conversions for advertisers primarily focused on emerging markets and across the industry verticals. Most of these conversions are deeply linked to the deep funnel matrix which are always post click and post app install events done by the consumers on their smart devices. This is driven by a simultaneous combination of enormous good and deep data pool (Data

Management Platform i.e. mDMP) and filtration of bad data (Ad Fraud Prevention Platform i.e. mFaaS). Affle is redefining the connected landscape by leveraging its big data and machine learning capabilities to target the real shoppers from a large set of users while simultaneously reducing ad fraud through the mFaaS platform. We drive three use cases for the customers which include a) New User Conversions, b) Repeat User Conversions and c) Online to Offline retail footfall conversions, powered by our data science based real-time optimizations:

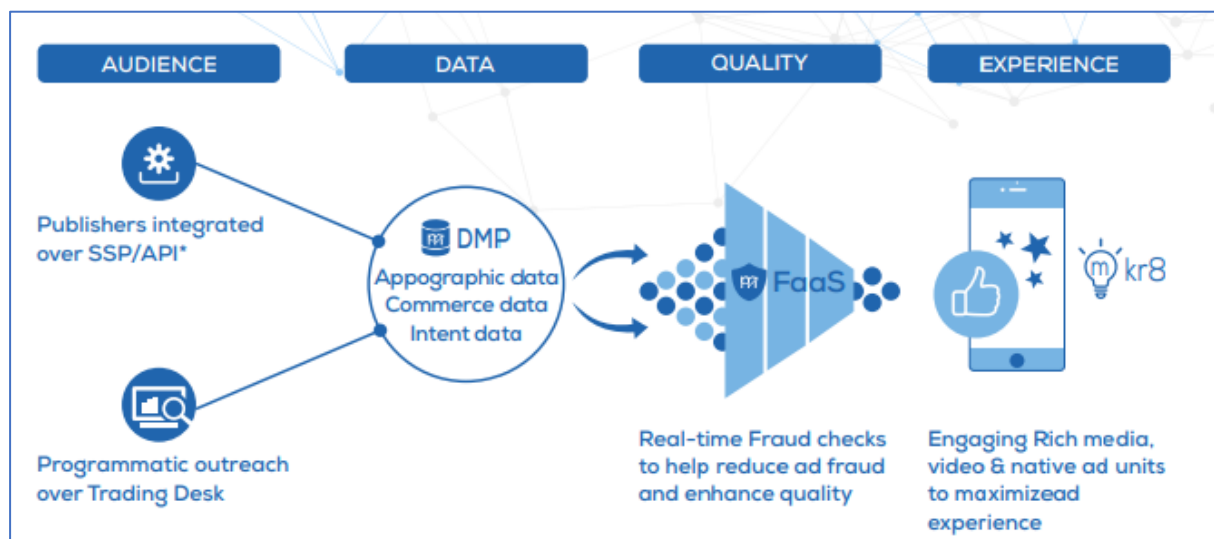


Image 2: intersecting audience, data, quality and Experience

Conclusion

Smartphone consumption in India has seen a rise in the past two years. In developing country like India Pandemic has accelerated the speed of digital adoption. With this, mobile advertising has also seen an uptake by brands and advertisers. This paper discussed how Affle (India) Ltd. Leveraged this rise. Affle (India) Ltd, a proprietary consumer intelligence platform has popularised the vernacular mobile advertising through its consumer engagements, acquisitions and transactions by using relevant mobile advertising. Paper discussed how Affle (India) Ltd using its key core innovations and capabilities have vernacularized and verticalized mobile advertising scenario in India.

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