
GROUPM INDIA: THE HUMAN DIMENSION OF DIGITAL TRANSFORMATION (A)

Research Associate Ivy Buche prepared this case under the supervision of Professor N. Anand as a basis for class discussion rather than to illustrate either effective or ineffective handling of a business situation.

The Indian subsidiary of GroupM, the world's largest media investment management company, had enjoyed more than a decade of continuous growth in the country, securing close to 40% market share by end-2012. At this juncture, CVL Srinivas, an industry stalwart with over 20 years of media experience, was appointed as the CEO of South Asia.

However, 2013 proved to be one of the toughest years for the advertising industry as a whole. An economic slowdown in India, coupled with the falling rupee, had an adverse impact on businesses, which responded by cutting media expenditure. Moreover, companies were keen to see a measurable impact of media plans on customer engagement, sales and market share. In addition, the exponential rate of mobile penetration was rapidly changing the media consumption behavior of younger, tech-savvy and connected Indian consumers. The growing importance of digital media threatened to disrupt the traditional advertising balance between television, print, radio and cinema.

The key question for GroupM India was how to sustain its growth and profitability. Srinivas wanted to lead an organization-wide transformation to make the company future-ready – in terms of both technical capabilities and digital media products – to keep its clients ahead of the game. He stated:

We constantly need to be on our toes, look at how the industry is evolving and prepare for the future before we get sucked in and left behind. GroupM is the biggest and hence we can use our skill and clout to open up new traction areas like emerging media and content. Clients will increasingly opt for integrated media solutions – spanning digital and offline – against the current practice of treating digital as a standalone medium.

How should Srinivas design and implement a three-year roadmap to bring about a digital transformation at GroupM India?

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GroupM India: Overview

GroupM was the media investment management arm of WPP, the global leader in marketing communications services. In 2012 the WPP group comprised about 165,000 people in over 3,000 offices in 110 countries. GroupM was the world's largest media agency network, with US\$90.8 billion in worldwide billings – 35% bigger than its nearest competitor. It was the parent company of Maxus, MEC, MediaCom and Mindshare – all global operations with their own identity and market-leading positions (*refer to **Exhibit 1** for details*). Clients sought their specialist expertise on a brand-by-brand basis. The agencies provided clients with above- and below-the-line media¹ planning and buying as well as specialist sponsorship and branded entertainment services.

GroupM was established in India in 2001. GroupM India enjoyed strong growth and successfully scaled up its offerings over the following decade, establishing specialist agency brands to differentiate itself from other networks. While all agencies knew where and when to collaborate, they also handled competing businesses. If an agency won a business, it was a success for the agency first, for GroupM² second. The agencies were known to create memorable and innovative media-led campaigns that defied conventional norms. Of the total global billings, GroupM India contributed around 6%, or \$5.6 billion in 2012.

The Advertising Industry in India

The Indian advertising industry had grown from \$2.64 billion in 2005 to over \$5 billion (INR 350 billion) in 2012 (*refer to **Exhibit 2***), but it was highly fragmented and intensely competitive. Advertising spend controlled by agency networks was about 60%. By managing the backend with better hardware and software systems, streamlining operations and achieving scale, the agency business remained profitable even though advertising rates were under pressure. Television and print occupied the top two spots in terms of advertising spend. However, with the growth of mobile in India as a medium of reach and engagement, many brands took to social media platforms to keep the conversation going; social listening was emerging as a key input for advertising and media planning.

GroupM India: At a Crossroads

As Srinivas took charge of the India business, he was concerned that the agency might rest on its laurels. Traditionally, media planning and buying was the core business of GroupM India, but in recent years there had been steady growth in non-core areas, to the extent that these were becoming central to the company's business and organization, challenging the definition of the core (*refer to **Exhibit 3** for an overview of the key functions of a media planning and buying agency versus a full service advertising agency*).

¹ Above-the-line involves mass media methods (TV, print, radio, billboards) for targeting a large customer base; it is measured through reach, frequency and gross rating points. Below-the-line is for reaching smaller but more targeted audiences through events, direct marketing, social media, etc. it is measured via click-through rates, conversion rates, cost-per-acquisition, social media likes, followers and so on.

² In subsequent text, GroupM and GroupM India are used interchangeably.

Going forward, there were two strategic options: (1) follow the same trajectory as before without rocking the boat – not really an option for Srinivas; and (2) acknowledge that the future could look very different. Beyond maintaining GroupM’s leadership position, Srinivas saw his role as a change agent and facilitator of new practices:

The world is changing, the media landscape is changing and a lot of that change is happening due to digital.³ As an industry we need to manage the transition from practices of the old world to the practices of the new world effectively. It means investments in new tools, knowledge, skill sets etc. For example, as digital evolves, the role of the agency changes. Digital blurs the line between the channel and the creative. So, if a media agency earlier was only about the spots⁴ and ads, today because of digital, it offers more solutions in the area of content.⁵

Srinivas believed that GroupM’s market-leading position gave it the resources to invest in growing the digital pie by driving adoption and digital spending.

Confronting External Challenges

Market Disruption

The media industry in India was at a tipping point. India had skipped a generation of digital growth, bypassing the personal computer and moving straight to mobile. Time spent on mobile devices had doubled from 2012 to 2013. The key beneficiaries of the rapid increase in mobile and wireless connections were new media segments, including internet advertising, online classifieds and gaming.⁶ As mobile emerged as the dominant access point, clients started looking for smart, cost-effective mobile marketing solutions. However, they needed help migrating from offline to online. The industry was also wrestling with how to further digitize the media ecosystem and how to fund that process – a complex problem in a country hampered by structural impediments. Digital accounted for just 6% of media investment in 2012 and there was tremendous room for growth.

Evolving Profile of the Indian Consumer

Indian consumers started migrating online for their information needs, displaying an immense appetite for digital services. In 2011 India had 120 million internet users, with projections for this to more than triple by 2015, overtaking the US as the world’s second largest internet base (after China). Indians under 30 were particularly at ease with technology, and social media was an important driver of internet use. Facebook had 82 million monthly active users in India by 30 June 2013, the second largest geographical region after North America. Increasing numbers of Indian consumers were accessing more content, but consumption was dispersed across different platforms, ranging from TV, online streaming and video-on-demand to podcast.

³ A lot of change in world & media landscape is thanks to digital: CVL Srinivas. <http://www.mxmindia.com/>. 11 February 2014.

⁴ Advertising space in traditional media, such as television or radio, is usually referred to as an “advertising spot.” These spots typically range in length from 30 to 60 seconds.

⁵ Vanita Kohli-Khandekar. “In the next wave of digital growth, newspapers will lose: C V L Srinivas.” *Business Standard*, 17 February 2013.

⁶ According to the FICCI–KPMG Media & Entertainment 2013 report.

Competitors' Acquisition Spree

GroupM's key rivals in India included global marketing communications companies such as Interpublic Group, Omnicom Group, Publicis Groupe and Aegis Media, as well as home-grown companies such as Madison Media and RK Swamy Media Group. To gain market share, the global players resorted to hiking their equity stakes in local advertising agencies; setting up or buying full-service and specialized communications agencies; and entering the market either through specialist agencies or full-scale media-buying units under global banners. Despite the economic slowdown, they aggressively sought acquisitions. For example, Publicis Groupe, the French advertising and public relations company, acquired six companies in 2012/13. Likewise, Aegis Media was looking at tie-ups in the digital and OOH (out-of-home) communications space.

A New Breed of Competitors

Internet titans Google and Facebook dominated digital media markets in India. Businesses leveraged the strengths of advertising on Google and Facebook to achieve maximum visibility, increase leads and sales, and find new customers, adopting specific strategies for different platforms and seeking better return on their advertising spend. For example, Facebook Ads enabled advertising on social networks that helped users to find businesses based on their interests and their online behavior. At the same time, e-commerce giants Flipkart and Amazon dominated the online marketplace. Often, new brand owners looked at these platforms as the default entry point. Furthermore, the consolidated use of apps such as Instagram, Facebook Messenger, WhatsApp and YouTube was a growing threat to traditional advertising. In addition, competition was intensifying from small digital outfits that were popping up (for example, in Bangalore). A GroupM India executive explained:

When we were pitching, we normally ended up pitching against the 5 top agencies. We suddenly found there were 17 smaller ones in the fray, and some of them were winning too. We wondered, "Who are they? What are their credentials? How can they even have a chance?"

*(Refer to **Exhibit 4** for a snapshot of the external challenges facing GroupM India.)*

Dealing with Internal Challenges

When Srinivas sounded out GroupM India's younger staff and newly inducted employees, the feedback he received was, "We are not looking good for tomorrow."

Product Gap

So far, GroupM India had placed a strong focus on traditional media. As media consumption continued to shift rapidly toward online and mobile, Srinivas found that 70–80% of conversations with clients were about digital media.⁷ The company also realized that it would soon be difficult to draw a line between traditional and digital spends. If one could build a strong brand with a loyal following of viewers, the brand could become format neutral. In line with its vision of shaping the market, GroupM India had to build a strong integrated product,

⁷ Vanita Kohli-Khandekar. "In the next wave of digital growth, newspapers will lose: C V L Srinivas." *Business Standard*, 17 February 2013.

with innovative digital content, analytics and experiential marketing forming the new core. Srinivas stated:

At the advertisers' end, clients are increasingly looking at outcomes rather than outputs. That principle is being applied across the board. As an industry, we have been measuring outputs – the reach, frequency, gross rating point (GRP), etc. For outcomes, agencies need to build the right systems, get the right people, get the data scientists to make sense of all the data and translate that to outcomes.

People Gap

An organization of GroupM's size and scale faced the inevitable challenge that plagued the entire industry – to retain, motivate and nurture talent at the middle and lower levels across agencies. One indicator was the early career attrition rate, i.e. young people who had been with GroupM less than two or three years tended to leave. Many of the career jumps were not to other media agencies, but to start-ups or e-commerce players. Even at interviews, the attitude of applicants was evolving; they were more assertive. In general, agencies were keenly pitted against each other in the acquisition of specialist talent. Srinivas also felt that the digital specialists at GroupM India were operating in silos.

Profile Gap

Although GroupM was a formidable player, much of its portfolio was in traditional businesses, e.g. FMCG,⁸ automotive, luxury and so on. Most of its clients ranked number 1 or 2 in their categories. GroupM needed to reorient itself to specialize in the new economy categories such as consumer internet and technology clients.

With a looming economic slowdown, clients sought greater accountability for their media investments. Previously, they had usually learned about trends from the media agencies. That changed with the democratization of information on the internet. The challenge was to stay ahead of clients and consumers. T. Gangadhar, managing director of MEC, stated:

The dynamics of our agency-client relationship and the expectations are changing. Media agencies have to transform themselves to stay relevant to clients and play an active role that has a direct impact on client businesses.

As digital media gained traction, Srinivas felt it was opportune to recommend digital to clients. His aim was to change the group's profile by developing new mobile media strategies. He was also looking at new marketing platforms based on digital assets. A step in this direction was the establishment of Madhouse India as GroupM's Mobile Marketing Centre of Excellence in 2012, responsible for driving mobile thought leadership, establishing best practice and nurturing new talent. Gangadhar, explained:

The client would give us the typical TV, print and radio mandate but hand the digital mandate to a specialist digital agency. We were seen as the 800-pound gorilla. How could we become lithe and nimble? The conversation had to shift from size to smarts so that we are seen as an intellectual heavyweight.

⁸ FMCG = fast-moving consumer goods.

GroupM India focused its attention on enabling clients to spend right, eliminate wastage and make every rupee count even as budgets got squeezed.

Partnership Gap

GroupM India was not fully ready with a sufficient depth and breadth of campaigns to be confident about what would work on mobile and to recommend strategic solutions (as opposed to tactical ideas) to clients on mobile. Srinivas was looking for partners to make the organization future-ready. Mark Patterson, CEO of GroupM Asia Pacific, commented:

We are in talks about some four to five new ventures and ideas; some more advanced than others. Some are in digital partnerships and the talent area. While the PR and media part of the deal are the easiest, the tough part is integrating the business.⁹

Developing a Roadmap

At the end of 2012, it was tough for brands, media owners and advertising agencies to navigate the changes taking place in the media ecosystem. The next three to five years would involve embracing technology in a big way. Between 2013 and 2018, India was projected to be the second fastest growing advertising market in Asia. Srinivas decided to get together with his team and create a new roadmap for GroupM India:

Agencies like ours need to evolve by moving up the value chain and getting into more integrated solutions. Strategy today is dictated by data and the platforms on which it is consumed. Therefore, the challenge – and the opportunity – is to be able to modify our strategy in real time. We want each and every member of the GroupM community to take note that the world is changing and the rules of the game are also constantly changing. The vision is to have digital at the heart of everything we do, to create a digital culture and to provide digital solutions to clients with new ideas, new approaches. We have decided to do more of the new and less of the old.¹⁰

⁹ Priyanka Mehra. “I am more bullish about India than I have ever been: Mark Patterson.” exchange4media.com, 22 May 2013.

¹⁰ A lot of change in world & media landscape is thanks to digital: CVL Srinivas. <http://www.mxmindia.com/>. 11 February 2014.

Exhibit 1
Agencies under GroupM India

Agency	Description
Mindshare	The Indian arm of the global Mindshare network and the flagship agency of GroupM India.
MEC	One of the early agencies of GroupM.
Maxus	An India-born agency that has gone global, with a presence in 40 countries.
MediaCom	Became part of GroupM in 2006 through an acquisition.
Motivator	One of the fastest-growing agencies in India under GroupM India.
Entertainment Sports and Partnerships (ESP)	<p>The consulting arm supporting the sports and entertainment practices of individual GroupM agencies:</p> <ul style="list-style-type: none"> • Entertainment: Movies, celebrities, licensing • Sports: Sporting landscape including federations, leagues + live events such as concerts • Partnerships: With external companies for needs and expertise not available in-house, to create a better product
Dialogue Factory and Dialect (subsequently merged)	The largest experiential marketing company in India.

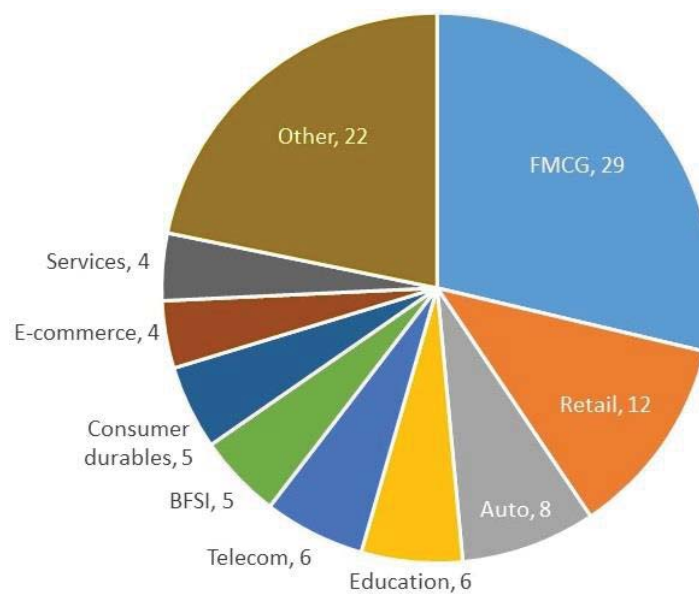
Source: Company information

Exhibit 2 Estimated Media Spends (INR million)

	2005	2006	2007	2008	2009	2010	2011	2012 % share	% inc. 2011/ 2012
TV	58,187	68,370	80,755	89,796	94,133	118,535	140,263	148,118 42%	5.6
Radio	3,661	5,414	8,075	10,094	10,878	13,250	14,575	15,304 4%	5.0
Newspapers	77,106	91,180	98,473	101,775	102,229	123,790	133,029	136,222 39%	2.4
Magazines	6,127	7,399	8,275	8,424	8,151	8,200	8,200	8,200 2%	0
Cinema	564	755	1,007	1,108	1,303	1,508	1,734	1,994 1%	15.0
Outdoor	8,850	10,623	11,003	12,103	13,314	15,710	16,967	17,306 6%*	2.0
Retail	0	2,163	3,000	3,000	3,000	3,450	3,968	4,215 6%*	6.2
Total out-of-home	8,850	12,786	14,003	15,103	16,314	19,160	20,934	21,521	2.8
Digital	1,862	3,559	5,475	7,256	8,768	11,650	15,145	19,386 6%	28
Media total INR m	156,356	189,464	216,083	233,555	241,774	296,093	333,881	350,744	5.1

*6% is total percentage share for Outdoor and Retail combined

Advertising Spend per Sector in 2013 (%)



BFSI = Banking, Financial Services and Insurance

Source: GroupM India

Exhibit 3

Key Functions of Media Planning and Buying Agencies versus Advertising Agencies

Advertising campaigns mainly comprise three elements: (1) strategy and planning, (2) creative, and (3) media plan. The objective is to ensure that a marketing message appeals to consumers, appears in the right place, at the right time and that the client pays the best possible price. There are overlaps between the functions of the two types of agencies.

	Media Planning and Buying Agencies	Advertising Agencies
Strategy and Planning Linked to the overarching marketing plan of a client	<ul style="list-style-type: none"> Focus on media strategy and media planning (could be part of the client's overall marketing plan) Research to define the target audience at a detailed level Identify the best markets, media and publications to buy Establish the budget and time frame to achieve client goals 	<ul style="list-style-type: none"> Conduct industry research Establish broad objectives for the client's product/service Customer segmentation Define specific market tactics Plan and manage the advertising campaign for clients
Creative Advertising creative is what the end customer consumes	<ul style="list-style-type: none"> Media buying agencies typically do not offer creative as a service Establish the requirements of creative based on the media plan Contribute data on how customers interact with advertisements, which helps refine the final creative 	<ul style="list-style-type: none"> Creative production likely occurs within an in-house department of the advertising agency
Media plan	<ul style="list-style-type: none"> Negotiate the media inventory and advise clients Provide insights about the target audience by tracking the ad campaign's performance Leverage extensive relationships with publishers to provide clients with better rates and value-added placements 	<ul style="list-style-type: none"> Media selection is a function of both the creative format and strategy/ planning. Larger advertising agencies no longer have a media planning and buying team, as these have become media agencies in themselves Some smaller advertising agencies may still do media planning and buying in-house

Source: Authors

Exhibit 4 External Challenges (2012)



India leapfrogged digital evolution in the last two decades

900 million mobile subscribers in 2012

Mid-1990s: Print, TV, and Radio dominant

55% of internet users likely to be mobile-only in 2015

Changing consumer profile

120 million internet users; 10% internet penetration

2nd largest internet user base worldwide by 2015

Young, Urban, Tech-savvy

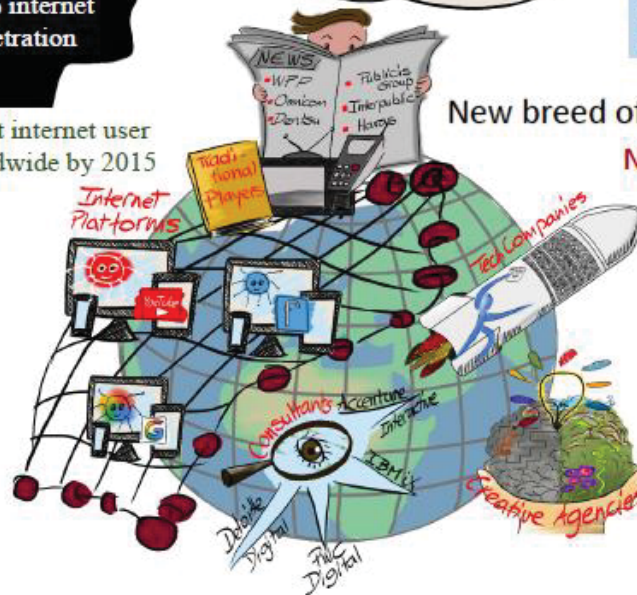
Median age 25.1 years

> 65% population below 35 years

40% of in-store buyers in Tier I / II cities do online research before purchase

New breed of Competitors

Nimble, Digital, Aggressive



Source: Authors