

RESEARCH

Internet

Key takeaways from digital marketing expert call

SUMMARY

Internet

- Independent, performance-oriented digital marketing platforms can take on Google-Facebook duopoly through customisation
- Cookies critical for enhanced internet user experience; new standards for consumer-acceptable tracking will evolve to combat cookie blocking
- AFFLE our top pick among our internet coverage, being a key beneficiary of the secular rise in digital advertising TCS

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Daily macro indicators

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.26	0bps	(3bps)	59bps
India 10Y yield (%)	6.24	(1bps)	2bps	28bps
USD/INR	74.35	(0.1)	0.3	0.5
Brent Crude (US\$/bbl)	69.03	(0.7)	(6.2)	51.8
Dow	35,343	(0.8)	1.9	27.2
Shanghai	3,447	(2.0)	(2.6)	(0.1)
Sensex	55,792	0.4	5.0	44.8
India FII (US\$ mn)	13-Aug	MTD	CYTD	FYTD
FII-D	(20.8)	(53.5)	(3,306.7)	(1,279.4)
FII-E	(15.3)	610.8	6,989.0	(337.4)

Source: Bank of Baroda Economics Research



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18 August 2021

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We hosted a digital marketing expert with 20+ years of experience at leading players including Viacom18 (Voot), Star India (Hotstar), Google and GroupM. Key takeaways:

Pandemic lent a fillip to digital marketing: Like most internet businesses, Covid-19 has had a positive impact on digital marketing firms. MSMEs reluctant to spend on digital marketing have changed their stance post pandemic and are advertising on OTT platforms as well. India's traditional advertising declined 29% YoY in CY20 while digital ad spend grew 10%. Overall advertising spend has, however, fallen 20% with print and radio among the worst affected. Though 'revenge' ad spending has begun recently, the cost per converted user (CPCU) and cost per click (CPC) rates are unlikely to rise much in the near future as these are deflationary in nature.

Room to grow despite duopoly: Despite the Google-Facebook advertising duopoly, there is plenty of room for independent players such as AFFLE to grow. The key lies in building a niche. For independent players, their USP is performance-based outcomes which are more granular (CPCU/cost per download/cost per installation) than the CPM (impressions)/CPC-based pricing of the two leaders. Digital marketing agencies also push for independent platforms to avoid being cornered by the duopoly. Currently, 60-70% of India's advertising budget is channeled through agencies. Performance-based ad platforms must play on deeper customisation of deliverables to compete.

Inorganic expansion preferred: Digital marketing businesses usually expand into newer geographies through acquisitions to leverage the expertise of a local player. This mimics the playbook of Google and Facebook who fortified their leadership and growth through inorganic expansion. AFFLE has recently acquired programmatic platform JAMPP to enter the LATAM market.

Google's cookie sunset still far away: Cookie blocking results in a poor internet user experience, which is the real reason behind Google delaying the move to block cookies. Post iOS' cookie blocking, companies like AFFLE have better prospects in emerging countries which are dominated by Android. Partnering with OEMs for first-party data is another way for digital marketers to safeguard themselves.

Recommendation snapshot

Ticker	Price	Target	Rating
AFFLE IN	4,155	6,200	BUY
COFORGE IN	4,869	5,860	BUY
ECLX IN	2,330	2,880	BUY
HCLT IN	1,143	1,360	BUY
INFO IN	1,742	2,020	BUY
INFOE IN	5,455	6,530	BUY
INMART IN	7,137	7,200	HOLD
JUST IN	960	1,330	BUY
LTI IN	4,959	5,960	BUY
MPHL IN	2,842	3,020	HOLD
MTCL IN	3,017	2,400	SELL
PSYS IN	3,212	3,050	HOLD
TCS IN	3,553	4,270	BUY
TECHM IN	1,414	1,660	BUY
WPRO IN	635	620	HOLD

Price & Target in Rupees | Price as of 17 Aug 2021



Disclaimer

Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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