



Digital Marketing Landscape in Bangladesh 2015



Contents

The Backdrop	4
Advertising Industry Snapshot	8
The Digital Media Landscape	9
How Digital Marketing Works in Bangladesh	14
Industry Dynamics	17
Challenges	19
Conclusion	20

Acronyms

2G	Second Generation Mobile Telecommunication Technology
3G	Third Generation Mobile Telecommunication Technology
ARPU	Average Revenue per User
B2B	Business to Business
B2C	Business to Consumer
BDT	Bangladeshi Taka
Bn	Billion
BTRC	Bangladesh Telecommunication Regulatory Commission
C2C	Consumer to Consumer
FY	Fiscal Year
GDP	Gross Domestic Product
ISP	Internet Service Provider
Mn	Million
USD	United States Dollar

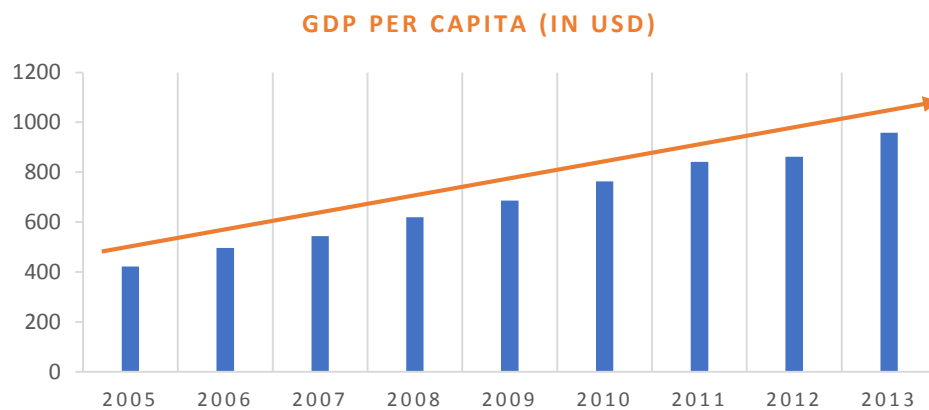
The Backdrop

With the proliferation of smartphones, internet connectivity and social networking in Bangladesh, the digital marketing industry is gaining momentum. This growth trend has been impressive over the last few years with the number of agencies and sectors investing in digital marketing increasing at a rapid pace.

Even though traditional marketing methods are still predominant with a high focus of companies on TV advertisements, billboards, and newspaper ads, the market scenario is ready to be transformed. This special report aims to analyze the status quo and the potential of the digital marketing industry in Bangladesh.

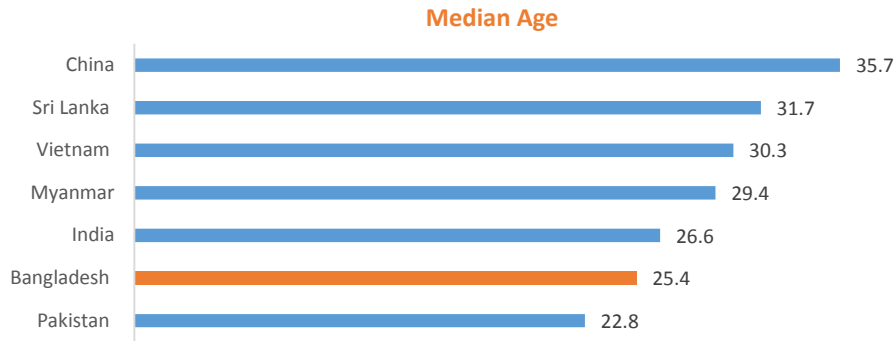
At the Cusp of a Digital Media Revolution

With steady GDP per capita growth, which is expected to sustain over the coming decade, the disposable income of Bangladeshi citizens is constantly increasing. The increasing ability to purchase 2G/3G supported mobile phones, smartphones, and computers is causing more and more people to enter the digital realm. With a declining birth rate and expanding economy, the per capita GDP is only going to rise in the future, which means the digital landscape will inevitably observe remarkable growth.



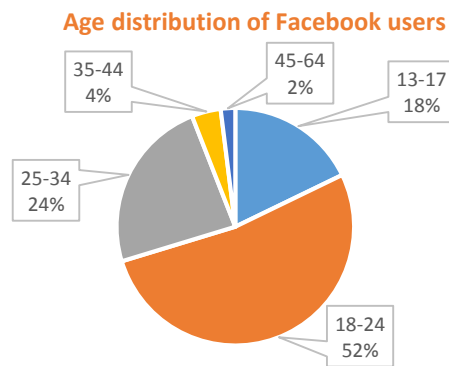
A Young Population Attuned to Digital

While traditional media is still strongly prevail among older demographics, Digital Media is more popular among younger segments. The diagram below illustrates that 77% of Facebook users are aged between 18 and 34. Bangladesh has a median age of 25.4, and the 8th largest population in the world (*Source: World Bank*). In fact, Bangladesh has a lower median age than most Asian countries, as the following diagram demonstrates. Additionally, **youth comprise of one third of the country's entire population, while 70% of the population is under the age of 35**, making media consumption increasingly skewed towards digital.



Source: World Bank

The digital space of Bangladesh is centered on this increasingly tech-savvy youth as data concerning use of social media sites such as Facebook show dominance of the age group 18 – 34 years.



Source: Socialbakers

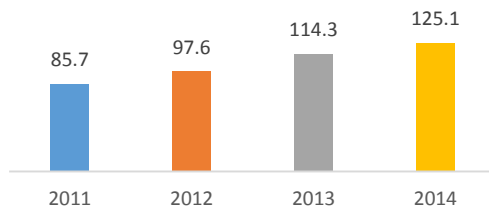
Rise of the Telecom Industry

The telecom industry has experienced extraordinary growth in recent years, resulting in 99% of the population being under network coverage. This growth has been leveraged to increase internet access for the masses as experts from Mediavest claim that 60% of internet users get access using mobile phones. The telecom industry has a direct role in promoting the culture of internet usage, by introducing lucrative data packages, conducting push marketing and improving the overall mobile network infrastructure of Bangladesh.

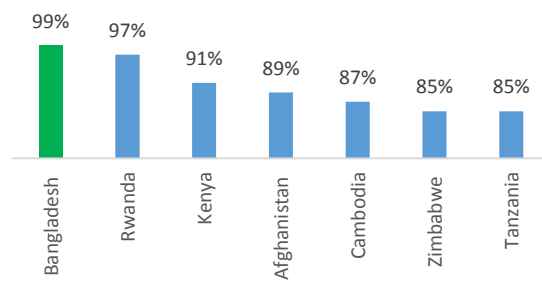
Bangladesh has the highest 2G coverage rate among emerging economies, along with the steady proliferation of 3G network and over 15-25 million active mobile internet users. (Source: LightCastle Interviews)

Currently, there are six mobile operators in Bangladesh, with Grameen Phone as the market leader with 42% of the market share (Source: BTRC). Banglalink, Robi, Airtel, Citycell and Teletalk make up the rest in a fiercely competitive industry with high price sensitivity and quality parameters.

Mobile Connections (Millions)



2G population coverage



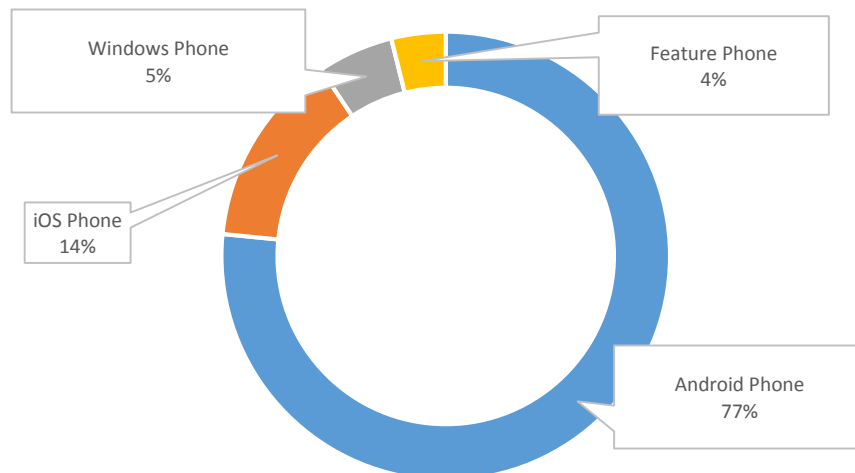
Source: World Bank

Smarter Phones

Proliferation of mobile networks over recent years increased people’s awareness and comfort with mobile devices and now, the inflow of low cost Chinese smartphones and economies of scale are making smartphones the next frontier. Suddenly, masses of people are able to access the internet right in their pockets. The increase in smartphone usage isn’t just boosting internet usage, but also opening up the scope for digital marketing in mobile devices.

LightCastle Partners recently conducted a study regarding the use of smartphones among the urban youth using random sampling of different age groups of cellphone owners. The following results were obtained

Types of Phones

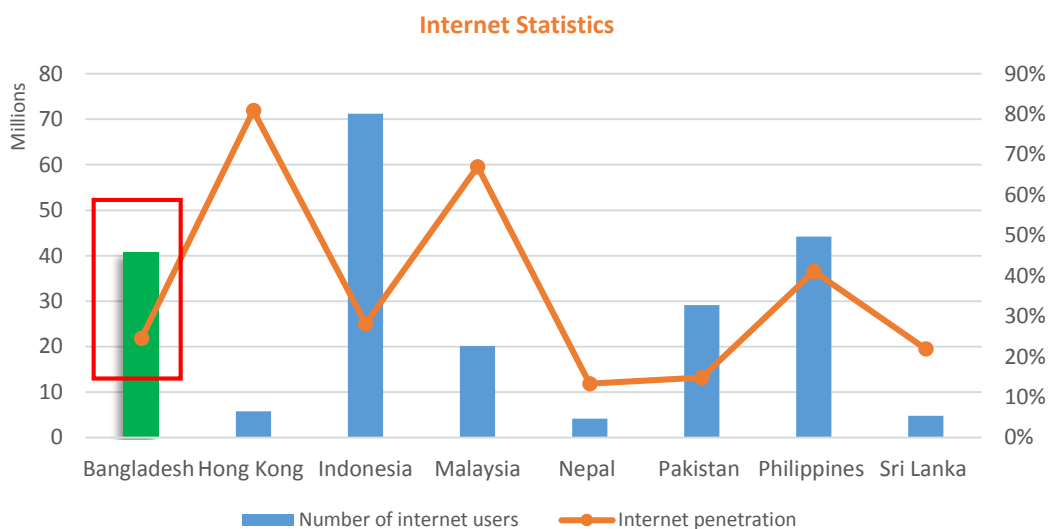


Source: LightCastle research

“If we are taking internet to the mass, that means we would like to reach them through the internet, through their mobile- that means we must spend there.” – Zakia Zerine, Head of Digital Media, Grameenphone

Expanding Internet Penetration

Inevitably, there is an increasing level of internet usage in Bangladesh owing to the increase in GDP per capita, low median age and expansion of the telecom sector (both 2G and 3G). While Bangladesh is lagging behind technologically advanced nations like Hong Kong and Malaysia, the internet penetration rate is higher than that of Nepal, Pakistan and Sri Lanka. The number of Facebook users has been growing at impressive rates with the trend set to continue on the back of strong fundamentals.



Source: GSMA

Indicator	2011	2012	2013	2014
Connections (millions)	85.7	97.6	114.3	125.1
% active	100	100	100	100
% prepaid	97	97	97	97
SIMs per subscriber	1.65	1.7	1.81	1.86
Unique subscriber (millions)	51.7	57.2	62.9	67.1
Penetration, connections	56%	63%	73%	78%
Penetration, unique subscribers	34%	37%	40%	42%
Connections growth (annual)	25%	14%	17%	9%
Unique subscriber growth	16%	11%	10%	7%
ARPU, by connection (\$)	2.4	2.27	2.01	
ARPU, by subscriber (\$)	3.85	3.81	3.55	
Recurring revenue (\$, million)	2221	2493	2556	
Recurring revenue growth	18%	12%	3%	

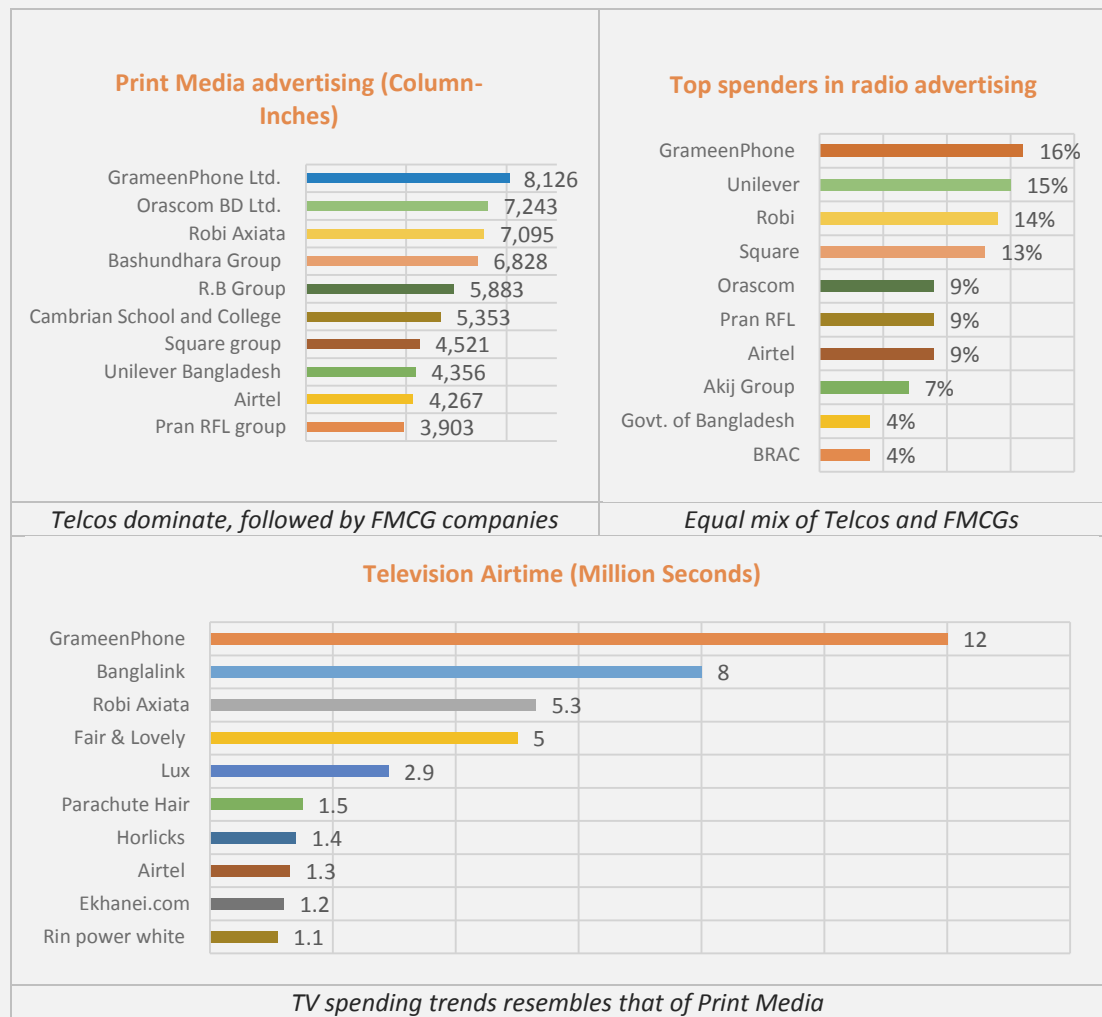
Table: Key indicator of telecom industry

Source: GSMA

Advertising Industry Snapshot

The Digital Media industry operates in the broader advertising arena and as such, an investigation of the latter is required to understand key trends. In Bangladesh, conventional media (television in particular) holds a dominant position. **Traditional media holds a monopoly of information in many rural areas, since residents only have access to TV, radio and newspapers.** According to Zakia Zerine, Head of Digital Media, Grameenphone, Bangladesh is still not fully ready to switch to Digital Media since a significant part of the population is still not part of the digital atmosphere. This scenario however is rapidly changing because of fast changing dynamics with the youth shifting to the medium as a major source of media consumption throughout Bangladesh.

A snapshot of the traditional advertising industry

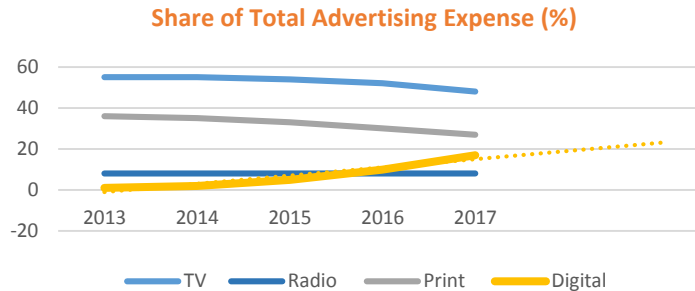


Source: RyansArchive - A Media Monitoring Company

The Digital Media Landscape

The Case for Digital

Digital Media is the logical progression for the industry, because it is cheaper, more efficient and scalable with the fastest growing reach. Digital Media is coming up fast through the ranks of available advertising channels on the backdrop of a conducive technology environment.

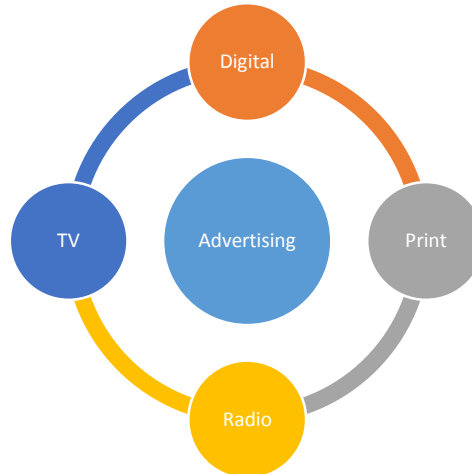


Source: LightCastle Research

This is catalyzed by the increased use of smartphones, since the internet is in the palm of people’s hands. Even then, only 2% of the advertising expense goes into digital marketing.

Digital Media Brings in Great Precision in Finding Target Markets

Traditional media cannot be tailor made for specific target groups. For instance, an advertisement on TV targeted towards teenagers is viewed by people of all ages. Advertising on Digital Media is far more selective, where **user information such as age, sex, location, interests, occupation and internet behavior can be used to reach out to the right crowd**. Efficient targeting allows companies to modify the modality and content to maximize the number of resulting interactions and increase conversion rates.

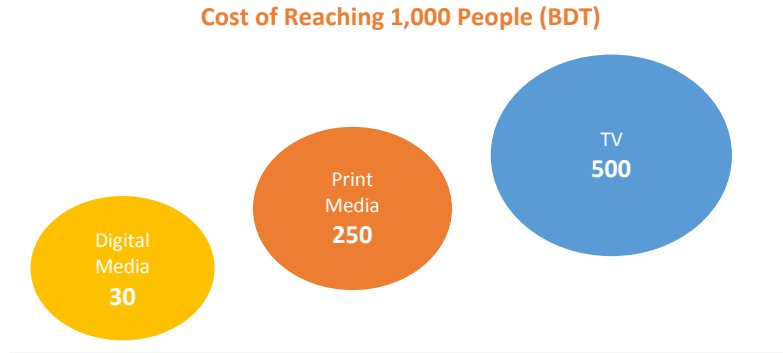


Traditional media follows a “push” strategy, where content is forced on you whether you want it or not. For instance, people cannot customize what ad they want to see after their favorite TV show. In Digital Media, customers have this choice. This allows for greater potential of creating brand loyalty.



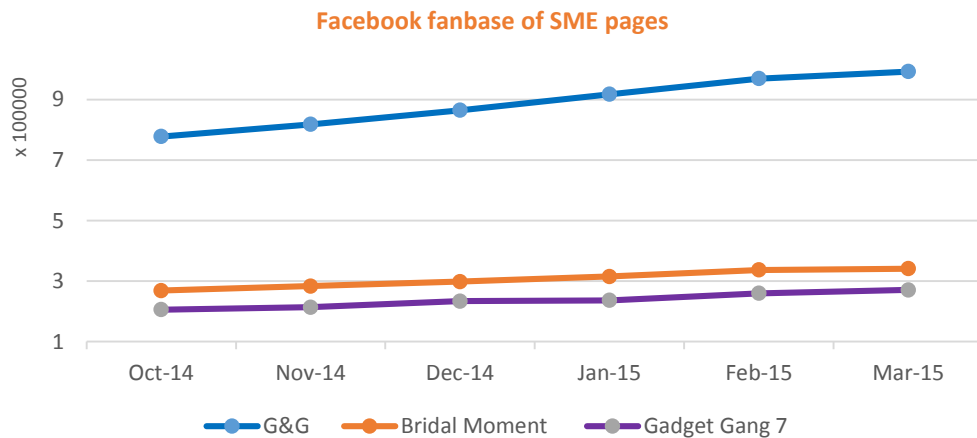
Digital Media is Cheaper than Conventional Media, Allowing SMEs to Advertise More Effectively

One of the greatest features of Digital Media is that it allows companies to reach out to more people at a lower cost. Boosting posts on Facebook costs only about USD 5 for instance. The average cost for reaching 1,000 people using Digital Media is over 8 times cheaper than that of print media, and around **17 times cheaper than that of Television ads.**



Source: LightCastle Research

SMEs generally cannot afford a hefty advertising budget, and are forced to find cost-effective tools to reach out to customers, which makes Digital Media the perfect platform for them. Restaurants, fashion stores, electronics shops, event management services and other SMEs are using Facebook news feeds to conduct their promotional campaigns with companies like Gadget & Gear, Bridal Moments, and Gadget Gang 7 acquiring strong fan bases in the process.



Source: SocialBakers

“Digital Marketing will grow at an exponential level over the next few years” – Salim Shadman Pathan, Senior Manager, Mediavest

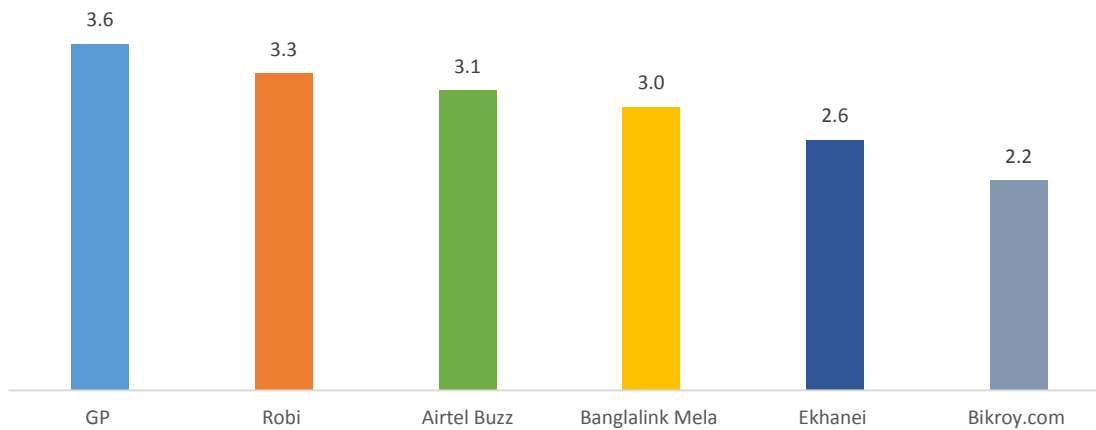
Digital Media is Extremely Scalable since there is very little Physical Barrier to Growth

Digital media has the capacity to reach out to 160 million people in Bangladesh; highest among the various forms of media. This is because Digital Media faces little logistical barriers, and can theoretically extend to the entire population. **2G network already covers 99% of the country's geographical area with the 3G network catching up.** Given the technological progress that is to follow, companies are expected to aggressively exploit the scalability of Digital Media.

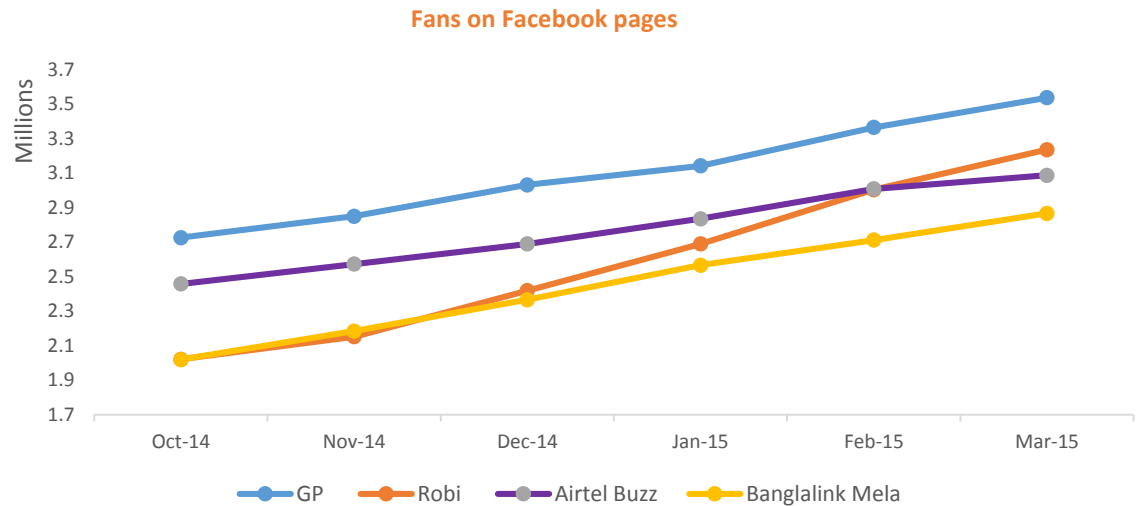
Social Networking Sites are Becoming Increasingly Active, With Growing Fan Bases Everyday

With **3,352,680 Facebook users and counting**, marketing on Facebook and other social networking sites is increasingly being used to reach audiences. Pages such as Grameenphone, Airtel Buzz and Robi are increasing in popularity every day, as their digital content becomes widespread. Given that people spend a significant portion of their time on social networking sites, the interaction with content is more likely, causing people to “like” and “share” posts whenever a piece of content catches the user’s attention. The role of digital marketing is to convert these ‘interactions’ into ‘product demand’.

Total fans on Facebook pages (Millions)



Source: Socialbakers



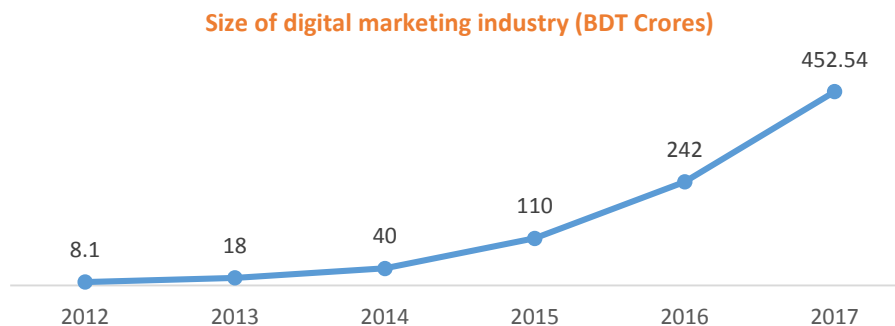
Source: Socialbakers

YouTube Pages are Gaining Momentum Due To Faster Internet

Owing to faster internet connections, Google cache servers, and better streaming, YouTube is gaining height in the Digital Media scene. While the overall presence of YouTube is minute in comparison to that of Facebook, **it is on the verge of expansion** with the telecom sector using it to market, and others following.

The Growth of Digital Media is Inevitable

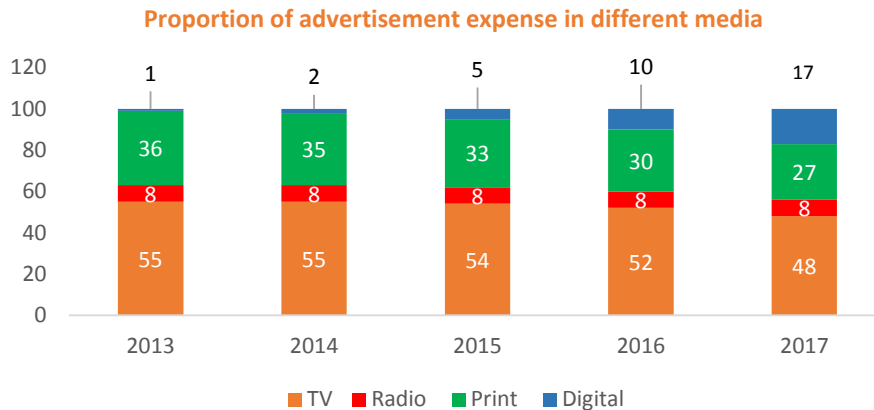
With an internet penetration rate of 24.5%, an internet user base of 40 million, and an ever-growing digital infrastructure, companies are bound to invest in digital marketing sooner or later. Expert interviews reveal that the digital marketing industry will undergo exponential growth over the coming years with current agencies to grow larger, and new ones to launch. While the share of the advertising industry in 2014 was 2%, it is expected to grow to 5% in 2015, 10% in 2016, and 17% in 2017.



Source: LightCastle Research

Digital Media Trend is Towards Replacing Traditional Media over the Coming Years

“The core message of media remains the same, and centers on themes such as love, hate and trust. What eventually changes is the modality and form of media, which depends on convenience and preference of the mass populace.” - Awrup Sanyal, Ex Creative Director - Bitopi



Currently, people are constantly on the go, and want to grasp as much content amidst their busy schedules. For instance, people in public buses listen to podcasts, read news, and watch YouTube videos on their smartphones on their way to work. So the replacement of traditional media can be attributed to the increasing dominance of Digital Media in people’s lives.

Year	TV	Radio	Print	Digital
2013	55	8	36	1
2014	55	8	35	2
2015	54	8	33	5
2016	52	8	30	10
2017	48	8	27	17

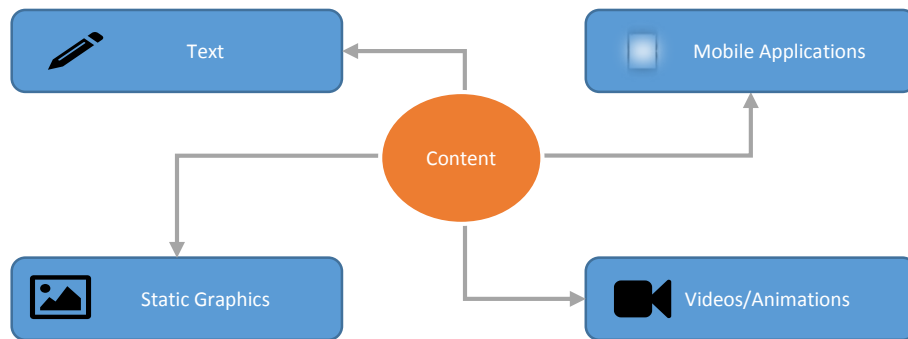
Source: LightCastle research

The current size of the advertising market in Bangladesh is approximately BDT 2,000 Crore. Current trends regarding the industry suggest that advertising in radio will remain unchanged, because of the stability in the customer base. However, advertisement in TV and print media is expected to decline because viewership in these forms of media is expected to decrease. TV shows, news and magazine are readily available on the internet, which is leading to a rapid substitution of conventional media with digital with its targeted content, low costs and wide reach.

The growth potential of Digital Media is stunning. **By 2017, the size of the digital marketing industry is expected to be BDT 452 Crore.** This translates to an exponential growth of 1000% from the current size. However, TV advertisements are still expected to gross highest over the next decade, unless services such as Netflix starts to popularize in Bangladesh.

How Digital Marketing Works in Bangladesh

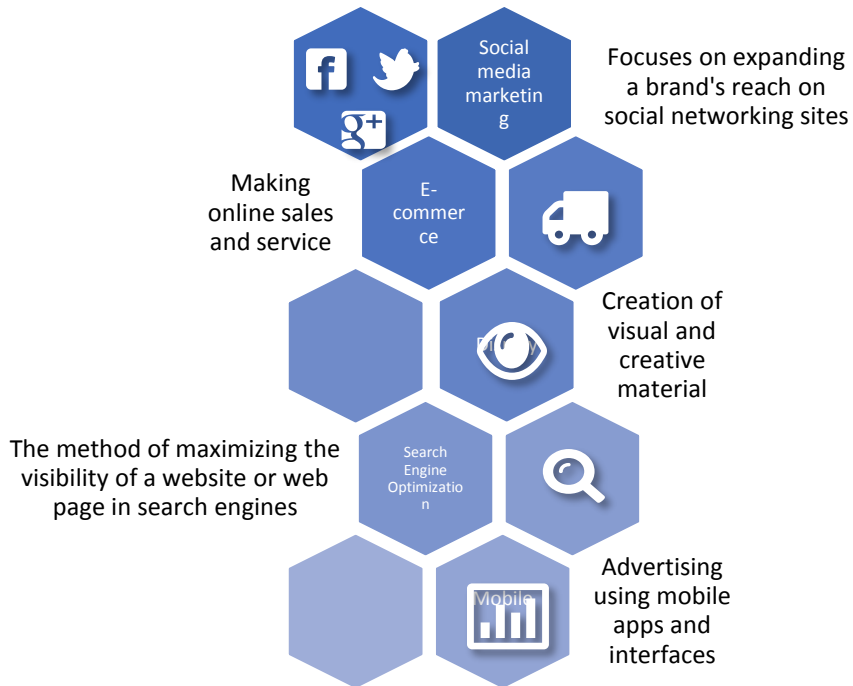
Digital Media marketing in Bangladesh is fast catching up as a favored media outlet among Telco's, FMCG and other industries. Fund allocation remains modest at 5-10% across companies, but as conversions improve, this statistic is set to change drastically.



The illustration shown above shows the types of content active in the Digital Media scene. Mobile apps directly engage the user in an activity that communicates the brand. Videos and animations are more effective than static images because users tend to interact more with motion pictures. Text is least interactive, since it requires users to take the trouble of reading the material.

The most commonly used form of contents are static graphics and text. **Text includes status updates and posts while static graphics include images, infographics, and comic clips.** Videos, while considered the most effective form of content, are less prominent because of high bandwidth requirements and high production costs. Furthermore, videos need to captivate the audience within the first 20-30 seconds in order to create a “watch-on” factor. However, with rapidly evolving infrastructure, both videos and mobile applications are likely to become more popular.

“We know that the young people don’t watch TV as much, they do only when they are following a particular show or event. They get their fixes digitally, both for news and entertainment. Radio, as we have already discussed, has already gone through the evolution. The penetration of mobile phones is single most important catalyst to such patterns.” – Awrup Sanyal, ex- Creative Director, Bitopi



Digital Media in Bangladesh can be divided into five broad horizons. Services can be produced either by combining multiple horizons, or by dividing each horizon into multiple segments.



Content development and Digital Media marketing are the most popular services that digital agencies offer at the moment. Content has always been the core of any form of communication,

making it one of the top services. Since Facebook is almost synonymous with the internet in Bangladesh, companies invest quite heavily in managing and growing their presence on the platform.

Digital media buying allows companies to strategize digital content to ensure maximum effectiveness. Online advertising is slowly gaining height as video platforms mature. Magnito Digital coined the term “Digital Media Commercial” for online ad clips that they produce. Experts claim that the requisites of this form of advertisement are quite different from that of conventional media.

Fast, Cheap Analytics Facilitating Rapid Growth

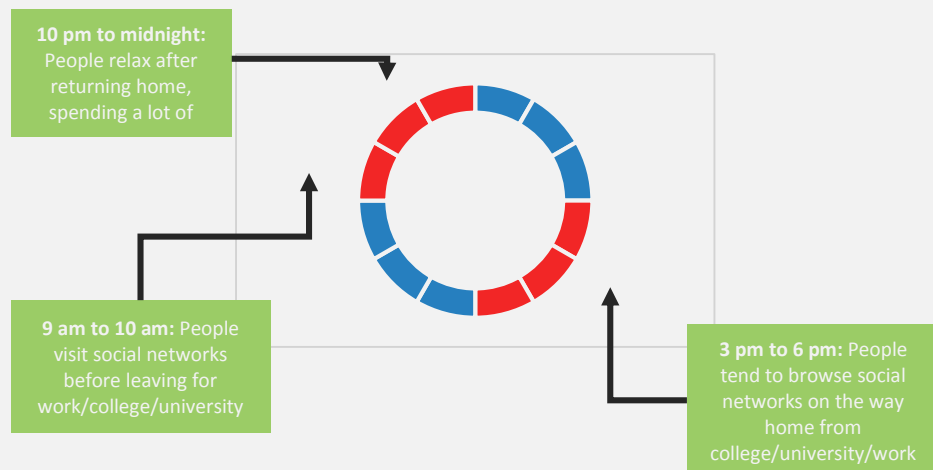
Digital analytics is still quite young in Bangladesh, and is not actively sought out by corporations. However, as companies move towards data-based decision making, it will start becoming a core component of their digital ventures. For instance, companies can analyze the age composition of the people who “liked” particular posts to identify what sort of content works on different age groups. **There are broadly three things to measure: impressions, clicks, and acquisitions.** These numbers show the extent of reach of a brand in expanding mindshare and sales revenue. The simplicity of analyzing digital content effectively makes targeting significantly easier.

Type of action	Viewed a post	Clicked on a post, without a necessary interaction	Interacted with content to create an outcome
Impression	✓		
Click	✓	✓	
Acquisition	✓	✓	✓

There are mainstream monitoring tools such as Facebook Insights and Google Analytics. At the same time, there are many websites dedicated to Digital Media analytics such as www.alexacom, www.socialbakers.com, and www.exacttarget.com.

Posts are most effective when posted between 9-10 am, 3-6 pm, and 10 pm to midnight

Zakia Zerine, head of Digital Media, Grameenphone, claims that timing digital content is the equivalent of shelving in department stores. The audience will only see what is conveniently presented to them, which makes timing an extremely crucial element. The diagram below shows the optimum time for posting content on social networking sites.



Industry Dynamics

Agencies are Getting Equipped to Steer the Nation towards a Digital Revolution

The growing use of internet and the transition towards digital marketing has led to the formation of various digital agencies that are dedicated to managing digital resources and online activities of client brands.



A full service digital marketing agency which covers search, social, display and mobile marketing



The first digital agency in Bangladesh that provides services such as covering search,



An Online Marketing agency that working with Digital Strategy, Targeted Ads, Web/App Development and Social Media Marketing



A digital agency which designs online campaigns by covering content



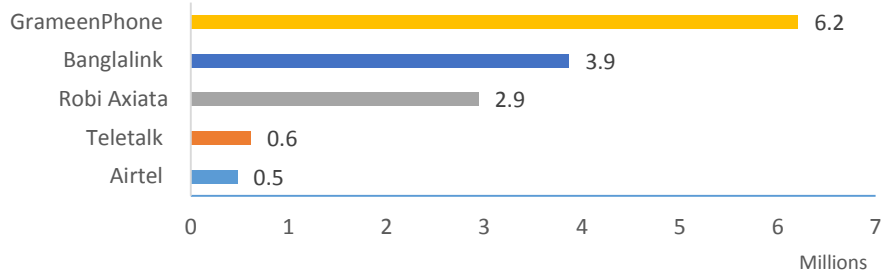
A Digital Media agency that uses data to create strategies for enabling the internet for



A full range digital agency that develops digital strategies, content, online advertising campaigns, and provides social customer service.

Telecom sector takes the lead in digital marketing expenditure, while classifieds and FMCG follow

Online ad expense by the telecom industry (pixels)



Source: RyansArchive

The telecom industry spends the highest amount in online advertisements. Grameenphone leading, followed by Banglalink, and Robi Axiata. There are also numerous small and medium companies that invest in Digital Marketing because of its affordability and effectiveness.

Telecom	Classifieds	FMCG	Small Businesses
<ul style="list-style-type: none"> •GrameenPhone •Robi •Banglalink •Airtel 	<ul style="list-style-type: none"> •Rocket Internet •Ekhanei.com •Bikroy.com •Shohoz.com •Akhoni.com 	<ul style="list-style-type: none"> •Unilever •P&G •Mentos •Coca Cola 	<ul style="list-style-type: none"> •Cloth shops •Restaurants •Travel agents •Accessory sales

SMEs have very little scope to advertise on television and radio. Print media is also often too expensive for them. Digital media is the best means for SMEs to strengthen their respective brands in an affordable and targeted way. Restaurants, fashion stores, gadget shops, and lifestyle pages are all aggressively spending on digital marketing, prompting other industries to take notice.

“Digital marketing is bound to be extremely popular among SMEs. Given their limited budget, digital marketing is the perfect advertising platform.” – Riyadh Shahr Ahmed Husain, CEO, Magnito Digital

A brief look at the competitive landscape follows

Company	Content Development	Online advertising	Digital media buying	Digital media management	Digital analytics	Mobile applications
Magnito	✓	✓	✓	✓		✓
Strategeek	✓	✓	✓	✓		
Analyzen	✓		✓	✓		✓
CookieJar	✓	✓	✓	✓		
WebAble	✓		✓		✓	✓

People are still at the core of digital marketing

While a significant portion of operations are automated to the point that human effort is minimized, the generation of content is still brain intensive. Starting from producing status updates to high definition videos, creativity and effort are crucial components. There is still a severe lack of digital marketing professionals in Bangladesh. One of the fundamental reasons behind this is the negligence of universities towards Digital Media. According to Sidrat Talukder, MD of Strategeek, business schools should offer separate courses on digital marketing, or at least make it a significant part of marketing courses. He also suggests that emancipating more and more interns into digital agencies is an effective way of creating a strong talent pool.

Challenges

To unlock the full potential of digital marketing, there are a number of challenges that need to be tackled. The problems range from the individual to the state level. The quality of programmers, another crucial component, and designers is still lacking due to inadequate education, which forces firms to undergo a very cumbersome training process in many occasions. This makes the recruitment process quite time and cost intensive. This might not be too big a problem now, but once firms expand into more complex operations such as data analytics, the gap will become more apparent.

Additionally, clients often have a lack of understanding of their requirements from a digital agency, which creates a discrepancy between their expectation and the delivered service. There is also an inertia among many people in making the switch from conventional to Digital Media, which often leads to insufficient investment into digital marketing by management.

On a state level, the inadequate power and internet infrastructure is a major obstacle along with restricted access to credit. Online sales are quite inhibited because regulations deter the culture of credit purchases and there is a lack of online payment options. Additionally, purchasing domains and boosting pages require international purchases which are difficult because of various limitations set by the Central Bank in making such transactions. All these add up to significant challenges for the Digital Media industry going forward, which the relevant players are actively trying to address.



Conclusion

Digital marketing is the inevitable future of the advertising industry. Internet users, mobile network users, increasing standard of living, government policy and a myriad of other factors are to combine and thrust the industry into the forefront of media. Businesses are going to be sucked into the vortex of an increasingly digital population in the coming years, producing rich dividends for those who manage to acquire expertise in the field.

Research Team

Bijon Islam
Mohammad Kashif Choudhury
Taosif Amin Khan

CEO, LightCastle Partners
AVP, LightCastle Partners
Junior Associate, LightCastle Partners

©2015 **LightCastle Partners** Limited

Contact us at:

LightCastle Partners Ltd.
19th Floor, FR Tower
32 Kemal Ataturk Avenue, Banani C/A
Dhaka 1213, Bangladesh

Email: info@lightcastlebd.com,

Phone: +880 1712 194944 | +880 1711 385988

Google Map: <http://www.lightcastlebd.com/contact>

Read our Blog at: <http://www.lightcastlebd.com/blog/>