

# Leveraging Online Ads for India – Unpacking the Impact of Online Ads on MSMEs and Startups

A Multistakeholder  
Perspective



December 2024



# Foreword



In 2024, we know that online advertising has revolutionised the way businesses connect with their target audience in India. Online advertising has also made it easier for consumers to discover new brands, compare products, and make informed purchasing decisions. This can be specifically useful for smaller businesses that are looking for an affordable and effective way to reach a broad yet relevant audience.

Primus Partners' previous report (published in 2023) *"Online Advertising by Indian MSMEs: Insights, Impact & Way Forward"* provided valuable insights into how MSMEs have harnessed the power of online advertising to scale their operations and achieve significant growth. Amongst others, this 2023 study provided valuable data and research points while analysing the impact of 'self-declaration mandate' imposed on advertisers (including MSMEs) in the *Indian Medical Association v. Union of India* Supreme Court case.

Building upon this foundation, Primus' new report,

*"Leveraging Online Ads for India - Unpacking the Impact of Online Ads on MSMEs and Startups: A Multistakeholder Perspective"* takes a deeper dive into the multifaceted benefits of online advertising for small businesses. This Report aims to shed light on the crucial role of online advertisements in driving business growth, enhancing brand visibility, and ultimately, boosting India's digital economy. By also exploring the evolving regulatory landscape, this report seeks to identify strategies that can empower MSMEs and startups to leverage online advertising effectively, unlock their full potential and ultimately propel India towards its \$1 trillion digital economy goal by 2028.

BIF is proud to partner with Primus Partners on this endeavour and we believe that this Report will serve as a valuable resource for policymakers, industry stakeholders, and researchers. We are confident that this study will contribute to the ongoing dialogue on the future of online advertising in India and its impact on MSMEs and startups.

A handwritten signature in blue ink, which appears to read 'Ramachandran', with a long horizontal flourish extending to the right.

**T.V Ramachandran,**  
President,  
Broadband India Forum

# TABLE OF CONTENTS

EXECUTIVE SUMMARY	4
-------------------	---

---

1.	Understanding the MSME & Startup Landscape in the Indian Economy	6
----	--	---

---

1.1. Definition and Classification of MSMEs and Startups in India	6
---	---

---

1.2. Economic Contribution, Growth Trends, and Sector Significance	7
--	---

---

2.	State of Online Advertising in India	10
----	--------------------------------------	----

---

2.1 Evolution of the Online Advertising Market	10
--	----

---

2.2. Future Growth Projections and Current Market Trends	10
--	----

---

## **3. Harnessing the Power of Online Advertising to Empower Small and Medium Businesses 12**

---

3.1. Research Methodology and Respondent Profiles for the Study 12

---

3.2. Online Advertising Adoption Patterns 15

---

3.3. Breaking Barriers: Online Ads as Catalysts for Local and Global Market Reach 17

---

3.4. Effectiveness & Measurement 19

---

3.5. Smart Spending: Budget Optimization with Scalable Campaigns and Actionable Insights 20

---

3.6. AI-Driven Online Ads: Leveraging Automation for Precision Targeting and Cost Efficiency 22

---

3.7. Challenges: Financial, Technological, and Skill-Related Hurdles 22

---

## **4. Regulatory and Policy Challenges 25**

---

## **5. Way Forward for Future Growth 27**

---

# Executive Summary



Micro, Small, and Medium Enterprises (MSMEs) and startups are the backbone of India's economy, collectively driving employment, innovation, and economic resilience. MSMEs contribute approximately 30% to India's GDP and 43% to exports, while startups have propelled India to become the third-largest startup ecosystem globally. These dynamic sectors not only create millions of jobs but also foster a culture of innovation and entrepreneurship, bridging rural and urban economies.

Online advertising has become a transformative tool for these businesses, enabling cost-effective brand visibility, market expansion, and optimized returns. By overcoming traditional barriers, digital marketing empowers small enterprises to compete globally and align with India's vision of a \$1 trillion digital economy.

This research study highlights the critical role of online advertising in accelerating business growth, enhancing visibility, and driving profitability for MSMEs and Startups (collectively Small and Medium Businesses (SMBs)). By

analyzing survey data from 864 respondents across sectors, this study provides actionable insights into how SMBs in India leverage online advertising and the challenges they face.

## Key Insights from the Survey

### 1. Online Ads Adoption Patterns

- Amongst the SMBs surveyed, **80% of the respondents had used online ads in their business.**
- **42%** of the respondents allocated over **40%** of their **marketing budget** towards online advertisements.
- Further, **72%** of SMBs **utilize more than 2 online platforms**, showing a strategic approach to diversifying their digital presence.
- **33%** run **weekly campaigns**, while **42%** opt for **monthly ads**, indicating consistent engagement with digital

platforms.

## 2. Business Outcomes from Online Advertising

- **76%** of businesses found **online ads more effective** than traditional advertising.
- **70%** of respondents believed that online advertising helped them **optimize marketing budgets** and over **80%** agreed that online advertising helped **improve their brand visibility** and helped in brand building.
- **69%** of respondents **expanded to new markets**, with **40% growing domestically, 30% internationally, and another 30% across both.**
- **80%** stated that their business **revenues more than doubled** since implementing online advertising.
- **94%** achieved a **Return on Ad Spend (ROAS) of more than 2x**, underscoring the effectiveness of targeted campaigns.

## 3. Efficacy

- **58%** of the respondents felt that analytics and measurement tools offered in the market were impactful in meeting their business goals.
- AI-driven campaigns were cited by **74%** of respondents as key to precision targeting and cost efficiency.
- The top three areas where AI made an impact in their online advertising efforts include **(i) ad creation & design, (ii) audience targeting, and (iii) budget optimization & performance analysis.**

## 4. Challenges

- **49% reported insufficient knowledge** of online advertising techniques.
- **43% cited budget constraints** as a significant challenge, especially for smaller enterprises.
- **35% cited complying with regulations** as another challenges

## 5. Regulatory and Compliance Concerns

The biggest challenge perceived by respondents due to regulations impacting online advertising was limited reach to target audience and the need to hire more experience personnel

## 6. Way Forward and Recommendation

Ensuring an environment that fosters innovation, reduces barriers, and provides strategic support is essential to sustain SMB growth and enhance their digital competitiveness. A few recommendations that can help based on our findings are:

- Affordable Access to Ad Tools and Platforms
- Skill-Building and Training Initiatives
- Multi Stakeholder approach for regulatory framework
- Industry Partnerships for Innovation and Capacity-Building
- Digital public resources

# 1.

## Understanding the MSME & Startup Landscape in the Indian Economy

MSMEs and startups are integral to the fabric of India's economy, contributing significantly to employment, innovation, and GDP. MSMEs alone contribute about **30% to the national GDP** and represent over **43% of exports**<sup>1</sup>, underscoring their critical role in economic stability and growth. The startup ecosystem, on the other hand, has witnessed rapid growth, supported by a young, tech-savvy population and government initiatives such as the Startup India program and Atal Innovation Mission. This combined landscape of MSMEs and startups embodies India's aspiration to become a global economic powerhouse by fostering entrepreneurship, technological advancement, and inclusive growth.

### 1.1. Definition and Classification of MSMEs and Startups in India

#### a. Definition and Classification of MSMEs<sup>2</sup>

Under the MSME Development (MSMED) Act of 2006, MSMEs in India are classified into two main categories: manufacturing enterprises, which produce physical goods, and service enterprises, which provide various services. In 2020, the Government of India redefined these categories to better align with global standards and improve access to financial support. The

revised classification is based on investments and annual turnover:

#### Micro Enterprises

Investment in plant and machinery or equipment up to **₹1 crore**, with an annual turnover up to **₹5 crore**.

#### Small Enterprises

Investment between **₹1 crore** and **₹10 crore**, and annual turnover up to **₹50 crore**.

#### Medium Enterprises

Investment between **₹10 crore** and **₹50 crore**, with turnover up to **₹250 crore**.

This updated classification aims to support growth among MSMEs by facilitating financial assistance and developmental resources specific to each business size, allowing for smoother transitions from micro to small and small to medium categories.

1. <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1985020>

2. <https://www.pib.gov.in/PressNoteDetails.aspx?NotelD=152063&ModuleId=3&reg=3&lang=1>



b. Definition of Startups

The Department for Promotion of Industry and Internal Trade (DPIIT) has set specific criteria for entities to qualify as startups eligible for government benefits. Startups in India are defined based on age, turnover, and their focus on innovation:

Legal Structure	Must be registered as a private limited company, partnership firm, or limited liability partnership in India.
Age Limit	The startup should not be more than ten years old from the date of incorporation.
Turnover Cap	Annual turnover should not exceed ₹100 crore (approximately USD 14 million) in any financial year since incorporation.
Focus on Innovation and Scalability	Startups must work on developing or improving products, processes, or services that demonstrate innovation and scalability, with strong potential for job creation or wealth generation.

These criteria ensure that startups maintain a clear focus on innovation and growth, distinguishing them from traditional small businesses and fostering a culture of experimentation and agility.

Government initiatives like the Startup India program provide crucial funding, mentorship, and resources that have fostered exponential growth in this sector. Startups are also contributing significantly to India’s exports and have garnered international attention as pioneers of innovation and technology-driven solutions.

1.2. Economic Contribution, Growth Trends, and Sector Significance

India’s economic landscape is uniquely shaped by the combined contributions of MSMEs and startups, each playing distinct yet complementary roles. Together, these two segments form a vibrant ecosystem that drives growth, fosters innovation, and supports the country’s ambitious vision of becoming a global economic leader.



Aspect	MSME	Startups
<b>Economic Contribution</b>	MSMEs are the backbone of India's economy, contributing approximately 30% to the national GDP and nearly half of the country's total exports. Their vast reach and production capabilities are integral to India's economic resilience, particularly in rural and semi-urban regions. As of April 2024, India has approximately 4.32 crore registered MSMEs. MSMEs contribute nearly 30% of India's GDP.	Startups, although smaller in direct economic contribution, are pivotal in redefining industries through disruptive innovation, particularly in sectors like technology, e-commerce, and financial services. As of 2023, India has positioned itself as the world's third-largest startup ecosystem. India is home to more than 108 unicorns.
<b>Employment Generation</b>	MSMEs play a crucial role in employment, offering over 110 million jobs and standing as India's second-largest employment provider after agriculture. Their presence across diverse industries supports widespread job creation, especially in labour-intensive manufacturing and service sectors.	Startups have generated over 15.5 lakh <sup>3</sup> direct jobs to date, contributing to employment in niche, high-skill areas, often attracting urban talent in sectors like IT, fintech, health tech, and agritech. This shift towards skilled, tech-oriented jobs has enhanced employment quality and opportunities, particularly for India's younger workforce, in high-growth sectors.
<b>Growth Trends</b>	MSMEs have demonstrated steady growth with an average annual increase of 9% in registered units since 2015. This growth trajectory is supported by robust government initiatives like Make in India, Digital India, and the Atmanirbhar Bharat mission, which have promoted domestic manufacturing, digital transformation, and self-reliance.	Startups, meanwhile, have seen exponential growth, attracting significant investment from both domestic and international investors. This high growth rate reflects the confidence in India's entrepreneurial ecosystem and the readiness of Indian consumers to embrace technology-driven solutions. Over 140,000 startups as of June 2024, growing from just 450 in 2016.
<b>Sector Significance</b>	MSMEs are essential in manufacturing, retail, and services, and they play a key role in supporting rural economies and extensive supply chains. They are deeply embedded in India's socio-economic fabric, providing stability and sustaining traditional industries.	Startups, by contrast, are leading a wave of modernization in areas like technology, agritech, renewable energy, and financial services. By leveraging technology and scalable business models, startups drive India's digital transformation, creating new markets and efficiencies while providing globally competitive solutions. Startups are present in 669 districts across 36 States and Union Territories, reflecting their widespread impact and diverse representation. <sup>4</sup>

Together, MSMEs and startups create a synergistic ecosystem, balancing traditional industries with innovative advancements. This ecosystem not only strengthens India's economic foundation but also positions it as a dynamic, future-ready economy that can compete on a global stage, with robust contributions to GDP, employment, and technological leadership.



3. Press Release: Press Information Bureau

4. Startup India Hub: Empowering Indian Startups through Government Initiative ([investindia.gov.in](https://investindia.gov.in))

## 2.

## State of Online Advertising in India

India's online advertising market has swiftly become a cornerstone of modern business, powered by accelerated internet access, high smartphone usage, and the digital shift in consumer behaviour. Today, online ads provide MSMEs and startups with wide reach and sophisticated options for engaging customers which complement traditional media.

### 2.1. Evolution of the Online Advertising Market

In recent years, the online advertising landscape has undergone significant transformation, driven by enhanced connectivity, rapid innovation and evolving consumer behavior. The internet penetration rate has grown significantly, reaching over 954 million users<sup>5</sup> as of March 2024, bolstering the online advertising market. The rise of smartphones and affordable data plans has made India one of the fastest-growing internet economies, with businesses increasingly shifting advertising budgets to digital platforms.

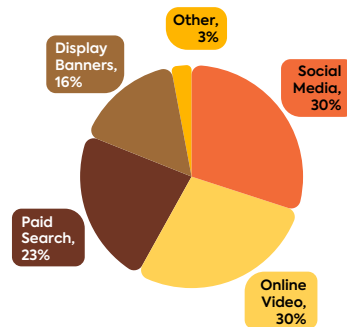
**93,166**  
Crore

Indian advertising industry market size by end of 2023, with an **8.6% growth** over 2022.

**India:** Ranked **8th globally** in digital ad spends as per GroupM India (2023).

**Digital Media:** Evolved from a **12% share** in 2016 to **44% share** in 2025.

### Digital Ad Spend Breakdown in 2023



Source: Digital Advertising Report 2024, dentsu

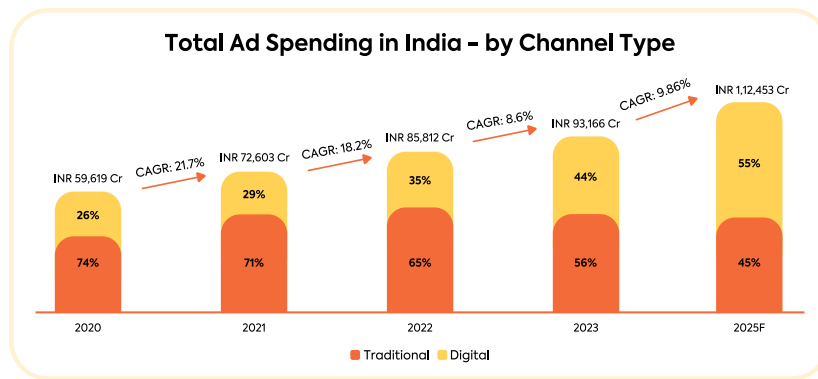
### 2.2. Future Growth Projections and Current Market Trends

#### a. Future Growth Projections for Online Advertising in India

Within the overall advertising industry in India, the online advertising market is projected to grow at a rapid compound annual growth rate (CAGR) of around 23.49%, with ad spending on digital expected to reach INR 62,045 crore by 2025.<sup>6</sup>

The growth of the digital ad market in India is driven by several key factors:

- Expansion of digital audience
- Increasing penetration of e-commerce and digital payments for targeted advertising
- Advancements in data analytics and measurement tools
- Rise of social media, over-the-top (OTT) platforms, and gaming platforms
- Fast-moving-consumer-goods (FMCG) and e-commerce (>55% share) driving digital ads



Source: Digital Advertising Report 2024, dentsu

## b. Current Trends in Online Advertising by SMBs

As online advertising continues to transform, businesses are adopting innovative strategies to stay competitive in a dynamic market. This report highlights the following trends in the evolving approaches on how SMBs brands connect with their audiences.

- Personalized Marketing:** Tailoring content to individual preferences has proven to enhance user engagement and satisfaction, making personalization a critical component of modern marketing strategies. This is also substantiated through our survey findings, wherein **74% of the respondents believe that personalized ads have been effective in reaching their business goals.**
- Regional Language Ads:** As the internet penetration increases in Tier 2 and Tier 3 cities, advertisers are increasingly using regional languages to engage non-English-speaking users. Platforms like ShareChat and YouTube channels in regional languages cater to these audiences, making vernacular ads an effective tool for MSMEs and startups to access untapped markets.<sup>7</sup> The rise of regional content further enables brands to build localized connections and trust.
- Data-Driven and AI-Powered Advertising:** With adoption of AI and big data, businesses are optimizing ad campaigns for higher engagement. AI-driven targeting and real-time analytics allow for tailored ad experiences, helping advertisers enhance ROI. SMBs, leveraging these tools, can efficiently allocate resources toward audience-specific campaigns, improving lead generation and conversion.
- Short-form Video Content and OTT Advertising Growth:** Video content consumption has increased with platforms like Instagram, YouTube and OTT services, including Disney+ Hotstar and Netflix India. With the surge in video consumption, advertisers are prioritizing video formats to create immersive experiences.
- Multi-Channel Online Advertising:** Lastly, advertisers are increasingly engaging audiences across various platforms to ensure a broader reach and consistent brand presence, catering to diverse user preferences. This is also evident in our survey findings, **wherein 71% of the respondents used more than 2 online advertising platforms.**

These trends and technological advancements collectively create a promising landscape for the growth of online advertising in India.

5. Press Release: Press Information Bureau

6. Digital Advertising Report 2024 | Marketing Analysis & Reports | dentsu India

7. <https://brandequity.economictimes.indiatimes.com/news/industry/navigating-the-future-of-brand-building-with-short-form-videos/112470898>

# 3.

## Harnessing the Power of Online Advertising to Empower Small and Medium Businesses

This section explores the precise ways online advertising empowers MSMEs and startups, the tools they can leverage, the unique barriers they face, and the need for tailored regulatory support to sustain their growth in the digital space. Insights from the survey, qualitative interviews, and discussions with industry experts emphasize the impact of online advertising on small businesses and the broader economic ecosystem.

*“Small businesses in India, including MSMEs and startups, can leverage online advertising. By providing them with cost-effective and targeted marketing solutions and utilizing data-driven insights, these platforms can help them reach the right audience and optimize their advertising efforts. However, it is essential that strong consumer protection standards, ensuring transparency and accuracy in all advertisements are observed. By balancing the interests of businesses with consumer rights, a robust and trustworthy digital ecosystem that fosters growth and trust for both SMBs and consumers alike can be developed.”*



**Shri Rohit Kumar Singh,**  
Hon'ble Member,  
National Consumer Disputes  
Redressal Commission (NCDRC)

### 3.1. Research Methodology and Respondent Profiles for the Study

The primary research for this study was structured to gain insights from a diverse array of stakeholders across the online advertising ecosystem, focusing on the unique experiences and challenges of MSMEs and startups in India. The research was divided into two main parts:

**a. Primary Survey of 864 Small and Medium Businesses (SMBs):**

This quantitative survey gathered data from a broad range of SMBs across sectors like manufacturing, retail, technology, healthcare, and services. The aim was to understand the adoption patterns, effectiveness, and challenges of online advertising for these businesses, with a particular focus on growth metrics, return on investment, and barriers to digital ad adoption.

**b. Key Informant Interviews (KII):**

To complement the survey, in-depth qualitative interviews were conducted with key individuals across various domains. These interviews provided context, deeper insights, and expert opinions on the regulatory, technological, and market dynamics that influence online advertising in India. This qualitative approach allowed for a nuanced understanding of how online ads impact MSMEs and startups at different levels.

The Key Informant Interviews (KIIs) were strategically designed to include representatives from the following categories, each selected for their unique perspectives and expertise:

- MSME and Startup Founders:** Entrepreneurs and business owners from various industries provided first-hand insights into the practical challenges and

opportunities of online advertising for SMBs. Their input focused on the impact of online ads on business growth, customer acquisition, and market expansion. They also highlighted challenges specific to SMBs, such as budget constraints, targeting limitations, and difficulties in measuring return on investment. The sectors that these businesses belonged to include:



- Legal Experts:** Leading legal professionals specializing in online advertising, data privacy, and regulatory compliance were interviewed to understand the legal complexities surrounding online advertising for SMBs. They provided insights into compliance requirements, consumer protection regulations, and the potential implications of evolving digital policies on small businesses. This group’s perspective was essential for evaluating how legal frameworks influence online advertising strategies for MSMEs.
- Academia and Industry Experts:** Thought leaders and researchers from academic institutions and industry think tanks provided a theoretical and empirical basis for understanding the trends and impacts of online advertising. Their inputs

helped contextualize the rapid growth of digital ads in India, the adoption patterns among SMBs, and the broader socio-economic implications. They also shared insights on emerging technologies and industry best practices, which are instrumental in shaping the future of online advertising for small businesses.

- **Industry:** Executives and specialists from the advertising Industry provided a

technical perspective including the unique needs of Indian SMBs. Their expertise in digital marketing tools, automation, and data-driven advertising was essential in understanding how adtech solutions can be tailored to enhance the effectiveness of digital campaigns for SMBs. They also discussed the challenges of delivering ad solutions at a scale and price point accessible to small businesses.

### Insights from a Homegrown Adtech Firm

*"At MadHawks, our journey in the digital advertising space began before the pandemic, with our first client, Aakaash Institute, where we honed our approach to digital marketing for educational institutions. This foundational experience paved the way for our evolution from a tech-driven advertising agency to a comprehensive firm that integrates both online and offline channels. By 2022, we expanded our services to include traditional advertising like hoardings, yet we maintained our core focus on digital platforms. Our ability to adapt and merge these diverse strategies has been key in delivering successful campaigns for a wide array of clients, from startups like Physics Wallah to established names like Johnson Tiles and international firms.*

*However, the evolving market landscape highlighted significant limitations of traditional advertising methods. Hoardings and printed ads, while initially eye-catching, come with substantial downsides for today's internet-first businesses. They are expensive, offer limited trackability, and lose their value quickly - once a newspaper ad is published or a hoarding is displayed, its impact fades and cannot be easily measured or refreshed without incurring additional costs. In contrast, online advertising provides much more flexibility and precision. Despite the challenges of complexity, for smaller businesses and startups in India, digital ads offer a cost-effective solution to reach targeted audiences, track performance in real time, and adjust strategies based on data-driven insights. Platforms like Google and Meta allow us to keep a track of performance, optimize spend, and adapt strategies dynamically that help smaller businesses big time. This approach enhances advertising effectiveness and helps our clients achieve steady growth in the digital landscape."*

**Ravi Kumar,**  
**Founder, MadHawks**

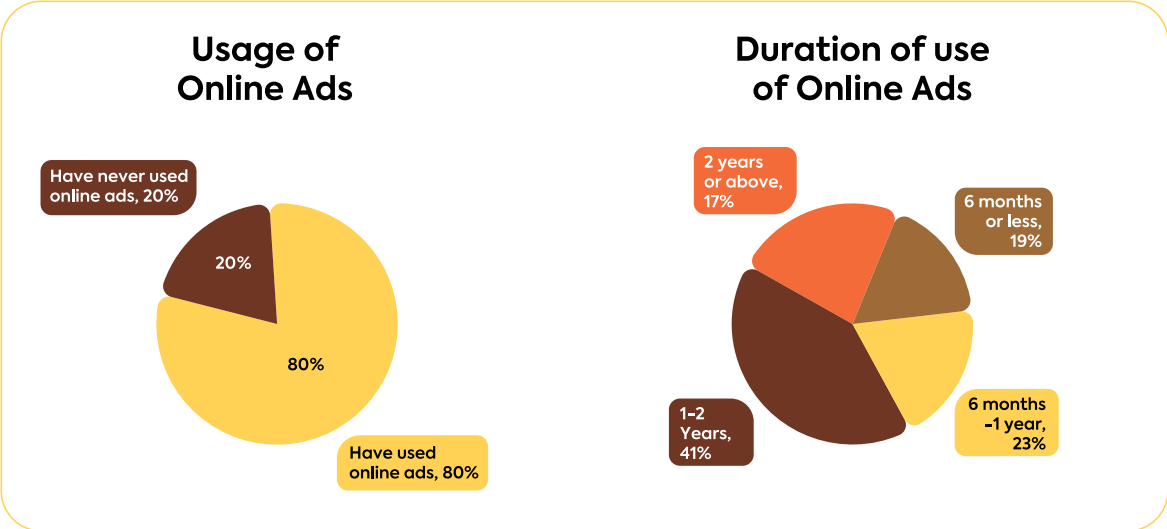


The diverse respondent pool provided a holistic view of the online advertising ecosystem for SMBs, uncovering practical challenges, regulatory needs, and technology's role in optimizing online advertising. This multi-stakeholder approach yielded actionable insights to support MSME and startup growth through online advertising.

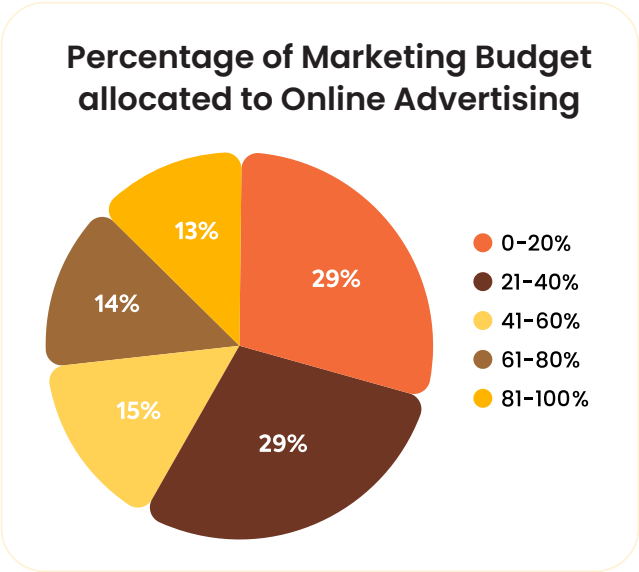


### 3.2. Online Advertising Adoption Patterns

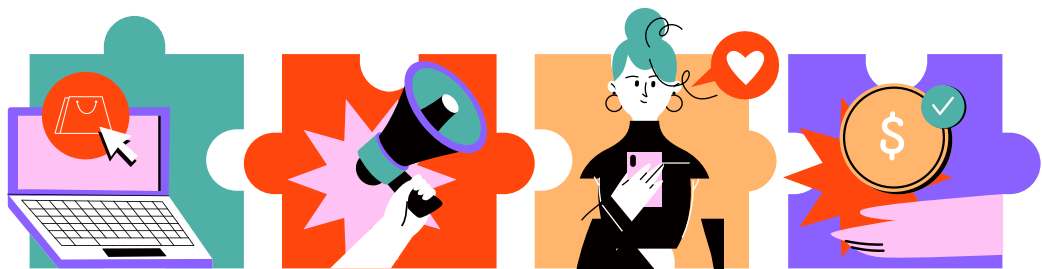
SMBs are increasingly leveraging online advertising for their businesses.

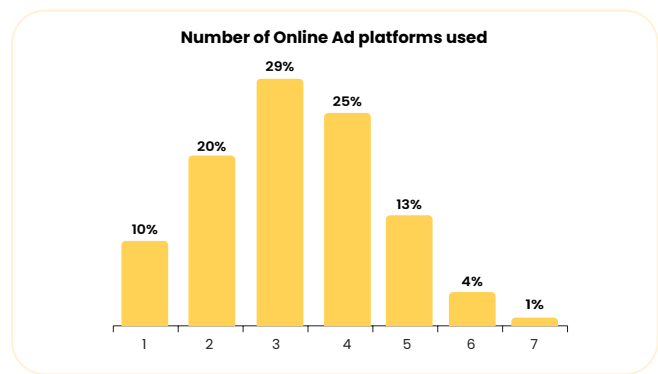
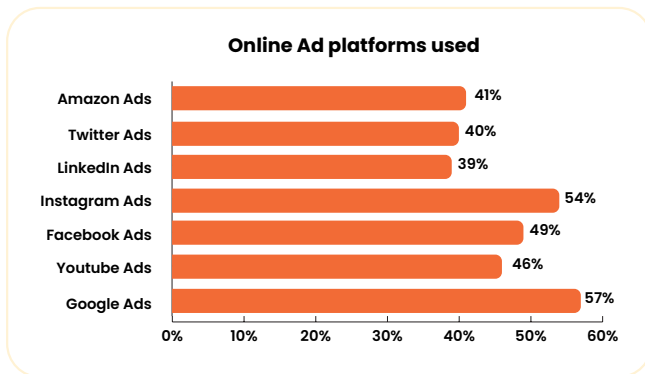


**42%** of the respondents allocated over **40%** of their marketing budget towards online advertisements.

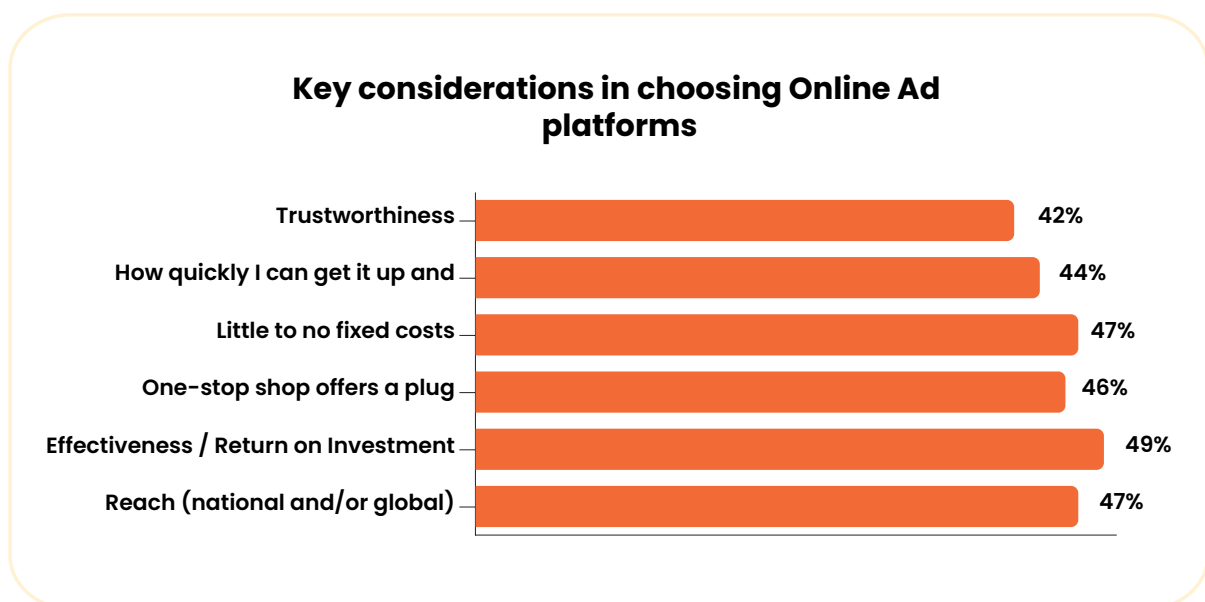


**72%** of SMBs utilize **more than 2 online platforms**, showing a strategic approach to diversifying their digital presence.





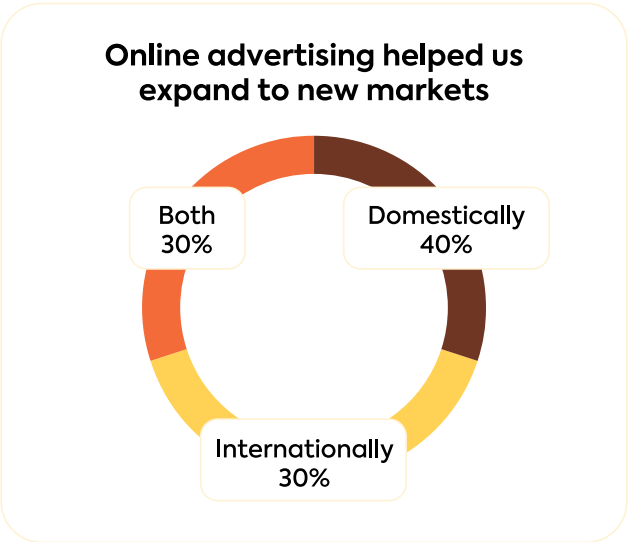
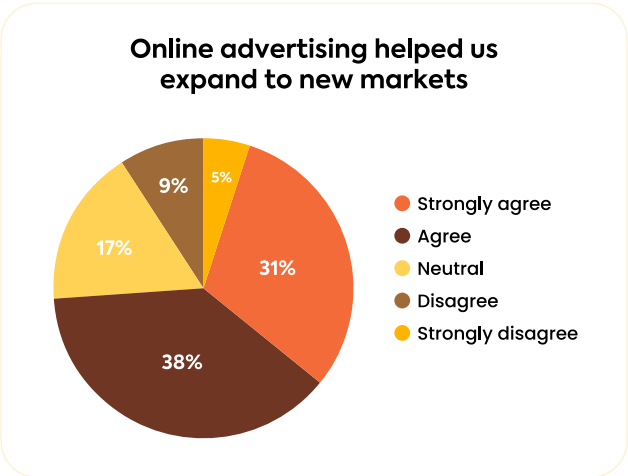
For the majority of the respondents (**49%**), the main consideration when determining which online ad platform(s) to opt for advertising was the **effectiveness / Return on Investment** that they offered. This was followed closely by **reach (national and/or global)** (**47%**) and the fact that online advertising offered **little to no fixed costs** (**47%**).



SMBs generally **prefer a moderate frequency of advertising**, balancing cost-efficiency with sustained engagement. The reliance on seasonal and ad-hoc campaigns indicates that many businesses are optimizing their ad efforts for specific periods of high ROI, such as festivals or sales events. Businesses running high-frequency campaigns belong to sectors where continuous customer interaction, like e-commerce or services, is vital.

### 3.3.Breaking Barriers: Online Ads as Catalysts for Local and Global Market Reach

**69%** of the respondents believed that online advertising **helped them expand to new geographical markets**. Of the total respondents surveyed, **40%** said that online ads **helped them scale their business domestically**, **30%** stated that **they were able to expand internationally**, while **30%** said online ads helped them expand both in India and abroad.



8. Chadha, Nishant and Pingali, Viswanath and Sokol, D. Daniel, Small Firms and Digital Platforms (September 16, 2023). USC CLASS Research Paper No. 24-5, Available at SSRN: <https://ssrn.com/abstract=4573570> or <http://dx.doi.org/10.2139/ssrn.4573570>

Online advertising gives MSMEs unprecedented access to customers beyond their immediate locality. For instance, an MSME specializing in handcrafted furniture from Jaipur can run targeted social media ads across urban markets like Delhi, Mumbai, and Bengaluru or even international markets, tapping into a customer base that previously would have been inaccessible. Online advertising platforms enable these businesses to define their audiences narrowly, targeting users based on demographics, interests (like home décor), and behaviour (frequent online shoppers).

In fact, a recent study involving a regression of around 1500 firms showed that the firms that use digital markets end up doing business in more geographies than the firms that don't use digital markets for advertisement.<sup>9</sup>

For local players, even a small investment in geographically targeted ads can enhance visibility within their community.





## Case Study: The Charismatic Crayonz Private Limited

Charismatic Crayonz focuses on empowering skilled but financially marginalized handicraft artisans across six Indian states: Uttar Pradesh, Rajasthan, Telangana, Punjab, Bihar, and West Bengal. Through mentorship, these artisans are guided to transition from being daily wage labourers under the influence of middlemen to becoming independent entrepreneurs. The mentorship emphasizes the use of digital media, innovation in product design, and strategies to attract a wider customer base. The overall aim is to enhance the livelihoods of these artisans while showcasing their unique crafts to a global audience through e-commerce platforms. Despite the artisans' exceptional skills and culturally rich products, the initiative faced a significant challenge in marketing niche, traditional handicrafts and reaching the ideal customer base without incurring high advertising expenses. Building brand awareness in a competitive e-commerce landscape also required a focused, strategic approach to ensure impact or resonance with the right audience. Company's turnover in 2023 was approximately 1 Lakhs.

The team leveraged the detailed targeting options available on platforms such as Facebook and Google Ads to reach the most relevant audience. By defining specific demographics and behaviors, they minimized unnecessary impressions and clicks. Multiple ad creatives, including images, headlines, and

call-to-actions, were tested to identify the most effective combinations. Ads were scheduled to run during peak hours when the target audience was most active, ensuring optimal engagement. Ads were optimized for devices preferred by the target audience, ensuring a seamless user experience. These strategies collectively reduced advertising costs and increased ROI by approximately 2x to 4x, with better ad placements and higher engagement rates. The team used intuitive advertising platforms such as Facebook Ads Manager and Google Ads, making it easier to set up campaigns even for those with minimal experience. They relied on online tutorials, YouTube videos, and industry forums for additional learning and troubleshooting.

The team utilized specific demographics, including age, gender, and interests such as sustainable living and handicrafts, to identify the most likely customers. Lookalike audiences were created based on existing customer data and website traffic to expand reach while maintaining relevance. This approach minimized budget waste and improved conversion rates, leading to better utilization of advertising funds. The team built custom audiences based on website visitors, email subscribers, and social media engagement to deliver more personalized ads. Campaigns targeted individuals interested in cultural crafts and eco-friendly home decor, aligning ad content with their values. Personalized content resulted in higher engagement and conversion rates. This combination of personalized advertising, precise targeting, and strategic scheduling led to higher-quality leads and stronger ROI.

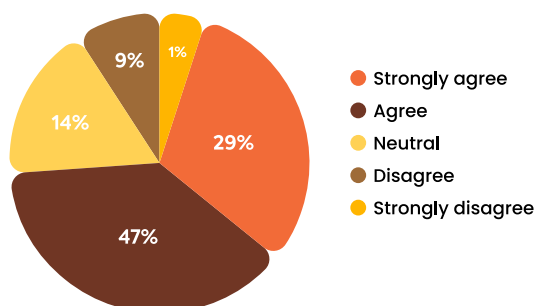
The initiative successfully employed digital marketing strategies to connect marginalized artisans with a global customer base. Through effective targeting, optimized ad placement,

and leveraging digital platforms, the team reduced advertising costs and maximized ROI. This empowered artisans to become self-sufficient entrepreneurs while showcasing their handcrafted products to a wider audience. The case study demonstrates how strategic digital advertising can enable emerging brands to build a sustainable online presence and compete effectively in a competitive market.

### 3.4. Effectiveness and Measurement

Our findings indicate that **76%** of the businesses **agreed that online advertising was more effective than traditional advertising for their business.**

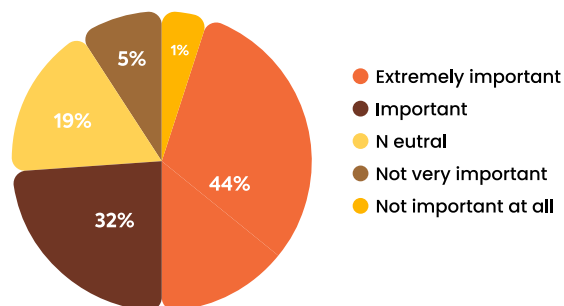
Online advertising is more effective than traditional advertising



SMBs are increasingly shifting from traditional advertising, like newspaper and radio ads, to online platforms because of the distinct advantage digital ads offer in terms of tracking and measurable results. Unlike traditional media, where SMBs might invest significant resources without clear indicators of success, online ads allow real-time monitoring of metrics like clicks, conversions, and engagement..

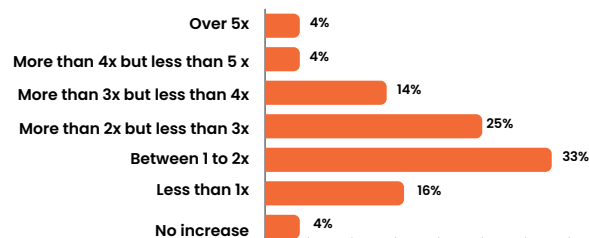
**75%** of respondents **considered the ability to measure Return on Ad Spend (ROAS) as a crucial factor in utilizing online advertising.**

Importance of the ability to measure ROAS from online advertising

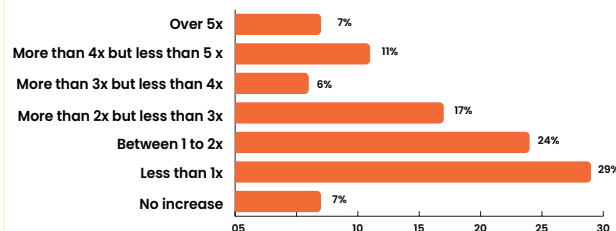


Not only did the respondents believe that measuring ROAS was important, they have also witnessed significant increase in revenue and ROAS. **80% stated that their business revenues more than doubled since implementing online advertising. 94% of respondents witnessed a ROAS of more than 2x since using online ads.**

Increase in revenue since using Online Ads



Approximate Return on Ad Spend (ROAS)



*"Online advertising revolutionizes MSMEs and startups by reducing costs and enhancing Return on ad spend through precise targeting. Unlike traditional methods, where ads are broad and non-specific, digital platforms ensure relevance, such as showing cricket bat ads to cricket viewers. This shift transforms advertising from a fixed sunk cost to a quasi-variable cost, with pay-per-click models enabling costs only on engagement, making it accessible for small businesses. With AI-driven precision, automated data analysis, and strategy optimization, online advertising empowers MSMEs and startups to achieve targeted reach, efficient spending, and improved conversions, fostering growth in an increasingly competitive digital landscape."*

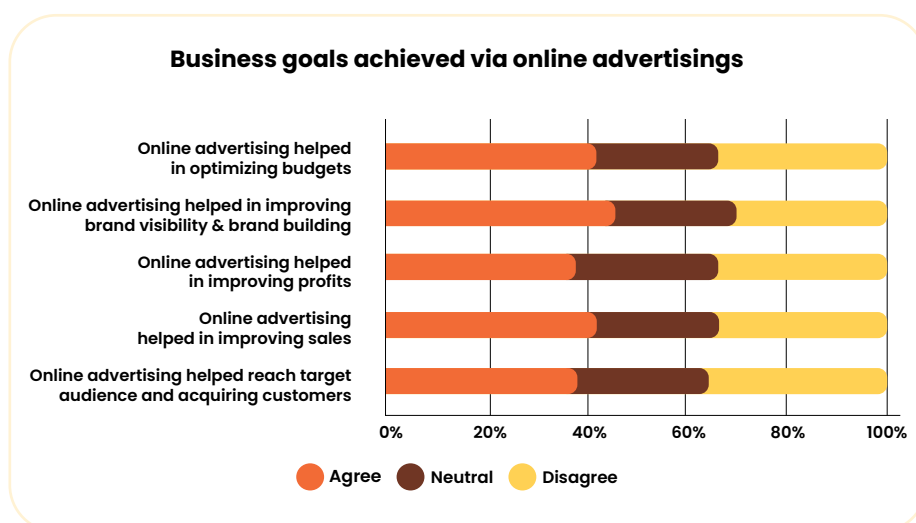


**Dr. Vishwanath Pingali,**  
Professor, IIM Ahmedabad

### 3.5.Smart Spending: Budget Optimization with Scalable Campaigns and Actionable Insights

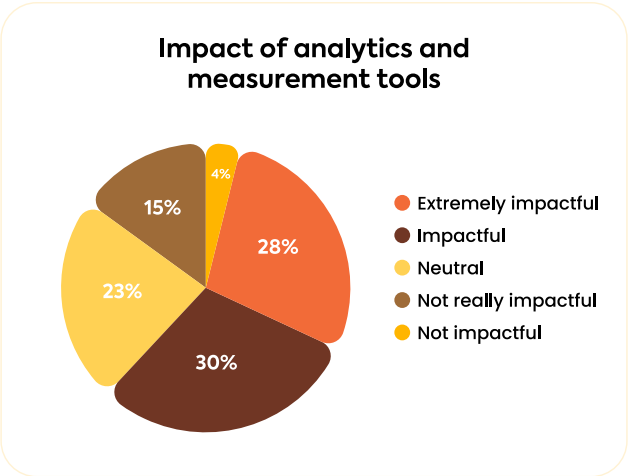
We evaluated the objectives SMBs had when using online advertising and the extent to which these goals were achieved. The analysis revealed that SMBs pursued various business objectives, including **(i) optimizing marketing budgets, (ii) enhancing brand visibility and brand building, (iii) increasing pro its, (iv) boosting sale, and (v) reaching target audiences and acquiring new customers.**

Our survey results indicate that **70% of respondents believed that online advertising helped them optimize marketing budgets** and over **80% agreed that online advertising helped improve their brand visibility and helped in brand building.**



Budget flexibility and scalability are essential for SMBs, which often need to be cautious with their marketing expenditure. Digital platforms allow SMBs to set precise budgets for each campaign, adjust daily limits, or halt campaigns based on performance.

58% of the respondents felt that **analytics and measurement tools offered in the market were impactful** in meeting their business goals.



**Representative tools used by respondents to measure efficacy of online advertising**

- Google Ads and Google Analytics/ Google Analytics 4
- Facebook Ads Manager
- Instagram Insights
- HubSpot Marketing Analytics
- Adobe Analytics
- Klipfolio
- Tableau
- Mixpanel
- Google Data Studio
- Brandwatch
- Hotjar
- Marketo
- Amazon Marketing Cloud



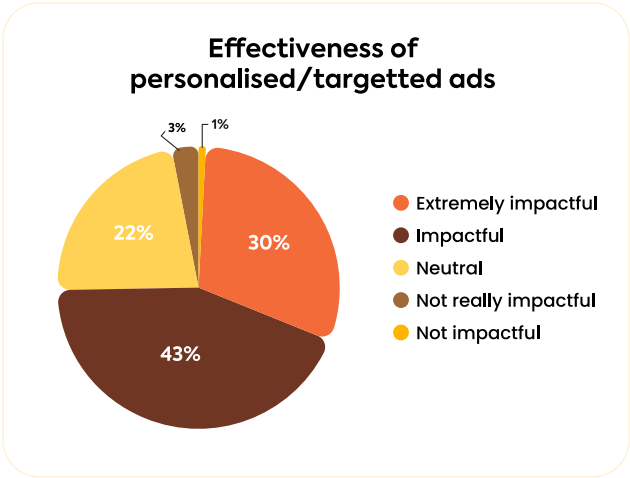
**Case Study: The Healthspan Co.**

“Our journey into online advertising was a calculated move to position The Healthspan Co. as a leader in the nutrition space. Our focus on gut health and weight loss products demanded precise targeting and compelling content to engage a discerning audience. Currently, 80% of our ad budget is allocated to Amazon ads, with the remaining 20% on Meta platforms (primarily Instagram, with some presence on Facebook). This strategic allocation is driven by the high purchase intention and better conversion rates observed on Amazon.

We initially faced challenges in driving traffic from search to Amazon due to drop-offs, which highlighted the need for platform-specific strategies. We learnt that using Amazon ads directly was more effective for conversions. This insight was critical in optimizing our ad spend.

The targeted online advertising strategy has paid off significantly. The Healthspan Co. has seen higher engagement, smarter spending, and a growing base of loyal customers. Our D2C website, launched in March 2023, leveraged Google Ads extensively and achieved a Return on Ad Spend (ROAS) of 4-5, which is considered excellent. The site’s turnover quickly surpassed that of Flipkart, making it the second-largest sales channel after Amazon.”

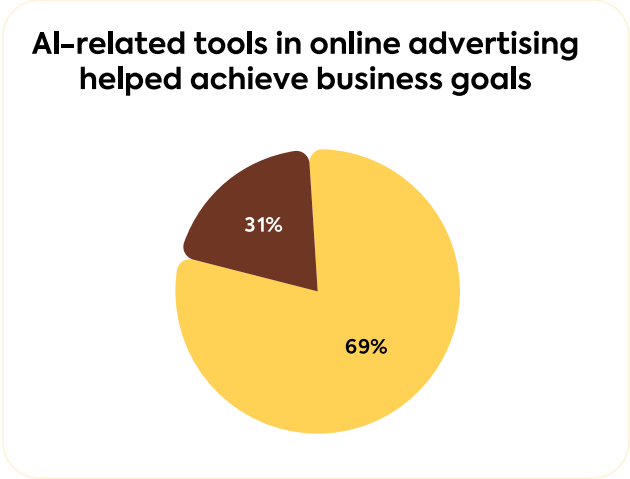
**74%** of the respondents found **personalized ads/targeted ads effective** in helping them achieve their business goals.



### 3.6.AI-Driven Online Ads: Leveraging Automation for Precision Targeting and Cost Efficiency

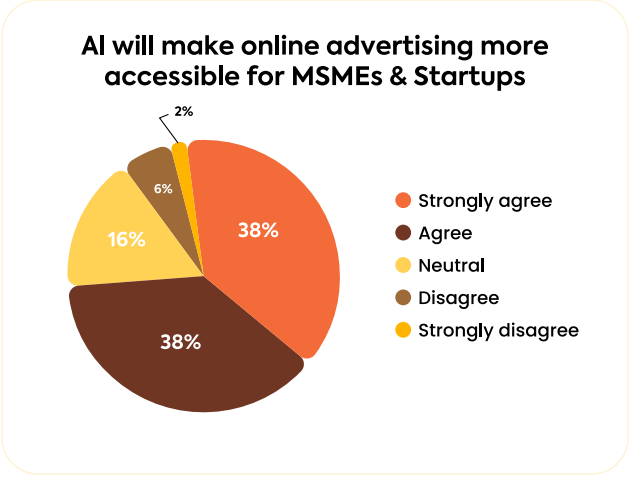
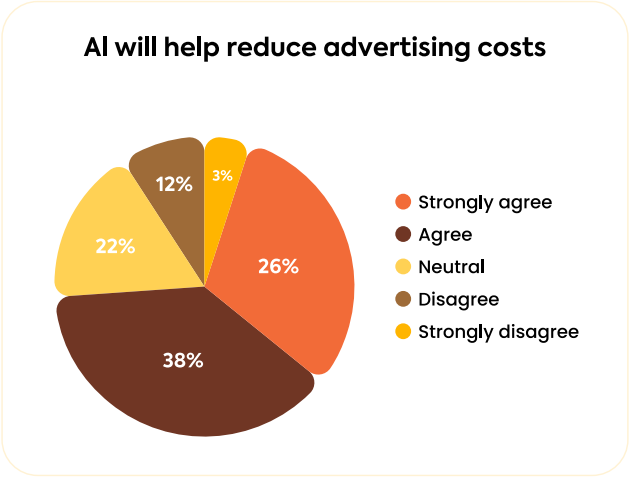
Respondents viewed AI as a transformative tool for enhancing the efficiency, creativity, and Return on Ad Spend of online advertising, especially in areas requiring quick decision-making and complex data analysis.

**69%** of respondents felt that **AI and AI-related tools in online advertising helped achieve their business goals.**



The **top three areas where AI made an impact** in their online advertising efforts include **(i) ad creation & design, (ii) audience targeting, and (iii) budget optimization & performance analysis.**

**64%** of respondents believed that **AI will help reduce their advertising costs in the future** and **76%** believe that **AI will help make online advertising more accessible** for **MSMEs** and **Startups.**

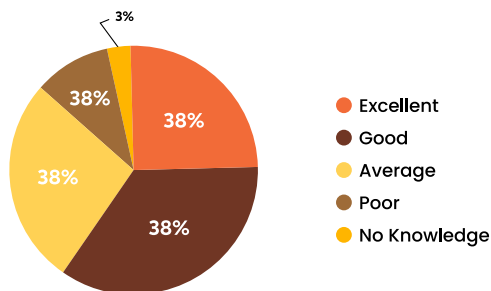


### 3.7.Challenges: Financial, Technological, and Skill-Related Hurdles

Despite the advantages, certain barriers hinder SMBs from fully utilizing online advertising. In terms of their perceived knowledge about online advertising, **40%** of respondents **rated their knowledge as either average, poor, or nonexistent.**



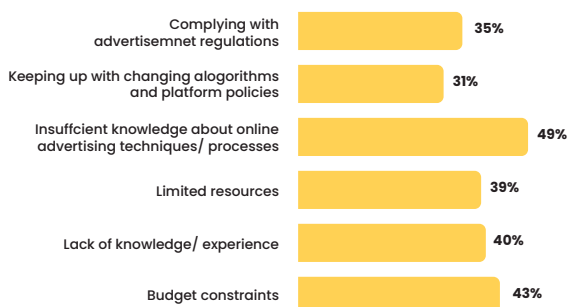
### How would you rate your knowledge about Online Ads?



Amongst some of the challenges faced by respondents while using online ads, **49% of the respondents found that they still had insufficient knowledge about online advertising techniques & processes.** Technological barriers are another critical issue. Many SMBs lack the infrastructure and digital literacy required to navigate complex ad platforms.

Skill gaps exacerbate these challenges, as many small business owners lack in-house expertise in digital marketing. Addressing these gaps through accessible training, simplified ad tools, and affordable advertising solutions can significantly reduce these barriers, empowering SMBs to compete more effectively in the digital space.

### Challenges perceived with respect to Online Ads



**Budget constraints** remain a primary concern for **43% of the respondents**, as many of these businesses operate with limited marketing budgets, leading them to underutilize or even bypass online advertising.



### Case Study: Achyutam Aahar

Achyutam Aahar, founded by Ms. Nidhi Sharma is committed to redefining the way individuals perceive and consume food. They are dedicated to providing pure, organic food products that foster optimal well-being, good health, and a wholesome, healthy lifestyle with the vision to promote and provide pure, organic food products for the betterment of human life, emphasizing optimal well-being, good health, and sustainability. They believe that the importance of pure and wholesome food is paramount for the well-being of individuals and the planet. With the objective to ensure a wider selection of organic products, raising awareness about the importance of pure food, supporting local farmers and striving for continuous improvement in product quality, transparency, Achyutam aahar offers pure and healthy dairy products and honey.



Even though they had limited knowledge of online advertising at the beginning, platforms like Facebook Ads and Google Ads provided user-friendly interfaces and step-by-step guides, they utilized these resources and consulted with experts where needed, which allowed them to launch their first campaign quickly. By using predefined templates, audience insights, and lookalike audiences, they were able to set up campaigns within days, making adjustments as they gathered data.

One of the major challenges they faced was promoting niche products like Raw Honey, Indigenous Cow Ghee, and other Ayurveda-based products to a specific target market. By using Facebook's detailed targeting options, including interests, behaviors, and location-based filters, they ensured the ads were only shown to users genuinely interested in natural health products and organic living. This precision in targeting helped avoid wastage of the ad budget and allowed to focus on quality leads, ensuring higher conversions at a lower cost as personalization played a key role in engaging with their niche audience. By tailoring ad copies,

creatives, and offers to specific demographics, such as health-conscious consumers or those interested in Ayurveda and organic products, they delivered a more personalized experience. For instance, their campaigns for Desi Cow Ghee emphasized the benefits of A2 milk for health-conscious individuals. This increased user engagement and resulted in higher conversion rates without wasting resources on a broader, less relevant audience.

Initially, one of their primary goals was to maximize the Return on Ad Spend (ROAS) while minimizing the amount spent on online ads. They experimented with different types of ads, targeting options, and platforms. Over time, by using tools like A/B testing, analyzing performance metrics, and refining their audience targeting, they were able to increase the ROI by 3x by focusing on optimizing their ad creatives and keywords to attract beneficial leads, thereby lowering the cost per acquisition (CPA).



# 4.

## Regulatory and Policy Challenges

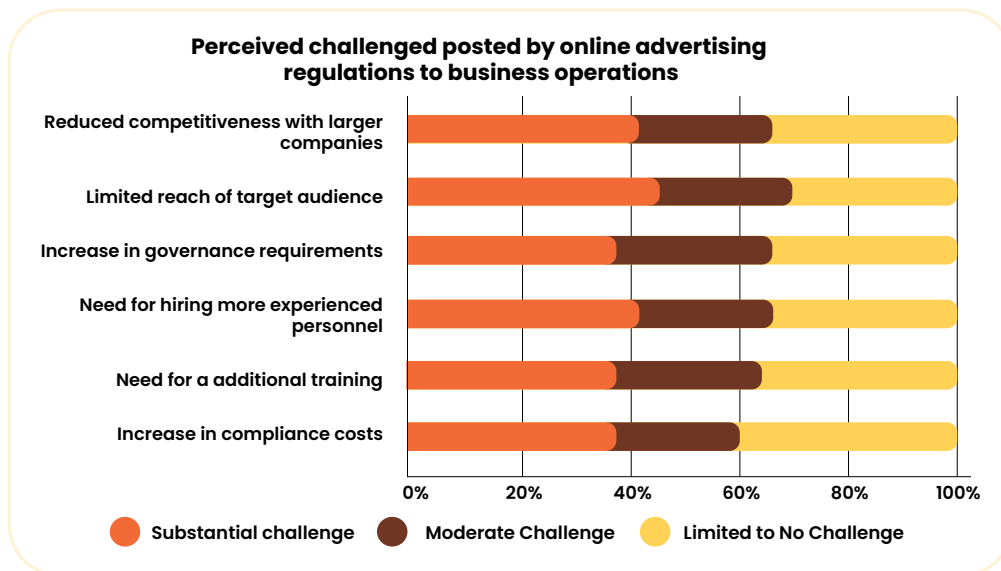
The regulatory framework for online advertising in India has also been evolving with concerns being raised around consumer protection, personal data protection, user safety and competition. We surveyed the respondents on how the SMBs perceive regulations impacting their use of online ads.

*"Online advertising plays an important role in creating access to new markets for small and innovative MSMEs, and for consumers to get the relevant information and access to products and services. Laws and regulations relating to online advertising acknowledge this and must enable internet to become a space for co-existence of businesses, particularly MSMEs and individuals who rely on internet for accessing a range of services. Regulations must balance tradeoffs between innovation to facilitate creative, affordable, and effective online advertising on the one hand, and potential risks to consumers on the other. It is important that regulations are clear, predictable and cohesive, and where required, that there are appropriate institutional mechanisms for inter regulatory cooperation."*



**Mr. Cyril Shroff,**  
**Managing Partner,**  
**Cyril Amarchand Mangaldas**

The biggest challenge perceived by respondents due to regulations impacting online advertising was **limited reach to target audience** (69% respondents said that regulations challenge their ability to reach their target audience through online ads) and **the need to hire more experienced personnel** (68% respondents felt this was a challenge).



Additional challenges highlighted by SMBs (based on interviews)

- Data Privacy and Security Concerns:**  
 Stringent data protection laws pose compliance challenges and may also impede the ability to SMBs to use and process data, complicating cross-border campaigns.
- Challenges for Small Businesses:**  
 Small businesses feel that with limited budgets they are disproportionately affected by regulatory requirements. Their lack of resources and expertise to navigate complex ad regulations means compliance costs significantly impact their ability to utilize online advertising effectively.

- Impact on Creativity and Effectiveness:**

Restrictions on personalization and targeting result in generic, broad ads that lack engagement and effectiveness. Thus, while regulations must ensure that data is used responsibly and safely, it is also important commercial utility for businesses is not impeded.

- Operational Hurdles:**

Time-consuming compliance processes and high transparency requirements delay campaign execution. Managing region-specific and platform-specific rules adds complexity and administrative burdens, making operations more challenging.

- Cross-Border Advertising Issues:**

Varying regional rules and localization requirements complicate global campaigns, increasing compliance costs and making cross-border advertising difficult for smaller businesses to execute effectively.

- Taxation and Cost Implications:**

Unclear tax regulations, such as GST on digital ads, create confusion, while rising compliance, approval, and verification costs disproportionately impact smaller advertisers, further reducing their ability to compete.



# 5.

## Way Forward for Future Growth

To fully realize the potential of online advertising for SMBs, India's policy framework and industry practices must evolve to address the unique challenges faced by these businesses. Ensuring an environment that fosters innovation, reduces barriers, and provides strategic support is essential to sustain SMB growth and enhance their digital competitiveness. This section outlines the proposed regulatory changes, policy interventions, and industry strategies needed to optimize the effectiveness and accessibility of online advertising for MSMEs and startups.

- **Affordable Access to Ad Tools and Platforms:** Access to advanced online advertising tools remains a challenge for smaller businesses with limited budgets. To make online advertising more inclusive, the government could collaborate with industry to provide subsidized or tiered pricing models for SMBs.
- **Skill-Building and Training Initiatives:** Many SMBs lack the in-house expertise to execute and optimize digital ad campaigns. Government-backed training programs focusing on digital marketing, data analytics, and compliance can empower SMBs with the skills they need to succeed in the digital space. For

example, partnerships with educational platforms like Coursera, and local training institutions could provide SMB-focused courses at discounted rates.

- **Multi Stakeholder approach for regulatory framework:** By prioritizing transparency, consumer protection, and inclusivity, and by engaging stakeholders across the ecosystem, policymakers can create an environment that not only safeguards consumer rights but also empowers SMBs to maximize the benefits of online advertising. Nevertheless, it is important to ensure that regulations do not impede utility from online ads to businesses. This can be done by creating regulations in the context of different stakeholders and how they operate. Concepts like: (1) how to define an online ad (2) who is the provider of the ad; (3) who is responsible for the content are important to have clarity on as regulators consider appropriate standards.

- **Industry Partnerships for Innovation and Capacity-Building:** Partnerships between industry and SMB-focused organizations can create valuable synergies, enabling SMBs to leverage advanced online advertising solutions. Such partnerships could focus on developing SMB-specific ad products, creating ad templates tailored for small businesses, or setting up support networks where SMBs can access digital marketing guidance. These partnerships could also create SMB-focused “Digital Ad Days” or special events that offer free or discounted ad credits for new advertisers.

- **Digital public resources:** SMBs would benefit immensely from public resources for guidance on ad strategy, budgeting, and performance optimization. Mentorships could be organized through local Chambers of Commerce or industry associations, enabling SMBs to gain insights into maximizing ad spend and crafting impactful messages.

The road ahead requires adaptability, collaboration, and a clear vision to ensure the sustainable growth of India’s online advertising sector.



# Acknowledgements

We would like to convey our profound appreciation to all those who contributed to the successful completion of this study. Our sincere thanks go out to the survey participants for their time and resources devoted to providing essential insights for our research. Furthermore, we extend our acknowledgment to the following individuals whose contributions significantly shaped the outcome of this study:

## Primus Partners



**Nilaya Varma**  
Co-Founder & CEO



**Ramakrishnan M**  
Managing Director



**Shristi Singh**  
Vice President



**Shreya Pandey**  
Manager



**Archana Trivedi**  
Senior Consultant



**Vinod Kumar**  
President



**Utkarsh Wuthoo**  
Director & Head of the Division

## Broadband India Forum



**TV Ramachandran**  
President



**Brig Anil Tandan**  
Director General



**Debashish Bhattacharya**  
Senior DDG



**Sundeep Kathuria**  
Senior DDG



**Mira Swaminathan**  
Director – Policy Advocacy & Communications



**Shubhika Saluja**  
Research Analyst

## India SME Forum



## About Primus Partners

Primus Partners is a management consultancy and solutions-focused firm that aims to navigate through the many opportunities that exist in the country. In a short period of time, Primus has established itself as a fast-growing and premier Consulting firm with marque projects and clients, including assignments abroad. The firm has grown significantly and presently employs more than 300 professionals across its 6 offices in India and global office in Dubai working on 240+ ongoing projects. The leadership team at Primus brings over 200 person-years of experience across sectors to develop and implement winning strategies for India and clients in Public and Private Sector. Quality has been a focus right from start and the firm has been assessed at CMMi Level 5. Similarly, the firm also has 4 ISO Certifications, thus reaffirming its commitment to quality, information security and environmental norms. People-centric policies and development form the core of the firm and Primus has been certified as Great Place to Work for 4 years in a row. Primus offers unique approaches to its clients to examine futuristic ideas required for the growth of a sector or ecosystem or organisation with key offerings being Public Policy Realisation, Investment Realisation, Impact Realisation, Technology Potential Realisation and Sector Potential Realisation.





## About India SME Forum

Formed in May 2011, with the objective to propel a Small & Medium Business Movement across the country, India SME Forum is a non-governmental, non-political, non-trade union, not for profit organisation. Starting out with 400 members in 2011, today the India SME Forum has 97,000+ MSMEs as members, 270+ Sectoral, Regional Associations as Supporters & International Network organizations as partners. Their aim is to provide a voice to small and medium entrepreneurs, advocate changes to the entrepreneurial ecosystem and to support and recognise innovative, globally competitive, SMEs in India. As part of this, it shares best practices, information and knowledge as well as seeks and recognises MSMEs who have exhibited great success in leading their enterprises, creating much needed employment, enabling a sustainable ecosystem and catapulting their enterprise to the next stage, while navigating the inherent risks imminent with business. The Forum is a gazetted member of India's National Board of MSME, the apex MSME Statutory Body, since 2015, a Member of the High Powered Monitoring Committee of the National SC/ST HUB under Stand Up India and a Member of the RBI's Standing Advisory Committee on Flow of Institutional Credit to MSME Sector, apart from contributing to various national & international think tanks, on the MSME Entrepreneurial ecosystem. The Executive Board of India SME forum has Mr. Prahlad Kakkar, renowned Brand Marketing Guru, Mr. T. R. Bajalia, Ex-Dy M.D. of SIDBI and ED-IDBI, Dr. J. S. Juneja, Ex-Chairman CEO of NSIC, Mr. Vinod Kumar, Managing Partner, SDRC India Advisors, all stalwarts and luminaries of India's Small and Medium Entrepreneurship movement. The India SME Forum has a valued country-wide network of over 250 advisors, consultants, experts and mentors.



## About Broadband India Forum

Broadband India Forum (BIF) functions as an independent policy forum and think-tank that works for the development & enhancement of the entire broadband ecosystem in a holistic, technology-neutral and service-neutral manner. BIF's endeavour is to promote, support and enhance all policy, regulatory & standards initiatives for the proliferation of high-quality broadband in the country to empower consumers with efficient and economical broadband to realize the true Digital India. BIF works closely with the Government and the Regulator in this mission. Formed in October 2015, BIF is a dedicated forum with participation from all stakeholders, including Technology Providers, Telecom Operators, Internet Service Providers, Value-Added Service Providers, Satellite Operators and service providers, MSOs, Startups and professional entities, as well as seasoned Industry professionals who are familiar with different technologies, operations, regulations and policies. BIF has, in this short period of time, established itself as a thought leader, having contributed significantly to regulatory and policy consultations, and built up a good level of credibility, reputation and standing with key institutions in India.

# DISCLAIMER

The report is prepared using information of a general nature and is not intended to address the circumstances of any particular individual or entity. The data has been sourced from public sources, and the research is supported by various stakeholders including India SME Forum, Broadband India Forum and Google, all with the belief that the information obtained from these sources is reliable. The information available in the report is selective and subject to updation, revision, and amendment. While the information provided herein is believed to be accurate and reliable, the entities mentioned above do not make any representations or warranties, expressed or implied, as to the accuracy or completeness of such information and data available in the public domain. While due care has been taken while preparing the report, Primus Partners Pvt. Ltd., India SME Forum, and Broadband India Forum do not accept any liability whatsoever, for any direct or consequential loss arising from this document or its contents. The IP and Copyright of all the Logos used in the report reside with their individual owners only.



# PRIMUS

## PASSION

for providing solutions to help clients achieve goals

## RESPECT

for all and alternate viewpoints

## INTEGRITY

of thoughts and actions

## MASTERY

of our chosen subject to drive innovative and insightful solutions

## US

representing the Primus collective, where each individual matters

## STEWARDSHIP

for building a better tomorrow

## SOLUTIONS FOR TOMORROW



Designed By  
Ritik Kumar  
Visual & Graphic Designer, India - ritikkumar.in



✕ Primus Partners India  
in @partners\_primus  
www.primuspartners.in

### India Offices:



#### BENGALURU

91 Springboard,  
Business Hub 175, 176  
Bannerghatta Rd,  
Dollars Colony,  
Bengaluru - 560076



#### CHANDIGARH

2nd Floor, Netsmartz,  
Plot No. 10, Rajiv  
Gandhi Chandigarh  
Technology Park,  
Chandigarh - 160019



#### DELHI

15, Tolstoy Road,  
Atul Grove Rd,  
Janpath,  
Connaught Place,  
New Delhi - 110003



#### KOLKATA

4th Floor,  
Siddhartha  
Apartments, 188/2,  
Block J, New Alipore,  
Kolkata 700053



#### MUMBAI

601, 6th Floor,  
Raheja Centre,  
Nariman Point,  
Mumbai,  
MH - 400021



#### CHENNAI

147, Pathari Rd, Door #3  
WorkEz Hansa Building,  
RK Swamy Centre,  
Thousand Lights,  
Chennai, TN - 600006

### International Offices:



#### Dubai

United Arab Emirates



#### Damman

Kingdom of Saudi Arabia