



Industry Readiness to Harness the Power of AI: Opportunity and Challenges

by T.V. Ramachandran

President

Broadband India Forum (BIF)

In today's dynamic digital landscape, AI is revolutionising advertising and reshaping how businesses communicate with their audiences. Imagine a cosmetics startup using AI to analyse millions of user reviews and social media interactions, offer tailored product recommendations based on local weather and skin types, and target skincare enthusiasts across India. This is the power of precision and scale that AI brings to modern advertising.

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 this year.²³ In this context, a significant fraction of MSMEs and startups have been using AI-powered tools for ad creation and design, audience targeting, budget optimisation, and performance analysis, among others, to enhance their business goals.²⁴ According to a recent Broadband India Forum-Primus Partners study, 64% of such businesses believed that AI would reduce advertising costs in the future, while 76% opined that it would make online advertising more accessible, thus democratising opportunities for smaller businesses.²⁵

²³ *Digital Advertising Report 2024 - Dentsu India and exchange4media*

²⁴ & ²⁵ *Leveraging Online Ads for India—Unpacking the Impact of Online Ads on MSMEs and Startups - Broadband India Forum (BIF) & Primus Partners Report*



✦ The Promise of AI in Advertising

AI empowers advertisers to deliver personalised ads to consumers based on preferences, purchase patterns, behaviours, and demographic profiles. AI-powered programmatic ads are capable of changing digital ad creatives to show relevant content based on web page context and user signals. In a highly diverse and price-sensitive market like India, this nuanced targeting allows businesses to create hyper-localised ad experiences that resonate with audiences across regions. AI-powered analytics optimise campaigns with real-time data analysis to maximise return on investment and enable businesses to penetrate regional markets.

From automating repetitive tasks and refining content creation to bid management and audience segmentation, AI simplifies workflows while providing deeper insights to understand trends, predict future preferences, and make data-driven decisions. For MSMEs and startups, this translates to efficient resource allocation and improved lead generation at reduced operational costs. The advent of AI advertising tools allows smaller businesses to compete in markets that have long been the domain of larger corporations.

✦ Challenges in AI-driven Advertising

While AI presents enormous potential, its reliance on vast amounts of consumer data raises privacy concerns. As India prepares to enforce the Digital Personal Data Protection Act 2023, businesses should understand the importance of the 'Privacy by Design' principles, including data minimisation, purpose limitation, consent mechanisms, and transparency. Incorporating these principles into systems would build a culture of privacy, significantly reducing the risks of data misuse and breaches.

Another complication in the use of AI is the potential for algorithmic bias. AI systems are only as unbiased as the data they are trained on. Inadvertent biases in training data can lead to discriminatory practices, reinforcing stereotypes, or excluding certain demographics in the provision of services.²⁶ For instance, AI-driven ad placements might prioritise urban over

²⁶ Need for Navigating the Complexity of Bias in AI within India's Diverse Landscape - **IndiaAI**



rural audiences, exacerbating the digital divide. Even the legal ramifications of using AI for content creation raise concerns about ownership and infringement. Addressing such biases and concerns demands businesses be conscious of the datasets they use and the content they produce.

The ‘black box’ nature of AI²⁷—where algorithms operate without transparent decision-making processes—further complicates trust-building efforts, especially in a market like India, where most consumers are yet to adapt to ‘digitalisation’. Ensuring fairness and inclusivity in AI systems is imperative.

Navigating Regulation: Balancing Innovation and Responsibility

India currently does not have a dedicated AI regulatory or governance framework, and stakeholders in advertising, like other industries, must navigate this uncharted territory. Sector-specific regulations such as the Department of Consumer Affairs’ (DoCA) Guidelines for Prevention and Regulation of Dark Patterns signal a growing intent to address deceptive practices and protect consumers in the online advertising space.

While the future of AI regulation in advertising remains unclear, one thing is certain: addressing issues like misinformation, algorithmic bias, and consumer manipulation will be central to any framework, with privacy-centric strategies playing a critical role, such as adopting transparent consent mechanisms, using privacy-enhancing technologies, and disclosures in appropriate context. Verification mechanisms for algorithmic software deployed for processing data may be put in place to ensure AI tools do not pose risks to the rights of users.

Businesses must go beyond compliance. Instead of merely adhering to minimum standards, they should adopt consumer-first approaches that prioritise transparency and trust. This is not just a moral imperative but a strategic advantage in an increasingly competitive market. Responsible use of such tools fosters goodwill and builds long-term loyalty—a currency that will outlast short-term gains from exploitative practices.

²⁷ Why we need to see inside AI's Black Box - **Saurabh Baghchi & The Conversation US**



✦ The Road Ahead: AI as an Advertising Game-changer

India's advertising industry stands at the cusp of an AI-powered revolution. To fully harness this potential, businesses, policymakers, and technology providers must align their efforts toward a shared vision—one that balances innovation with accountability. By adopting responsible practices, AI can be leveraged to achieve more inclusive and impactful consumer-centric advertising. This approach would pave the way for India to lead globally in AI-driven advertising, shaping a future where AI advancements fuel economic growth and empower businesses of all sizes.