Kenya's advertising sector attracts new players, technologies

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In the last six months, Kenya's advertising industry has attracted both local and international players. The new kid on the block is American agency TBWA which opened an East Africa office barely four months ago. Other new international agencies who have already come to the scene are French-based, Havas Media International and South African media group, Carat.

In June, the Advertising Practitioners Association (APA) admitted two local advertising agencies - Media Edge Interactive and BluePrint Marketing to the association, growing the number of members to 15 agencies. The list of players are attracted by the multi-billion sector that has been growing exponentially in the last five years.

In 2008, annual advertising spend was KSh 20billion and by 2011, the annual ad spend was KSh 65.4 billion. According to data from Ipsos Synovate, in the first quarter of 2012, KSh 18.3 billion had been spent in advertising. In the same period last year (2011), the figure was KSh 12billion. It is worth noting that this figure is exclusive of online and outdoor advertising.

The KSh 18 billion reflects the total value of the advertising booked without taking the discounts and value addition provided by the media houses. It would therefore include the agency commissions, which are not quoted separately from the advert price. Media houses quote a standard price for their ads and pay the agencies from this price.

In 2012, ad spent could hit the KSh 100 billion mark being an election year under a new constitution that offers more elective positions. According to ad spend trends, politics has the highest ad spend. This is expected to peak three months proir to the election. In the first quarter of 2012, the Independent Electoral and Boundaries Commission (IEBC) ran a civic education campaign that lasted six weeks and it was rated as part of the top five brands with the highest spend. Civic education is expected to be a key component of IEBC expenditure and especially so on media.

Agency commission is an anomaly

Tim Smyth, TBWA East Africa CEO, says international agencies are attracted to East Africa because the region lacks competition.

"We want real competition in the market place, something different and better. The more competition there is, the better the services will be; as agencies have more opportunities to be creative and clients can get what they want."

Smyth says there is enough room for everyone to play and predicts that the next few years will see a drastic change in the playing field.

Compared to other countries in the world, Kenya has one of the highest agency commissions at 18%. Joe Otin, media research director at Ipsos Synovate, says in the past, most of the developed world had high ad agency commissions and these have reduced significantly with the increase of advertising volume and competition in the ad industry.

"In the developing nations you will find double digit media buying commissions and one would expect that they will decrease as the volume of advertising increases and the competition increases too," he explains.

However, Smyth says the high agency commission is an anomaly created by the lack of competition. "There is no clear link to performance of an agency!" He says the new model for agency will move from getting commission for every business booked to clients putting agencies on a retainer.

"When you look at the Kenyan market, there are very few big indigenous (Kenyan) brands - this is because agencies have not grown smaller companies. They have focused on the big clients who have money." He says with the entry of new players he is optimistic that in the next 15-20 years, there will be many more local brands.

For now, media like print that has been stagnant for a long time has to accommodate the 18% agency commission in their advertising rate cards. Worth noting is the shift by advertisers from agency to direct booking. As at the end of 2011, 59% of the ad spend was booked directly by clients. For agencies, Scangroup continues to enjoy a largest piece of the pie and accounted for 70% of the agency business.

Radio is king for now

At the moment, the biggest beneficiary of the ad spend is radio. In the first quarter of 2012, KSh 8.1 billion was spent on radio advertising, four times higher than the amount spent on print media. Otin credits the high spend on radio to the over 160 radio stations in Kenya.

"Advertisers prefer radio because the cost of producing a radio ad is low and the cost of airing it is also low as opposed to TV and print," explains Otin.

Radio stations have attracted many investors because of its low cost of entry compared to the other media. In the last five years, radio ad spend has been at an average of 50%.

The 2012 quarterly Audience Measurement Survey national study conducted by Ipsos Synovate Kenya shows that on average, a radio listener listens to up to three stations a week, for approximately 37 hours.

"Radio stations broadcasting in Swahili have the highest levels of reach," says the report. The radio sector has witnessed a growth with the proliferation of vernacular and community stations.

With the development of counties, we are likely to see regional stations with a base in the various 47 counties. For the advertiser, this will call for a new strategy in media advertising especially radio. "Advertising will be about impact. With growing competition in the market place, companies will have to employ strategies that involve brand communication and experience," notes Smyth.

For a long time, vernacular stations have commanded the highest proportion of spending in the radio category but that could also change. According to 2012 ad spend data, the ad share on radio dropped by 5%. Swahili radio stations are now attracting more advertising and this is notable by the increase of ad spend of 4%.

The closest competition to radio is television. The average television viewer watches up to three stations on a weekly basis and spends an average of 26 hours. In the first quarter or 2012, ad spend on television was KSh 7.8 billion compared to radio spend of KSh 8.1 billion.

In comparing ad spend in the first quarter of 2011 and 2012, radio ad spend has dropped by 6% in 2012. Television on the other hand gained 9% while print advertising dropped by 4% and only accounts for KSh 2.2 billion as at quarter one 2012. Of this, newspapers take 91% and magazines take a partly 9% of the spend.

Measuring ad spend

A new technology that is expected to help advertisers measure their ad spend was launched by Ipsos Synovate early July 2012. SPOT ON is a quantitative research tool aimed at measuring the effectiveness of advertisements and their potential to generate expected Return on Investment.

Jacek Otffinowski, head of Ipsos Advertising Systems & Insights (ASI) Pan Africa says the tool has been tailor made to assist advertisers in making informed decisions when investing in advertising as a marketing tool.

There are varied dynamics that influence a consumer's purchase decisions, as well as an influx of advertisements that the consumer is bombarded with. This means that the advert must show strong potential to cut through the clutter with brand related messages and be able to generate consumer response, attitudinal and or behavioural.

SPOT ON measures advertisements performance by checking how well the respondent remembers an advertisement that has been on air for approximately two weeks. The tool also measures the influence of tested advert on purchasing intent and attitude towards the brand.

The research process by the SPOT ON tool takes 21 days to analyze the advertisement, from the first day of airing. The tool analyzes quantitative data from 400 interviews, giving knowledge on not only how effective the advertisement is but also leanings on what was behind its performance and what changes could potentially increase its performance. This tool is expected to be launched in the other Ipsos offices in Africa later this year.

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