

2020 ADVERTISING IN NEPAL



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ECONOMY

Nepal's economy is enjoying a solid expansion, supported by ongoing reconstruction activity following the 2015 earthquakes and increased growth in manufacturing and tourism-related sectors. The economy, according to Asian Development Bank is anticipated to grow by 6.3% in 2020.

Private consumption is likely to remain strong on the back of remittance and the gradual appreciation of Nepali rupee against the US dollar. Growth in public infrastructure spending, private investment, manufacturing and strong consumption are likely to increase sentiment among businesses.

Economic growth, along with the political climate, will influence the extent to which businesses are willing to invest in advertising.

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Advertising has become a major business in Nepal with companies spending millions every year to bring their sales messages and corporate identities to their target audience.

Due to the absence of valid statistics the precise size of the advertisement market remains contested. Rs 5 billion through to much larger estimates of RS 10 billion have been reported in the media, though many industry experts believe the market to be around RS 8 billion (an assumption used for the purpose of this report).

Newspapers are believed to make up 37% of the total market, followed by television (18%), digital (14%), radio (12%), outdoor (7%) and others are believed to comprise a further 12%,

What is certain is that the advertising industry is dynamic and evolving. Advertising revenue from traditional media, such as newspapers, magazines, television, radio and billboards make up the largest share of industry revenue with many businesses now shifting their budget to fast growing digital advertising medium.

With ongoing technological advances and changing consumer behavior through increased internet penetration, general consensus is for the future of the industry to be characterized by digital advertising. It is said traditional media

will only be able to stay relevant through innovation, informed by research and data.

For now, however, the growth of new media in Nepal is expected to be largely additive, where it co-exists with traditional forms rather than replacing them. Radio is believed to reach approximately 90% of the population whilst TV and newspaper reach is somewhere around 70% to 75% of the population. Digital penetration is around 54%.

Big ideas are not enough anymore. Creativity needs to be integrated by individuals with varied skills across many platforms. Lack of controls over the mushrooming agencies, due to low entry barriers is stifling this creativity as companies strive for quantity over quality.

Nepali advertising industry is marked by praiseworthy abilities and accomplishments but it still lacks competitive edge because the market is relatively small with low sector investment. Rivalry between organisations based on prices remains high, leading some to unhealthy, unethical practises.

Increasingly, marketers are cautious about who and where they invest their advertising budget with a stronger emphasis on quality. Advertising spend typically ranges between 5%-10% of sales budget.

FMCG, banking, education, construction, hospitality and tourism, telecommunication and electronic sectors are biggest advertisers of products and services with businesses, multinationals/ corporations, non-profit organizations and private agencies among them.

Media industry in Nepal is highly fragmented with a high number of outlets across the nation. Given the backdrop of a rapidly changing landscape, especially those outside of Kathmandu, are suffering from the badly needed attention, In the face of fierce competition and heavy cost structures, some companies find it difficult to sustain themselves in carrying out business. This continues to impact commission rates that advertising agencies get from media outlets. Some provide slightly higher rates than others to win business with commission rates typically ranging from 5% to 15% of total billing.

In an effort to promote the local advertising industry, the government is looking to introduce a 'Clean Feed Policy'. If this policy is to be introduced, it would generate revenue and create employment within the industry.

More generally the advertising sector is a growing business in Nepal. It will continue to be led by traditional practices however, as advertisers control expenses and reduce ineffective advertising expenditure, those with innovative approaches and technologically sophisticated methods will continue to command a greater marketshare. There is an active shift from traditional to digital forms, attributed by increasing internet and mobile capabilities and digital adoption. Economic factors such as business/consumer confidence and household consumption will continue to influence spending and advertising volume.

The actual size of the newspaper advertising industry is disputed due to the absence of valid statistics, nevertheless industry estimates put the total turnover to around RS 3 billion annually or 37% of total industry revenue. Among the most popular for newspaper advertisements are Kantipur, Gorkhapatra, Madhyana Daily, Annapurna Post and Nayapatrika.

According to the Government of Nepal in its recently published “Statistical Pocket Book of Nepal 2018”, there are 7,887 registered newspapers across the country with 728 daily, 40 half weekly, 3,054 weekly, 384 fortnightly, 2,333 monthly papers and 1,348 issued at other intervals. Among them, 5,049 are registered in Kathmandu Valley. The total size however appears larger than it actually is as deregistering can be difficult and time-consuming due to current legislation so the number continues to increase. Around 1,000 plus newspapers were believed to have been published last year. Newspapers are believed to reach 70% to 75% of the population.

Whilst there is no officially recognized measurement of newspaper circulation and readership, anecdotal evidence suggest circulation is falling as more Nepalese consume news digitally. As such, advertising spaces

Newspaper	Daily Circulation	Language
Kantipur Daily	448,000	Nepali
Annapurna Post	350,000	Nepali
Naya Patrika	270,000	Nepali
The Himalayan Times	250,000	English
Saptahik	220,000	Nepali
Kathmandu Post	84,000	English
Nagarik Daily	82,000	Nepali
Nepal Samacharpatra	70,000	Nepali
Gorkhapatra	70,000	Nepali
Republica	70,000	English
Rajdhani Daily	50,000	Nepali
Abiyan Daily	30,000	Nepali
Karobar Daily	25,000	Nepali
Aarthik	15,000	Nepali
Nepali Himalaya Times	10,000	Nepali
Madhyanha Daily	10,000	Nepali
Prabhav Daily	10,000	Nepali
Sauurya Daily	10,000	Nepali

Source: Welcome Advertising and Marketing

are becoming less attractive resulting in declining ad sales. Though, the current decline may not be as significant, there is a risk that the global trend may eventually catch up.

According to Welcome Advertising and Marketing, Kantipur Daily, Annapurna Post, Naya Patrika, The Himalayan Times, and Saptahik are among the most widely circulated national newspapers. Nepali prints are by far the most common with only a handful of English prints available.

Most newspapers in the West, not wanting to fall behind times, started websites where they gave away content for free, their most valuable commodity. Many analysts, however, believe this was a fatal mistake. Failed strategies in the West present an opportunity for Nepal to navigate the future of its newspaper industry, given the early stages of online migration.

Globally, even with the rise of digital media, some newspapers have been able to evolve as they experiment with alternative ways of generating revenue. While there continues to be heavy dependence on advertising and circulation revenue, sponsored content/articles, digital ads, merchandising, video content, event hosting are being used to produce extra income. Some publishers are choosing to aggressively market their newspapers' smartphone and tablet versions to generate more subscriptions and revenue from advertising.

Currently newspaper ads in Nepal are dominated by financial institutions, government offices, education colleges/agency and FMCG.

The cost of a national newspaper ad can range from RS 600 to RS 5,000,000 depending on the publication, circulation size and ad type. There are three types of newspaper advertisement through which an ad can be booked. A black and white text classified is respectively cheaper and can range from RS 20/word (normal) to RS 100/word (bold), while display classifieds can range between RS 1,250 (b/w) and RS 3,500 (colour). Custom display ads are generally more expensive and range from RS 600 to RS 5,600. Full page ads can attract as high as RS 5,000,000 depending on the publication.

Nepal's low digital literacy, ageing population, infrastructural development, hunger among citizens for paper-based information, should see a continuation of newspaper sales for at least a few more years. As such, newspapers will continue to be used by advertisers to reach their target audience. It will continue to be considered one of the most trusted forms of advertising.

Nepal has enjoyed incredible success in digital adoption as consumers and businesses have increasingly migrated to the internet on a range of devices. According to Internet World Stats, over 16 million Nepalis or 54% of the country's population have access to the internet at present and is increasing rapidly. Nepal Telecom Authority believes that in 2017 alone some 2.25 million new Internet users were added, translating every hour to around 250 new Internet users. Many use mobile phones to access the net, and remain by far the most common device of communication. A surge in internet users, increasing mobile phone usage, driven by social media, music streaming, entertainment and e-commerce are adding to the digital media trend in Nepal.

With internet and mobile use revolutionising the way people communicate and conduct business transactions and as marketers find new ways to increase revenue and broaden their reach, advertising is now starting to move into the digital realm.

Digital marketing is becoming an effective way to promote products and services on a small budget with high impact, especially given the constantly changing taste and behaviour of consumers.

Though, this segment is steadily growing as consumers continue to transition to digital media, Nepal's move towards digital media is lagging behind more developed countries. According to industry estimates, digital ad spending in Nepal exceeds RS 1 billion representing approximately 14% of total industry revenue. Digital advertising is however expected to continue to grow and make up more of the industry's revenue over the next few years. Greater convenience, lower cost, sophisticated targeting and the ability of the medium to deliver measurable results are driving advertisers to the internet. Google and Facebook continue to take the lions share of digital advertising income.

The medium has the capacity to produce stronger outcomes due to its ability to target audiences based on their activity. With companies now leveraging data and usage patterns to tailor their offerings around personal preferences and individual experiences, it is becoming highly consumer centric. Increased market pressure has ensured that providing the right individual with the right information, in the right format, at the right time is vital to winning customers.



Digital Overview

	World		Nepal	
	Billion	Penetration	Million	Penetration
Population	7.676		29.78	
Unique Mobile Users	5.112	67%	39.99	134%
Internet Users	4.388	57%	16.19	54%
Active Social Media Users	3.484	45%	9.9	33%
Mobile Social Media Users	3.256	42%	9.3	31%
Note: Nepal's mobile based on subscriptions, not unique users				
Social Media Audience (Nepal)				
Total Advertising Audience on Facebook (monthly active users)			9,700,000	
Total Advertising Audience on Instagram (monthly active users)			1,300,000	
Total Advertising Audience on Twitter (monthly active users)			213,500	
Total Advertising Audience on LinkedIn (Registered members)			650,000	

Source: Hootsuite/ We are Social

Globally, advertising technologies and digital capabilities are rapidly changing, with exciting new opportunities arising daily. Programmatic ads, increased integration of print and digital environments, a rise in digital music-streaming, virtual reality uptake, facial recognition digital billboard, voice command and artificial intelligence are increasingly becoming the norm.

Kathmandu, driven by higher literacy rate and sizeable smart phone/ internet market will be fueling growth in digital consumption. Key players are most likely to redefine themselves and how quickly they adapt to new technology will most probably determine the size of their share in the increasing digital advertising market. In saying this, the progress of new media is likely to be slow with Nepal still having many years of conventional media left. In Kathmandu, smartphone marketing is becoming increasingly saturated while facebook and youtube advertising are comparatively new segments.

Several brands in FMCG, construction, telecommunication, automobile, retail and finance sectors are embracing digital medium in their marketing mix, though, many also have an offline backing.

Generally, digital advertising is a growing trend in Nepal. Businesses are starting to realize the benefits and are migrating fast, however, at no time in the foreseeable future will digital advertising revenue replace traditional channels. Among many challenges are resistance to online payments, evolving payment models, speed constraints, inconsistencies, and the lack of credit card penetration.

Nepal's outdoor media industry is highly fragmented and unregulated, which has led to the misuse of the medium and hindered the growth of the industry. New outdoor laws are however being introduced to regulate and grow the industry.

According to The Outdoor Advertising Association, there are over 1,400 companies specialising in printing signage, and around 65 registered sites in Kathmandu. Outdoor media accounts for about 7% or just over RS half a billion of Nepal's total advertising market according to industry estimates and is a significant source of revenue for the municipality.

Although the phrase outdoor advertising brings to mind billboards/hoarding boards, this segment is evolving. Owing to low price and visibility, they will however, continue to dominate the outdoor advertising landscape. Nevertheless, businesses are shifting more and more to digital displays that are more costly but labour-saving in operation.

As times evolve, advertisers are leveraging technology to innovate, remain relevant and attract new consumers. From location-based broadcast to flexible, time sensitive solutions, a variety of solutions are now available with new and old players competing hard for advertising revenue.

Some suppliers are providing cleverly crafted ads in airports, roadside, retail, cafes, pubs, offices, universities, hospitals, street signs, electricity poles and signage posted on the exterior of brick-and-mortar locations. The transport system has also boosted outdoor advertising with a lot of ads now being seen on interiors and exteriors of buses, taxis and business vehicles. Bus shelter as well as road dividers are additional advertising mediums. Investment in smart-city technology, infrastructure and digital upgrades are also only now being realized.

Outdoor media continues to evolve from simple static images, illuminated signs and signs in neon lights. Interactive LED display screen message, flat and two-dimensional bar codes, heat sensor activated advertisements, 3D printer and technology that connects digital screens to people's mobile devices are becoming increasingly popular in many parts of the world. It is anticipated in the UK and the US, that the next revolution in Out of home will take the form of automating of its buying and selling processes.





FMCG, construction, banking and telecommunication sectors are among the largest contributors to outdoor advertising. In terms of brands; Coke, Pepsi, Ncell, Nepal Telecom, Smart Telecom, Sagarmatha Cement, Maruti Cement, Ridhi Siddhi Cement, Shivam Cement, United Cement, Hongshi Cement , Siddhartha Bank , NICASIA Bank , NMB Bank , IME pay are among the most visible brands.

Outdoor advertising has shifted beyond sticker on walls and greater competition will speed up investment in innovation of hardware and software. This will shape the market as the future of the industry is dependent on it. Until then, measuring effectiveness of an outdoor campaign will remain a challenge.

The magazine industry in Nepal has been characterized as being sketchy and comprised of short-term producers. Due to the lack of available information, the number of regularly published magazines is difficult to measure. Competition is believed to be higher in Kathmandu influenced by the distribution and concentration of Nepal's population.

Nari, Nepal, Kamana, Himal, Wave and New Business Age magazines are among the most popular magazines in Nepal.

Nari is a monthly magazine dedicated entirely to women. With circulation of 83,000 copies, it is a highly valued magazine, popular for its diversified sections including health, beauty, interiors, art, literature, lifestyle and glamour. Nepal magazine, produced by Kantipur House is famous for its socio-political coverage while Wave magazine published by Annapurna Media addresses the youth and their varied interests. Kamana is targeted towards a young audience, with contents focusing on gossip and entertainment and claims a circulation of around 10,000 copies per issue. Himal magazine covers news and considers itself as an inclusive editorial voice. New Business Age is a business magazine.

Advertising decline in magazines has not been as pronounced in Nepal as other parts of the world however, growth in online platforms and the increasing popularity of smartphones and tablets have changed the way consumers access content and magazine publishers are starting to feel the effect.

Magazines are having to reinvent themselves as consumers increasingly turn to free online news, gossip and entertainment websites for real-time information, rather than waiting to read it in a print magazine, which can often be considered old news. The unlimited infiltration of Hindi magazines also provide competition to the Nepali magazine industry.

Magazines that have unforgettable, visual journalism that's urgent and part of the conversation will remain in demand. Some magazines will continue to do this in the form of longer, in-depth articles, exclusive interviews, focus on content that is not time sensitive or become more niche in a bid to build loyal readership.

The industry has struggled to adapt to a changing revenue model and with dominance of Facebook and Google, which have both pushed down the price of online advertising space, it is more important than ever for the magazine advertising industry to start looking at ways to compete and remain viable in this market.

Typical Cost of a magazine ad ranges from RS 8,000 to RS 100,000, depending on circulation, size of ad and readership. Niche magazines however are attracting as high as RS 300,000 for a jacket cover. Back covers can range anywhere from RS 40,000 to RS 130,000 to buy. Nari, Kamana and Business Age continue to draw strong circulation numbers and consequently commanded high advertising returns.

With Nepal's digital literacy rate according to the government at 31%, traditional channels including magazines will continue to be popular, at least for the next few years. It is however important to understand that digital presence in Nepal is increasing and will have a profound impact. Younger consumers, who are key demographic for magazine publishers, are forecast to strongly influence the shift towards digital products as they become more adept with internet browsing, smartphones and tablet usage. Revenue model and reach will continue to be of interest to advertisers as they compete both online and offline and as they navigate this transformation into the digital medium.

Among the urban population, Nepali channels are a means for consuming news rather than for entertainment. Indian or English channels are generally preferred for entertainment with the most watched TV channels being Sony, Zee and Star Plus, all of which are of Indian origin. Kantipur Television and Nepal Television are the most popular Nepali channels.

Technological change has driven changes in consumer viewing patterns. Though the older generations continue to spend a great deal of time watching traditional TV, consumption of online media is a growing trend among the millennials. Greater choice, personalization and convenience are reasons for this growth. This is driving younger Nepali viewers away from traditional TV formats, albeit in small numbers.

Despite the rising affluence, Nepal continues to be a nation dominated by single television households and tv viewing is still considered a family affair. Changes are slowly happening however as tablets, smartphones and other devices are added to the mix. TV advertising is the most appropriate means to reach the urban middle and upper classes.

Around 2 million households were estimated to own at least one television set at the last census (2011). With the rise in affluence, this is expected to have risen since. The rising number of television sets, especially in regional markets

as well as the increase in electricity supply will have led to this growth.

Although there is no official number, Nepal's television advertising market is estimated at around RS 1.5 billion or 18% of the total advertising market.

Television covers approximately 50% of total land mass and reaches 70% to 75% of the population and is considered one of the most trusted forms of advertising and is among the most effective platform for advertisers to reach their target audience. It is the unique combination of reach, and the volume of time spent watching TV that makes it such a powerful form of advertising medium and therefore a good value proposition for advertisers. Nepali tv is also growing in popularity amongst Nepalis living abroad.

Commercials aired in local markets range anywhere from RS 800 to RS 8,600 for a 30 second slot and up to RS 16,440 if the ad airs at super prime time. The average cost for prime-time slots can go upward of RS 10,500.

As a large number of cable TV channels being aired in Nepal are of Indian origin, Nepalis continue to be exposed to Indian advertisements. With many companies never feeling the need to use local television channels as a medium to reach out to Nepali consumers,

the government is now pushing for a clean feed policy to safeguard Nepali products/services. This policy will not only promote fair competition for products that are manufactured in Nepal but will also help boost the struggling TV advertising market. It also has the potential to further enhance creativity within the industry.

In recent years, Nepal has switched from analog to digital and with it higher quality of audio and video. Quality of ads are also improving to grab viewer attention. Increased take up of digital services will allow advertisers to measure viewership more accurately and tailor their marketing campaigns with greater precision. Globally, the future of TV advertising looks to be data driven. In some parts of the world personalized, one on one commercials are already being introduced. By combining the best from traditional TV with advancements in audience targeting and campaign measurement, TV will continue to offer a strong medium for advertisers. Some say television is the next big digital channel, that can be both measurable and manageable.

In Nepal, TV industry is undergoing fundamental change. The industry will continue to evolve and grow. There will be change in the way people consume content and ads. This will put pressure on providers to rethink the way they do business. Technology will drive changes however at no time in the foreseeable future will online medium replace traditional TV viewing.

There are around 840 radio stations registered across Nepal today, though just over 400 are in service. Many of them are in urban areas. Radio is believed to reach 90% of the population with a large chunk of population dependent on radio for news and information. There is a local radio station in almost every district. According to the last (2011) census, 51% of households owned at least one radio set in Nepal, compared to television (36%) and computer (7%). This though is changing with rising affluence.

Radio reaches Nepalese across all age groups and income brackets in a country where literacy rate is low. It remains the most reliable information source, especially in regional areas where more than 80% of the population live. With radio broadcastings found in 18 different languages and accessible even in the remotest of regions, radio continues to remain an effective broadcast platform and continues to attract and engage generous audience numbers.

Although there is no official number, the size of the Nepali radio advertising industry is estimated to be around RS 1 billion. Advertisers continue to be attracted to radio due to its demographic reach. Despite the range of

options available, radio continues to remain relevant in the age of the internet by providing a free, over-the-air service of localized information and entertainment. Human voice via radio still connects on a mass scale. It is local, personal, interactive, live and human and continues to remain a draw for audiences. As such, advertisers know that radio advertising works and must be part of an ad campaign.

The radio industry continues to adopt emerging technologies to cultivate its relationship with listeners and to provide advertisers with a 360 degree solution. Those with an innovative approach will continue to increase the number of audience and open up new revenue sources. Broadcasters that generate strong ratings/audience are likely to retain a larger share of advertising revenue.

Radio continues to deliver content not only through audio formats, but also has used the internet as an alternate way to distribute broadcast content, most notably in the form of web based streaming and streaming apps. Growth of audio streaming is establishing itself as key for the future of the radio industry. It has opened new avenues for brands to reach out to target audiences in more relevant ways.

The cost of radio ads generally range from RS 50 to RS 400 for 15 seconds depending on the time and station. Rates in the city area are usually higher compared to its regional counterparts.

Combination of lower rates and competitive operating environment among rival broadcasters have seen some radio stations, particularly in smaller regional towns fizzle out as stations struggle to attract advertisement rupees. Though, some radio stations are enabling growth through advertiser funded programmes, digital content, events, podcasts, etc.

Globally there are big changes happening in the radio industry with migration from analogue to digital and moving to cellular-based networks.

Radio is, in many ways, under pressure to evolve and invest for the future. As more listeners use technology to consume audio/radio, advertisers are moving fast to embrace cross media campaigns that can be both efficient and effective.

Some advertising revenue is expected to be lost to Facebook and Google, though, advertisers will generally continue to favor radio as long as it attracts and engages generous audience numbers. Advertisers will continue to look at market position, ratings and content in their decision making and will pay more to reach large and targeted audience.

FUTURE OF ADVERTISING



The advertising industry in Nepal is changing and is moving away, albeit slowly, from traditional to digital advertising methods. With technological advances, there is a deeper understanding of consumers and situations in real time opening a whole new world of opportunity for businesses to reach and engage with customers. Consumers now have a greater desire for personalisation and businesses are responding by collecting detailed information on their customers and targeting their advertisements specifically to them.

Although digital media helps advertisers to have better customer interactions, a range of traditional media are being used to reach people effectively. This will see traditional media play an important role in ad campaigns with brands continuing to take an integrated approach by working side by side with digital and traditional media.

The future of advertising lies in technology that leads to high customer engagement, transparency, accountability and measurability. With advertising growing more personalised, data will be key to create customers and increase customer experiences.

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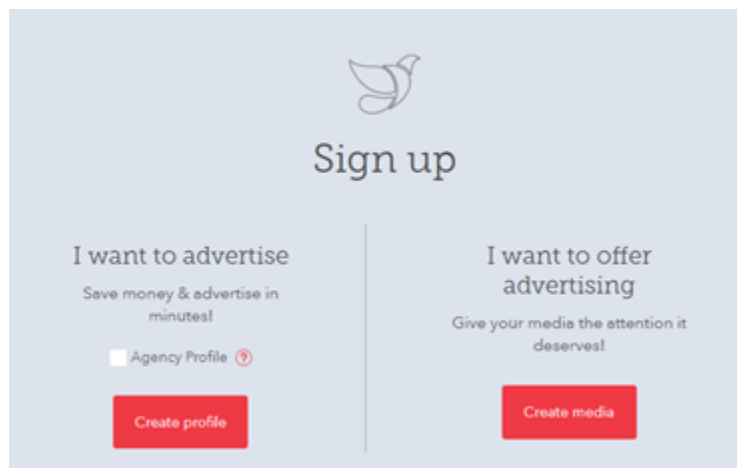


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