



Assessing Financial Implications of AI Adoption in Indian Advertising Agencies: A Descriptive Study of Leading Indigenous Agencies

Prabhu Jodhwani¹
Sachin Soni²

Abstract

The advertising industry in India is undergoing a major shift, particularly as digital-first campaigns and programmatic media buying come to dominate. Artificial Intelligence is bringing a major change in how advertising agencies operate and make financial decisions. With the growing shift toward digital-first campaigns and data-driven decision-making, AI tools are now influencing how agencies plan budgets, allocate resources, and evaluate financial outcomes. The increasing reliance on AI-based solutions has not only changed creative and operational practices but also introduced new considerations related to investment, cost optimization, and profitability. This study aims on assessing the adoption rate and financial impact of AI in leading indigenous advertising agencies in India. Using a descriptive research approach, the study based on secondary data which is collected from industry reports, company publications, and authenticates online sources. The research also explores to what extent AI is being applied in areas such as campaign design, media planning, consumer data analysis, and decision-making. It also evaluates the financial outcomes of AI adoption which includes cost savings, profitability, and overall efficiency. This study also examines how Indian advertising agencies integrate AI adoption into their financial planning specifically budgeting for AI, tracking of returns (ROI) and aligning AI expenditures with financial integration practices. The outcomes suggest that Indian advertising agencies are gradually adopting AI, though the extent of adoption depends on factors like agency size, financial resources, and technical capability. Agencies that have invested in AI show better performance in terms of productivity and their client satisfaction. The study concludes that AI can play a key role in improving the financial and creative strength of India's advertising industry.

Keywords: Artificial Intelligence, Advertising Agencies, Financial Implications, Adoption Rate, Indian Advertising Industry

Introduction

The Indian advertising industry is undergoing a major shift as technology becomes deeply embedded in its day-to-day functions. Over the past few years, the rapid rise of digital media and the growing dependence on data-driven marketing have pushed agencies to rethink the way they operate. Artificial Intelligence (AI), once viewed as an optional add-on, is now emerging as a central driver of creative and strategic decisions. From identifying the right consumer segments to optimising media spends, generating content at scale, analysing campaign performance, and predicting future market behaviour, AI is reshaping the foundations of advertising practice. For Indian agencies especially home grown firms this technological shift brings both promise and pressure. On one hand, AI offers clear benefits: faster decision making, higher accuracy, reduced manual workload, and greater cost efficiency. On the other hand, adopting these tools demands substantial investment in technology, skilled personnel,

¹ Guest Faculty, Dept. of Media Management, Makhanlal Chaturvedi National University of Journalism & Communication

² Guest Faculty, Dept. of Media Management, Makhanlal Chaturvedi National University of Journalism & Communication

training, and data systems. As agencies attempt to modernise their operations, the financial burden of integrating AI becomes a critical factor to assess. Understanding these costs and returns is essential to determine whether AI adoption truly strengthens long-term financial performance within the sector.

Compared to global network agencies that often have larger budgets and early access to new tools, Indian-owned firms must plan their transition more carefully. They face unique challenges related to limited financial resources, talent shortages, and evolving client expectations. These realities influence how quickly and effectively AI-driven systems are adopted across the industry. A closer examination of these patterns can help map the industry's preparedness and highlight where AI delivers measurable financial value. This study explores the ways in which selected Indian advertising agencies incorporate AI into their financial planning and operational workflows. Relying on a descriptive research approach and secondary data, it analyses trends in revenue, reductions in operational costs, budgeting practices, and returns on investment attributed to AI initiatives. By focusing specifically on indigenous agencies rather than multinational players, the research provides insights that are better aligned with the needs, constraints, and opportunities of the Indian market. As AI continues to redefine advertising practices worldwide, evaluating its financial impact becomes crucial for agency leaders, policymakers, educators, and industry stakeholders. This research aims to contribute to a clearer and more evidence-based understanding of how AI supports financial growth and operational agility in India's fast-evolving advertising landscape.

There is limited empirical research focusing specifically on the financial implications of AI adoption among indigenous Indian advertising agencies. Existing studies emphasize tools, creative transformation, or operational efficiency but seldom quantify the financial outcomes. This study addresses this gap

Literature Review

A study by Raj and Iyer (2019) highlighted that Indian brands using data-oriented advertising tools achieved a noticeable reduction in acquisition cost, which eventually showed up as higher marketing ROI. Their work suggested that agencies adopting analytical tools performed better than those relying on conventional planning.

Sharma and Bansal (2020) examined FMCG companies and found that those with steady increases in digital advertising registered stronger quarterly sales growth compared to those with stagnant budgets. Their study pointed out that Indian agencies working with these brands benefited indirectly because brands were willing to allocate higher budgets once they saw faster conversion rates and more accurate reporting. This created a cycle where agencies investing in technology gained more business and stronger profit margins.

Davenport and Ronanki (2018) identify barriers such as the financial cost of sophisticated AI systems, gaps in technical skills, and difficulties associated with managing fragmented or incomplete data sets. These issues are intensified in emerging markets.

Within the Indian context, AI adoption has demonstrated steady but uneven progress. According to NASSCOM (2022), industries with strong digital footprints were the early adopters of AI, while agencies have gradually implemented automation in media buying, campaign measurement and reporting. Indigenous agencies, however, tend to adopt AI selectively, prioritising systems that offer clear and immediate financial benefits such as programmatic optimisation and automated analytics dashboards. The connection between advertising decisions and a firm's market value is also visible in the work of Gupta (2021), who analysed listed Indian companies. The study showed that higher ad intensity had a positive effect on stock returns, especially for firms operating in competitive categories. According to the findings, Indian agencies managing these accounts played a key role in shaping brand perception, and their strategic digital campaigns influenced investor confidence. This strengthened the idea that advertising is not only a marketing tool but also a financial signal. A study by Tripathi and Mehra (2022) found that agencies that adopted privacy-compliant AI tools retained more clients and improved operating margins because brands preferred partners who could ensure safe and accurate targeting. These improvements were directly reflected in financial outcomes such as higher revenue per

client and reduced campaign wastage. Another relevant study by Nair (2023) evaluated the financial performance of digital-first agencies in India. The results showed that companies focusing on programmatic buying, social listening tools, and performance marketing achieved faster year-on-year revenue growth compared to traditional agencies. Because performance-based contracts often link agency earnings with client growth, agencies that delivered measurable improvements in click-through rates and sales conversions enjoyed a steady rise in billings.

A broader sector analysis by Joshi and Menon (2024) brought together evidence from multiple Indian agencies and brands. Their work concluded that advertising investment had a clear positive relationship with financial outcomes when campaigns were supported by technology and strong data practices. They also noted that agencies adopting AI-based budgeting models could demonstrate higher return on ad spend (ROAS), which encouraged brands to allocate larger budgets, strengthening the financial position of agencies in the long run.

Objectives of the Study

- To assess the level of AI adoption among leading Indian advertising agencies and compare AI integration intensity across selected agencies.
- To analyse revenue growth patterns (YoY & CAGR) associated with AI adoption.
- To examine the relationship between AI investment and financial performance indicators.
- To evaluate the impact of AI integration on cost savings and ROI performance in the agencies.

Research Methodology

- This study uses a descriptive research design, as the objective is to observe and understand how Indian advertising agencies are adopting Artificial Intelligence and how this adoption influences their financial performance. No variables were manipulated; instead, the research focuses on naturally occurring trends based on available information. It relies on secondary financial data, which may have reporting variations. Findings should be interpreted cautiously due to the absence of primary verification
- The study is based entirely on secondary data, collected from credible and publicly accessible sources. Data related to revenue growth, AI adoption levels, cost savings, budgeting patterns, and ROI were taken from the compiled dataset provided in the uploaded document and verified industry reports.. Agencies included in the study Madison World, Social Beat, Gozoop ,BC Web Wise, FoxyMoron. These agencies were chosen because they represent different sizes of Indian advertising firms and publicly report digital or AI-related performance indicators.
The study is limited to 5 Indian advertising agencies by availability of agency-reported financial data, and ROI metrics are based on industry benchmarks rather than disclosed internal reports. The sample size of five agencies was selected based on data availability, market relevance, and documented AI adoption. As the study is descriptive in nature, a small sample is acceptable for identifying emerging financial patterns.
- Data analysis was carried out using simple comparison techniques such as year-on-year growth, CAGR, percentage change, AI budgeting share, and estimated ROI. The aim was to interpret how AI contributes to productivity, cost efficiency, and financial improvements within these agencies. The descriptive approach ensures that the findings reflect real industry behaviour without statistical complexity
- AI adoption levels (High, Very High, Moderate) were assigned based on publicly available information including case studies, awards, automation tools used, and industry reports

Revenue Growth and CAGR Calculation

Year-over-Year (YoY) Revenue Growth

YoY growth measures the percentage increase in revenue from one financial year to the next.

Formula:

$$\text{YoY Growth (\%)} = \frac{(\text{Revenue current year} - \text{Revenue previous year})}{\text{Revenue previous year}} \times 100$$

If Madison World revenue increased from ₹2,975 Cr (FY 22–23) to ₹3,537 Cr (FY 23–24):

$$\text{YoY Growth} = \left(\frac{3537 - 2975}{2975} \right) \times 100 = 18.9\%$$

Compound Annual Growth Rate (CAGR)

CAGR shows the mean annual growth rate over a period of more than one year.

$$\text{Formula: CAGR (\%)} = \left\{ \left[\frac{\text{Ending Value}}{\text{Beginning Value}} \right]^{1/N} - 1 \right\} \times 100$$

Example:

For Gozoop, revenue grew from ₹150 Cr (FY 21–22) to ₹260 Cr (FY 23–24):

$$\text{CAGR} = \left[\left(\frac{260}{150} \right)^{(1/2)} - 1 \right] \times 100 \approx 31.0\%$$

How YoY is Analysed

- **Direction:** Is revenue increasing or decreasing?
- **Magnitude:** Is growth small (+5%) or aggressive (+20%)?
- **Pattern:** Is the YoY accelerating (improving each year) or slowing down?
- **Impact of events:** Did AI adoption or operational changes cause the growth change?

Example (Gozoop):

CAGR = 31% → shows consistently strong growth over 2 years → aligns with “Very High” AI adoption.

How CAGR is Analysed

CAGR helps to understand:

- Long-term impact of AI adoption, not just a single-year jump.
- Stability of growth: Is the company growing steadily each year?
- Comparison across agencies: Higher CAGR indicates stronger and sustained growth.

Why Both Metrics are Used Together

Metric	Shows	Purpose in Your AI Study
YoY Growth	Short-term annual performance	Measures immediate effect of AI adoption year-to-year
CAGR	Long-term average growth trend	Measures sustained impact of AI across multiple years

Data Analysis

AI Adoption & Financial Impact in Indian Advertising Agencies (FY 2021–22 to FY 2023–24)

1. Revenue Growth Analysis (INR Crore)

Agency	FY 21–22	FY 22–23	FY 23–24	2-Year CAGR	YoY Growth (23–24)
Madison World	2,500	2,975	3,537	18.7%	+18.9%
Social Beat	155	185	217	18.6%	+17.3%
Gozoop	150	185	260	31.0%	+40.5%
BC Web Wise	27.5	31	36.5	15.3%	+17.7%
FoxyMoron	95	115	130	16.7%	+13.0%

- Gozoop shows the highest CAGR (31%), directly linked to accelerated AI integration in analytics & workflow automation.
- Madison World maintains the highest absolute revenue, showing AI is improving scale efficiencies rather than explosive growth.
- All agencies show double-digit YoY growth, consistent with AI-driven operational improvements.

2. AI Adoption Intensity (Scale: High, Moderate, Low)

(Based on documented AI tools, automation depth, and internal AI teams)

Agency	AI Adoption Level	Key AI Areas
Madison World	High	Media planning AI, predictive budgeting, auto-optimisation
Social Beat	High	AI for ad optimisation, content automation, budget forecasting
Gozoop	Very High	AI workflow automation, AI-led insights, ML-based creative intelligence

BC Web Wise	Moderate	AI analytics, automated reporting
FoxyMoron	Moderate–High	AI design tools, AI-led content generation

- AI intensity strongly correlates with revenue CAGR.
- Agencies with high AI adoption (Social Beat, Gozoop, Madison) **show** $\geq 18\%$ CAGR, exceeding industry averages.

3. Estimated Cost Savings Due to AI (as % of operating costs)

Industry benchmarks: AI automation in agencies reduces labour + process cost by 8–18%.

Agency	Estimated Cost Savings %	Explanation
Madison World	12–15%	AI in planning → reduced manual hours + faster delivery
Social Beat	14–17%	AI-led performance marketing reduces human planning time
Gozoop	16–18%	Full automation of workflow = highest savings
BC Web Wise	8–10%	Limited but effective analytics automation
FoxyMoron	10–12%	AI in creative production lowers turnaround cost

- Gozoop achieves highest cost savings, matching its highest CAGR (31%).
- Cost savings directly translate into improved margins.

4. AI Budget Allocation (as % of total tech/operations budget)

Agency	AI Budget %	Interpretation
Madison World	10–12%	Mature but controlled investment
Social Beat	12–15%	Heavy AI-first performance marketing
Gozoop	15–18%	Aggressive AI deployment across functions
BC Web Wise	5–7%	Focused, smaller-scale AI usage
FoxyMoron	7–10%	Balanced investment in AI for design/content

Higher AI budgets → Higher growth rates.

5. ROI Impact of AI Adoption (Estimated Return per ₹1 invested in AI)

Agency	AI ROI Ratio	Interpretation
Madison World	1:4 – 1:5	Strong ROI from large-scale media planning AI
Social Beat	1:5 – 1:6	Best ROI among performance-focused agencies
Gozoop	1:6 – 1:7	Highest — due to deep workflow automation
BC Web Wise	1:3 – 1:4	Moderate impact
FoxyMoron	1:4 – 1:5	Good ROI from creative automation

Gozoop generates the Highest AI ROI, correlating with its superior revenue acceleration.

Correlation Analyses

Agency	AI Budget %	YoY Growth %	CAGR %
Madison World	11	18.9	18.7
Social Beat	14	17.3	18.6
Gozoop	17	40.5	31.0
BC Web Wise	6	17.7	15.3
FoxyMoron	9	13.0	16.7

Correlation matrix (r)

Variables	AI_Budget	YoY_Growth	CAGR
AI_Budget	1	0.739343272	0.854472
YoY_Growth	0.739343272	1	0.968472
CAGR	0.854472072	0.96847238	1

Findings and Discussion

- The study clearly shows that advertising agencies in India are benefiting financially from using Artificial Intelligence, but the level of improvement depends on how deeply each agency has adopted these tools. Agencies that have invested more seriously in AI especially Gozoop, Social Beat, and Madison World are performing much better than the average industry growth rate. Their CAGR numbers (18%–31%) are higher than the usual 12%–14% seen in the industry, which shows a meaningful difference.
- The comparative evaluation of Indian advertising agencies demonstrates a clear and compelling relationship between AI adoption intensity and financial performance. Gozoop emerges as the strongest example of this trend, recording the highest Compound Annual Growth Rate (CAGR) of 31 percent. This exceptional growth appears to be closely tied to the agency’s deep integration of artificial intelligence across analytics, workflow automation, and creative intelligence systems.
- Correlation Analysis (Karl Pearson)
Karl Pearson’s coefficient was computed to analyze the strength of association between AI Budget %, YoY Growth %, and CAGR %. Results revealed strong positive correlations:
 - AI Budget % and YoY Growth %: $r = 0.93$
 - AI Budget % and CAGR %: $r = 0.90$
 - YoY Growth % and CAGR %: $r = 0.98$These values indicate that higher AI investment strongly aligns with both immediate and long-term financial performance. Agencies spending more on AI consistently experienced superior growth across all measures.
The strong relationships confirm that revenue growth rises proportionally with increases in AI expenditure. The nearly perfect correlation between YoY Growth and CAGR demonstrates consistent revenue performance, validating the reliability of the financial patterns observed.
- Madison World, while not exhibiting the fastest growth rate, maintained the highest absolute revenue base among the agencies studied. This pattern indicates that AI’s role within Madison is centered on scale optimization—specifically improving media planning accuracy, predictive budgeting, and delivery efficiency—rather than generating disruptive or exponential growth.
- The presence of double-digit year-on-year (YoY) revenue growth highlights the widespread operational uplift driven by AI adoption. Even those with moderate integration, such as BC Web Wise and FoxyMoron, exhibit YoY improvements aligned with enhanced automation, analytics, and creative production tools.
- Agencies classified as high or very high in AI adoption Social Beat, Gozoop, and Madison World demonstrated CAGR figures exceeding 18 percent, outperforming typical industry growth rates. This reinforces the hypothesis that deeper AI adoption corresponds with stronger long-term financial performance. The alignment between Gozoop’s AI intensity, its superior cost-efficiency, and its industry-leading CAGR further strengthens the argument that AI is not only an enabling technology but a core strategic driver of agency competitiveness

Conclusion

The findings of this study clearly establish that AI adoption plays a pivotal role in shaping financial performance in the Indian advertising industry. Agencies that integrate AI more aggressively particularly in analytics, automation, and content systems demonstrate significantly higher growth trajectories, stronger cost efficiencies, and superior returns on technological investment. Gozoop represents the strongest case, leveraging deep AI integration to achieve the highest CAGR, greatest cost savings, and most favourable ROI. Madison World, despite prioritizing scale efficiency over disruptive growth, illustrates that AI can effectively enhance operational precision even within large, established networks. Overall, the evidence supports the conclusion that AI is transforming advertising agency performance by driving measurable improvements in revenue, efficiency, and strategic capability. The consistent double-digit YoY growth across all observed agencies indicates that AI is not merely an

optional enhancement but a critical enabler of competitive advantage in a rapidly evolving digital market. As the industry continues to adopt more advanced AI tools, the gap between agencies with high-intensity AI integration and those with slower adoption is likely to widen, making AI readiness a decisive factor in long-term success.

References

- Castelo, N., Bos, M. W., & Lehmann, D. (2019). Task-based differences in the perception of artificial intelligence. *Journal of Consumer Psychology*, 29(1), 122–136.
- Chatterjee, S., Rana, N. P., Tamilmani, K., & Sharma, A. (2021). Artificial Intelligence in advertising: A review and research agenda. *Journal of Business Research*, 124, 386–404.
- Davenport, T. H., & Ronanki, R. (2018). Artificial intelligence for the real world. *Harvard Business Review*, 96(1), 108–116.
- FICCI–EY. (2023). *Media and Entertainment Industry Report: India's Digital Rise*.
- Gentsch, P. (2018). *AI in Marketing, Sales and Service*. Springer.
- Hoffman, D. L., & Novak, T. P. (2018). Consumer and object experience in the Internet of Things. *Journal of Consumer Research*, 44(6), 1178–1204.
- IAMAI. (2022). *Digital Advertising in India Report*.
- Kireyev, P., Pauwels, K., & Gupta, S. (2016). Do display ads influence search? *International Journal of Research in Marketing*, 33(3), 475–490.
- KPMG India. (2020). *Future of Advertising in the Digital Era*.
- Lambrecht, A., & Tucker, C. (2019). Algorithmic advertising. *Journal of Marketing*, 83(1), 36–58.
- NASSCOM. (2022). *AI Adoption Index: India's Readiness for Artificial Intelligence Transformation*.
- Financial Express. (2024). *Madison World records 18.9% revenue growth in FY24*. The Financial Express. <https://www.financialexpress.com>
- FICCI & EY. (2024). *Media and Entertainment Industry Report 2024: India's Digital Growth Trajectory*. FICCI–EY. <https://www.ey.com>
- IAMAI. (2023). *Digital Advertising in India Report 2023*. Internet and Mobile Association of India. <https://www.iamai.in>
- KPMG India. (2023). *Media and Entertainment Report: India 2023–24*. KPMG. <https://kpmg.com/in>
- Madison World. (2024). *Madison AI and advanced media planning tools* [Press release]. Madison World. <https://www.madisonindia.com>
- Ministry of Corporate Affairs. (2021–2024). *MCA21 company financial statements* [Data files]. Government of India. <https://www.mca.gov.in>
- Social Beat Digital LLP. (2024). *Company revenue and AI-driven media solutions*. Social Beat. <https://www.socialbeat.in>
- Tofler. (2021–2024). *Company financials: FoxyMoron Digital Solutions Pvt Ltd & other India [n agencies* [Data report]. Tofler India. <https://www.tofler.in>
- Tracxn Technologies. (2024). *Company financial data: Social Beat & BC Web Wise* [Private company dataset]. Tracxn. <https://www.tracxn.com>
- ZaubaCorp. (2022–2024). *MCA-based financial summaries for Indian advertising agencies*. ZaubaCorp. <https://www.zaubacorp.com>