2014 Report – 2015 Forecasts
13th Edition – January 2015

#Obsepub

Observatoire de l'e-pub

présenté par SRI – LES RÉGIES INTERNET

réalisé par pwc

en partenariat avec UDECAM

Methodology: collection of quantitative data and conduct of interviews

Collection of quantitative data under the control of a State-certified observer

The members of SRI and UDECAM completed a chart in which they recorded advertising investments in the different segments of digital advertising

Face-to-face interviews covered by a confidentiality agreement

PwC conducted a series of 35 interviews with players in the market, on market trends and outlooks.

Additional information sources

The study also entailed the analysis and cross-checking of additional information sources: financial results, internal PwC data, publications by trade associations, and so on.

Consolidation and Analysis

The collected data were analyzed using top-down and bottom-up approaches

Contents

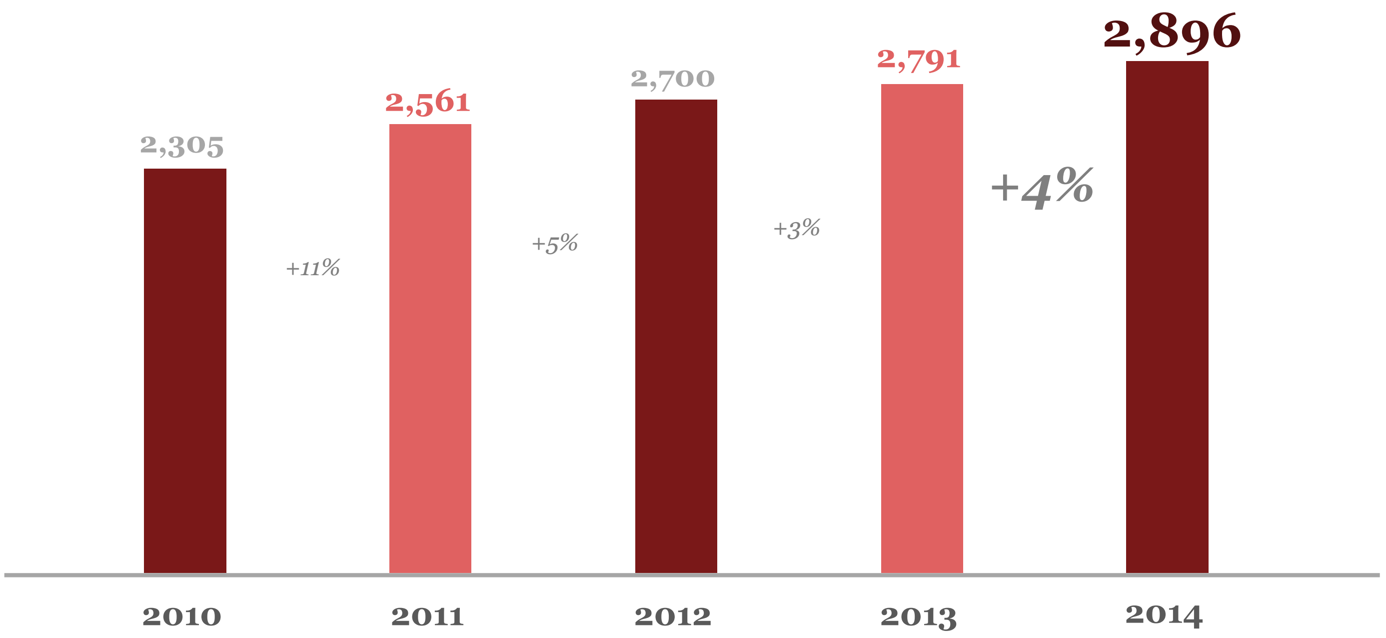
01

A

EVOLUTION OF THE DIGITAL MARKET

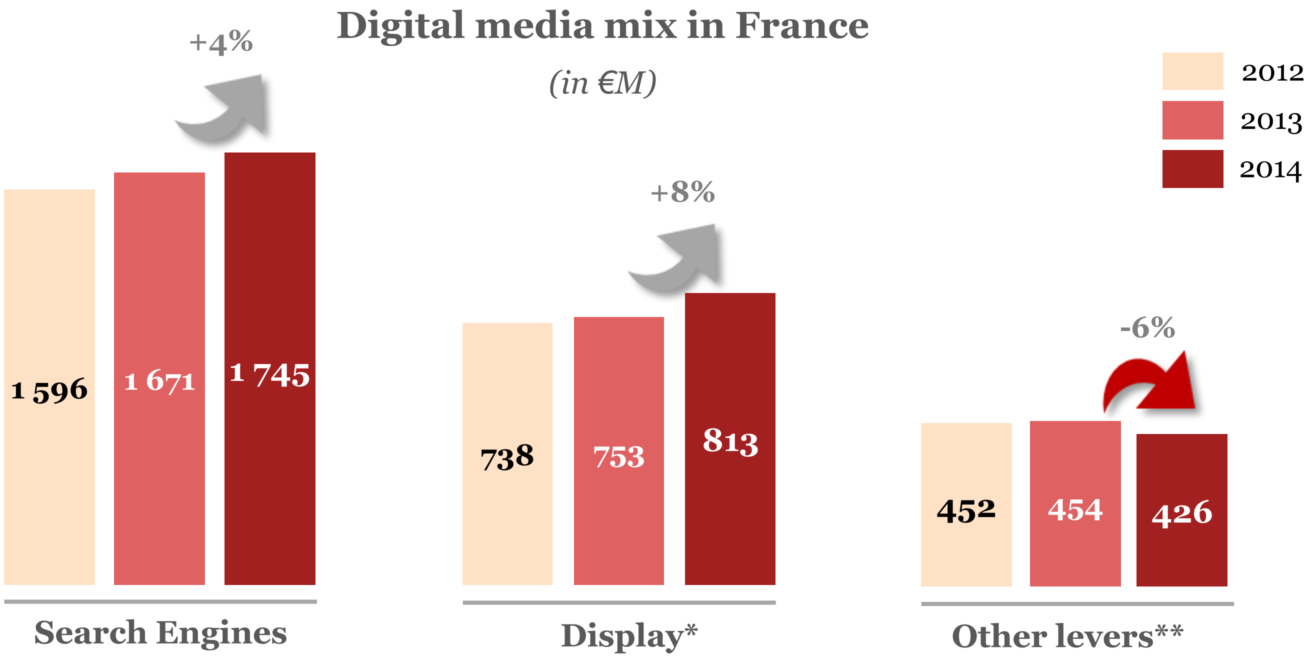
General trends

Digital advertising market up 4% in 2014



Sources: PwC, SRI, UDECAM
The perimeter included the following segments: Search Engines, Display, Local Searches, Referrals, Direct E-Mail, Shopbots and Mobile.
Calculation of the total online market accounted for channel deduplication.

Strongest growth for display



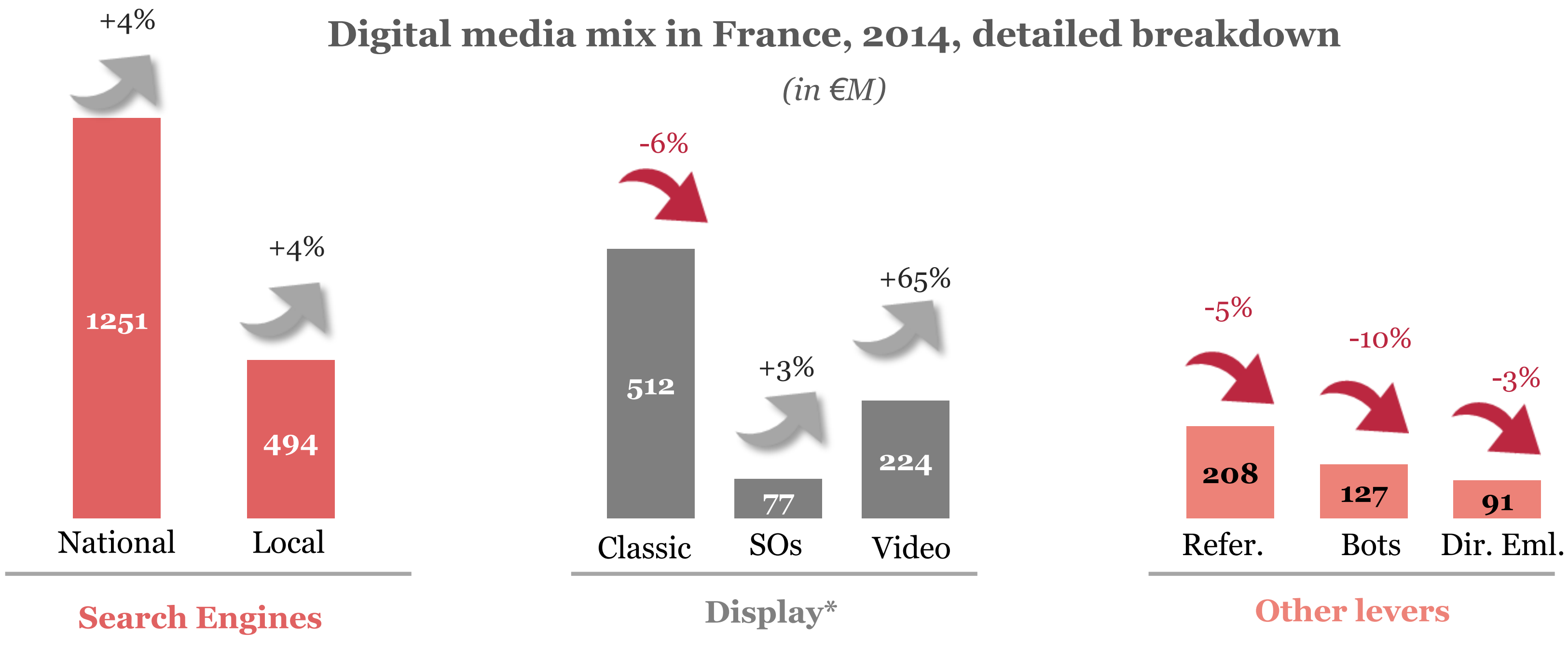
Share of digital ads	*59%*	*27%*	*14%*

** Here, display includes all formats, all devices and all marketing methods.*

*** Referrals, Direct E-Mail and Shopbots Search Engines and Display include local advertising.*

Sources: PwC analysis, SRI, UDECAM

Market clearly divided between dynamic segments and contracting ones



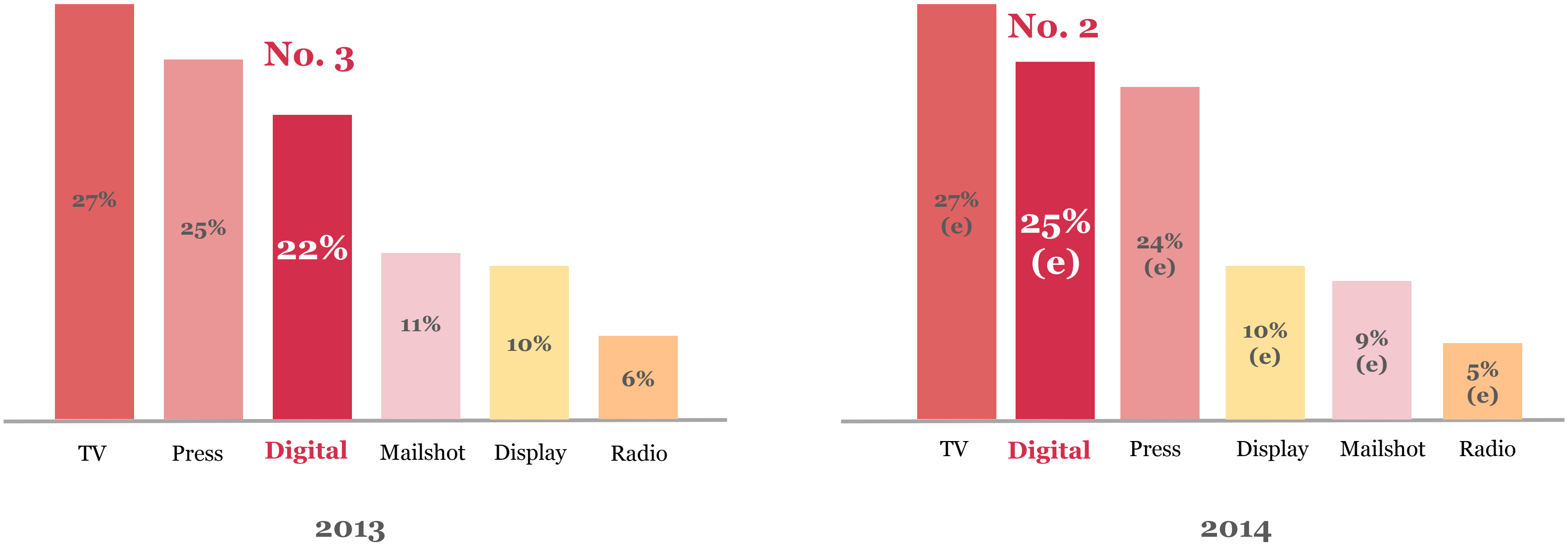
** Here, display includes all devices and all marketing methods.*

Sources: PwC analysis, SRI, UDECAM

Digital media: No. 2 media in France in 2014

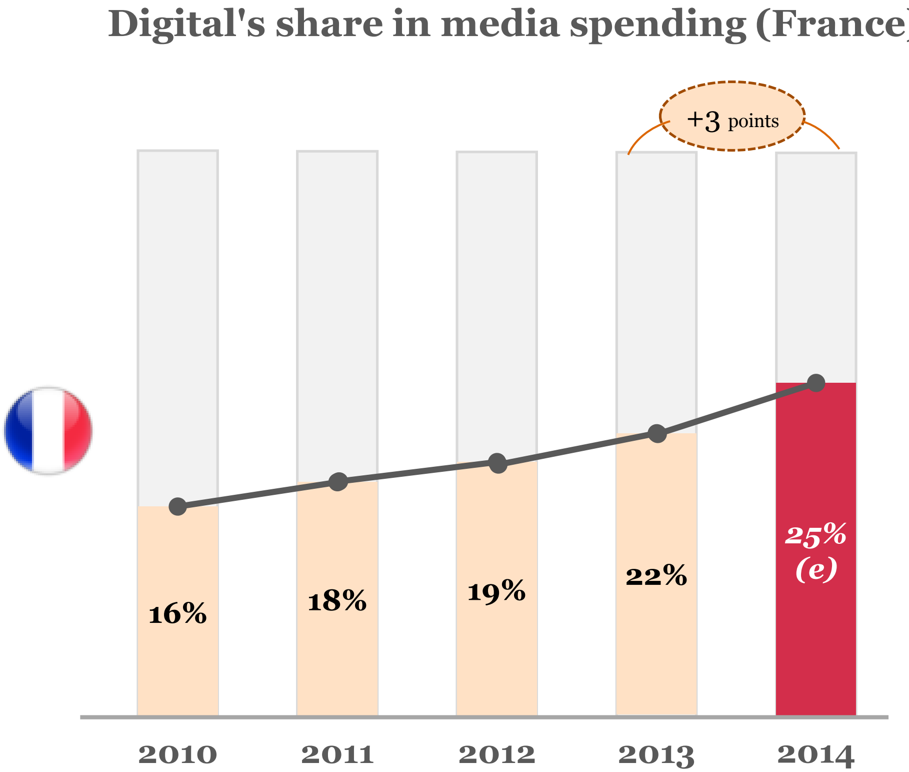
Media mix in France

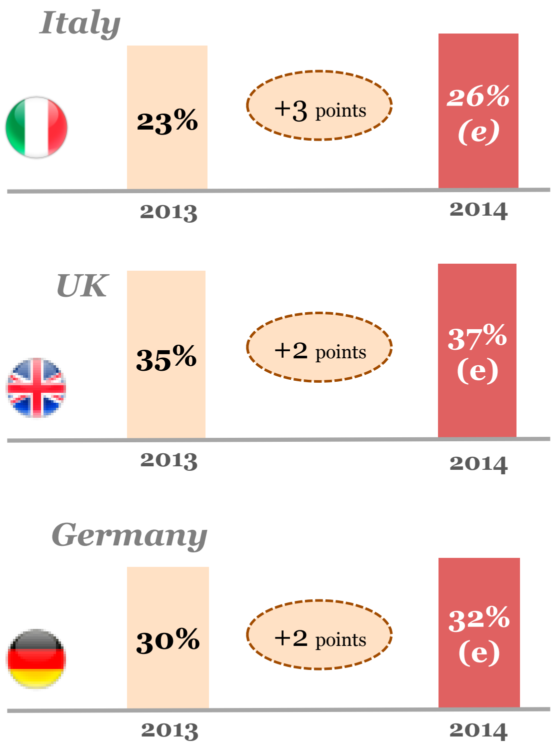
(% of total investments in media)*



Sources: SRI/IREP figures for Q1, Q2 and Q3 2014, PwC base 100 analysis of the 6 media types
Media: TV, Radio, Press, Display, Digital, Mailshot*

Despite the growth, share of digital is less than in comparable countries





Sources: PwC Global Entertainment and Media Outlook: 2013-2017, SRI

01

B

EVOLUTION OF THE DIGITAL MARKET

Search Engines and other levers

Search Engines remain dynamic, driven by growth in mobile and local

- Growth that remains stable, with the ongoing appeal of search engines for advertisers looking to boost traffic or performance levels. A solid growth trend observed from Yahoo Bing

- Strong growth in **mobile searches**
  - *Growth in volume accompanying the shift by audiences*
  - *Upward trend in mobile CPC*
  - *Development of app based searches*

- **New formats** that continue to expand available options and optimize click rates
  - *Appeal of Click to Call*
  - *Image extension and responsive searches*
  - *Twitter links and user reviews included in results*
  - *Adaptation of results to the context (e.g., based on the user's local time)*

- **Local searches** maintaining their dynamics thanks to
  - *Digital spending from local advertising (shops and services) catching up*
  - *An expanding portfolio of introduction services (e.g., making appointments)*

Sources: PwC analysis, SRI, UDECAM
** SEM*

Other levers: investment levels remain high despite a pronounced contraction in the market

Referrals
€208M
-5%
vs +10% number of actions generated

- **A significant increase in the number of actions generated by advertisers (+10%)**, although marked by a reduction in investments (spending down 5%)
- This can be explained by the increased use of multi-channel deduplication based on the last click (attribution to the final sales channel), the insourcing of referral programmes, and work to optimize direct e-mails in order to maintain performance levels
- A shift in practices toward mobile, yielding little benefit at this stage to referral actors due to tracking problems which lead to poor recognition of sales

Shopbots
€127M
-10%

- Shopbots affected significantly by the change in Google's algorithm (in H2 2014), which led to a substantial drop in audience numbers.
- In response to this, actors are **diversifying their activities**, for example by making use of partner generated traffic

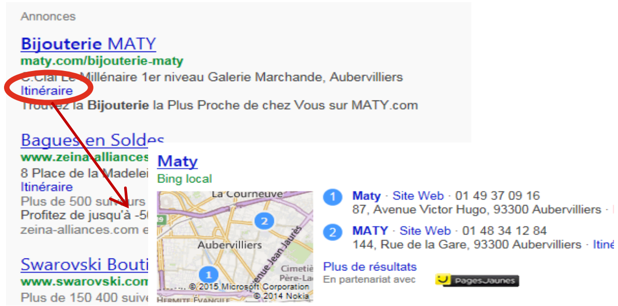
Direct E-Mail
€91M
-3%

- **Emergence of DCO** (Dynamic Creative Optimization), which makes it possible personalize the campaign when the recipient opens the e-mail (promotions, weather, geolocation, etc.)
- Customer retention e-mail campaigns are more dynamic than customer acquisition e-mails. This is based on the **development of video e-mails**, which have boosted e-mail open rates

Sources: PwC analysis, SRI, UDECAM

Search Engine innovations with richer, more relevant adverts

Searches and ad extensions

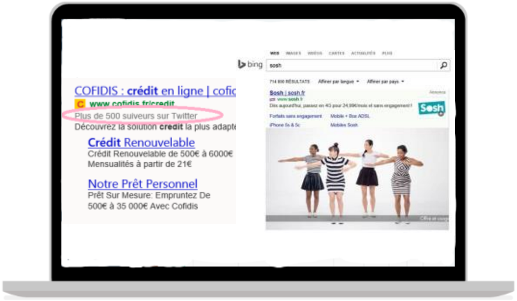


Search Engines follow a multi-channel strategy:

- Use of ad extensions with directions, giving the consumer two purchasing options: online or in-store

Bing for Maty

YAHOO! | bing NETWORK



Search innovations from Bing:

Exclusive formats: Video (Rich Ads), image, preview and Twitter comments

New formats: Ad extensions with telephone numbers, directions and merchant ratings

Search Engines and SEO

Search Engines optimized by displaying more relevant content:

- Use of Rich Ads
- Demographic targeting by incremental bidding

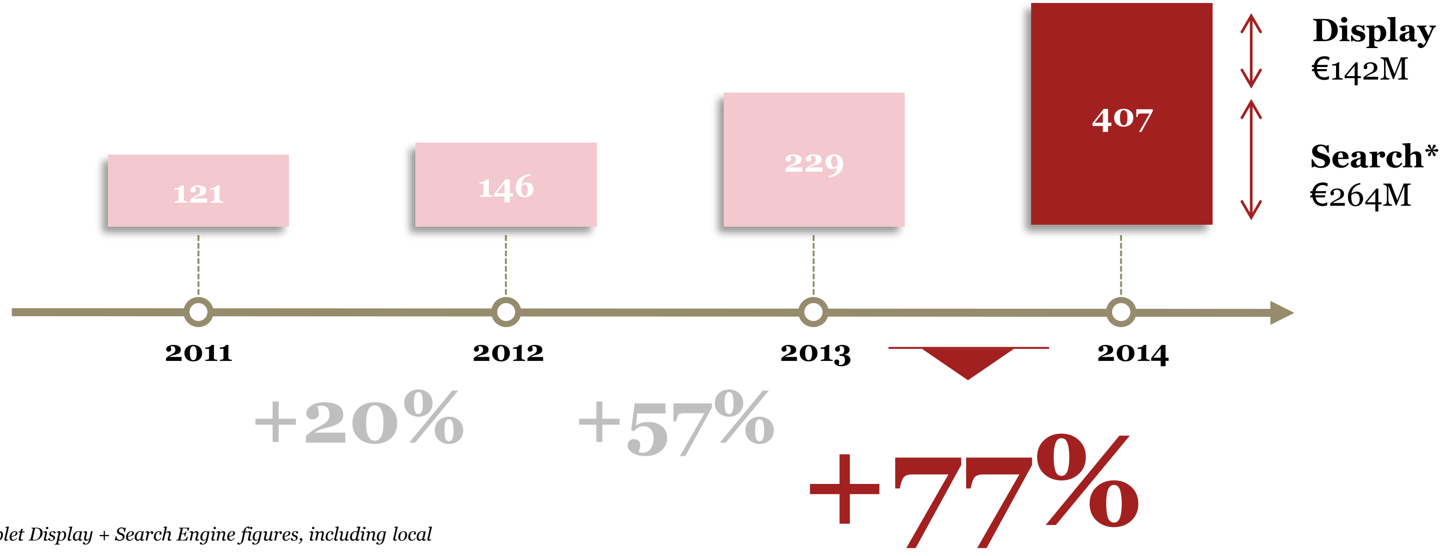
Bing for Maty

02

MOBILE FIRST, NOW MORE THAN EVER

Growth in mobile ramping up in France in 2014

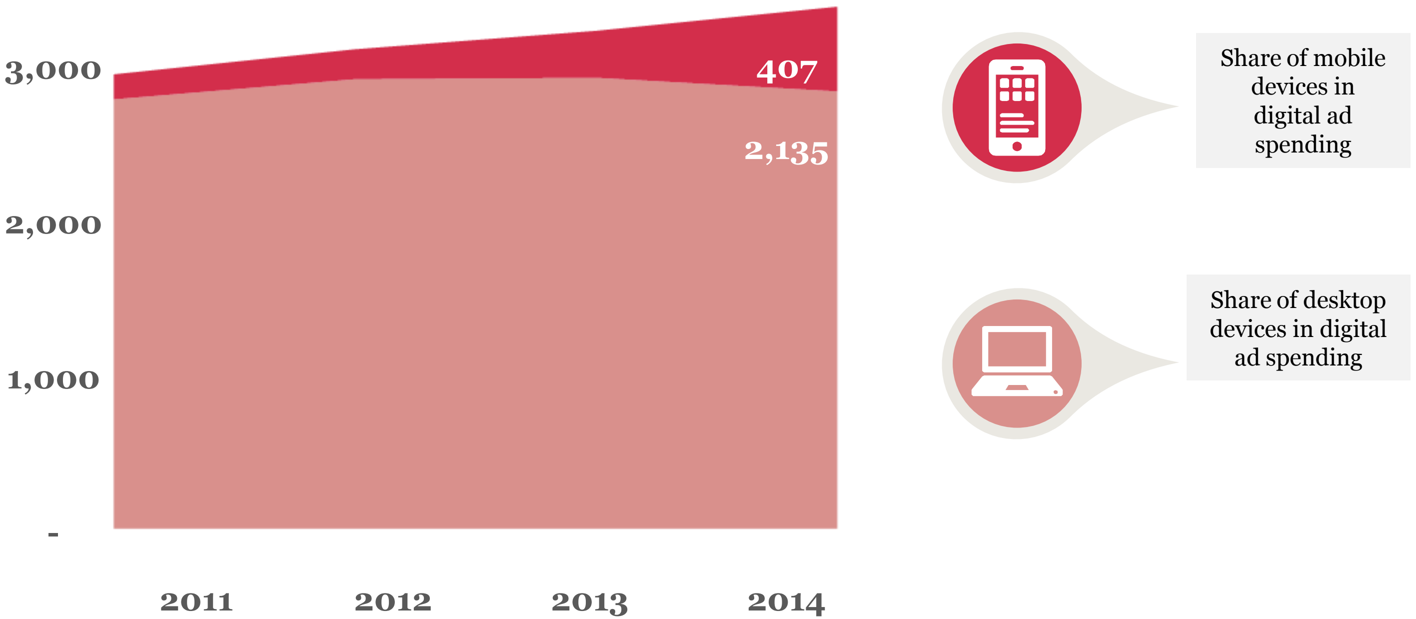
Evolution of mobile and tablet investments (Search Engines and Display)
2011-2014, in €M



Mobile and tablet Display + Search Engine figures, including local
** SEM*
Source: PwC analysis

A larger share of advertising spending now captured by Mobile

Breakdown of digital advertising spending (Display and Search Engine) by device, in France (in €M)



Source: PwC analysis
** SEM*

Similar growth trends between mobile SEM and mobile Display spending

Evolution of mobile investments (Search Engines and Display)*

Display
€142M

+80%

Mobile Display advertising between 2013 and 2014

Search**
€264M

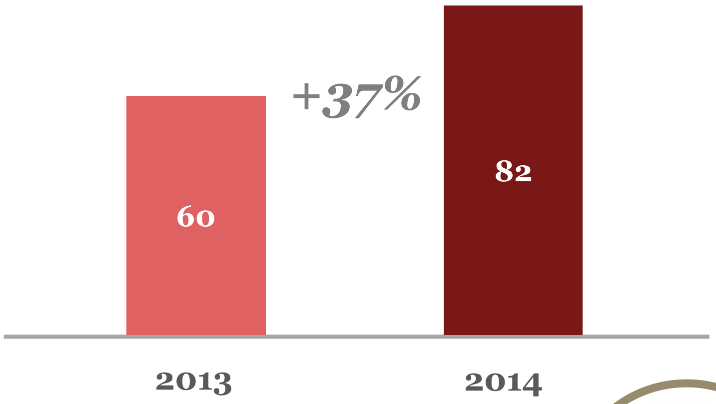
+76%

Mobile Search Engine Marketing between 2013 and 2014

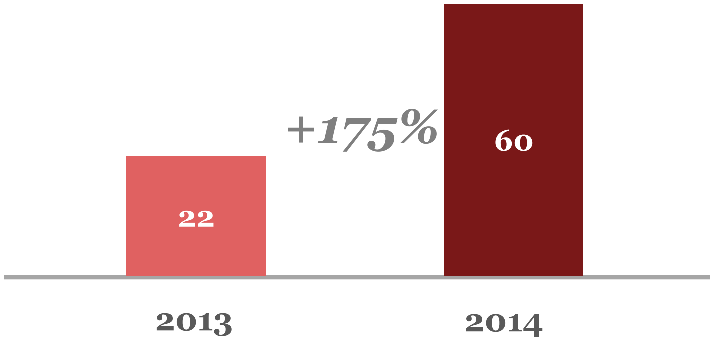
Sources: PwC analysis, SRI, UDECAM
** Mobile: Mobiles and tablets*
*** SEM*

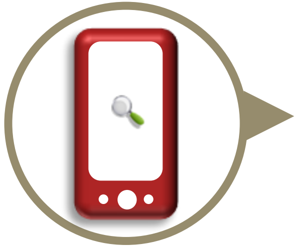
Social networks : heavy contributors to growth in mobile

Mobile Display advertising excluding social networks (France, in €M)



Mobile Display advertising on social networks (France, in €M)





41%

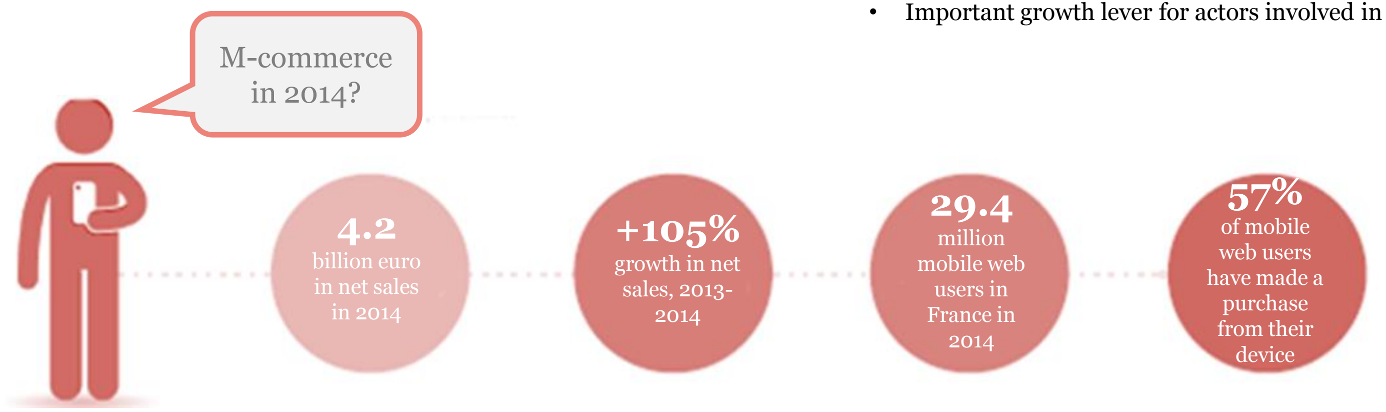
Share of social networks in mobile Display advertising in 2014

Sources: PwC analysis, SRI, UDECAM

M-commerce clearly on the rise, offering great prospects for advertising development on mobile devices

A sales channel suited to new modes of consumption

M-commerce is both a **sales channel suited to** impulse buys and a cross-channel accessory that encourages web-to-store behaviours. Its features endow it with strong potential for distance sales. **M-commerce can be expected to reach the scale of e-commerce by 2020.**



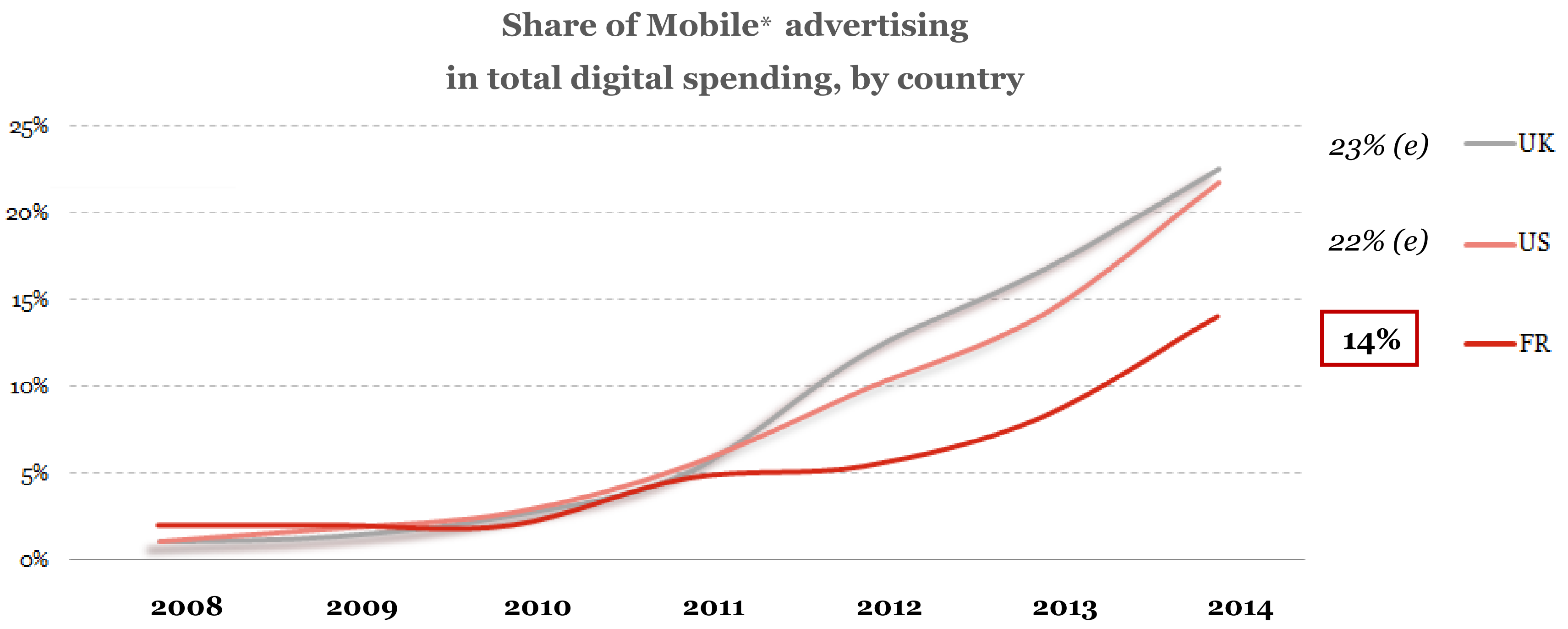
Multiple growth factors

Several factors suggest **strong growth for m-commerce** in the future:

- Increases in mobile traffic and the penetration of smartphones
- Adaptation of the user experience for mobile devices: responsive sites and dedicated apps
- Important growth lever for actors involved in distance sales

Sources: FEVAD, Médiametrie, Critéo, MMA, Comarketing

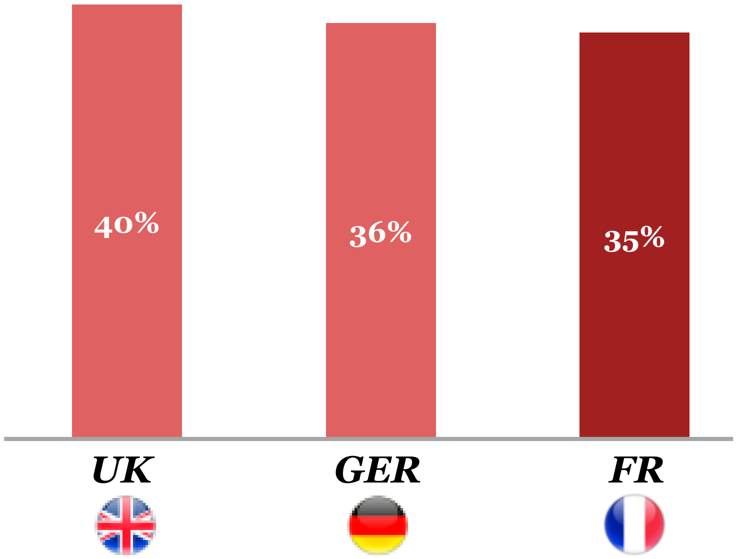
Mobile : 14% of the French digital market, still lower than in comparable countries



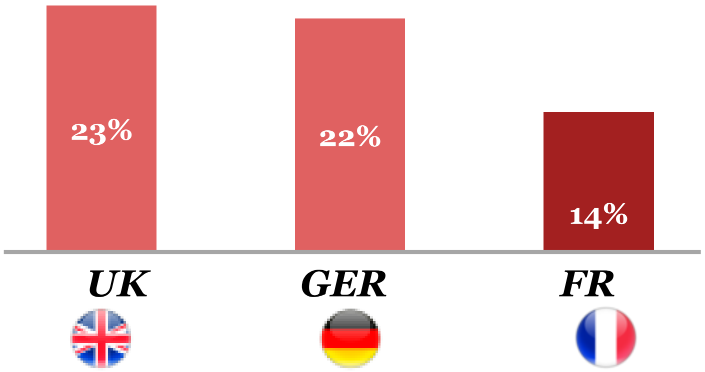
Sources: PwC Global Entertainment and Media Outlook: 2013-2017, SRI
** Mobile: mobiles + tablets*

Mobile still underinvested in France in view of consumer behaviours

Time spent in front of a mobile screen / Time spent in front of any screen
(TV/mobile/desktop)



Share of mobile / digital ad spending



Sources: PwC analysis, eMarketer, MillwardBrown

Social media, geolocation, interactive formats and m-commerce: 4 trends in mobile growth

Social media

Massive shift toward the use of social media on mobile devices, increasing monetization via native formats and value-creating targeting

Geolocation

Geolocation options are attracting new local advertisers and reinforcing the effectiveness of targeting

Growth in volume and value of options

M-commerce

Increase in purchases via mobile device, driven by rising conversion rates and increasing shopping cart amounts

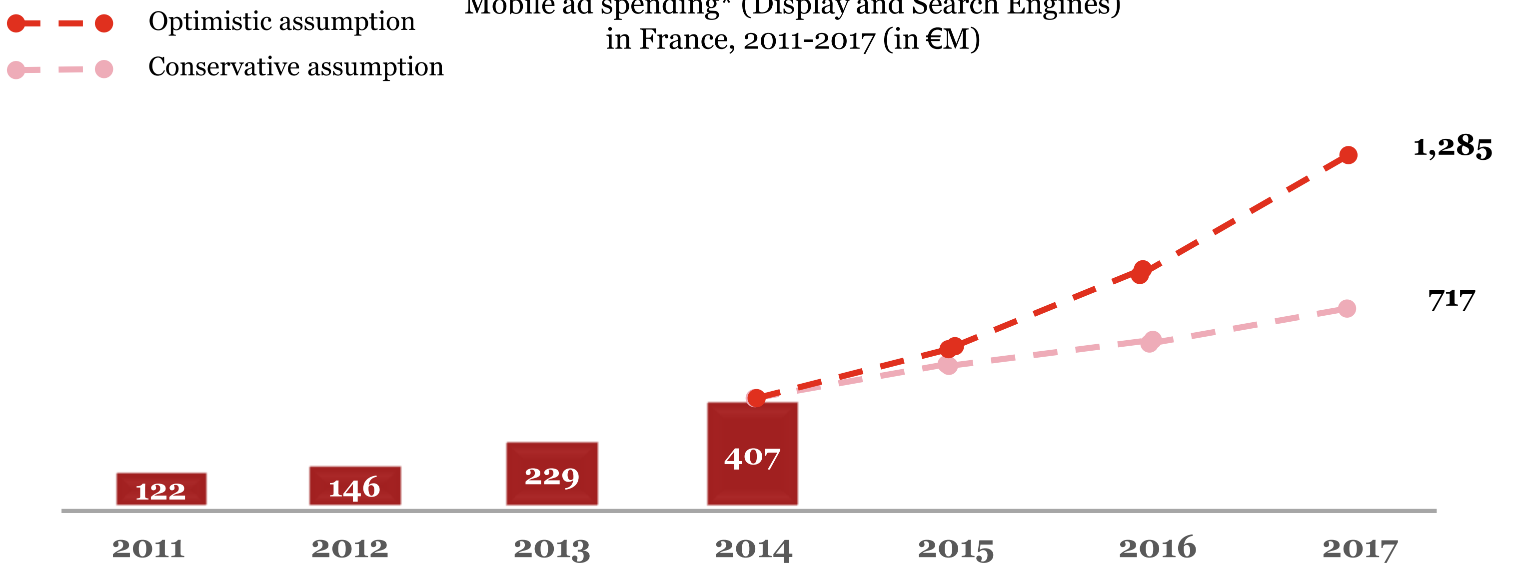
Interactive formats

Growth among formats that establish a dialogue between the user and the brand. These interactive formats are becoming increasingly personalizable and can also make use of geolocation data

Mobile advertising in France : a strong potential for growth

Different growth scenarios

Mobile ad spending* (Display and Search Engines) in France, 2011-2017 (in €M)



Sources: PwC analysis, Global Media Outlook, eMarketer
** Mobiles and tablets*

Increasingly innovative ad formats available for Mobile advertisers

Geolocation at the service of ad personalization

Mobile allows for **adaptation of the advertising message** to the individual mobile user, their environment and their geolocation.

For example, cold weather might be linked to a special offer of "Buy one hot beverage, get one free".

SFR Régie for McDonald's

Increasingly creative mobile adverts

Mobile is adapting to advertisements, enabling the advent of **ever more creative ad formats.**

For example, Amaury Medias launched an expanding mobile advert that appears on the media environment in a smart and entertaining way.

Amaury Medias for Adidas

03

DISPLAY

03

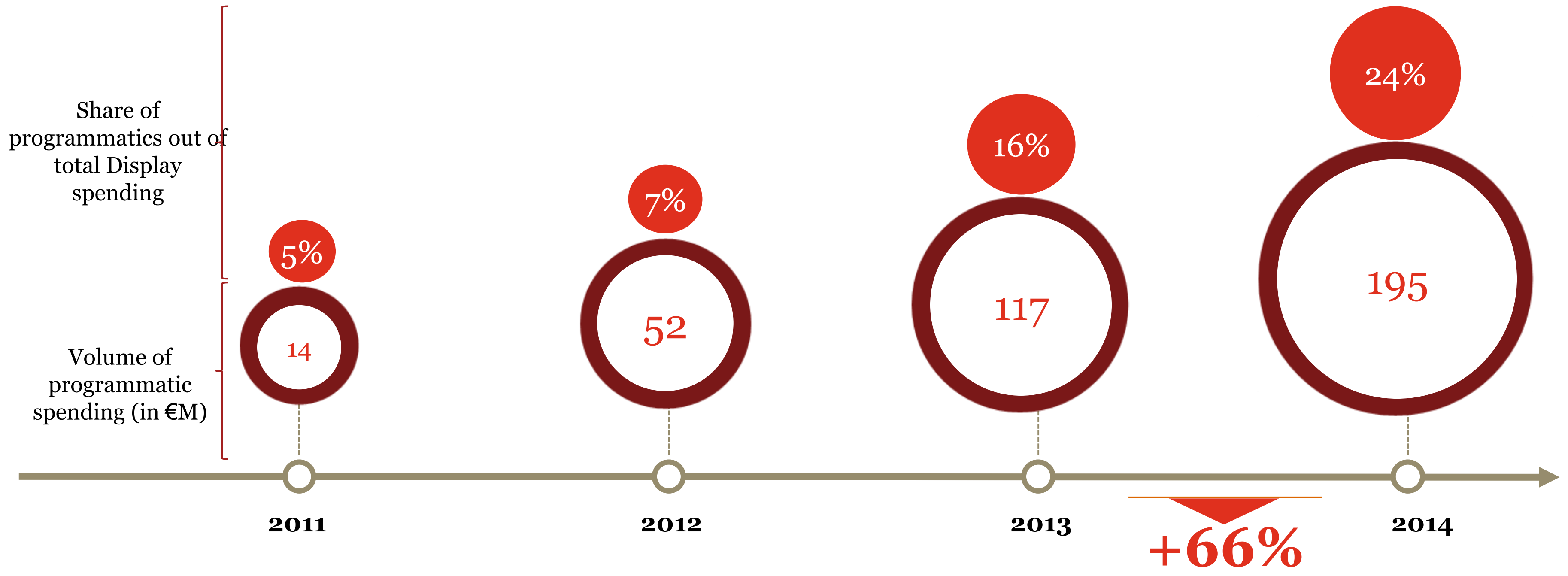
A

DISPLAY

Solid growth in programmatics

H1 trend in Programmatic confirmed for 2014, for a total of €195M

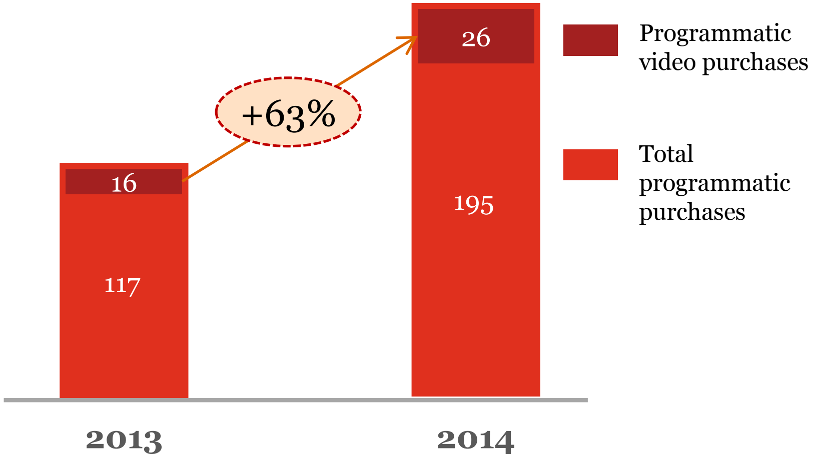
Evolution of programmatic spending in France, 2011-2014, and share of programmatics out of total Display spending



Sources: PwC analysis, SRI, UDECAM

Share of video in programmatic spending: 13% in 2014

Video ad spending in France (in €M, 2013 & 2014)



Programmatic purchases in video format **reached 12%** of total video spending

Sources: IAB UK, Business Intelligence, Magna, PwC analysis

Improved products and services sustained the growth of Programmatic

2014

+ VISIBILITY

- Strengthening of visibility and effectiveness tools, measuring audience exposure.

+ SAFETY

- Expansion of ad verification products and services to garantee brand safety and reduce fraud

+ PREMIUM

- Year-long ramp-up of premium formats (arches, rich media, etc.) that have truly found their targets

+ DATA

- Ever more data is available, helping to improve the effectiveness of targeting and, by extension, ad campaigns

Market players rising maturity structured and energized the Programmatic landscape

Trading desks
- Increased number of trading desks
- Advertiser trading desks now open

Advertisers
- Advertiser DMPs begin to operate & RFPs keep on rising

Marketplaces
- Premium ad exchanges boost the market, due to 3 main players

Sales house
- New specialized actors with expertise in new formats being sold in programmatic

Ad verification services
- New players working on visibility and brand safety

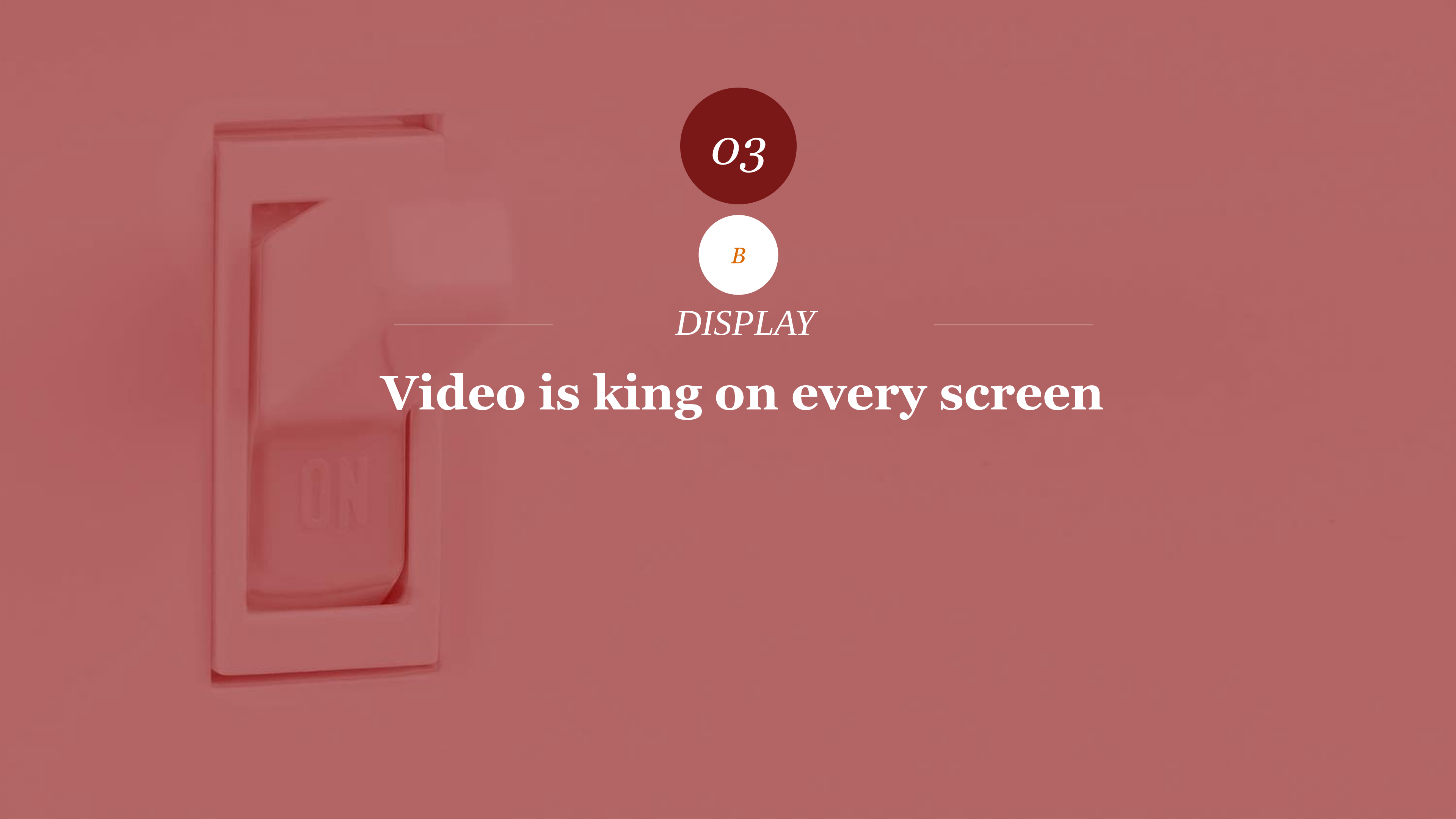
Data
- Strong dynamics amongst players specializing in data, who are beginning to roll out closed ecosystems

03

B

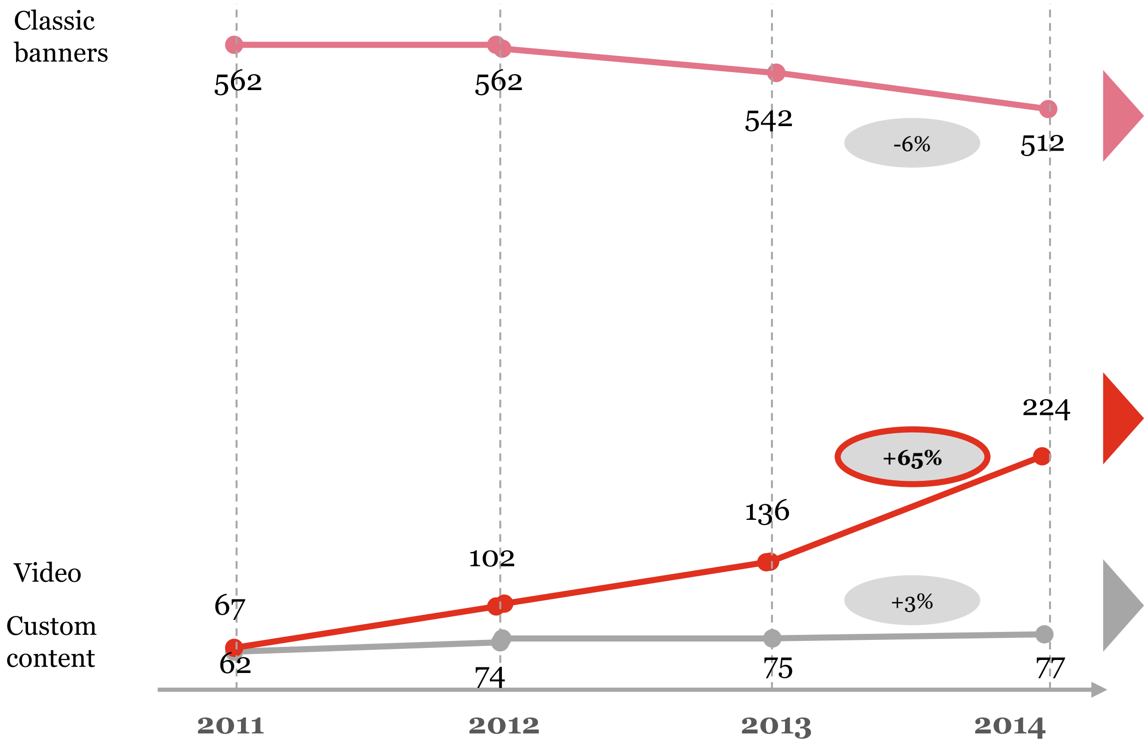
DISPLAY

Video is king on every screen



Video: gaining ground

Evolution of ad spending in France, 2011-2014 (in €M)



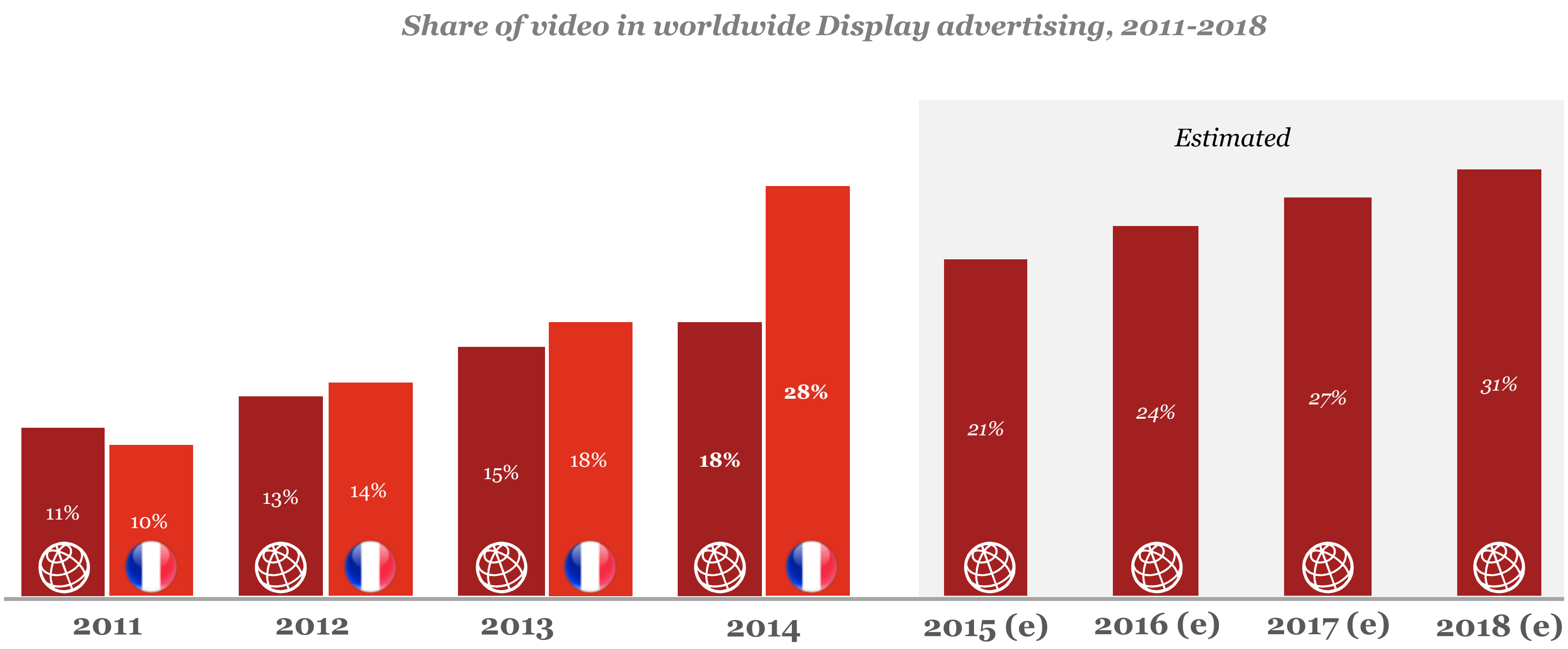
Contraction in classic Display spending, with the banner format losing steam

Explosion in video spending

Stabilization of spending for special operations, but with a change in the type of mechanisms used

Sources: PwC analysis, SRI, UDECAM

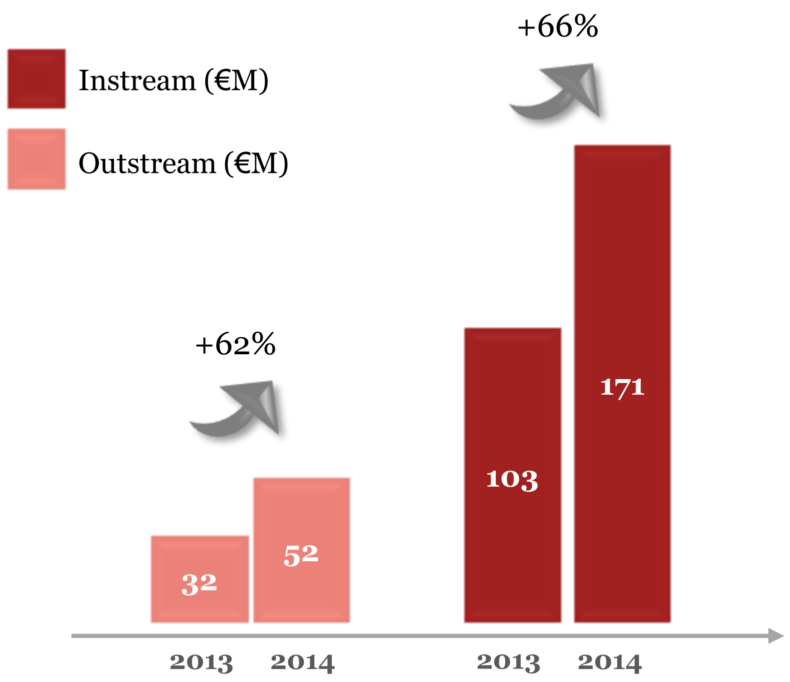
Share of video in Display advertising in France higher than the global average



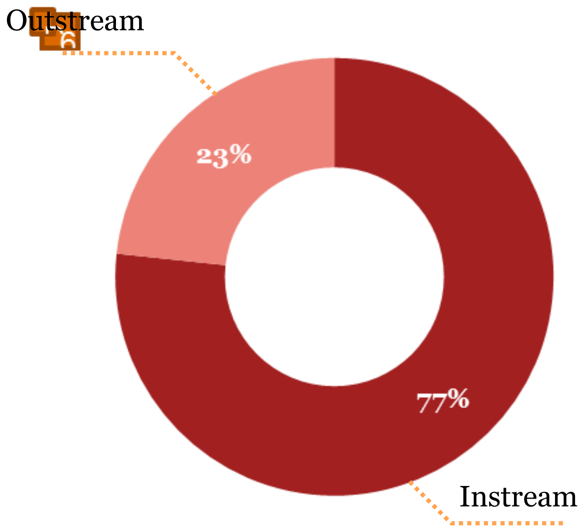
Sources: PwC Global Entertainment and Media Outlook: 2013-2017, SRI

Instream and outstream developing jointly, but with instream still at the top

Evolution of instream and outstream video ad spending, 2013-2014



Respective weights of instream and outstream video ad spending, 2014



Sources: PwC analysis, SRI, UDECAM

Growth in the video market driven by highly dynamic segments

The ongoing dynamics of catch-up TV continues to energize the digital portfolios of TV channels

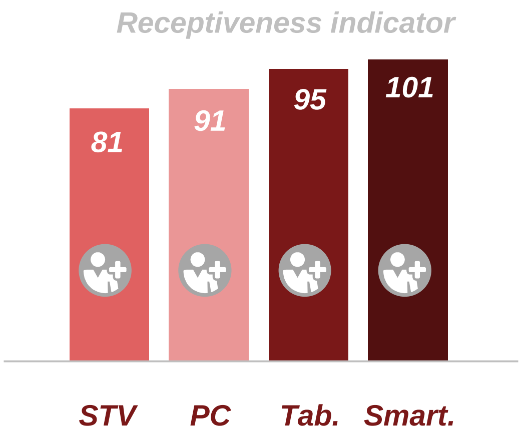
Source: BIA / Kelsey

Pre-roll video advertising is taking root, to the benefit of all the actors on the market

Source: StickyAds
** Premium formats*

Mobile as a catalyst for the development of video formats

A device that boosts receptiveness to video adverts



Sources: YuME, IPG Media Lab

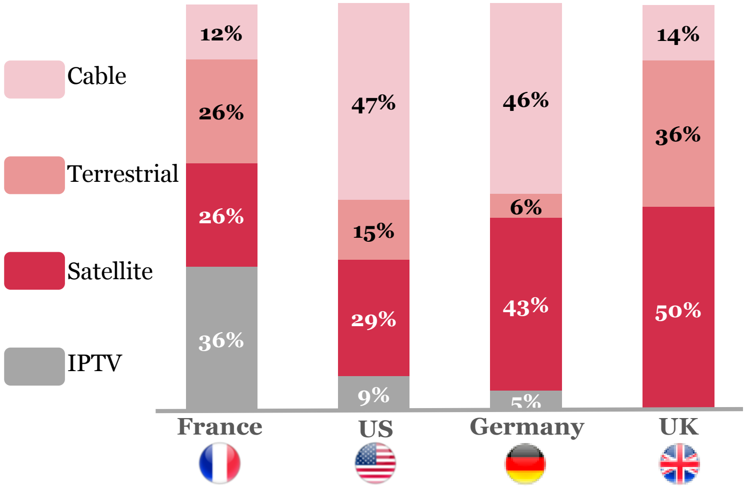
A growing number of campaigns are now multi-screen

Source: Videology

IPTV advertising: France is the current global leader and shows strong potential for further development

France, the global leader in smart TVs via operator boxes

Breakdown of TV reception modes by country, 2013



A promising advertising market

22 million French people watch replays each month using a box. **90% of the content is in video format**

IPTV offers the same characteristics as TV (screen and audience). Advertisers are naturally shifting over to IPTV

The **tools available for audience measurement** (Médiamat/Médiamétrie) and therefore to evaluate campaign effectiveness **developed significantly in 2014**

Source: IDATE, Médiamétrie November 2014

Digital advertising is adopting different formats for IPTV while cross-device campaigns continue to progress

IPTV: Event sponsorships

Brands can sponsor events, like here, for the FIFA World Cup. These campaigns are based on an exclusive format and have an even stronger impact when developed for multi-screen display

TF1 for Chanel

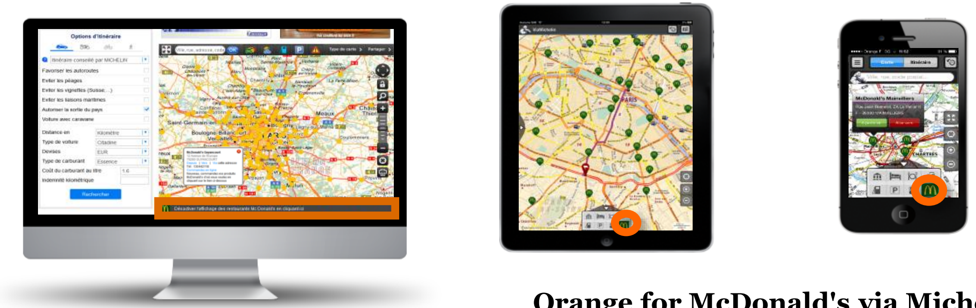
Brand channels on IPTV

Advertisers are developing their brand channels thanks to IPTV. They are producing special content and integrating it with the IPTV platform in a contextualized manner

TF1 for Nike

Cross-device + geolocation

This example shows 360° integration for desktop, tablet and mobile use. Clicking on the McDonald's logo displays a map with all of the brand's nearby restaurants. A second level of detail is provided as a pop-up when the user clicks on a specific restaurant



Orange for McDonald's via Michelin

Advertisers are increasingly seeing the value of marketing content

FIGARO MEDIAS affluent people

Piaget Rose Day

- *Production of 15 articles on roses*
- *Creation of a dedicated digital platform*
- *Creation of a dynamic background skin for the event*
- *Diversification of content (articles, videos, images, etc.)*

melty YOUNG ENERGY

Surf House

- *Project developed for Sosh and Quiksilver*
- *Production of a reality TV show (2 series and 16 episodes)*
- *More than 62 articles produced by the editorial team*
- *685,000 hits and 15M advertising impressions*

ADVIDEUM

Somfy

- *Development of interactive video content*
- *Users can click on different sections of the video advert to access related content*

M6 DIGITAL PUBLICITÉ

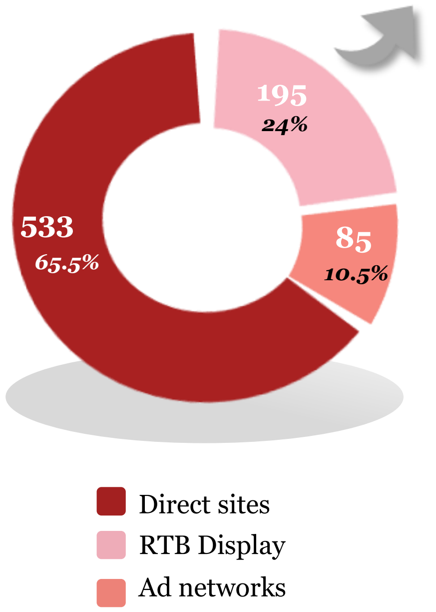
"Fallait le faire"

- *Project developed for Lenovo*
- *Creation of a participatory platform where users could submit their projects*
- *The best projects were then covered by a TV show*

Programmatics, Mobile and Video keep on transforming the shape of Display Advertising

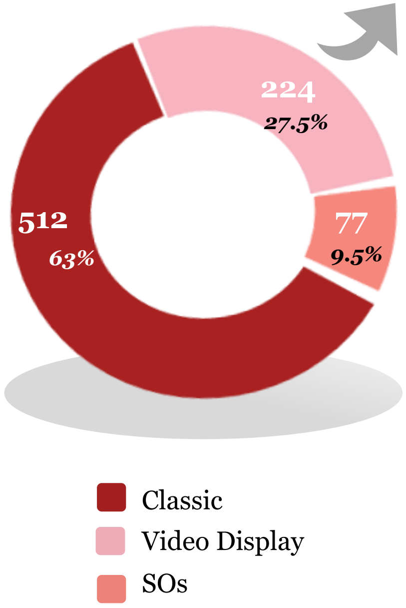
Breakdown of Display advertising by buying method
(in €M and as a % of Display)

Programmatic Display: +66%



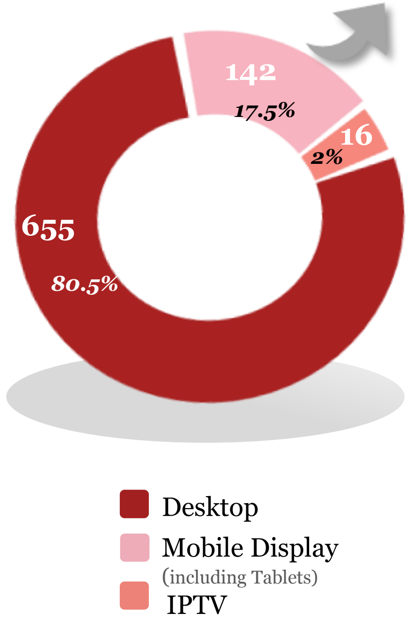
Breakdown of Display advertising by format
(in €M and as a % of Display)

Video Display: +65%



Breakdown of Display advertising by device
(in €M and as a % of Display)

Mobile Display: +80%

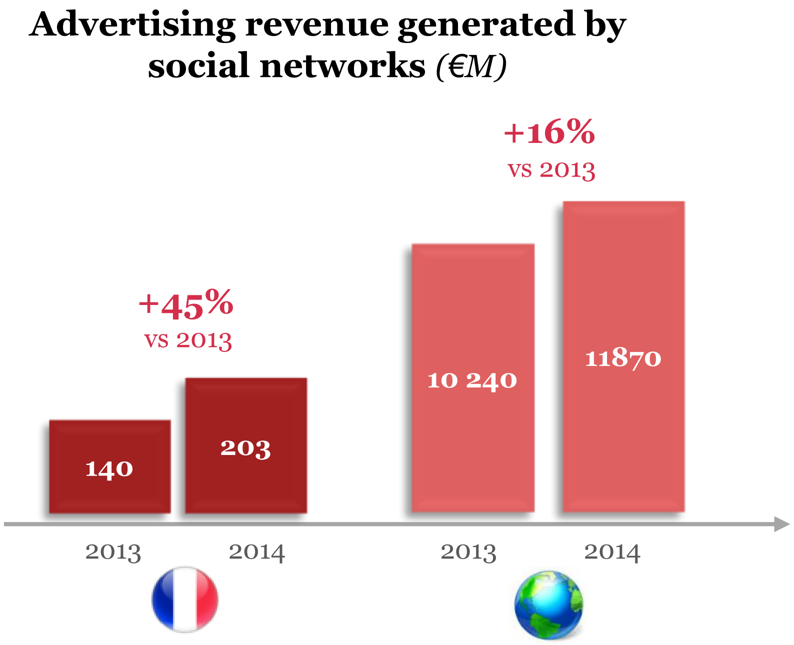


04

SOCIAL

Booming thanks to mobile and video

Social media fast gaining ground in France



Source: eMarketer

7%

of digital spending in France was devoted to social networks in 2014

Source: PwC analysis

EXCLUDING

Owned: *an corporate page or account on a social network*

Earned: *the brand's influencers and intermediaries on social networks*

05

2015 FORECASTS

2015 forecasts: mega-trends underlying the digital advertising landscape

Digital share in the media mix will continue to grow significantly in 2015

Mobile will pursue a similar pace of growth

Display will continue to gain ground over SEM in 2015, driven by video and Programmatic

The need in visibility measurement and audience exposure tools will boost the appeal of Display for advertisers

Growth in programmatic will sustain, particularly du to the rise of private deals

Thank you