2015 Report – 2016 Forecasts
15th Edition – January 2016

#Obsepub

Observatoire de l'e-pub

présenté par SRI LES RÉGIES INTERNET

réalisé par pwc

en partenariat avec UDECAM

NB: Includes 29/01/16 change to p. 27

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

Interviews with digital advertising players, covered by a confidentiality agreement

PwC conducted a series of more than 30 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

Enriched methodology and adjusted assessment of display

- Given the fast-changing market and the increasing importance of new players, PwC, SRI and UDECAM decided to enrich the methodology used to estimate display by means of:
  - A **partnership with IREP** to estimate investments made through space brokers that do not report to SRI (improvement to the observatory's filings segment)
  - Methodology that aims to better incorporate revenue from **non-SRI publishers** experiencing strong growth
  - **Enrichment of filings** with UDECAM and SRI to improve the qualification of display revenue
- These adjustments led to a reassessment of display estimates, as presented in the next pages
- To highlight 2014-2015 growth, we decided to apply this methodological adjustment to both **2014 and 2015**. The figures from earlier years are still based on the old perimeter

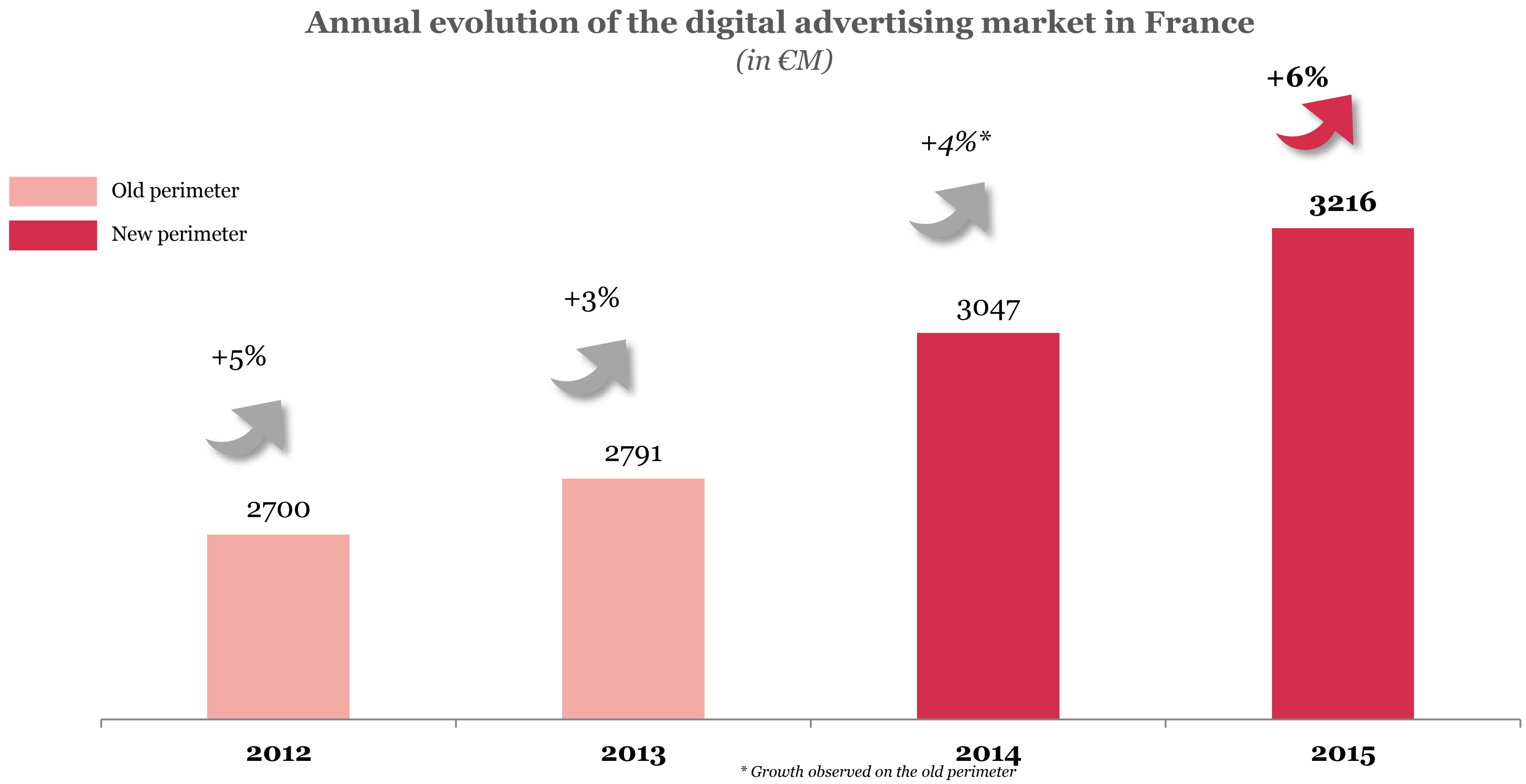
Actors interviewed for the report

Contents

01

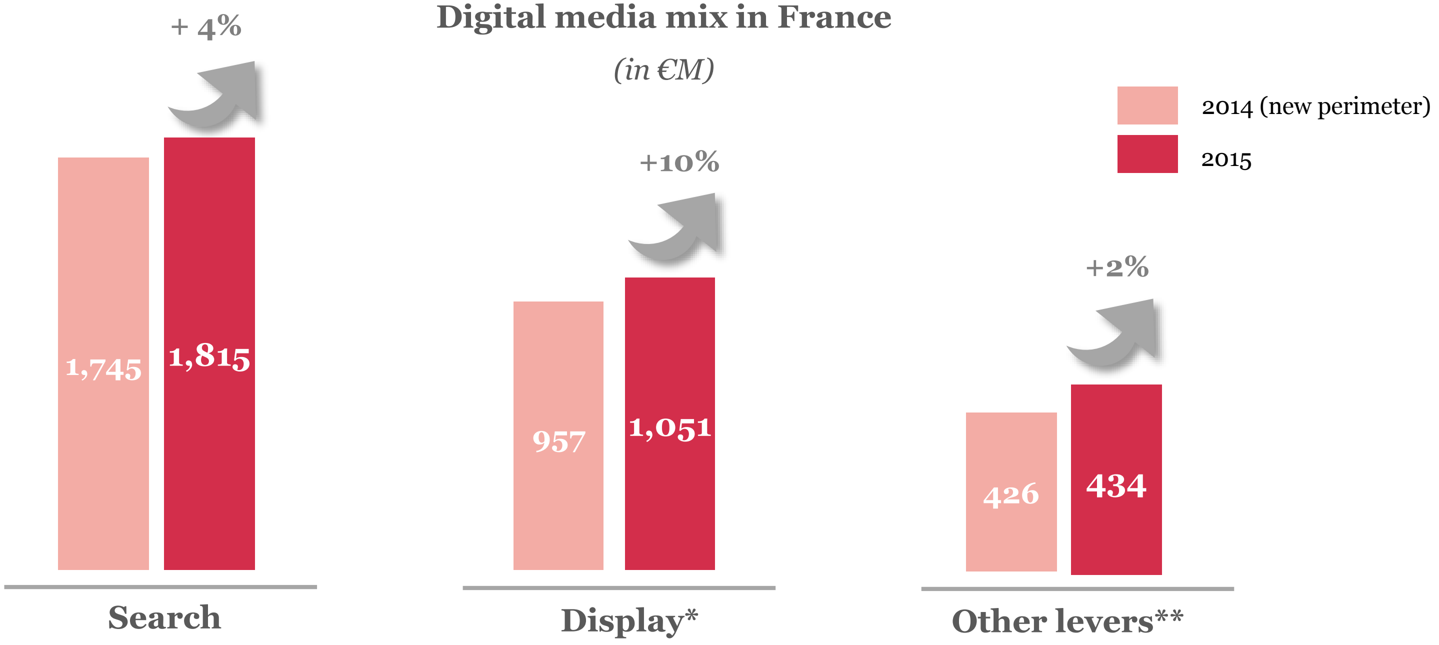
DIGITAL MARKET EVOLUTION

Digital advertising picking up speed in 2015



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.

Display is the segment with the strongest growth, representing 1/3 of the media mix



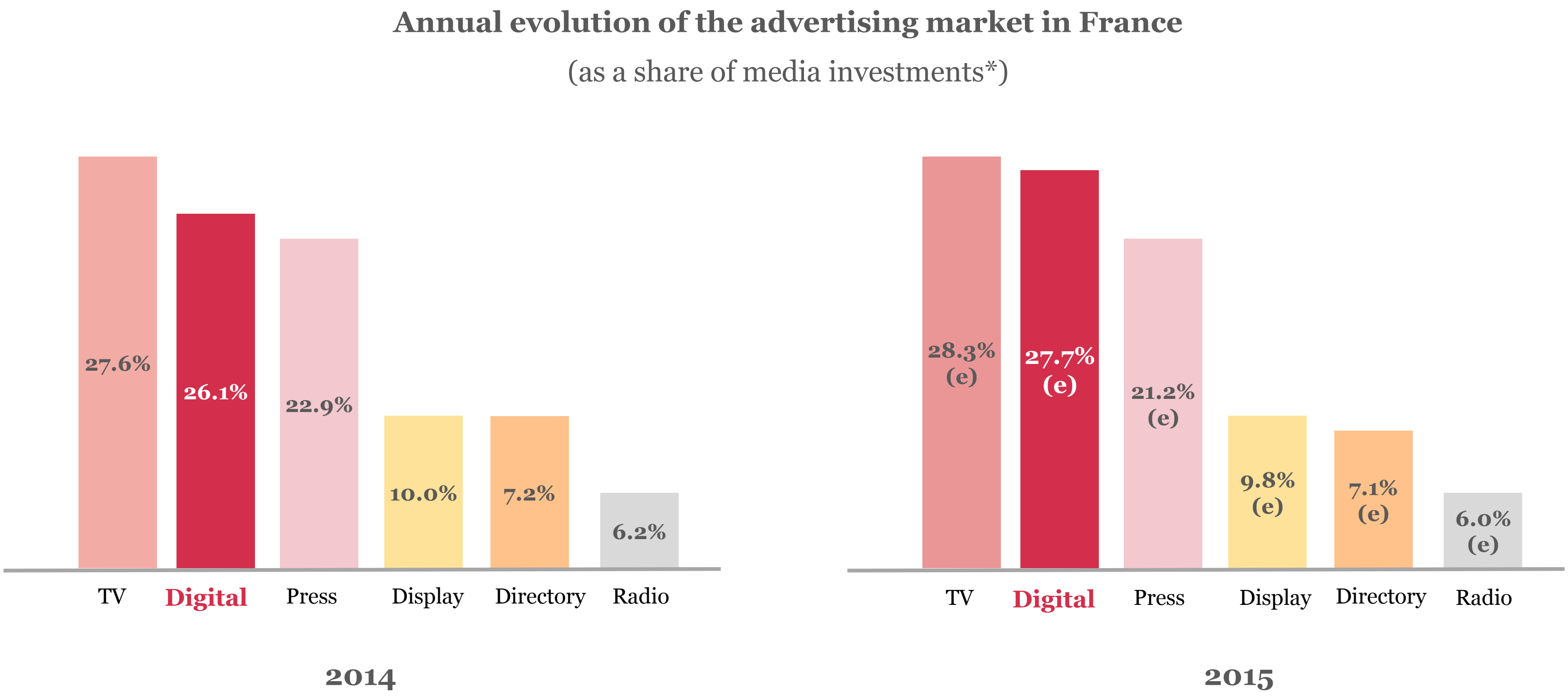
Share of digital	***56%***	***33%***	***11%***

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

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

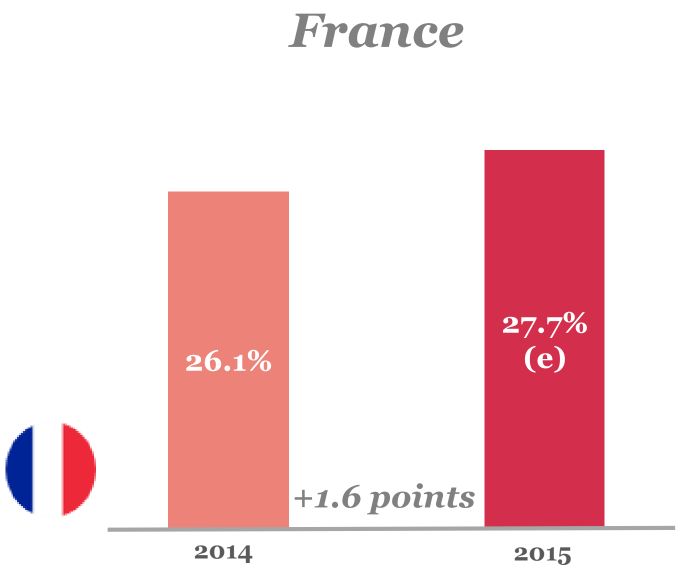
Sources: PwC analysis, SRI, UDECAM

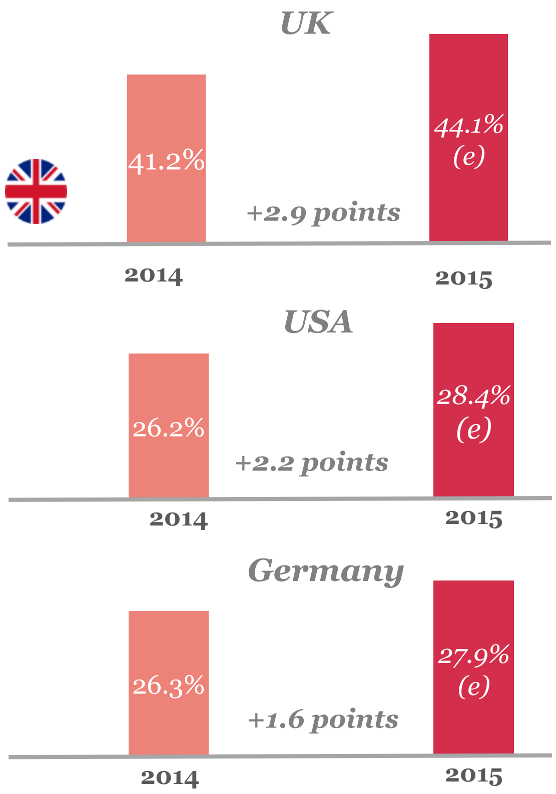
After overtaking print, digital ads are now almost on a level with TV



Sources: SRI/IREP figures for 2014 and H1 2015, PwC base 100 analysis of the 6 media types
** Media: TV, Radio, Press, Display, Digital and Directory*

French digital's share of media spending reaches 27.7%, close to USA and Germany, but far behind Great Britain



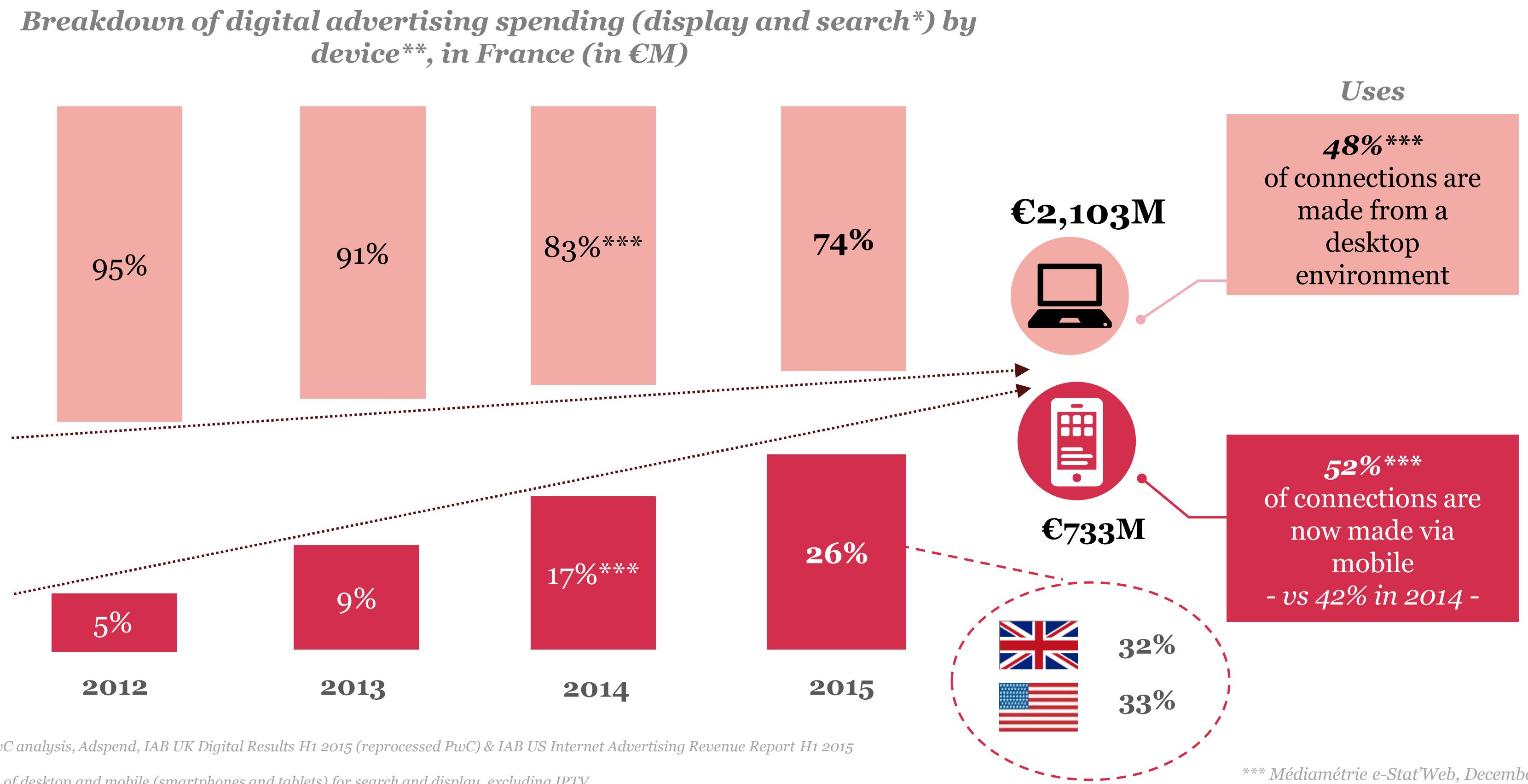


Sources: PwC Global Entertainment and Media Outlook: 2015-2019, SRI, IREP

02

MOBILE CONTINUES TO GROW, MAINLY DUE TO ITS USAGE

Mobile investments on the rise, but still below usage levels

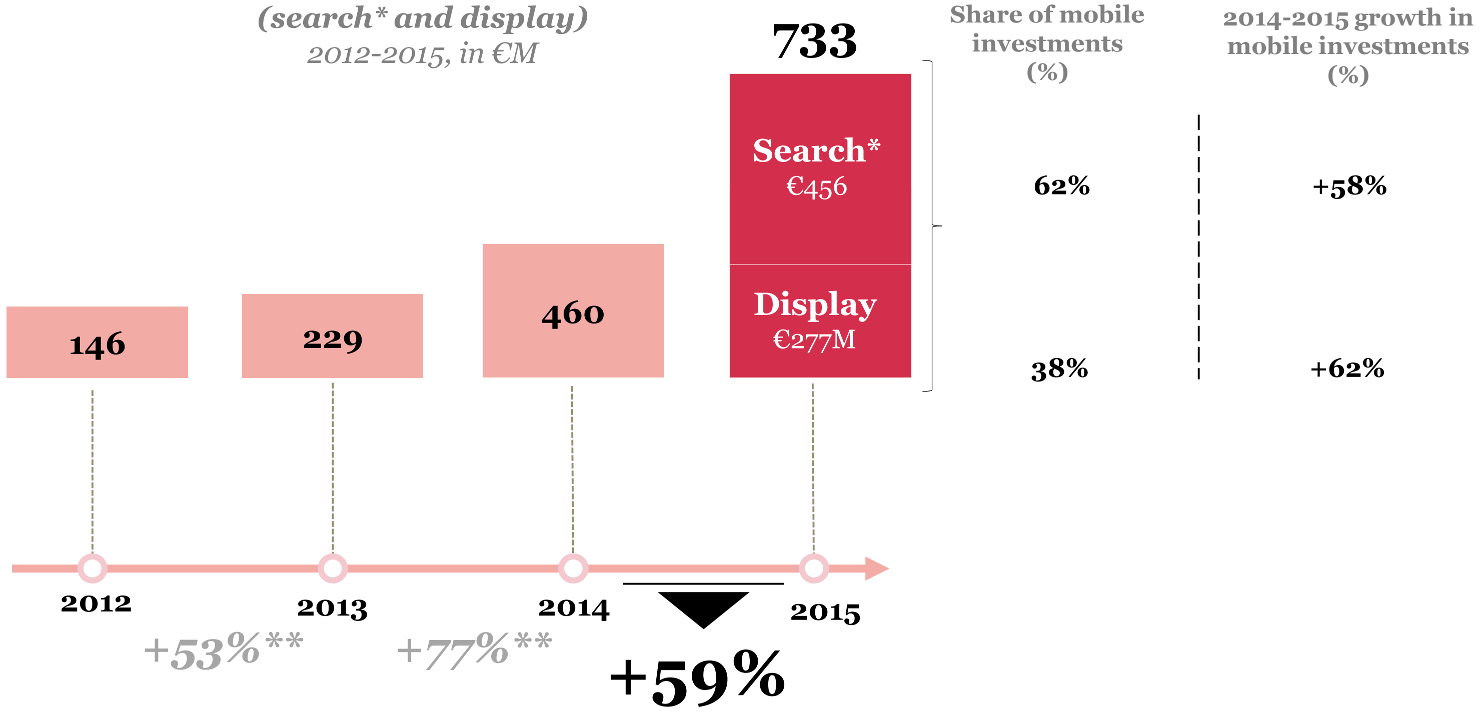


Sources: PwC analysis, Adspend, IAB UK Digital Results H1 2015 (reprocessed PwC) & IAB US Internet Advertising Revenue Report H1 2015
** SEM*
*** Inclusion of desktop and mobile (smartphones and tablets) for search and display, excluding IPTV*
**** Calculated for new perimeter*

**** Médiamétrie e-Stat'Web, December 2014 and 2015*

Sustained growth for mobile in 2015

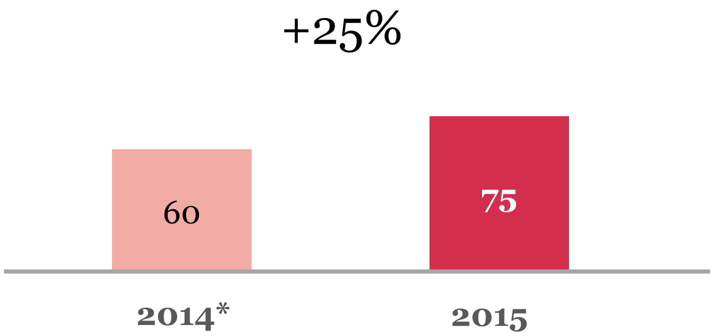
Evolution of mobile and tablet investments (search* and display)
2012-2015, in €M



* SEM
** Growth observed on the old perimeter
Sources: PwC analysis, SRI, UDECAM

Social driving growth in mobile display

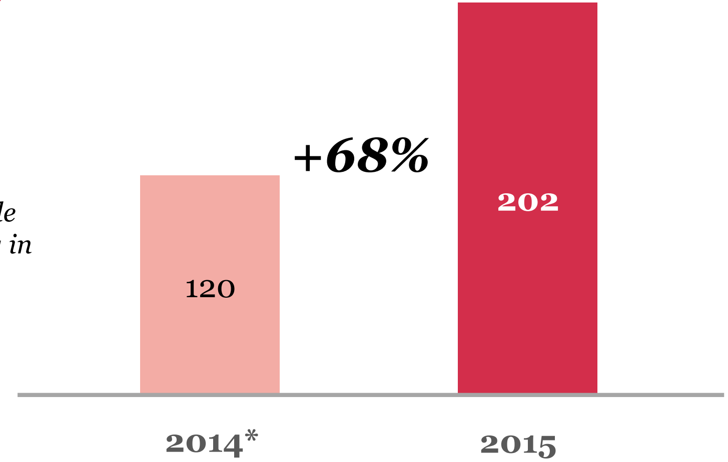
Mobile display investments excluding social networks (France, in €M)



73%

Share of social networks in mobile display advertising in 2015

Mobile display investments on social networks (France, in €M)



Sources: PwC analysis, SRI, UDECAM
** New perimeter*

Mobile growth trends

Mobile programmatic: development of relevant tools

- Social network inventories are almost exclusively sold in programmatically and are driving the strong growth in this mobile buying mode
- Strengthening of specialized technical platforms and emergence of agency and non-agency mobile specialists
- Better proficiency in the technical specifics of mobile app environments (SDKs)
- Emergence of reliable tools to measure the visibility and effectiveness of in-app ads

Social networks sustaining mobile growth

- More than 3/4 of all social network users log in from mobile devices
- Social networks, whose users are continuously logged on, are the most advanced in terms of managing cross-device advertising

Drive-to-store continuing to expand

- Increase in the combined use of geolocation and big data to refine drive-to-store scenarios
- Online/offline systems in catchment areas, namely utilizing beacons and NFC
- Emergence of impact *tracking* at points of sale

Native and video bolstering cross-device

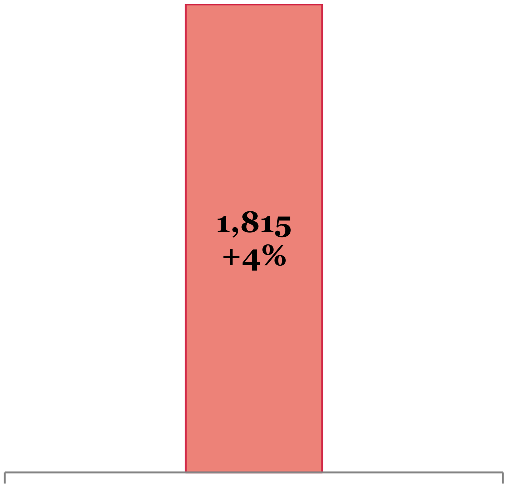
- Video, which can adapt to any device, has contributed significantly to growth in mobile. Social video gained more ground in 2015
- Sharp ramp-up in native programmatic in 2015, fostered by the rise in specialized platforms

Sources: PwC analyses, eMarketer, Médiamétrie

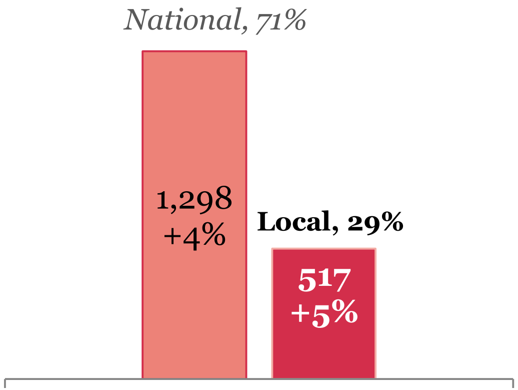
03

SEARCH AND OTHER LEVERS

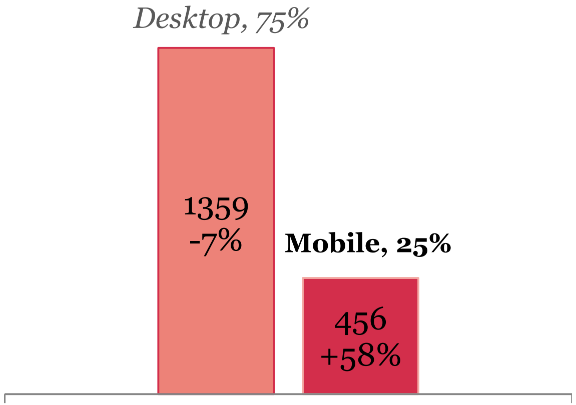
Search remains dynamic, driven by mobile



Search (2015, M€)



Split search National / local (2015, M€)



Breakdown of mobile/desktop searches (2015, €M)

Sources: PwC analysis, SRI, UDECAM

2015 growth in mobile searches based on apps

Search*	**€1,815M**	**+4%**
Mobile Search	*€456M*	**+58%**

Mobile investments gaining ground on use patterns

- Mobile requests exceeding desktop requests
- Mobile is the top priority for search players developing tools to promote it (**promotion of mobile-friendly sites** in Bing's quality score)

New interaction tools driven by app-based searches

- Development of **app-based searches**, catching up to mobile web searches
- Increased **deep-linking**: paid search campaigns pointing directly to a specific app page (40% of mobile Google searches return app content in the list of results)
- Increasingly precise and engaging interactions: calls, reservations and **1-click** purchases from the mobile web or the search app

App searches expanding dramatically

- Strong rise of the **app install ad** market in 2015. Bing search engine offers links to the right store for the device
- More than 25% of applications are installed after a web search

Sources: E-marketers, Ad Age, Google, SRI, PwC
** SEM*

Other levers on the upswing in 2015

Other levers €434M (+2%)

Referrals - €210M

- The affirmation of increasingly precise retargeting solutions continues to threaten Referrals players
- Social media and high-quality content provide leverage for growth
- Extension of products and services to new performance marketing segments (consulting, programmatic, etc.)

Shopbots - €94M

- App-based shopbots are the preferred tools of search engines
- Shopbots that are still strictly desktop-based have been heavily affected by Google's rules, which favor its own tools

Direct E-mail - €130M

- For 34% of users, Direct E-mail remains the most effective tool for generating traffic to a website
- Mobile and desktop open rates moving closer together (14% vs 18%)
- Solid results for user retargeting and DCO

Sources: PwC analysis, SRI, UDECAM, SNCD, CPA

04

DISPLAY

Three approaches to display

A. Display by buying mode

B. Display by format

C. Social as a share of total display

04

A

DISPLAY

Programmatic rising dramatically

Display by buying mode

Display by format

Social as a share of total display

Definition of "programmatic" used by the Observatory:

- Inventory sold by automatically connecting buyers and sellers. Includes all automated sales models: guaranted or not, fixed price or RTB, private marketplaces or open auctions, self-serve platforms or trading desks -

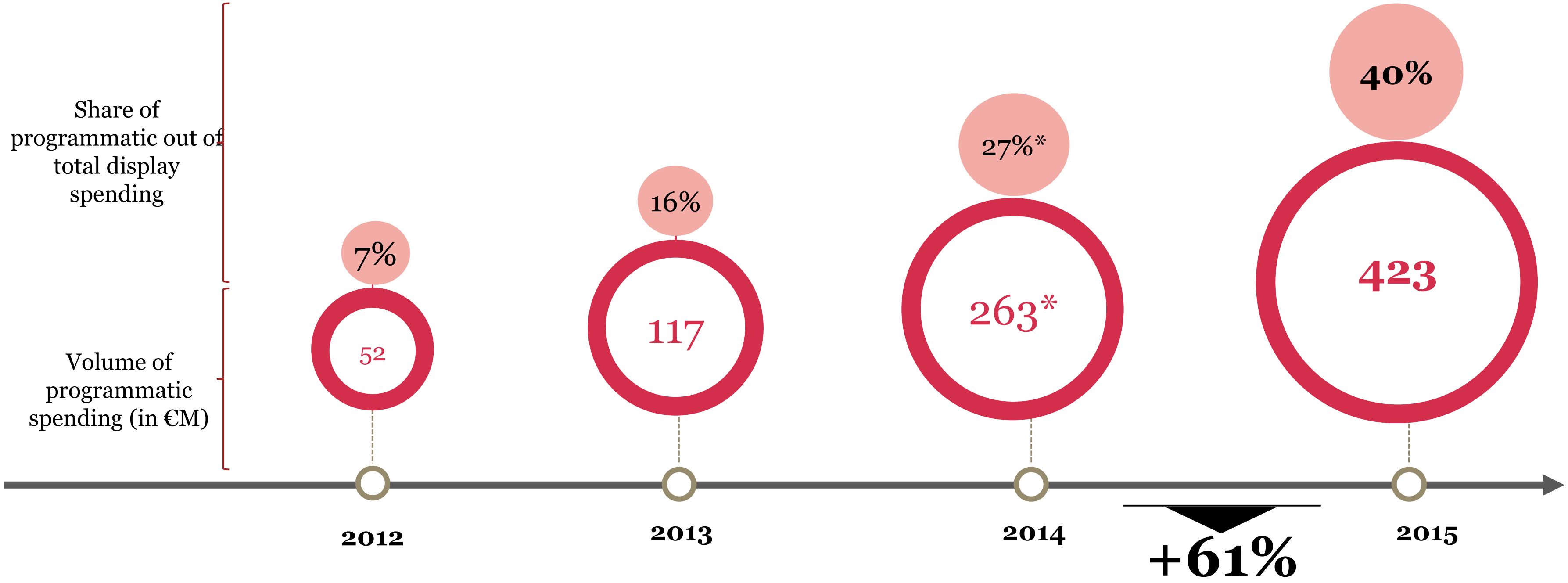
Display by buying mode

Display by format

Social as a share of total display

Strong growth in programmatic purchases in 2015

Volume and share of programmatic spending in France, 2012-2015, out of total display spending



Sources: PwC analysis, SRI, UDECAM

** 2014: new perimeter*

Programmatic purchases on the rise thanks to a more secure multi-device environment

Mobile and video	▪ Development of mobile and video programmatic, largely drawn by social media ▪ Increased proficiency in technologies and development of the available video and mobile inventories
Consumer experience	▪ Significant rise in native programmatic sales, namely through the adoption of the IAB OpenRTB 2.3 standard
Private deals, PMP and first look	▪ Programmatic growth in 2015 among premium publishers driven by private deals, private marketplaces and first looks that are more secure for both brands and publishers
Viewability and fraud prevention	▪ Viewability measurement in programmatic campaigns has become a key performance indicator ▪ Platforms combating fake inventories more robustly
Data	▪ Continued advances in in-house DMPs among both publishers and advertisers ▪ Cross-referencing of CRM and web data for a greater impact
Yield management	▪ Publishers seeking to optimize revenue on their inventory. Header bidding, which brings multiple SSPs into competition for all inventory, is a part of this process

04

B

DISPLAY

Sustained growth for video

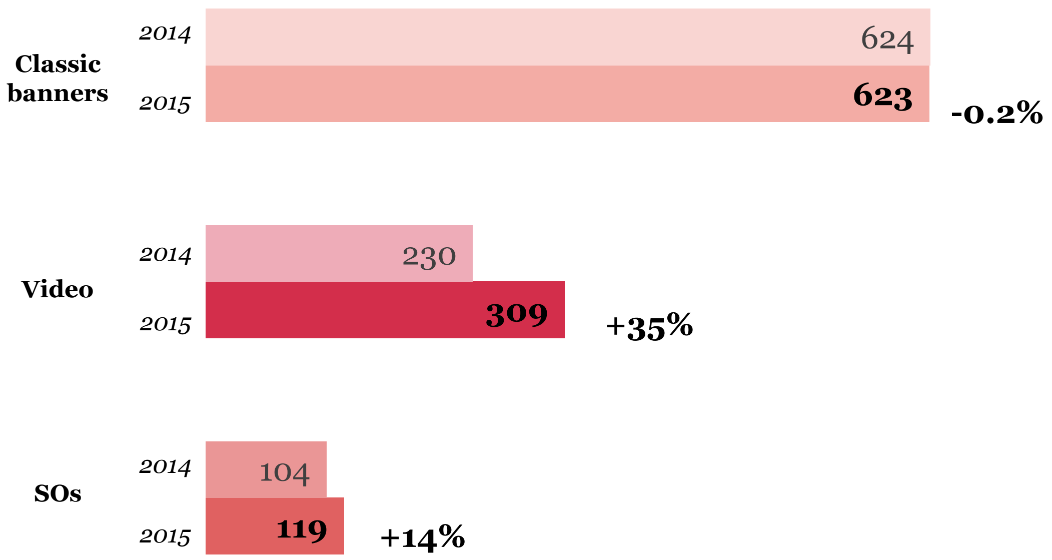
Display by buying mode

Display by format

Social as a share of total display

Video continuing to advance in 2015, as special operations pick up steam

Display ad spending in France, by format, 2014*-2015 (as a %)



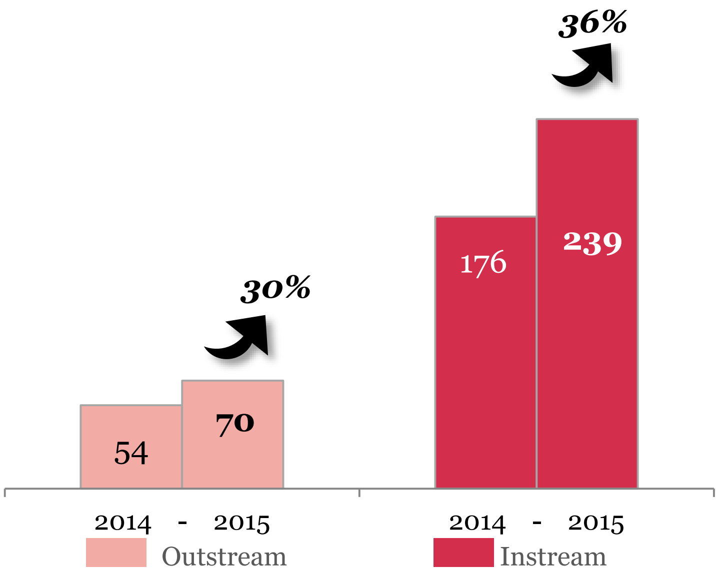
2015 share

2015 share	
59%	**Maintenance** of classic display investments by volume, but declining in terms of proportionality
30%	**Sustained growth** in video investments
11%	**Fast growth** in investments in special operations, often driven by new line items (native and brand content)

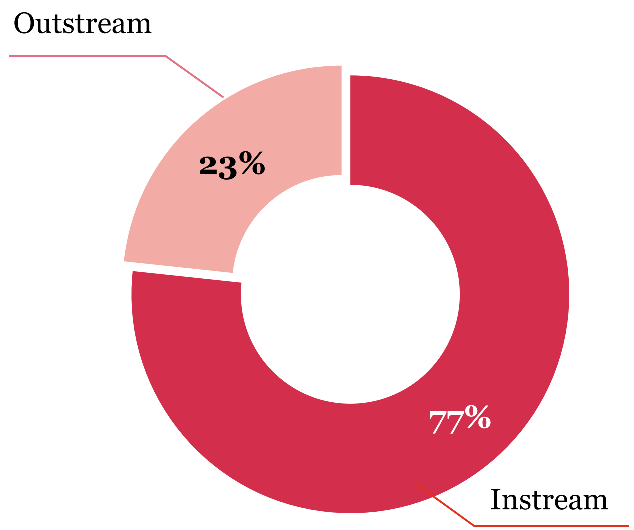
** New perimeter*

Instream remains the preferred video format, somewhat lower growth reported for outstream

Evolution of instream and outstream video ad spending, 2014*-2015



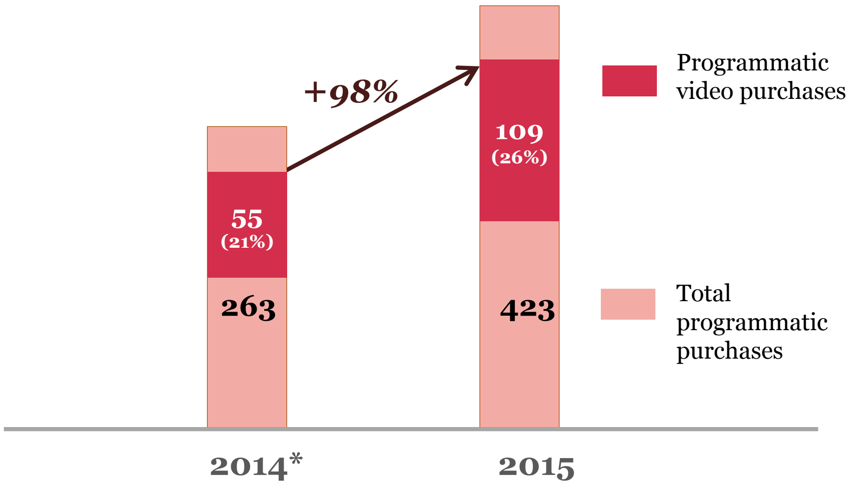
Share of instream and outstream video ad spending, 2015



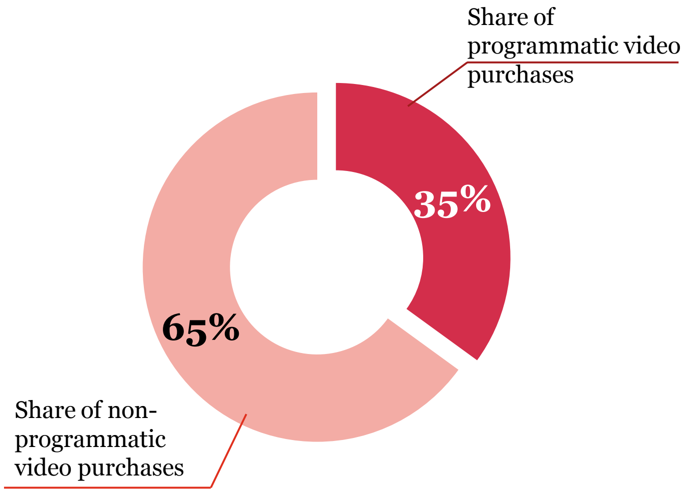
Sources: PwC analysis, SRI, UDECAM
** 2014: new perimeter*

Programmatic video growing fast

Share of video out of total programmatic spending in France, 2014*-2015
(€M)

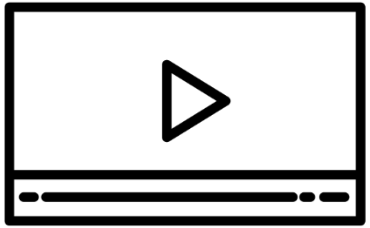


Share of programmatic video out of total video in France, 2015
(%)



Sources: PwC analysis, H1 2014 estimated based on SRI and UDECAM statements
** 2014: new perimeter*

Social video gained more ground in 2015



Distributed content emerging alongside user content

- **User-generated video continues to progress** on social networks (+75% of worldwide video content posted by users)
- In parallel, rise in distributed content: video publishers adapting their video formats and using social networks to expand their audiences. The video inventory is increasingly **premium**

Native and better-targeted videos

- **Precise targeting** of users, to improve the effectiveness of video ads whose potential is expanded through the growth of social networks (12% of videos viewed on desktops)
- **"Native" format** in user feeds to better engage them through rich, relevant, non-intrusive content

Sources: PwC analysis, SRI, UDECAM, Médiamétrie, Facebook

04

C

DISPLAY

Social is now crucial

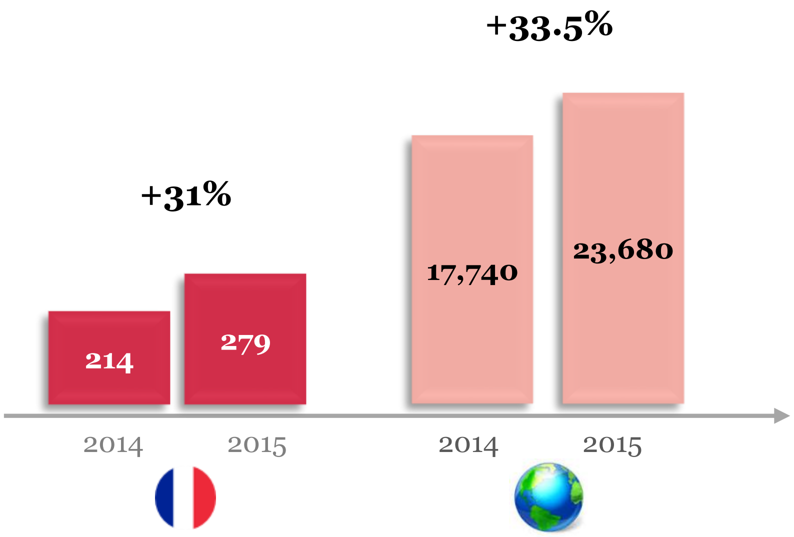
Display by buying mode

Display by format

Social as a share of total display

Social is rising rapidly, in France and around the world

Advertising revenue generated by social networks *(€M), 2014-2015*



9%

of digital spending in France was allocated to social networks in 2015 (compared with 7% in 2014)

EXCLUDING

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

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

Sources: PwC analysis, eMarketer, financial sources

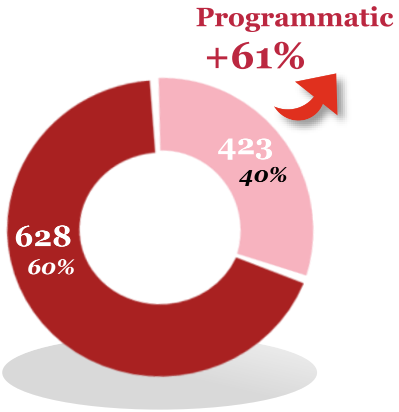
05

TRENDS AND OUTLOOKS

Accelerated growth in display in 2015, driven by four megatrends

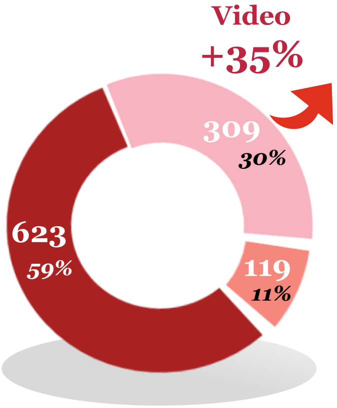
(in €M and as a % of display)

Breakdown of display, by buying method



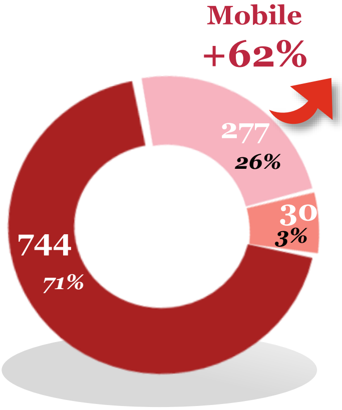
Non-programmatic display
Programmatic display

Breakdown of display, by format



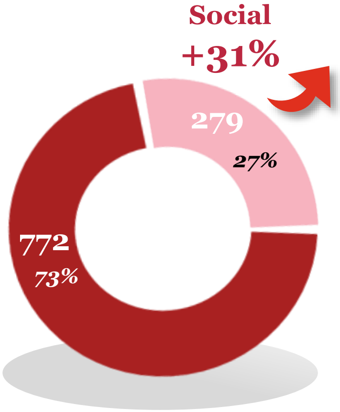
Classic
Video display
SOs

Breakdown of display, by device



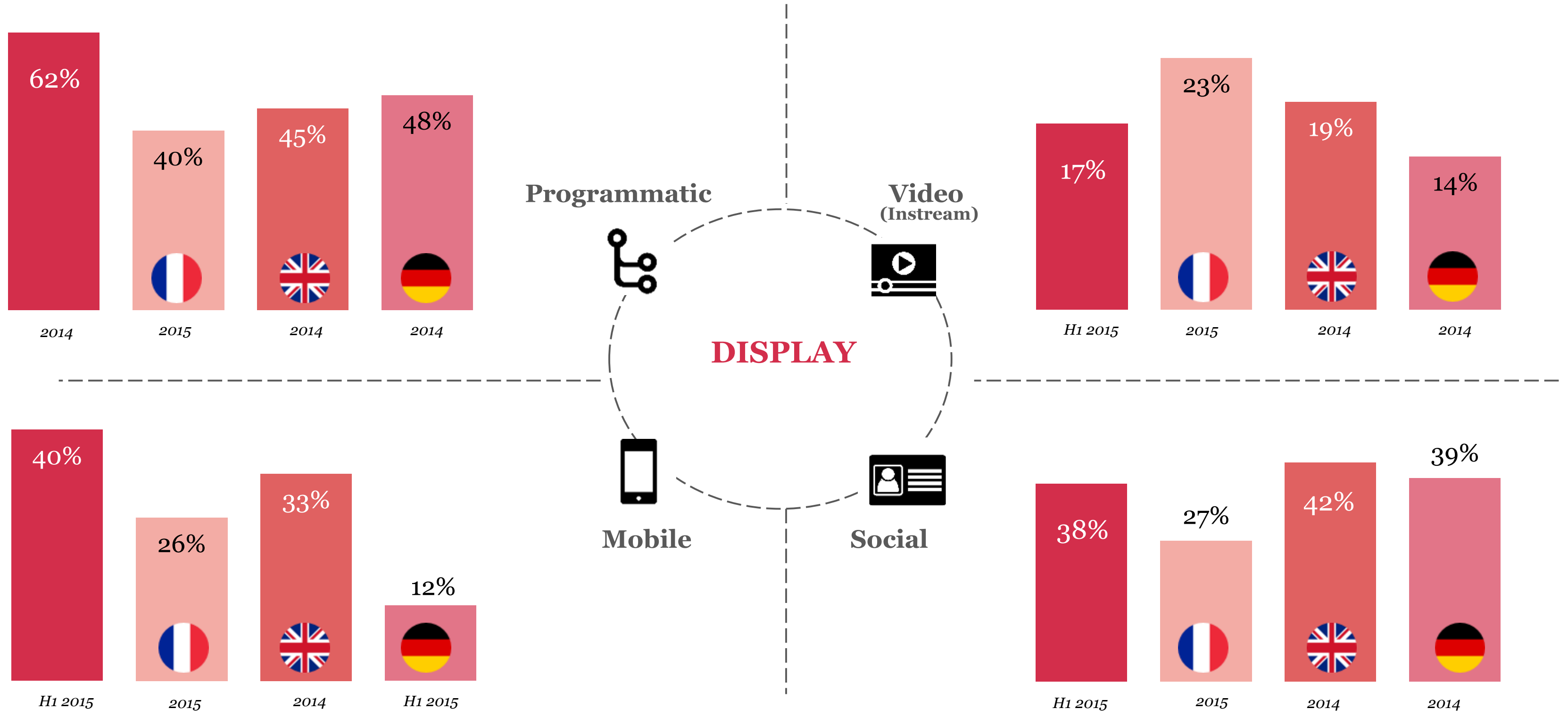
Desktop
Mobile display (incl. tablets)
IPTV

Share of social out of total display



Non-social display
Social display

French digital media mix characterized by a strong proportion of video and lesser shares of mobile and programmatic



Sources: IAB UK Digital Adspend Results H1 2015, IAB US Internet Advertising Revenue Report H1 2015, IAB Germany H1 2015 (BVDW)
IAB Europe Adex Benchmark 2014
SocIntel 360

2016 forecasts

Will 2016 be the year when digital exceeds linear TV spending?

Growth will be driven by a number of trends:

Mobile	Viewability	Cross-device	Quality	Programmatic
Mobile investments should align more closely with uses, namely driven by social and video Large platforms' efforts to capture mobile market share should accelerate this trend	The increasing integration of viewability measurement and brand safety issues will continue to reinforce the premiumization of display	Cross-device will continue to develop. Certain technical obstacles to tracking could be eliminated in 2016	In response to ad blockers, actors will continue to bolster the quality of their inventories and the development of native formats	Programmatic could account for more than half of total display in 2016. Mobile and video will help to support this growth

Contacts

Matthieu Aubusson, Partner, PwC Digital Services
matthieu.aubusson@fr.pwc.com

Sébastien Leroyer, Senior Manager, PwC Digital Services
sebastien.leroyer@fr.pwc.com

Hélène Chartier, President
hchartier@sri-france.org

Myriam de Chassey Waquet, Communications Manager
mdechassey@sri-france.org

Françoise Chambre, Executive Officer
francoise.chambre@udecam.fr