2017 Report
19th Edition – January 2018

#Obsepub

Observatoire de l'e-pub

présenté par

SRI LES RÉGIES INTERNET

réalisé par

pwc

en partenariat avec

UDECAM

We interviewed 32 actors for this study

Contents

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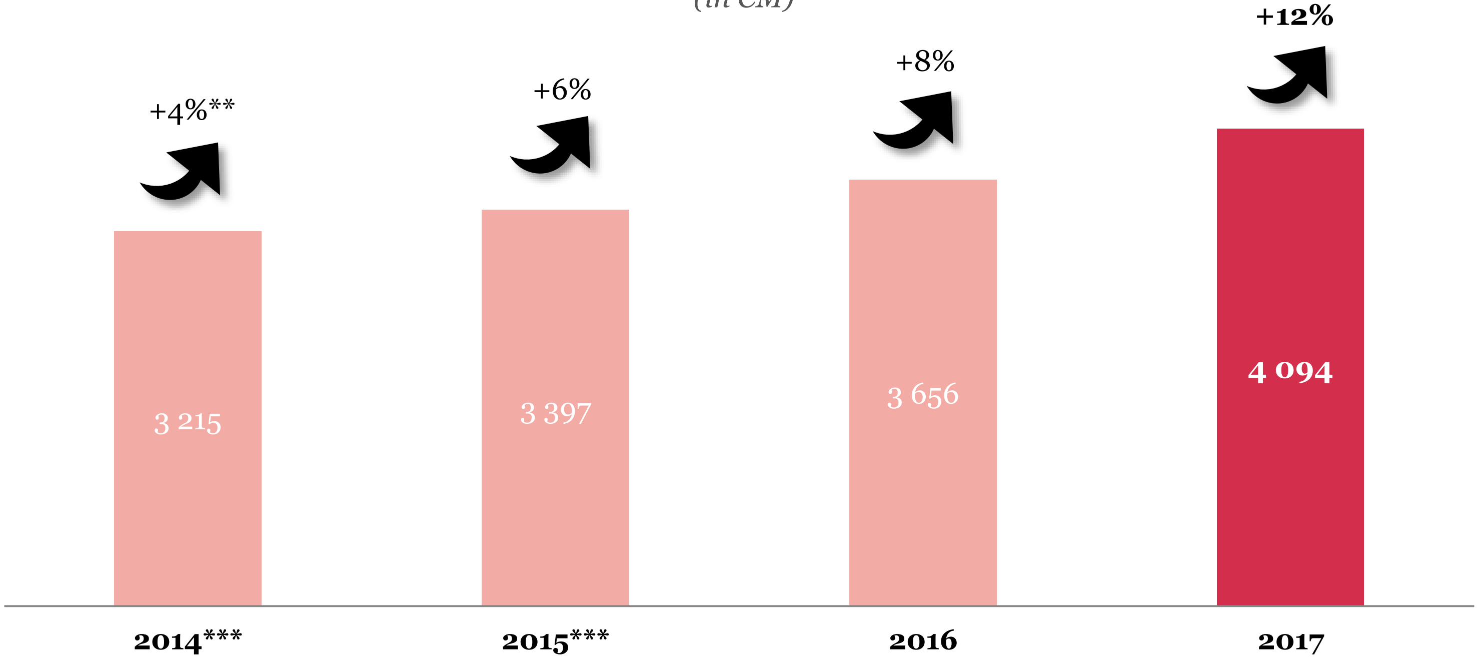
EVOLUTION OF THE DIGITAL ADVERTISING MARKET

Digital advertising market growth more pronounced in 2017, ending with a total worth of €4.1 billion

Annual evolution of the digital advertising market* in France

(in €M)

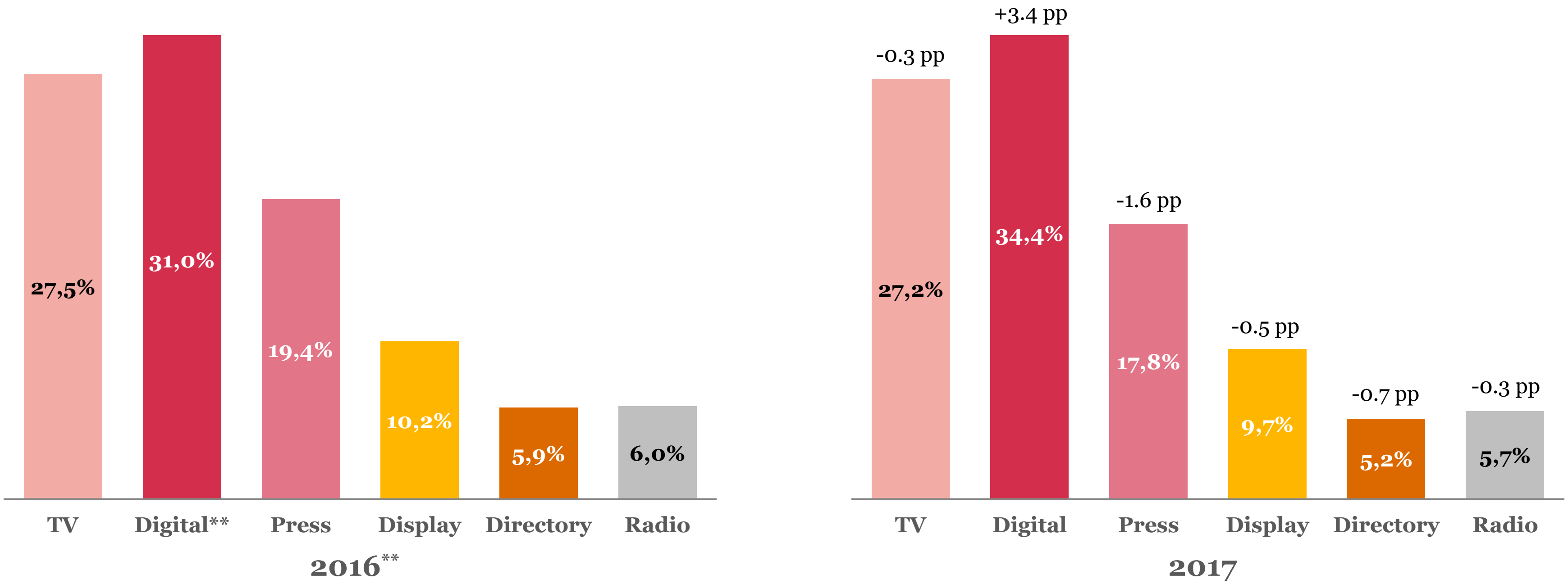


** Beginning with the 2017 edition, the E-Ad Observatory now includes (retrospectively) a broader perimeter for shopbots: banking/insurance, telecommunications, energy, etc., in addition to the usual shopping and travel bots*
*** Growth observed on the old perimeter *** New perimeters*
The perimeter 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.
Sources: PwC analysis, SRI and UDECAM statements, CPA, public information

An increased lead for digital over other media in 2017

Annual evolution of the advertising market in France

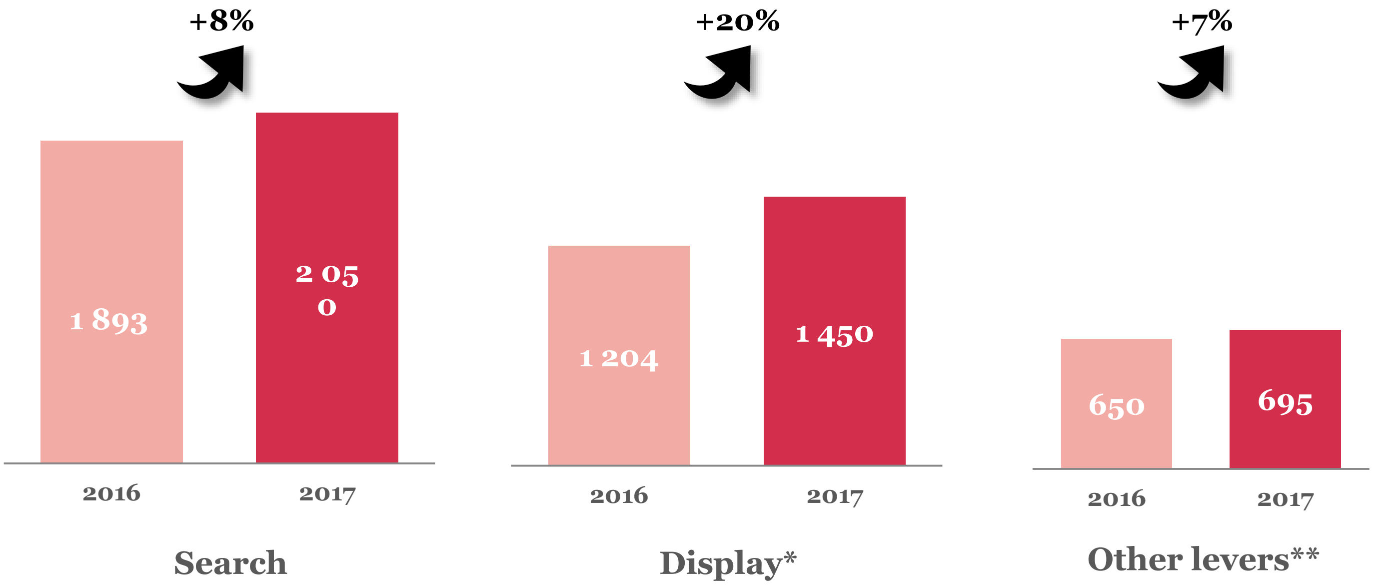
(as a share of media spending)*



Sources: SRI-IREP figures for 2016 and Q3 2017, PwC analysis and estimates, CPA
** Media: TV, radio, press, display, digital and directory*
** Beginning with the 2017 edition, the E-Ad Observatory now includes (retrospectively) a broader perimeter for shopbots: banking/insurance, telecommunications, energy, etc., in addition to the usual shopping and travel bots*

Strong growth in display and the dynamics of search contributing to the market's growth

Digital advertising media mix in France *(in €M)*



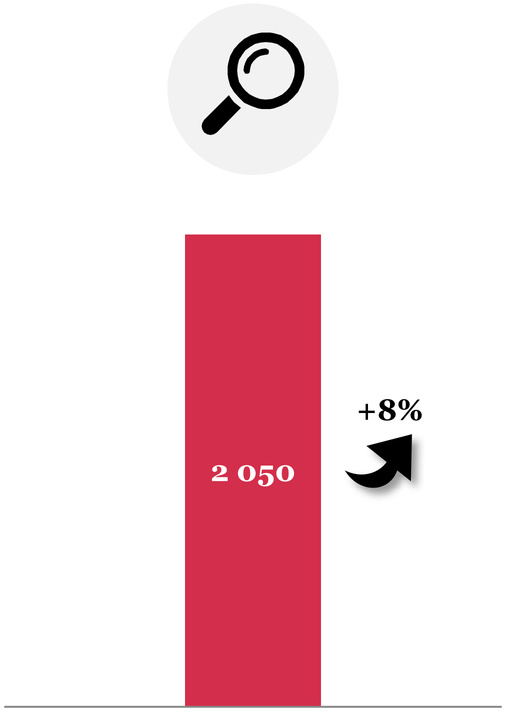
Share of the digital market*** *(as a %)*	Search	Display*	Other levers**
2016 ▶ 2017	52% ▶ **50%**	33% ▶ **35%**	15% ▶ **15%**

** Here, display includes all formats, all devices and all marketing methods*
*** Referrals, direct e-mail, shopbots, search and display all include local advertising. Beginning with the 2017 edition, the E-Ad Observatory now includes (retrospectively) a broader perimeter for shopbots: banking/insurance, telecommunications, energy, etc., in addition to the usual shopping and travel bots*
**** Calculation of the share of the total online market accounts for channel deduplication*
Sources: PwC analysis, SRI and UDECAM statements, CPA, public information

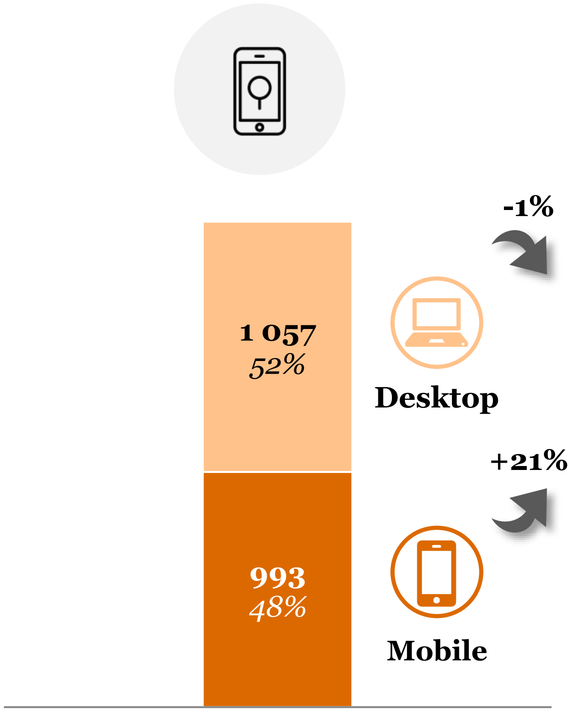
2

SEARCH AND OTHER LEVERS

Search market up 8% in 2017, driven by growth in mobile



Search (2017, m€)



Search distribution, desktop vs mobile (2017, in €M)

Sources: PwC analysis, SRI and UDECAM statements, public information

Other levers up 7% in 2017

Other levers*	€695M	+7%

Sources: PwC analysis, SRI and UDECAM statements, CPA, public information
* Beginning with the 2017 edition, the E-Ad Observatory now includes (retrospectively) a broader perimeter for shopbots: banking/insurance, telecommunications, energy, etc., in addition to the usual shopping and travel bots
** CPA member companies

3

DISPLAY STILL DRIVEN BY SOCIAL NETWORKS

Segmentation of the display advertising market

Actors	Formats	Buying methods	Devices
Social networks	Classic	Programmatic	Desktop
	Video		Mobile
Outside social networks	SOs	Non-programmatic	IPTV

Definition used by the Observatory

Definition of social networks

?

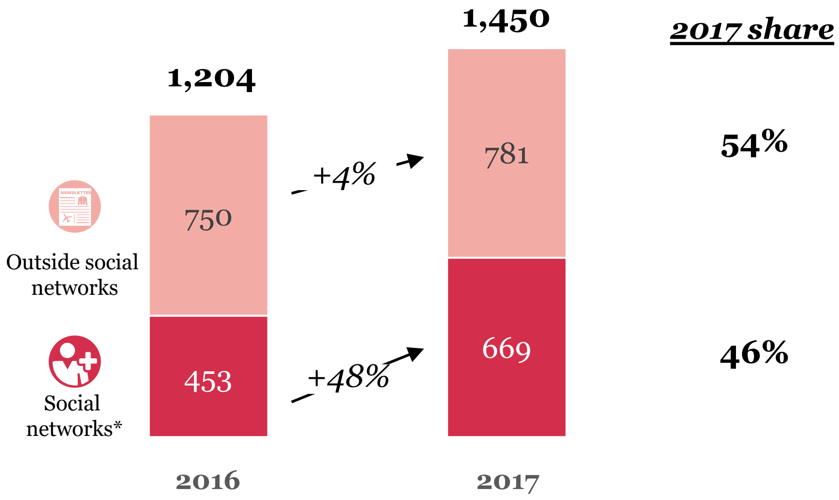
All of the websites and mobile sites that allow their users to build a network of acquaintances using tools and interfaces designed for interactions, presentations and communication.

For the purposes of this study, YouTube is not considered to be a social network. Our definition excludes owned media and earned media**.*

** Owned: a corporate page or account on a social network*
*** Earned: the brand's influencers and intermediaries on social networks*
Source: PwC

20% growth in display primarily driven by social networks

Annual evolution of the digital display market in France *(in €M)*



+48%

growth in social in France in 2017, compared with 2016

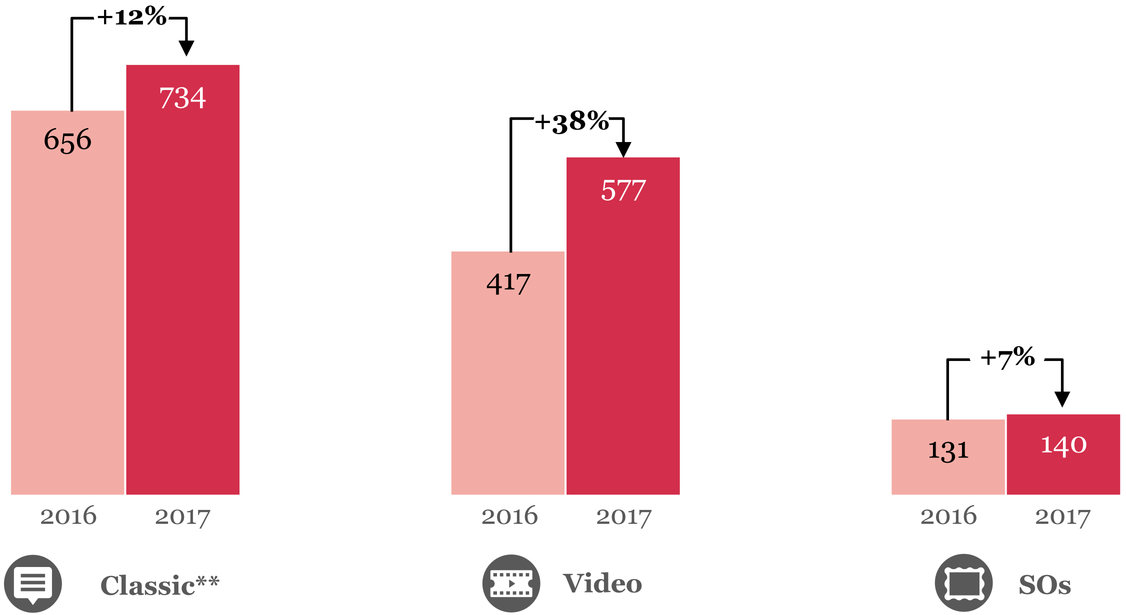
** Social networks, including all formats, all devices and all marketing methods (excluding YouTube)*
Note: Due to rounding, totals may differ slightly from the sum of the numbers
Sources: PwC analysis, SRI and UDECAM statements, public information

3A

GROWTH IN DISPLAY DRIVEN BY VIDEO

Video remaining dynamic in 2017, contributing to growth in display

Display* spending, by format *(in €M)* **and share of each format out of total display in France** *(as a %)*



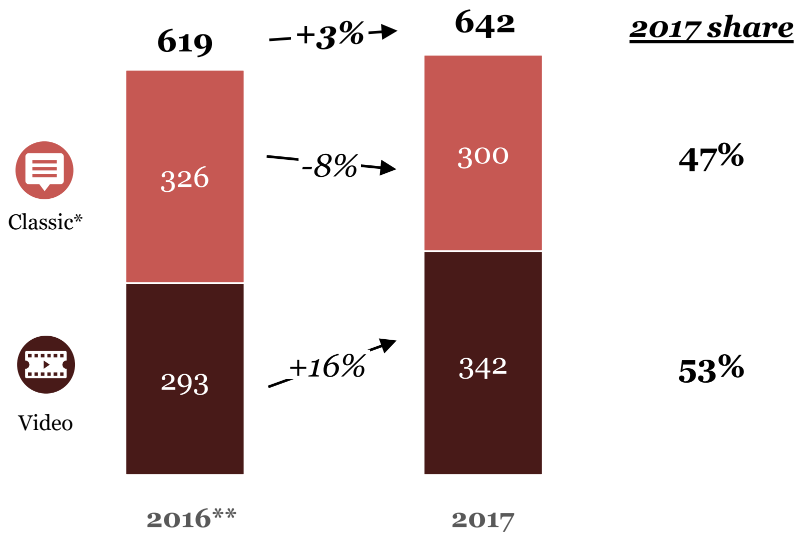
Share of display	Classic**		Video		SOs	
	54%	51%	35%	39%	11%	10%

** Display includes all formats (video, classic and special operations), all marketing methods (programmatic and non-programmatic) and all devices (mobile, desktop and IPTV)*
*** Classic display includes banner formats, native formats, suggestion modules & content links, for all marketing methods and all devices*
Sources: PwC analysis, SRI and UDECAM statements, public information

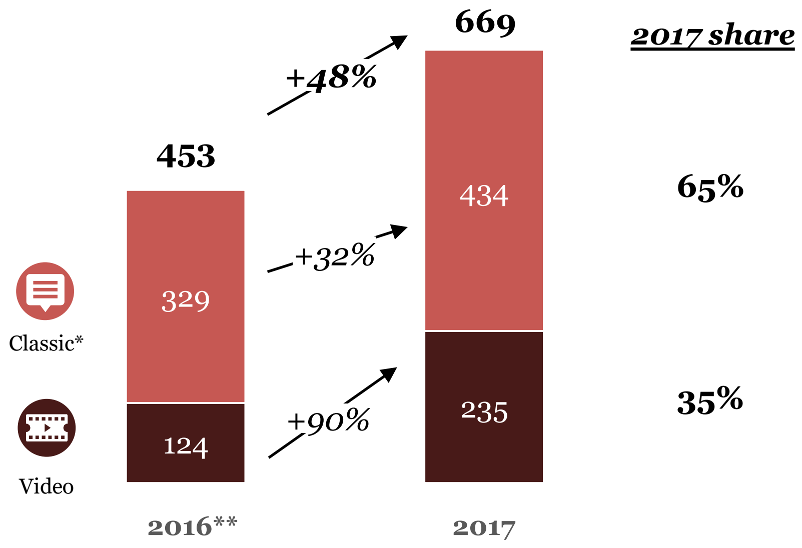
Uneven evolution by format among actors outside social networks

Formats

Evolution of display spending outside social networks, excluding special operations *(in €M)*



Evolution of display spending on social networks *(in €M)*

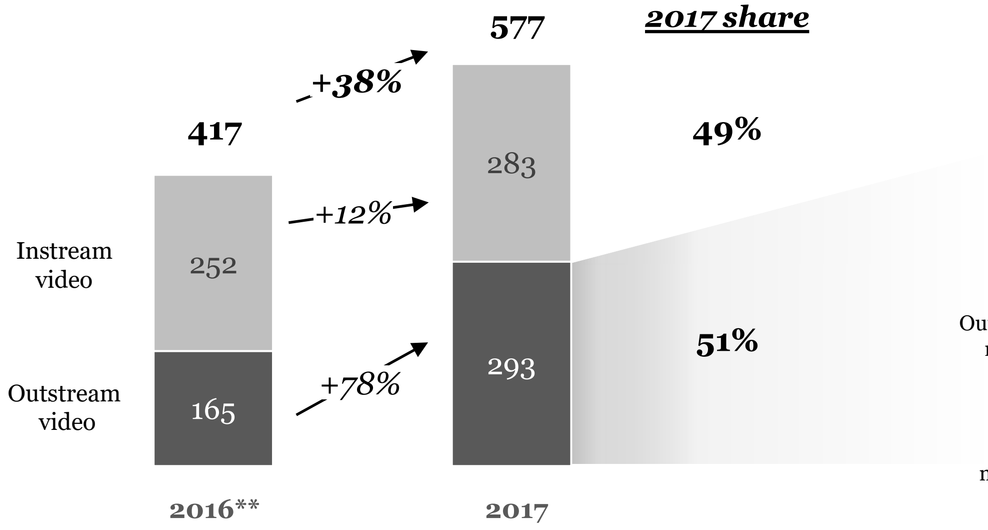


** Classic display includes banner formats, native formats, suggestion modules & content links, for all marketing methods and all devices*
*** The SN video perimeter was revised in 2016*
Note: Due to rounding, totals may differ slightly from the sum of the numbers
Sources: PwC analysis, SRI and UDECAM statements, public information

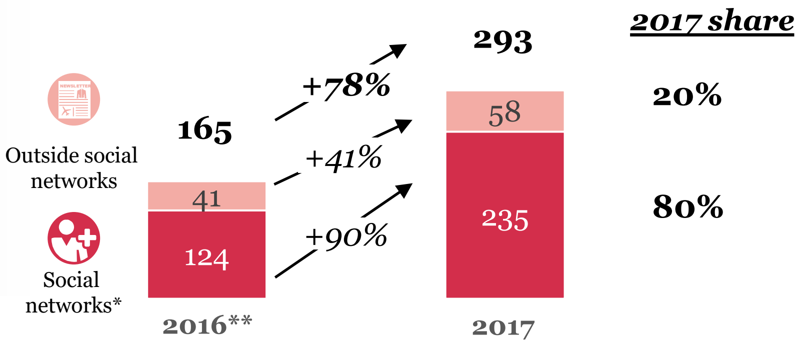
Formats

Video becoming primarily outstream under the influence of social networks

Evolution of instream vs outstream video* spending *(in €M)*



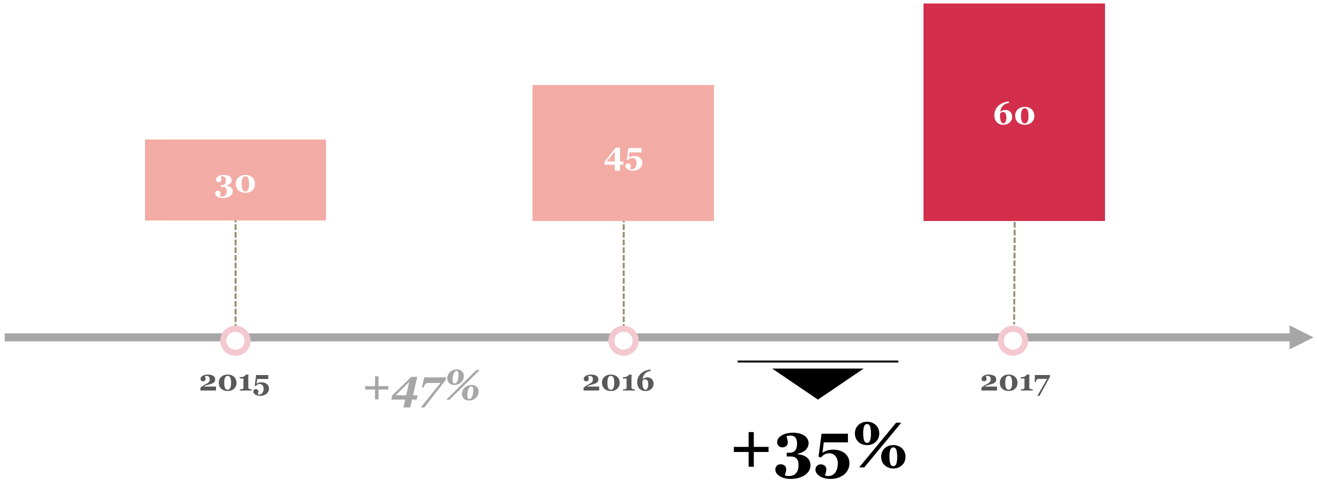
Evolution of outstream video* spending, social network share *(in €M)*



* All devices and all marketing methods
** The SN video perimeter was revised in 2016
Note: Due to rounding, totals may differ slightly from the sum of the numbers
YouTube is not counted as a social network
Sources: PwC analysis, SRI and UDECAM statements, public information

IPTV still growing strong

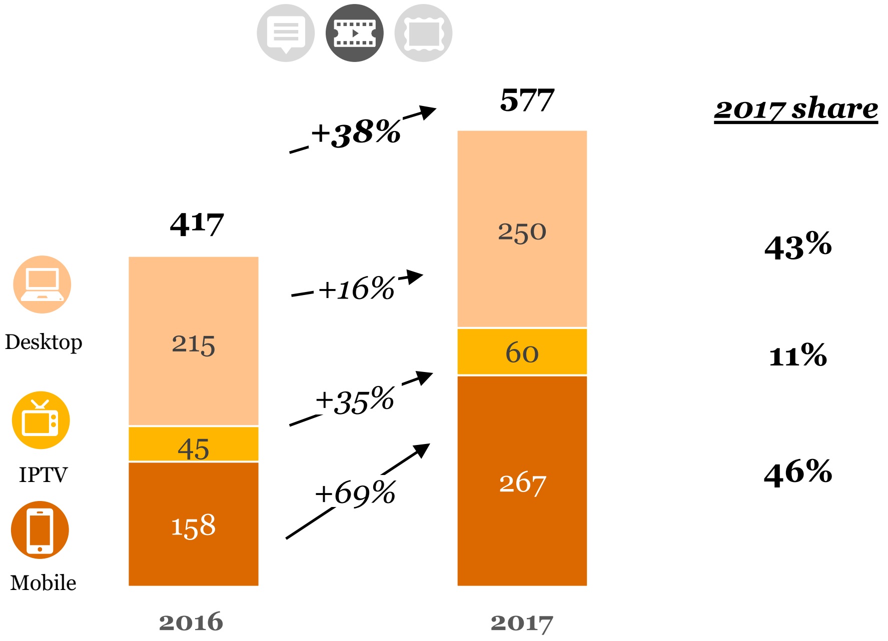
Evolution of IPTV display spending in France *(in €M)*



Sources: PwC analysis, SRI and UDECAM statements, public information

Mobile caught up to desktop for video spending

Evolution of ad spending on video display *(in €M)*



Note: Due to rounding, totals may differ slightly from the sum of the numbers
Sources: PwC analysis, SRI and UDECAM statements, public information

3B

PROGRAMMATIC CONTINUING TO RISE

Definition used by the Observatory

Definition of programmatic

?

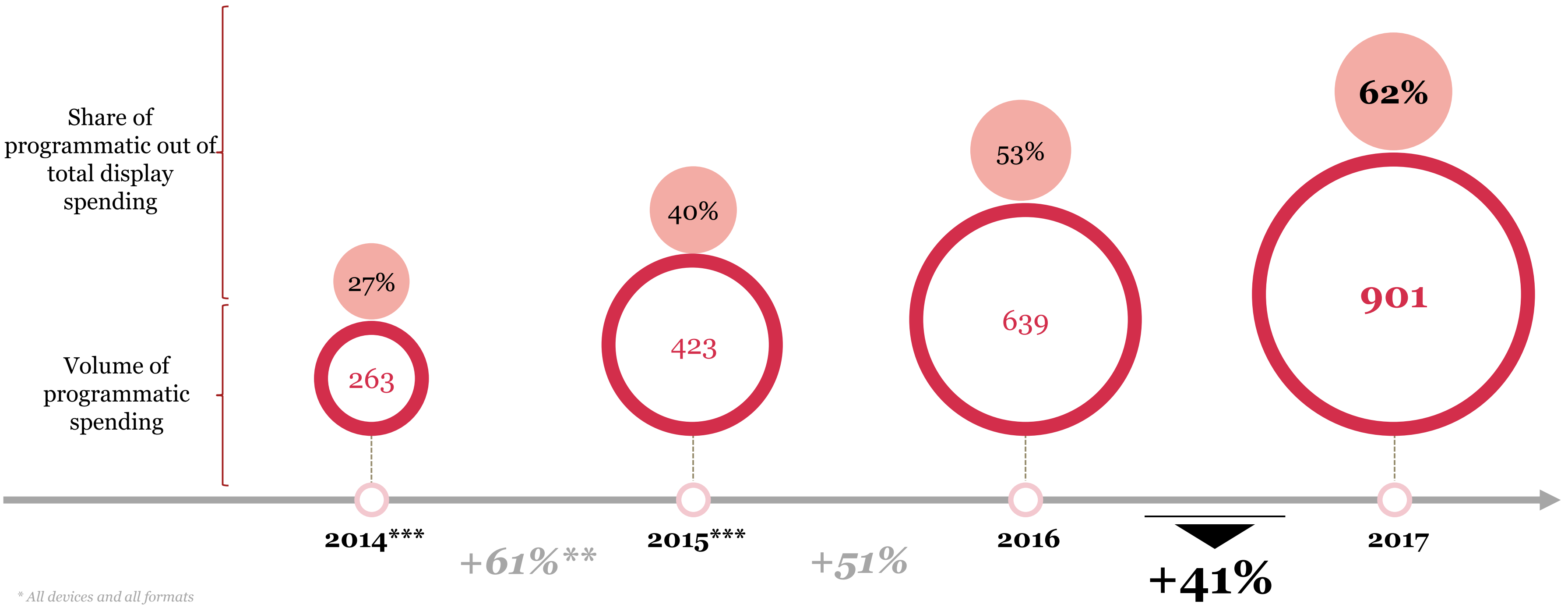
Inventory sold by automatically connecting buyers and sellers. It includes all automated sales models: guaranteed or not, fixed price or RTB, private marketplaces or open auctions, self-serve platforms or trading desks. Social network sales are also considered programmatic sales.

Source: PwC

Buying methods

Programmatic growth holding strong, accounting for 2/3 of display

Evolution of spending volumes and share of programmatic* out of total display spending in France *(in €M)*

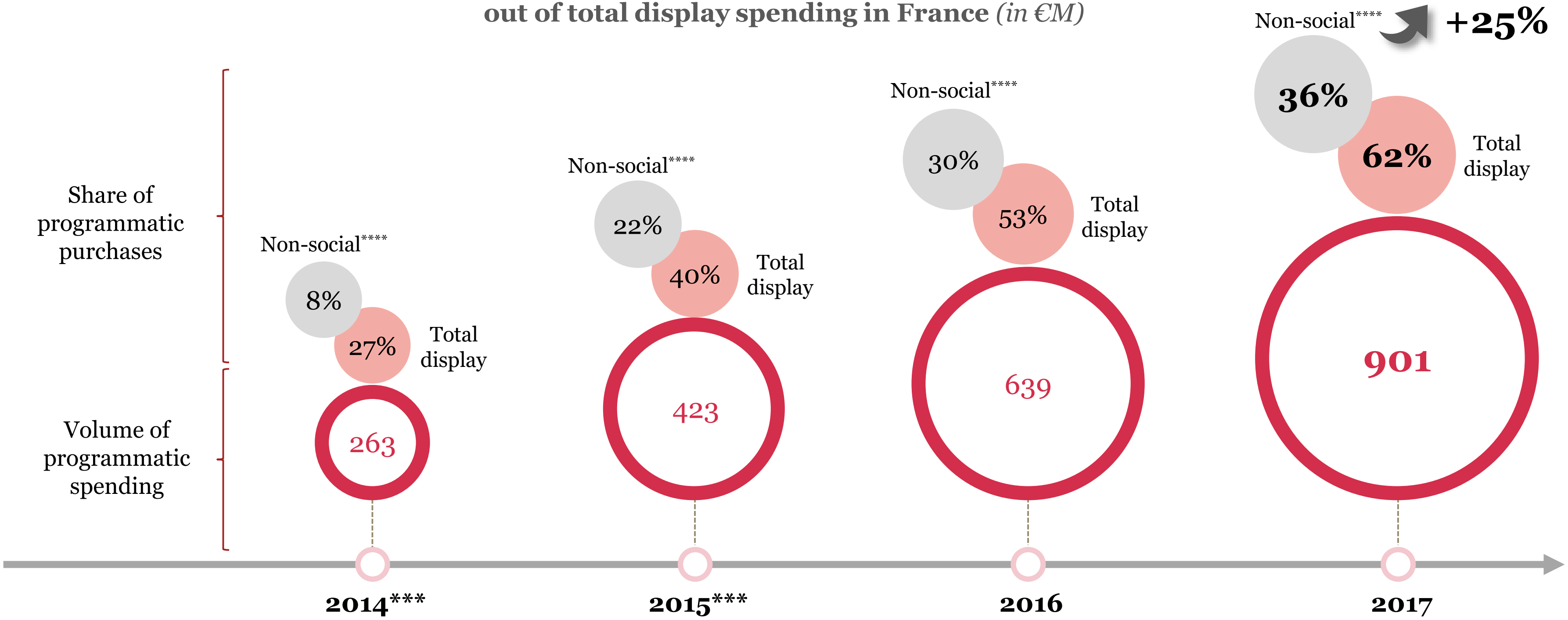


** All devices and all formats*
*** Growth observed on the old perimeter*
**** New perimeters*
***** Share of programmatic outside social networks and excluding special operations*
Sources: PwC analysis, SRI and UDECAM statements, public information

Buying methods

Outside social networks, programmatic on the rise with 36% of purchases

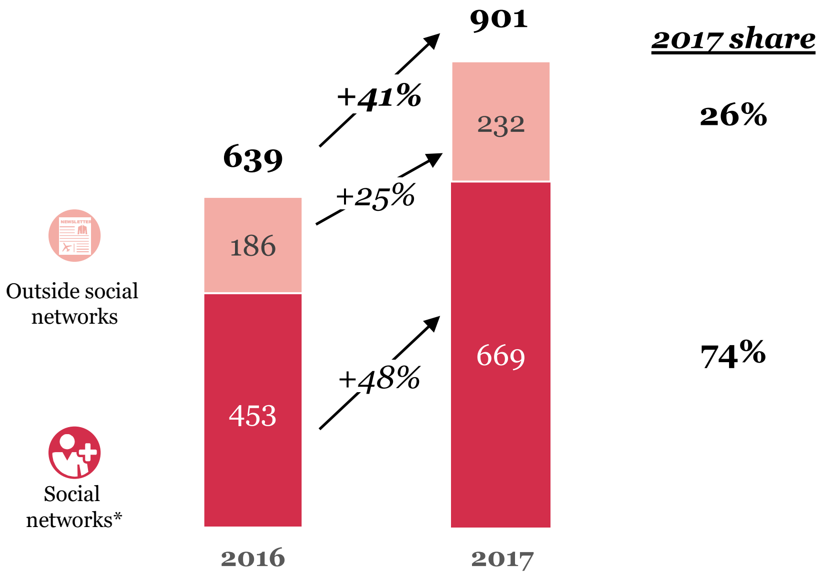
Evolution of spending volumes and share of programmatic* out of total display spending in France *(in €M)*



** All devices and all formats*
*** Growth observed on the old perimeter*
**** New perimeters*
***** Share of programmatic outside social networks and excluding special operations*
Sources: PwC analysis, SRI and UDECAM statements, public information

Social networks generating the most programmatic growth*

Evolution of programmatic* spending on display
(in €M)

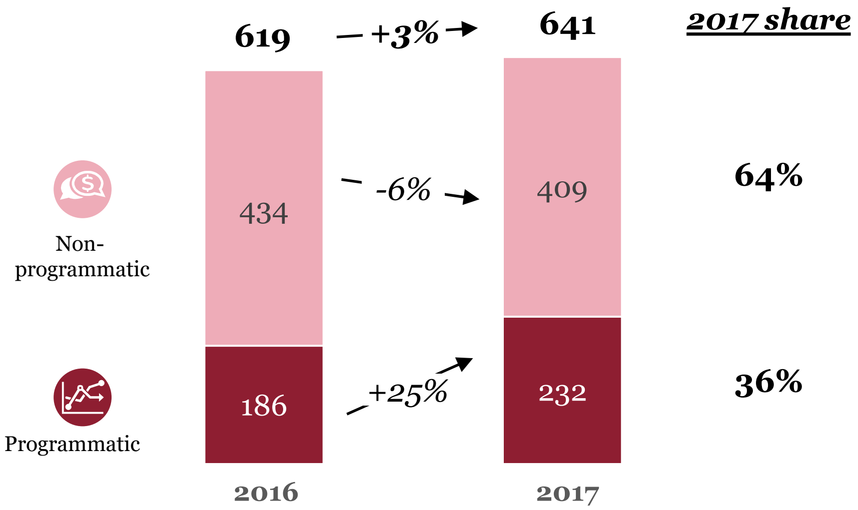


** All devices and all formats*
Note: Due to rounding, totals may differ slightly from the sum of the numbers
Sources: PwC analysis, SRI and UDECAM statements, public information

Buying methods

Outside social networks, spending continuing to shift toward programmatic

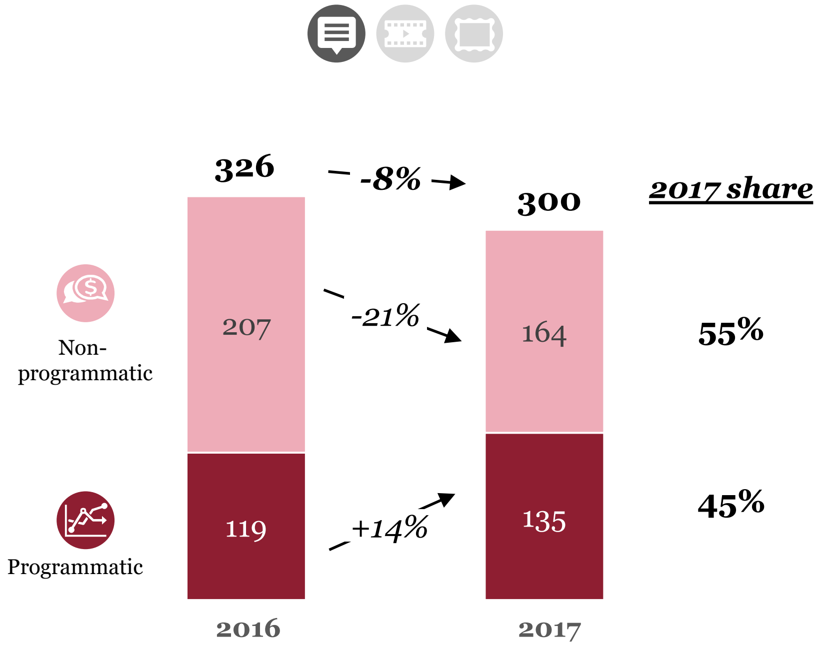
Evolution of display spending outside social networks,
excluding special operations *(in €M)*



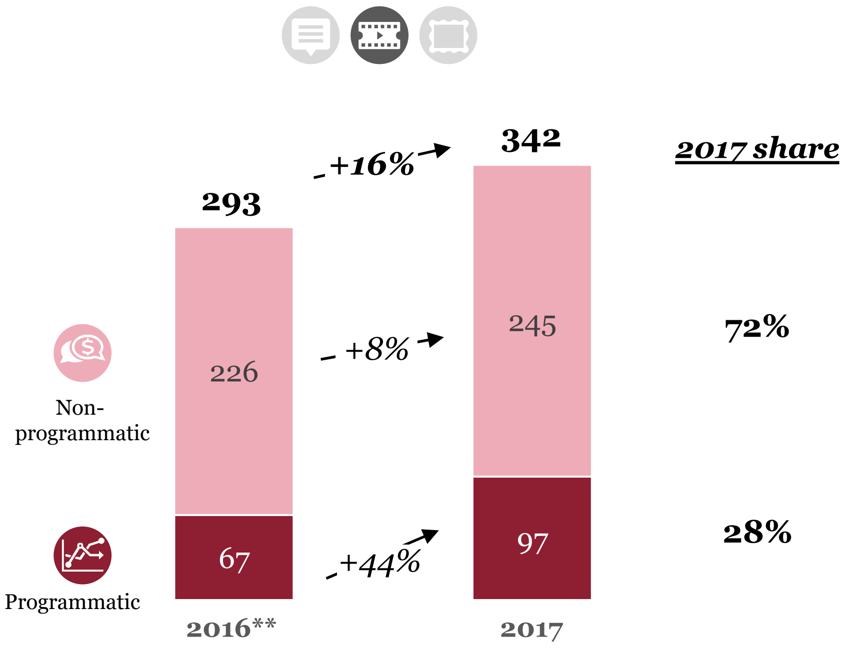
Sources: PwC analysis, SRI and UDECAM statements, public information

Outside social networks, programmatic on the rise for every format

Evolution of classic* display spending outside social networks, by buying method *(in €M)*



Evolution of video* display spending outside social networks, by buying method *(in €M)*



** All devices*
*** The SN video perimeter was revised in 2016*
Note: Classic display includes banner formats, native formats, suggestion modules & content links, for all marketing methods and all devices
Note: Due to rounding, totals may differ slightly from the sum of the numbers
Sources: PwC analysis, SRI and UDECAM statements, public information

Trends in programmatic

Private deals maintain their dynamics

Growth in private marketplaces is stronger than in open marketplaces. They reassure advertisers about inventory quality and give them better control over their budgets.

Header bidding continues to rise

Bringing multiple sources of demand into competition allows publishers to optimize their revenue and advertisers to better target their spending.

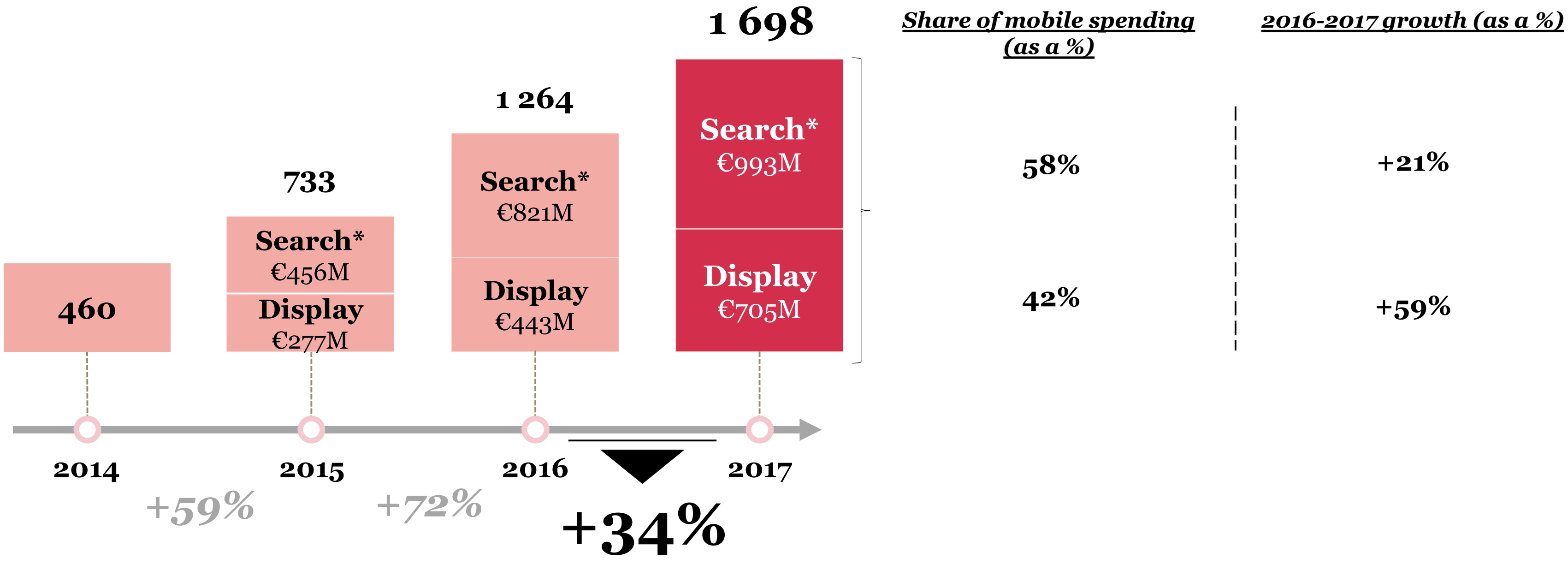
4

GROWTH IN MOBILE REMAINING HIGH

Devices

Continuing growth in mobile in 2017, particularly for display

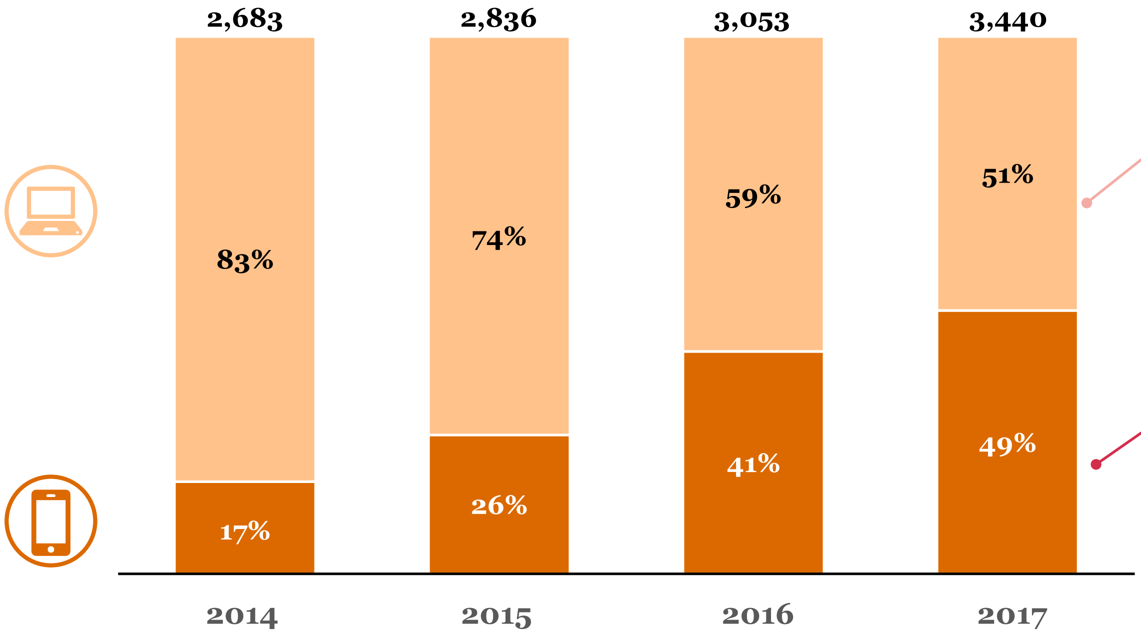
Evolution of mobile spending on <u>search* and display</u> *(in €M)*



** SEM*
Note: Due to rounding, totals may differ slightly from the sum of the numbers
Sources: PwC analysis, SRI and UDECAM statements, public information

Share of mobile catching up to desktop for search and display spending

Split between display and search* spending, by device *(in €M)*



Uses

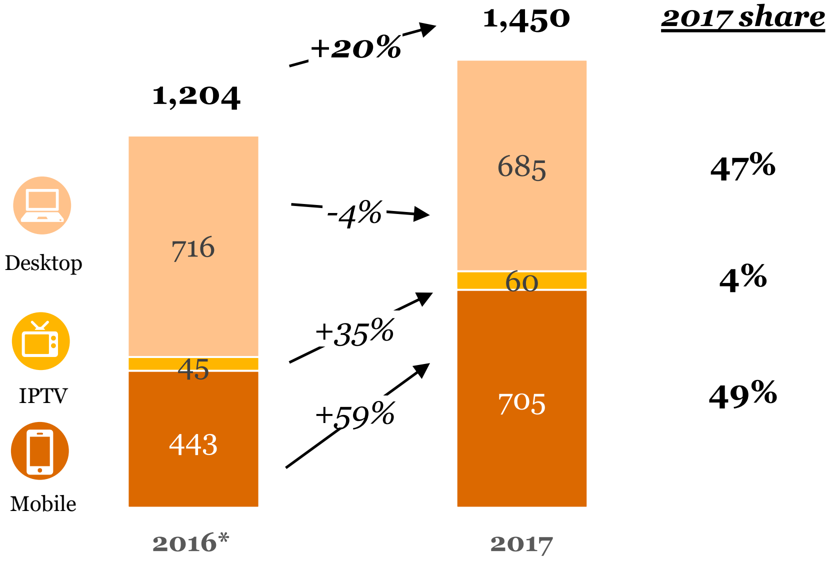
27%**
of site visits come from a desktop environment

73%**
of site visits now come from mobile devices

Inclusion of desktop and mobile (smartphones and tablets) for search and display, excluding IPTV
** SEM ** Médiamétrie, eStat'Web July 2017*
Sources: PwC analysis, SRI and UDECAM statements

Mobile pushing growth in display, where it has surpassed desktop

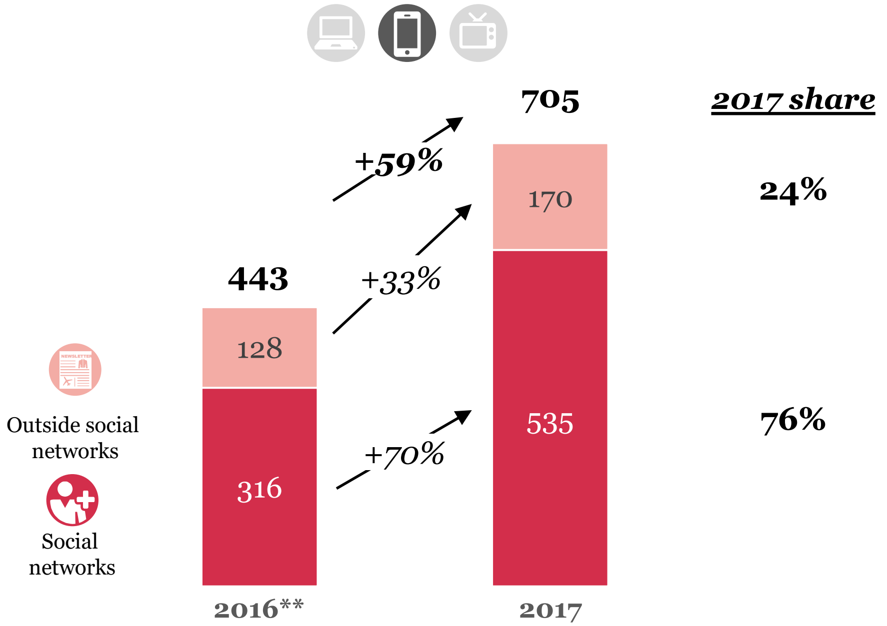
Evolution of display spending, by device *(in €M)*



*** The SN video perimeter was revised in 2016, involving a revision of IPTV*
Note: Due to rounding, totals may differ slightly from the sum of the numbers
Sources: PwC analysis, SRI and UDECAM statements, public information

Social networks still capturing 3/4 of mobile spending

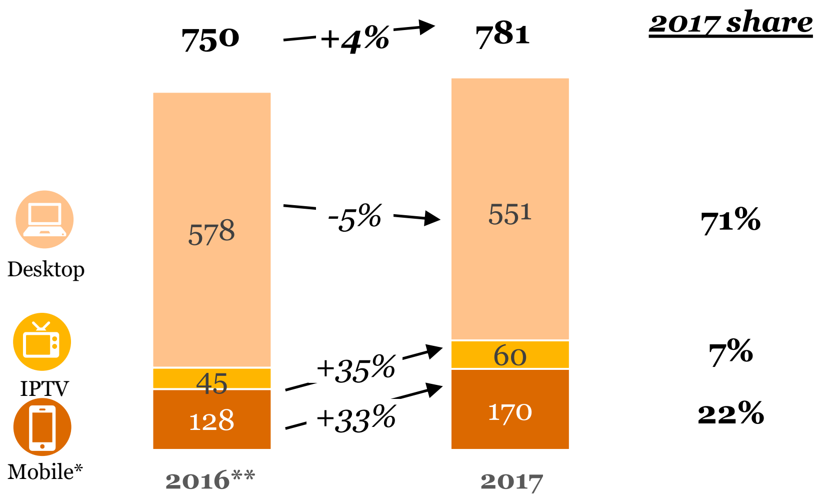
Evolution of display spending on mobile* (in €M)



** Smartphones and tablets*
*** The mobile/desktop distribution between on and off social networks was revised in 2016*
Note 1: Classic display includes banner formats, suggestion modules & content links, for all marketing methods and all devices
Note 2: Due to rounding, totals may differ slightly from the sum of the numbers
Sources: PwC analysis, SRI and UDECAM statements, public information

Spending outside social networks starting to shift toward mobile

Evolution of display spending outside social networks, by device *(in €M)*



** Smartphones and tablets*
*** The mobile/desktop distribution between on and off social networks was revised in 2016*
Note: Due to rounding, totals may differ slightly from the sum of the numbers
Sources: PwC analysis, SRI and UDECAM statements, public information

Trends in mobile

Rethinking mobile communications

As mobile is becoming the #1 screen, creative work needs to be done on mobile advertising formats and content. These evolutions must also be in line with the new constraints defined by the Coalition for Better Ads.

Mobile data and their accessibility are becoming key issues

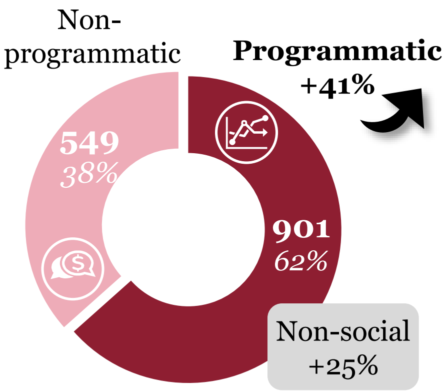
For mobile, the operating systems set the rules for accessing data. Advertisers are increasingly demanding metrics (KPIs like viewability, etc.), but these are still fairly undeveloped, especially within the ecosystem of applications.

5

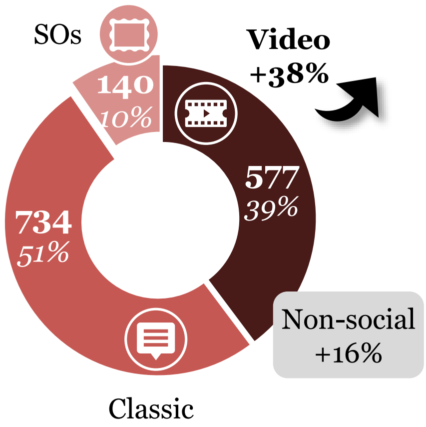
SUMMARY OF DISPLAY

Summary of the digital display advertising market in France

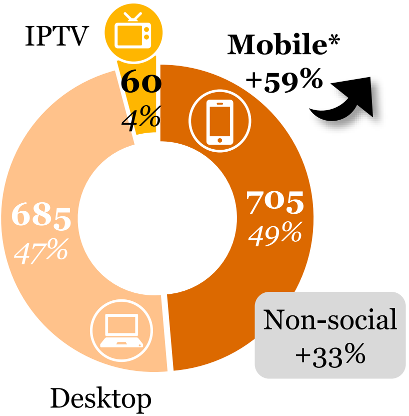
Breakdown of display, by buying method *(in €M)*



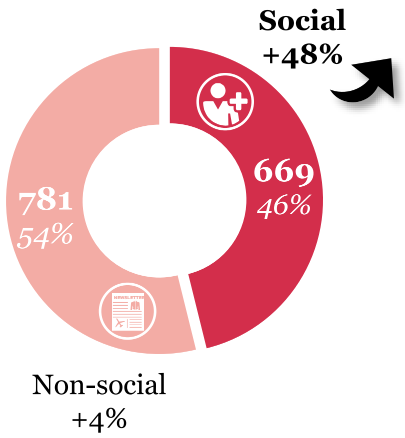
Breakdown of display, by format *(in €M)*



Breakdown of display, by device *(in €M)*



Share of social out of total display *(in €M)*



** Mobile = smartphones and tablets*
Note: Due to rounding, totals may differ slightly from the sum of the numbers
Sources: PwC analysis, SRI and UDECAM statements, public information

Major trends in display

Metrics, viewability and brand safety are becoming prerequisites

Advertiser expectations regarding these KPIs are on the rise. Total transparency in these metrics is vital, and third-party vendors are now needed.

UX is a central concern

Actors are becoming aware of their responsibility for offering user-friendly ads, in order to deal with ad blockers and arouse user interest, by offering high-quality formats and content.

Market stakeholders work together to establish quality standards

To improve the key aspects of brand safety, viewability, fraud prevention & UX, to develop standards: Digital Ad Trust Label and Coalition for Better Ads.

These projects pushing for greater quality will require significant investments on the part of publishers. Nevertheless, when advertisers make buying decisions, price often remains the most important criterion.

Data are key to add value to impressions

High-quality data are needed to offer effective targeting and to increase the value of ad inventories. To be able to offer alternatives to GAFA, publishers are organizing and are pooling their data, for example through Gravity and Skyline.

The GDPR should have a positive impact on the market

The GDPR (European General Data Protection Regulation) should help to rationalize the use of personal data, although the regulation's business impact is still hard to determine, due to the huge scope of the compliance projects.

Impact of the ePrivacy Regulation remains uncertain

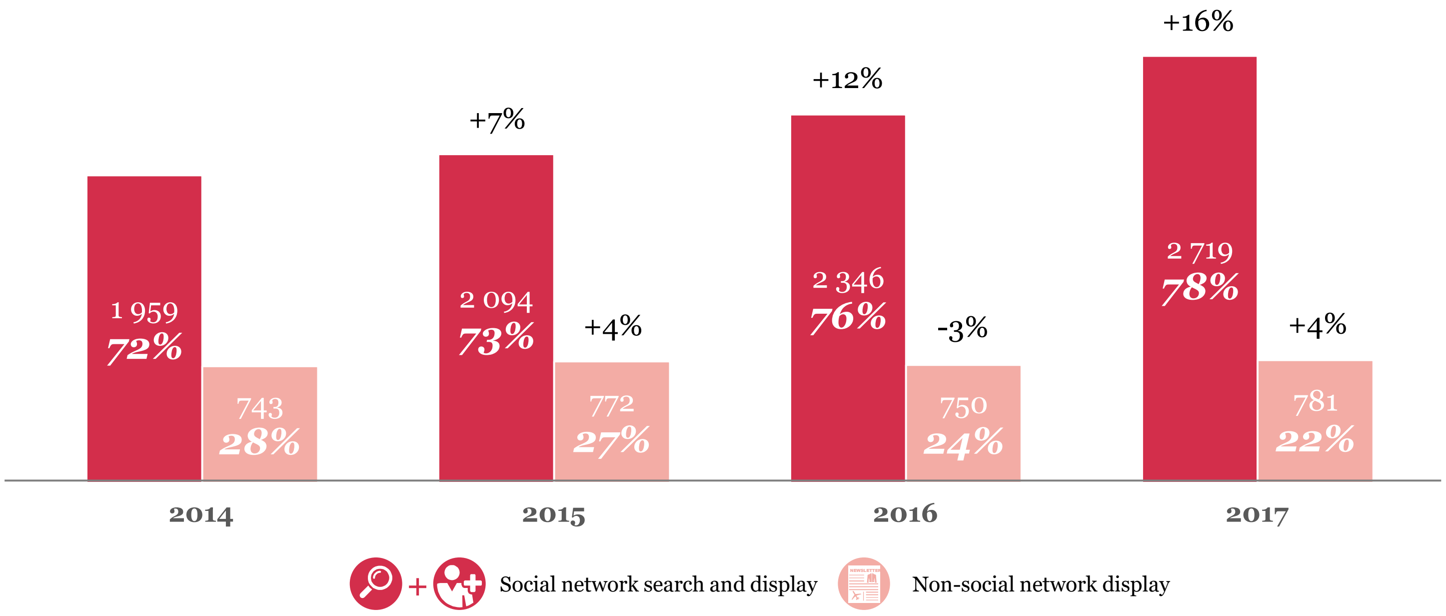
Actors in digital advertising are wondering about the final content of the ePrivacy Regulation. Some doubt exists as to the changes it might effect, in terms of the balance of power between GAFA and other actors, as well as the future of free content with ads.

6

KEY TRENDS

Search and social networks representing 78% of the combined display and search market, primarily captured by two actors

Breakdown of spending between social network search and display and non-social network display, and share of the total* *(in €M and as a %)*

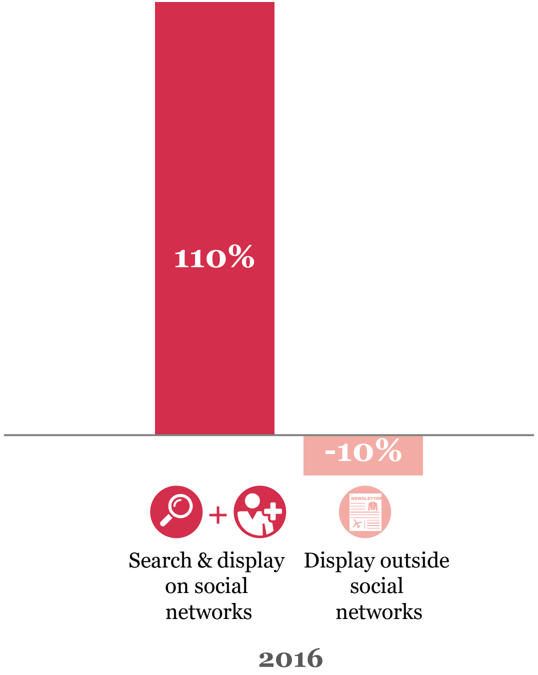


For mobile, the share of social network search and display is **90%** *(stable vs 2016)*

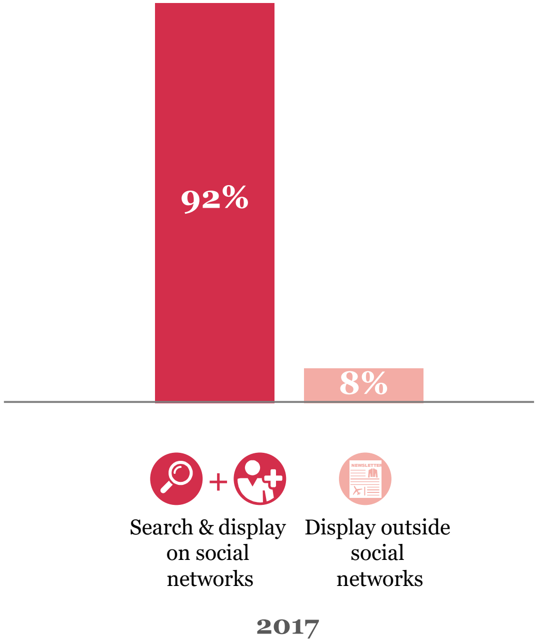
** Digital market, excluding other levers*
Sources: PwC analysis, SRI and UDECAM statements, public information

Social network search and display accounting for the lion's share of the market's growth

Search and display contribution to growth, 2016
(as a %)



Search and display contribution to growth, 2017
(as a %)



Sources: PwC analysis, SRI and UDECAM statements, public information

Forward-looking trends

The development of voice assistants will create new uses

In the years to come, interactions with voice assistants will ramp up significantly, with creativity and share of voice becoming issues for brands. The associated advertising business model still remains to be defined.

More complicated buying paths could force attribution models to change

The increasing number of points of contact and more complicated buying paths call the historical last-click attribution model into question. New metrics are now being considered for a better redistribution of value between the different actors.

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