1st Half of 2015
14th Edition – July 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

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

Actors interviewed for the report

Contents

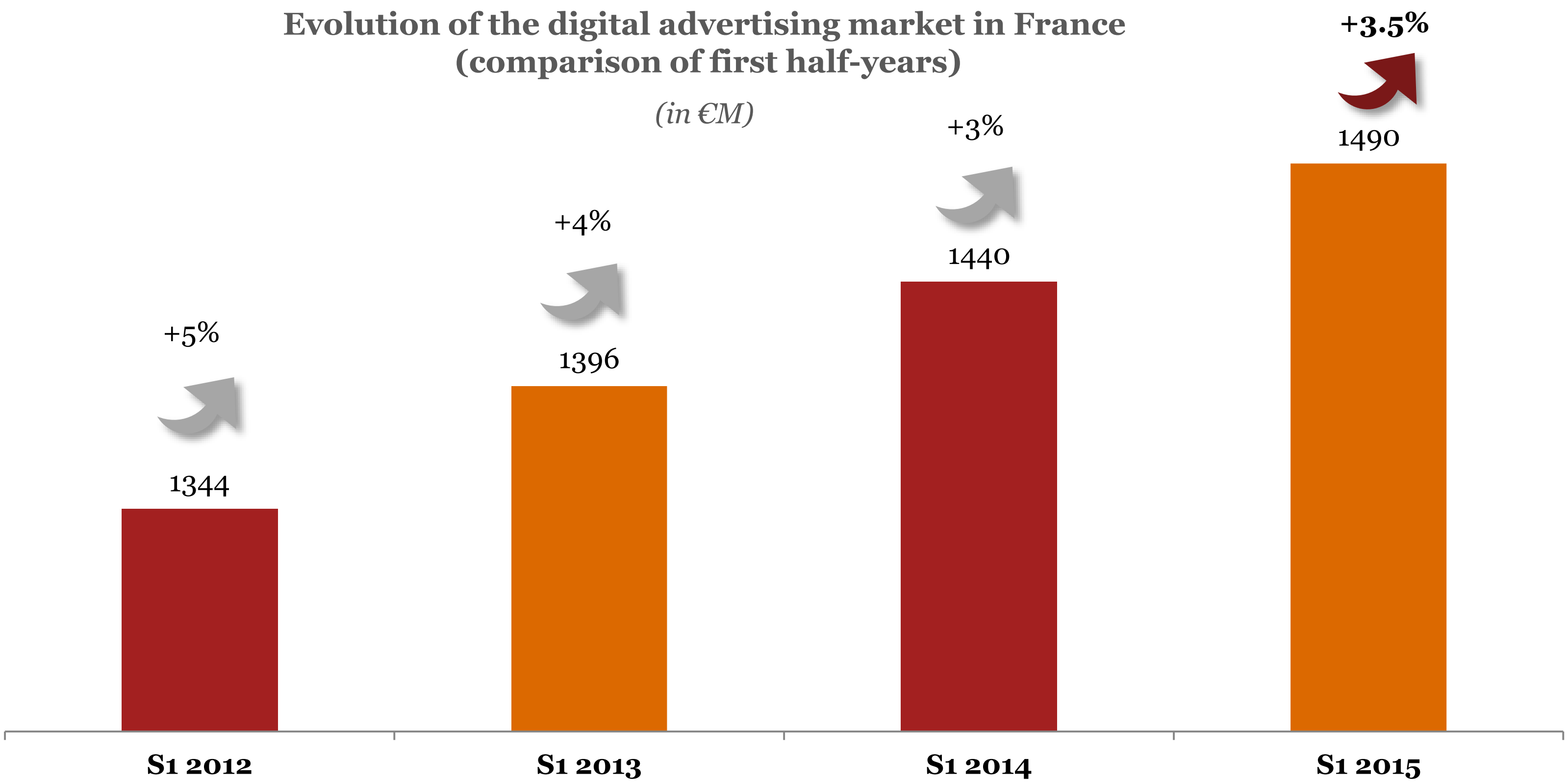
01

A

EVOLUTION OF THE DIGITAL MARKET

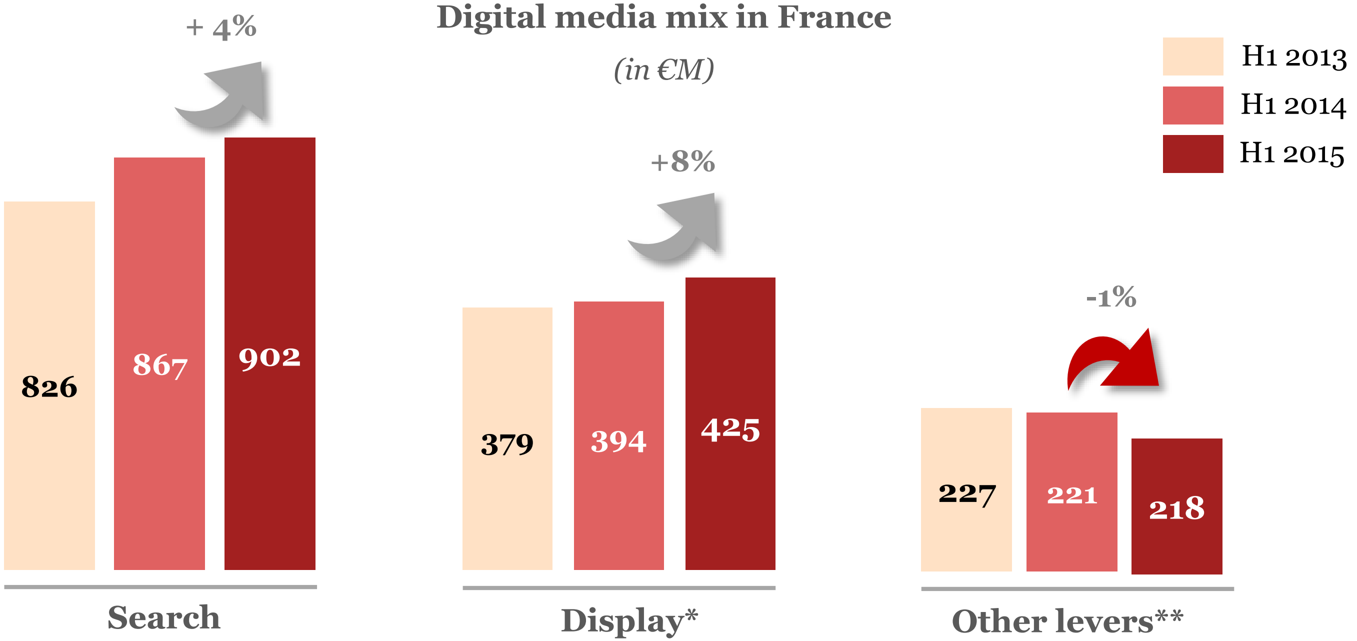
General trends

Digital advertising up 3.5%, compared with H1 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.

The trend observed in 2014 continues, with display advertising still dynamic in H1 2015



Share of digital	***58%***	***28%***	***14%***

Sources PwC analysis, SRI, UDECAM

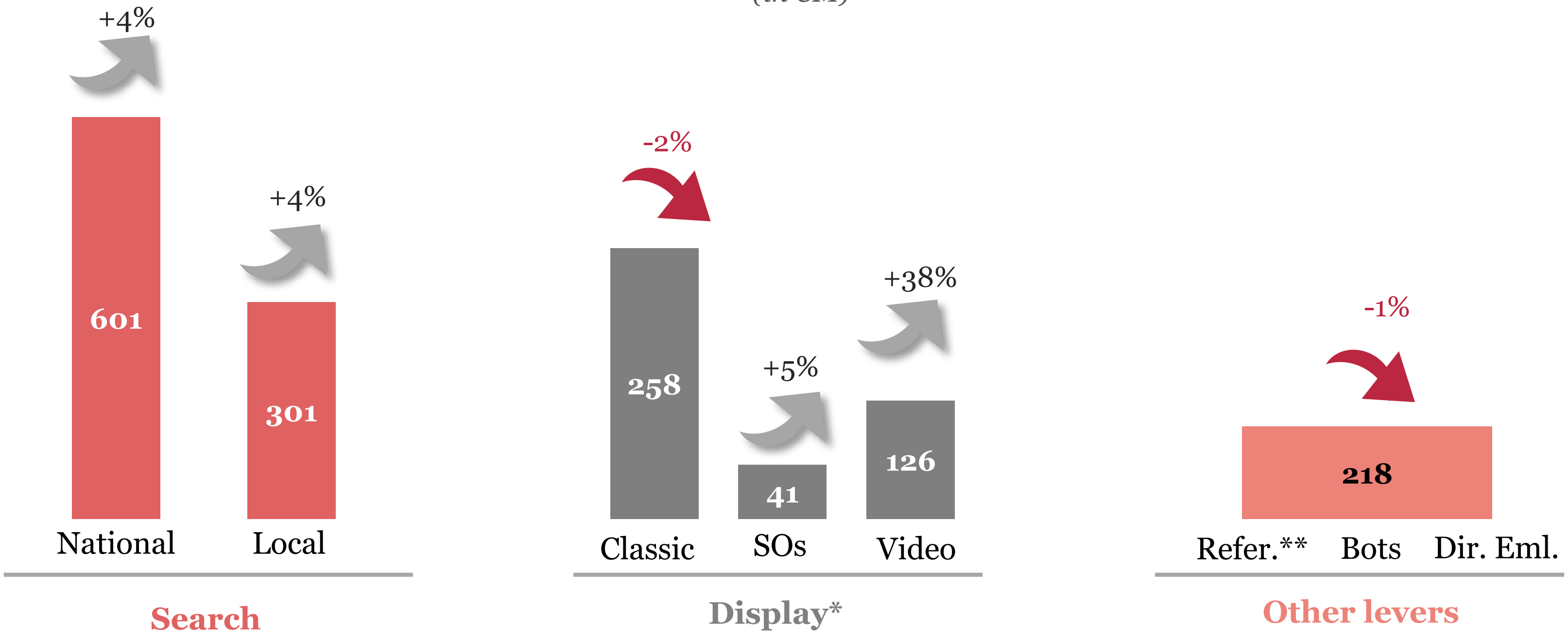
** Here, display includes all formats, all devices and all*

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

2014 market dynamics extending into H1 2015

Digital media mix in France, H1 2015 – Detailed breakdown

(in €M)



Sources PwC analysis, SRI, UDECAM

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

*** Revenue from referrals players includes their revenue from diversification / CPA estimates.*

01

B

EVOLUTION OF THE DIGITAL MARKET

Search engines and other levers

Search remains dynamic, driven by mobile

**Search*\
4%**

€902M

Audiences shifting to mobile

Mobile

- Highly dynamic mobile search engine marketing *(requests > 36% overall, +15 points in one year)*
- Shift in mobile-first strategies *(boost in referencing for mobile-optimized sites, with a preference for AdWords for mobile)*

New formats strengthening multi-channel approaches

From searches to direct contact

- Development of formats for rapid offline contact, such as "**call-only**," which puts the consumer in direct contact with the advertiser, without having to visit its website

Local and global players combining forces

Complementarity between players

- Solocal partnership with Bing and Google to make search engine advertising more accessible to local B2B advertisers

Sources PwC analysis, SRI, UDECAM, Marin Software
** SEM*

Other levers still down, despite a slight upturn from 2014

-1%
Other levers

Referrals

- Advertisers adjusting the balance in their budgets for the different channels, due to more moderate use of deduplication based on the last click
- Diversification of revenue for referral providers (mobile, performance-based display, etc.)

Shopbots

- A trend continuing from 2014, after Google's change in algorithm last year
- New Google rules in effect since April 2015 should be less unfavorable to shopbots *(privileging responsive websites and the content of indexed applications)*

Direct E-Mail

- Continued growth in retargeting e-mails
- Consumers are increasingly reading their e-mails on their mobile devices: 40% of e-mail is now opened on smartphones or tablets
- Ramp-up of dynamic creative optimization (DCO), which will come into its own in direct e-mails in 2015

Sources PwC analysis, SRI, UDECAM, Ocito 2014 barometer – MMA and 1000 Mercis

New dynamics for SEM, thanks to data and new mobile formats

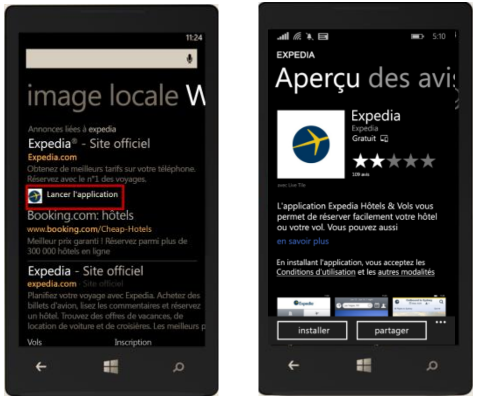
Solocal – "Adhesive," retargeting for local advertisers

A solution based on Yellow Pages data, used to ***identify pre-purchase web users and retarget them on other media****.*

After running a search *on the yellow pages search engine at pagesjaunes.fr, pre-purchase users are* ***re-exposed to premium display campaigns*** *that are relevant to their searches, on media outside pagesjaunes.fr.*

Bing – Drive-to-apps, the adoption of applications through mobile searches

The app extension ***adapts to the device or search engine used by the consumer.***

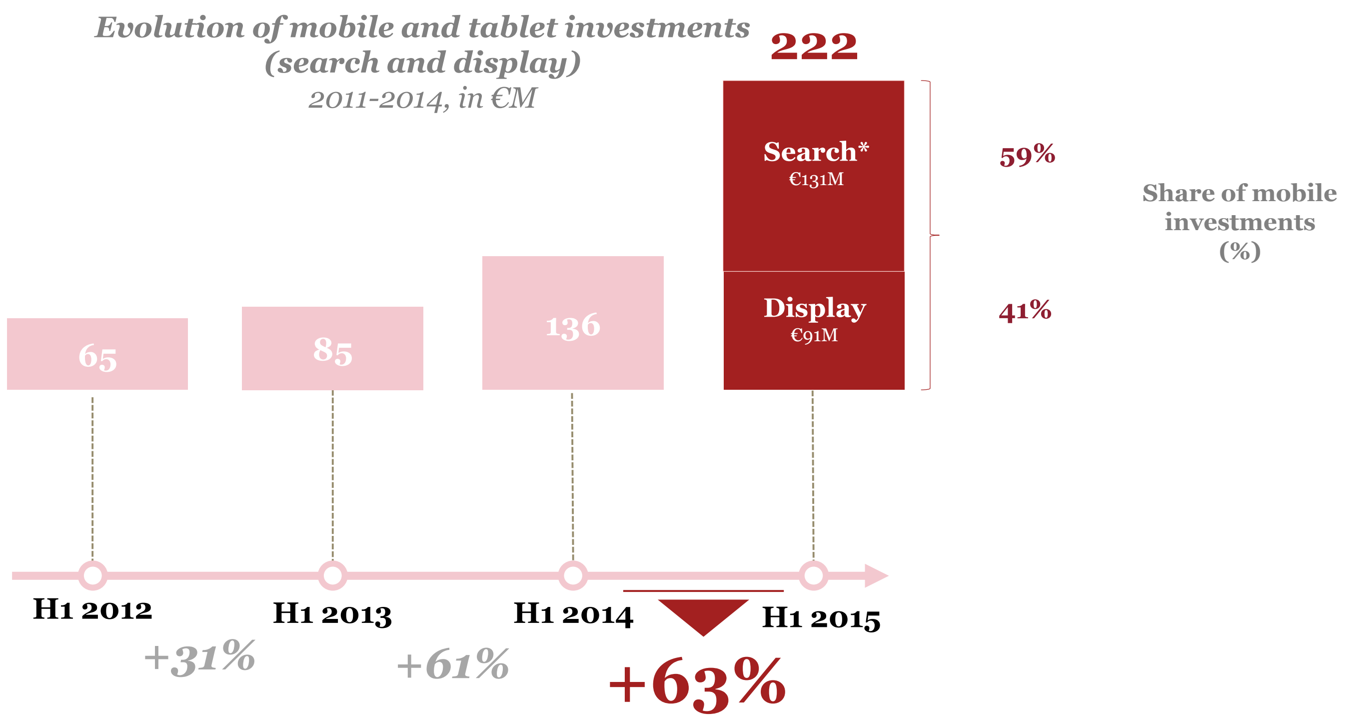


With a single click, users can install an application *on their mobile devices from the app shop.*

02

MOBILE STILL DRIVING GROWTH

Sustaining growth in mobile advertising in France in the first half of 2015



Mobile and tablet display + search engine figures, including local

** SEM*

Sources: PwC analysis, SRI, UDECAM

Similar mobile growth for display and search advertising

Evolution of mobile and tablet investments (search and display)
(H1 2014 - H1 2015, in €M)

Display

+63%

Mobile display advertising between H1 2014 and H1 2015

Search*

+63%

Mobile search engine marketing between H1 2014 and H1 2015

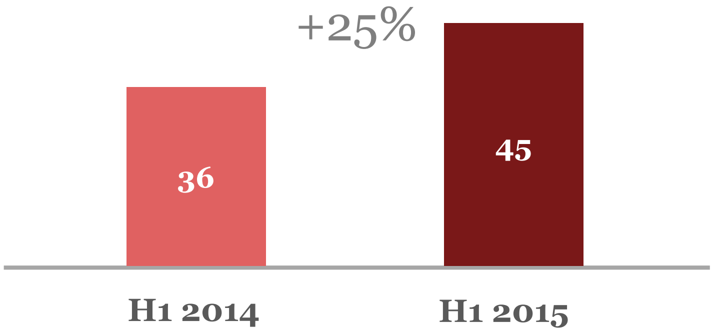
Mobile and tablet display + search engine figures, including local

** SEM*

Sources: PwC analysis, SRI, UDECAM

Social networks largely support growth in mobile

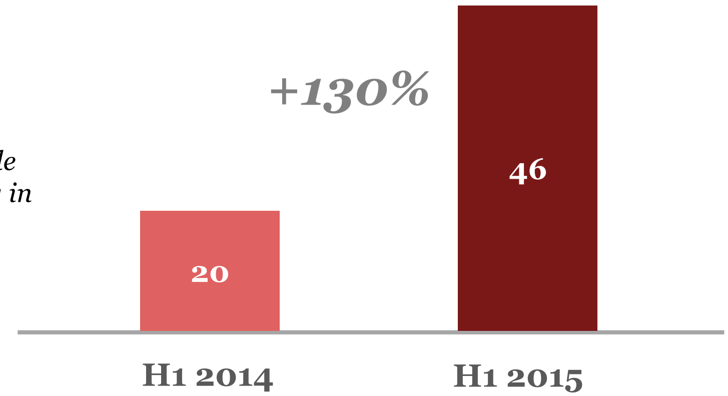
Mobile display advertising excluding social networks (France, in €M)



51%

Share of social networks in mobile display advertising in H1 2015

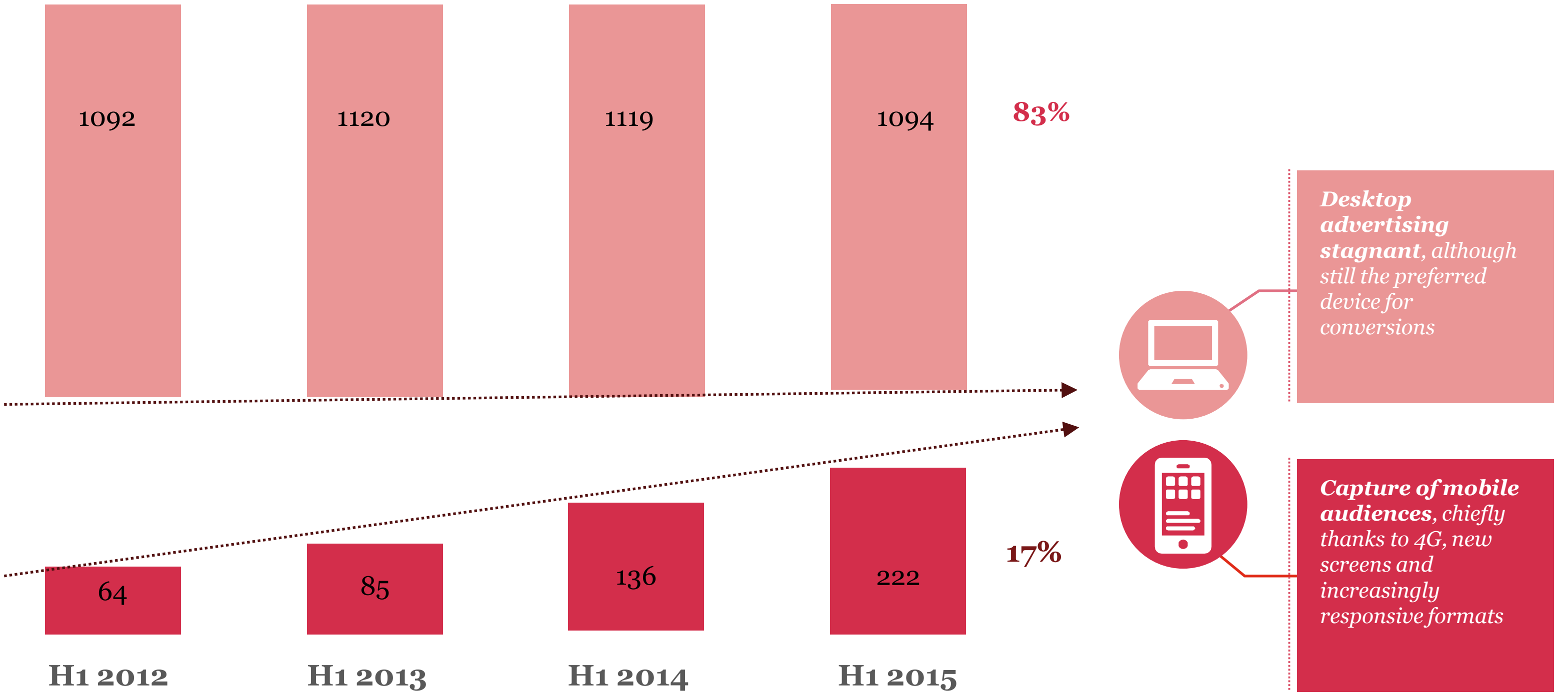
Mobile display advertising on social networks (France, in €M)



Sources PwC analysis, SRI, UDECAM

Mobile advertising drives growth while desktop is stable

Breakdown of digital advertising spending (display and search) by device, in France (in €M)*



Source: PwC analysis
** Inclusion of desktop and mobile (smartphones and tablets) for search engines and display, excluding IPTV*
*** SEM*

Mobile growth trends

Development of mobile programmatic

- Emergence of programmatic in mobile advertising
- Growth in inventories and development of dedicated providers
- Enhancement and standardization of supported formats *(native, in-app, etc.)*
- Better proficiency with tools and the technical specifics of mobile app environments

Sustained growth in mobile transactions

- Strong growth in mobile's share of e-commerce *(> 34% globally in Q1 2015)*
- Improvement of mobile conversion rates *(moving closer to the desktop rate)*

Geolocation and drive-to-store

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

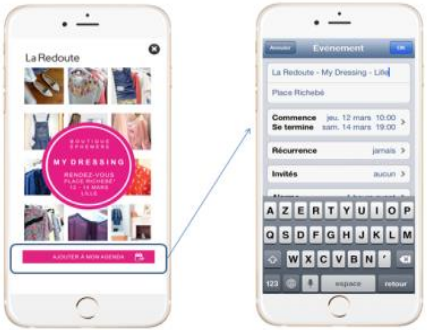
New formats better suited to mobile

- Native "in-flux" formats designed for mobile use and establishing a better user experience
- Video formats redesigned for mobile, both shorter and less intrusive *(auto-play, etc.)*

Sources: PwC analyses, eMarketer, Criteo

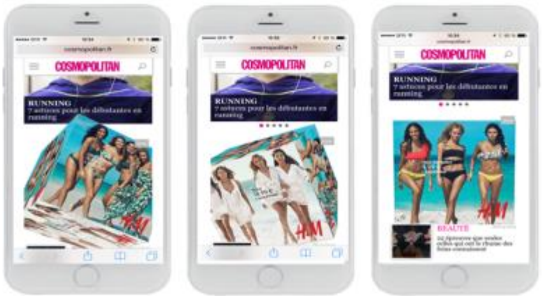
Mobile: responsive, innovative formats that engage web users

SFR Régie – "Click-to-Calendar" for La Redoute



*SFR Régie has developed a new **transactional format** for mobile campaigns. Its **geolocalized click-to-calendar** solution opens smartphone calendars with a single click on the display banner, to directly add an event.*

SFR Régie's Cube 360, a new event format for H&M



*SFR Régie has rolled out **a new format for smartphones and tablets, at the core of editorial flows.** It has 6 sides, each one with different creations and formats, allowing the cube to **virtually scroll through several models using the same format.***

03

DISPLAY

03

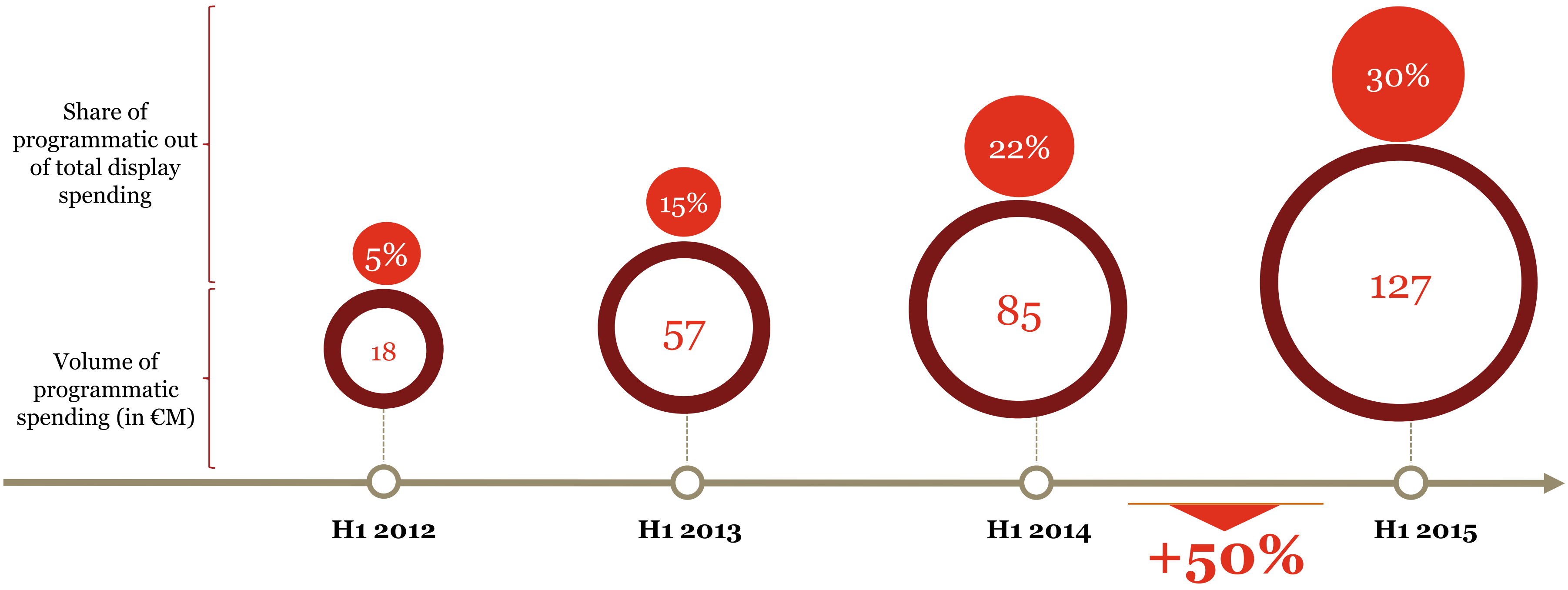
A

DISPLAY

Ramp-up of programmatic now confirmed

During the first half of 2015, nearly one-third of all display purchases are now programmatic

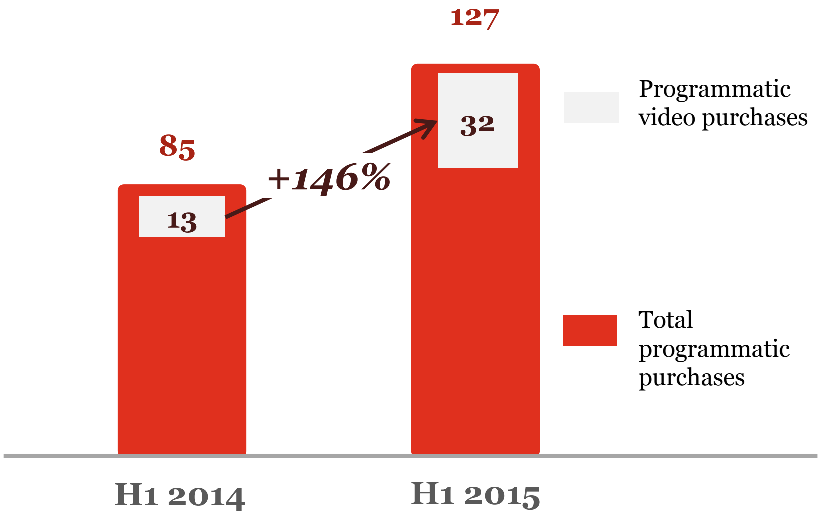
Volume and share of programmatic spending in France, H1 2012 to H1 2015, out of total display spending



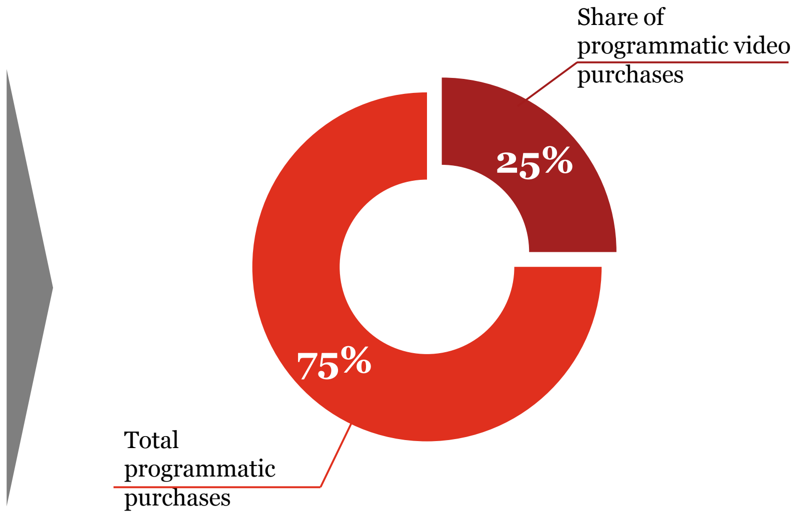
Sources PwC analysis, SRI, UDECAM

Programmatic video experiencing rapid growth, reaching 25% of all programmatic spending in H1 2015

Share of video out of total programmatic spending in France in H1 2015
(€M)



Share of video out of total programmatic spending in France in H1 2015
(%)



Sources PwC analysis, H1 2014 estimated based on SRI and UDECAM statements

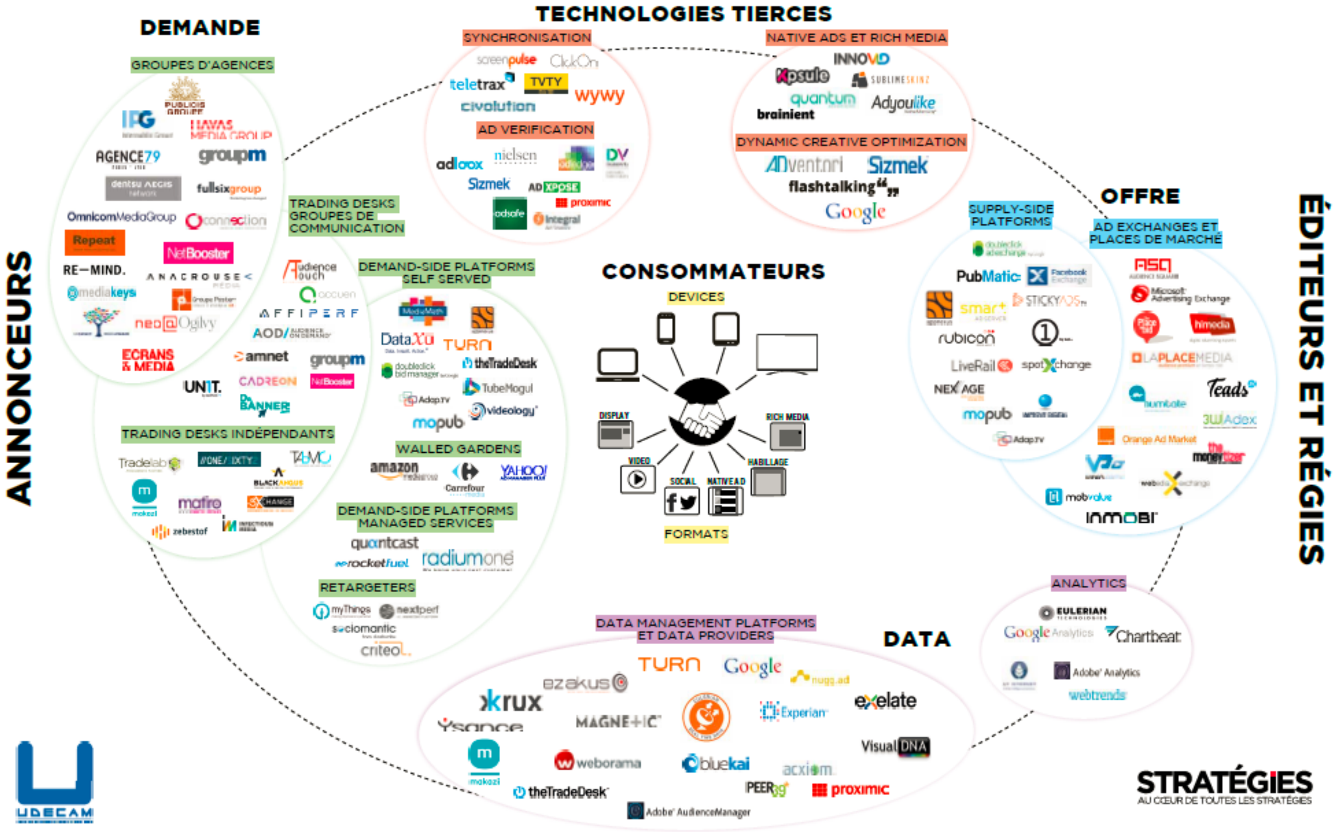
Programmatic development around a more sophisticated supply and more exacting demand

Sophistication of supply

Mobile and video	Consumer experience	Private deals	Viewability	Data	First look
• Development of mobile and video programmatic due to better monetization of inventory and improved technical integration	• Enhancement of the experience by integrating native and transactional formats and by optimizing real-time creations (DCO)	• Development of this purchasing method, enabling sellers and buyers to establish appropriate pricing and guarantees	• Viewability measurement in programmatic campaigns is more widespread key indicator of quality and optimization	• Continuous rise in in-house and self-service DMPs • Greater selectivity in data implementation	• Appearance of new options like "first look", which guarantees the first exposure of the message and optimizes CPM

Maturity of demand

*Programmatic in France: a rich ecosystem with highly diverse players**



* [Downloadable from the UDECAM website]

Sources UDECAM, Stratégies

Programmatic: new inventories, premium formats and custom-made targeting

TF1 Digital – One Exchange IPTV, programmatic video on IPTV

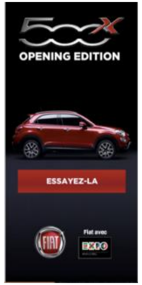
Programmatic IPTV provides a response to the new uses of TV today: TF1 Digital's space broker provides ***video commercial slots accessible via programmatic RTB on IPTV, through its catch-up service, MYTF1****.*

Lagardère Publicité – Le Skinz, a premium event format via live programmatics for SFR

Development of a ***special premium event format*** *and a* ***new, automated buy/sell method****: Lagardère's space brokering teams sell Le Skinz via* ***programmatic direct****.*

Audience Square – Reach block with precise targeting for Fiat

Precise, impactful targeting *of a segment of the Audience Square network's* ***premium audience****.*



Launch of the Fiat 500X, with a ***reach block covering the entire "Men over the age of 35, upper income group" segment****, identified from* ***Audience Square's first-party data****.*
The operation entailed ***maximized, exclusive ad deliveries*** *in two waves, with a common thread to sustain the advertiser's visibility.*

03

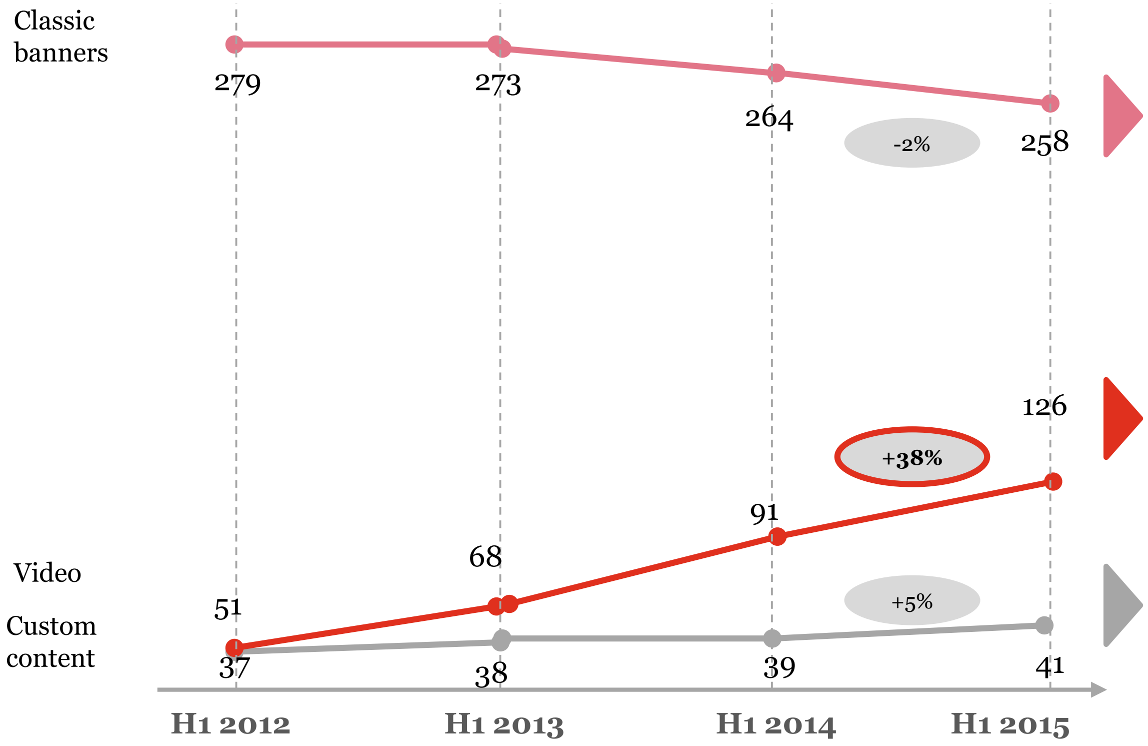
B

DISPLAY

Continuing growth for Video

Video continuing to advance in 2015

Evolution of ad spending in France, H1 2012 - H1 2015 (in €M)



Contraction of classic display spending

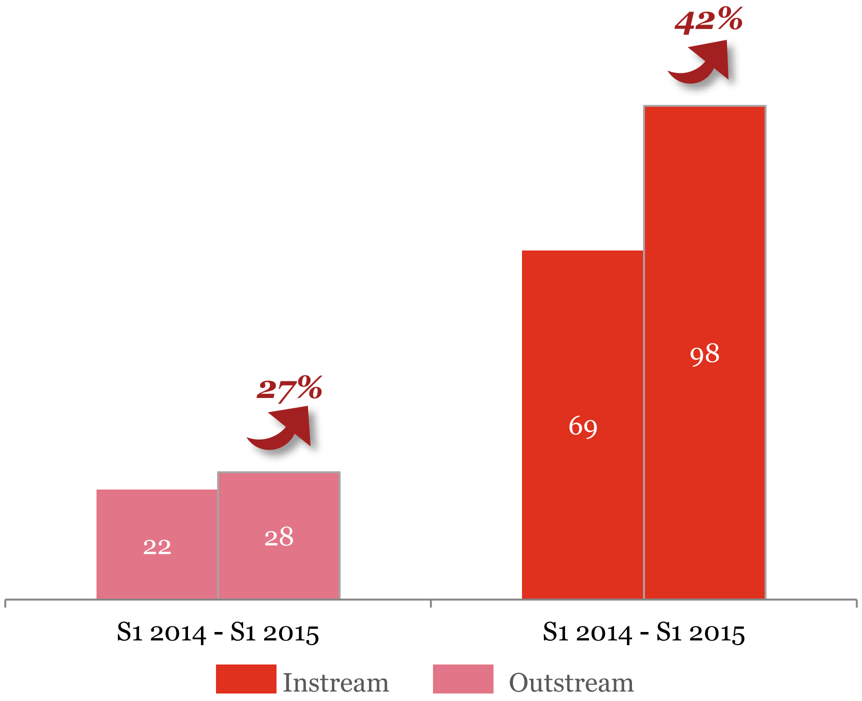
Steady progression in video spending

Slight increase in spending on special operations

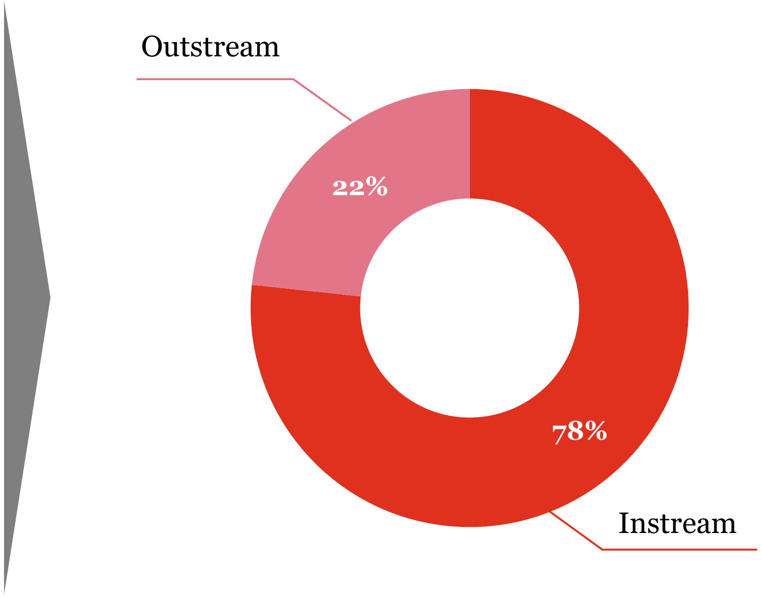
Sources PwC analysis, SRI, UDECAM

Instream remains the preferred video format, a more moderate growth reported for outstream

Evolution of instream and outstream video ad spending, H1 2014 - H1 2015



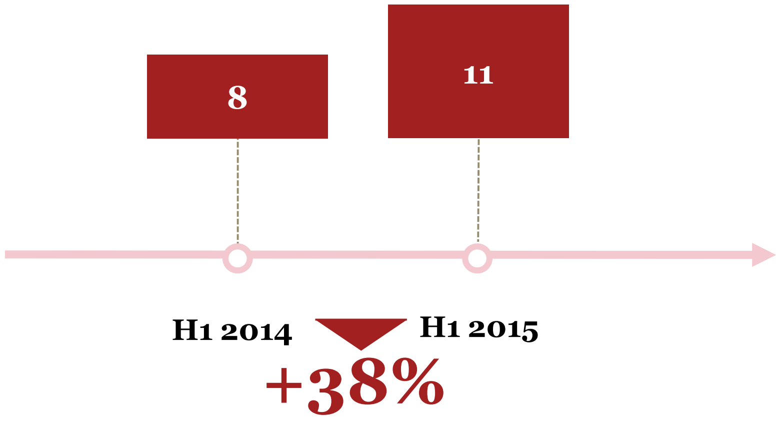
Share of instream and outstream video ad spending, H1 2015



Sources PwC analysis, SRI, UDECAM

IPTV, a booming video delivery channel

Evolution of IPTV display spending
(H1 2014 - H1 2015, in €M)



- **A highly structurally-developed receiving method in France**
- **Replay uses** of boxes very common in France
- **High completion rates**, around 95% in most cases
- **New visibility metrics** for videos, combining TV and Internet (video GRP), which will eventually simplify performance measurements for IPTV campaigns
- **Solid growth prospects thanks to programmatics**, enabling audience purchasing through IPTV content

Sources PwC analysis, SRI, UDECAM
H1 2014 assumptions reassessed

Growth in video drawn by innovative creations and new inventories

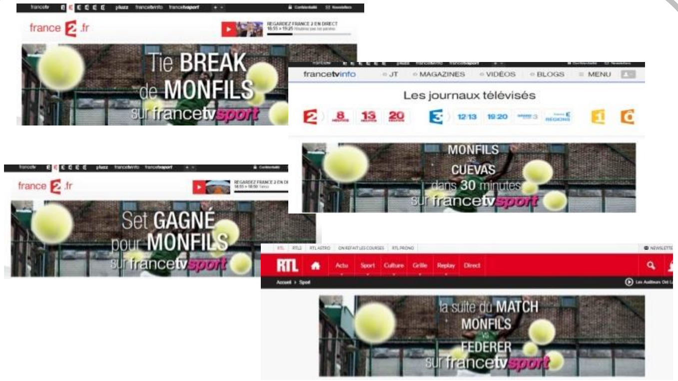
Teads.tv

Teads.tv – Outstream video campaign for Air France

Delivery of Air France's video campaign using high-definition ***in-board and in-read outstream formats*** *in 12 countries, with* ***guaranteed visibility in premium environments.***

francetvpublicité

France TV – Real-time synchronization with Gaël Monfils's matches for Asics



During the Roland Garros French Open, ***editorial synchronization*** *based on the results of the matches played by Gaël Monfils:* ***real-time data retrieval that activates editorial content as a function of his games' outcomes****, on the France Télévisions Publicité environment.*

Video formats : more interactive and transactional

AdVideum – "In-video shopping" video campaign for DEMB – (L'Or Espresso)

***The "In-Video Shopping" pre-roll geolocates the users** and gives them the possibility of selecting the closest point of sale or drive-through, or else the e-merchant distributing the product.*
There are three steps to video conversions:

*Launch of the pre-roll via the **"Buy" button***

***Geolocation** of the closest distributors <u>or</u> online purchase*

*Immediate **addition of the product to the shopping cart***

TF1 Digital – "Spot & shop" video campaign for L'Oréal

*This **"spot & shop"** video solution allows web users viewing a commercial via catch-up TV **to directly add content to their shopping cart / e-drive-through**. Thanks to automatic geolocation, they can also opt to go to a drive-through or e-merchant to finalize their purchases.*

Sticky Ads / Overviews – Interactive video content for the Lu Harmony campaign

***Scripts defined by format** (pre-roll or interstitial), with clickable **interactive video content** with a "hidden video" that explores the brand's commitments.*

03

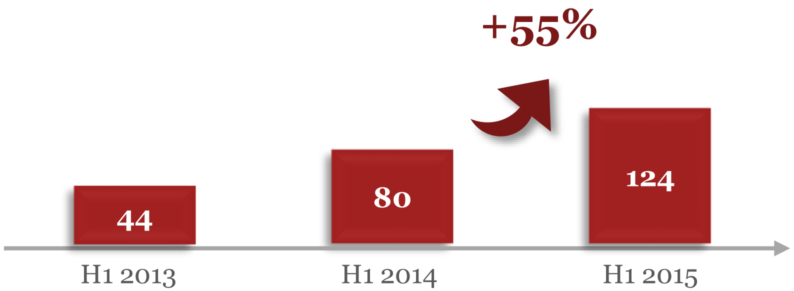
C

DISPLAY

Social media gaining ground

Social media still gaining ground in France

Advertising revenue generated by social networks *(€M)*



Source: PwC analysis

8 %

of digital spending in France was devoted to social networks in H1 2015

Source: PwC analysis

EXCLUDING

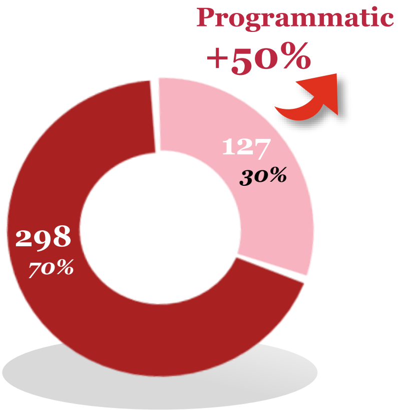
Owned: *a corporate page or account on a social network*

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

Conitnuation of 2014 growth in display, driven by 4 megatrends

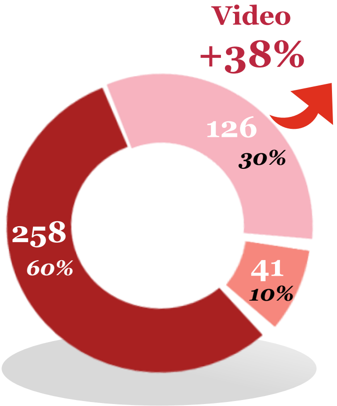
(in €M and as a % of display)

Breakdown of display, by buying method



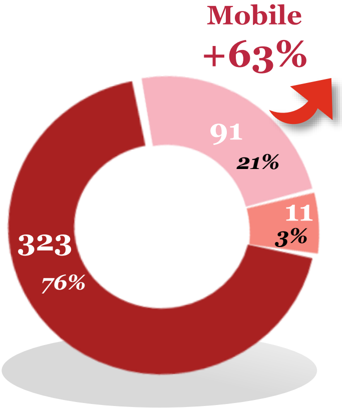
Non-programmatic display
Programmatic display

Breakdown of display, by format



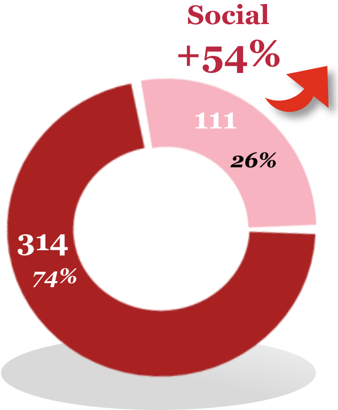
Classic
Video display
SOs

Breakdown of display, by device



Desktop
Mobile display (incl. tablets)
IPTV

Share of social out of total display*



Non-social display
Social display

** Please note: different from total for social (124), because a portion of social advertising is allocated to search engines*

Native ads taking off in display advertising, generating online and offline traffic

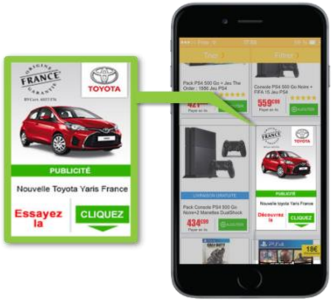
Amaury Médias – Native ad campaign for Mini on *L'Equipe*

***Content adapted to L'Equipe's graphic charter and integrated** with the homepages of its websites, mobile sites and app sites.*

*Video content and **appointment button** to set up a Mini test-drive at a dealership.*

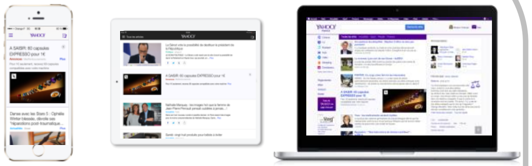
Newspaper reporting on Mini relayed via Twitter.

3W Régie – A fully mobile-integrated format in an e-commerce context for Toyota



*Targeting with general rotation and **optimization with the high-tech, car & sport worlds, on a mobile e-commerce site**: online system designed to generate test-drives at dealerships and quality traffic on Toyota's mobile site.*

Yahoo! – Gemini native ads integrated with all Yahoo! solutions



***Multi-screen campaigns with editorial and visual integration** of the ad with the publisher's identity, plus **engaging user content** (videos, mini-sites and articles), and guaranteed **transparency** with the indication that it is advertising content.*

Multi-screen campaigns for immersive, innovative user experiences

Prisma Media – 360° interactive ecosystem for Issey Miyake Parfums

A multi-screen digital platform *presenting three universes linked to Issey Miyake's perfumes for men, through three 360° videos that give users an immersive experience of exploration.*

Next Régie – Multi-screen special operations for Asus

Collection of web user insights *on the Asus Transformer tablet, with testers recruited from social networks. A dedicated space has been created on the 01Net website to deliver* ***videos about the tests*** *and* ***10 TV commercials.***

Microsoft – Multi-screen campaigns with creative, sequential delivery for Opel

A two-stage multi-screen digital campaign*: a "teasing" phase, followed by a "revelation" phase, all of which sequenced by use and exposing the user to* ***different creations, depending on the user's exposure to advertising and his/her profile.***

04

2015 FORECASTS

H2 2015 forecasts

At year-end 2015, the market should exceed the symbolic €3 billion mark. The share of digital should increase on a flat advertising market

Search will remain a safe investment, with a redistribution of the cards due to movements begun by players in the US and that are now being rolled out to Europe

Mobile should account for nearly 20% of the digital market by year-end

Display should continue to transfer a portion of its buying to programmatic, which could represent up to 35% of display spending

Social should continue to expand, attaining the 10% mark out of total digital ad spending