



## The French Advertising Market: 2014 Recovery underway? Media advertising revenues: **-2.5%** Advertising spend: **-1.6%**

**Net media advertising revenues** stood at **€13 billion** in 2014, a drop of **-2.5%**. A similar fall of **-3.6%** was registered in 2013.

As reported by IREP in its half-yearly and quarterly surveys, the downward trend has slowed.

For the year, the drop in media advertising revenues across all categories was €330 million, compared to €500 million for each of the two previous years.

In a weak economic climate, with GDP growing by 0.4% in 2014, consumer spending down slightly by -0.2% and an unemployment rate of 10.4%, advertising revenues grew or were stable for:

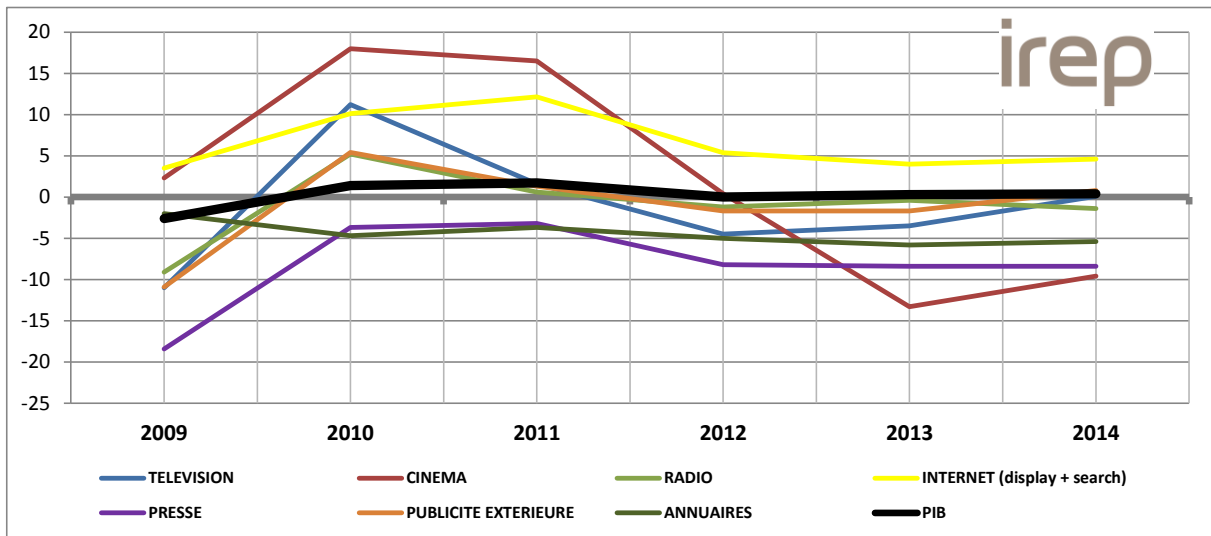
- Internet (display, search, mobile): +4.6% (vs. +4% in 2013)
- Out-of-home advertising: +0.8% (vs. -1.7% in 2013)
- Television: +0.1% (vs. -3.5% in 2013).

Within these families, there was strong performance in mobile (excluding social networks) (+35%), digital advertising (+20.8%), shopping advertising (+3.8%) and transport advertising (+2.6%).

For other media, advertising revenues are down compared to 2013:

- Cinema: -9.6% (-13.3% in 2013)
- Radio: -1.4% (-0.4% in 2013)
- Press: -8.7% (-8.4% in 2013)
- Directories: -5.4% (-5.8% in 2013)
- Advertising mail: -9.2% (-7.5% in 2013)
- Unaddressed advertising mail: -2.4% (-1.8% in 2013).

## Five-year trends in advertising revenues and GDP (2009 – 2014)



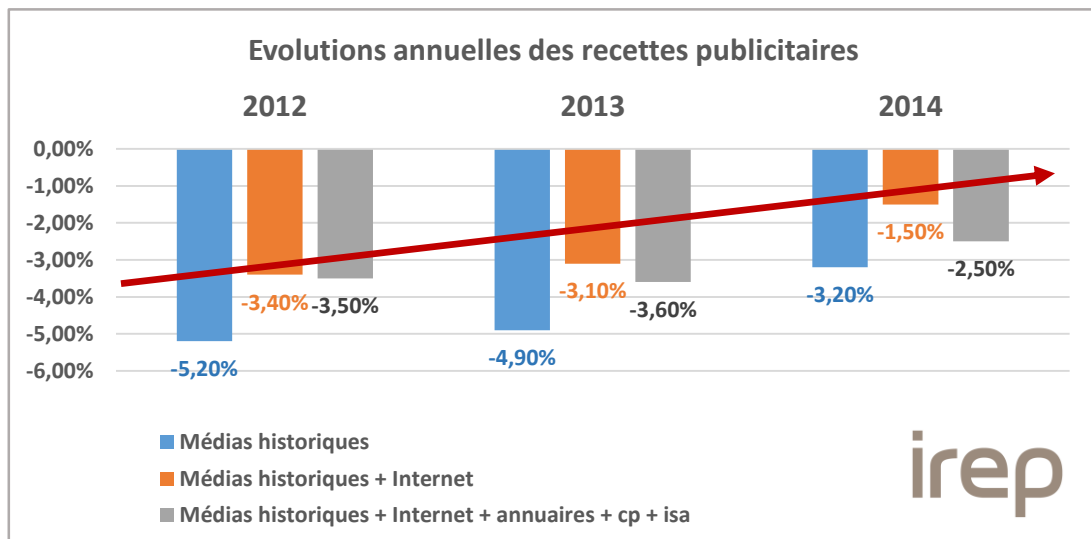
Over the past six years, annual growth in press and directory advertising revenues has lagged behind economic growth.

For television and radio, annual growth in advertising revenues has been slower than growth in GDP.

For out-of-home advertising, in two out of six years, annual growth has been faster than the rate of GDP growth, while the same has been true for cinema in four out of six years.

Internet advertising revenues grew at a faster rate than GDP.

## 2015 outlook for media advertising revenues



The graph below shows that the advertising market is has been shrinking for the last three years, but that this trend slowed noticeably in 2014.

At the beginning of 2015, advertising growth remains stagnant, despite exogenous factors that are more or less favourable to our market:

- The weak euro may have a positive impact on investment by multinational companies in France.

- Economic growth of +1% expected by the government should be conducive to a recovery in advertising, but will this forecast prove optimistic?
- Recent events in France, such as January's terrorist attacks and, more generally, the difficult and unpredictable geopolitical situation, are other factors holding back investment, especially in advertising.
- Electoral periods never favour increased investment in advertising.

That's why, for 2015, we are forecasting a slight fall in the market of around **1%** for across the entire media landscape surveyed by IREP.

**Advertising spend** stands at **€29.6 billion**, down **-1.6%**.

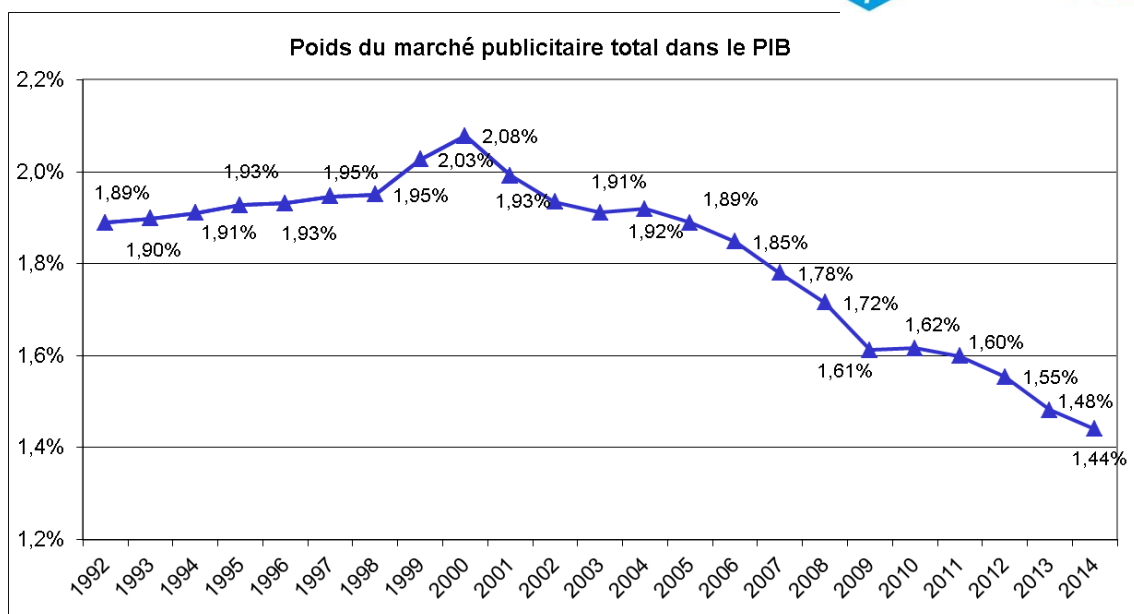
The poor economic environment continued to negatively impact the advertising market in 2014. GDP growth in 2014 was just 0.4% and hopes of recovery, after a strong end to 2013 and an upturn of 0.3% in the 3<sup>rd</sup> quarter of 2014, were eventually dashed.

In this context, the advertising market maintained its downward trend: advertising spend fell by 1.4% above the line, by -1.7% below the line, and by -1.6% for all spend covered by the FRANCE PUB survey.

Just as for economic growth, the advertising market seemed to stall during the year: investment contracted in the first quarter, recovered in the summer (although the year's major sporting events — the Winter Olympics and the World Cup — had less of an impact than expected) and contracted again at the end of the year.

The fall in overall advertising spend was less marked in 2014 than in 2013 (-3%). The advertising market is stabilising as the economic outlook gradually improves. The market also seems to have become less vulnerable to economic stagnation, which in the past would have led to deeper cuts in advertising spend.

The advertising/GDP fell from **1.48%** in **1.44%** between 2013 and 2014. This four-point drop is less pronounced than the fall seen in the 2011-2013 period (six points per year).



### Advertising strategies varied from sector to sector in 2014

#### Industry (down -5.3%):

Sharp fall in press spend: regional daily press (-20.4%), magazines (-27%), trade press (-5.9%) and Internet (-20.9%).

Increase in trade fair (+2.5%), event (+4.9%) and PR (+3%) spend.

**Consumer goods and domestic appliances (down -2.6%):**

Fall in magazine (-6.4%), Internet (-16.8%) and mail (-7%) spend.

Increase in out-of-home advertising (+0.9%), trade fair (+11.6%), event (+2.5%) and PR (+4%) spend.

**Retail (flat):**

Fall in press (-2.6%) and mail (-13.8%) spend principally in mail order, unaddressed advertising mail spend stable (+0.3%), and increased Internet (+26.5%), radio (+6.2%) and promotion (+5.6%) spend.

**Services (down -0.9%):**

Fall in mail (-12.3%), directory (-6.8%) and trade fair (-5.2%) spend.

Increase in television (+1.6%), Internet (+19.7%), promotion (+4.5%) and PR (+4%) spend.

## Outlook for 2015

**In 2015, the conditions necessary for a return to growth in the advertising market are, once again, unlikely to be met.**

Economists expect the economy to improve in the first quarter of 2015. This should be underpinned by the weak euro and falling oil prices, which will improve the households' purchasing power and businesses' profits.

Forecasts for GDP growth in 2015 vary between 0.8 and 1%.

An improving economic climate is, however, unlikely to signal a return to growth in the advertising market.

According to our forecast, we should see a stabilisation of advertising spend (-0.6% for the entire market).

In terms of legacy media and the Internet (+0.1%), the erosion of press advertising should be offset by improved health in television and continuing digital growth across different Internet mediums.

Below-the-line advertising growth will slightly negative (-1.1%) due to the downward trend in mailings.

*Paris, 19 March 2015*

# Advertising Revenue

|  | amount               |  | 2014/2013 development |  |
|--|----------------------|--|-----------------------|--|
|  | in billions of euros |  | in percentage         |  |
| <b>television</b>  | 3.222                |  | 0.1                   |  |
| classic spaces   | 3.054                |  | 0.4                   |  |
| sponsorship spaces   | 0.168                |  | -4.3                  |  |
| <b>cinema</b>  | 0.081                |  | -9.6                  |  |
| <b>radio</b>   | 0.726                |  | -1.4                  |  |
| national advertising   | 0.568                |  | -1.1                  |  |
| local and Ile de France advertising                                | 0.158                |  | -2.4                  |  |
| <b>Internet</b>  | 2.488                |  | 4.6                   |  |
| Internet (display) (1)   | 0.652                |  | 1.8                   |  |
| Internet (search) (2)(3)   | 1.745                |  | 4.0                   |  |
| mobile (4)   | 0.092                |  | 35.0                  |  |
| <b>press</b>   | 2.683                |  | -8.7                  |  |
| of which : commercial advertising<br>classified advertisements     | 2.215<br>0.468       |  | -8.5<br>-9.9          |  |
| daily national newspapers  | 0.188                |  | -10.1                 |  |
| of which : commercial advertising<br>classified advertisements     | 0.158<br>0.030       |  | -9.7<br>-12.3         |  |
| daily regional newspapers  | 0.754                |  | -7.9                  |  |
| of which : commercial advertising<br>classified advertisements     | 0.519<br>0.235       |  | -6.3<br>-11.3         |  |
| weekly regional newspapers   | 0.118                |  | -5.0                  |  |
| of which : commercial advertising<br>classified advertisements     | 0.072<br>0.046       |  | -2.3<br>-8.9          |  |
| magazines  | 0.941                |  | -8.7                  |  |
| of which : commercial advertising<br>classified advertisements     | 0.901<br>0.040       |  | -8.8<br>-5.2          |  |
| specialised  | 0.295                |  | -7.8                  |  |
| of which : commercial advertising<br>classified advertisements     | 0.239<br>0.056       |  | -8.0<br>-7.0          |  |
| free of charge   | 0.387                |  | -11.4                 |  |
| of which : commercial advertising<br>classified advertisements     | 0.326<br>0.062       |  | -11.7<br>-9.2         |  |
| of which : free advertising publications<br>free news publications | 0.274<br>0.114       |  | -10.0<br>-14.5        |  |
| <b>outdoor</b>   | 1.174                |  | 0.8                   |  |
| of which : digital   | 0.083                |  | 20.8                  |  |
| outdoor (a)  | 0.420                |  | -0.9                  |  |
| transit (b)  | 0.282                |  | 2.6                   |  |
| outdoor furniture in urban areas (c)                               | 0.423                |  | 1.0                   |  |
| shopping (d)   | 0.051                |  | 3.8                   |  |
| <b>directories</b>   | 0.843                |  | -5.4                  |  |
| paper edition  | 0.293                |  | -17.1                 |  |
| Internet   | 0.545                |  | 2.8                   |  |
| other  | 0.005                |  | -34.0                 |  |
| <b>advertising mail (5)</b>  | 1.137                |  | -9.2                  |  |
| <b>leaflets without addresses (5)</b>                              | 0.608                |  | -2.4                  |  |
| <b>TOTAL TRADITIONAL MEDIA</b>                                     | <b>7.886</b>         |  | <b>-3.2</b>           |  |
| <b>TOTAL TRADITIONAL MEDIA + INTERNET + MOBILE</b>                 | <b>10.375</b>        |  | <b>-1.5</b>           |  |
| <b>TOTAL</b>   | <b>12.962</b>        |  | <b>-2.5</b>           |  |

IREP

(1) Not including shopping and mobile display

(2) Source : SRI e-advertising Observatory, performed by PwC, in partnership with UDECAM

(3) Including mobile searches

(4) This measurement includes displays on mobile Internet and displays on applications (mobile + tablet) but does not include searches and social

(5) This measurement only includes distribution revenue and does not include production and consultancy

# Communication expenditure for advertisers

|   | amount                      | 2014/2013<br>development | market share         |
|---|-----------------------------|--------------------------|----------------------|
|   | <i>in billions of euros</i> | <i>in percentage</i>     | <i>in percentage</i> |
| <b>television (catch up TV included)</b>  | <b>3.853</b>                | <b>0.4</b>               | <b>13.0</b>          |
| <b>cinema</b>                             | <b>0.125</b>                | <b>-9.6</b>              | <b>0.4</b>           |
| <b>radio</b>                              | <b>0.859</b>                | <b>-1.6</b>              | <b>2.9</b>           |
| national advertising                      | 0.509                       | -1.1                     | 1.7                  |
| local and Ile de France advertising       | 0.350                       | -2.3                     | 1.2                  |
| <b>Internet</b>                           | <b>1.897</b>                | <b>4.5</b>               | <b>6.4</b>           |
| of which display (including PAC)          | 0.689                       | 7.0                      | 2.3                  |
| of which links                            | 1.066                       | 4.0                      | 3.6                  |
| of which e-mails                          | 0.142                       | -2.5                     | 0.5                  |
| <b>press</b>                              | <b>2.620</b>                | <b>-8.1</b>              | <b>8.8</b>           |
| <b>daily newspapers</b>                   | <b>0.750</b>                | <b>-7.0</b>              | <b>2.5</b>           |
| daily national newspapers                 | 0.155                       | -9.7                     | 0.5                  |
| daily regional newspapers                 | 0.595                       | -6.3                     | 2.0                  |
| <b>other forms of press</b>               |                             |                          |                      |
| magazine                                  | 0.963                       | -8.8                     | 3.3                  |
| regional weekly newspapers                | 0.074                       | -2.3                     | 0.3                  |
| free advertising publications             | 0.246                       | -10.0                    | 0.8                  |
| free news publications                    | 0.147                       | -14.5                    | 0.5                  |
| professional press                        | 0.259                       | -8.0                     | 0.9                  |
| local communities                         | 0.181                       | -3.0                     | 0.6                  |
| <b>outdoor</b>                            | <b>1.326</b>                | <b>0.8</b>               | <b>4.5</b>           |
| billboards                                | 0.457                       | -1.5                     | 1.5                  |
| transit                                   | 0.370                       | 2.6                      | 1.2                  |
| outdoor furniture in urban areas          | 0.395                       | 1.5                      | 1.3                  |
| other (small display etc)                 | 0.104                       | 2.2                      | 0.4                  |
| <b>directories (printed + Internet)</b>   | <b>0.977</b>                | <b>-5.8</b>              | <b>3.3</b>           |
| <b>direct marketing</b>                   | <b>8.192</b>                | <b>-5.0</b>              | <b>27.7</b>          |
| direct mail                               | 3.411                       | -9.6                     | 11.5                 |
| leaflets without addresses                | 2.864                       | -1.5                     | 9.7                  |
| other advertising publications            | 1.093                       | -2.0                     | 3.7                  |
| other (tel mkg)                           | 0.825                       | 0.0                      | 2.8                  |
| <b>special offers</b>                     | <b>5.292</b>                | <b>1.6</b>               | <b>17.9</b>          |
| of which in-store advertising             | 1.148                       | 0.5                      | 3.9                  |
| <b>trade fairs and shows</b>              | <b>1.515</b>                | <b>1.0</b>               | <b>5.1</b>           |
| <b>sponsoring</b>                         | <b>0.832</b>                | <b>3.5</b>               | <b>2.8</b>           |
| <b>cultural patronage*</b>                | <b>0.293</b>                | <b>-5.0</b>              | <b>1.0</b>           |
| <b>Public relations</b>                   | <b>1.842</b>                | <b>3.0</b>               | <b>6.2</b>           |
| <b>TOTAL TRADITIONAL MEDIA**</b>          | <b>8.784</b>                | <b>-2.6</b>              | <b>29.7</b>          |
| <b>TOTAL TRADITIONAL MEDIA + INTERNET</b> | <b>10.680</b>               | <b>-1.4</b>              | <b>36.1</b>          |
| <b>TOTAL MARKET</b>                       | <b>29.624</b>               | <b>-1.6</b>              | <b>100</b>           |

FRANCE PUB

\* Excluding foundations

\*\* Television, cinema, radio, press, outdoor

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## ethodology used

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Since 2000, IREP and FRANCE PUB have been comparing the results of their respective surveys to better understand advertising market trends and, in doing so, value the market and its growth based on net revenues and spend.

- **I**REP gathers information on advertising revenues from legacy media, directories, Internet display, mobile, advertising mail and unaddressed advertising mail.

Search data is provided by SRI's *Observatoire de l'e-pub* report, produced by PwC in partnership with UDECAM.

The revenues reported are before tax but are net of trade discounts, excluding corporate barter, and include classified ads.

- **F**RANCE **P**UB monitors advertising spend across all means of communication on the market. This spend includes net purchases, agency fees and commissions as well as technical and production costs, but excludes classified ads.

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