SESSION 5 : LOOKING FOR BUSINESS MODELS

Arnaud DECKER – October 26th, 2012
The viewpoint of a media publisher ... active in Digital
NEW CONSUMPTION PATTERNS

French people are no exception when it comes to the evolution of Demand

• More and more connected
  - 70% households have high-speed Internet
  - VoD and catch-up growing fine
  - Connected TV: 10% households (+40% in 3 months)

• More and more mobile (and “smart”!)
  - 1/3 smartphones owners
  - 3 million tablets sold in 2012; market expected to be > 5 M in 2013

• More and more “social”
  - Facebook: 26 M active users
  - Twitter: 7+ M active users

Most media groups are embracing these trends
Content industries continue to rely on 2 main sources of revenues

**Revenue streams**

<table>
<thead>
<tr>
<th>ANALOGUE / PHYSICAL</th>
<th>DIGITAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscriptions and Sales to customers</td>
<td>Charging customers for access to content</td>
</tr>
<tr>
<td>Selling their audiences to advertisers</td>
<td>Charging advertisers for access to readers</td>
</tr>
</tbody>
</table>

- Advertising = up to 50% of revenues (e.g. Press)
- Advertising = More than 90% of Media revenues in the online universe

- Exporting the key revenue streams of print to the online world does not come automatically ...
- We are still heavily depending on advertising
  - Accessing only a part of the online market (Search is a near monopoly)
  - Paid-for solutions are still in their infancy
DEVELOPING NEW PAID-FOR SOLUTIONS

- New devices (e.g. tablets) = new means of distribution and consumption of content
- Several models in the case of the Press, originated by various players of the value chain
- Consumer experience + capacity to sell subscriptions = key for taking-up

E-Kiosks for the Press (a sample of the offers available in France)

- e-presse
  - Mainly dailies and Newsmagazines offers
  - Per issue or prepaid credits (5€ to 25 €)
- Relay.com
  - The biggest part of the magazine Press
  - Various commercial solutions (mainly monthly bundles)
- Newsstand
  - L.A. offer : 8 thematics, 25 press titles
  - Per issue or subscriptions (pricing : 0,79 € to 3,99€)

- Competition at the distribution level is positive
- Publishers must have a direct contact with subscribers (CRM, data)
MOBILE AND APPS

Our brands are widely available on smartphones and tablets

- 80 Apps available

A steep increase on mobile

- Mobile audiences may soon be equivalent to web audiences
- #7 on mobile Internet in France (behind Google, Facebook, Orange, Apple, Twitter and SFR)

The versioning of our titles on tablets ...

<table>
<thead>
<tr>
<th>Regular PDF</th>
<th>Enriched PDF</th>
<th>Reformatting</th>
</tr>
</thead>
</table>

Where are we now?

- Pioneers on tablets (Spring 2010)
- Exploring the evolution of consumption patterns
INNOVATIVE ONLINE ADVERTISING SOLUTIONS : LA PLACE MEDIA

• The **display market** is heterogenous and competitive. The **performance market** is an increasing segment thanks to automated trading and data-driven advertising solutions. A **private market place** is the best way for publishers to address this market.

• **La Place Media** (launched sept.2012):
  – An open JV between 4 French major media groups (with strong positions on key demographics and exclusive segments of targeting
  – 28 millions UV/month (reach 65% 25-49 y.o, 77% A+/ 2 billions banners/month)

  – **An Ad Exchange system**
    • Auction-system for unsold premium ad inventory of 80+ media brands
    • Offering an automated solution (RTB) to agencies (display +reporting of the campaigns)
    • Several features of targeting (data) for audience buying

➢ A way for media sales houses to gain scale, increase the relevance of inventories and progressively move from pure audience to “data management”
➢ A way to complement the array of offers with ROI oriented solutions.
NEW SERVICES FOR RADIO LISTENERS: THE CASE OF VIDEO STREAMING

Europe 1: Turning our oldest audiovisual brand into a connected and social media

- Development of video streaming
  - 7 hrs of live video mon-fri (13hrs in 2013)
  - more than 2 M views in 7 weeks

- More social: live tweet, online communities
  - 54 000 likes / 130 000 followers for the station
  - Up to 4000 tweets live during a single 2.5 hrs show (#OVSG)

- Systematic advertising pre-roll

➢ In this particular case of live video, new revenues may soon overweigh the amount of investment in innovation
COPING WITH A LARGE ARRAY OF “AUDIENCE GENERATORS”

Where do our media digital audiences come from?

- **Search engines**: 40%
- **Direct access**: 20%
- **Mobile**: 26%
- **Portals and newsletters**: 18%
- **Tablets**: 2%
- **Interactive TV**: 1%
- **Social networks**: 1%
- **Agregators**: 3%

**Source**: total of visits observed in May 2012 on digital services of Lagardère Active (PC, mobile, tablets and interactive TV)

- **Good news**: our content is “everywhere” and [successful]; we are doing fine in terms of innovation; Lagardère is #10 in terms of online audiences in France
- **Pending issues**: control of data and faire share of revenues
NEW PARTNERSHIPS AND COOPERITION

- A more and more complex value chain / a growing number of players on a dynamic but still scarce online market
- The “Gang”* of Digital leaders have the best tech solutions, enjoy the benefits of network effects and platform strategy, favour global policies ... and require their cut on distribution

*Eric Schmidt of Google

- Media companies have “frienemies relations” with each of the Gang members
- The choice of exclusive partnerships may hamper innovation and commercial freedom of media companies
- No E.U. originated platform alternative so far ...
CONCLUSIONS AND OUTLOOK

- Media companies are now far beyond the mere duplication of legacy models; they (constantly) innovate. The essay / error or success process is now a given.

- Despite sustained efforts and successful audiences, still “little acorns and no great oak” in terms of new revenue streams.
CONCLUSIONS AND OUTLOOK

• Conditions of success for Media publishers:
  – Fighting the risk of complete disintermediation (keeping a direct relations with customers and advertisers)
  – Being able to develop CRM and data expertise
  – Adapting the structures (costs, digital training)
  – Continuing the diversification efforts in order to balance the portfolio

• In this critical phase:
  – Competition at all levels (e.g. distribution) is better than bottlenecks or monopolies!
  – Authorities must take into account the very challenges that media have to face during their digital transformation; they have a role to play in creating the best equitable level playing field for the digital migration of the media
Thank you for your attention!

arnaud.decker@lagardere-active.com
APPENDIX - UBIQUITOUS MEDIA BRANDS: THE EXAMPLE OF GULLI

- The only kids’ channel available free to air in France
  - 35,5 M TV viewers per month (2012, +2%)
- Non linear consumption:
  - 6,5 M videos viewed each month (replay) on all platforms
  - 550 000 apps downloads since 2010


Gulli Replay offer

- Extension of the brand and its values (parental control, filtering of content, session duration control systems)
- Our content/brand is “everywhere”