

| AVMS - RECEPTION |

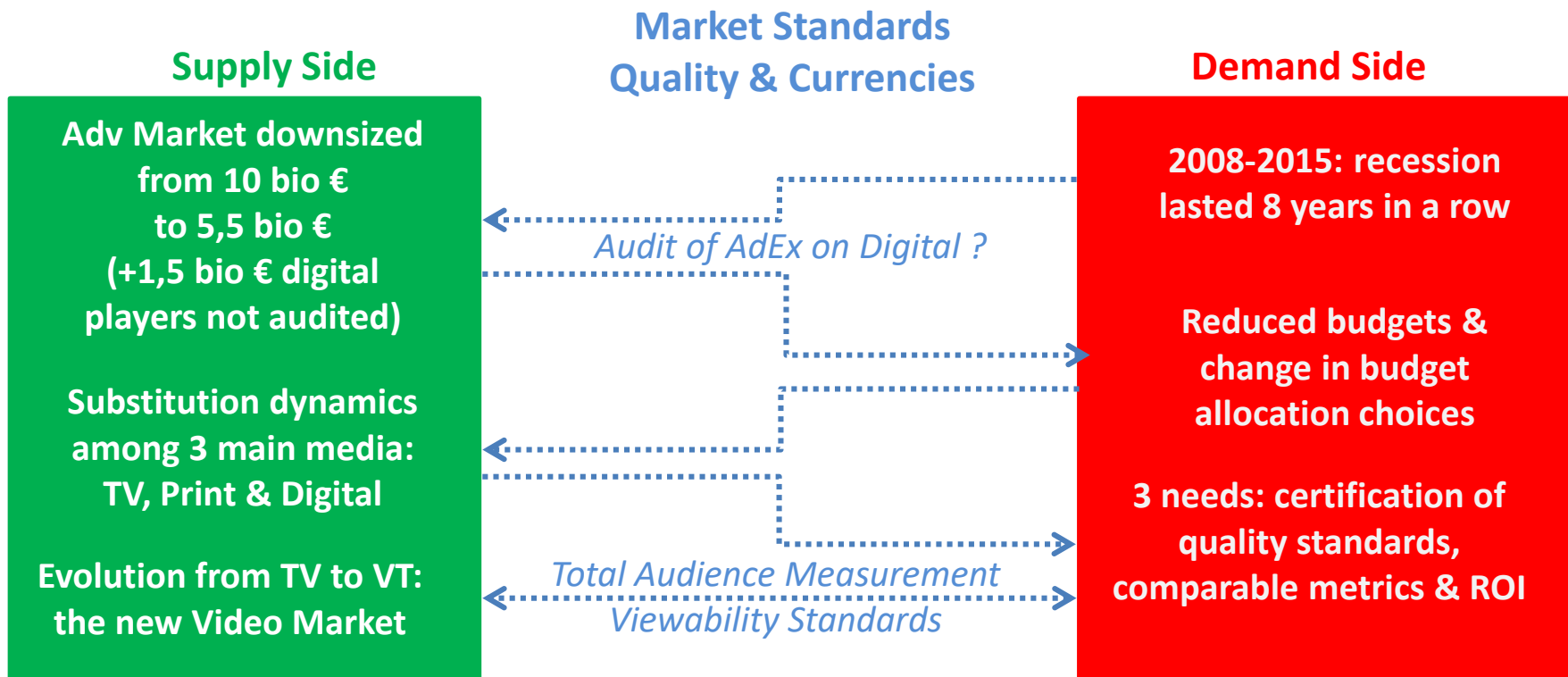
Kindly sponsored by MEP Andrew Lewer (UK, ECR)
Organised by the Association of Commercial Television in Europe

DISRUPTION IN ADVERTISING MARKETS, EFFECTIVE COMPETITION & INVESTMENT IN AV WHAT IS AT STAKE? WHAT RULES FOR 2020?



6 DECEMBER 2016, 5-7 PM, EUROPEAN PARLIAMENT

1.MAPPING OF TRENDING TOPICS IN ADVERTISING MARKET IN ITALY



A professional “media neutral” experience

2 years Print Publisher **RCS**
3 years TV Broadcaster
Mediaset

5 years in Media Market
Research
AC Nielsen

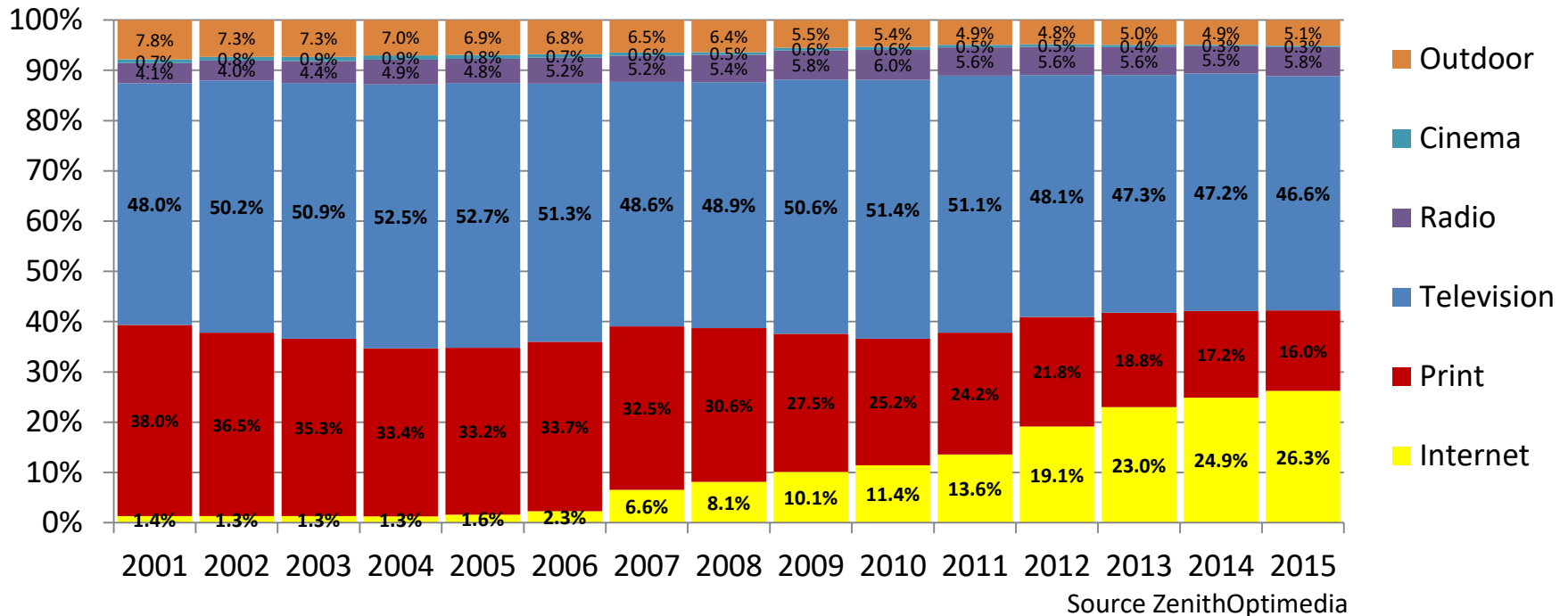
10 years in Media Agencies
Aegis Dentsu
GroupM

2. DYNAMICS ACROSS MEDIA:

IS THERE A SUBSTITUTION EFFECT BETWEEN PRINT & TV ?

Historically Print Publishers complained about TV “stealing money” from Print ?

Is this true ? Let’s have a look at market dynamics over the past 10 years



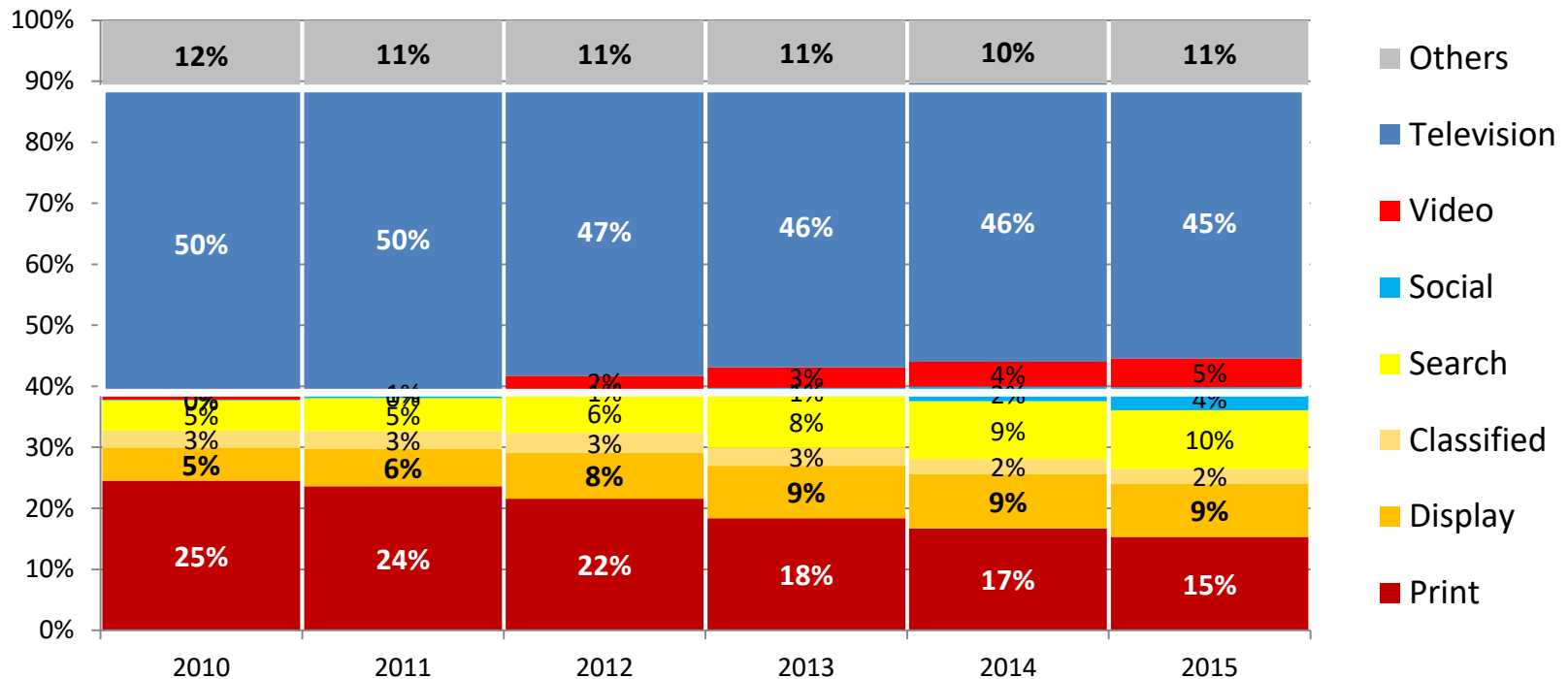
Facts & Numbers : more than 25 years of medium long term growth, market is a positive sum game; cannibalization starts with 2008 recession but it is Digital to cannibalize Print on its own field – faster on news, wider offer of vertical contents, superior targeting capability (interests & passion)

Professional Experience: inside each Print Publisher there is an internal dynamic of substitution between print editions vs online editions, *money follows eyeballs*

3.DYNAMICS ACROSS MEDIA:

IS THERE A SUBSTITUTION EFFECT BETWEEN DIGITAL & TV ?

Digital growth is impressive, driven at different speeds by the 4 components of digital offer: display, search, social and the fastest growing segment of Video Online



Facts & Numbers : TV market is progressively turning into a Video market approx around 4 bio € where Digital Video already accounts for 10% (400 mio €) certainly riallocated from TV budget to Digital

Professional Experience: on Demand Side genuine search for TV light viewers combined with higher “attractivity” of Digital business, *money follows eyeballs & money follows money*

4. FROM TV TO VT: A NEW ENLARGED COMPETITIVE ARENA FOR TV

We are definitely entering a new era of TV, television turns into VideoTransmission through any screens via any kind of VideoTechnology – from TV to VT

		CONSUMER PROTECTION	QUALITY STANDARD	ADVERTISING LIMITS	VIEWABILITY STANDARD	CERTIFICATION AUDIT
Traditional Broadcast	Incumbent broadcasters (Mediaset, Rai...)	YES	YES	YES	YES	YES
	Pay TV (Sky; Premium..)	YES	YES	YES	YES	YES
Traditional TV Background OTT	Online broadcaster ad funded (RaiPlay, Mediaset.it)	YES		MARKET SELF REGULATED	MARKET SELF REGULATED	ON THE WAY
	Online broadcaster sub. (Infinity, NowTV...)	YES				
OTT and/or platform background	Online premium (Netflix, Amazon Prime..)	YES				
	Online Video Rest of the Market	AD BLOCK	NO LIMITS	AD FRAUD POSSIBILITY	NOT FULLY ESTABLISHED	NOT FULLY ESTABLISHED

TV quality standards have been established at a very high level since long and both consumer associations and advertisers association play as “guardians” of the system

Digital not the same attention, less concerns, quality standards yet to be fully established

INTERLUDE: A TALE OF TWO MEDIA

CORRIERE DELLA SERA

09 Ottobre 2015

Scoppia il caso dell'Auditel Svelati i nomi delle famiglie

CORRIERE DELLA SERA

15 Ottobre 2015

Caso Auditel Per due settimane stop alla diffusione degli ascolti

Il campione delle 5.600 famiglie sarà sostituito

24 ORE

28 Ottobre 2015

• **Televisione.** Da oggi torneranno a essere pubblicati i dati di audience dopo lo stop di 11 giorni per i problemi sulla segretezza

L'Auditel riparte dopo il black out

Nuovo campione in 7 mesi e certificazione esterna di Kpmg su road map e controlli

THE WALL STREET JOURNAL

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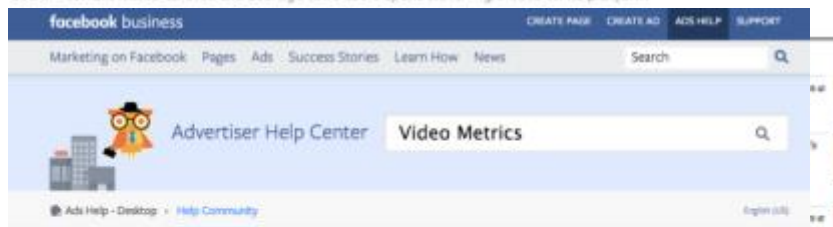
CMO TODAY



BUSINESS | MEDIA & MARKETING | CMO

Facebook Overestimated Key Video Metric for Two Years

Social network miscalculated the average time users spent watching videos on its platform



Google attacks TV, saying YouTube ads generate a better return on investment most of the time



Two of Google's metrics have been suspended from a key accreditation service used to measure ads



INTERLUDE: A TALE OF TWO MEDIA

A TV TALE - OCTOBER 2015

Facts:

Audileaks – human error revealed mail addresses of part of TV Audience Measurement Panel

Damages: none

Audit: certified by external auditors

Complaints: many

Remedies: defined in 2 weeks time

Total Panel Replacement: in 7 months

Moral of the story:

- non intentional behaviour
- consumer privacy protection
- business quality standards guaranteed
- role of authorities

A DIGITAL TALE - OCTOBER 2016

Facts:

Facebook video metrics overstatement and Google metric suspended for non compliance

Damages: business metrics overstatement

Audit: discovered by chance by third parties

Complaints: few

Remedies: still to be defined –meanwhile some cosmetic“renaming of the metric”

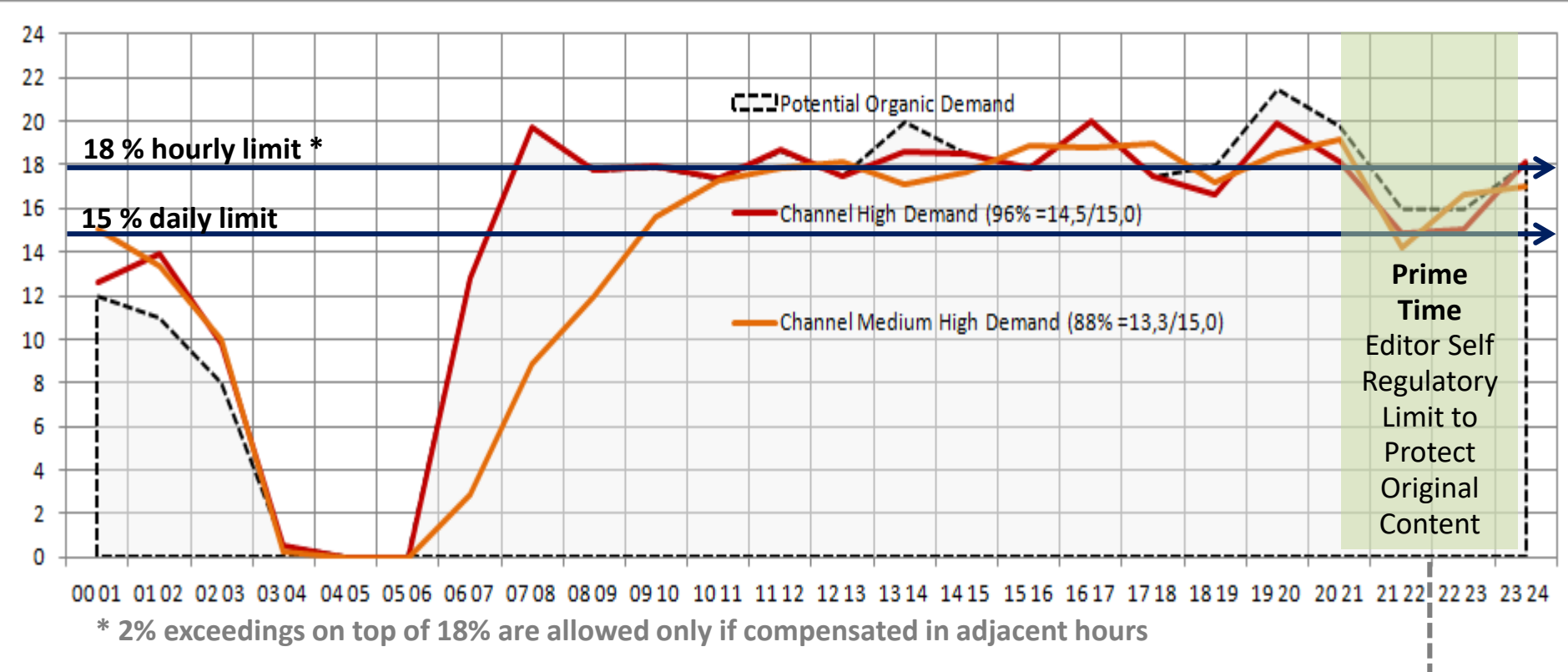
Moral of the story:

- lack of business quality standard
- uncertainty in market transactions
- need for third parties certification
- role of authorities still to be defined

5.TV SUSTAINABILITY IN THE VT WORLD: WHY ALLOWING FOR A MINIMUM FLEXIBILITY WOULD NOT COMPROMISE THE QUALITY OF TV EXPERIENCE.

A practical quantitative examples on minutage liberalisation

Flexibility is not exceeding but filling the gap with potential demand



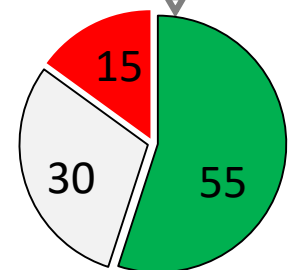
A comprehensive liberalisation does not mean more advertising volume overall but a different and flexible offer pattern designed to better meet the shape of potential organic demand.

Marginal optimization of revenues would better sustain broadcaster capability to continue funding original content (ITA+EU)

■ Original Products

□ EU Products

■ NON EU Products



5.TV SUSTAINABILITY IN THE VT WORLD: WHY ALLOWING FOR A MINIMUM FLEXIBILITY WOULD NOT COMPROMISE THE QUALITY OF TV EXPERIENCE , FROM CONSUMER, ADVERTISER & EDITOR PERSPECTIVE

Consumer Perspective

Excess of Adv
Cluttering stimulates
Consumer to switch
channels and change
programmes

If you exceed with Adv

Consumers vote against
you, with remote control
and second screen

Advertiser Perspective

High Levels of Audience
Decrease during Adv Breaks are
audited 30" by 30"

Advertisers & Agencies monitor
Adv & Programmes Audience Kpi

If you exceed with Adv

Advertisers get less Audience
and they pay you less Money

Editor Perspective

Excess of Adv & Audience
Decrease put at risk
Programme success,
mainly with funded
programmes as fiction &
entertainment

If you exceed with Adv

you put at risk Editorial
Objectives – Editor is the 1°
one to put **strong limitations***

Convergent Perspectives & Vested Interests

act as additional self regulatory mechanisms on top of regulatory limits