

MIPCOM-OCTOBER 2017

**MEDIA MASTERMIND KEYNOTE:
DOMINIQUE DELPORT,
GLOBAL MANAGING DIRECTOR,
HAVAS GROUP,
CHAIRMAN, VIVENDI CONTENT**

Fast – Accurate – Affordable



UK: 0800 085 4418

US: 855 958 2531

www.take1.tv

mipcom®

Lucy Smith

Good afternoon, everyone. Welcome to this final media mastermind keynote address of MIPCom 2017. I'm Lucy Smith and I'm the MIPCom conference and content director and it's my pleasure to introduce Dominique Delport. He is Global Managing Director for Havas Group that recently became part of the Vivendi Group. As a Vivendi Board Member for three years and Chairman of Vivendi Content. He is in charge of all strategic projects around new technology, new content and new forms of story telling. This includes Vivendi's international Emmy award nominated Studio Plus app that delivers new series in ten minute chunks. It's just one way that Vivendi is taking a leadership position in the evolving TV landscape. So it's fitting that in his keynote today, Dominique will offer insights into the future of content and formats as well as the impact of new devices and platforms. Once Dominique has completed his remarks, he'll be joined by Marjorie Paillon, journalist at France Vingt-Quatre France-24, and founder of I Love Productions, for an in-depth Q & A and it promises to be a forward looking and a stimulating conversation. So now please join me in welcoming a real TV innovator, our speaker, Dominique Delport.

Dominique Delport

Good morning, everyone. I'm delighted to be here and to tell you about a tale of two cities. We're going to talk about new formats, new storytelling and new platform. Two cities, two worlds. Once world which is the free content world. Essentially ad funded. It's all about advertising money that represents nearly the totality of revenues and the paid world. Subscription based - ARPU, Churn, name them. Two cities and three main battles which I am going to try to discuss with you today. The first one is the eyeballs' war, the second one the subs war and the third one being mobile because that war will be the war of the future. We are going to talk about a lot of fights and blood, no ice and fire, and tech dragons. Why tech dragons? Because these companies that are used and loved, sometimes they are disliked, which come from the US or China - Google, Apple, Facebook, Amazon and Netflix - are entirely reshaping our landscape.

As a media and content man, everyday you see proof of this disruption and proof of that complete transformation. First of all the "able wars". Yes, it is true. Money follow eyeballs. It is an intangible rule in our industry - print, radio, TV, outdoor, digital - always money follow eyeballs. The platforms started to redesign the world a few years ago. The first industry to be directly hit was the music industry - there were a lot of piracy platforms. Streaming platforms are now re-

shaping this industry for the good. However, remember print. The print business has been completely disrupted. The business that print was making a few years ago was exactly the level of the business in the 1950's.

If you look at digital revenues that have been extracted from that change, you have lost dollars and gained digital pennies. The bad news is the same platforms are now going to TV. If you look at the average time spent by a US citizen in front of the TV and in front of digital screens, in 2013, for the first time, digital outweighed TV. Three years later, ad spending on digital were superior than the TV spending - money follows eyeballs. It took three years but the disruption is there and the tipping point was last year. For the first time, you had \$72 billion spent on digital and \$71 billion spent on TV. This is a radical shift but what is really forceful is the way that money is distributed. Hundreds of players in the TV business just two in the digital world that owns the future. It doesn't mean that the others don't matter, they just don't get the money. If you look at the gross of the business, 1-3% of the gross came to these two players. All the other digital activities decreased last year. We have the perfect and unprecedented duopoly with Google and Facebook in that free content world - a world where every content is financed and subsidized by advertising money. \$80 billion for Google, \$26 billion for Facebook. We know that Google has the best discovery engine but it has been also one of the most forceful ROI with analytics that seduce the advertising community. Facebook has the best targeting engine but now it is backed by a community of two billion people connected to each other. So, yes, eyeballs are growing fast.

For the first time in our media history, we have four platforms beyond one billion users. This is the new scale of the game. If you want to enter into that arena, 100 million is not enough. You need to reach a billion. Facebook, YouTube, WhatsApp, Messenger and you can see WeChat in China incredibly smart, incredibly integrated with the payment system of We Pay that's already gathered hundreds of millions of Chinese citizens that can play with King of Honour, that can buy, that can share in one click. If you look at Instagram, it is the fourth. The force of the weapons that the Facebook company has in front of them, four out of the five top platforms are owned today by the company of Mark Zuckerberg. If we look at the audience, it is amazing to see how even the plus 50, I call them eyeballs with glasses, are more and more socialising through platforms. Double the time spent on social media last year. MIPCOM, do you know Keli Networks? Just to look at the disruption, from a point of view. Do you know these content brands

- Ohmygoal, Gamology, Genius Club or Beauty Studio? Two billion views on social media last month. Just after Buzz Feed, just after Know This and probably you've never heard of these networks of content producers but what they do is they literally look at the social distribution, understand what people want, what they talk about, produce fast AB tests - algorithms are everywhere - and then they deliver high numbers of use. You need to understand this platform because now the audience is the media and if you don't understand the audience, you might have some issues. However, if you do that well, using data, you can reach super fans the way David was just discussing with John Feltheimer.

One key question is how much Facebook and Google and how fast will they grab, which is their legitimate obsession, the \$71 billion of US TV money? Well they boost their video inventory and they master programmatic advertising. It is probably not something that you are very familiar with, but it will have a big impact if you want to manage the future of your free to air TV business. First of all, stories. Stories everywhere. Stories started on Snap Chat and then were copied in every platform across 16 and 17. Now 40% of these stories are video - tomorrow these videos will be ad funded. Watch, as we discovered earlier today with Ricky and Danielle, and obviously, on the YouTube side, big ambition as well to become one of the next TV moguls. It is already the first destination for US kids and the most loved brand for US kids and UK kids - YouTube is their first destination. Whether, on the tablet of the family or on TV using connected TV. One billion or original content will be spent next year but, watch out, don't forget the long term effect.

Only 1% of the video views on YouTube represent 95% of the views. Uber concentration. 90% of the video on the platform have less than 100 views and the 500,000 channels are under 1,000 subscribers. That's probably also why YouTube is moving to the other side of the landscape, trying to grab some direct subscription dollars from YouTube Red on YouTube TV. Not easy. Every platform has a DNA. My belief is that YouTube DNA is free. Let's go back to programmatic advertising because it will have a big impact. You understand that or you might be lost in that transition. Let's go back to, as you know, the Mad Men era where we have all these guys, like Harry Crane, trading business. 97% of the money goes to the TV channel. However, with digital, more people, more optimisation, more online, online always and, of course, some technical cost, only 85% went there and it was quite clunky because it was the same ad for everyone and people were bored.

Now, with programmatic, you can target, one by one, according to your previous purchase, according to what you like, what you dislike, if you have food allergies you won't be receptive to the same ad. It has to be meaningful. Obviously, more efficiency, more effectiveness and a lot of money in the middle of the 5,000 ad tech companies that are here and sometimes it's a broken ad chain and the CMO of Procter and Gamble, one of the biggest advertisers, called that the crap trap. You have to fix this and this is what is currently being done. Why Facebook and Google are so efficient is because along that value chain they are everywhere - from inventory, to software, to bidding system, to platform - they maximise every game. Obviously, sometimes they are not neutral because this is how the world works - from the gate, from retail to other kinds of trading. Havas are very proud to have launched, this year, the first fully transparent platform to help advertisers but also media owners to navigate in total transparency.

You need to behave in these walled gardens. Is it tough for that TV empire to be back and strick back? TV is still TV. We have these two days seeing how strong and vibrant TV is. Ask any UK citizen how summer was and they will ask Love Island Summer. It was the TV show everyone was talking about. For five hours of live TV you have one hour of OTT - live TV wins especially when it's about sport. 90% of people who love sport will never substitute their TV. The other offer are accompaniments not substitutes, not yet. Obviously, when it is about ad breaks, 94% are visible during your TV viewing time. In TV it is all about new formats, new opportunities and new ways to conquer the world. At Vivendi we saw that we had also to try to embrace that change and built some new formats. This is what we have done using C8 as a prototype to pilot and test and if it works then run out. This is what we have done.

VIDEO CLIP

Dominique Delport

Already 20 countries and more to come. You need to create, you need to innovate, you need to crack new formats and then the capillary reach and connectivity of that world will help you win big. Free content TV players still have time. Google and Facebook are coming but it will take time to grab this dollar, at least. If you focus on programmatic advertising, this what NBC has just announced. Even top shows like This Is Us will be trade in terms of advertising block through programmatic. This has to be your obsession if you manage TV assets today. You need also to partner and find the right alliances - TF1, ProSieben and Mediaset have started building this new

inventory. NBC just announced it's deal with Snap Chat to target millennials. This is the sudden obsession. If you don't talk to millennials, if you let them away, advertisers will let you away and it's really important to understand that this is still the key target for 80% of the advertiser that wants to be connected with the people who are designing the new world.

The subs war is really different and the disruption is already there. It started with paid TV, obviously, paid content, subscribers and the newcomers with new offers, with lower prices and big ambition on a longer term. The paid TV is still a business under pressure. We know that all over the world. It doesn't mean that that business will have hard times forever because we can see that there is a way for this paid TV player to have a brighter future. First of all, huge opportunities. When you own content, when you own IPs, when you have professional understanding premium-ness you have the right team to build the pillars of your future success. OTT enables you to be everywhere without the cost of implementing boxes and subscription chain physically in the country. HBO have just announced the roll out, in the next ten months, to 15 months of HBO everywhere. Canal has also done great deal with Telcos that enabled not only the premium to be up for the first time and we hope that it's going to be a gain net of 100,000 subscribers but also millions of new subscribers through deals with Telcos. Telcos are the natural partner of the TV players.

You need to be everywhere. You need to be ubiquitous. Even a platform like Hulu enables you with additional subscription costs to have HBO and Game of Thrones on your screen and this is the same with Mike and AI. We have to understand the code to be able to provide culture and you will see that code and culture are really the two pillars that new manager in that TV content business needs to master. There is still great value for money. For 1990, you have the two most expensive football players in the world - Kylian Mbappe and Mr Namar - and this is something that only paid TV players from Sky to Canal can provide. Obviously, however, the original content race has just started and you can be mesmerized by the amount of money and the ambition of these new players. First of all, the number. 455 original series were produced last year including the remarkable The Handmaid's Tale and it's Emmy award success. Pop culture is at the core of these new franchises and it is one of the success of Netflix. We can also credit them with the interactive story telling. They are trying with Dreamworks a new way of interacting with content and, obviously, the slate, they announced yesterday, 80 movies in 2018 which is bigger than some studios. So is the game over for these studios? I don't think so. You can have

this carpet bombing and eight billion announced for next year, but look at who is in that play.

You have Universal, Fox, World Disney, Warner Bros - altogether within the Hulu platform and when you look at the level of investment of all of these legacy players, we are nearly around 50 billion. There is money and resources to build a future. You just need a new operating system. However, sometimes you need some harsh decisions like Disney deciding to plug off its content from the Netflix platform. We are entering into the world of subscription and it has changed everything. When you look at video and audio, how they are already disrupted. When you look how people in the music business price the consumer and don't price the product. This is also how you are going to engage the fans with their preferred bands. It is all about access and assets and you need to manage your asset but you need to find new access. This man is the king of subs. It is Jeff Bezos, the CEO of Amazon. Why? because he understood that it was not the product that matters but how people will use it. With a kindle, the ROI is 12 times because people every year, even if Amazon is losing money on one kindle sell, they earn \$130 every year with what people buy through the kindle. This is exactly the same with Prime.

Astonishing number, 60% of American consumer households own an Amazon Prime subscription. 60%. This is mainstream. It means that they can sell what they want, they can sell entertainment for sure, they can sell cloud services, news with the Wall Street Journal, education, provisional services - this is just the beginning. And when you have too much, when you need curation, use your voice. Hello, Alexa. Alexa is the next weapon to literally dominate our living room and kitchen. 70% of that assistant voice market is already owned by Amazon and what happens when you ask Amazon to buy batteries? Amazon suggests you buy Amazon batteries not Duracell. In 15 months, Amazon became the biggest seller of batteries in the US. 30% market share when Duracell has 24%. They have spent billions for a 24% market share. Amazon's is 30%. Only a great brand can protect you from the voice disruption. This is just the beginning, so will Alexa rule Britannia one day? Time will tell but, for sure, they are incredibly impressive and scary contenders.

Finally, the mobile wars. Five billion is the scale of the mobile business and it is obviously one out of five user mobile-centric. You saw all the stats. It is already the first screen. Daily Motion has released a new interface fully mobile first with a pure video play. Please don't load it, you will have great fun with premium content. Messaging is activity number one. Mobile gaming is

activity number two. Gameloft is proud to release next Thursday Paddington the game. It is free, you can have fun and it is going to help you to tease and wait for the movie that will be in a few says in the theatre and in January in the US or in Asia. Content everywhere. Mobile means new creativity. Rick gave us examples of the shows from Facebook that are licensed by Facebook but also by Apple like Apple Karaoke or Phone Swipe by Snap Chat. A true explosion.

Life is everywhere after musically have a look at Lively. It's coming from China and it will be another huge hit with rewarded UGC. Like E-sport. People and audience are paying the ... screen to reward them from the entertainment moment and the ad. New form of interactivity - your new Skam. Watch Mosaic from Steven Soderbergh with HBO. Audio storytelling is back on mobile. It's called Calls and it is a Canal Blues Production, Ten by Ten, audio only, because podcast is really a new form of creativity that people seem to love, especially in the adult time and mobile will be the entry point for VR and AR. It is years. We are talking about the next big thing, it never happened, is is truly coming. It is coming because of Facebook Oculus. It is coming with a new Iphone that has that AR kit. It's coming because the market is starting to crystallise. Hulu is betting on it with its VR offer and if you have been able, and the lucky one, to leave the experience that Mr Inarritu, the Oscar winner from The Revenant, has provided through living as a migrant on a fictional border with a backpack, barefoot in the sand with your Google. It is an unbelievable experience.

Scientists prove that the souvenir you have from a VR experience equals the souvenir of your current life. The brain cannot discern the difference. It is so intimate there is no distance between the screen because you are part of the screen. AR with Snap Chat as well, and AR kids from Apple, is in 400 million phones so, yes, it is coming. It is going to be mainstream but the big thing is the premium mobile content. Jeff Katzenberg announced raising two billion to create what he called smartly New TV. We can trust him and we can also remember that Vivendi was the first company last year to introduce premium mobile content in the world. It is called Studio Plus and we were incredibly proud to launch it at the end of last year and have the first results. Five million subscribers with a slate of nearly 50 series, ten by ten, ten minutes, ten episodes. Have a look at Studio Plus ten months after the launch.

VIDEO CLIP

Dominique Delport

This is Studio Plus and we are incredibly proud and happy of that kick off, it has been fantastic with wide recognition and there are two nominations for the next Emmy awards late November in New York. Remember, our future and your future will not only be about content but it will be about container and context. The ability to understand that consumers want to watch and love and cherish, but also the platform you have to intimately master because these platforms, these distribution channels will have a growing influence on the way your content can live and thrive.

Finally, the context. If it is down times because you're queuing somewhere or you're commuting with your mobile, it will be a different screening experience and you need to think of how to better address that need for content. Let's be sure that the self driving car of tomorrow will be your new living room. Therefore, yes, it is all about code and culture. Curiously, if you look at the top 15 companies in the world, the top 16 actually, they are made up with mainly code companies and, historically, the MIPCom companies and the content owners and producers over the world. We are very proud at Vivendi, now with Havas, to be part of that game and try to understand better code, to produce better content and increase the way European culture can run out and can be a success for everyone in the room. Thank you.

Marjorie Paillon

So it's not like the future you're actually foreseeing for this industry. However, let's follow the money first. We are at a time of content deluge and lines are getting more and more blurred between all of the shareholders of this ecosystem. Brands are creating their own studios, contemporary creation studios and traditional content creators are left with nothing to do but trying to compete in that world. How can we cope with that kind of trend?

Dominique Delport

First you need to be optimistic. Even with that kind of crazy technological revolution, you still have print and radio. In fact, every media is still there and people have never consumed so much music and the music industry was under a huge threat ten years ago, not it is again in its golden years. You, therefore, need to be optimistic but you need to face the truth. You need to understand technology, you need to teach codes to your teams and you need to move the discussion with your audience in order to better understand your consumer. If you don't understand your consumer, if you don't collect smart data respecting privacy, respecting DGPR

in Europe, etc, it is really about being closer. It's not I produce, I shape, I'm done. That doesn't work anymore. You need to understand better who you are talking to and then start a conversation that will last.

The franchise of anyone, an AP, we mentioned Paddington, taps into people who have known Paddington since their school years because it's a huge character from its author and, in the UK and the Commonwealth, many countries did not know Paddington well before so you need to train them and teach them in a different way. Gaming is an entry point because people love gaming, casual gaming especially for young women or not so young women and young men or not so young men - it is again that 10, 15 minutes of indulgent time where you want to just have fun and brainwash your head and, sometimes, you spend money on that, a lot of money as well. The premium model is in the middle of the two worlds I describe. Therefore, I think that you need to understand the technological pressure and you need to understand how this platform works.

Marjorie Paillon

Content is not king any more, story telling is taking over.

Dominique Delport

Story telling is king. Amazon's success is also a huge story telling success. The companies in the top 16 are great story tellers, probably the best in the world. They don't even really market themselves or spend money in advertising. Content is king, of course but distribution is queen and we live in that world where the king and queen is equal which is great news. You have constraint and opportunities. The problem is to be sure that building the unknown, building the new you stop investing on the old recipes that cost a lot and how you manage that legacy. I think that one of the main challenges is a human resources challenge. We need to help our people to transition from one world to another. Training is critical in every organisation.

The advertising business has faced several disruptions. It is always by training people. We train at Havas 10,000 to programmatic. Even if they don't do programmatic, they need to understand that you move from media planning to audience planning and it is radically different. So, yes, the human resources is probably something we don't mention so much in the entertainment business. We need to focus on that in the coming year for sure.

Marjorie Paillon

Code is definitely the new mother tongue.

Dominique Delport

Look at how you react with an app, we only have dozens of apps that we use, it's all about the user experience. You download an app. Half the time you never use the app you have downloaded. You just forget it! People are really demanding now. They know what a great experience is and they expect from you, whether you are a 100 century company, to have the same pleasure that a start up that didn't existing two years ago. Therefore, you need to find that agility and I think that, for us, bringing Vivendi and Universal together, one of the entertainment leaders in Europe and all over the world with Universal music and their asses as well as one of the top five advertising companies with 20,000 people all over the world, I believe it is quite unique, it is quite unprecedented and it is really exciting.

Marjorie Paillon

Speaking of Havas and Vivendi teaming up together, would you say that the main purpose here was to serve a synergic strategy for the group?

Dominique Delport

I think that Vivendi, as we say, is one of the top 16 groups but relies on advertising for approximately 3-4%. It is very different from its peers, especially American entertainment companies. Accordingly, there are many opportunities there. I think that for Havas to have access to the Vivendi assets is great for all of the brands we represent. Again, I think that we are entering a new world and to understand the platform as well as how to produce premium content like Studio Canal and Canal Blues are doing or Universal music with all these artists or Gameloft with its billions of games downloaded, I think that it create a unique combination.

Now it is up to us to extract value - value for the fans, value for the artist, value for the advertiser and value for the brands, value for our talent - but I am super optimistic and confident that we are on a path on an incredible journey where entertainment is at the core because what people want is to feel emotion and they want to connect with stuff that matters to them, to their kids, to their family, to their relatives and I think that brands are part of that. Remember, the advertising business is a \$600 billion business. The money has always been here to subsidize free radio,

free TV, free print and so on. Therefore, it is great to have brands that want to become meaningful and want to do something good on the planet. It is compatible with a business objective, so I think that we are on a very interesting path. All the team are excited - 40,000 people from both sides - and it is up to us now.

Marjorie Paillon

You are actually trying to master the entertainment ecosystem, from traditional television to online content - even in real life with the Olympia Theatre, to follow the customer's journey. Would you say that you are applying yourself, like you're trying to bring together a ... assistant - is that the key to actually succeeding in this jungle?

Dominique Delport

I think that any company needs to think with an ecosystem in mind. With Telcos, we are working closely with Telcos Italia in which the company of Vivendi has a stake and I think that we understand better the Telcos business which is one reason for the success of Studio Plus. You need to understand how Telcos operates because they are incredibly powerful companies with hundreds of millions of subscribers already and a daily link with these subscribers. If we are able, therefore, to bring our premium content in a telecom and platform environment, I think we are good. You are correct, however, I think that we do not want to pretend to be the white knight but, if we can try to connect, our great friends and platform from America, our great partners from Asia and promote the European culture and the Latin culture with also a foot in Africa and thousands of employees already there as well as some great initiatives in Africa - a continent that will matter more and more in the future and which is partly French speaking - I think that we have a great journey in front of us. However, it means agility, being humble and still being passionate because passion only runs the world so this is what we want to achieve.

Marjorie Paillon

We are all in competition for the time, attention and engagement of our users. However, they are users of a lot of things in 24 hours. They can be users, consumers, viewers and voyeurs and we can also be those users ourselves. How can we worm our way into this jungle? How can we actually engage in a smart way with new dances?

Dominique Delport

Let's take the example of advertising. People are bored with ads. Steve Jobs said advertising sucks and that is one quote that I will never forget. Why? Because the experience is terrible. Look at mobile advertising. 60% of mobile banner clicks are mistakes. People literally spend more time trying to find the arrow instead of watching an ad. We have to fix that We have to be much more meaningful with people and brands. We know that big brands have seen their market share drop because they are not relevant for people anymore. Our job is to bring that meaningfulness and to try again and again. If you understand what the consumer wants, you can also ask yourself what does he want to watch. I think that we can bring this discussion to content creators and ones we manage new tools and new techniques.

Look at the super fans; I mentioned them earlier. When you love something - close to your heart and close to your wallet - you are ready to spend more as soon as we can provide you with the premium experiences or the great family or community experiences you expect. Therefore, a lot has to be done, yes. It is true. We need data. The success of Amazon and the success of Netflix is data driven, no doubt, and the way we can collect data, the way we can extract even anonymized data allow us to better understand consumers, who may turn into being tomorrow's customer. That is at the core of what we do and is also something Havas will provide to Vivendi through their scientists and huge algorithm experience. I think that modern companies need again to master both sides of their brain - magic and logic, culture and codes - and this is the way.

Marjorie Paillon

Which brings us to a question you mentioned earlier, the GDPR. They may not ring the bell right now, but we are all data collectors these days. How can we cope with this piece of regulation that is coming in May?

Dominique Delport

So basically what it says is that you cannot collect privacy data the same way. In Europe, on May 18th, the strictest regulation in the world will come into force and companies can be fined, if they do not comply, 4% of their revenues, which is a lot of money. I remember a quote from Bob Iger, the CEO of Walt Disney. He was talking about Starwars 8. He said Starwars8 is coming, I still don't know who watched Starwars7. So we live in a world where - except for this technological platform, a lot of huge, brilliant entertainment companies do not have access to the

data of the people who love their product and content. We need to change that, therefore. We need to build new ways of collecting and rewarding.

It is a trade off. If you don't give me something back, don't expect to have anything from me. However, if you understand me better like a friend, you can provide better entertainment, better experiences. This is really the bed that we are in. Therefore, there are regulations and what is also interesting, culturally speaking is Europe wants to fight back and Europe wants also to promote its players and to be sure that the biggest company, which often are the smartest in tax optimisation, are also paying a fair deal in order for all of our ecosystems to be sustainable and I think that people love choice, people love diversity, you can adore a blockbuster movie and also watch an independent series that you will adore in your local language. That is, therefore, at the crossroads of what we are trying to build. Time will tell but, again, optimism, being humble, work hard, play hard and, yes, passion at the core.

Marjorie Paillon

Which definitely gives you strength for our next presentation in the data wars.

Dominique Delpport

Do not forget that everything starts with content and if you do not have the best stories in the world I no data to capture - and no consumer to delight so we need to tell stories, we have in Europe phenomenal legacies and I think again, Italian stories, Greek stories, Spanish stories and Scandinavian stories have so much to tell the world and we are absolutely excited by the work we have to provide in the coming months.

Marjorie Paillon

Dominique Delpport and what the future holds for the content industry. Thank you so much for your perspective.

Dominique Delpport

Thank you, Marjorie.

Marjorie Paillon

Thank you for attending.

Dominique Delport

Bye bye everyone.