



**2011 Actual + 2012 Estimated
Canadian Online Advertising Revenue Survey
DETAILED REPORT**

An industry Survey conducted by Ernst & Young and
sponsored by the Interactive Advertising Bureau of Canada

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A. Background

About IAB Canada's 2011-12 Canadian Online Advertising Revenue Report...

First commissioned in 1998 by the Interactive Advertising Bureau of Canada (IAB), the Canadian Online Advertising Revenue Report is now in its 13th consecutive year of publication. From 1999-2001, the study was conducted by PriceWaterhouseCooper. From 2002 onward, the study was conducted by Ernst & Young LLP.

The results of IAB Canada's Annual Canadian Online Publisher Advertising Revenue Survey are considered the most accurate measurement of Canadian Online advertising revenues, as the data is compiled directly from information supplied by Canadian Online Publishers who sell advertising on Canadian Websites, and Ad Networks who sell advertising on both the Canadian and U.S. Websites they represent.

It should be noted that Ernst & Young does not formally audit the information supplied by participants in their Survey responses, and provides no opinion or other form of assurance with respect to the information. Results of individual respondent submissions are held in strict confidence by Ernst & Young and are released in aggregate form only, to maintain individual Online Publisher/Ad Network confidentiality.

The technical summary at the end of this Report contains basic Survey Methodology and the Definitions of the various Online Advertising Vehicles (Ad Formats) reported on.

Martin Lundie
Ernst & Young LLP

B. Executive Summary

2011 Full-Year Highlights and 2012 Forecast

Revenue Trends

Online Advertising Revenues rose to \$2.593 billion in 2011, up 16% compared to \$2.232 billion in 2010, and just above the previously forecasted 2011 number of \$2.586 Billion. French language Advertising Revenues grew 14% over 2010, continuing to represent 19% of total Online Ad Revenues in Canada in 2011.

Respondents to IAB Canada's 2011 Survey have forecasted that Online Ad Revenues will grow 10% by the end of 2012, rising to \$2.844 billion. This forecast includes French language ad revenues, which are forecasted to increase by 6% to \$520 million. Note: This forecast may be superseded by later marketplace developments that could make it less certain of being achieved.

Concentration Of Advertising Revenues

As a result of consolidation among Online Publishers in Canada, the Top 10 Advertising Earners in this Survey accounted for 84% of all Canadian Online Advertising Revenues in 2011, up from 81% in 2010 and 77% in 2009. The Top 20 Earners accounted for 90% in 2011, same as 2010, up from 87% in 2009. A 2011 survey response rate of 100% was achieved among the Top 10 / Top 20 Earners.

Revenue By Advertising Vehicle (Ad Format)

Both Search and Display Advertising grew substantially in 2011, with Search rising 19% to just under \$1.1 billion, outpaced by Display which increased 22% to \$840 million. Classifieds/Directories appear to have lost ground slightly in 2011, down 2% from 2010. Together, these three advertising vehicles generated 96% of all Online advertising booked in Canada during 2011. Online Video advertising grew by 96% to \$73 million in 2011.

French language Display and Search formats also grew faster than the average, with Search (+22%) outpacing Display (+20%). Classifieds/Directories declined more so in French Canada (-7%) relative to Total (-2%).

Revenue By Advertising Product Category

2011 Canadian Online Ad Revenue was also tabulated by 13 Advertiser Product Categories. Leading categories break out as follows:

Automotive continued to be the largest advertising revenue category for Publishers/Ad Networks in 2011, with 15% of total Canadian Online ad revenue coming from the sector, up from 12% in 2010. Packaged Goods and Financial Services followed with 12% / 10% share respectively. NEW!! Two additional categories were reported for the first time in 2011, 'Beverage Alcohol' and 'Government', which helped reduce the size of 'Other', from 31% down to 20% in 2011.

Online Advertising Growth as Compared to Growth in Other Media

In 2011, Canadian Online ad revenue continued its double-digit growth rate at +16%, followed by Television at +5% and Radio at +4%. Online is consequently narrowing Television's lead, while pulling further ahead of Newspapers, which experienced a revenue decline of 6%. The Internet's share of total advertising revenue in Canada grew from 19.4% in 2010 to 21.7% in 2011.

Online Revenue Share versus All Media: Canada/US/UK

Canada's Online advertising market, with a 21.7% share of total domestic advertising revenue in 2011 continued to march in lockstep with the US. In the UK, Online has been significantly outperforming both countries and the rest of Europe, with 35.9% share of total advertising revenue, where it now slightly exceeds that of UK Television.

Challenges + Opportunities Going Forward

The following reflects commentary from Survey respondents. The issues summarized below are anecdotal in nature and reflect respondents' particular business scenarios.

Downward pressures in 2011 on Display CPMs and some traditional Online publisher sell-through rates are expected to continue in 2012, due in part to continuing growth in Canada of automated buying DSPs and Exchanges with RTB capability, as well as increased competition from Social Networks. Advertiser/agency emphasis on performance-based pricing is another negative CPM factor. Many advertisers reduced their budgets in late 2011 and early 2012, resulting in frequent last-minute cancellations.

In order to unlock incremental revenue, the Online sector must meet the continuing need to demonstrate to clients/agencies, the return on investment contributions of the medium to brand campaign effectiveness. There is also a mounting need to help the advertiser, agency and ad sales communities to be better-informed about the massive changes taking place in Interactive media and in the digital buy/sell marketplace.

Premium inventory management strategies by Online publishers must emphasize a more compelling rationale for sponsorship as a premium CPM offering, in order to increase revenue yields for the same inventory. Publishers will need to mine their audience / usage data more intelligently than ever, to identify and develop valuable new vertical content opportunities in both traditional and mobile-compatible websites. Multi-platform media owners need production teams that can support a high level of integrated sales, while controlling costs and delivering premium/custom executions. However, limited French language advertising inventory will continue to soften potential growth in the French market.

The increasing use of mobile devices and tablets represent both a challenge and an opportunity to Online Publishers, including the launch of mobile-compatible websites. Mobile is being included much more often in agency campaign RFPs. The industry needs to distinguish how tablets and smartphones can uniquely contribute to an advertising campaign, in relation to each other and relative to Online.

While growth of video ad revenue has been strong in 2011, historically limited pre-roll video inventory will continue to be a major sticking point, as advertiser/agency demand mounts for premium video in 2012. This also applies to Mobile pre-roll in 2012.

C. Detailed Online Advertising Revenue Findings

Canadian Online Advertising Revenue reaches \$2.6 Billion in 2011

Online Advertising Revenues rose to \$2.593 billion in 2011, up 16% compared to \$2.232 billion in 2010, and just above the previously forecasted 2011 number of \$2.586 Billion.

Total 2011 Online Advertising Revenue			
	<u>2010</u>	<u>2011</u>	% growth
Millions (\$)	2,232	2,593	16%

Note: Excludes Agency commission

French language Advertising Revenues grew 14% over 2010, continuing to represent 19% of total Online Ad Revenues in Canada in 2011.

Total French 2011 Online Advertising Revenue			
	<u>2010</u>	<u>2011</u>	% growth
Millions (\$)	428	490	14%
Share of Total	0.19	0.19	

Note: Excludes Agency Commission

\$2.8 Billion Total Online Ad Revenue Projected for 2012

Respondents to IAB Canada's 2011 Survey have forecasted that Online Ad Revenues will grow 10% by the end of 2012, rising to \$2.844 billion. This forecast includes French language ad revenues, which are forecasted to increase by 6% to \$520 million.

Projected 2012 Online Ad Revenue: Total, French			
	Actual	Forecast	
	<u>2011</u>	<u>2012</u>	% growth
Total Online (Mil \$)	2,593	2,844	10%
French Online (Mil \$)	490	520	6%

Note: This forecast may be superseded by later marketplace developments that may make it less certain of being achieved.

Total and French Canada Online Advertising Revenues Over Time: 2002-2011

Canadian Online Advertising Revenues grew by 16% to \$2.593 billion in 2011, slightly above the 14% growth recorded between 2008 and 2009. Indeed, Publisher/Ad Network revenue from Online advertising in Canada has increased at double digit rates in all of the past 10 years -- building from \$176 million in 2002 to the \$2.59 billion mark in 2011.

Ten-year Growth Trend of Actual Online Advertising Revenues: 2002-2011										
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total Cda Millions (\$)	176	237	364	562	900	1241	1602	1,822	2,232	2,593
% growth/yr	105%	35%	54%	54%	60%	38%	29%	14%	23%	16%
French Cda Millions (\$)	--	--	66	124	189	260	317	352	428	490
% growth/yr	--	--	--	89%	52%	38%	22%	11%	22%	14%

NOTE: Online Advertising Revenues for French Canada were not able to be determined accurately until 2004.

Concentration of Online Advertising Revenues in Canada

The Top 10 Advertising Earners in this survey brought in a full 84% of all Canadian Online Advertising Revenues in 2011, up from 81% in 2010 and 77% in 2009. The Top 20 Earners accounted for 90% in 2011, same as 2010, up from 87% in 2009. This pattern represents ongoing consolidation among Online Publishers in Canada.

Share of Total Annual Survey Revenue: Top 10, 20 Earners						
Year...	2006	2007	2008	2009	2010	2011
Top 10 Earners	78%	77%	77%	77%	81%	84%
Top 20 Earners	87%	85%	86%	87%	90%	90%

NOTE: IAB Canada's 2011 Annual Online Advertising Revenue Survey had a 100% response rate for the Top 10 and Top 20 Earners.

Revenues and Rate of Growth by Online Vehicle (Ad Format) In 2011: Total/French Canada

Both Search and Display Advertising grew substantially in 2011 and they now collectively represent almost three quarters of all Canadian Online ad revenue, with Search rising 19% to just under \$1.1 billion, outpaced by Display which increased 22% to \$840 million. Classifieds/Directories appear to have lost ground slightly in 2011, down 2% from 2010. Together, these three advertising vehicles generated 96% of all Online advertising booked in Canada during 2011.

Online Video advertising grew by 96%, from \$37 million in 2010 to \$73 million in 2011.

French language Display and Search formats also grew faster than the average, with Search (+22%) outpacing Display (+20%). Classifieds/Directories declined more so in French Canada (-7%) relative to Total (-2%). French language Video revenues appeared for the first time in 2011 based on rounded figures.

ONLINE Revenue & Percent Growth by Advertising Vehicle: 2010-2011						
Advertising Vehicle:	Total Canada			French Canada		
	2010 \$ (millions)	2011 \$ (millions)	% change	2010 \$ (millions)	2011 \$ (millions)	% change
Search	907	1081	19%	173	211	22%
Display	688	840	22%	112	135	20%
Classifieds/Directories	587	576	-2%	141	131	-7%
Video	37	73	96%	0	8	na
Email	11	13	18%	2	3	18%
VideoGaming	2	10	419%	0	3	na
Total	2,232	2,593	16%	428	490	14%

Numbers rounded; e.g. email % growth in French Canada: (2011) 2.59% / (2010) 2.21% = +18% growth

Notes: See Appendix D for full definitions of each Advertising Vehicle (format).

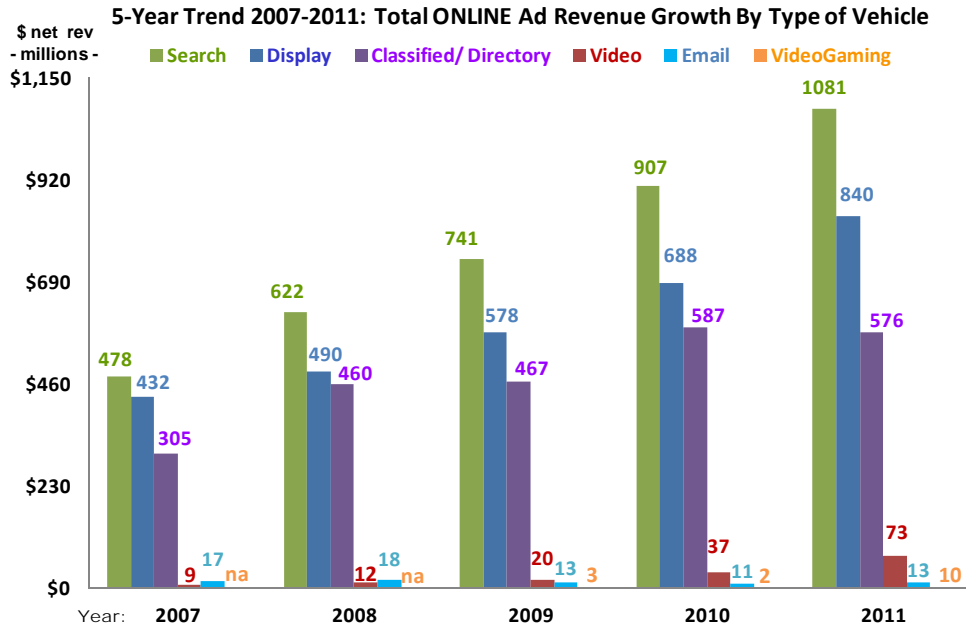
In 2010, Display ad revenues were, for the first time, broken-out according to Standard Display, Rich Media, Sponsorship and Direct Response/Lead Generation. While 2011 results are again consistent with 2010, it has been decided for the time being, to discontinue reporting at this level of granularity effective 2011.

Revenue Growth by Online Advertising Vehicle (Ad Format) Over Past Five Years: 2007-11

The 2009 surge in Display revenue growth of +18% continued in 2010 (+19%), increasing this momentum into 2011 (+22%). The 2011 Search growth rate of 19%, while 3 percentage points below 2010 (22%), is comparable to its 2009 growth rate. Classifieds/Directories, the third largest ad vehicle, experienced its first decline since 2007, however slight (-2%). Not unexpectedly, video continues to grow more quickly each year since tracking began in 2007, outpaced in 2011 only by the very small VideoGaming format. (419%).

Five-year Trend of ONLINE Ad Revenue Growth By Advertising Vehicle: 2007-2011									
Advertising Vehicle:	2007	2008	%	2009	%	2010	%	2011	%
	\$ (millions)	\$ (millions)	change	\$ (millions)	change	\$ (millions)	change	\$ (millions)	change
Search	478	622	30%	741	19%	907	22%	1081	19%
Display	432	490	13%	578	18%	688	19%	840	22%
Classifieds/ Directories	305	460	51%	467	2%	587	26%	576	-2%
Video	9	12	33%	20	67%	37	85%	73	96%
Email	17	18	6%	13	-28%	11	-15%	13	18%
VideoGaming	--	--	na	3	na	2	-33%	10	419%
Total	1241	1602	29%	1822	14%	2232	23%	2593	16%

The changes in actual dollars earned by Publishers/Ad Networks for Search, Display, Classifieds/ Directories and other Online ad formats over time, are shown graphically in the following columnar chart:



Share Of Total and French Canada Online Ad Revenue By Advertising Vehicle (Format): 2007-11

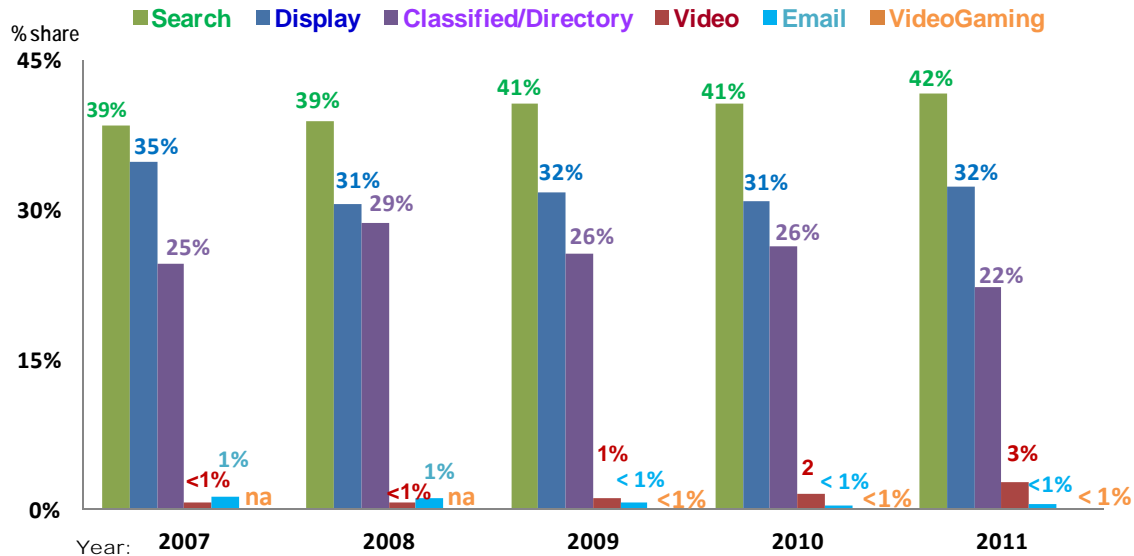
The change in share of Total Online ad revenues earned by Search, Display and the other Online Ad Vehicles over time is shown in the table below for Total and French Canada.

Share of Total ONLINE Revenue By Ad Vehicle: 5-year Trend 2007-11							
Advertising Vehicle	2007	2008	2009	2010		2011	
	% Total revenue	% Total revenue	% Total revenue	% Total revenue	FRENCH % Total revenue	% Total revenue	FRENCH % Total revenue
Search	39%	39%	41%	41%	8%	42%	8%
Display	35%	31%	32%	31%	5%	32%	5%
Classifieds/ Directories	25%	29%	26%	26%	6%	22%	5%
Video	< 1%	< 1%	1%	2%	0%	3%	0%
Email	1%	1%	< 1%	< 1%	0%	< 1%	0%
VideoGaming	--	--	< 1%	< 1%	0%	< 1%	0%
TOTAL	100%	100%	100%	100%	19%	100%	19%

Note: Percentages rounded; French details not available by format prior to 2010.

The change in share of total Online ad revenue by Advertising Vehicle over the past five years can also be expressed as a columnar chart as follows:

Percent Share of Total Canadian ONLINE Ad Revenue By Ad Vehicle: 2007-11



Note: All percentages are rounded

Percentage Of Online Ad Revenue By Advertising Category 2011 vs. 2010: Total, English, French

Automotive continues to be the largest advertising revenue category for Publishers/Ad Networks in 2011, with 15% of total Canadian Online ad revenue coming from the sector, up from 12% in 2010. Advertising revenue earned from Packaged Goods and Financial Services advertisers follows with 12% / 10% share respectively.

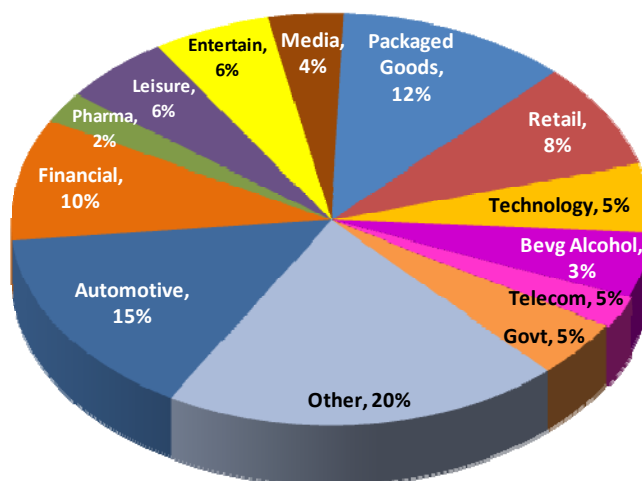
NEW!! Two additional categories are being reported for the first time in 2011, 'Beverage Alcohol' and 'Government', which have helped to significantly reduce the size of 'Other', from 31% in 2010 down to 20% in 2011.

Distribution of ONLINE Ad Revenue by 13 Major Product/Service Categories - Total Canada, English & French: 2011 vs 2010														
Year	Total Online (% rev)	Auto (% rev)	Financial (% rev)	Leisure Travel (% rev)	Entertainment (% rev)	Cnsmr Pkgd Goods (% rev)	Retail (% rev)	Technology (% rev)	Telecom (% rev)	Media (% rev)	Pharma /Health (% rev)	Bevg. Alcohol (% rev)	Government (% rev)	Other (% rev)
2011	100%	15%	10%	6%	6%	12%	8%	5%	5%	4%	2%	3%	5%	20%
English:	85.5%	12.2%	8.4%	5.1%	5.4%	10.3%	7.4%	4.6%	4.5%	2.4%	1.8%	2.2%	4.2%	17.0%
French:	14.3%	2.9%	1.2%	0.4%	0.6%	1.4%	0.9%	0.8%	0.6%	1.4%	0.6%	0.3%	0.4%	2.8%
2010	100%	12%	11%	6%	4%	11%	9%	5%	4%	4%	3%	na	na	31%
Difference		+3 pts	-1 pt	--	-2 pt	+1 pt	-1 pt	--	+1pt	--	-1 pt	NEW	NEW	-11pts

Note: All percentages are rounded and are based only on those respondents who answered this particular question.

The percent distribution of total Canadian Online Advertising Revenue by major product/service category for 2011 is graphically expressed in the following pie chart:

Distribution of Canadian ONLINE Ad Revenue by Major Product Category: 2011



Note: Leisure = travel, hotel, hospitality

Online Advertising Growth and Share As Compared To Other Media: 2011 vs. 2010

In 2011, Online ad revenue continued its double-digit growth rate at +16%, followed by Television at +5% and Radio at +4%. Online is consequently narrowing Television's lead, while pulling further ahead of Newspapers, which experienced a revenue decline of 6%.

The following two tables show the percent change in revenue in actual dollars per medium, as well as the percent share of total Canadian ad revenue by medium:

Ad Revenue Growth by Major Medium in Canada: 2010-11				
Rank		2010	2011	percent change
		\$ Millions	\$ Millions	
1	Television	\$3,390	\$3,552	5%
2	Internet	\$2,232	\$2,593	16%
3	Daily Newspaper	\$2,102	\$1,971	-6%
4	Radio	\$1,517	\$1,575	4%
5	Community Newspaper	\$1,147	\$1,170	2%
6	Magazines	\$606	\$593	-2%
7	Out-of-home	\$482	\$485	1%
	Total - All Media	\$11,476	\$11,938	4.0%

Source: TVB, IAB Canada (Internet)

Note: rounding, excludes Advertising Agency commission

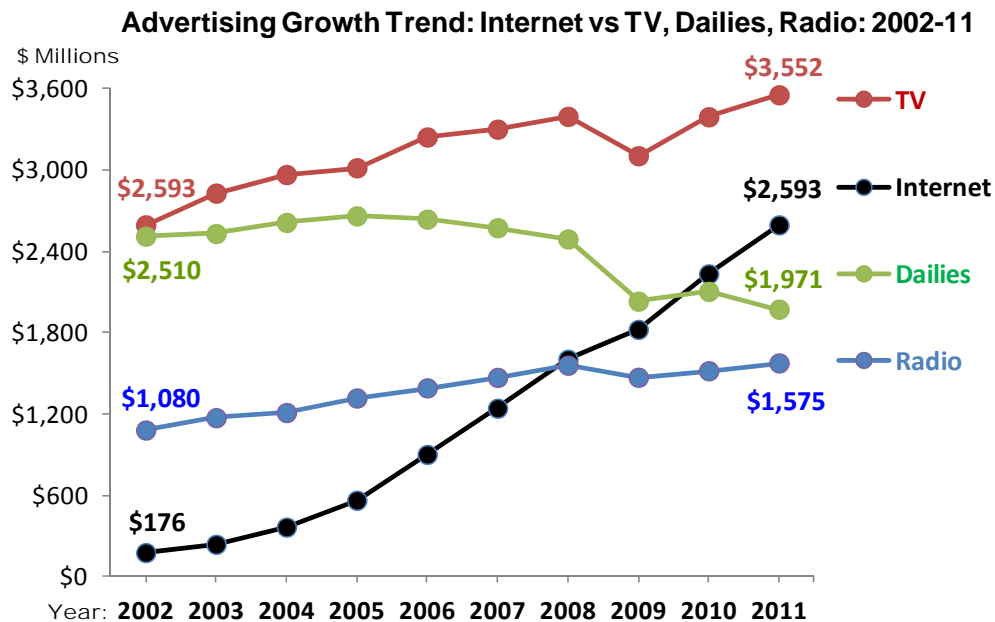
Note: Excludes Community Newspaper, Catalogues/Direct Mail, Yellow Pages, etc.

The Internet's share of total advertising revenue in Canada grew from 19.4% in 2010 to 21.7% in 2011, while Television's share moved up from 29.5% to 29.8%. Third ranked Daily Newspapers declined to 16.5% share from 18.3% in 2010. See below:

Percent Share of Ad Revenue by Major Medium in Canada: 2010-11					
Rank		2010	percent	2011	percent
		\$ Millions	of total	\$ Millions	of total
1	Television	\$3,390	29.5%	\$3,552	29.8%
2	Internet	\$2,232	19.4%	\$2,593	21.7%
3	Daily Newspaper	\$2,102	18.3%	\$1,971	16.5%
4	Radio	\$1,517	13.2%	\$1,575	13.2%
5	Community Newspaper	\$1,147	10.0%	\$1,170	9.8%
6	Magazines	\$606	5.3%	\$593	5.0%
	Out-of-home	\$482	4.2%	\$485	4.1%
Total - All Media		\$11,476	100.0%	\$11,938	100.0%

Source: TVB, IAB Canada (Internet) Note: excludes Advertising Agency commission
 Note: Excludes Community Newspaper, Catalogues/Direct Mail, Yellow Pages, etc.

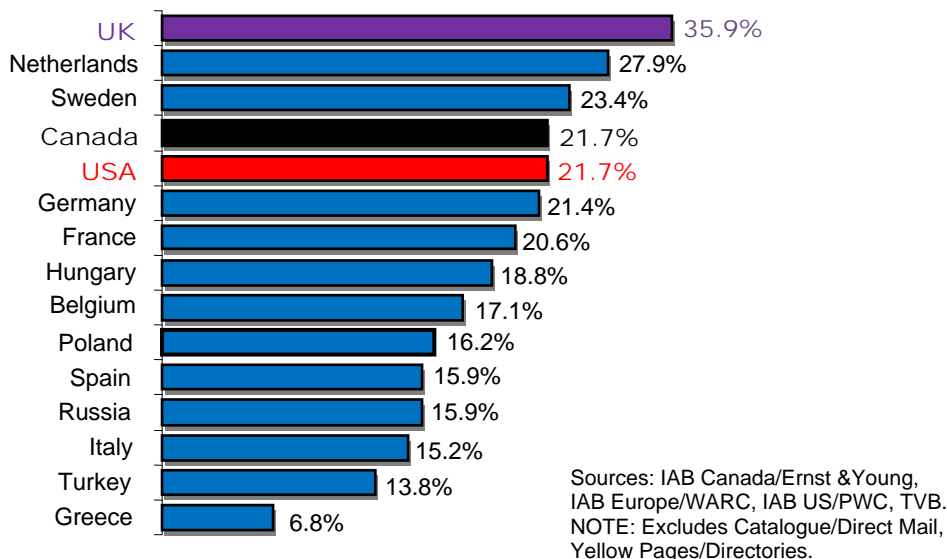
Internet advertising revenues were also trended back over 10 years in comparison to Television, Daily Newspapers and Radio ad revenues. In the past decade, Online advertising revenue surpassed Daily Newspapers' (2010) and by 2011 had risen to almost three quarters of Television's ad revenue level. The Internet's steep revenue growth curve becomes dramatically evident in the following line graph:



Comparison of Canada/US/UK Online Share of Total 2011 Media Advertising Revenues

Canada's Online advertising market, with a 21.7% share of total domestic advertising revenue in 2011 continued to march in lockstep with the US. In the UK, Online has been significantly outperforming both countries and the rest of Europe, with 35.9% share of total advertising revenue, where it now slightly exceeds that of UK Television. (Note: Differing media landscapes, Survey methodologies and research providers may cause some of the observed differences between countries).

Online as a Percentage of All Media Spend by Country – Europe, US, Cda: 2011



Challenges + Opportunities: Past Year and Going Forward

The following reflects commentary from Survey respondents about the biggest challenges, changes and opportunities they individually encountered in the past 12 months (2011), and their expectations for the next 12 months (2012). The issues summarized below are anecdotal in nature and reflect respondents' particular business scenarios.

- Competition/Commoditization -

Downward pressures in 2011 on Display CPMs and some traditional Online publisher sell-through rates are expected to continue in 2012, due in part to continuing growth in Canada of automated buying DSPs (demand side platforms) and Exchanges with RTB (real-time-bidding) capability and increased competition from Social Networks. Advertiser/agency emphasis on performance-based (CPC/CPA/CPE) pricing is another negative CPM factor.

- Premium inventory management -

Premium inventory management strategies by Online publishers must focus on increased emphasis and more compelling rationale for sponsorship as a premium CPM offering, in order to increase revenue yields for the same inventory. It will also be important for publishers to further differentiate their respective offerings in the buy/sell marketplace, while simultaneously strengthening their relationships with agencies and other strategic advisers to marketers.

- Coping with Market Uncertainty -

Many advertisers reduced their budgets in late 2011 and early 2012, resulting in frequent last-minute cancelations. In order to unlock incremental revenue for the Online sector, there is a continuing need to demonstrate to clients/agencies, the return on investment contributions offered by the Online medium and by individual vendors, to brand campaign effectiveness. Publishers will need to mine their audience / usage data more intelligently than ever, to identify and develop valuable new vertical content opportunities in both traditional and mobile-compatible websites. For multi-platform media owners, greater sales of Integrated solutions to agencies depends on having profitable production teams, that can support a high level of 'multi-platform integration' sales, while controlling costs and delivering premium/custom executions.

- Education/Training -

In order to unlock incremental revenue, the Online sector must help the advertiser, agency and ad sales communities to be better-informed about the massive changes taking place in Interactive media and in the digital buy/sell marketplace, including programmatic buying through DSPs (demand side platforms) / Exchanges as well as vendor-specific product training.

- Mobile/Tablets -

The increasing use of mobile devices and tablets represent both a challenge and an opportunity to Online Publishers, including the need to launch quality Mobile-compatible websites. Mobile is being included much more often in agency campaign RFPs (request for proposal). Given the convergence occurring among proliferating handheld devices, with cellphones getting larger and mini-tablets now coming to market, the industry needs to distinguish how tablets and smartphones can uniquely contribute to a brand advertising campaign, in relation to each other and relative to Online, both in terms of targeting and user intent..

- Video -

While growth of video ad revenue has been strong in 2011, historically limited pre-roll video inventory will continue to be a major sticking point, as advertiser/agency demand mounts for premium video in 2012. Talent fee issues may also have been discouraging some large advertisers from running digital video ads, requiring future changes to existing digital rights agreements with talent unions. Mobile pre-roll video opportunities / ad sales are also expected to grow significantly in 2012, without meaningfully cannibalizing Online Video growth.

- French Language Inventory -

Limited French language advertising inventory experienced to date will continue to hamper potential growth in the French market during 2012.

D. APPENDIX - Survey Scope + Methodology

Survey Scope

The Canadian Online Advertising Revenue Report is a part of IAB Canada's ongoing mission to provide an accurate barometer of Digital advertising growth in Canada.

IAB Canada has retained Ernst & Young to jointly establish, maintain and continuously update comprehensive Survey standards for measuring the growth of Online advertising revenues in Canada.

To achieve and sustain industry-wide acceptance, key aspects of IAB Canada's Annual Canadian Online Advertising Revenue Survey include:

- Making the Survey as inclusive as possible, encompassing direct data results from Publishers/Ad Networks of all sizes, for all forms of Online advertising;
- Ensuring and maintaining a confidential process, both in terms of methodology, and in terms of releasing only aggregate data; and,
- Analyzing historical data from within the Survey, to identify broader trends over time.

Survey Methodology

Ernst & Young and IAB Canada work jointly to:

- Compile a database of potential Canadian Online Publishers/Ad Networks to survey annually, in relation to Online advertising revenues -- in both the Total and French Canadian markets;
- Conduct an annual quantitative mailing Survey with the above industry players;
- Acquire supplemental data through the use of publicly-disclosed information.

- Request and compile several specific data items:
 - o These include total annual Gross commissionable Advertising Revenue, and total annual Net Advertising Revenue. Net Revenue is calculated by subtracting the following from the Gross figure: (a) Agency commissions, (b) Publisher Revenues derived from Ad Networks and (c) Ad Network Revenues derived from other Ad Networks.
 - o Annual Net Revenues are requested to be broken down by Advertising Vehicle (Display, Search, Classifieds, etc.), along with a percentage breakdown for each Vehicle based on English and French Canada.
 - o Percentage breakdown of Annual Net Revenues is also requested across thirteen different Advertiser product/service categories that sum back to 100% of the Net Revenue: examples include Automotive, Financial, Technology, etc.
- Identify incomplete responses from actual respondent returns by Publishers/Ad Networks, and apply a conservative revenue estimate for missing answers.
- Identify non-participating Publishers/Ad Networks, and apply a conservative revenue estimate for these companies, based on available public sources.
- Report the aggregate findings of the Survey, and report key trends within the Survey responses.

Confidentiality Procedure

All the information submitted by respondents within IAB Canada's annual Canadian Online Advertising Revenue Survey is completely confidential, due to the "double-blind" data collection methodology that is rigorously employed by IAB Canada and Ernst & Young.

IAB Canada's role is simply to ...

- (a) Identify industry participants who sell Internet/Online advertising;
- (b) Assign a unique, non-identifying, anonymous, alpha-numeric code to potential Survey participants;
- (c) Send out the anonymously-coded Surveys to potential participants;
- (d) Report on the results of the Survey, as tabulated and reported in aggregate by Ernst & Young.

Double-blind Methodology

1. Online Publishers/Ad Networks to be surveyed are derived from IAB Canada Member lists, and from comScore Media Metrix's AdFocus list (a list of Web properties selling Online advertising in Canada).
2. Each Online Publisher/Ad Network selected for surveying is assigned a unique alpha-numeric code that only the IAB Canada President and Research Director are aware of, and sent an IAB Canada Revenue Survey with only this unique alpha-numeric code on it.
3. Once completed, respondents return their anonymously-coded Survey in the postage-paid envelope provided, addressed to Ernst & Young.
4. Martin Lundie, CA Partner Technology, Communications and Entertainment Assurance and Advisory Business Services, Ernst & Young, receives the Surveys, and gives weekly reports back to the IAB Canada President and Research Director, about which alpha-numeric codes have, and have not been received to date.
5. Once all the Surveys are in, responses are recorded, averaged and extrapolated by segment to the total Canadian Publishing market.

6. Aggregated Canadian market totals are sent to the IAB Canada President and Research Director for verification, and then presented to the IAB Canada Board for final approval. The IAB Board confirms that the Survey methodology is sound and the tabulations are correct, and votes to approve the publication of the Revenue Survey numbers. The same process is then repeated with the IAB Online Revenue Survey Methodology Committee.
7. A Report detailing final Survey actuals and estimated next year's Canadian Online Advertising Revenues (for both English and French markets) is created. The Report also includes estimates of percent revenues by Advertising Vehicle (i.e. Display, Search, Classifieds, etc.), and by Advertiser Category (Automotive, Financial, Technology, etc.).

Definitions of Online Advertising Vehicles (Formats)

NOTE: Does NOT include TABLET Revenues (see separate Mobile survey report).

Standard Display Advertising (CPM only) – Advertiser pays an Online Publisher or Ad Network/Exchange for space to display a Standard hyper linked text, banner, big-box, skyscraper, button, or other basic unit (can animate or contain Flash), on one or more of the Publishers Web pages.

Excludes Streaming Video or Streaming XML content of any type. NOTE: Video Pre-roll should be entered in Digital Video section.

REVISED!! Rich Media Display Advertising (Total = CPM + CPE) – Advertiser pays an Online Publisher or Ad Network/Exchange for space to display a RICH MEDIA hyper linked banner, bigbox, skyscraper, expanding or floating ad, etc., that contains user interaction functionality of various types (including the ability to fill out forms, play games, mouse-over areas for more info, etc.) and/or Streamed Video or XML content (e.g. In-Banner Video executions such as Say Media's VideoEgg; Tribal Fusion's Firefly; Casale Media's VideoBox, etc.), as opposed to solely animation. **NOTE: Video Pre-roll (i.e. In-Stream Video) should be entered in the Digital Video section.**

- **Total Rich Media Display Advertising consists of 2 separate currency-based revenue streams: CPM-based revenues + CPE-based revenues** (i.e. CPE = Cost per Engagement). *You need only provide a break-out of these two revenue types, if your company sells products related to them and is able to track CPE-based revenue separately from CPM-based Revenue.*

Sponsorship / Contest / Advertorial Advertising (Flat Fee) – An Advertiser sponsors part or all of a targeted Online Publisher Website, usually existing content (e.g., entire Website, site area, an event, etc.). Sponsorships may contain a Display advertising component (e.g. banners, pre-roll, etc), but are usually negotiated on a flat fee basis. Contests/Advertorials are custom branded sponsorships created for the Advertiser, and often contain listing fees, as well as net contest/microsite creation revenue.

Direct Response / Lead Generation Performance Advertising (CPC, CPA, CPLed only) – Fees Advertisers pay to Online Publishers that refer qualified purchase inquiries (e.g., auto dealers which pay a fee in exchange for receiving a qualified purchase inquiry Online) or provide consumer information (demographic, contact, behavioral), where the consumer opts into being contacted by a marketer (email, postal, telephone, fax). These processes are priced on a performance basis (e.g., cost-per-action, cost-per-lead or cost-per-inquiry), and can include user applications for service (e.g., applying for credit card, mortgage or insurance), surveys or registrations.

NOTE - In final report: Display = Standard Display, Rich Media Display, Sponsorship + Direct Response (all above added together); one or more of the above may be individually reported, if sufficient volume exists to protect anonymity.

Digital Video Advertising (CPM only) – Pre-, Mid-, Post-Roll or TV-like advertisements that may appear as Video commercials or before, during, and/or after a variety of content in an actual Video-player environment ONLY, including but not limited to streaming Video, animation, gaming, and music Video content. This definition includes Digital Video commercials that appear in live, archived and downloadable

streaming content. **NOTE: DO NOT include companion ad revenue or In-Banner ad revenue, unless your Digital Video package is sold in such a way that you cannot separate the revenue (i.e. please DO NOT record companion ad revenue in both Video & Display). DO NOT include revenue from Video within in-banner or in-big-box executions such as Say Media's VideoEgg; Tribal Fusion's Firefly; Casale Media's VideoBox, etc. in this category, as it is covered in the Rich Media (CPM or CPE) Display Advertising section above.**

Videogaming / Advergaming Advertising – This can range from an Advertiser buying all the ad units around a game or a “Sponsored by” link, to creating a custom branded game experience.

Search Advertising – Fees advertisers pay Online Publishers to list and/or link their company site/domain name to a specific search word or phrase via paid listings, contextual search or paid inclusion programmes.

Search categories include:

- *Paid listings* – Text links appear at the top, bottom or side of search engine's results for specific keywords. The more a marketer pays, the higher the position it gets. Marketers only pay when a user clicks on the text link.
- *Contextual search* – Text and image ads appear in an article on a Publisher's site, based on the context of the content.
- *Paid inclusion* – Guarantees that a marketer's URL is indexed by a search engine. The listing is determined by the search engine's search algorithms.

E-mail – Banner ads, links or advertiser sponsorships that appear in Online Publisher's e-mail newsletters, e-mail marketing campaigns and other commercial e-mail communications. Includes all types of electronic mail (e.g. basic text or HTML-enabled).

Classifieds / Auctions – Revenues that Online Publishers receive to list specific advertiser products or services (e.g. Online job boards and employment listings, real estate listings, automotive listings, personals listings, auction-based listings and merchandise). **NOTE: please DO NOT include e-commerce revenue.**

Directories – Revenues Online Publishers receive to list specific advertiser products or services on city sites, yellow or white pages, etc.

NOTE - In final report: Classifieds/Directories = Classifieds/Auctions+Directories (added together).

NOTE: To ensure no duplication of reported ad revenues occurs between Online Publishers and Ad Networks/Exchanges, ONLY report revenues that you earned from ACTUAL Insertion Orders / RTB Orders issued DIRECTLY to your company by the ADVERTISERS themselves and/or their Media AGENCIES. (Contact Steve Rosenblum, Research Director with any questions, srosenblum@iabcanada.com).

Definitions of Leading Industry Categories

The product and service categories in IAB Canada's Advertising Revenue Survey of Online Publishers and Advertising Networks are consistent with those used by the U.S. IAB for its Internet Revenue Study. The categories were drawn from the North American Industry Classification System (NAICS), which is an index of types of business establishments with corresponding descriptions, developed jointly by the U.S., Statistics Canada and Mexico to allow comparability in business statistics among the North American countries. Two new categories were added to the 2011 Canadian survey: Government, Beverage-Alcohol.

Automotive - includes all automotive-related categories including sale/purchase of vehicles and parts and maintenance.

Consumer Packaged Goods - includes packaged goods, food products, household products, toiletries and tobacco.

Entertainment - includes film, music, TV, box office, video games and amusement & recreation.

Financial Services - includes commercial banks, credit agencies, personal credit institutions, consumer finance companies, loan companies, business credit institutions and credit card agencies. Also includes companies engaged in the underwriting, purchase, sale or brokerage of securities and other financial contracts.

Leisure Travel - includes travel, hotel, airlines and resorts.

Media - includes establishments primarily engaged in radio and television broadcasting (network and station) including commercial, religious, educational and other radio or television stations. Also includes establishments primarily engaged in publishing newspapers, periodicals and books.

Pharma & Healthcare – includes pharmaceutical and medicine manufacturing of prescription and non-prescription / generic and brand drugs; healthcare and social assistance including offices of health practitioners, home health care services and other ambulatory services, medical and diagnostic laboratories, nursing and residential care facilities, community care facilities for the elderly, etc.

Retail - includes mail order/catalog, apparel, restaurants/fast food, home furnishings/textiles, toys, pet food/supplies, appliances, jewelry, drug stores, retail stores and cosmetics.

Technology - includes hardware (computers, computer storage devices, and computer peripheral equipment), consumer electronics, prepackaged software (operating, utility and applications programs), local area network systems and network systems integration, computer processing and data preparation and data processing services.

Telecommunications - includes point-to-point communications services, including telephone voice and data communications, two-way mobile/cellular communications services and other non-vocal message communications services (e.g., cablegram, electronic mail and facsimile); includes multi-channel video providers on a subscription fee basis (e.g., cable television, wireless cable television and direct broadcast satellite services).

NEW!! Alcoholic Beverages – includes fermented and distilled alcoholic beverages; i.e. Beer/Ale, Wine and Liquor.

NEW!! Government – includes federal, provincial, and local government departments/agencies that administer, oversee, and manage public programs; in general, government establishments in the Civil/Public Administration sector oversee governmental programs and activities that are not performed by private establishments; as a practical matter, it is difficult to identify separate establishment detail for many government agencies/departments (per NAICS).

Overall Survey and Report Guidance Provided by IAB Canada

Online Revenue Methodology Committee

This specially-convened committee, representing a selection of Canada's leading Online Publishers/Ad Networks, was created to recommend and oversee updates to IAB Canada's Annual Canadian Online Advertising Revenue Survey design when needed, and in response to changing conditions within the Canadian Online advertising market.

About IAB Canada

Who We Are

IAB Canada (www.iabcanada.com), is the national voice and de facto thought leader of the Canadian Digital marketing and advertising industry, and is a not-for-profit association representing Canada's most well-known and respected Advertisers, Agencies, Media Companies, Mobile and VideoGame Marketers/Developers, Measurement Companies, Service Providers, Educational Institutions and Government Associations operating within the space.

What We Do

As the only organization fully-dedicated to the development and promotion of Interactive advertising in Canada (Internet and Mobile channels), IAB Canada works with its Members to:

- Conduct Original, Canadian Interactive Research;
- Establish and Promote Interactive Advertising Standards and Best Practices;
- Develop Job Fairs, Educational Courses, Certification Programs and other initiatives that assist the industry in Attracting, Training and Motivating Human Resources;
- Act as an Advocate for the Canadian Interactive Advertising Industry to the Canadian Government; and,
- Organize Networking Events that enhance communication between Members.

Have a Question about IAB Canada's Annual Online Advertising Revenue Survey?

Please don't hesitate to **Contact Us!**