



2012 Actual + 2013 Estimated
Canadian INTERNET Advertising Revenue Survey
DETAILED REPORT

An Industry Survey conducted by Ernst & Young
Sponsored by the Interactive Advertising Bureau of Canada

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A. Background

About IAB Canada's 2012 – 13 Canadian Internet Advertising Revenue Report

First commissioned in 1998 by the Interactive Advertising Bureau of Canada (IAB), this marks the 15th consecutive year that Canadian Online Advertising Revenues are being reported and the 7th consecutive year reporting Mobile ad revenues (which also include Tablets).

NEW this year, for the first time Online and Mobile Survey results have been consolidated into a unified 2012 INTERNET Advertising Revenue Report.

From 1999 – 2001, the Online study was conducted by PriceWaterhouseCooper. From 2002 onward, all revenue studies have been conducted by Ernst & Young LLP.

The results of IAB Canada's Annual Canadian Internet (Online & Mobile) Advertising Revenue Surveys are considered the most accurate measurement of Canadian Interactive advertising revenues. The data is compiled directly from information supplied by Canadian Online Publishers who sell advertising on Canadian Websites, Online/Mobile Ad Networks and Exchanges who sell advertising on both the Canadian and U.S. Websites they represent, leading Mobile Carriers, Mobile Aggregators, Mobile Marketing companies and Publishers offering Mobile advertising solutions (including Mobile Search advertising).

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 submitted. Results of individual respondent submissions are held in strict confidence by Ernst & Young and are released in aggregate form only, so as to maintain individual participant confidentiality.

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

Martin Lundie
Ernst & Young LLP

B. Executive Summary

2012 Full-Year Highlights and 2013 Forecast

2012 Revenue Trends

Canadian Internet Advertising Revenues consisting of Online and Mobile rose to \$3.1 billion in 2012, up 15% compared to \$2.7 billion in 2011. This is driven principally by Online which still accounts for 95% of Total Canada Internet revenues. At \$2.9 billion, Online alone grew by 13%, slightly exceeding last year's 2012 Online forecast of \$2.8 billion (+2.8%). Mobile revenue almost doubled to reach \$160 million in 2012 (includes Tablet). Canadian Internet Advertising Revenues have continued growing at double digit rates each year over the past decade, after crossing the 1 billion (2007), 2 billion (2010) and now the 3 billion mark in 2012.

French Canada Online-only revenue grew by a comparable 14% to \$559 million in 2012, continuing to represent 19% of total Online Ad Revenues in Canada in 2012. French Mobile revenues are not reported separately (see Total Canada).

2013 Revenue Budgets

Respondents to IAB Canada's 2012 Survey have forecasted that Internet Ad Revenues will grow 9% by the end of 2013, rising to \$3.364 billion in Total Canada. This forecast includes 7% growth in Online to \$3.1 billion and a 50% Mobile increase to \$240 million. French language Online ad revenues are forecasted to increase by 6% to \$590 million; this excludes French Language Mobile which is part of the Total Canada Mobile projection. Cautionary note: This 2013 forecast is an aggregate of budgets submitted by survey respondents in the 1st & 2nd quarters of 2013. As such, it may be superseded by later marketplace developments that make it more or less certain of being achieved, or possibly even surpassed.

Concentration Of Advertising Revenues

The Top 10 Online Advertising Earners in this survey brought in 82% of all Canadian Online Ad Revenues in 2012, roughly in line with the previous two years. The Top 20 Online Earners accounted for 90% in 2012, identical to the previous two years.

Revenue by Advertising Vehicle (Ad Format)

The top two Online formats of Search and Display collectively represent \$2.2 billion in 2012 revenue, which is over 70% of all 2012 Internet revenue in Canada (\$3.085 billion). With 21% growth, Search was the key driver behind the Internet's 15% revenue expansion in 2012. Search has been growing at a consistent 19-22% annually over the past five years. Display grew at 9% in 2012, which was unusually low compared to its 18-22% annual growth rates during 2008-2011. Online Classifieds/Directories rose slightly to \$584 million (+ 2%), recovering to its 2010 level.

Over the past five years, the Search share of total Internet ad revenue has edged upwards to 42%, while Display has been flat at 30%. Classified/Directories steadily declined from 29% share in 2008 to 19% this year. Together, these three advertising vehicles generated over 90% of all Internet advertising booked in Canada during 2012.

Mobile grew by 97% to \$160 million and Online Video grew by 27% to \$92 million in 2012, both outpacing overall Internet revenue growth. It is very early days for both formats. NOTE: (a) Mobile is completely separate from the other Online ad formats referenced above. Mobile growth is driven by rising device penetration, faster connection speeds, social media consumption shifts, plus advances in both screen resolution and ad integration into mobile apps/websites. (b) The Online Video ad format includes Pre, Mid, Post-Roll in a Videoplayer environment, but excludes companion ads and In-Banner placements, which are part of Display.

The French language Online Search and Display formats both grew faster than their Total Canada counterparts, at +24% and +12% respectively in 2012, while French Classifieds/Directories experienced almost no change. French language Video revenues grew by +90% to \$15 million. French Mobile revenues are included in Total Canada.

Revenue By Advertising Product Category

2012 Canadian Online Ad Revenue (excluding Mobile) was also tabulated by 15 Advertiser Product Categories. Leading categories break out as follows: Automotive continues to be the largest in 2012, generating 17% of total Canadian Online ad revenue, up from 15% in 2011. Advertising revenues earned from Packaged Goods, Retail and Financial Services advertisers follow with shares of 12% / 12% / 11% respectively. NEW!! An expansion in the number of advertising categories (from 11 to 15) for which data was collected over the past two surveys, has helped reduce the size of 'Other', from 31% in 2010 down to only 15% in 2012

Internet Advertising Growth and Share Compared to 5 Other Major Canadian Media

Canadian Internet ad revenue of \$3.1 billion (including Online and Mobile) has risen to just under 90% of TV's 2012 ad revenue of \$3.5 billion. All five other major media – i.e. TV, Radio, Daily Newspapers, Magazines, Out-of-home – grew very modestly (Dailies +2%) or declined slightly (e.g. TV -2%). Television's revenue lead over second ranked Internet has shrunk from +\$878 million in 2011 down to just +\$382 million in 2012. The Internet's share of total advertising revenue among Canada's major media grew to 27.5% in 2012, while Television's edged down to 30.9% (Note: calculation excludes 2012 Community Newspaper revenues – n/a at time of printing).

Internet Revenue Levels and Share in Canada vs US

The Canadian Internet's 27.5% market share of major media advertising revenue in 2012, up from 24.6% in 2011 has widened its lead over the medium's U.S. share of 21% in 2012 (was 19.7% in 2011). However it is necessary to place domestic market share performance into context, as actual dollar revenue levels in Canada are substantially less developed than the US. The oft-quoted 10 to 1 U.S./Canada population ratio simply does not apply to media advertising here. Thus while Canada's population is currently 11% of the U.S. population, Internet ad dollars here are only 8% of US Internet ad dollars (including Online & Mobile). This translates into dramatically lower 'revenue per capita' levels in this country (rpc = revenue/population), amounting to just 58% of the U.S. for all 6 major media (as listed above) and a somewhat healthier 76% for the Internet. That the Internet has higher share of market here is clear and further analysis will be needed to determine whether the accessibility of the Internet to small-medium budget advertisers in Canada (compared to TV) is one of the underlying contributors.

Challenges + Opportunities: Past 12 months/Next 12 months

The following points are derived from Survey respondent comments about the biggest challenges, changes and opportunities they face. They are anecdotal, based on individual business scenarios and are elaborated upon later in the detailed section of this report.

- Rise of Programmatic Buying / Commoditization requires major publisher data management effort.
- Premium Inventory Management is crucial to improved publisher revenue yields.
- Monetizing Mobile Investment continues to be a major Publisher challenge.
- More Quality Video Content needed to leverage pre-roll placements.
- More Effective Publisher Positioning/Differentiation key to advancing direct buyer/seller relationships.
- Digital Technology/Infrastructure Demands are High: i.e. new systems, tracking, staffing, skill sets

C. Detailed Internet Advertising Revenue Findings

Canadian Internet Advertising Revenue Reaches \$3.1 Billion in 2012 (net)

Internet Advertising Revenues consisting of Online and Mobile rose to \$3.1 billion in 2012, up 15% compared to \$2.7 billion in 2011. At \$2.9 billion, Online alone grew by 13%, slightly exceeding the previous survey's 2012 Online forecast of \$2.8 billion (+2.8%, not shown below). Mobile revenue almost doubled to \$160 million in 2012 (includes Tablet)

Total 2012 Internet Advertising Revenue (net)				
	Millions (\$)	Actual 2011	Actual 2012	% growth
Online		2,593	2,925	13%
Mobile		81	160	97%
Total Internet		2,674	3,085	15%

Rounding; excludes agency com'n; Mobile includes Tablets/Messaging.

Mobile excludes production;

French language Online Advertising Revenues (net)

French Canada Online-only revenue grew by a comparable 14% to \$559 million in 2012, continuing to represent 19% of total Online Ad Revenues in Canada. French Mobile revenues are not included (see Total Canada).

French Canada: 2012 Online-only Advertising Revenue				
	Millions (\$)	Actual 2011	Actual 2012	% growth
Online-only: Total Canada		\$2,593	\$2,925	13%
French Canada		\$490	\$559	14%
share (Fre/Total)		0.19	0.19	

Numbers rounded, exclude agency commission;

French Mobile included in Total Canada only.

\$3.4 Billion in Total Internet Ad Revenue Projected for 2013

Respondents to IAB Canada's 2012 Survey have forecasted that Internet Ad Revenues will grow 9% by the end of 2013, rising to \$3.364 billion in Total Canada. This forecast includes 7% growth in Online to \$3.1 billion and a 50% Mobile increase to \$240 million. French language Online ad revenues are forecasted to increase by 6% to \$590 million; this projection excludes French Language Mobile (see Total Canada).

Projected 2013 Total INTERNET Advertising Revenue (net)				
	Millions (\$)	Actual 2012	Forecast 2013	% growth
Online-only: Total Canada		\$2,925	\$3,124	7%
French Canada		\$559	\$590	6%
share (Fre/Total)		0.19	0.19	
Mobile: Total Canada		\$160	\$240	50%
INTERNET: Total Canada		\$3,085	\$3,364	9%

INTERNET=Online+Mobile; Mobile includes Tablet+Messaging. Rounding
Mobile excludes Production; French Mobile included in Total Canada only

Cautionary note: This 2013 forecast is an aggregate of budgets submitted by survey respondents in the 1st and 2nd quarters of 2013. As such, it may be superseded by later marketplace developments, that make it more or less certain of being achieved, or possibly even surpassed.

Total and French Language Advertising Revenues Over Time: 2002-2013 Trend

Canadian Internet Advertising Revenues have continued growing at double digit rates each year over the past decade, even after crossing the 1 billion (2007), 2 billion (2010) and now the 3 billion mark in 2012. Internet Revenue grew 17% to \$2.674 billion in 2011 and by another 15% to \$3.085 billion in 2012, rates that are reminiscent of 2009. Online is the principal driver, as it still accounts for 95% of Total Canada Internet revenues. Mobile almost doubled in 2012 to \$160 million which, given the low 2011 revenue base (early days) is consistent with high Online growth rates previous to 2007. Rapid Mobile percent revenue growth is being driven by rising Smartphone/tablet penetration, adoption of faster 4G/LTE connection speeds, a shift in social media consumption towards mobile devices, plus advances in both screen resolution and ad integration into mobile apps/websites.

French language Online revenues have grown at similar rates to Total Canada Online over the years; this excludes French language Mobile which is only available as part of the Total Canada Mobile figures.

Ten Year Growth Trend of Actual INTERNET Advertising Revenues: Online + Mobile 2003-2012 (net)										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TOTAL INTERNET										
Total Canada: Millions (\$)	237	364	562	901	1,243	1,609	1,845	2,279	2,674	3,085
%growth/yr	35%	54%	54%	60%	38%	29%	15%	24%	17%	15%
ONLINE										
Total Canada: Millions (\$)	237	364	562	900	1,241	1,602	1,822	2,232	2,593	2,925
%growth/yr	35%	54%	54%	60%	38%	29%	14%	23%	16%	13%
French Cda: Millions (\$)	--	66	124	189	260	317	352	428	490	559
%growth/yr	--	--	89%	52%	38%	22%	11%	22%	14%	14%
MOBILE										
Total Canada: Millions (\$)	--	--	--	1	2	7	23	47	81	160
%growth/yr	--	--	--	--	137%	182%	248%	105%	74%	97%

INTERNET = Online + Mobile; Mobile includes Tablets and is based on Messaging, Display, Search and Performance units;

Reporting of Total Mobile Ad Revenues began in 2006; excludes Production revenues; French Mobile is included in Total Canada Internet.

Note: All revenues are net, i.e. exclude agency commission.

Concentration of Online Advertising Revenues in Canada

The Top 10 Online Advertising Earners in this survey brought in 82% of all Canadian Online Ad Revenues in 2012, ranging 81-84% over the past three years 2010 – 2012. The Top 20 Earners accounted for 90% over the last three years. Both have seen modest increases relative to 2007 – 2009, reflecting some degree of consolidation among Online revenue earners in Canada.

Top-10/20 ONLINE Earners: Share of Total Survey Revenue						
Year...	2007	2008	2009	2010	2011	2012
Top 10 Earners	77%	77%	77%	81%	84%	82%
Top 20 Earners	85%	86%	87%	90%	90%	90%

NOTE: IAB Canada's 2011 & 2012 Annual Online Ad Revenue Surveys had a 100% response rate for the Top 10 & Top 20 Earners; Base: Online-only; Mobile not available.

Revenues and Rate of Growth by Internet Vehicle (Ad Format) In 2012: Total/French Canada

The top two Online formats of Search and Display collectively represent \$2.2 billion in 2012, which is more than 70% of total Internet revenue in Canada (\$3.085 billion). With 21% growth, Search was the key driver behind the Internet's 15% revenue expansion in 2012, while Display grew at 9%. Classifieds/ Directories rose slightly to \$584 million (+ 2%). Together, these three Online advertising vehicles generated over 90% of all Internet advertising booked for Canada during 2012.

Mobile grew by 97% to 160 million and Online Video grew by 27% to \$92 million in 2012.

NOTE: Mobile is NOT part of any Online ad format referenced in this report, e.g. Search, Display etc; it is FULLY separate and based on aggregated mobile messaging, mobile search, mobile display and mobile performance unit revenues (details not available). The Online Video ad format classification includes Pre, Mid, & Post-Roll in a Videoplayer environment, but excludes companion ads and In-Banner placements which are instead part of Display.

The French language Online Search and Online Display ad formats both grew faster than their Total Canada counterparts, at +24% and +12% respectively, while French Classifieds/Directories were almost flat. French language Video revenues grew by +90% to \$15 million. French language Mobile revenues are not included (see Total Canada).

Total INTERNET Revenue & Percent Growth by Advertising Vehicle: 2011-2012						
Advertising Vehicles:	Total Canada			French Canada: ONLINE-only		
	2011 \$ (millions)	2012 \$ (millions)	% change	2011 \$ (millions)	2012 \$ (millions)	% change
Online						
Search	1081	1308	21%	211	261	24%
Display	840	916	9%	135	151	12%
Classifieds/Directories	576	584	2%	131	131	1%
Video	73	92	27%	8	15	90%
Email	13	12	-8%	3	0	--
VideoGaming	10	13	23%	3	1	-64%
MOBILE	81	160	97%	NA	NA	--
Total INTERNET	2,674	3,085	15%	490	559	14%

INTERNET=Online+Mobile; Other formats excl Mobile/Tablets (M/T=Msg+Search+Display+Performance; NO prod'n).
Instream Video = Pre, Mid, Post-Roll in Videoplayer environment (excludes companion ads or In-Banner); rounding.

See Appendix D for full definitions of each Advertising Vehicle (format). All revenues are NET (i.e. exclude agency commission).

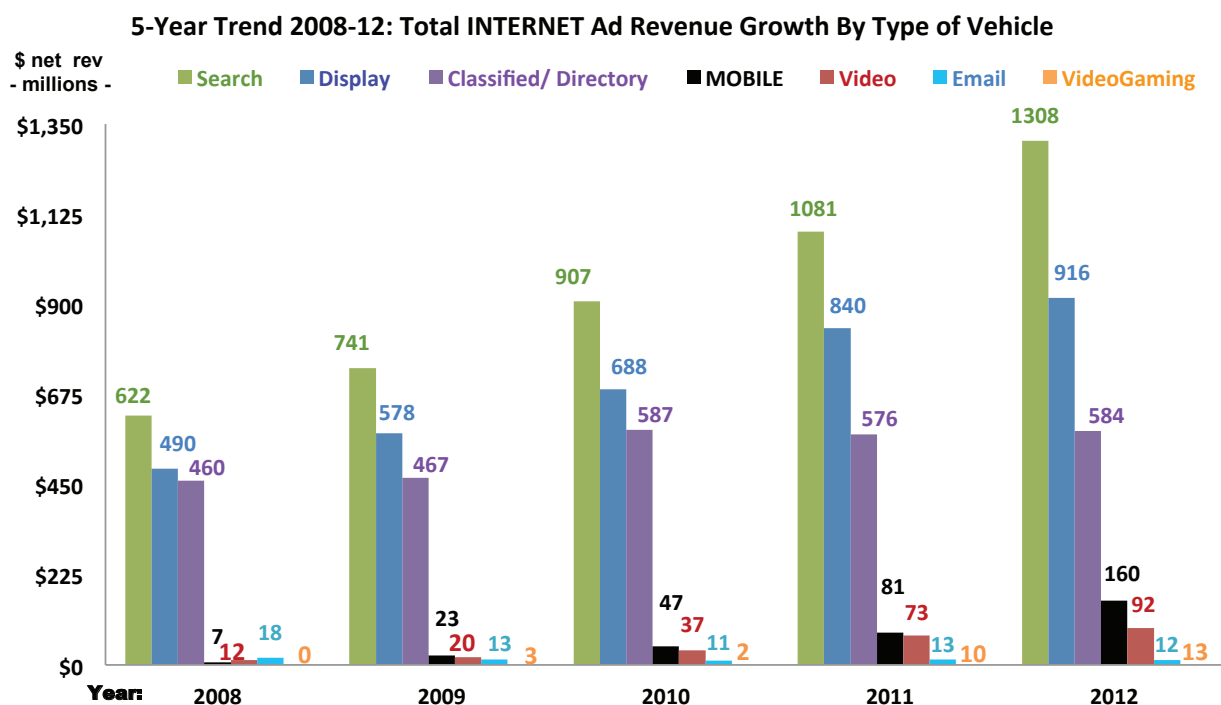
Revenue Growth by Internet Advertising Vehicle (Format) Over Past Five Years: 2008-12 Trend

Search has been growing at a consistent 19-22% annually over the past five years. Display experienced an uncharacteristic, lower increase in 2012 of 9% compared to 18-22% during 2008-2011. Classifieds/ Directories, the third largest ad vehicle has been flat at \$584 million similar to 2010. Not unexpectedly, Mobile continues to grow very rapidly each year and Video is also outpacing overall Internet growth; It is very early days for both formats.

Five-year Trend of INTERNET Ad Revenue Growth By Advertising Vehicle: 2008-2012								
Advertising Vehicles:	2008	2009	%	2010	%	2011	%	2012
	\$ (millions)	\$ (millions)	change	\$ (millions)	change	\$ (millions)	change	\$ (millions) change
Online								
Search	622	741	19%	907	22%	1081	19%	1308 21%
Display	490	578	18%	688	19%	840	22%	916 9%
Classifieds/ Directories	460	467	2%	587	26%	576	-2%	584 2%
Video	12	20	67%	37	85%	73	96%	92 27%
Email	18	13	-28%	11	-15%	13	18%	12 -8%
VideoGaming	--	3	na	2	-33%	10	419%	13 23%
MOBILE	7	23	251%	47	104%	81	74%	160 97%
Total INTERNET	1609	1845	15%	2279	24%	2674	17%	3085 15%

INTERNET=Online+Mobile; Other formats exclude Mobile+Tablets; Mobile based on Messaging, Search, Display, Performance, NO production.

The changes in actual dollars earned by Publishers/Ad Networks/Exchanges for Search, Display, Classifieds/ Directories and other Online ad formats over time, are shown graphically in the following columnar chart. Mobile is shown separately from the others.



Note: All percentages are rounded. Net revenues (i.e. agency commission).

Share Of Total and French Canada Ad Revenue by Advertising Vehicle (Format): 2008-12

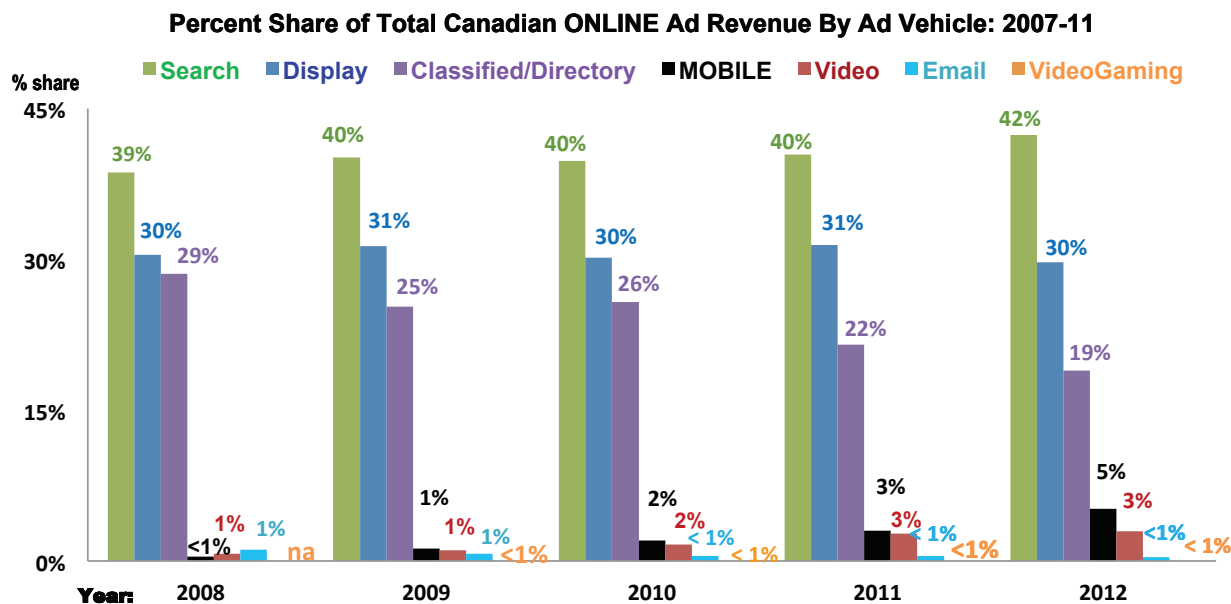
The change in share of Total Internet ad revenues earned by Search, Display and the other Online Ad Vehicles over time is shown in the table below for Total and French Canada. Mobile is also tracked separately for Total Canada.

Of the three largest Online formats, the Search share has steadily edged upwards to 42%, while Display is flat at 30% and Classifieds/Directories has consistently declined to 19% this year.

Share of Total INTERNET Revenue By Ad Vehicle: 5-year Trend 2008-12							
Advertising Vehicle	2008	2009	2010	2011		2012	
Online	% Total revenue	% Total revenue	% Total revenue	% Total revenue	FRENCH % Total rev	% Total revenue	FRENCH % Total rev
Search	39%	40%	40%	40%	8%	42%	8%
Display	30%	31%	30%	31%	5%	30%	5%
Classifieds/ Directories	29%	25%	26%	22%	5%	19%	4%
Video	1%	1%	2%	3%	0%	3%	0%
Email	1%	1%	0%	0%	0%	0%	0%
VideoGaming	--	0%	0%	0%	0%	0%	0%
MOBILE	0%	1%	2%	3%	NA	5%	NA
TOTAL INTERNET	100%	100%	100%	100%	18%	100%	18%

Percents rounded; Mobile includes Tablets/Messaging, NO production; French format details first published in 2010. Mobile is completely separate from the other formats and includes French (Mobile in Fre Canada not published).

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



Note: All percentages are rounded; net revenues (i.e. exclude agency commission).

Percentage Of Online Ad Revenue By Advertising Category: Total Canada 2012 vs. 2011

Automotive continues to be the largest advertising revenue category in 2012, with 17% of total Canadian Online ad revenue coming from the sector, up from 15% in 2011. Online advertising revenues earned from Packaged Goods, Retail and Financial Services advertisers follow with 12% / 12% / 11% shares respectively. Mobile is NOT part of this analysis.

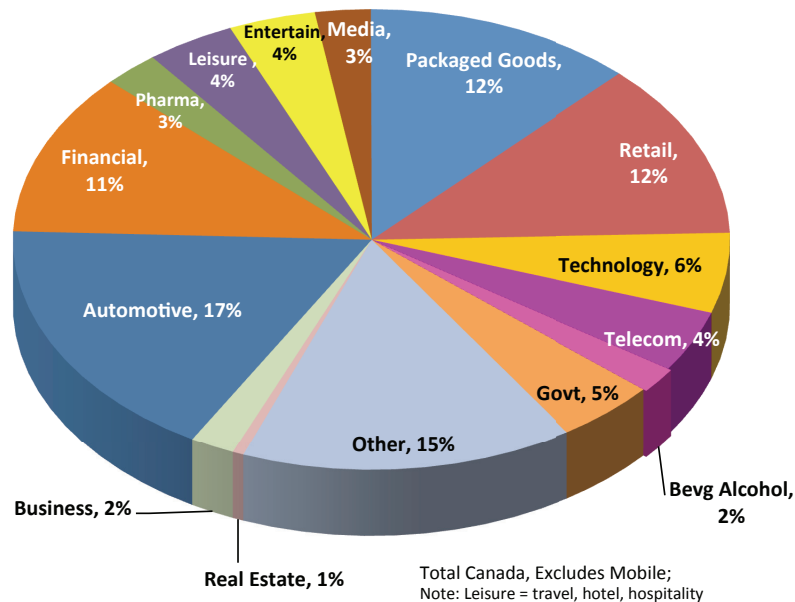
NEW!! Two additional categories are being reported for the first time in 2012, 'Real Estate' and 'Business'. In combination with two other categories introduced last year (Beverage/Alcohol and Government), these have helped to significantly reduce the size of 'Other', from 31% in 2010 down to 20% in 2011 and now 15% in 2012. The following table excludes Mobile.

Distribution of ONLINE Advertising Revenue by 15 Major Product/Service Categories - Total Canada: 2012 vs 2011 (excludes Mobile)																
Year	Total Online (% rev)	Auto (% rev)	Finan- cial (% rev)	Leisure Travel (% rev)	Entert- ainment (% rev)	Cnsmr Pkgd Goods (% rev)	Retail (% rev)	Techn- ology (% rev)	Telecom (% rev)	Media (% rev)	Pharma / Health (% rev)	Bevg. Alcohol (% rev)	Govern- ment (% rev)	Real- estate (% rev)	Business (% rev)	Other (% rev)
2012	100%	17%	11%	4%	4%	12%	12%	6%	4%	3%	3%	2%	5%	1%	2%	15%
2011	100%	15%	10%	6%	6%	12%	8%	5%	5%	4%	2%	3%	5%	--	--	20%
Difference		+2 pts	+1 pt	-2 pt	-2 pt	--	+4 pts	+1pt	-1pt	-1pt	+1pt	-1pt	--	NEW	NEW	-5pts

Note: All percentages rounded and based only on respondents answering this question. Total Canada base excluding Mobile; French Canada details unavailable.

The percent distribution of total Canadian Online Advertising Revenue by major product/service category for 2012 is graphically expressed in the following pie chart:

Distribution of Canadian ONLINE Ad Revenue by Major Product Category: 2012



Internet Ad Growth / Share Compared To 5 Other Major Canadian Media: 2012 vs. 2011

In 2012, Internet ad revenue, including Online & Mobile, continued its double-digit growth rate (+15%), while other major media grew modestly or declined somewhat. The Internet has more than halved Television's lead from +\$878 million in 2011 down to just +\$382 million in 2012 and is close to 90% of TV's 2012 ad revenue level.

The following two tables show the percent change in net ad revenue (excluding agency commission) in actual dollars per medium, as well as the percent share of total Canadian ad revenue by medium. (Community Newspaper revenues for 2012 not available at time of printing).

Ad Revenue Growth by Major Media in Canada: 2011-12				
Rank		2011 \$ Millions	2012 \$ Millions	percent change
1	Television	\$3,552	\$3,467	-2%
2	Internet	\$2,674	\$3,085	15%
3	Daily Newspaper	\$1,971	\$2,019	2%
4	Radio	\$1,576	\$1,585	1%
5	Magazines	\$593	\$573	-3%
6	Out-of-home	\$484	\$486	0%
Total - All Media		\$10,850	\$11,215	3.4%

Founding; Source: TVB, IAB Canada (Internet = Online + Mobile); excludes Agency commission

Notes: Community Newspaper for 2012 n/a; Excludes Catalogues/Direct Mail, Yellow Pages, etc.

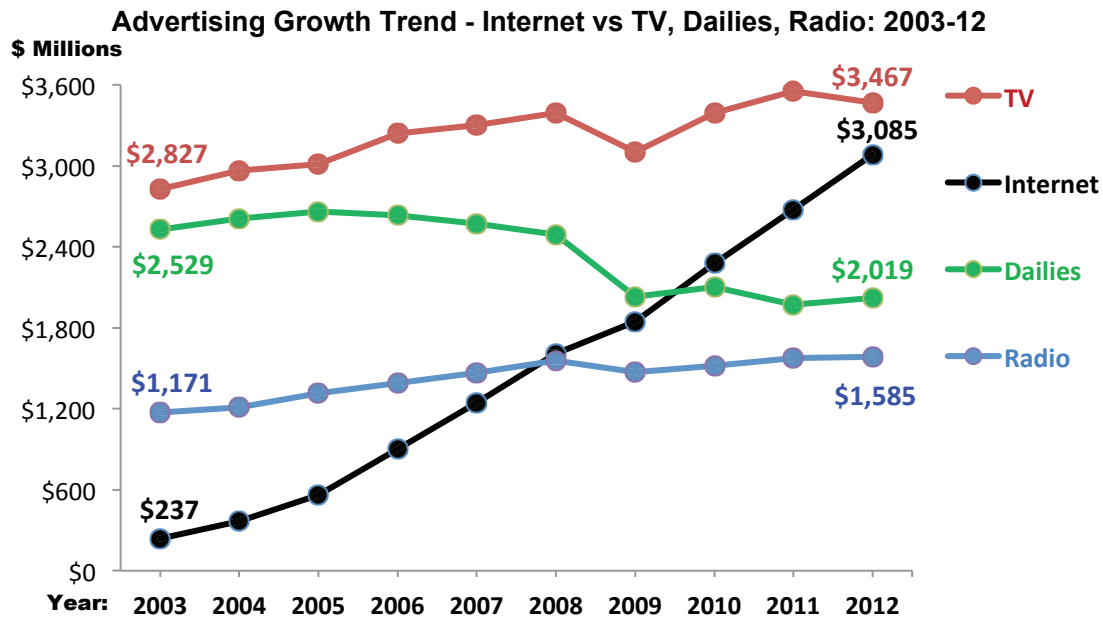
The Internet's share of total advertising revenue in Canada, including Online & Mobile, grew from 24.6% in 2011 to 27.5% in 2012, while Television's share moved down slightly from 32.7% to 30.9%. Third ranked Daily Newspapers' share remained unchanged since last year at 18%. See below:

Percent Share of Ad Revenue by Major Media in Canada: 2011-12					
Rank		2011 \$ Millions	percent of total	2012 \$ Millions	percent of total
1	Television	\$3,552	32.7%	\$3,467	30.9%
2	Internet	\$2,674	24.6%	\$3,085	27.5%
3	Daily Newspaper	\$1,971	18.2%	\$2,019	18.0%
4	Radio	\$1,576	14.5%	\$1,585	14.1%
5	Magazines	\$593	5.5%	\$573	5.1%
6	Out-of-home	\$484	4.5%	\$486	4.3%
Total - All Media		\$10,850	100.0%	\$11,215	100.0%

Source: TVB, IAB Canada (Internet = Online + Mobile); Note: rounding, excludes Agency commission

Notes: Community Newspaper for 2012 n/a; Excludes Catalogues/Direct Mail, Yellow Pages, etc.

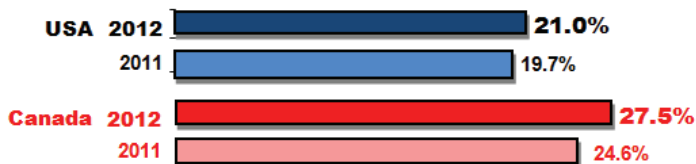
Internet advertising revenues were also trended back over the past 10 years in comparison to Television, Daily Newspapers and Radio ad revenues. In the past decade, Internet advertising revenue (including Mobile) surpassed Radio in 2008, Daily Newspapers' in 2010 and by 2012 had risen to almost 90% of Television's ad revenue level. The Internet's steep revenue growth curve becomes dramatically evident in the following line graph:



Comparison of Internet Revenues and % Share of Major Media Ad Revenues: Canada vs US

Canada's Internet advertising market grew to a 27.5% share of major media advertising revenue in 2012 from 24.6% in 2011, widening its lead over the U.S. Internet's 21% share in 2012 (19.7% in 2011). The major media revenue total is based on six channels: Internet, Television, Radio, Daily Newspaper, Magazines and Out-of-home. (Note: Differing media landscapes, Survey methodologies & research providers may cause some of the observed differences). See below:

INTERNET as a Percentage of Major Media Spend by Country – US versus Canada: 2011-2012 (Internet = Online + Mobile)



SOURCES: Ernst & Young & IAB Canada, PWC & IAB US.
NOTES: Internet includes Mobile/Tablet; Calculations exclude Catalogue/
Direct Mail, Yellow Pages/Directories and Community Newspapers.
IAB Europe did not publish comparative 2012 data for its members.

It is necessary, however, to place domestic market share performance into context, as actual dollar revenue levels in Canada are substantially less developed than the US. The oft-quoted 10 to 1 population ratio simply does not apply to media advertising here. Thus while Canada's population is currently 11% of the US population, Canadian major media ad revenues are only 6% of comparably-defined US media revenues and Internet ad revenues here are only 8% of the U.S. Internet. This translates into dramatically lower ad revenue per capita in this country, amounting to just 58% of the US level for all major media and 76% for the Internet (revenue per capita = revenue / population).

Media Ad Revenue / 'Rev Per Capita' by Cntry: USvs Canada							
U.S.A. Canada % Canada/ US	2013 Population	2012 Media Revenue			Revenue per Capita (calculation: rev/pop)		
		Major Media*	TV	Internet	Major Media	TV	Internet
	(millions)	\$(billions)	\$(billions)	\$(billions)			
	316.6	\$174.5	\$72.1	\$36.6	\$551	\$228	\$116
	35.1	\$11.2	\$3.5	\$3.1	\$319	\$99	\$88
	11%	6%	5%	8%	58%	43%	76%

Population - Statistics Canada, US Census Bureau; Revenues - (US) PWC/IAB; (Canada) TVB, Ernst & Young, IAB Canada

* Major Media: TV (conv + splty), Internet (Online+Mobile), Magazines, Dailies, Radio, OOH.

Given relatively low overall advertising investments by Canadian marketers, the fact that the Internet has higher share of market in Canada requires further analysis, to determine whether the relative accessibility of the Internet (vs TV) to small-medium budget advertisers in Canada is among the underlying contributors.

Challenges + Opportunities: Past Year / Going Forward

The following reflects commentary from Survey respondents about the biggest challenges, changes and opportunities they individually encountered in the past 12 months (2012), and their expectations for the next 12 months (2013). The issues summarized below are anecdotal in nature and reflect respondents' particular business scenarios.

Implications of Programmatic Buying / Commoditization

The majority of Online Survey commentary centered around the rise of Real-time-bidding and the concomitant shift towards Agency Trading Desks/DSPs (demand-side platforms), which by reducing publisher leverage, is putting downward pressure on display CPMs and some believe, post-campaign transparency. Publishers therefore face the need for increased audience targeting (i.e. behavioral etc) and leveraging their data more effectively to garner higher CPMs for branding campaigns (as distinct from performance-based CPC/CPA/CPE buys). Setting-up private exchanges is cited as one means of getting there, however there is uncertainty among individual publishers about best practices. Meantime the impact of RTB on display income is making it more difficult for publishers to forecast revenue in future quarters.

Monetizing Mobile Investment an ongoing publisher challenge

Based on commentary from both the Online and Mobile revenue surveys, another leading challenge is monetizing publishers' mobile traffic, including mobile video inventory, at a rate which justifies continued investment in development and resources. The latter include enabling non-cookie audience targeting/segmenting look-alike mobile audiences, as well as the development/adaptation of mobile content, by both publishers and advertisers, suitable to responsive site design and operating system-specific applications. All the preceding involve high costs and maintenance. The growth in Mobile display inventory is exceeding demand as Mobile is still infrequently budgeted for in media plans. One possible challenge cited among regional advertisers is that Mobile campaigns cannot be geo-targeted. It is being suggested that attracting branded campaigns to mobile platforms can best be accomplished by focusing on advertisers who invest in multi-platform campaigns that include cohesive mobile extensions or might be persuaded to do so. To accomplish the latter will require significant publisher/mobile marketer effort to enhance client/agency comfort/knowledge of the medium and its appropriate place in multi-channel client communications.

Other comments from Online survey participants addressed the following areas:

More Quality Video Content needed to leverage pre-roll placements

A major plus is that TV buyers are being trained to buy on-line video, which potentially will deliver incremental pre-roll revenue. A concern among publishers however, is not being able to meet the demand for quality video content to put pre-roll and other video ads against. Virtual advertising is cited as one means of increasing avails: i.e. dynamic ad insertion within live streams for major live sporting events.

Premium Inventory Management key to improved publisher revenue yields

The key to building Publisher revenues lies in increased emphasis and more compelling rationale for selling premium CPM placements like sponsorships, custom solutions and multi-platform / 3600 integrations, in order to increase revenue yields for the same inventory.

More Effective Publisher Differentiation crucial to direct buyer/seller relationships

Publishers must continue to help the advertiser/agency community be better-informed about massive changes taking place in Interactive media – while more effectively differentiating their respective market offerings, in order to strengthen and grow their direct buyer/seller relationships.

High Technology/Infrastructure Demands

The ongoing need to incorporate new systems and tracking - e.g. for content management, viewable impressions, setting-up pay walls, building-out and monetizing social media offerings etc – as well as finding/acquiring qualified staff are cited as major ongoing challenges for media owners.

D. Appendix – Survey Scope + Methodology

1. Survey Scope

The Canadian Internet Advertising Revenue Report is a big 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 and Mobile advertising revenues in Canada.

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

- Making the Survey as inclusive as possible, encompassing direct data results from Canadian Online Publishers who sell advertising on Canadian Websites, Online/Mobile Ad Networks and Exchanges who sell advertising on both the Canadian and U.S. Websites they represent, leading Mobile Carriers, Mobile Aggregators, Mobile Marketing companies and Online Publishers offering Mobile advertising solutions (including Mobile Search 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.

2. Survey Methodology

Ernst & Young and IAB Canada work jointly to:

- Compile a database of potential revenue earners to survey annually, in relation to Online and Mobile advertising revenues – in both the Total and French Canada 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:
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 Exchanges (c) Ad Network/Exchange Revenues derived from other Ad Networks/Exchanges, Mobile Carrier fees (as applicable).

Annual Net Revenues are requested to be broken down by Advertising Vehicle (Display, Search, Classifieds, Mobile, Video etc.), along with a percentage breakdown for each Vehicle based on English and French Canada (Mobile available for Total Canada only).

Percentage breakdown of Annual Net Revenues is also requested across fifteen (15) 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 and apply a conservative revenue estimate for missing answers.
- Identify non-participating revenue earners, 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.

3. Confidentiality Procedure

All the information submitted by respondents within IAB Canada's annual Canadian Internet Advertising Revenue Surveys 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 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.

4. Double-blind Methodology

- I. Online Publishers/Ad Networks/Exchanges/Mobile aggregators etc to be surveyed are derived from IAB Canada Member lists, from comScore Media Metrix's AdFocus list (a list of Web properties selling Online advertising in Canada) and from members of the IAB Revenue Methodology Committee which also includes ad agencies.
- II. Each Online Publisher/Ad Network/Exchange/Mobile aggregator etc 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.
- III. Once completed, respondents return their anonymously-coded Survey in the postage-paid envelope provided, addressed to Ernst & Young.
- IV. Martin Lundie, CA Partner, 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.
- V. Once all the Surveys are in, responses are recorded, averaged and extrapolated by segment to the total Canadian Internet advertising market.
- VI. 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 Internet Revenue Survey Methodology Committee.
- VII. A Report detailing final Survey actuals and respondents' estimated next year's Canadian Internet 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, Mobile, Video, Classifieds, etc.), and by Advertiser Category (Automotive, Financial, Technology, etc.).

5. Industry Survey and Report Guidance Provided to IAB Canada

Online Revenue Methodology Committee

This specially-convened member committee, representing a selection of Canada's leading Internet ad revenue earners (as defined earlier in this document), as well as selected ad agencies with trading desks, was created to recommend and oversee updates to IAB Canada's Annual Canadian Internet Advertising Revenue Survey distribution lists and questionnaire design when/as needed, in response to changing conditions within the Canadian Online & Mobile advertising marketplace.

6. Definitions of ONLINE Advertising Vehicles (Formats)

NOTE: Does NOT include MOBILE or TABLET Revenues

NOTE: To ensure there is NO duplication of reported ad revenues between Publishers, Ad Networks or Exchanges/SSPs (SSP = supply-side platforms), ONLY report revenues that you earned from DIRECT SALES. These consist of DIRECT TRANSACTIONS between your company and the ADVERTISERS themselves and/or their Media AGENCIES and/or their TRADING DESKS/DSPs. REPORT 100% of any DIRECT SALES revenue you earn. Do NOT subtract the cost-of-sale; i.e. revenues you paid back to original vendor”.

(Contact Steve Rosenblum, Research Director with any questions, srosenblum@iabcanada.com).

Revised!! Standard/Rich Media Display Advertising (CPM, CPE only) – Advertiser pays an Online Publisher or Ad Network/Exchange for space to display the following:

(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.

(b) 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. * Note: CPE = Cost per Engagement

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: CPA = Cost per acquisition

NOTE – In final report: Display = Standard/Rich Media Display, Sponsorship + Direct Response.

Digital In-Stream Video Advertising (CPM, CPV* 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 Standard/Rich Media Display Advertising section above. * Note: CPV = Cost per View

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.

7. Definitions of MOBILE Advertising Vehicles (Formats)

NOTE: Includes Tablets: i.e. all advertising served on Tablet devices, including Apps & Websites. Excludes Production.

NOTE: To ensure there is NO duplication of reported revenues, ONLY report Mobile ad revenues that you earned from DIRECT SALES; These consist of DIRECT TRANSACTIONS between your company and the ADVERTISERS themselves and/or their Media AGENCIES and/or their TRADING DESKS/DSPs. Report 100% of any DIRECT SALES revenue you earn. Do NOT subtract the cost-of-sale; i.e. revenues you paid back to an original vendor of the inventory”.

(Contact Steve Rosenblum, Research Director with any questions, srosenblum@iabcanada.com).

1) Mobile Messaging (SMS, MMS, Bluetooth, IVR) Advertising Revenue

Revenue generated from Mobile advertising/marketing campaigns that promote a product or service via Messaging delivered to and from short-codes/long-codes. This encompasses standard, zero-rated and premium-rated Messaging. When counting revenue for Mobile Messaging campaigns, the goal is to calculate the total amount of money that the brand is spending on the Mobile Messaging campaign, which could include premium Messaging revenue from consumers that is used to offset these costs. Please EXCLUDE Production Revenues for the development of Mobile Content or Mobile-only/Tablet-only Applications, if any.

Included in Mobile Messaging Revenue: Campaign set-up and operating fees; Short code fees; Transactional fees charged to the brand (Message, hosting and maintenance) or to consumers (premium end-user Message fees).

Not Included: Mark-up by ad Agencies (gross); Mobile Messaging production revenues; Contest prizeing or redemption charges; Mobile Content (e.g. Ringtones, Wallpapers, etc.).

Note: For Carriers completing the Survey: Please do not count any revenue generated on cross-Carrier Short-code/long-code programs, as this will be captured by the Mobile marketing providers.

2) Mobile Display/Sponsorship Advertising Revenue (Standard/Rich Media; Video Pre-roll; Sponsored App, Game, Video, SMS/MMS, “Push” e.g. location-based etc)

Mobile Display/Sponsorship advertising revenue is the closest analogy to Online Display/Sponsorship advertising revenue – served specifically on Mobile Optimized sites (e.g. m., .mobi, /mobile) or within Mobile Applications (such as on News and Weather widgets or within Mobile Games). Please EXCLUDE Production Revenues for the development of Mobile Content or Mobile-only/Tablet-only Applications, if any.

NOTE: Format #2 consists of the following two components, 2-A and 2-B.

Only provide break-out data for #2-A and #2-B below, if your company tracks Mobile revenues separately for each.

2-A. Standard Display/Sponsorship Advertising Revenue (Banners etc; Sponsored App, Game, Video, SMS/MMS, “Push” e.g. location-based etc)

Here we include all revenues received for Standard Display ads (Banners; Interstitial or Full-page ads; Mobile Flyers; etc.); or Sponsorship ads (this includes Sponsored SMS/MMS; Sponsored “push” notifications e.g. date, contextual or location-based notifications; Sponsored Videos and Apps, Games, etc. “brought to you by...”)

2-B. Rich Media Display / Video Pre-roll

Here we include all revenues received for Rich-media (expandables, take-overs etc.) and Video pre-roll.

Included In Mobile Display/Sponsorship Revenue: CPM/Flat Fee revenues only. Not Included: Mark-up by ad Agencies (gross); Ad creation/production revenues; End-user data charges.

3) Mobile Search Advertising Revenue

In this category, include all revenues received for Paid Search advertising directed specifically at Mobile devices.

Not Included: Mark-up by ad Agencies (gross); Search Ad creation/production revenues; Search Engine Optimization (SEO) revenues.

4) Mobile Performance Advertising Revenue – (e.g. QR codes)

Fees Advertisers pay to Digital or Mobile Publishers that are priced on a Mobile performance basis (e.g. cost-per-action, cost-per-download, 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. They can also refer to qualified purchase inquiries (e.g. auto dealers which pay a fee in exchange for receiving a qualified purchase inquiry via Mobile) or provide consumer information (demographic, contact, behavioral), where the consumer opts into being contacted by a marketer (alerts, SMS, email, postal, telephone, fax).

Included In Other Mobile Revenue: CPC, CPA, CPLed only;

Not Included: Mark-up by ad Agencies (gross); Production revenues;

8. Definitions of Leading Industry Categories

The product and service categories in IAB Canada's Internet Advertising Revenue Surveys 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.*

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

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

NEW!! Business & Industrial – products and services*

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.

Revised!! Government, Social, Political Organizations – includes federal, provincial, and local government departments/agencies that administer, oversee and manage public programs; social and political organisations including unions and political parties, charities, educational institutions.*

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.

NEW!! Real Estate – includes establishments primarily engaged in managing real estate for others; selling, renting and/or buying of real estate for others; and appraising real estate.

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).

* Exceptions: The 2 classifications “Government, Social, Political Organizations” and “Business & Industrial” are consistent with the definitions used by the IAB/PWC UK revenue surveys.

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 bodies operating within the space.

What We Do

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

- Conduct Original, Canadian digital/interactive Research;
- Establish and Promote digital/interactive Advertising Standards and Best Practices;
- Build human capital, through educational courses, certification, our job board, and other initiatives that assist the industry in attracting, training and motivating human resources;
- Act as an Advocate for the Canadian digital/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!](#)