



IAB Canada

2022 Report on Media Inflation

March 2022

Discussion Guide

Powerful Digital Leadership

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The State of Media Consumption

Powerful Digital Leadership

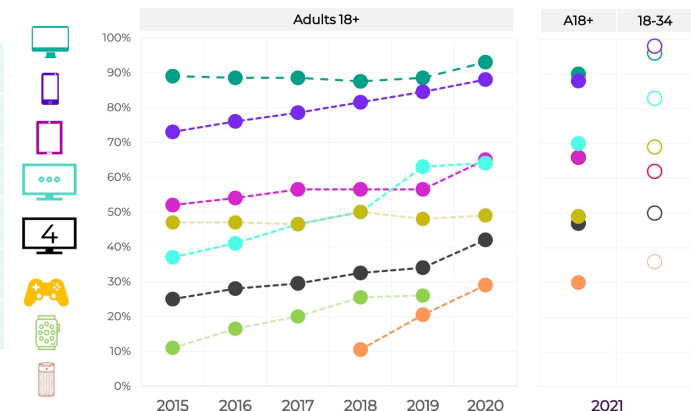
Acceleration of Digital Media Consumption

Decline in traditional media consumption creating surge in digital

- A rapid migration from traditional media to digital.
- Traditional television consumption continues to decline while newspapers and magazines experience the most pronounced deterioration in audiences.
- Supported by increased usage of digital devices and media including, audio and connected TVs

		2001		2019		2020		2021	
TV		96%	25.5	95%	25.9	93%	25.2	91%	24.9
Radio		94%	21.4	87%	15.1	87%	14.6	86%	14.4
Newspaper		82%	3.1	52%	1.0	48%	0.9	44%	0.8
Magazine		73%	1.3	51%	0.3	48%	0.3	43%	0.2
Internet		52%	5.2	98%	23.3	98%	25.1	98%	23.7

PhD CMUST 2021 – IAB Canada Report on Data

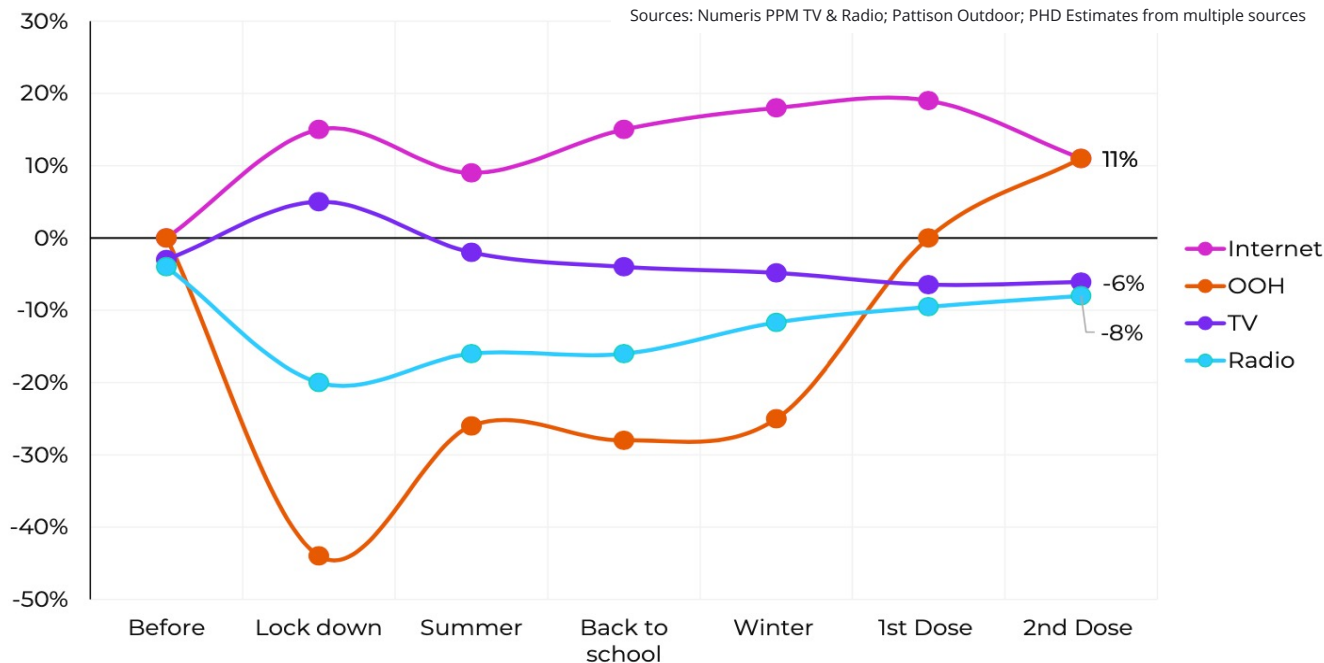


PhD CMUST 2021 – Sources: MTM Spring 2020, Fall 2020 and Spring 2021

The Covid Effect on Consumption

Traditional impressions migrated intensely through Covid – *and beyond*

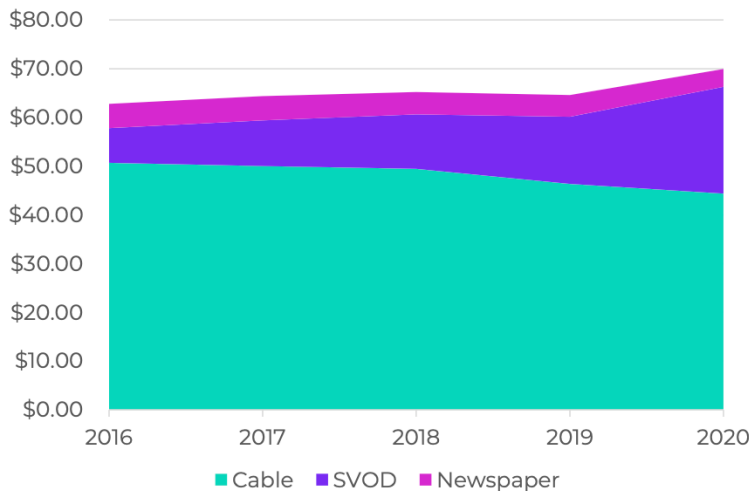
- OOH, TV and Radio declined significantly during lockdowns with TV and radio levelling out at below pre-Covid levels.
- The pandemic appears to have permanently impacted media consumption habits.



Subscriptions on the Rise

Canadian consumers willing to pay for premium content – *Video in Particular*

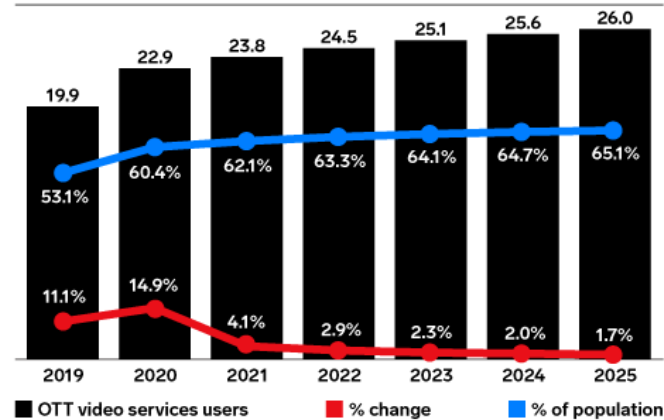
- 63.3% of Canadians subscribe to OTT services
- Average subscription expenditure in a Canadian household in 2020 was \$70.00 (an 8% increase over 2019)
- Subscriptions cut into ad-supported inventory



Source: Cable from CRTC, SVOD estimated from MTM, New

Subscription OTT Video Service Users in Canada, 2019-2025

millions, % change, and % of population



Note: individuals of any age who watch video via any app or website at least once per month that provides paid subscription access to streaming video content over the Internet and bypasses traditional distribution; examples include Amazon Prime Video, HBO Now, Hulu, Netflix, Sling TV, and YouTube Premium; OTT video services are not mutually exclusive; there is overlap between groups
Source: eMarketer, Aug 2021

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eMarketer | InsiderIntelligence.com

Ad Supported Video vs. Subscription

Canadian consumers willing to pay for premium content – Video in Particular

- YouTube remains, by far the largest ad supported means to reach Canadians by video
- International players continue to grow share of reach with Netflix estimated at 77.4% and Prime at 46.8% and Canadian entities (like Crave) are expected to remain just below 30% for the coming years

Ad Supported

YouTube Viewers in Canada, 2019-2025								Crave Video Viewers in Canada, 2019-2025							
	2019	2020	2021	2022	2023	2024	2025		2019	2020	2021	2022	2023	2024	2025
YouTube viewers (millions)	24.4	25.2	25.8	26.4	26.8	27.2	27.6	Crave viewers (millions)	5.9	6.6	6.8	6.9	7.1	7.2	7.3
—% change	3.4%	3.0%	2.5%	2.3%	1.7%	1.4%	1.2%	—% change	13.3%	11.6%	3.6%	2.4%	2.3%	1.7%	1.5%
—% of internet users	74.3%	75.3%	76.0%	76.7%	77.0%	77.2%	77.4%	—% of internet users	17.9%	19.6%	20.0%	20.2%	20.4%	20.5%	20.6%
—% of population	65.2%	66.4%	67.4%	68.2%	68.6%	68.9%	69.1%	—% of population	15.7%	17.3%	7.7%	18.0%	18.2%	18.3%	18.4%
—% of digital video viewers	93.2%	93.1%	93.0%	92.8%	92.4%	91.9%	91.5%	—% of digital video viewers	22.4%	24.2%	24.5%	24.4%	24.5%	24.4%	24.3%
								—% of subscription OTT video service users	29.5%	28.7%	28.5%	28.4%	28.4%	28.3%	28.2%

Note: individuals of any age who watch video via YouTube app or website at least once per month
Source: eMarketer, Aug 2021

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Subscription

Netflix Viewers in Canada, 2019-2025								Amazon Prime Video Viewers in Canada, 2019-2025							
	2019	2020	2021	2022	2023	2024	2025		2019	2020	2021	2022	2023	2024	2025
Netflix viewers (millions)	16.2	18.0	18.6	19.0	19.3	19.6	19.9	Amazon video viewers (millions)	7.0	10.7	12.2	13.3	13.9	14.3	14.7
—% change	7.6%	11.3%	2.9%	2.1%	1.9%	1.7%	1.5%	—% change	117.8%	51.9%	14.3%	8.9%	4.4%	3.0%	2.7%
—% of internet users	49.3%	54.0%	54.7%	55.1%	55.4%	55.7%	56.0%	—% of internet users	21.4%	32.0%	36.0%	38.7%	39.9%	40.6%	41.3%
—% of population	43.3%	47.7%	48.5%	49.0%	49.4%	49.7%	50.0%	—% of population	18.8%	28.2%	31.9%	34.4%	35.6%	36.2%	36.8%
—% of digital video viewers	61.9%	66.8%	67.0%	66.7%	66.4%	66.3%	66.2%	—% of digital video viewers	26.9%	39.6%	44.1%	46.8%	47.9%	48.3%	48.8%
—% of subscription OTT video service users	81.5%	78.9%	78.0%	77.4%	77.1%	76.8%	76.7%	—% of subscription OTT video service users	35.4%	46.8%	51.4%	54.4%	55.5%	56.0%	56.6%

Note: individuals of any age who watch Netflix via app or website at least once per month
Source: eMarketer, Aug 2021

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State of Media Consumption Summarized

Surge in Digital Video

Covid 19 lockdowns resulted in a decline in OOH, Radio and TV.

Video consumption continues to grow in Canada as does cord cutting. Traditional broadcasters face increasing costs to keep up programming in a competitive landscape to carve out meaningful market share.

Subscriptions have steadily increased and Canadians are spending increased hours on non-ad supported video content.

Covid induced migration to digital has created a lot of demand among advertisers for digital media inventory.

Media Industry Factors

Powerful Digital Leadership

Privacy Constraints

Moving Towards Cookie Independence – A Squeeze on Data

iab. canada
Moving Towards Cookie Independence

The Extinction of Third Party Cookies

Third Party Cookies Used by March 2022: 4.52%
 Third Party Cookies Blocked (due to privacy settings) by March 2022: 95.48%
 Third Party Cookies Used by March 2022: 1.20%
 Third Party Cookies Used by March 2022: 4.28%

Browser Support for Third Party Cookies:

- Google Chrome: 100%
- Safari: 100%
- Microsoft Edge: 100%
- Firefox: 100%
- Samsung: 100%
- Other: 100%

3-Way Addressability on the Horizon

- Universal IDs**
 - Individual IDs for:
 - Consented, authenticated audiences
 - Inferred audiences
- Contextual Signaling**
 - Mapping First Party Data to predictive contextual models
 - Using standard taxonomies
 - Dynamic context
- Cohorts**
 - Aggregated groups of 1,000+ segments
 - Transversely/dynamic

Implications

- Remarketing:** Traditional methods for remarketing users at risk where 3rd party cookies are required.
- Frequency Capping:** Limiting the number of times a user sees an advertiser's ad, becomes much more difficult to do if there is no way to identify an individual user.
- Audience Lists:** Audience segments built using third party cookies, especially by ad networks, will become difficult/impossible to create.
- Bidding:** Algorithms will automatically shift orders to where opportunities are measured, undermining other media buys in some instances where cookies do not work.

All Involve First Party Data

- Consent Management
- Segmentation Strategy
- Engagement & Data Intelligence to parlay into new eco-system

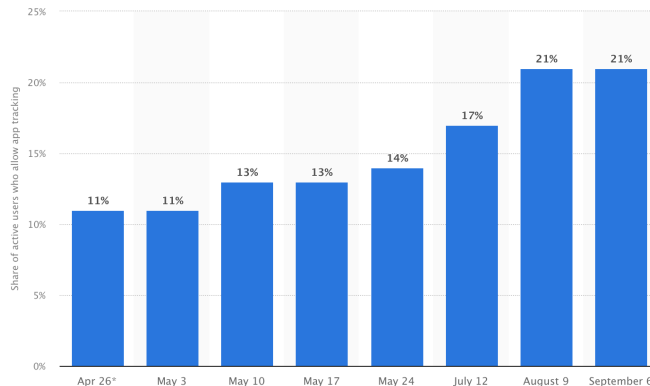
Emerging Tools in the Cookieless Toolkit

- CMPs
- CDPs
- Contextual Signaling
- Flagged enabled marketing (Google Privacy Sandbox)
- IAB Tech Lab Transparency & Data Lab.org
- SKAdNetwork - for iOS workarounds

IAB Canada Copyright 2021

- Some social media platforms lost revenue due to the lack of ability to track users on mobile devices due to iOS
- The deprecation of cookies is adding further stress to the supply chain.

79% Drop in Data due to iOS 14



Source: Statista Q4 2021

Apple's app tracking policy reportedly cost social media platforms nearly \$10 billion



Illustration by Alex Castro / The Verge

An investigation by *The Financial Times* found that Snapchat, Facebook, Twitter, and YouTube lost around \$9.85 billion in revenue following Apple's changes to its privacy practices. Last year, [Apple announced the App Tracking Transparency \(ATT\) policy](#) that requires apps to ask permission to track users' data. The [policy went into effect in April](#), barring apps from tracking users if they opt out.

Brand Safety & Fraud Prevention

Tightened Supply Chain for Secure Investments



- IAB Global Gold Standard
 - **Inventory Requirements**
- Suppression Lists
- Third Party verification systems
- Anti-Fraud mechanisms (ads.txt)
- Private/Premium marketplaces
- Pressure on supply to untap secured impressions

Media Industry Factors Summarized

A Shrinking Supply Chain & Demand for Premium Quality Content

Tightening control of the tech sector with platforms innovating to get ahead of regulatory mandates for privacy.

Patchwork privacy regulations creating extra territoriality requirements for the global value chain.

Cookieless world – addressability challenges

Data-leveraged media placements will be impacted as first party data relies more heavily on consent

Apple iOS has made a significant impact on the ability for marketers to leverage data to inform audience ad targeting decisions and budget allocations

Growth non cookie-dependent media like search, contextual targeting and branded content and more integrated media buys soars – with greater demand and a constriction on supply

Media Inflation Estimates

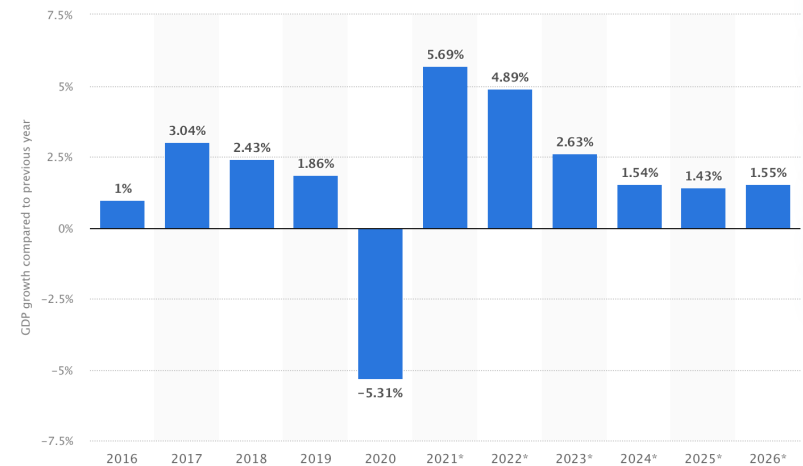
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Global Market Inflation

Canada's Consumer Price Index rose 4.7% in 2021 while the GDP bounced back

- Inflation across the board soars as we see sharp increases in GDP growth compared to 2020/21
- Omicron has created a set-back to this growth which pushes out the estimations to a further timeline (we had anticipated that markets would slow in growth as they are recovered in 2022)
- Canada's Consumer Price Index (which represents changes in prices as experienced by Canadian consumers on a fixed basket of goods and services) *rose 4.7% on a YoY basis in October 2021, up from a 4.4% increase in September – largest gain since February 2003 – talk of increasing the bank rate in mid 2022
- Energy prices in Canada are up over 25% YoY which will further impact the price of goods and services due to increased shipping costs and home & business energy bills

Canada GDP growth rate for 2020 was -**5.31%**, a **7.17% decline** from 2019



Source: Statista 2021

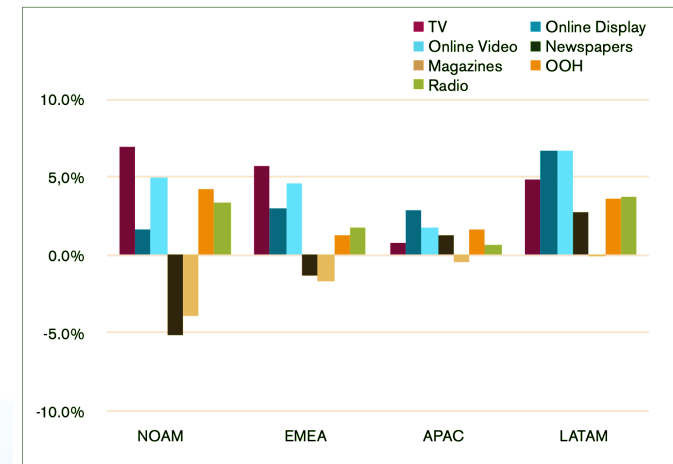
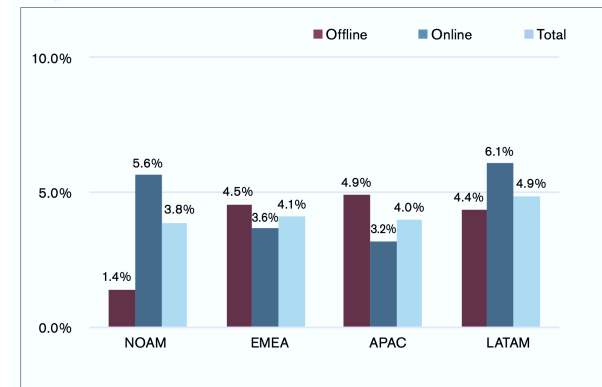
*source: ECI Q4 Inflation Report

Media Inflation Estimates 2021

Largely Driven by Covid 19 and Uncertainties on Recovery

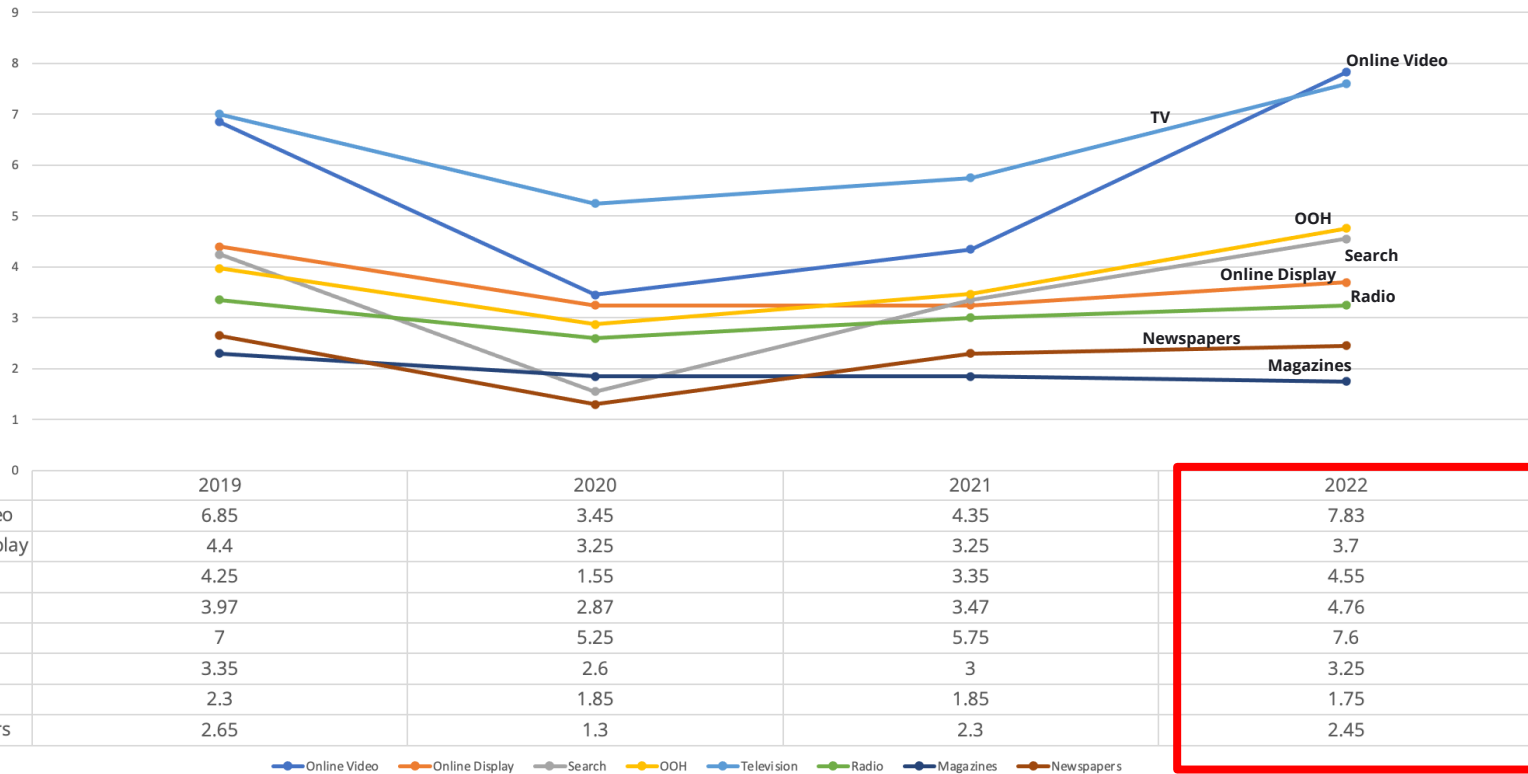
Overall media inflation is at **4%** globally:

- **Offline 3.5%**
- **Online 4.4%**
- North America is seeing inflation for online significantly higher than that of offline – EMEA and APAC are the opposite
- Advertisers have shifted a significant portion of their ad dollars to CTV – meaning the greatest inflation was experienced in online video for both US and Canada – varying reports show online video inflation between 5-7%
- Increased demand, restricted supply, and less relevant (due to Covid) traditional media like OOH
- Due to supply constraints, media has more pricing power



Canada Media Inflation Estimates 2022

Canadian Media Inflation % Estimates



Source: Q1 2022 Reporting from IAB Canada agencies and top holding companies

Media Inflation Estimates 2022

Continued Knock-on Effect of Pandemic & Accelerating Market Factors

- 76% of the Canadian media buying community anticipate increased costs in online video for 2022. Demand for Premium, safe and ad viewable inventory continues to expand along with the overall growth in investment in the channel
- Most stable channel, according to buyers in 2022, is Social Media – almost 50% anticipating no change and the rest split 50/50 on increase vs. decrease
- Search reported at 4.55% - driven by increased competition in search terms – category dependent

Canadian Media Inflation % Estimates				
	2022	2021	2020	2019
Online Video	7.83	4.35	3.45	6.85
Search	4.55	3.35	1.55	4.25
OOH	4.76	3.47	2.87	3.97
Television	7.6	5.75	5.25	7
Radio	3.25	3	2.6	3.35
Magazines	1.75	1.85	1.85	2.3
Newspapers	2.45	2.3	1.3	2.65

Source: 2022 IAB Canada Digital for Reach Barometer Study

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Additional Factors Pointing to Increased Costs

Supply & Demand

- Over 50% of media buyers in Canada believe that Branded Content costs will rise due to the shift in data-enabled media and the increased use of first party data.
- Television inflation is forecast to increase at 8.2% in 2022 – increased demand coupled by decreasing audiences – enhanced fragmentation with new – non-commercial streaming services and cord cutting.
- The advent of VAM Video audience measurement – which will allow cross-platform video reach analysis will also allow for more strategic cross-media reach planning and buying
 - Broadcasters are now competing for content and face increasing costs as they try to keep up with the like of Netflix, Disney Apple and other media giants



Source: IAB Canada Barometer Report 2022 & Reporting 2021

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Additional Factors Pointing to Increased Costs

Supply & Demand

- Ecommerce has picked up the slack from the Covid declines in investment and have remained in the market – this will have a significant impact on supply even though some sectors are suffering from supply chain shortages (automotive)
- Legalized sports betting is also coming online in 2022 bringing with it immense competition and consequently, demand of media supply



Strategic Outlook

Strategies for Increased Costs in Media

Advanced Planning

Increased Media Costs = Inflation but also, Market Correction

- Digital media has historically been undervalued
- Devaluation due to volume buying and downward pressure on CPM by procurement has increased fraudulent inventory levels and lower quality impressions
- Supply chain in making rapid advancements towards delivering clean and secured media supply – at a cost
- Buying Gold Standard impressions will drive up costs as publishers work to certify their supply and choke out bad actors while complying with privacy regulations across multiple jurisdictions



Advanced Planning

Increased Media Costs = Inflation but also, Market Correction

- While inflation due to rising costs of labour, operational costs etc., will be in line with baseline inflation, the rising cost on digital media will be impacted by the pressure on supply in a rapid demand market with eCommerce continuing to rise.
- Cannibalization of content consumption through subscription-based media will also destabilize the cost of media in coming years.



IAB Canada Sources

IAB Canada leverages its rich network of thought leaders and subscribes to several industry resources.

- **2021 CMUST study** – in partnership with PhD, this annual media consumption study compiles data from multiple credible sources like comScore, VAM, Omnicom proprietary data and more to deliver emerging trends yoy. CMUST is a study that IAB Canada members have come to rely on for over 10 years
- **eMarketer Market Insights** reporting – IAB Canada subscribes to eMarketer insights reporting and contributes to their reporting through the annual IAB Canada revenue survey
- **PwC** – Revenue Survey Reporting 2020 & [Media Insights reporting](#) – a partner and member to IAB Canada
- **IAB Canada Barometer Reporting** – IAB Canada provides reporting on various areas of the online advertising sector in Canada. From trends in buying to adoption rates of critical technologies, these reports provide the most stable view on the digital advertising eco-system in Canada
- IAB Canada **Agency Council** reporting & contributions. IAB Canada has over 250 members and most of the agency holding companies have been trusted partners for over 20 years. IAB Canada hold regular interviews with media buyers to determine the state of the media market in Canada.
- **SMI – Strategic Media Index** is a media auditing company reporting on expenditures across all media by the major agency holding companies around the world
- **ECI** Inflation reporting – ECI is a consultancy in the field of digital auditing

Strategic Planning

Smart Media Planning in a Volatile Market

- 1 Get into the market early – particularly for branded content and guaranteed inventory
- 2 Develop partner relationships as programmatic is targeted by regulations – custom deals will increase in importance
- 3 Simmer & Boil strategies ensure coverage across the long-term while reserving budget for performance spikes
- 4 Education – discussions with procurement teams on root issues driving increasing costs will mitigate negative competitive moves toward downward spirals and support a fair digital value chain
- 5 Insist on higher quality to support the sustainable growth of an effective eco-system



Thank You

For more information reach out to
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