2006, 2007 Actuals + 2008 Estimate
Canadian Mobile 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 inaugural Mobile Advertising Revenue Survey/Report
IAB Canada's first-ever Canadian Mobile Advertising Revenue Survey draws on IAB Canada's decade of experience in conducting Online Advertising Revenue Surveys, and utilizes data received directly from Canada's leading Mobile Carriers, Mobile Aggregators, Mobile Marketing companies, Online Publishers offering Mobile advertising solutions (including Mobile Search advertising), Mobile Application Developers and Mobile Advertising Networks.

Why gather 3 years worth of numbers at once?
IAB Canada asked all Mobile Survey participants to submit their actual 2006 and 2007 Canadian Mobile Advertising revenues in addition to their estimate of revenues for 2008, in order to establish baseline values for the Canadian Mobile advertising market from the industry's practical inception.

It should be noted 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, to maintain individual participant confidentiality.

The appendix at the end of this Report contains basic Survey Methodology and the Definitions of the various Mobile advertising formats reported on.

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B. Executive Summary

2006-2007 Full-Year Highlights and 2008 Forecast

Revenue Trends

The Canadian Mobile advertising industry is in the very earliest phase of its existence. As such, revenues are growing rapidly against a modest base: from $1.1 million in 2006 to $2.66 million in 2007 (or growth of 143% year-over-year). Revenues are expected to almost double again in 2008, to $5.2 million.

Revenue By Advertising Vehicle

Standard SMS advertising programs currently generate 75% of the total Canadian Mobile advertising revenue, with the remainder divided across Premium SMS, Mobile Content, Mobile (Display) Advertising, Mobile Search and Mobile Applications.

All forms of Mobile advertising are growing rapidly year-over-year, with the exception of Mobile Search, which is virtually non-existent at this time.

Revenue By Advertising Category

Twenty-five percent of all Mobile advertising revenues are currently being derived from the Telecommunications sector, followed by revenue from the Packaged Goods sector at 19%.

Concentration Of Advertising Revenues

The Top Ten Mobile advertising earners took in almost 81% of the total Mobile revenues earned in Canada in 2007. This represents a slightly higher degree of concentration than in the Online market, where the Top Ten earners currently earn approximately 77% of all Online advertising revenues.

Online Advertising Growth As Compared To Growth In Other Media

Because it's at such a nascent stage, Mobile advertising's annual revenue growth rate is many times that of the other mature major media, and three to four times faster than Online's current growth rate.

Challenges + Opportunities Going Forward

Mobile marketers cite their main challenges in the next 12 months as the small size of the Internet-enabled Mobile audience; constraints posed by the current Carrier/Provider business model; low levels of Advertiser/Agency understanding and comfort with Mobile as a viable advertising medium; and, the ability/need for Mobile marketers to demonstrate Mobile's return on investment from the get-go. There is also an understandably high concern about the impact that the current economic downturn might have on the prospects for Mobile advertising in Canada in 2009.

Robust operating systems, new developer tools, the proliferation of smart-phones, expanding services and more attractive consumer Mobile phone and pricing plans, are all seen as central to growing Mobile's active user base, in order to draw greater advertising revenues to the medium.

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C. Detailed Mobile Advertiser Revenue Findings

Canadian Mobile Advertising Revenues Exceed $2.6 Million in 2007

Mobile advertising revenues rose to $2.66 Million in 2007, up 143% from the $1.09 million recorded in 2006.

Total 2006-2007 Actual Mobile Advertising Revenues			
	2006	2007	% growth
Thousands ($)	1,094	2,663	143%

NOTE: Mobile Advertising Revenues for French Canada are not being collected at this time, due to the low, overall size of the Canadian Mobile advertising market.

$5.2 Million Annual Revenues Projected for 2008

Canadian Mobile advertising revenues for 2008 are forecast to almost double (+96%) over 2007 actuals, rising to just over $5.2 Million.

Projected Total 2008 Mobile Advertising Revenue			
	Actual	Forecast	%
	2007	2008	growth
Thousands ($)	2,663	5,208	96%

Mobile Revenue Concentration Among Top 10 Advertising Earners

The top 10 Mobile Advertising Earners in this Survey accounted for 79% and 81% of total Canadian Mobile advertising revenues in 2006 and 2007 respectively.

Revenue Growth By Mobile Advertising Vehicle in 2006-2007

Standard SMS is by far, the dominant Mobile advertising vehicle in both the 2006 and 2007 results, generating almost $2 million (or 75%) of the total $2.66 in net revenue in 2007.

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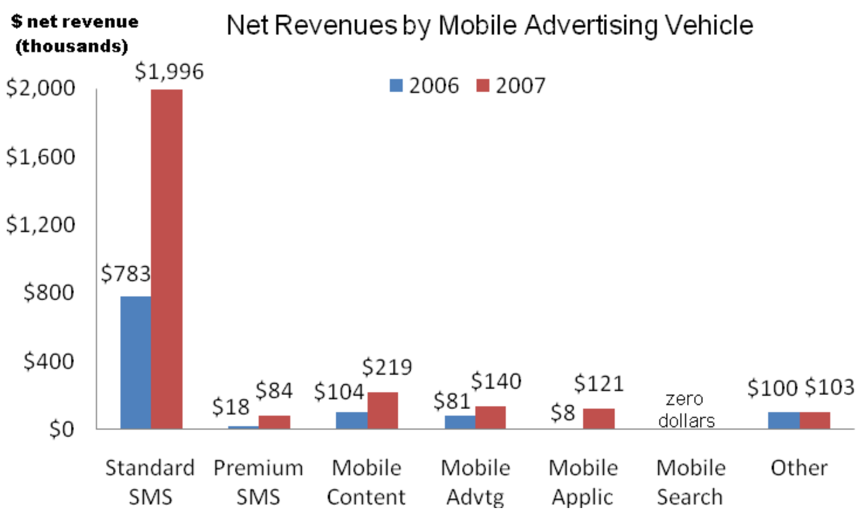


At eight percent (8%) Mobile Content represents the next largest share of Mobile advertising revenues for 2007, followed by Mobile (Display) Advertising and Mobile Application development, both at 5%.

Share of Canadian Mobile Revenue by Advertising Vehicle: '06 vs '07				
	2006 $ (thousands)	% share of revenue	2007 $ (thousands)	% share of revenue
Standard SMS	783	72%	1996	75%
Premium SMS	18	2%	84	3%
Mobile Content	104	10%	219	8%
Mobile Advertising	81	7%	140	5%
Mobile Search	0	0%	0	0%
Mobile Applications	8	1%	121	5%
Other	100	9%	103	4%
Total	1094	100%	2663	100%

While dollars spent on Standard SMS and Mobile Content more than doubled between 2006 and 2007, investment in both Premium SMS and Mobile Applications grew disproportionately (by between 367% and 1400% respectively) in the same time period.

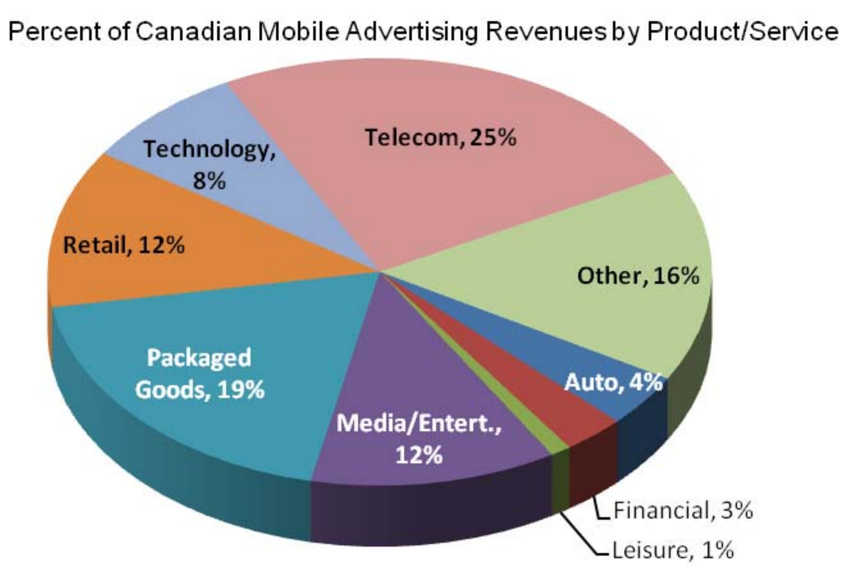
Revenue Growth by Mobile Advertising Vehicle: '07 vs '06			
	2006 $ (thousands)	2007 $ (thousands)	% change
Standard SMS	783	1996	155%
Premium SMS	18	84	367%
Mobile Content	104	219	111%
Mobile Advertising	81	140	73%
Mobile Search	0	0	0%
Mobile Applications	8	121	1413%
Other	100	103	3%
Total	1094	2663	143%

Revenue By Advertising Product/Service Category

Among the nine product/service categories shown below, Telecommunications accounted for fully one quarter (25%) of all Mobile advertising revenues in Canada in 2007, followed closely by Packaged Goods at 19%. Retail and Media/Entertainment categories were tied for third place at 12% each.

	Distribution of Canadian Mobile Ad Revenue by Major Product/Service Category: 2007									
	Total Mobile	Auto-motive	Financial	Leisure	Media/ Entertain-ment	Packaged Goods	Retail	Tech-nology	Telecom-munications	Other
% ad revenue	100%	4%	3%	1%	12%	19%	12%	8%	25%	16%

Leisure = travel, hotel, hospitality



Leisure = travel, hotel, hospitality

Mobile Advertising Growth Compared To Growth in Other Media Channels

The 143% increase in Mobile advertising between 2006 and 2007 is many times faster than the 5% increase experienced by all major media combined, or even the impressive +38% growth enjoyed by Online during the same time period. This is to be expected, given the relatively small size of the Mobile ad revenue base at this time.

Rank	Advertising Revenue by Major Medium in Canada: 2006-07 Trend	2006 $ Millions	2007 $ Millions	% change
1	Television	3241.0	3299.0	2%
2	Daily Newspaper	2635.0	2572.0	-2%
3	Radio	1388.0	1468.0	6%
4	**Internet**	**900.0**	**1241.0**	**38%**
5	Magazines	682.0	718.0	5%
6	Out-of-home	370.0	422.0	14%
7	**Mobile**	**1.1**	**2.7**	**143%**
	All Major Media (including Mobile)	**$9,217**	**$9,723**	**5%**
	Source: TVB, IAB (Online, Mobile)			

Mobile Industry Challenges & Opportunities

The following reflects commentary from Survey respondents about the biggest challenges and opportunities their businesses encountered in the past 12 months, and their expectations for the next 12 months. These comments are anecdotal in nature, reflect respondents' particular business scenarios, and are prioritized by frequency of mentions. Bold text and larger "checkmark" icons indicate higher frequency of mentions.

Mobile marketers cite their main challenges in the next 12 months as the small size of the Internet-enabled Mobile audience; revenue-building constraints posed by the current Carrier/Provider business model; low levels of Advertiser/Agency understanding and comfort with Mobile as a viable advertising medium; and, the ability/need for Mobile marketers to demonstrate Mobile's return on investment from the get-go. There is also an understandably high concern about the impact that the economic downturn might have on the prospects for Mobile advertising in Canada in 2009.

Robust operating systems, new developer tools, the proliferation of smart-phones, expanding services and more attractive consumer Mobile phone and pricing plans are all seen as central to growing Mobile's active user base, in order to draw greater advertising revenues to the medium.

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Challenges	Past 12 Months	Next 12 Months
- Finding staff with the necessary skill sets and competencies.	✓	
- Fragmented handset market and lack of standards make development-to-scale difficult.	✓	
- Internet-enabled audience still small and nascent.	✓	✓
- Developing brand WAP sites and applications.	✓	
- Maintaining visibility in spite of slow growth of Mobile marketing, especially in Quebec.	✓	
- Lack of bona fide 3rd party audience measurement for Mobile In Canada.	✓	✓
- Unattractive vendor terms to consumers/pricing of Mobile vs. Online.	✓	
- Change needed in business model with Carriers in order to grow Mobile marketing opportunities.	✓	✓
- Demonstrating ROI of Mobile campaigns to Advertisers/Agencies, based on integrated approach to multi-channel marketing.	✓	✓
- Low levels of sophistication/understanding at Advertiser/Agency is influencing readiness to buy.	✓	✓
- Recession economy and advertising impact (Online seen as “safe”, Mobile “risky” at this point in time.)		✓

Opportunities		
- Increased activity in wireless channel overall with increased uptake of Blackberry devices, smartphones and due to launch of iPhone in Canada.	✓	
- Rapidly growing end-user base as devices, price plans and services improve to where a positive inflection point seems at hand.	✓	
- The combination of new developer tools like Mobile-centric mark-up languages, robust Mobile operating systems and ad revenue business models have potential to create an explosion of new Mobile services. This could spur additional user adoption of Mobile as well. Advertising should grow rapidly, given strong 2008 performance of Mobile Display ads.		✓

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D. APPENDIX - Survey Scope and Methodology

Survey Scope

This first-ever Canadian Mobile Advertising Revenue Report reflects IAB Canada's ongoing mission to provide an accurate barometer of Interactive advertising in Canada, for both the Online and now Mobile channels.

The Interactive Advertising Bureau of Canada (IAB) has retained Ernst and 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 Online and Mobile Advertising Revenue Surveys include:

- Making the Survey as inclusive as possible, encompassing direct data results from Mobile Carriers and Mobile marketers of all sizes and for all forms of Mobile 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 and Young and IAB Canada work jointly to:

- Compile a database of Canadian Mobile Carriers, Marketers and Ad Networks to survey annually, in relation to Mobile advertising revenues in the Canadian market;
    - As in the case of Online, once critical mass is achieved in the French Canadian Mobile market, IAB Canada will provide separate Mobile advertising revenue breakouts for French Canada as well.
- 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 from Survey respondents:
    - 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) Carrier Fees and (b) Agency commissions.
    - Annual Net revenues are requested to be broken down by advertising vehicle (Standard SMS, Premium SMS, Mobile Content, Mobile Search, Mobile Applications, etc.).
    - Percentage breakdown of annual Net revenues is also requested across nine different product/service categories that sum back to 100% of the Net revenue. Examples of these categories include Automotive, Financial, Technology, etc.

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- Identify non-participating Mobile Survey participants, 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 information submitted by respondents within IAB Canada's annual Canadian Mobile 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 Mobile 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. Mobile marketing companies to be surveyed are derived from the IAB Canada Member lists, and from input from the Mobile Committee of IAB Canada's Emerging Platforms Council.
2. Each Mobile marketing company selected for surveying is assigned a unique, anonymous, alpha-numeric code that only the IAB President and IAB Research Director is aware of, and sent a Revenue Survey with only this unique, anonymous, alpha-numeric code as an identifier on it.
3. Once completed, the Mobile marketing company returns the 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 President and IAB 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 for the total Canadian Mobile Advertising Revenue.
6. Aggregate Canadian market totals are sent to the IAB President and Research Director for verification, and then presented to the following bodies:

   (a) IAB Canada's Mobile Committee; followed by,

   (b) IAB Canada's Emerging Platforms Council (to which the Mobile Committee reports)

   Once these bodies have validated that the methodology was properly executed and that the tabulations are sound, the totals are forwarded to...

   (c) The IAB Board of Directors for final confirmation and a vote to approve the publication of the Mobile Advertising Revenue Survey numbers.
7. A Report detailing final 2006 and 2007 actuals and estimated 2008 Canadian Mobile Advertising Revenues is created. The report also includes estimates of percent revenues by advertising vehicle.

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Definitions of Mobile Advertising Formats

The following advertising vehicle definitions are provided to each Survey participant, so that all participants submit compatible revenue figures suitable for aggregation by Ernst & Young.

1, 2) Interactive SMS/Premium SMS Campaigns

Segment revenue generated from Standard and zero-rated SMS campaigns from Premium rated (PSMS) campaigns. When counting revenue for interactive SMS campaigns, the goal is to calculate the total amount of money that the *brand* is spending on the Mobile marketing campaign. If an interactive SMS campaign includes Mobile Content elements, please segment out those costs for inclusion in the Mobile Content section **#3.**

> ***Included in SMS Revenue:*** Campaign set-up fees, short-code fees, message fees as charged to clients, hosting and maintenance fees.
>
> ***Not Included:*** Mark-up by ad agencies (gross). Premium message fees (end user fee), as these are to be included in **Premium SMS** section. Contest prizing or redemption charges, Mobile Content associated with campaign e.g. ring tones, wallpapers, as these are to be included in the Mobile Content section #**3.**
>
> NOTE: For Carriers completing the Survey: Please do not count any revenue generated on cross-carrier short-code programs, as this will be captured by the Mobile marketing providers.

3) Mobile Content

Mobile Content revenue from an advertising and marketing perspective, is defined as the monies spent by the Advertiser to create and distribute Mobile Content, that downstream, will lead to increased sales of the advertised product or brand.

Please do NOT include the actual revenue obtained from Mobile Content that leverages the brand. For example, a *Spiderman 3* game sold to consumers would not count, but a branded Mobile karaoke game given away or subsidized by the Dairy Farmers Association to build the *Got Milk* brand would.

Sub-categories of Mobile Content include: Ringtones, Graphics, Mobile Video, Java Games/Apps and MMS. Again don't capture any E-commerce, just capture what the brand spent to set up the store front.

> ***Included in Mobile Content Revenue:*** Content creation/trans-coding fees, distribution fees paid to supplier/Carrier (by client), licensing fees (e.g. fees for licensing JT content)
>
> ***Not Included:*** Data charges to end users, mark-up by ad agencies (gross).

4) Mobile (Display) Advertising

Mobile (Display) advertising has the closest analogy to Online Display advertising spend. Here we include all fees paid for banner ads served specifically on wireless Internet sites.

Major wireless Web destinations (including Carrier portals) and Ad Networks, will also be surveyed. Also included in this line, are SMS alerts sponsored by an Advertiser and any other content (e.g. Video) that is

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sponsored by the brand.

Included in Mobile Advertising Revenue: Both CPM and CPA costs.

Not Included: Banner ad creation charges, the portion of Display advertising viewed on a wireless PDA (not .mobi), end-user data charges, mark-up by ad agencies (gross).

5) Mobile Search
In this category, include all fees paid for Search advertising directed specifically at Mobile devices. Searches performed from a PDA or Web-enabled Mobile device, but directed to an Online Search site should not be included.

Included In Mobile Search Advertising Revenue: Paid Search advertising on Mobile Internet sites.

Not Included: Search Engine Optimization (SEO) fees, mark-up by ad agencies (gross).

6) Mobile Applications
Mobile Application advertising revenue is defined as monies spent by Advertisers to advertise within Mobile Applications such as news widgets or games subsidized by marketing messages (as opposed to branded games, which are to be counted in the Mobile Content section **#3)**.

Included In Mobile Applications Revenue: Monies paid to the owner of the Mobile Application that is serving the advertising.

Not Included: Branded games (which are counted in the Mobile Content section **#3),** the one-time download fee incurred by end-user or any other data charges to end-users, mark-up by ad Agencies (gross).

7) Other Mobile
This section is a catch-all for Mobile marketing vehicles not contained in any of the above definitions.

NOTE: If you believe that the revenue for a particular genre in your "Other" section is worthy of its own category, please advise IAB Canada, and this will be considered for future Surveys.

Included In Other Mobile Revenue: Bluetooth, IVR, Click-to-call

Not Included: Portable media (podcasts, etc), mark-up by ad agencies (gross).

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Overall Survey And Report Guidance Provided by IAB Canada

Mobile Revenue Methodology Committee
This specially-convened committee, representing a selection of Canada's leading Mobile Carriers and Mobile marketers, was created to recommend and oversee IAB Canada's Annual Canadian Mobile Advertising Revenue Survey design, and if needed, to update the Survey design in response to changing conditions within the Canadian Mobile advertising market.

About IAB Canada

Who We Are
The Interactive Advertising Bureau of Canada is a not-for-profit association representing a membership composed of Interactive Advertisers, Agencies, Publishers and Service Associates.

Our Vision
To be the national voice and de facto thought leader for the Interactive marketing industry.

Mission Statement
Working with Advertisers, Agencies, Publishers and Service Associates, IAB Canada will establish and communicate Interactive advertising best practices that optimize Advertiser investment, leading to increased stakeholder value.

We do this by:

- Being the pre-eminent source of Canadian cross-media (CMOST) and other Interactive advertising research;
- Setting standards and guidelines that make Interactive media easier for Advertisers and Agencies to plan, buy, design, execute, track and evaluate;
- Promoting research, standards and the overall effectiveness of Interactive advertising to Advertisers, Agencies, Publishers and the press, via various types of educational courses, events and through the IAB Website;
- Assisting the industry in attracting, training and motivating human resources;
- Being an advocate for the Canadian Interactive advertising industry to the Canadian government; and,
- Expanding the breadth and depth of IAB membership, to increase communication and networking between industry stakeholders, and to provide direct value to members.

Have A Question About IAB Canada's NEW! Mobile Advertising Revenue Survey?

Please don't hesitate to Contact Us!

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