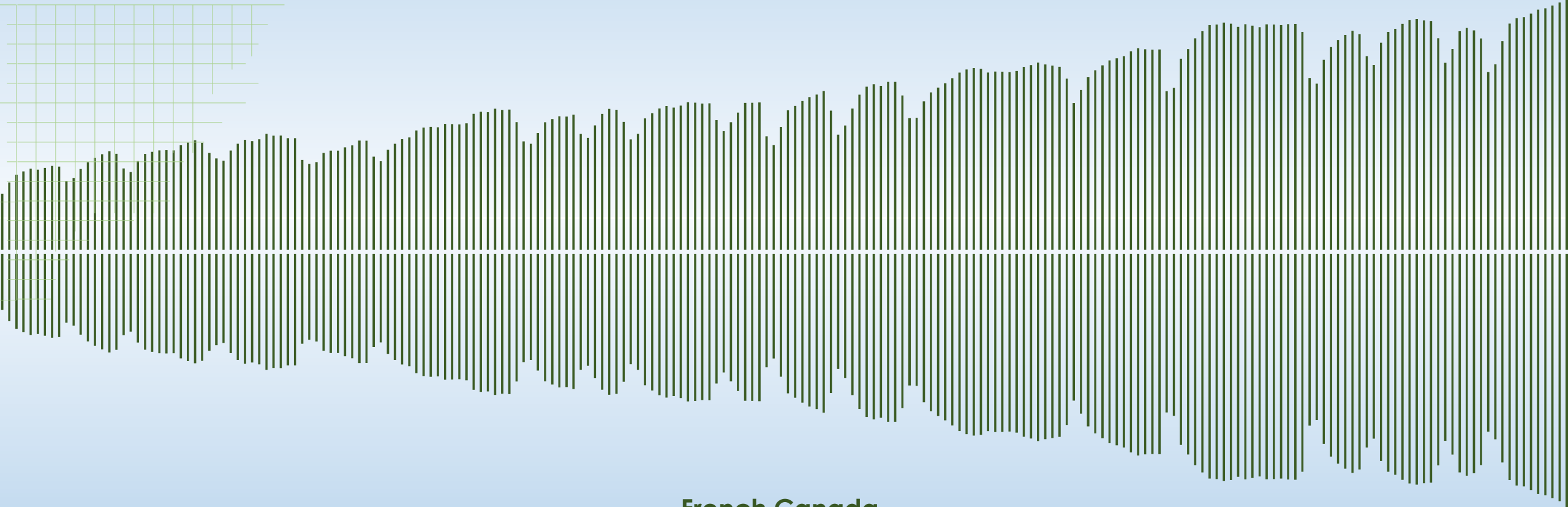


French Canada's Media Landscape

Prepared For IAB



French Canada Executive Summary

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January 21 2015

WHAT'S CMUST?

Since its inception in 2004, IAB Canada's Canadian Media Usage Trends Study (CMUST) has been the only Canadian study crossing all major media and combining each channel's research audience currency of record. This year's presentation is entitled "The Media Landscape" and the work is available for both Total and French Canadian consumer universes. These studies document consumers' changing media consumption across all media as digital technologies impact the lives of Canadians. The study focuses on how new devices and new types of content are triggering ways consumers devote ever growing time counts with the Internet. This includes simultaneous usage of TV and the Internet, Car Connectivity, new Multi-platform data from comScore, time spent with Internet video commercials and the impact of Ad Blocking.

Devices
Reach Time
Unearthed Time
TV/Internet Intersection
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In Summary

Devices

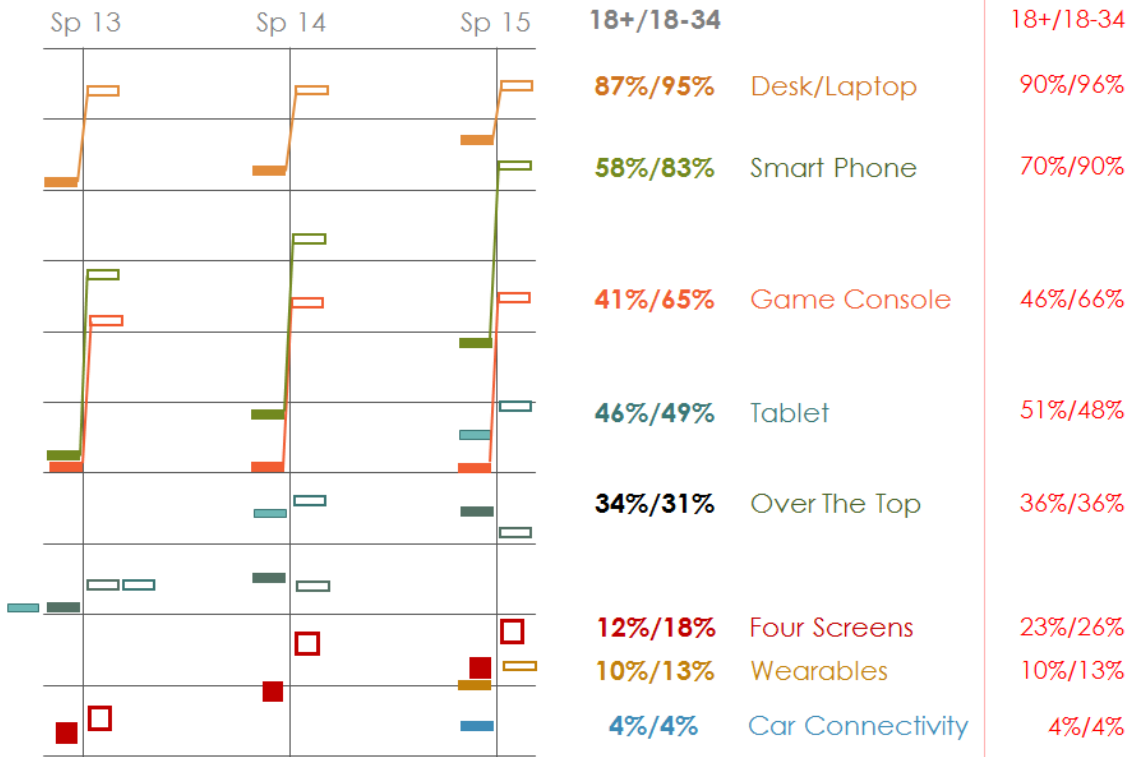
This chart demonstrates how devices capable of accessing the Internet have grown over the last three years in French Canada. Both adult 18+ and adult 18-34 percent penetration levels are shown. The corresponding Spring 2015 penetration levels for these devices in Total Canada are listed in **red** on this chart as well.

Currently in the market place, there is a wide range of consumer uptake of these devices ranging from levels of saturation (desktop/laptop at 90%) to the relatively new and growing devices (car connectivity device at 4% penetration).

There are significant differences in development of devices between Total and French Canadian populations – smart phone underdevelopment in French Canada being the most notable.

Wearables, Car Connectivity and OTT (smart TV) devices represent the Internet medium's source of future consumer time spent counts.

French Canada, Adults 18+/18-34 Usage

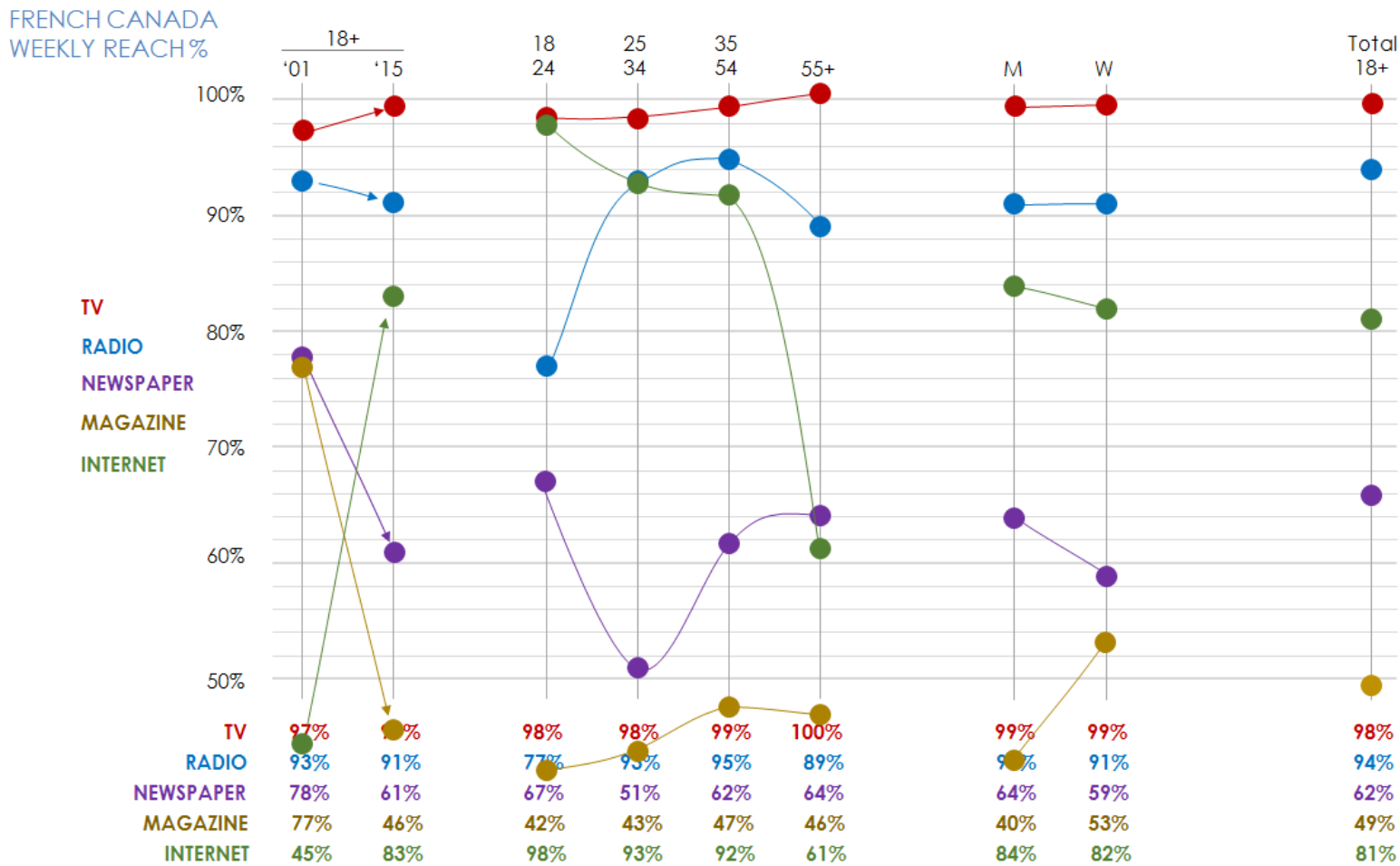


SP = Spring Surveys, MTM

Reach Time

Offline media have experienced declines in their ability to generate weekly reach over the last 14 years. The TV medium is the exception, exhibiting an increase in weekly reach (due to changes to PPM survey methodology). The magazine medium experienced a particularly significant drop in reach due to the demise of the TV Guide segment of publishing. The Internet medium, on the other hand, is now utilized by over 80% of adults in French Canada weekly, up dramatically from 45% weekly reach level in 2001. Weekly reach of the Internet medium in French Canada is now effectively comparable to Total Canada weekly reach levels.

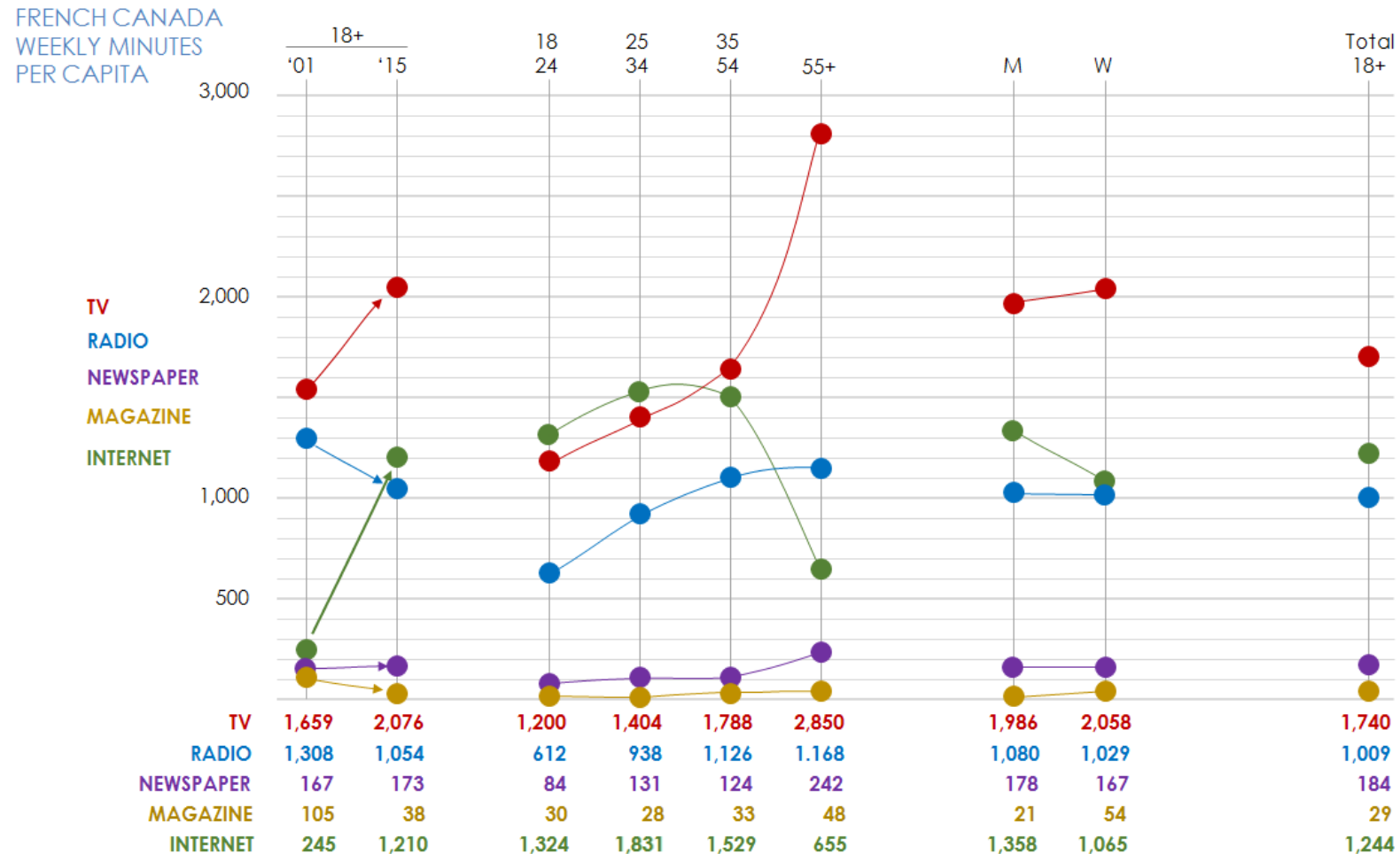
These reach levels are as reported by each medium's survey of record (Numeris for broadcast, Vividata for print and comScore for Internet).



Reach Time

The Newspaper medium and TV medium have both experienced increases in weekly time counts (minutes per capita) over the last 14 years. The increase for TV comes as a result of changes in measurement technology. The newspaper medium has added new, youth skewed, Metro dailies over the 2001-2015 period. The Radio medium's decline in weekly minutes is due in large part to lower 18-24 time counts as this segment continues to search out and discover alternate sources of music.

The Internet medium has out paced the offline media in terms of growth in minutes per week and this medium is the only medium that can boast an overall youth-skewed profile. Both of the 18-24 and 25-34 year old age breaks spend more time with the Internet than with the TV medium weekly.

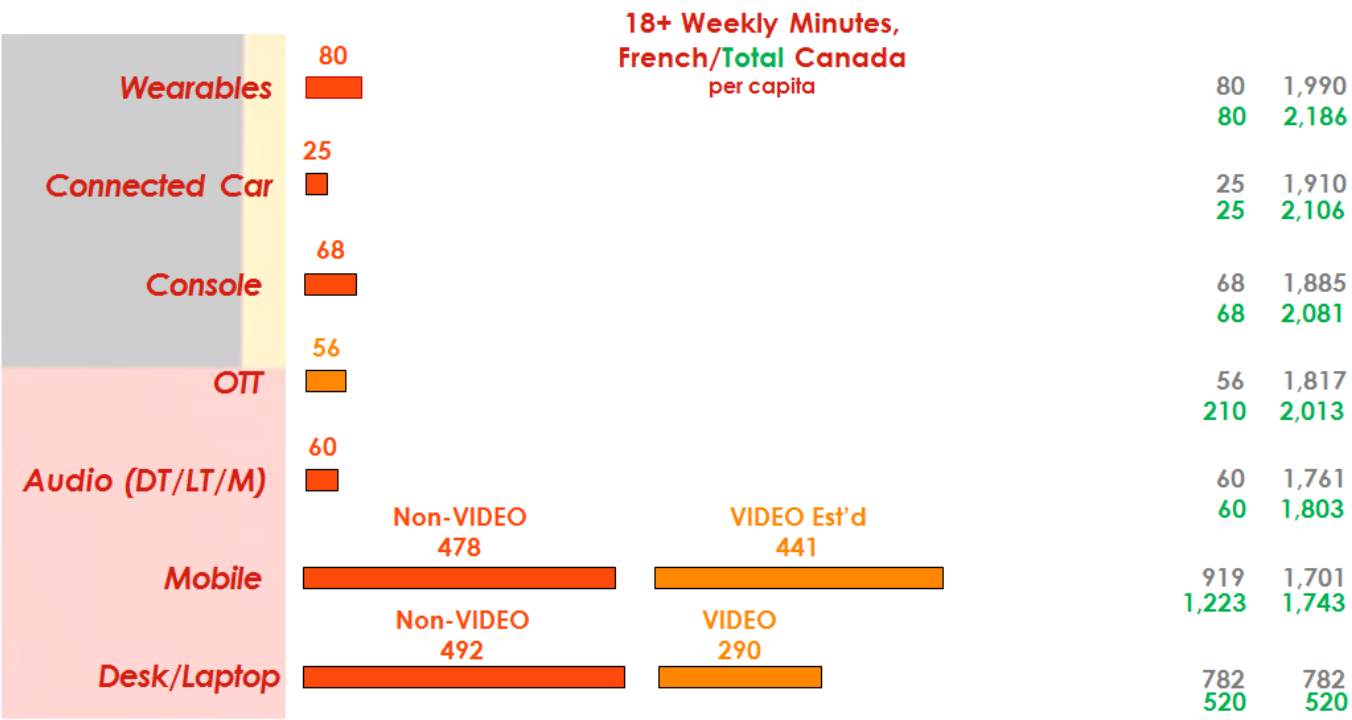


Unearthed Time

ComScore does not measure consumer consumption of the Internet medium by way of a number of devices namely wearables, car connectivity, game consoles, OTT, audio and until recently mobile video. In 2015 publishers began to tag their mobile video content but as of fall 2015, comScore's mobile video time counts were still sparse.

This section of the report provides estimates of minutes per capita per week for adults 18+ in order to determine the Internet's **unearthed** time – the total time. The column on the far right hand side of the opposite chart aggregates the minute counts from bottom, up. Numbers in **green** denote time spent counts for Total Canada as a point of comparison.

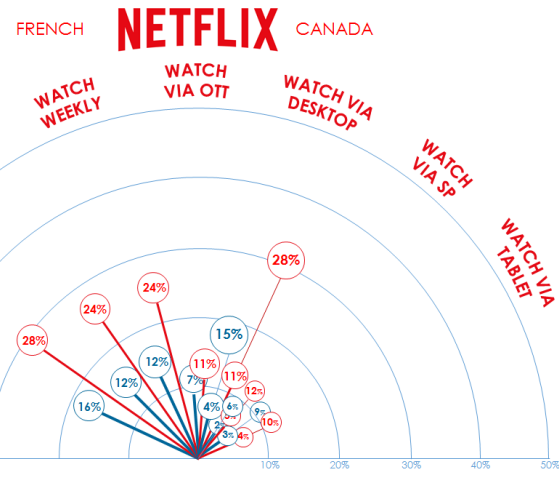
The unearthed time count is 1,990 minutes per week compared to 1,210 minutes counted by comScore. We estimate that 40% of the Internet medium's total consumed time is estimated to be “buried”; still unmeasured by the French adult 18+ population.



TV/Internet Intersection

Each new year finds the TV and Internet medium moving closer together, a phenomena referred to as “connected TV”.

This section of the CMUST report examines five interesting new developments in the space where TV and Internet intersect.



The Netflix subscription count amongst 18-34 year olds in French Canada (28% above) is low compared to levels of subscription in Total Canada (over 50%, Spring 2015 MTM survey). Clearly the lack of French language content is a barrier for Netflix. Other services in French Canada such as Illico and Tou.TV provide Netflix-like service but behave more like PurePlay and Video on Demand vehicles.

SIMULMEDIA

FRENCH CANADA, ADULTS 18+
WEEKLY MINUTES PER CAPITA

	2001	2014	2015
TV	1,659	1,914	2,078
Radio	1,308	1,082	1,054
Internet	245	1,112	1,210
Newspaper	167	176	173
Magazine	105	41	38
Total	3,484	4,325	4,553
TV/Internet		- 670	- 956
Total		3,655	3,597

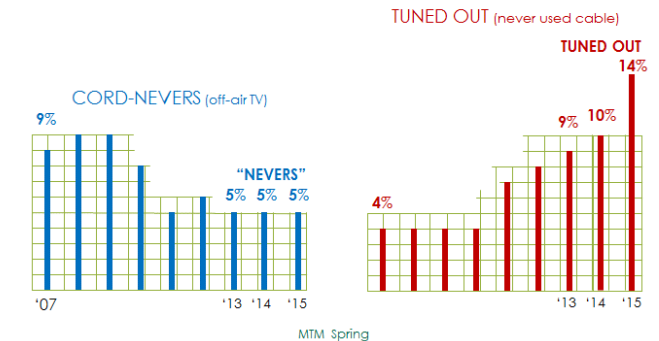
FLAT

The 2015 MTM survey found that 46% of TV viewing occurs while French adults 18+ are simultaneously accessing the Internet. Once these duplicated, *simulmedia* minutes are removed from total media time, we find very little change in the resultant unduplicated media time consumption year over year.

Cord Cutting

- 5% CORD-NEVERS (off-air TV)
- 14% TUNED OUT (never used cable)
- 19% CORD CUTTERS
- 15% CORD CUTTERS in 2014
- 11% CORD CUTTERS in French Canada

Proportion of Canadians 18+



Cord Cutters are individuals who either watch TV off air (in decline) or who never watch live TV at all (growing). The sum of these two Total Canada groups stands at 19%; up from 2014. French Canada's Cord Cutting proportion is smaller because Pick and Pay cable options exist in Quebec. The CMUST presentation predicts that “cord cutting” activity will diminish once Pick and Pay practices are adopted in English Canada early 2016.

TV/Internet Intersection

Video on Demand

On Demand Measurement Report

	VOD % of Linear
SITCOM	10.0%
DRAMA	5.5%
REALITY	5.5%

?

+2%
estimated

NUMERIS October 2015

In October 2015 Numeris published the results of a measurement test that ran between January - June '15. Three English language broadcasters encoded their Video on Demand content in a way which allowed for a separate PPM audience track to take place. The incremental "on demand" audiences were generated from set top box VOD and also included audiences who tuned to streamed TV content on broadcaster web sites. These VOD program audience results were segmented by genres.

The result... extra VOD tuning accounted for between 5.5% and 10% of the linear or live TV audience levels. We have estimated that only 25% of total TV time is impacted by VOD resulting in a time count "lift" of 2% for the TV medium.

Time and Money Spent With Commercials

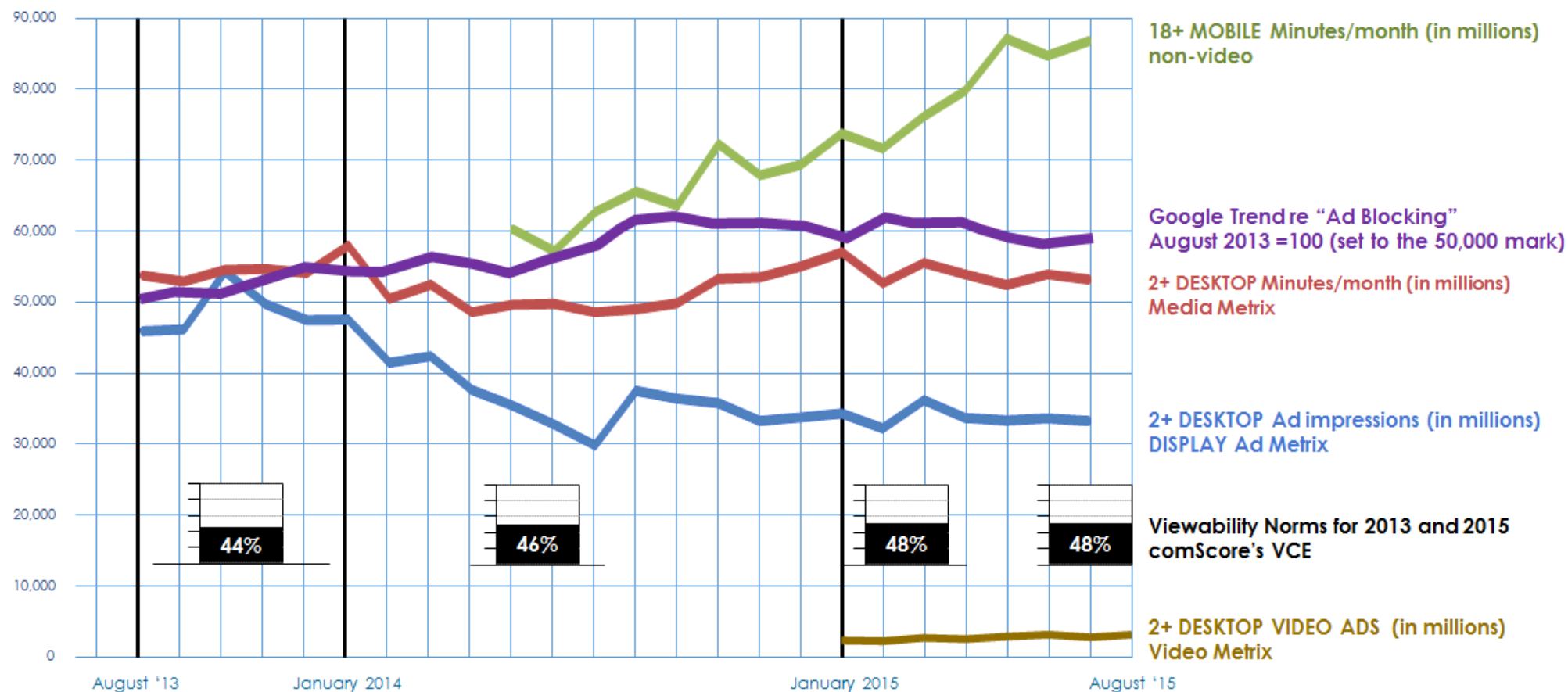
	Commercial <u>Time</u>	Commercial <u>Revenue</u>
TV	64%	65%
Radio	31%	30%
Internet	5%	5%
Newspaper		
Magazine		
Total	100%	100%

The minute per week time counts used in this CMUST report include time consumers spend with commercials (TV, Radio and Internet Video) and ads (Newspaper and Magazine). The industry does not measure time spent with ads but a time spent with commercials can be determined. TV and Radio channels that are commercial enterprises, dedicate fixed amounts of time per hour to the airing of commercials and in this way broadcast time counts can be estimated. ComScore measures, through their Ad Metrix service, video commercial time exposures.

This chart adds up these commercial minutes, shows a time composition percentage and compares the time composition to the distribution of ad revenue for these three media forms above. The percentages line up - suggesting that revenue per minute of tuning are comparable between these three media forms.

Ad Blocking

The **blue trend** line below tracks the number of display ad impressions that occurred on desktop/laptop between August 2013 and August 2015; a 30% downward trend. Why? Desktop/laptop time is steady (**the red line**), even as mobile time is on the upswing (**the green line**). Video ads, while growing, are not a significant explanation (**the brown line**) and viewability norms (**the black boxes**) have not altered enough to have caused the downward thrust of the display ad impressions. That leaves ad blocking as the most likely reason for the ad impression decline we've seen over the last two years, a suggestion reinforced by the Google Trend for searches against the term "**ad blocking**". A **Pagefair study** of ad blocking in Canada from 2015 puts ad blocking penetration at 20% and a **Sourcepoint/comScore** report (September 2015) places the penetration level at 16% providing suggesting that the ad blocking is responsible for less than 20% of the display impression declines since 2013.

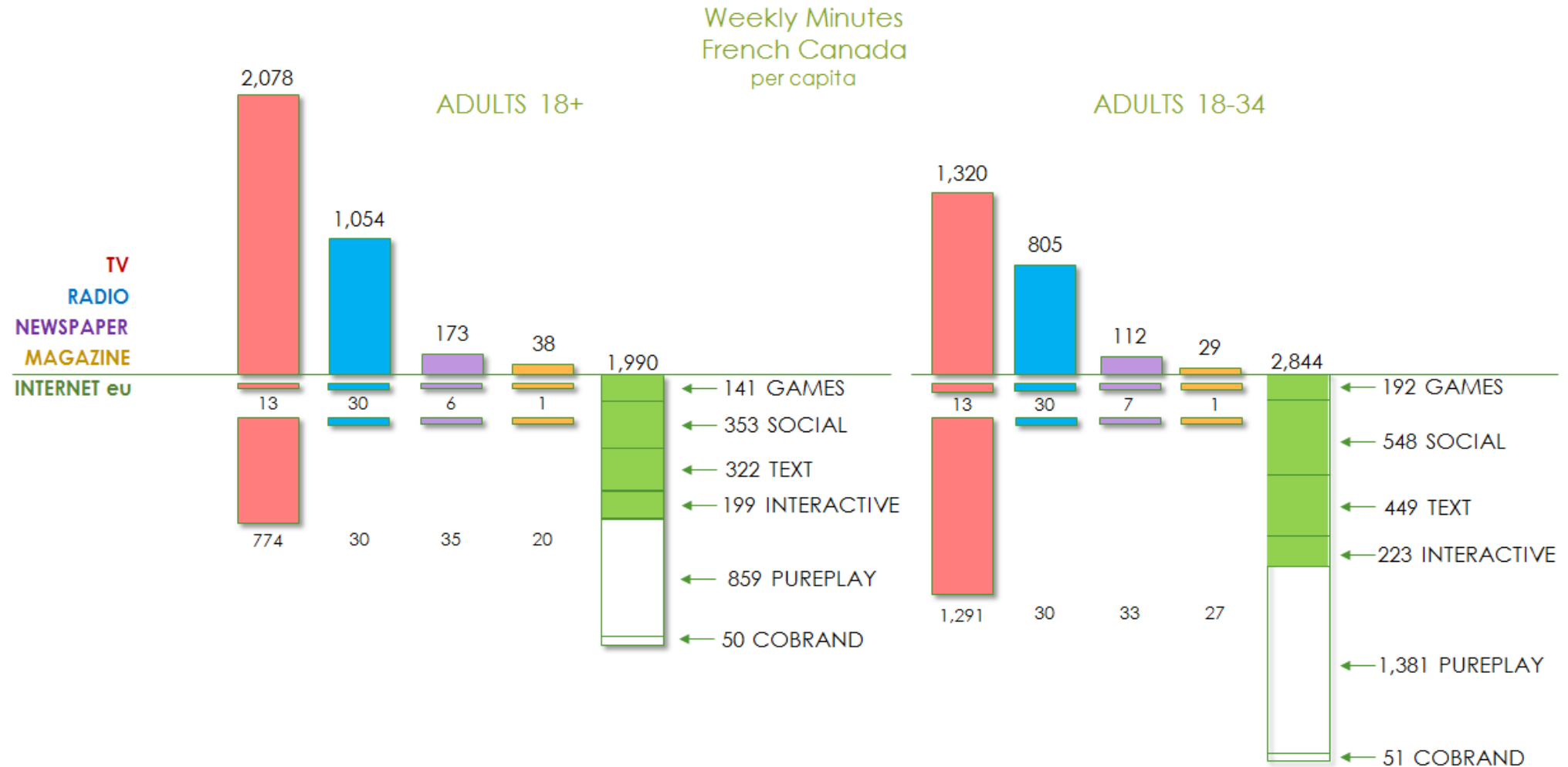


Ad Blocking Penetration
20%
Pagefair Ad Blocking Report 2015

Ad Blocking Penetration
16%
Sourcepoint/comScore September 2015

Internet Content

The chart below quantifies the amount of time (minutes per week per capita) adults 18+ and adults 18-34 spend with different genres of Internet content. Legacy media minutes are scaled above the line and Internet minutes are scaled below the line. Cobranded refers to Internet time spent with online extensions to legacy media channels (www.radio-Canada.ca) and Pureplay refers to time spent with Internet content that is off-line media-like but available only online (illico.tv for example). Of note in this content review is the very large degree of time spent with video (**the red boxes**) be it on-line or off-line.



Revenue Development

All adults in Canada spend 23% and 17% of their total media time with Mobile Internet and Internet Video respectively. Marketers, on the other hand, spend only 8% and 2% of total ad budgets against these two media forms. Mobile and IVideo suffer from a high degree of revenue underdevelopment today. A listing of “Headwinds” and “Tailwinds” relating to this dynamic, suggests some of the forces at work that might explain this underdevelopment.

In the case of IVideo, target rating points (TRPs) which implies the need for a weight threshold as is the case with TV, has been met with resistance. On the other hand, the TRP provides a positive measurement commonality between TV and IVideo which can assist in merging the two channels into one weight generator.

	Time <small>(minutes per capita Ad 18+)</small>		Revenue <small>(millions)</small>	
Mobile	1,222	23%	\$903	8% ↓
IVideo	908	17%	\$266	2% ↓
Total	5,232	100%	\$10,986	100%

Headwinds



Mobile

Tailwinds

Lack of mobile website design

Unresponsive site design

Small restrictive units

Audio Disable

Ad Blocking (Apple 6.0)

Under-utilized (less cluttered)


Reach Extension

Rapid growth in time spent

More focused messaging

Evidence of highly response

Headwinds



IVideo

Tailwinds

TRPs

Undesirable content

TV VOD, IPTV

Ad Aversion

Plan or buy decision?

TRPs

Less clutter

Youth supplement

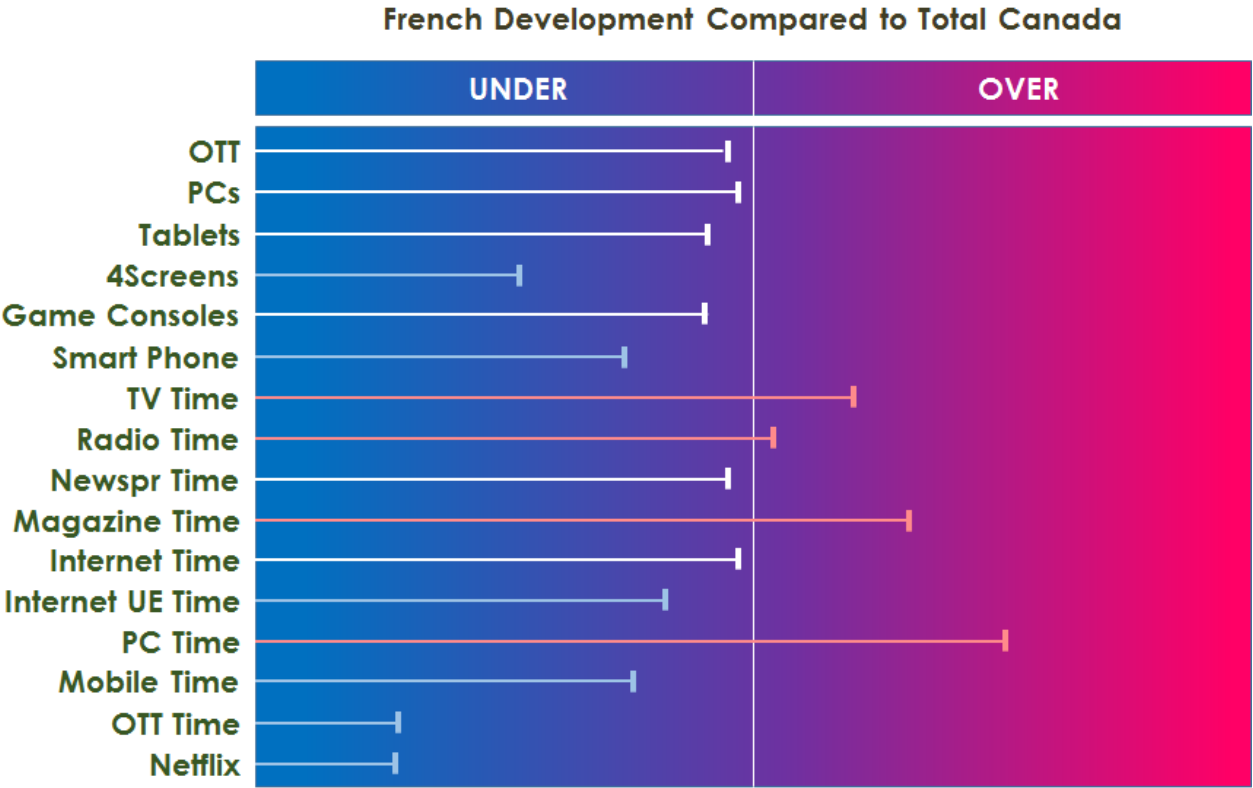
Programmatic

Multichannel Planners

SUMMARY

Of French Canada Development

The chart below graphically depicts the levels of media consumption, relative to Total Canada adults 18+, exhibited by French Canada adults 18+. The media vehicles attached to the **white lines** have levels of French media consumption that index in and around 100. Media measures, such as Smart Phone penetration amongst French Canada adults 18+, are underdeveloped (well below 100 index compared to Total Canada) and are represented by the light **blue lines**. The **red lined** media channels indicate overdevelopment, French vs Total Canada. For example, TV time spend amongst French adults is very much higher than for all adults in Total Canada.



All in All...

Internet accessing devices are proliferating.

Car Connectivity and Wearables are now in the Internet “pipeline”.

Media measurement is in flux.

Offline media time is holding - Internet time is growing.

Offline skews old. Online skews young.

Mobile video is still effectively unmeasured.

40% of actual Internet time is still buried.

TV/Internet is intersecting. A battle for video attention is being waged.

- Netflix has a weekly reach of French adults 18-34 of 24%; low compared to English Canada.

- Media time-spent increases are mostly due to “simulmedia”.

- Cord cutting activity is more pronounced in English than French Canada.

- Cord Cutting growth in English Canada as Pick + Pay is introduced through 2016.

- Numeris/comScore are both now measuring cobranded video.

- “Video on Demand” provides a youth TV tuning lift.

- TV, Radio, IVideo commercial time composition matches ad revenue composition.

Ad blocking has impacted display ad impressions over the last 2 years.

Ad blocking does not impact campaign delivery.

Pure Play video dominates the time 18-34 year olds spend with the Internet.

Young and old watch same amount of video but their channel mix is very different.

Relative to consumer time spent levels,

- Mobile ad revenue is very underdeveloped.

- IVideo ad revenue is extremely underdeveloped.