

Radio Connects to Canadians

Marketing Radio in the Digital Age
and the impact of COVID-19

March 2021



Who we are

Radio Connects | Radio Connexions, founded in 2016, is the not-for-profit trade association for the Canadian Radio Industry. As the advocate for Canadian Radio, Radio Connects | Radio Connexions promotes and markets radio advertising at the agency and client levels in English and French Canada.



Led By Media Veterans

Caroline Gianias | President

A known and respected media professional with extensive agency C-Suite and private consultancy experience. Caroline brings a wide-ranging knowledge base to her role. Caroline also represents Radio Connects as a member of the Numeris Radio Executive Committee and she is a member of the Canadian Marketing Association's Media Council. Caroline also holds the designation of Chartered Marketer from the CMA.

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C. Gianias [LinkedIn](#)

Lisa Dillon | Head of Insight

A media professional with an extensive background in media and research. Having worked at both agencies and vendors in Toronto and Vancouver, Lisa has developed keen insights on how information can be used to demonstrate the power of radio in the communication mix.

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Chantal Leblanc Director | Client Services - Quebec

A leader in Quebec media with senior level experience garnered at Quebec's largest agencies and vendors. Chantal utilizes her broad skill set to ensure Radio Connexions delivers the unique needs of Quebec agencies and broadcasters.

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Radio Connects is supported by Canadian private broadcasters.

Their financial support enables Radio Connects to invest in research and marketing initiatives that demonstrate the power of radio, its ability to drive business, validate ROI, and communicate radio's role in the path to purchase to Canadian advertisers.



The Canadian Advertising Market

Where Canada places in the world



Canada Radio Fast Facts



#8

Rank in advertising
spend



4th

In 2020, Canada slipped
from 3rd to 4th rank in
Radio spend behind the
U.S., China and Japan



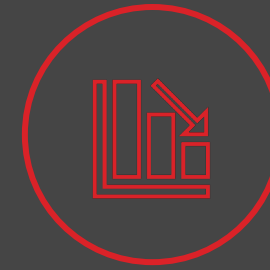
-25.9%

2019 vs. 2010 % change
in Radio spend



-3.0%

10-year CAGR



-10.6%

2020 estimated decline
in Radio spend



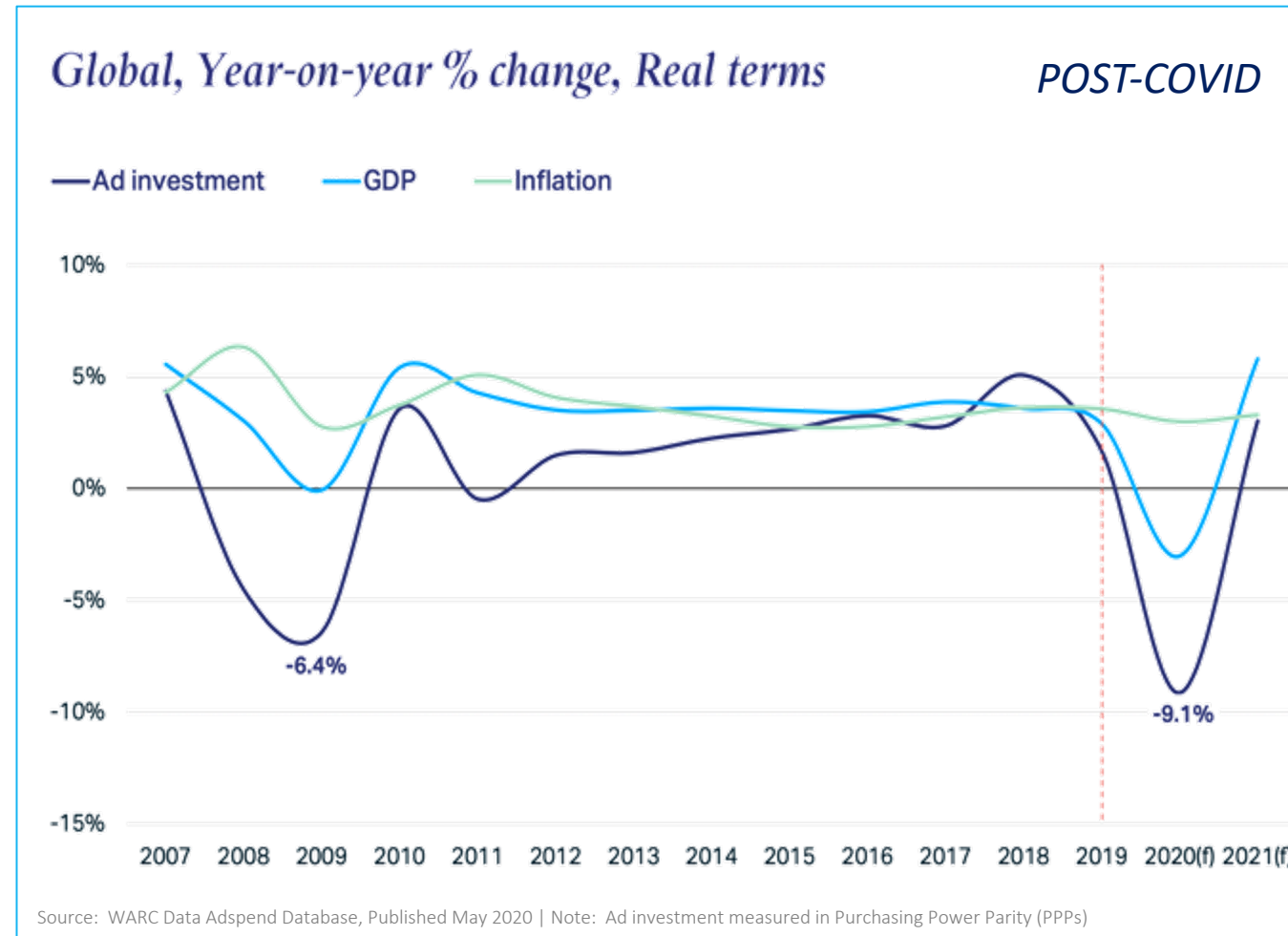
3.5%

2021F change over 2020
Radio spend



Prior to COVID-19, Advertising Spend was expected to slow.

- In 2018 Global advertising, excluding U.S. political advertising (large enough to distort global growth rates by +/-1% each year), expanded by +5.7%.
- 2019 appeared to grow at +4.8%, almost a percentage point slower.
- Prior to COVID-19, growth in 2020 and 2021 was expected to slow by another 1%.
 - GroupM forecasted +3.9% growth in 2020 and +3.1% growth in 2021.
- Growth was expected to range between +3% to +4% through 2024.
- Pre-COVID, total global advertising market during 2020 was estimated at \$628 billion USD for reported media.
- A recovery is forecast for 2021, at +4.9%. This will still leave the value of global ad trade \$21.9B lower than its 2019 peak. According to WARC, “ad investment would need to rise 3.7% in 2022 to complete the recovery fully”.



“While the trends outlined in May’s forecast were accurate, the severity was in most cases understated.”

WARC DATA Global Ad Trends – December 2020

- *WARC Data Global Ad Trends*, recently updated in December of 2020, provides insight on the impact of the global coronavirus on global marketing budgets and media deployment, particularly audio.
- Collation of data by WARC, collected from over 100 markets around the world, indicates a downgrading in the prospects for almost all media in response to the second wave of the coronavirus outbreak.
- Their data indicates that offline media channels were the most adversely affected by the downturn in marketing budgets. Already in a modest decline since mid-2019, marketing budgets recorded sharp and sustained cuts across all regions since March of 2020, in line with the spread of the virus.
- Online video and online display, are the only formats of media for which WARC as upgraded its estimation of investment.
- In Canada, Radio and Out of Home have been the hardest hit media with significant losses in advertising investment.

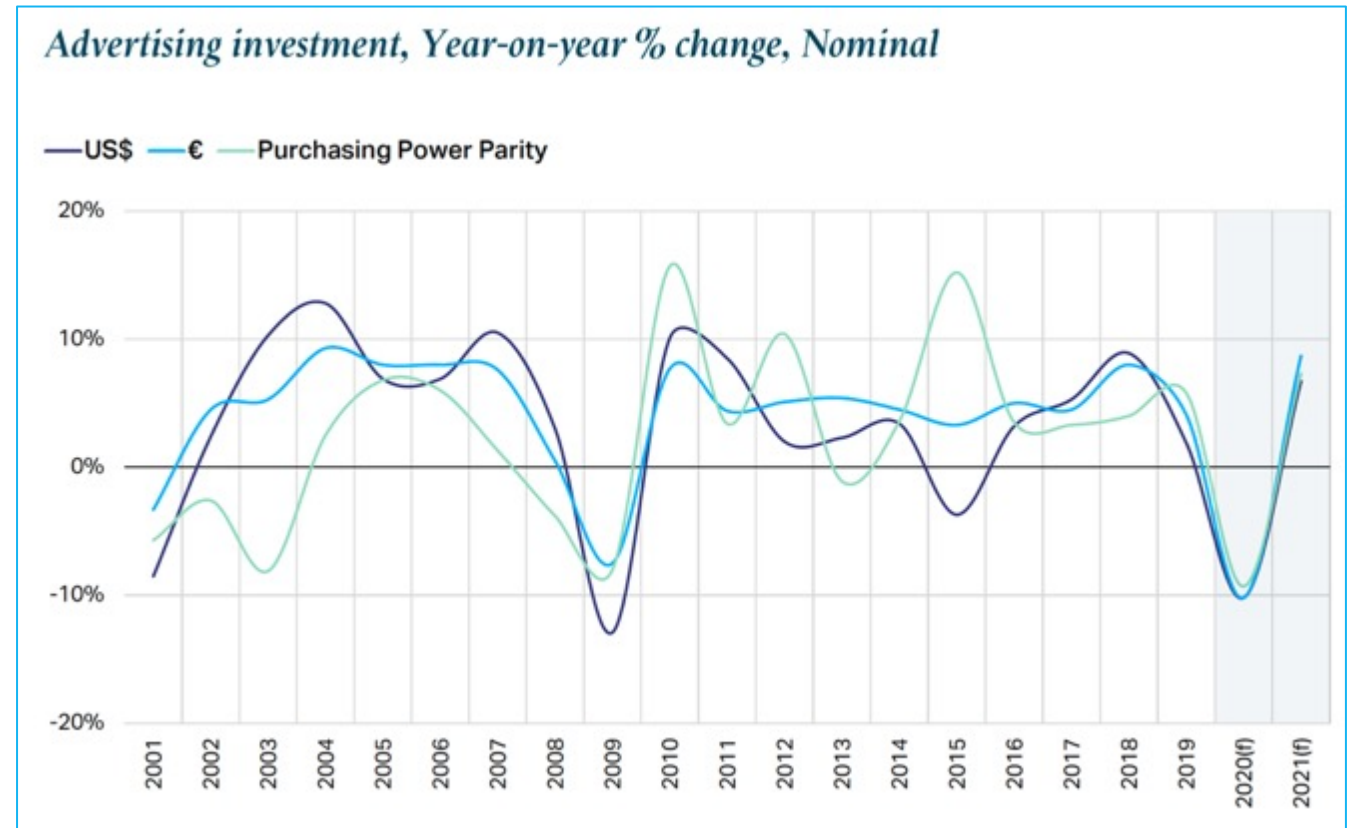
WARC Methodology

The basic premise of WARC's forecasts:

- Advertising expenditure is closely connected to macro economic indicators, such as GDP and private consumption. Projections for total media are strongly grounded in the overall economic outlook
- They have developed and refined regression analyses based on these factors, drawing from their 40-year experience of UK market monitoring.
- Alongside the economic data, WARC also considers third party datasets for example, media agency and media owner reporting, and data from local monitoring organizations.
- Alongside this are general considerations pertaining to cyclical events, such as elections or sporting events like the Olympics.
- In relation specifically to Canadian radio - WARC's latest Canadian forecast was compiled four months' ago, predicting an overall decline of 9%.
- In light of more recent numbers, the 9% predicted decline will probably be revised down further in the next forecast, due shortly.
- As context, agency forecasts from GroupM and Zenith for radio stand at -13% and -18% respectively.

WARC now predicts global ad market contracted by \$63.4b (-10.2%) in 2020.

- This represents a downgrade of 2.1% points from the May 2020 forecast of just over 8%.
- This is equivalent to an absolute loss of \$13.8 billion.
- The total global spend is further reduced when an estimated \$4.9 billion spent on the U.S. presidential election is removed.
- The result is an adjusted contraction of 11% or \$68.3 billion in 2020.
- The COVID pandemic had an even greater impact than the last recession in 2009, when advertising investment fell by \$61.3 billion



Source: WARC Data Ad spend Database, Published December 2020 | Note: Ad investment measured in Purchasing Power Parity (PPPs)

Top ad markets by US\$ values.

Global ad spend growth in 2021 will not recoup 2020's losses.

- According to WARC's forecast, global ad spend is set to increase by 6.7% in 2021.
- However, this increase represents only 59% of 2020 losses being recouped in 2021.
- To regain losses, global ad investment needs to grow by 4.5% in 2022 to top the peaks in ad spend recorded in 2019.
- Canada would need to recoup \$440 million in advertising spend (U.S.\$) to achieve 2019 spending levels in 2021.

Advertising Expenditure, current U.S. values (millions)						
	2019	2019 vs. 2018 % change	10 yr CAGR	% or Global Ad Spend	2020 (f) % change vs. 2019	2021 (f) % change vs. 2020 (f)
United States	218,915.2	4.7	4.9	35.25	-4.1	3.8
China	89,447.5	1.2	11.0	14.40	-4.7	7.7
Japan	43,222.0	3.9	-0.2	6.96	-12.6	10.2
United Kingdom	30,883.0	4.4	3.4	4.97	-13.6	14.7
Germany	25,078.6	-3.6	0.4	4.04	-10.1	9.0
France	16,089.3	-1.5	0.3	2.59	-16.7	7.1
Brazil	15,029.9	0.9	0.1	2.42	-43.2	-2.2
Canada	12,033.9	3.9	-0.5	1.94	-7.8	4.5
Australia	12,006.1	-76.0	-0.2	1.93	-20.7	13.2
South Korea	11,914.4	-2.5	6.4	1.92	-6.5	2.6
Russia	9,684.4	1.8	2.3	1.56	-11.9	6.7
Italy	9,426.5	-4.9	-2.2	1.52	-20.1	11.3
India	9,359.2	8.1	7.0	1.51	-27.7	14.2
Spain	7,680.6	-2.7	0.1	1.24	-18.4	12.5
Pan Arab	6,967.5	-1.5	-0.1	1.12	-22.8	6.9
15 MARKET TOTAL	519,757.1					

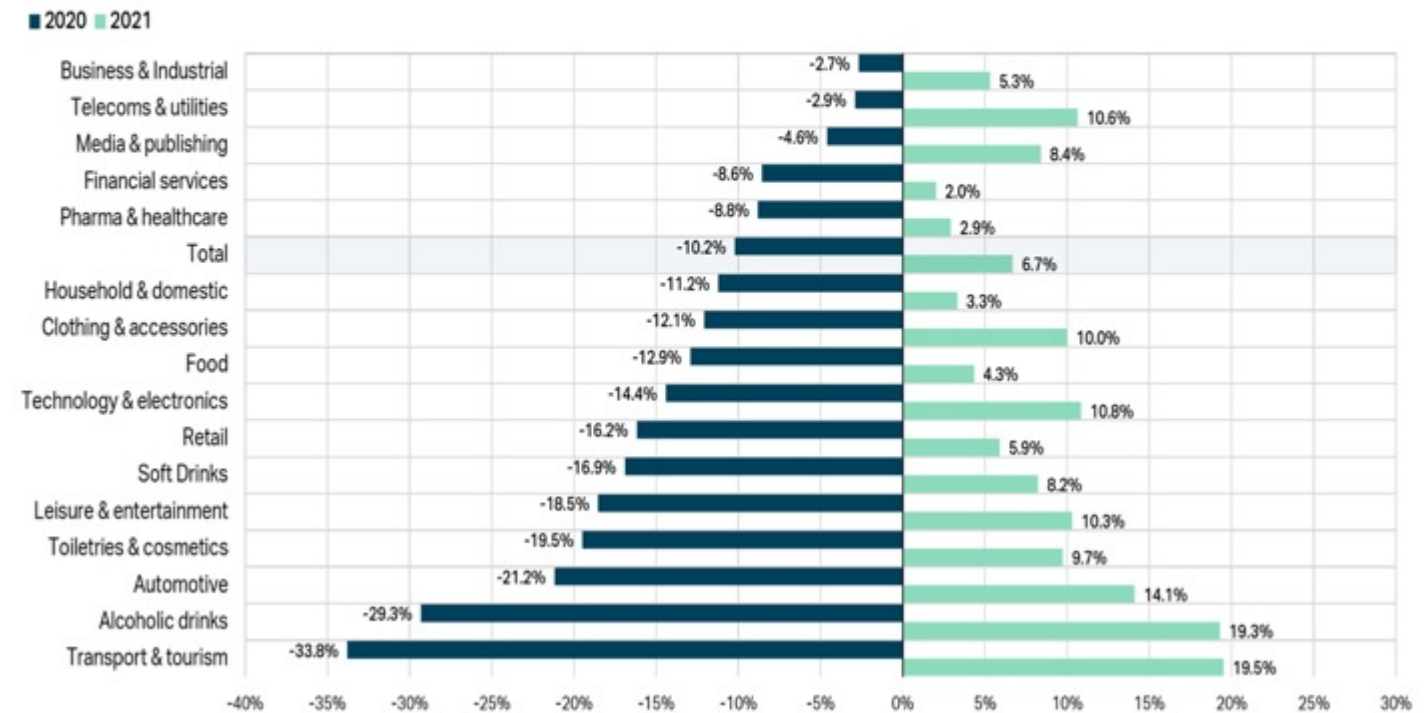
Source: WARC Data Ad spend Database, Published December 2020 | Note: Ad investment measured in Purchasing Power Parity (PPPs)

Categories that are typically heavy investors in Canadian radio have the highest losses to regain.

- WARC forecasts declines in key categories typically active in radio. They would require significant increases in spend in 2021 to reverse the losses experienced in 2020.
- Of the \$63.4bn in lost media owner revenue in 2020, a full 17.4% can be attributed to the automotive sector, the fifth-largest of 19 categories monitored by WARC. 2020 spend in this category was estimated to fall by 21.2%, or \$11.0bn.
- The retail sector is expected to have lost 16.2%, or \$10.5bn in spending.
- The travel & tourism sector was acutely impacted by the global pandemic, and this resulted in ad spend falling by a third (33.8%) to \$16.4bn 2020.
- All product categories are set to increase ad investment in 2021, although only telecoms & utilities, media & publishing and business & industrial were estimated to top their 2019 outlay.

Global, Advertising investment forecast

Year-on-year % change, US\$ Nominal

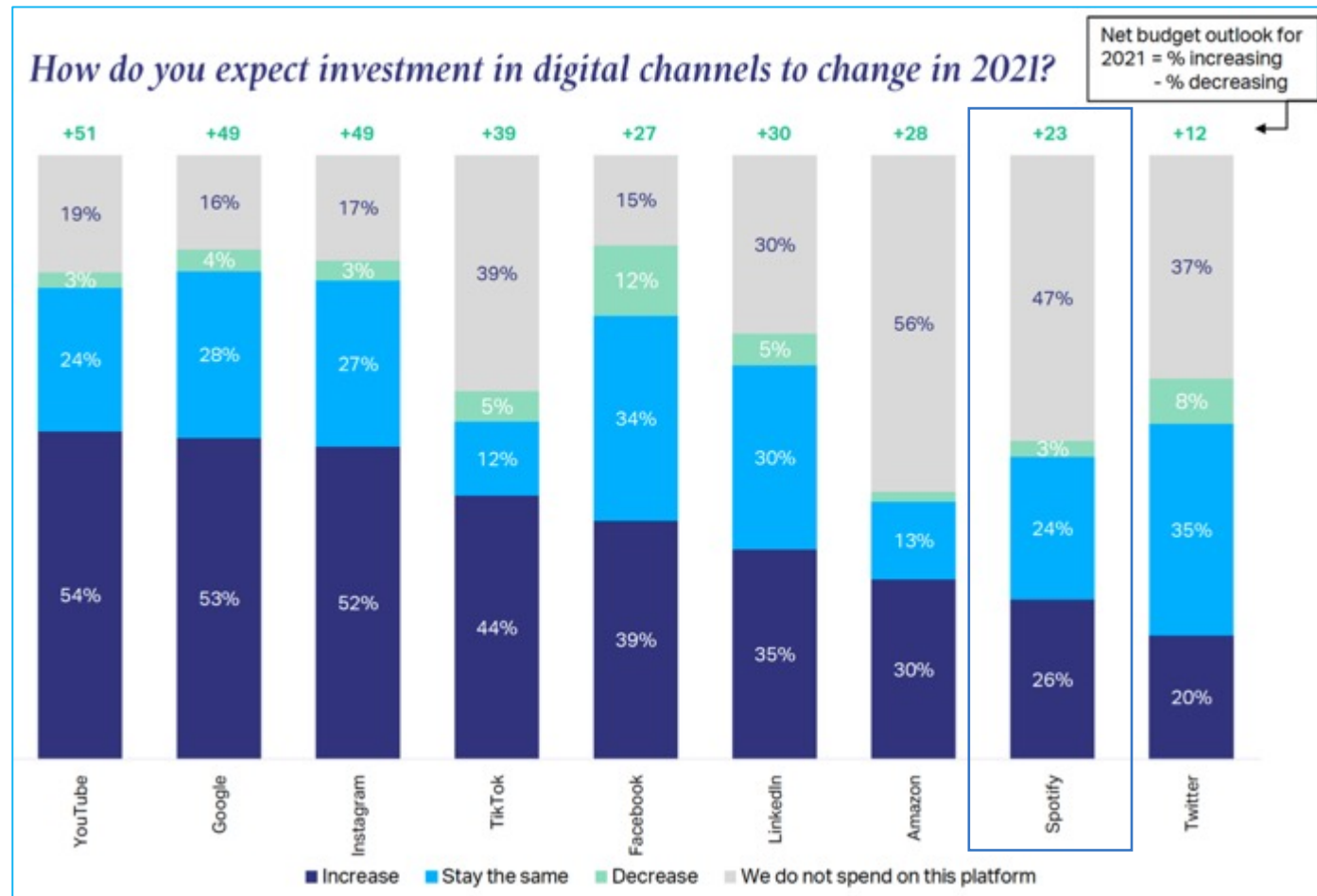


Source: WARC Data, Nielsen Ad Intel, Global Ad Trends: State of the Industry 2020/21

Increase in spending is expected for YouTube, Google and Instagram.

50% plan on using Spotify in 2021

- More than half of respondents to WARC's Marketer's Toolkit expect to increase investment in YouTube and Instagram next year, in addition to capitalizing on the growth of TikTok users.
- Google's dominance within keyword search is also shown in the results – only 16% of global respondents are not spending on the platform, and 53% plan to increase investment in 2021.
- In the audio space, 50% plan on using Spotify with over half of them planning on increasing their spend on the platform. While OTA radio continues to deliver the most reach in all markets, the shift to digital audio reflects the growing interest in podcasting and programmatic.

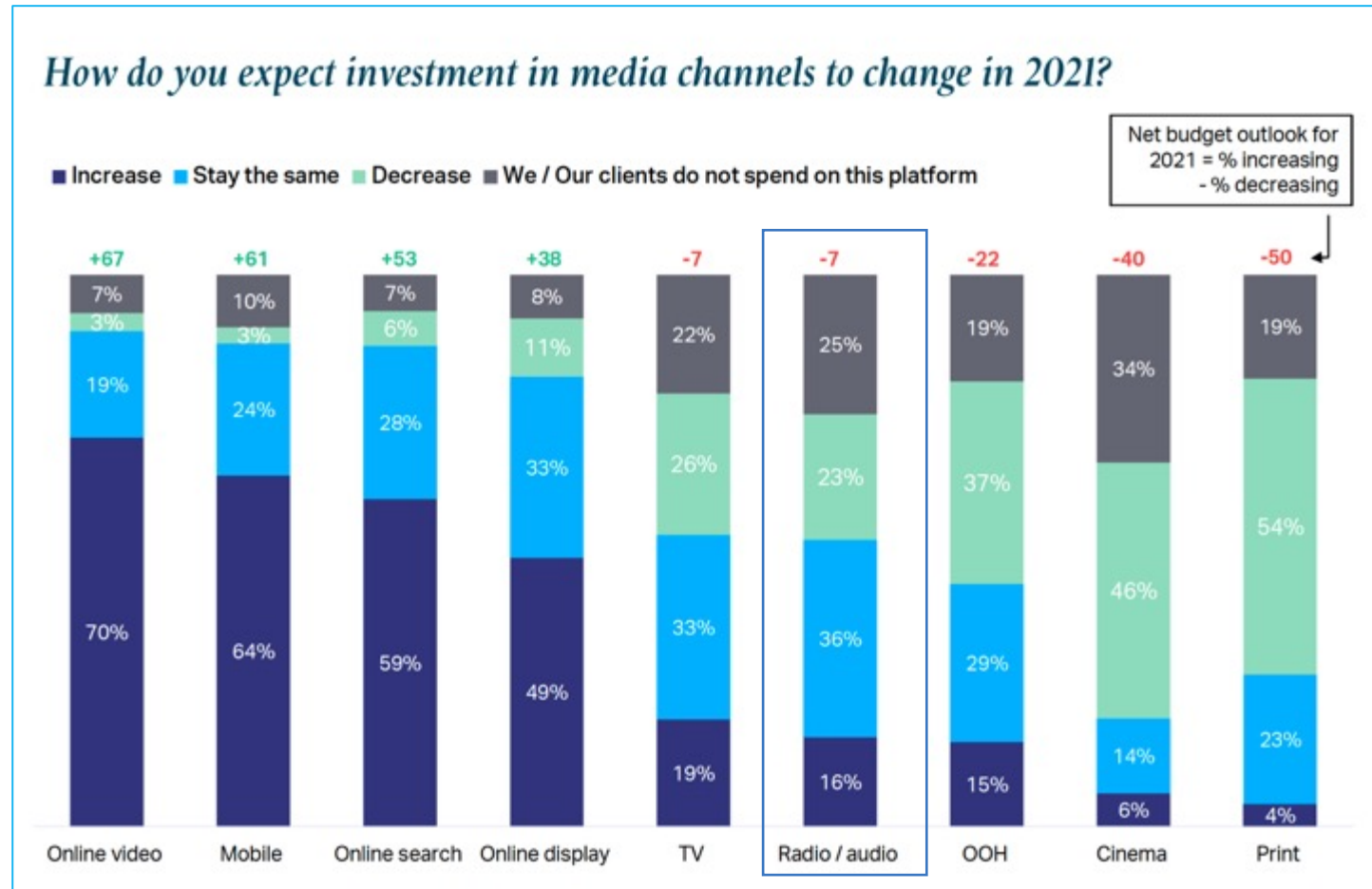


Source: WARC State of the Industry 2020/2021 | WARC Marketer's Toolkit

Advertising plans reflect a focus on performance.

A likely shift to performance formats in 2021

- A survey of 1360 media practitioners using WARC's Marketer Toolkit indicates that digital channels are set to dominate media budgets.
- The outlook for traditional channels is down, with almost a quarter expecting to decrease their radio/audio budget.

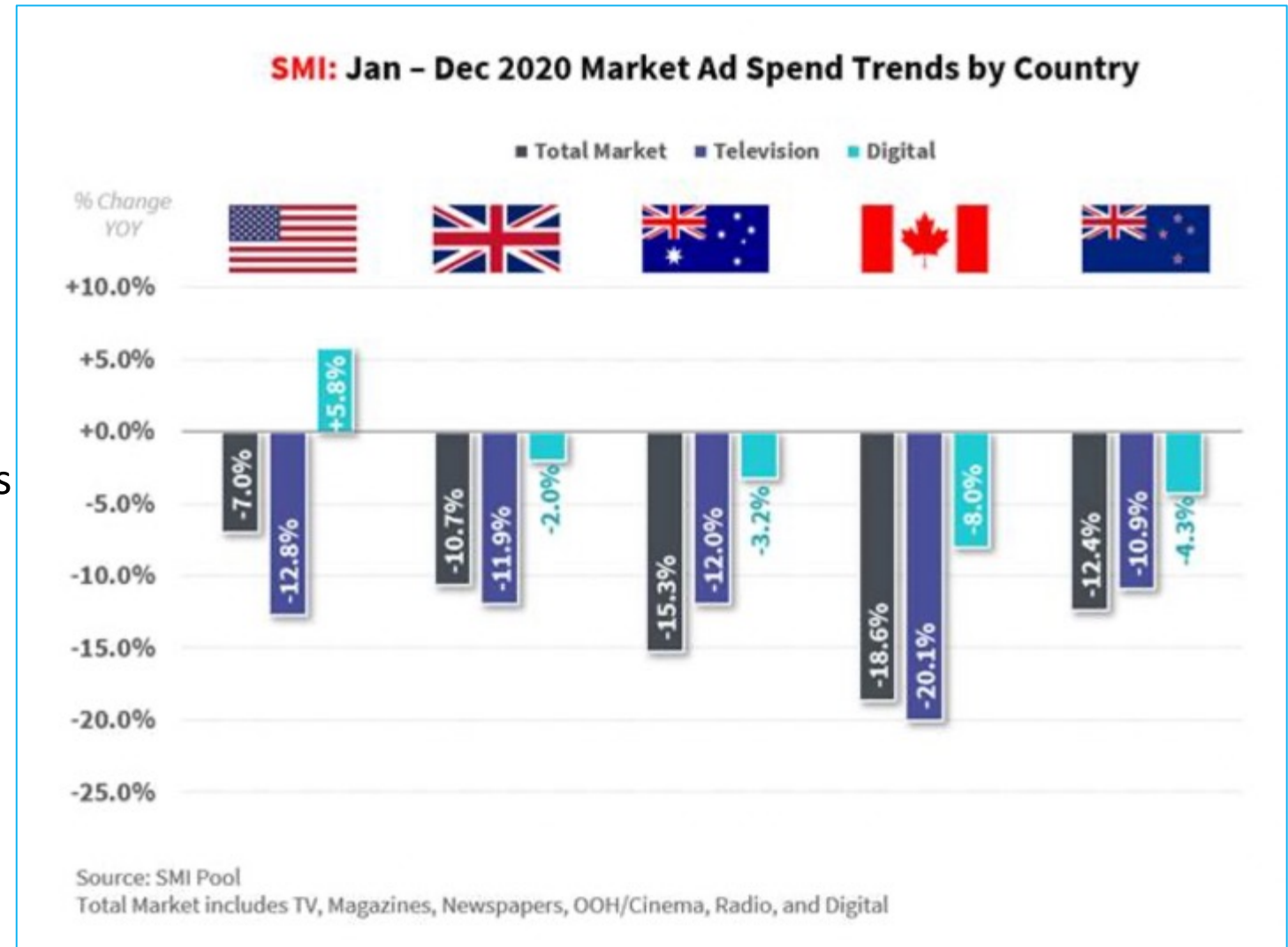


Source: WARC State of the Industry 2020/2021 | WARC Marketer's Toolkit

Canada hard hit by lost ad revenue in 2020

According to the media billings of Canada's major media buying agencies.

- As reported by Standard Media Index in May 2020, during the onset of the pandemic, Canada was hardest hit with the largest three-month decline
- By the end of December 2020, billings from major media agency networks shows a decline of almost 19% in Canada, the most in the 5 markets measured by SMI.



Canada the only country with a decrease in Q4 2020.

According to the media billings of Canada's major media buying agencies.

- During Q4 of 2020, the U.S., U.K., Australia and New Zealand all experienced growth.
- Canada experienced a -6% contraction during October, November and December 2020 in comparison to the same time in 2019.

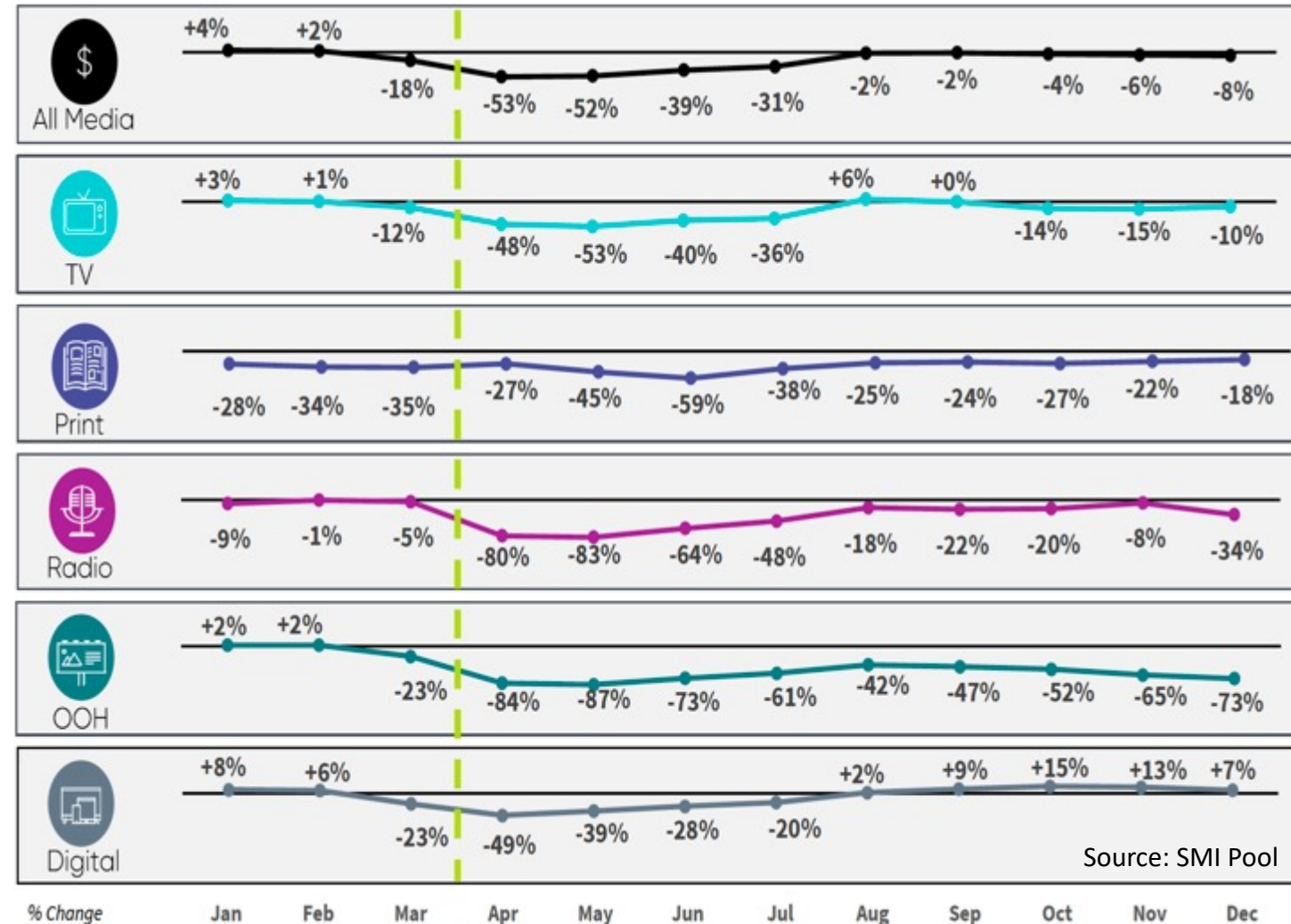


Digital media least impacted by cuts in ad spend.

- The latest SMI spend data reflecting the 12 months of 2020 indicate Radio and OOH were hardest hit with advertising losses.
- Digital platforms have been on a steady growth track since August, with Social, Search and Programmatic fueling incremental investment by Canadian advertising agencies.
- Digital's share of advertising grew twenty seven percentage points in the last five years, from 31% in 2014 to 58% in 2019 (thinktv).

2020 vs. 2019

Source: Standard Media Index Pool 2021

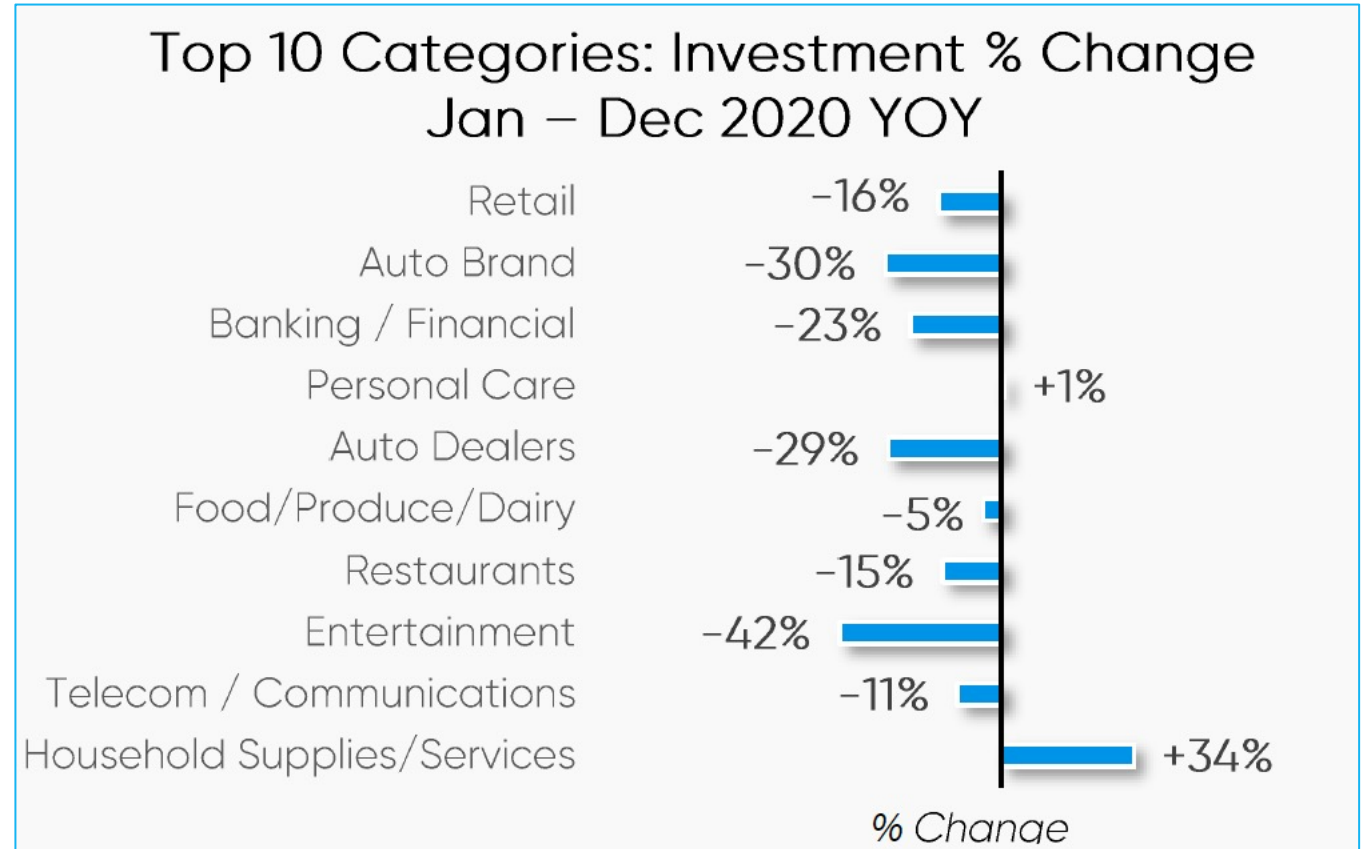


Source: SMI Pool

Radio hard hit by drop in Auto Advertising.

2020 vs. 2019

- A significant loss in advertising dollars in the Automotive category, from both manufacturer and dealer had a major impact on Radio revenues.



Source: Standard Media Index Pool 2021

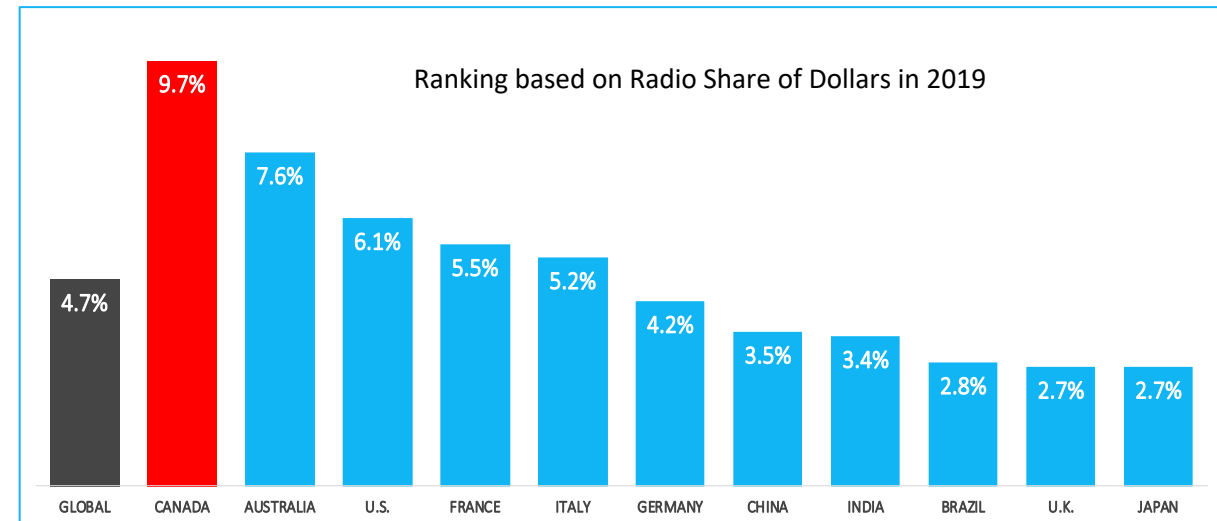
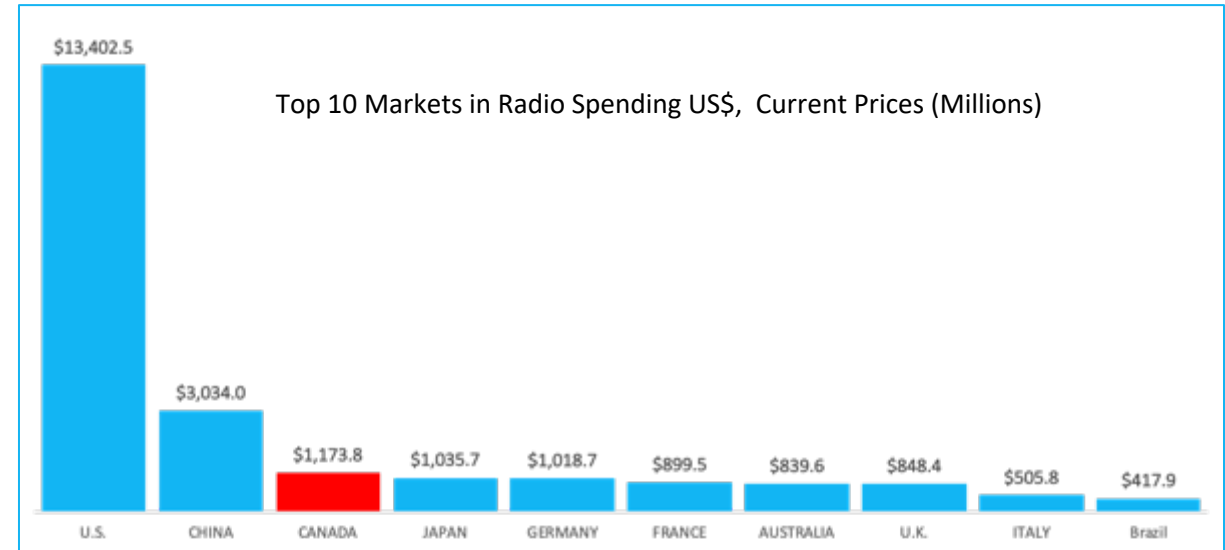


Canadian Radio market is highly exposed to shifts in global marketing strategies.

- At the end of 2020, Canada slipped to 4th in terms of overall radio spending. This 1.5% variance between Canada and Japan may be a result of currency vs. actual market spending.
- At 9.7% of share of total spend, Canada leads all other countries; almost 10¢ of every media dollar was spent in radio in 2019.
- Radio investment in Canada is disproportionately large relative to other top ad spend markets.
- Despite decrease in spend, Radio is projected to represent 9.2% of advertising expenditure in Canada in 2020

“Radio is disproportionately large in Canada with \$1.5 billion (CDN) in revenue...likely due to relative over-exposure in retail and auto categories.”

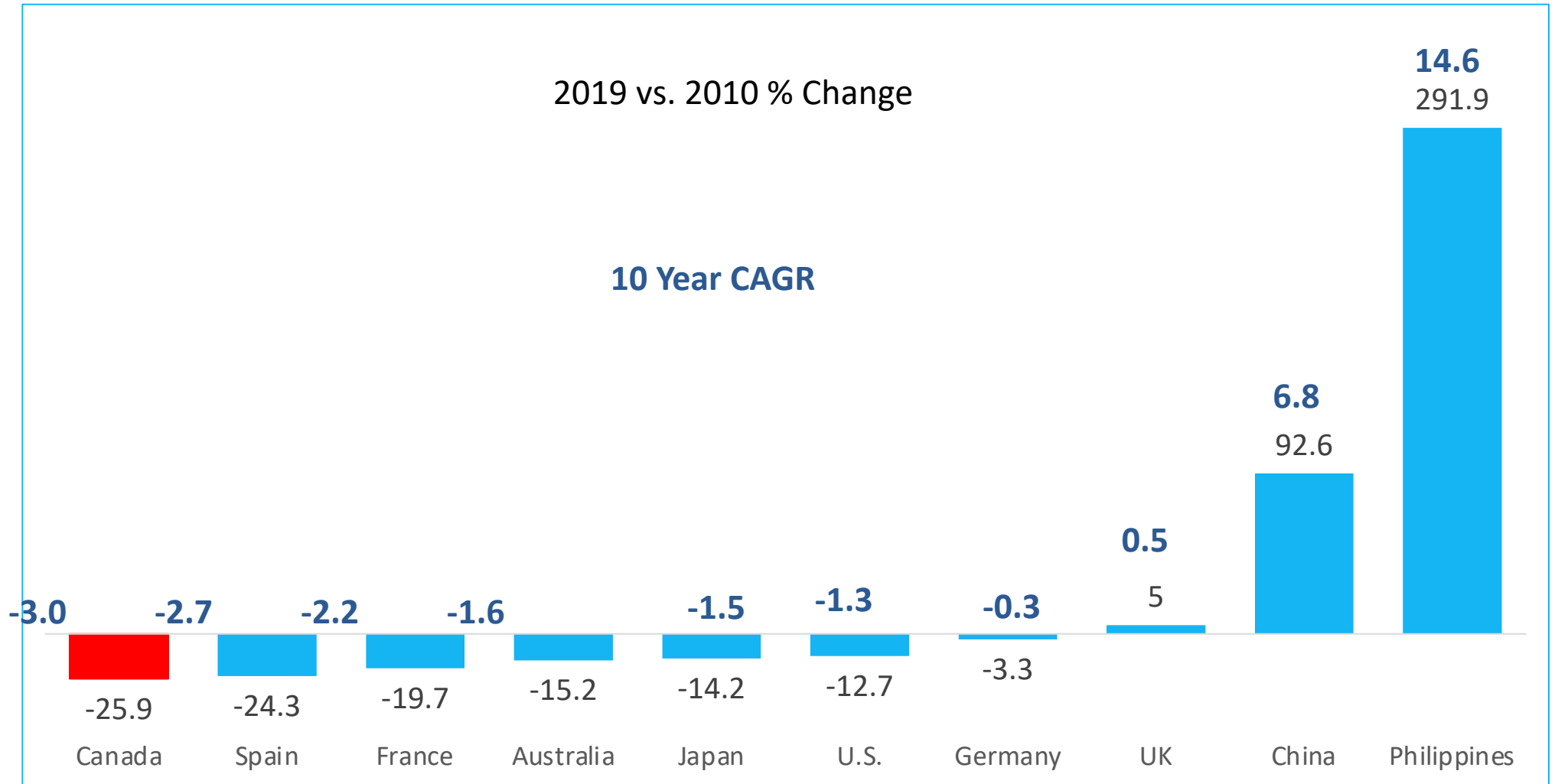
This Year, Next Year, Canada Forecast March 2019





Canada's Radio industry has had the largest declines in the past 10 years.

Versus the top 10 radio markets measured by WARC in 2019 - 2020



Source: WARC State of the Industry 2020/2021 | WARC Ad spend Database

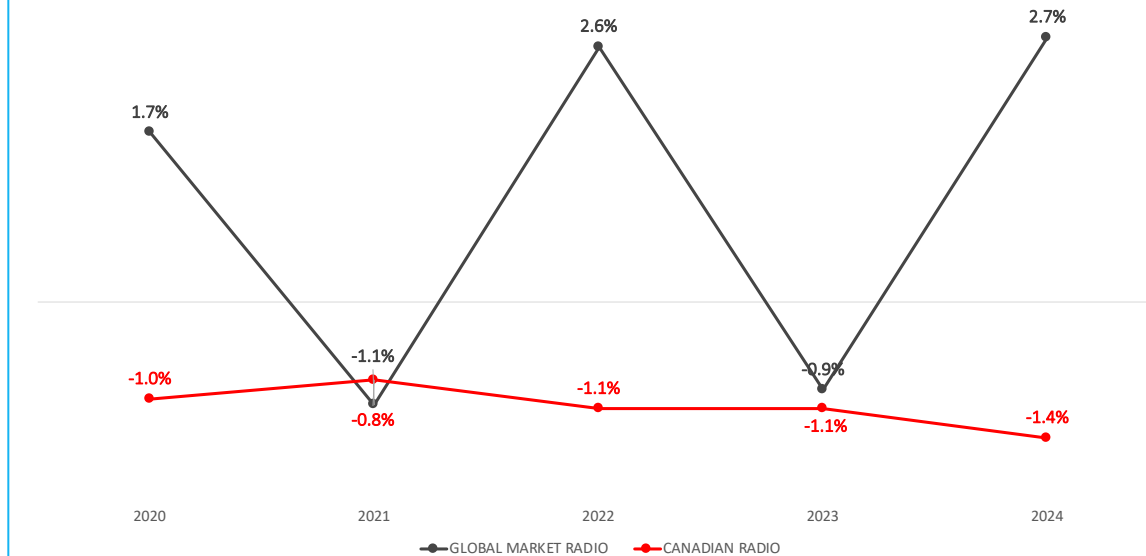


Radio investment in Canada was forecasted to decline over the next 5 years.

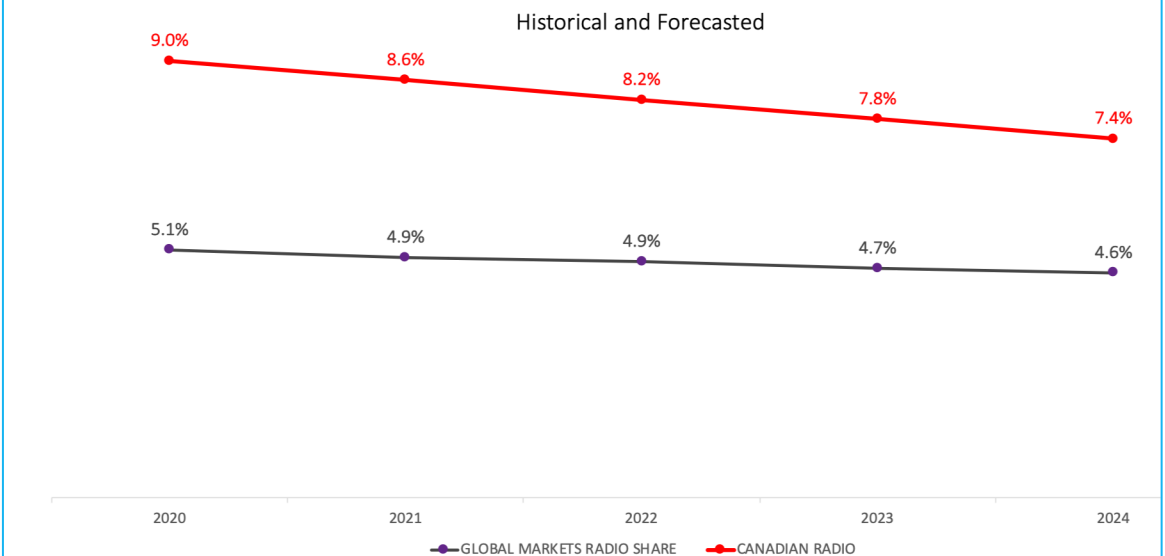
Prior to the Pandemic, GroupM Global Forecast and WARC were estimating a decline in Radio spending in Canada

- Relative to other Top 12 Global Markets, advertising spend in Radio appears to be overdeveloped.
- Declines likely due to relative over-exposure to retail and auto categories.
- Share is expected to decline to reflect global allocations of spend in audio relative to total advertising investments.
- By 2024, share of total spend is expected to drop to 7.5%, however, Canada is still expected to lead the U.S. @ 6.4%, Australia @ 6.3% and the U.K. @ 2.1% in share of advertising dollars.

Canadian investment in radio is forecasted to decline an average of -1.1% over the next 5yrs vs. Global markets which are expected to grow on average +1% over the next 5yrs



Canadian Radio's share of spend is expected to continue to lead Global Markets' share spend over the next 5 years



Perception vs. Reality

Marketing Radio in a Digital Media
Environment



“Marketers spend half a trillion dollars a year on advertising. There is incontrovertible evidence that they are alarmingly out of touch with the people they are trying to influence.”

Bob Hoffman, The Ad Contrarian

In an update to the 2017 Ad Nation Study, Ipsos Canada in partnership with thinktv once again looked at Canadian and Industry perceptions of advertising and media in 2020.

The online questionnaire, conducted over September/October 2020, asked 600 Canadians and 225 agency and advertising professionals about their media usage and attitudes towards advertising. In order to assess how well the Industry understands the behaviors/attitudes of the public, Ipsos asked the advertising professionals to state how Canadians would answer the same questions.

It’s not surprising to find those of us in “adland” have radically different lifestyles and media consumption habits compared to the general public, including a much larger online footprint, particularly when it comes to social media.

This is particularly true when it comes to understanding the role of Spotify and personal music as it relates to Canadians’ consumption of digital music.

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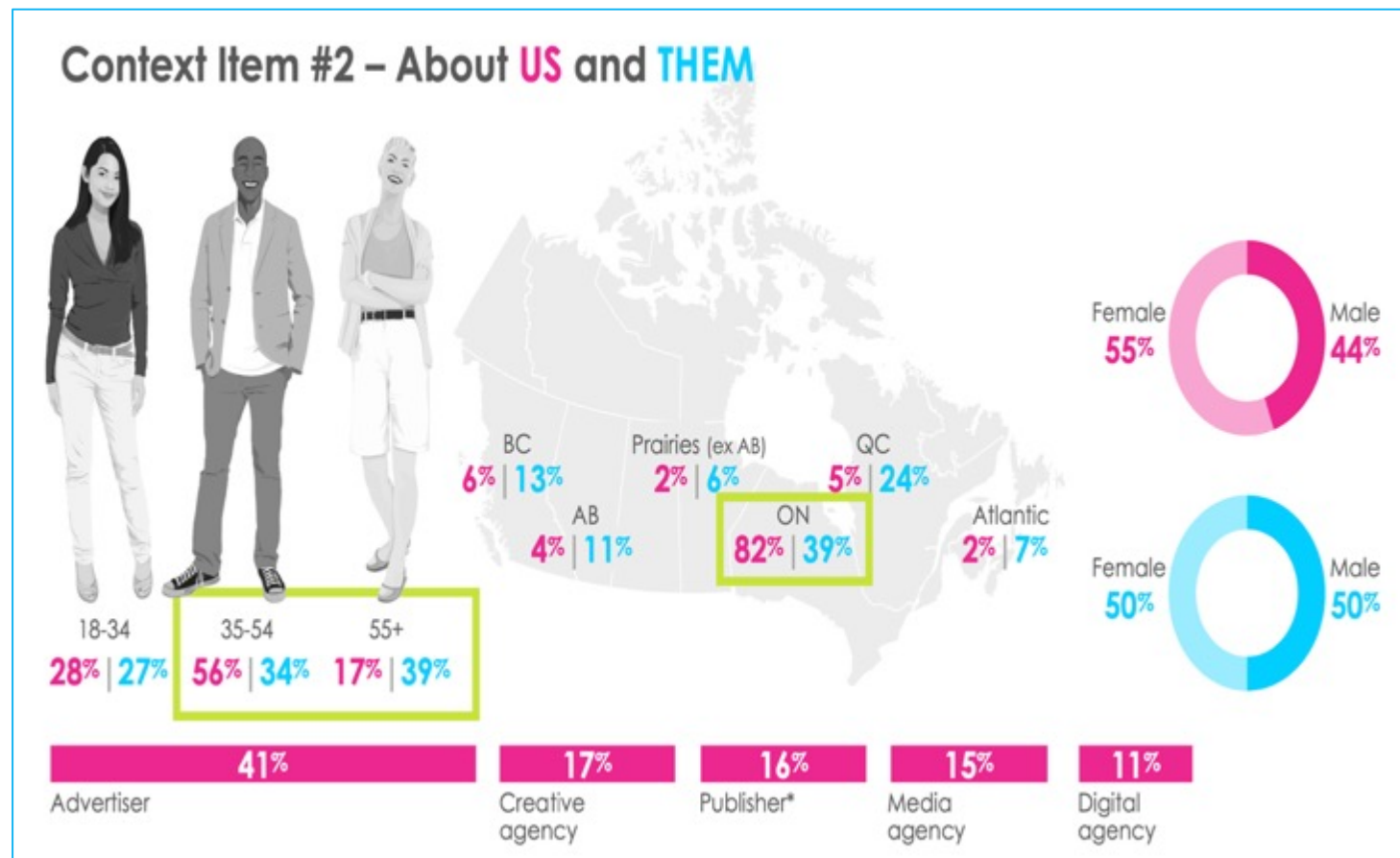
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“Adland” – younger, urban

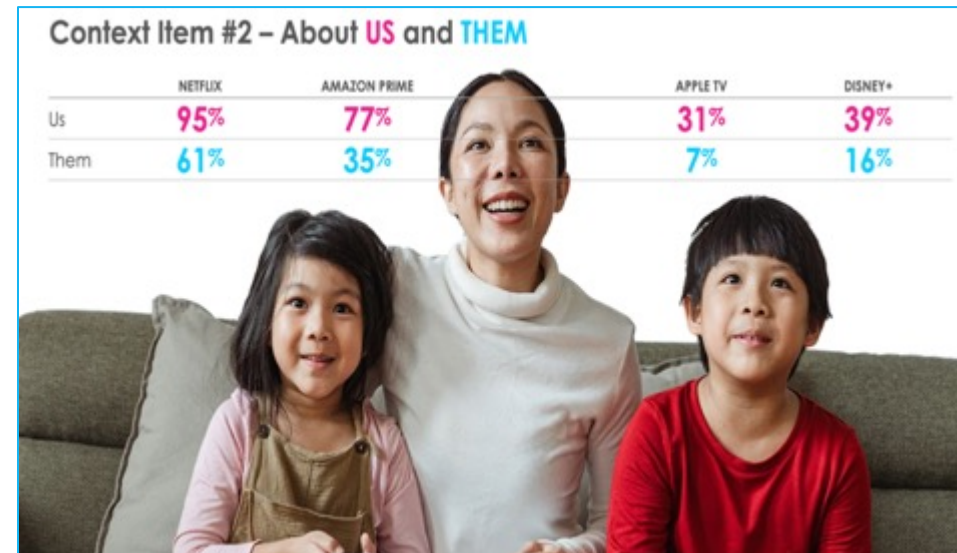
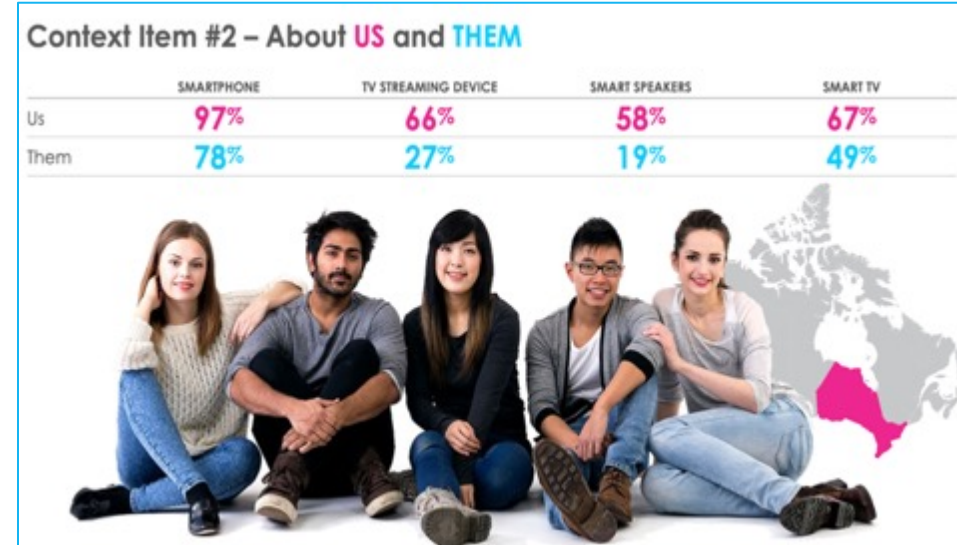
- Those working in the advertising field are typically younger and are live predominantly in major markets like Toronto.



They're also more digitally inclined.

People in the advertising industry are much more likely to have digital devices and watch streaming content.

- As demonstrated by the Ipsos Ad Nation study, the media behaviours of those working in advertising and marketing are quite different from the typical consumer.
- They are more likely to be “cord cutters” and streamers of digital content than the average Canadian.

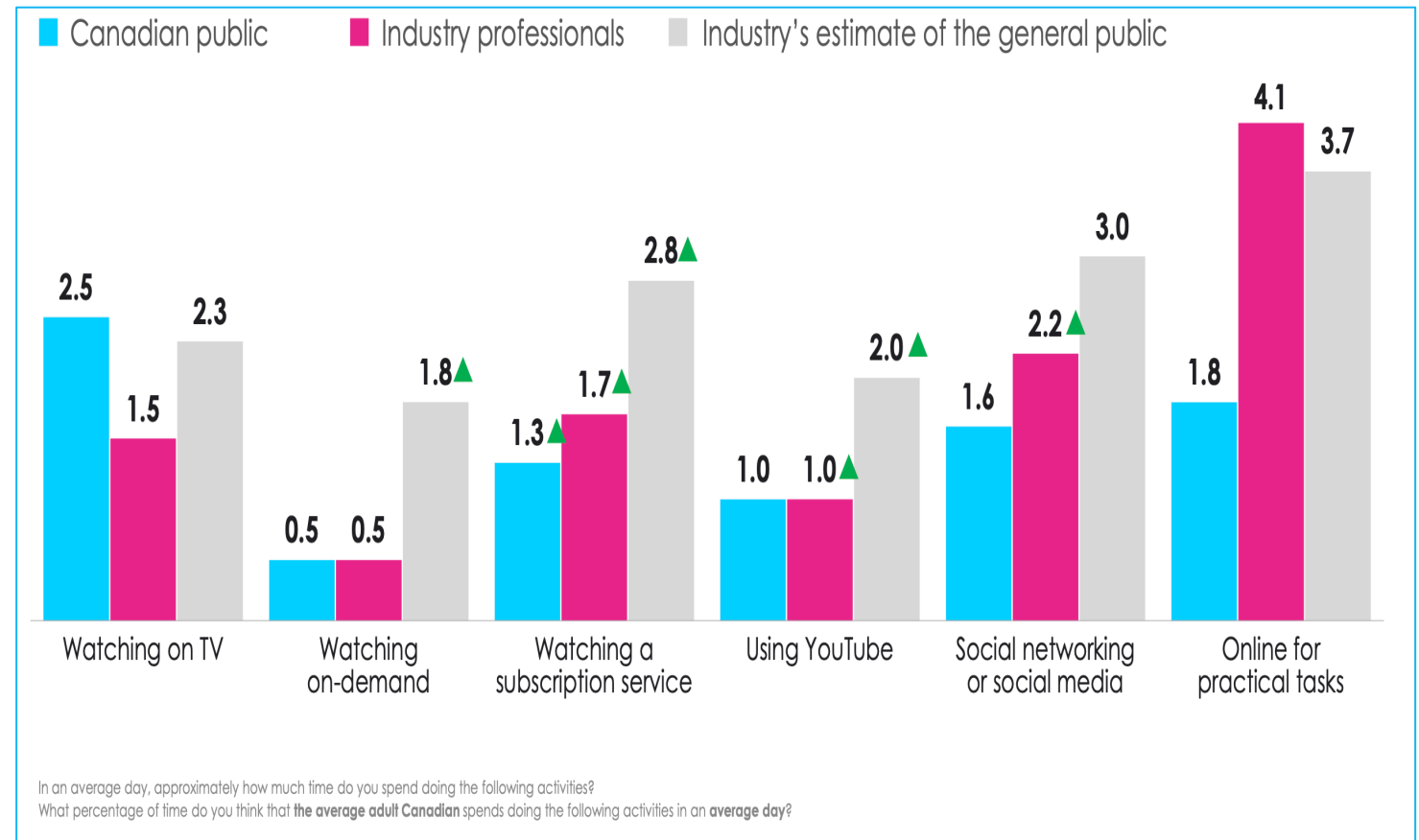


Personal biases may be impacting advertising recommendations.

Canadians aren't using apps or subscription services as much as the Ad Industry thinks.

- Industry professionals are inclined to believe their media habits are in line with those of the Canadian public.
- When it comes to digital media, they overestimate how much Canadians are engaging with these platforms, while underestimating how much time Canadians are spending with Television and Radio.

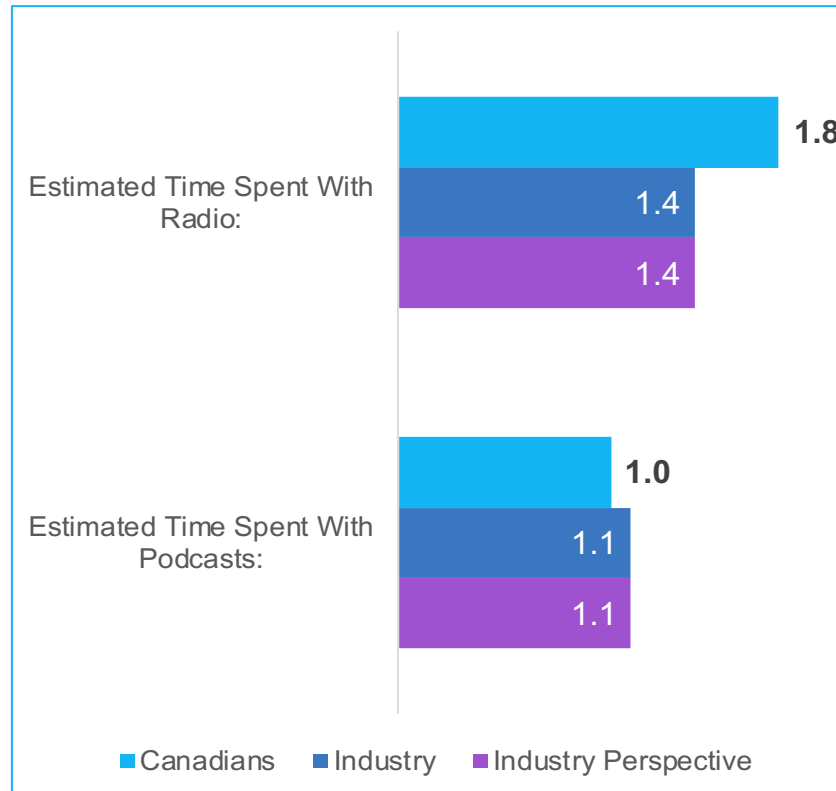
Daily Time Spent on Different Media Types (mean number of hours)



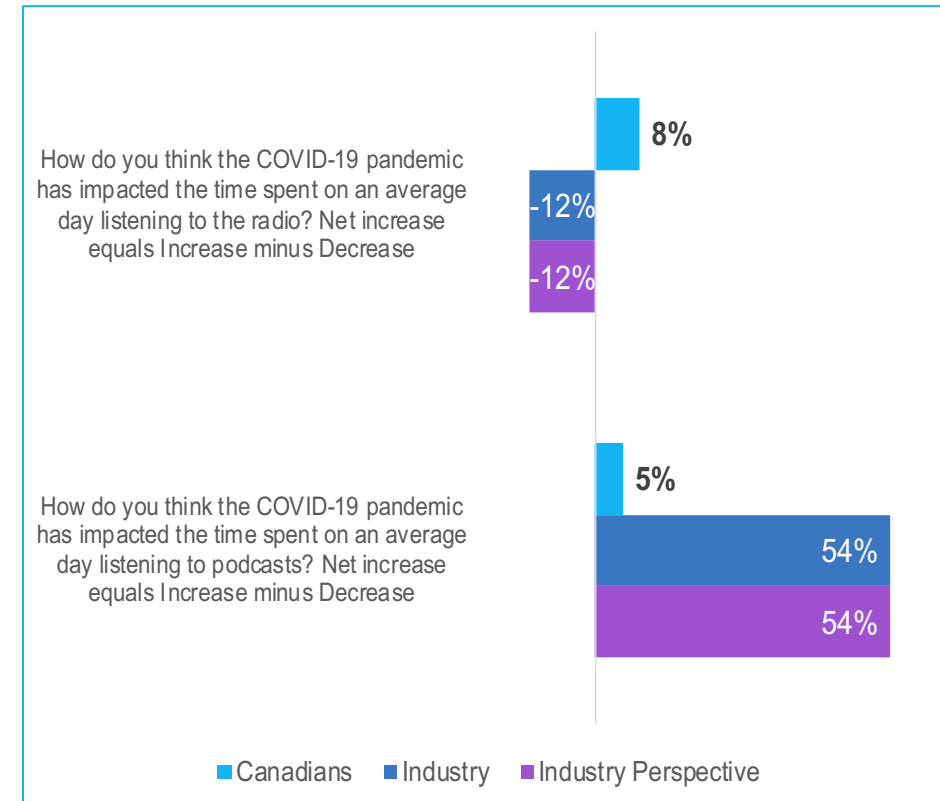
Biases impact Radio's ability to access advertising dollars.

Perceptions amongst marketers of Radio tuning were negatively impacted by COVID

- Canadians spent 29% MORE time with AM/FM Radio than those in the advertising industry think.



- Canadians spent 8% MORE time with AM/FM Radio, while the Industry thinks Canadians spent 12% less time with AM/FM Radio.



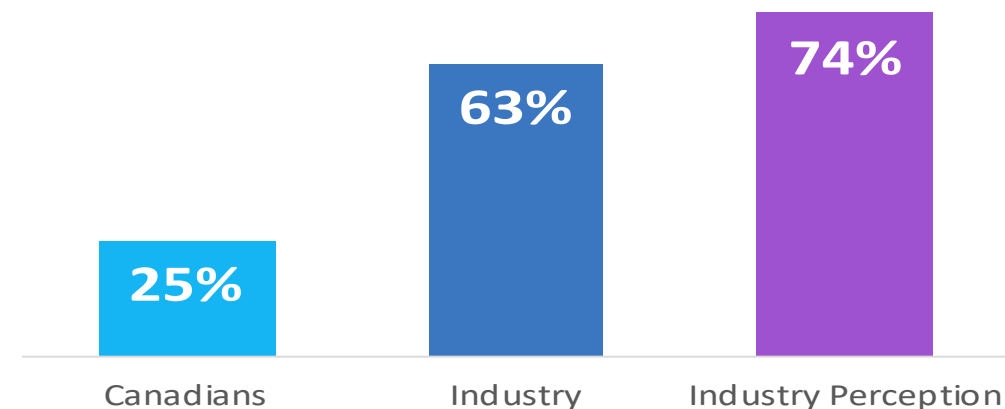


Overcoming personal biases amongst marketers is a challenge for the radio industry.

Canadians don't use Spotify as much as advertisers think they do.

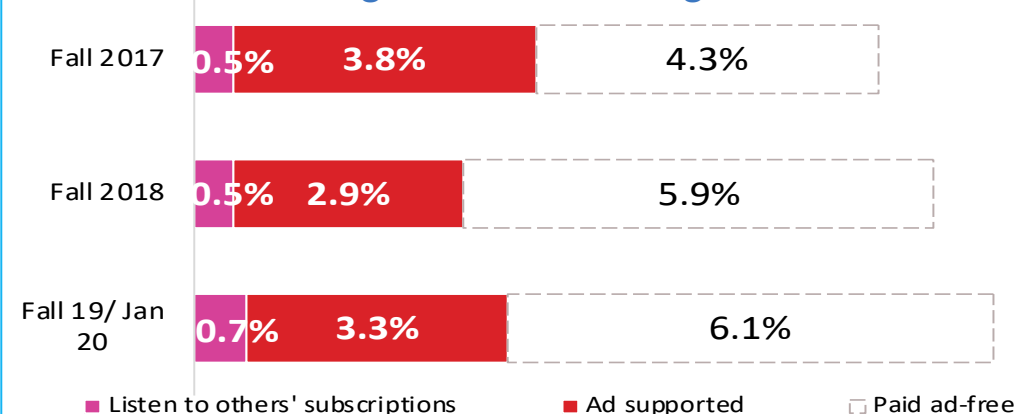
- 63% of Marketing and Advertising professionals used the Spotify app in the past month, versus 25% of the Canadian population.¹ Over 60% of Canadian Spotify subscribers are premium paid subscribers² and are therefore not exposed to ads.
- When asked what percentage of Canadian consumers used the app in the past month, Marketing and Advertising professionals *overstated* the use by almost *300%*.¹

Used the Spotify App in the Past Month



1.

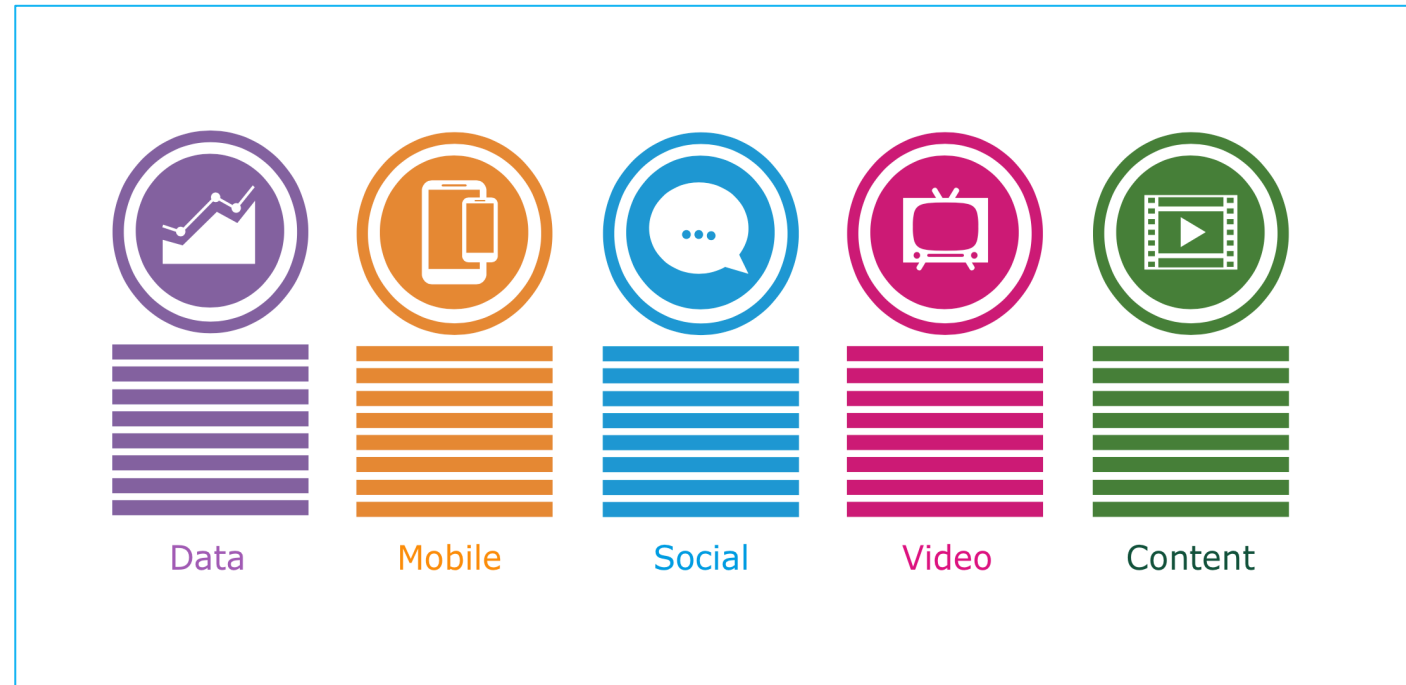
Daily Spotify Listeners among all Canadians aged 18+



2.

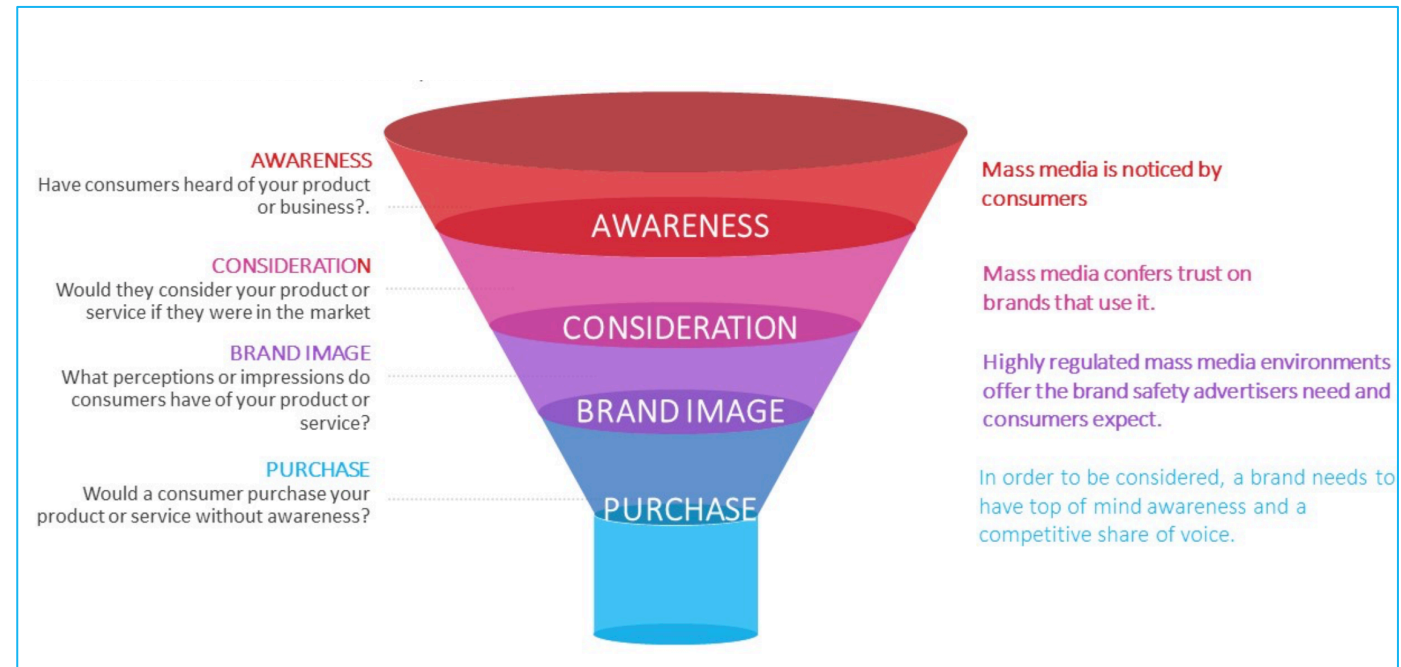
Data and analytics driving digital growth.

- Radio's ability to deliver effective and efficient local audiences has seen an increasing threat from digital media.
- When it comes to scenario planning, AM/FM radio is often excluded from the media mix due a focus on extracting data amassed through various digital platforms.
- Using data from advertisers' websites and tools like Google Analytics, advertisers can get real-time performance on how well their digital tactics are working at delivering results.
- Real-time dashboards enable advertisers to focus on lower funnel activities, allowing for quick optimization of digital campaigns to potentially improve campaign KPI's.



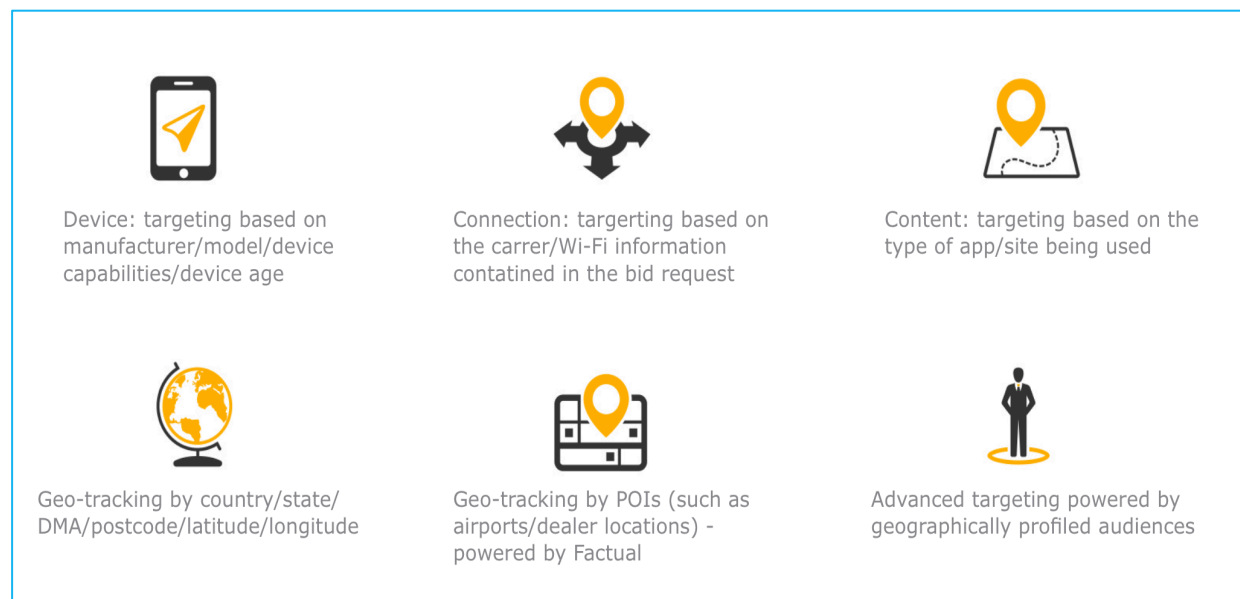
Data and analytics driving digital growth at the expense of awareness media.

- Despite proof to the contrary that awareness building media, like Radio, lead to better business outcomes, advertisers are increasing their focus on lower funnel tactics and performance-based efforts.
- The pandemic accelerated behaviours as Canadians turned to e-commerce to meet their shopping needs. With services like Shopify empowering small business to meet their customers' emerging shopping behaviours, more local businesses have turned to digital self-serve platforms like Facebook, to support their messaging needs.

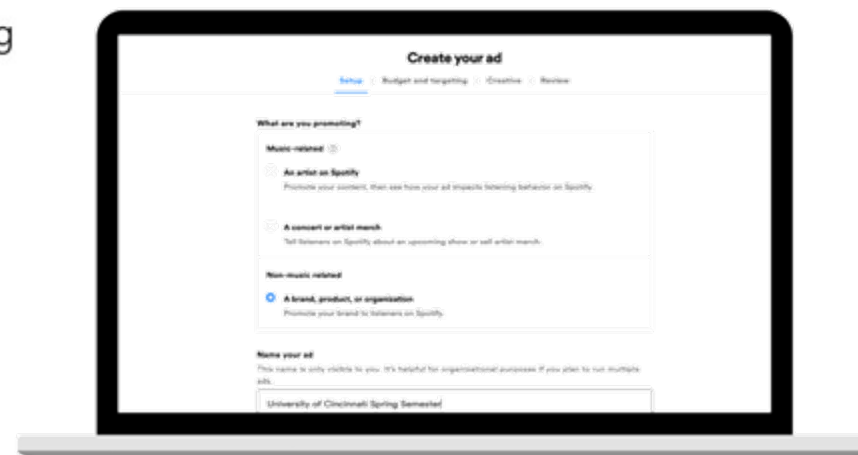


Digital's ability to deliver local.

- Digital's ability to deliver hyper-local campaigns, even without the reach offered by terrestrial radio, is an attractive proposition for advertisers.
- Typically, local digital campaigns can be delivered for a lower absolute investment which is attractive, particularly to small businesses.
- Self-serve campaigns on Facebook, Spotify or Instagram campaigns offer a one-stop solution for local businesses with the potential for hyper-location targeting.



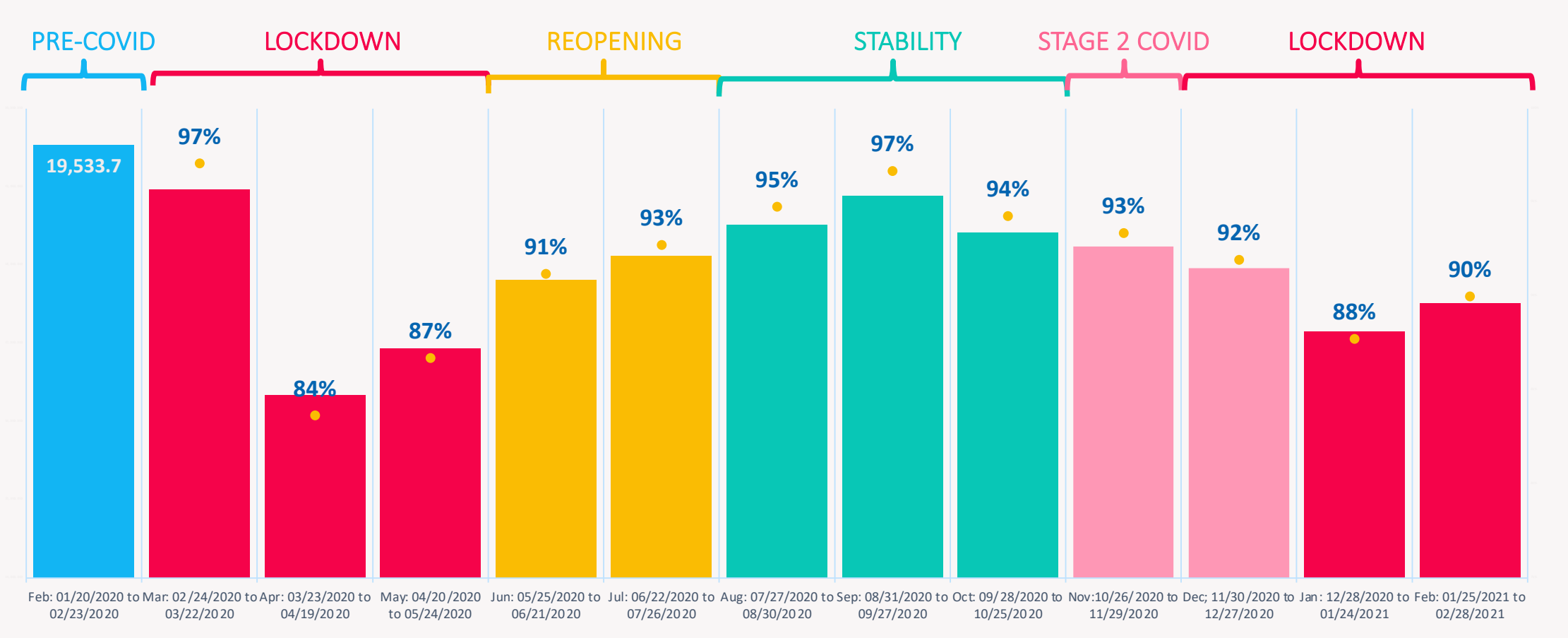
 Spotify Advertising





Radio's weekly reach now 90% of February 2020.

PPM Average weekly cume in February 2021 compared to February 2020



Source: Numeris Total Audiences to Stations in PPM markets, Non Currency, 12+ Weekly Cume

Digital's challenge in a 'cookie-less' environment.

- From the consumers' perspective, advertising metrics were built at a pace faster than consumers' comfort and readiness. People want personalization, but it went too far too fast, and now the pendulum is swinging back the other way.
- Google, the world's leading tracking-based advertising company is removing support for third-party cookies from Chrome, the world's biggest browser with two thirds of the market, and further confirmed they they would not build or allow any alternate individual identifiers.
- Apple has long championed user privacy as a point of principle over profit, preferring to maintain complete control of the data on their platform and have no interest in the advertising business. It's also a benefit for them in their escalating battle with other technology companies whose revenue is almost entirely based on targeted advertising.
- Themes marketers will need to be aware of and what agencies will focus on:
 - Walled gardens are growing, which is impacting attribution models, frequency, optimization, etc.
 - Personalization is useful, but an ongoing struggle – some people don't want their data tracked at all, some people want more relevancy. Google is going to be dividing consumers into cohorts as a solution to removing cookies. It's important to consider what personalization is possible with data transparency.
 - There may be changes to costing and measurement and there is a need to educate clients on what the different measurements mean.
 - Second party data relationships are going to change, and partnerships will be more important.
 - Collaboration between media outlets could lead to a better data pool.
 - Team structure and skillsets will be important to navigate this. CMOs have to be open to measurement, KPIs and analysis changing.
- However, some advertisers may not see this as a significant problem, considering the accuracy of that third-party data is not a new phenomenon. An analysis by researchers from MIT in 2019 determined of over 90 third-party audiences across 19 data brokers revealed that the cookies identified gender correctly only 46% of the time on average*.
- In a post-cookie world, advertisers will have to rely on first-party data from visitors to their own sites and CRM platforms, or they can target based on the context of the content their ads appear around.

Radio Activation

The mechanics of planning and buying Radio in
Canada



“The biggest risk for AM/FM radio is the 26-year-old planner who lives in New York or Chicago and does not commute by car and does not listen to AM/FM radio and thus does not think anyone else listens to AM/FM radio.”

Colin Kinsella, the CEO of Havas Media North America

When it comes to audio specifically, Marketing and Advertising professionals have a much closer relationship with services like Spotify than the Canadian consumer, and in fact, overstate how much time Canadians engage with that audio platform vs. AM/FM Radio. When it comes to gadgets, while 58% of Canadian marketers and advertisers have "smart speakers" in their homes, only 19% of Canadian consumers do. ¹

Canadian advertising professionals are not unique. In fact, across Australia, the UK and the U.S., similar results have been found. Those of us in marketing and advertising need to remember our behaviours and consumption habits are not those of the typical consumer.

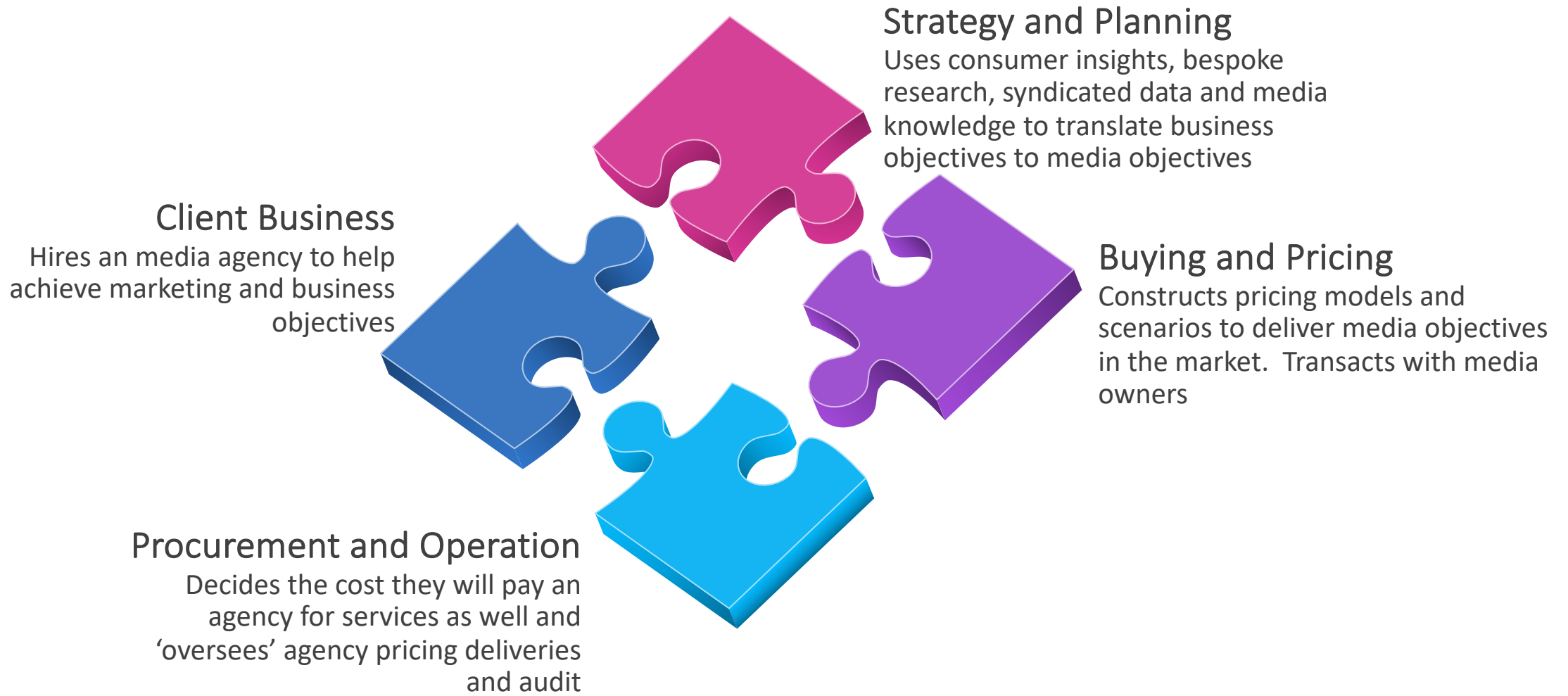
[Get the thinktv study here](#)

Media agencies' approach.

- Global agencies and advertisers take a "holistic" view in developing advertising and media plans, based on the assumption that as technology becomes more prevalent and mobile becomes "omni-present" they believe brands must have a multi-platform approach to reach consumers.
- The media agency business is highly competitive with incredibly low margins of revenue. In this competitive landscape, most media agencies enter into global and regional partnerships with media vendors that enable them to leverage their global media spending clout into partnerships in data and technology.
- The objectives of a global media agency entering into partnerships with companies like Facebook, TikTok, Google and Spotify are:
 - Innovate on a Global scale
 - First in market beta partners
 - Strategic alliances that expands above and beyond paid media
 - Drive margin growth by increasing efficiencies
- Such relationships have raised issues of transparency and biases around investment of advertisers' media dollars that have commercial value for the global advertising networks.

Media Planning and Buying.

An interconnected, interdisciplinary practice.



Development

Answering a defined series of questions that result in communicating the message of a client's service or products to prospective consumer



Activation

Getting the right message...
To the right person...
At the right time...
For the right price...
To generate the desired response...

INTERDEPENDENT DISCIPLINES

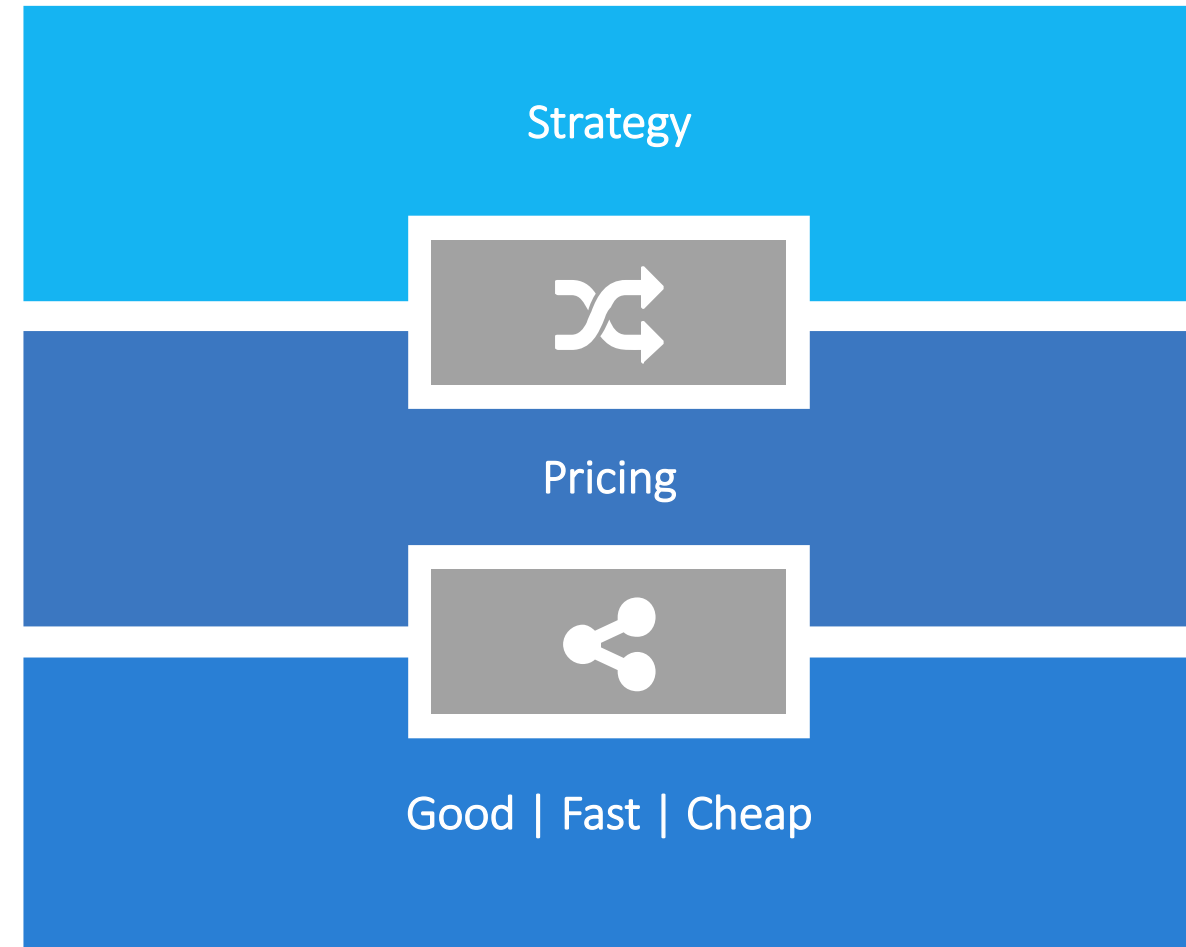
Direct relationship between strategy and costs of campaign. The more niche and restrictive, the more expensive.

TIME SENSITIVE

Driven by supply and demand platform. Media inventory has a shelf life.

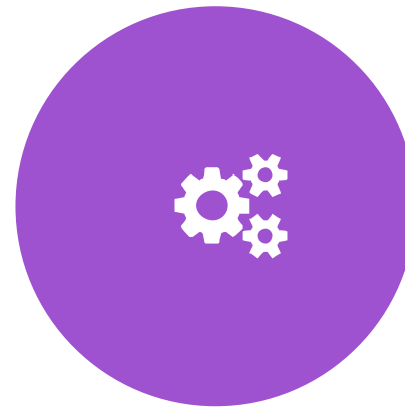
PICK TWO

Good and Fast – typically isn't cheap
 Cheap and Fast – typically isn't good
 Good and Cheap – typically isn't fast



The Agency Planning Process.

An informed process.



MARKETING INPUT

The Client Brief

Business and Marketing Objectives
| Industry Trends | Sales-Brand-
Product Objectives | Major Brand
Launch Initiatives

MEDIA OBJECTIVES

The Media Brief

Translate business objectives
into Media Goals.

MEDIA STRATEGIES

Strategic Guideline

Translate media goals into
strategic media planning
guidelines

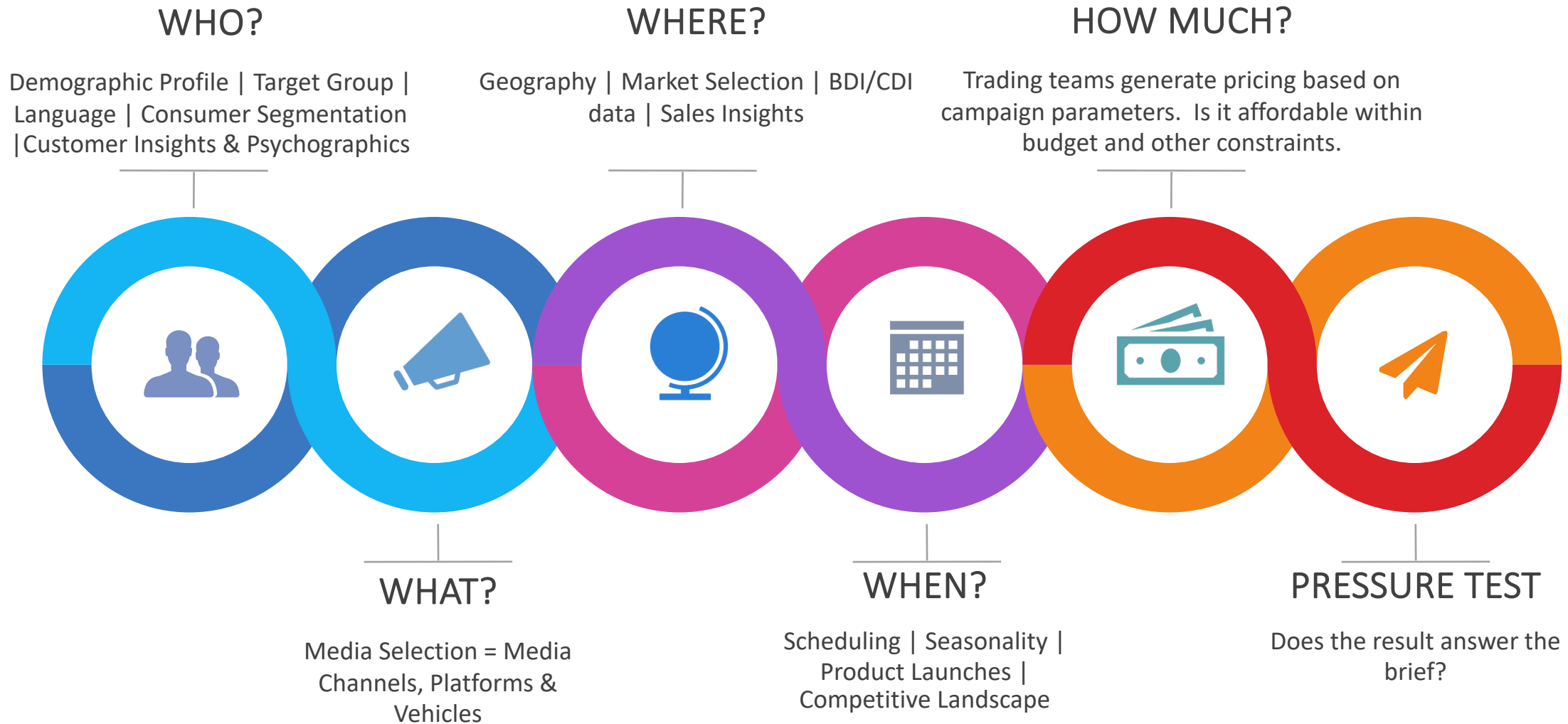
MEDIA PLAN

Tactical Decisions

Make tactical decisions
specific to each media
channel and vehicle

The Agency Planning Process

An integrated process





Radio Buying Basics.

- Identifying the consumer and creating a 'currency' demo for transacting:
 - Psychographics, behaviors and factors like household income and purchase history are identified and are used with audience tuning data to inform station selection.
- Markets are selected based on advertising objectives:
 - Centralized marketing decisions vs. local franchise or dealer needs?
 - Focus on major markets based on population and measurement availability?
 - Retail footprint and language needs?
- Weight levels are based on market dynamics and brand objectives:
 - Planning effective GRP levels takes into consideration the marketing insights (brand health, competitive landscape, SOV objectives, consumer target) which inform the individual market objectives.
- Based on these inputs, the following are determined:
 - Reach: What percentage of the target market audience needs to be reached to achieve objectives?
 - Weekly level
 - Campaign level
 - Frequency: How many times does the target market need to hear the message to take the required action?
 - Weekly level
 - Campaign level