

FOR IMMEDIATE RELEASE:

October 29, 2007

ICA/Canada Post Survey of Marketing Budgets:



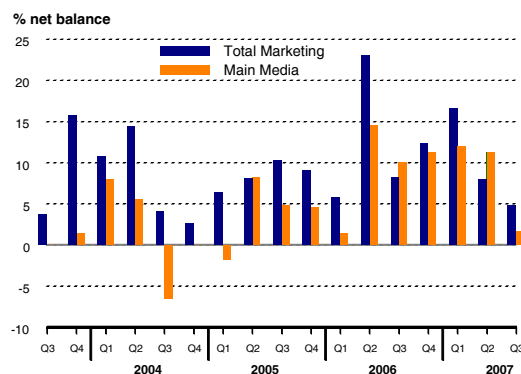
Economy worries lead to reduced growth of marketing budgets in Q3.

The ICA/Canada Post Survey of Marketing Budgets, conducted by NTC Research and based on information from a panel of 270 senior marketing executives in Canadian companies, showed marketing budgets were revised up at the weakest rate since late-2004 in Q3, as companies expressed increased concern over the health of the economy.

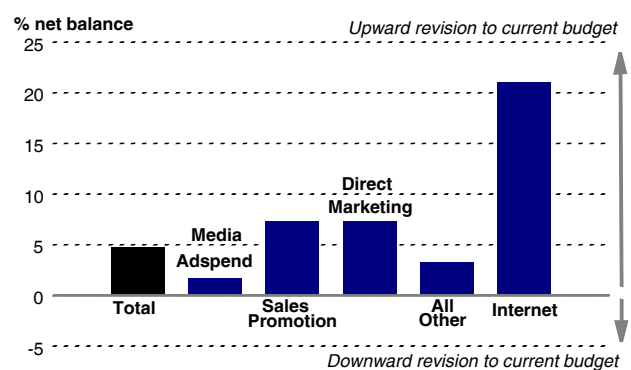
Current marketing budgets were revised up by 23% of companies in Q3 while 18% reported a cut to spend. Although thereby signalling a further overall increase to annual budgets, the increase was the smallest recorded since Q4 2004, with the rate of growth having slowed for the second successive quarter.

The slower rate of growth of total marketing spend largely reflected an increase in the number of companies cutting their budgets, from 14% in Q2 to 18% in Q3. These lower budgets were blamed in many cases on the need to cut costs in the face of subdued sales revenues, weakened profits growth and concerns over the economy, linked in many instances to slower US growth.

Revisions to current budgets



Detail of revision to budgets in Q3



Bars show percentage of respondents reporting an upward revision to current budgets less those reporting a downward revision.

“Marketing spend continued to grow in Q3, but companies have grown increasingly cautious since the last survey, with concerns about the economy causing them to restrict growth of overall marketing spend,” says **Jani Yates, President of the ICA**. “Most hard hit has been advertising spend in the main media, with companies reluctant to commit to large-scale campaigns in the face of slowing sales growth and an uncertain business outlook.”

All categories of marketing covered by the survey saw increases to budgets in Q3, though the rise to main media advertising spend was only very modest and the weakest of all categories.

The near-stagnation in growth of media budgets in Q3 reflected not only cost cutting but also a diversion of media spend to other activities, notably the internet, sales promotions and direct marketing. The internet again saw the strongest rate of growth, though both sales promotions and direct marketing saw robust rises in budgeted spend, the former in part boosted by more aggressive discounting as firms competed to win sales in the face of slowing demand, and the latter boosted by a desire to move spend from main media advertising to more flexible and accountable activities.

Main media advertising – only modest rise in Q3, contrasting with strong growth in previous quarters

Current media advertising budgets (covering TV, print, cinema, radio and outdoor advertising) were revised up in Q3, but only very modestly. Just 17% of companies reported upward revisions to their current annual budgets while 15% reported downward revisions. The resulting net balance of +2% was the weakest since the first quarter of last year.

The upward revision was also the smallest of all marketing categories covered by the survey, suggesting a diversion of spend away from main media advertising towards sales promotions, direct marketing and the internet.

The weakening of growth reflected fewer companies boosting their budgets to support new initiatives and product launches compared to previous quarters, plus more instances of cost cutting.

Direct marketing – above average revision again in Q3

Current direct marketing budgets were revised up again on average in Q3, showing the joint-strongest gain of the main marketing categories (the internet sub-category continued to see the largest gain). Increased budgets were reported by 15% of companies compared to just 7% reporting lower budgets for the year.

Survey respondents report that direct marketing now accounts for approximately 17% of total marketing spend on average, with one-in-ten companies allocating more than half of their budgets to direct marketing.

“The increased usage of direct marketing will be fuelled by the small and medium business sector who with less marketing budget than large enterprise companies, are optimizing their spend with channels that have measurable results,” said **Rosalie McGovern, General Manager of Marketing and Business Development, Canada Post, Direct Marketing**. “To this end, Canada Post has launched Direct Marketing Online Service™, a complete direct

marketing campaign planning tool to help small and medium sized businesses plan and execute campaigns from the comfort of their office desktop.”

Sales promotions – budgets rise as competition intensifies

Sales promotions budgets were revised up on average in Q3, with companies often boosting spend to stimulate sales through discounting and offers. Upward revisions were reported by 18% of survey respondents compared to 11% that reported downward revisions. At +7%, the net balance was the smallest seen for a year but was still well above that recorded for both main media advertising and ‘all other’ marketing.

The upward revision to sales promotions budgets consequently exceeded that recorded for total marketing spend for the second quarter running, pointing to a gain in share for sales promotions, winning spend from main media advertising in particular.

‘All other’ marketing – budgets revised up only modestly in Q3

Current budgets for the ‘all other’ category of marketing (encompassing most ‘below-the-line’ activities – see list below) were revised up on average in Q3, but the upgrade was only modest and only marginally higher than the one-year low seen in Q2.

The number of companies reporting upward revisions to budgets rose only very slightly, from 12% in Q2 to 13% in Q3, while the number reporting downward revisions rose from 9% to 10%. The resulting net balance of +3% was below that recorded for total marketing spend in Q3, suggesting a below average performance, though exceeded that seen for main media advertising.

Internet marketing – strong growth of Internet marketing sustained in Q3

The internet saw by far the strongest rate of increase to budgets spend of all categories covered by the survey, with little sign of any easing in the web’s growth in popularity compared to previous years.

Upward revisions to budgets were reported by 28% of companies while only 7% reported a decrease. At +21%, the resulting net balance was the weakest seen so far this year by a small margin, but still far exceeded that seen for any of the other marketing categories covered by the survey in Q3.

The proportion of all companies surveyed allocating no spend to the Internet dropped to a record low of less than 14%, down from over 30% when the survey started in 2003. On average, it can be estimated from these data that the Internet currently accounts for over 5% of total marketing and communications expenditure, up from around 3% when the survey began. Around one-in-five companies allocate more than 10% of their marketing spend to the Internet.

NOTES

The ICA/Canada Post Survey of Marketing Budgets is researched and published by NTC Research on behalf of the Institute of Communication Agencies and Canada Post. The report features original data drawn from a panel of Canadian marketing professionals and provides a key indicator of the health of the economy. The survey panel has been carefully selected to represent all key business sectors, drawn primarily from the nation's top 1000 companies.

Data for the survey were first collected in Q3 2003. The survey uses the same methodology as NTC's UK survey of marketing budgets, known as the Institute of Practitioners in Advertising *Bellwether* Report, which has become widely-watched as an accurate advance indicator of UK marketing and advertising trends. For more details of this report please visit www.warc.com/bellwether.

The Institute of Communication Agencies (www.icacanada.ca), founded in 1905, represents Canada's communications and advertising agencies. ICA's member agencies and subsidiaries account for over 80% of all national advertising in Canada. ICA promotes higher standards and best practices, and serves as the largest source of information, advice and training for Canada's communication and advertising industry, whose economic impact is worth more than \$14.5 billion annually.

About Canada Post

The Canada Post Group, a Canadian crown corporation (Canada Post, and its subsidiaries and joint ventures: Purolator Courier, Prologix-Solutions, Intelcom and Innovapost) has strong market presence and generates \$6.9 billion in revenues annually. Through a network of 7000 outlets, Canada Post services over 14 million destinations across Canada and is recognized as one of Canada's top 10 brands – one that Canadians trust. Canada Post's direct marketing division provides Canadian marketers with simple and smart solutions to ensure the success of campaign ROI. Through expert marketing services and a suite of targeting tools and such as Direct Marketing Online™, Geopost™ Plus, Smartmoves™, and the lookbook™ catalogue, Canada Post enables marketers identify high value prospects and convert them into profitable customers. For more information on Canada Post's direct marketing services, visit www.canadapost.ca.

NTC Research (www.ntc-research.com) is a division of NTC Economics Ltd, one of the world's largest providers of international economic indicators to financial institutions. With its unique blend of skills in market research, economics and statistics, NTC Research specialises in business surveys, including its highly-regarded Purchasing Managers' Indexes. Some 36 surveys are currently conducted across eighteen countries. The surveys are closely watched by central banks around the world, as well as economic analysts and the financial markets. NTC is the sister company of the **World Advertising Research Center** (www.warc.com), the largest single source of online intelligence for the marketing, advertising, media and research communities worldwide.

FUTURE RELEASES

The ICA/Canada Post Survey of Marketing Budgets is published quarterly (January, April, July, October editions). Subscriptions to the survey can be purchased from www.warc.com/ica. Two levels of service are available: (1) Standard report (PDF): \$495 per annum; (2) Data service, which includes spreadsheets of historical data and PDF reports: \$595 per annum. For subscriptions, please contact Charlotte Shand, Tel: +44 1491 418 700 email: charlotte.shand@warc.com.

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FURTHER INFORMATION

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