

2012 Canadian Interactive Industry Profile

Final Research
Report

October 2013

For:



By:



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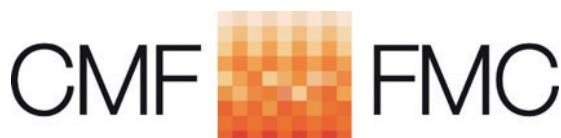
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Preface to This Edition

1. The Challenge of Defining Interactive Digital Media

One of the primary challenges to researchers of Interactive Digital Media (IDM) is the reality that definitions of IDM evolve rapidly over time, reflecting changes in the marketplace and in consumer behaviour. Furthermore, jurisdictions tend to define their IDM industry according to the particular leanings of local companies. The consequence of the varying definitions is that research on IDM is seldom comparable and is generally not consistent enough for year-over-year comparison.

In this context, it is critical that readers of this edition of the *2012 Canadian Interactive Industry Profile* (CIIP 2012) be aware of the changes to the definition and methodologies used to report on Canada's IDM industry – and of the implications that these have on how the data presented should be interpreted. This nuance is particularly important when attempting to compare data between IDM reports.

Industry Evolution and Classification

Since the last edition of the CIIP in 2008, content and platform are no longer inextricably linked to each other. Rather, content tends now to be created and travels between numerous platforms. As such, some of the categories used in the previous iteration of this report are less applicable to how the IDM industry operated in 2011 (the year studied by this report).

Consider, for example, a mobile games developer; it straddles both the “games developer” and “mobile application developer” categories of the previous study’s identity-based classification system. An activity-based approach to classifying the industry, on the other hand, avoids this issue by requiring firms to identify themselves across four axes representing business activities:

1. The type of experience being created;
2. The platforms for which content is being developed;
3. The market segments or customer groups being targeted; and
4. The distribution channels being used to bring interactive digital media products to customers.

Narrowing the Definition

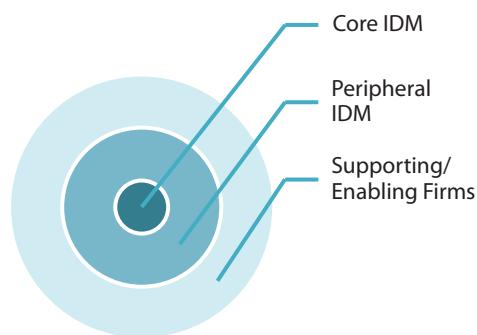
Following a review of existing definitions of the IDM industry and previous definitions used in the 2006 and 2008 editions of the *Canadian Interactive Industry Profile*, Nordicity and CIAIC concluded that a narrower definition would allow the study to focus on providing more relevant data and a deeper analysis of the “creator” side of the IDM industry that forms the core of the IDM industry. In order to ensure that this definition reflects the wide variety of interactive experiences created in Canada, it was developed with the direct input of CIAIC’s members (i.e., provincial interactive media trade associations). Taking this input into account, Nordicity and CIAIC have created the following working definition of an interactive digital media company:

A company that creates digital content and environments that provide users with a rich interactive experience – either with content itself or with other users – for the purposes of entertainment, information, or education, or that provides services that directly enable these products/services.

Based on this definition, CIAIC observed that the definition of the IDM industry used in the 2006 and 2008 CIIPs included a variety of firms that are excluded from this definition because they do not create or directly enable products or services with which users actively participate. For example, the previous definitions included “enabler” firms such as software developers, distributors (e.g., software and games publishers), and service providers (e.g., linear computer animation and visual effects firms), as well as activities such as general website design, which would not be considered a rich interactive experience under the new definition.

The updated definition also excludes non content-creating firms and creators of more linear forms of digital content. The definition was reworked in this way in order to refine the scope of inquiry of the present study to provide more of a focus on companies creating true “rich interactive experiences” and those that supply services that *directly enable other firms to create such experiences, as well as to account for the convergence of products and platforms.*

Expressed differently, the definition used in CIIP 2012 is designed to include only firms that are considered to be “core” IDM companies, as illustrated by the following target diagram.



In this context, “core” IDM companies are those that create rich interactive and media/content-based experiences (or whose activities directly enable such products/services). Meanwhile, “peripheral” companies can be considered to be those that (a) create products or provide services that are related to interactive digital media (e.g., online linear content, generalized web design) or (b) provide generalized services that may be used by core IDM companies. Finally, “supporting” firms are defined as those that offer support to the industry (e.g., accountants, lawyers, staffing firms). For the present study, CIAIC opted to only collect data from firms whose primary activity was core IDM.

While this preface discusses the broader IDM industry, CIIP 2012 will only address the core IDM industry. It should be noted that the “narrow” definition used in this study may not be appropriate for all purposes, and that there is a much broader ecosystem in which the companies identified in CIIP 2012 exist.

2. Comparing the Broader IDM Industry in Canada: 2008 to 2011

Given the changes in scope and definition adopted for the present study in contrast to those used in the 2008 CIIP, **readers cannot draw top-line comparisons between CIIP 2012 and previous reports on the IDM industry in Canada.** The 2008 CIIP presents data that represents a much broader definition of the IDM industry (i.e., both core and peripheral IDM firms), whereas CIIP 2012 only presents data that addresses what has been defined as the core IDM industry.

In an attempt to provide a reliable comparison between the industry in 2008 and 2011, Nordicity has devised a methodology for comparing some top-line findings from the 2008 CIIP report if it was to reflect the same group of firms included in the present study. To that end, the following table presents a comparison of the broader IDM industry in 2008 and 2011, along with a number of key economic indicators.

	2008	2011 (using 2008 scope)	% Growth	CAGR
Total Revenue	\$4.7 billion	\$7.5 billion	59%	17%
IDM Revenue	\$3.8 billion	\$4.8 billion*	27%	8%
Jobs	52,489	50,283	-4%	-1%

Source: 2008 Canadian interactive Industry Profile; 2012 CIIP Survey

As the above table shows, despite a slight decline in the number of jobs created by the broader IDM industry between 2008 and 2011, the revenue generated by the industry has grown remarkably – at a compound annual growth rate (CAGR) of roughly 17%.

It should be noted that due to data collection constraints, IDM revenue for 2011 reflects only that revenue generated by core IDM activities. As such, the data presented here most likely underrepresents the IDM revenue generated by the broader IDM industry in Canada.

Methodological Notes

In order to compare data from the 2008 CIIP to the industry in 2011, Nordicity used data collected (in 2012) about the core IDM industry and extended it to reflect the broader industry. To do so, Nordicity first calculated revenue, IDM revenue, and employment data for the core IDM industry in 2011. Nordicity then examined IDM company lists (including core, peripheral, and in some cases support

IDM firms) and data it had obtained from Ontario, British Columbia, and Manitoba. By assuming that the IDM industries in these three provinces are roughly similar (in aggregate) to the industry across Canada, Nordicity established a relationship between core and peripheral company counts, revenue, and employment in Canada's IDM industry. As illustrated below, this process was completed for revenue and employment data separately, and then used to create a combined ratio for Canada's IDM industry.

Province	Company Count Ratio	Revenue Ratio	Jobs Ratio
British Columbia	1.25:1	1.22:1	1.03:1
Ontario	2.14:1	2.14:1	2.14:1
Manitoba	2.48:1	1.40:1	1.64:1
Combined Ratio	2.07:1	1.96:1	1.88:1

Based on the data illustrated in the above chart, Nordicity multiplied national core IDM revenue by 1.96 to arrive at the 2011 broader (core plus peripheral) revenue. Similarly, the number of jobs generated by the core IDM industry in 2011 was multiplied by 1.88 to arrive at the figure for the broader industry in 2011.

As "IDM revenue" was expressed (in the 2012 CIIP survey) as a percentage of revenue, that percentage was simply applied to the revised industry revenue figure.

Executive Summary

Mandate and Methodology

Nordicity was engaged by the Canadian Interactive Alliance (CIAIC) to prepare a profile of the interactive digital media (IDM) industry in Canada. In so doing, this study both refines the scope of the IDM industry in Canada and provides up-to-date data on the industry in 2011.

This profile was principally created from data collected by an online survey distributed to IDM firms operating in Canada.¹ The survey was open between November and December 2012 and garnered 235 responses. These responses were supplemented by 125 additional eligible responses drawn from recent survey work conducted by Nordicity in British Columbia and Manitoba. Collected survey data was then subject to a “gross-up” methodology designed to extend the sample to reflect the entire IDM industry in Canada.

It is critical to note that due to the change in scope and methodology of this study, **results contained in this study are not comparable with the results of either the 2006 or 2008 Canadian Interactive Industry Profiles (CIIPs).**

Industry Definition

For the purposes of this study, the core IDM industry² is defined as follows:

A company that creates digital content and environments that provide users with a rich interactive experience – either with content itself or with other users – for the purposes of entertainment, information or education, or that provides services that directly enable these products/services.

The principal difference between the above definition and those used in the CIIP studies on the peripheral IDM industry in Canada is that it excludes general website design, linear computer animation, visual effects, and other activities that do not necessarily result in the creation of a rich interactive experience. In other words, this study represents one particular “slice” of the broader digital media industry in Canada – one that focuses on rich interaction. That said, it should be recognized that there are a significant number of other, active digital media firms operating in Canada that are not represented in this definition – and thus are not included in this study.

For more detail on this definition, please see Section 1.2.

- 1 The survey was open to both Canadian- and foreign-owned IDM firms operating in Canada.
- 2 The “core” IDM industry, which is the object of study in CIIP 2012, is to be understood as a sub-set of the broader IDM industry, which was studied by the 2006 and 2008 versions of the CIIP.

Profile Overview

There are approximately **1,684 core IDM companies** operating in Canada as of 2011, the majority of which are concentrated in Ontario (31%), British Columbia (27%), and Quebec (18%). Collectively these companies employ about **26,700 Full-time Equivalents (FTEs)** and generate roughly **\$3.8 billion in total gross annual revenue**, including **\$2.5 billion that can be directly attributed to interactive digital media activities.**³

Approximately 5% of total annual revenue generated by the industry in 2011 was derived from public sources⁴ and roughly **57% was derived directly from export sales.**

Company Profile

The Canadian interactive digital media industry is primarily composed of Canadian-controlled private corporations, and the majority are small- or medium-sized firms. Notably, a significantly larger proportion of very large companies in Canada are foreign-controlled, compared to smaller companies. Indeed, a total of one third of the very large core IDM companies operating in Canada are foreign-controlled. In addition, the vast majority of IDM revenue in Canada is generated by very large companies, indicating that a large portion of core IDM revenue is actually being generated and captured by foreign-controlled entities.

The Canadian core IDM industry is also fairly mature, with the average age of companies being almost 7.5 years. That said, there are also a significant number of companies in the startup phase (10%) or that are one to three years old (25%), indicating that Canada's core IDM industry is also actively growing. Interestingly, Atlantic Canada seems to be the region showing the most growth in its core IDM industry, with 14% of companies in the region indicating that they are in the startup phase and about 25% indicating that they have been in operation for only one to three years.

Industry Activity

Core IDM companies in Canada tend to work most frequently in Games or IDM Services⁵, a pattern that generally holds true regardless of the size of company. Indeed, Games and IDM Services accounted for the vast majority of projects completed by core IDM companies in Canada in 2011. Very large companies and small companies both demonstrated a larger share of Games projects among

³ In CIIP 2012, IDM activities are those related to the development, distribution, and/or sale of core IDM products and/or services.

⁴ In this instance, a company's annual revenue includes payments derived from all sources other than infusions of new equity and/or debt capital.

⁵ In this context, "IDM Services" refers to the provision of specialized services to other IDM companies. For example, middleware developers produce software for use by games developers.

their completed projects, whereas the largest share of completed projects for large and medium-sized companies tended to be IDM Services projects. Games and IDM Services also accounted for the majority of core IDM revenue in Canada in 2011. Among large and medium-sized companies, Lifestyle/Entertainment products represented a larger proportion of revenue than IDM Services.

Core IDM companies in Canada also tend to work more frequently on Mobile, Web, and PC/Mac platforms. However, when broken down by company size:

- Very large companies tend to work significantly more frequently on Console, Handheld and PC/Mac platforms than smaller-sized companies do.
- Small and medium-sized companies appear to have completed a greater number of projects for Web platforms than larger companies have.
- Whereas Console and Handheld projects represented a significant number of completed projects in 2011 among very large companies, smaller companies did not appear to complete a significant number of projects on these platforms.
- Small companies and large companies appear to have completed a greater number of projects for Mobile platforms than other companies.

When examined from a revenue perspective, products for Social Networks, Web, Consoles, and Mobile platforms accounted for the majority of core IDM revenue in Canada in 2011. Interestingly, among large companies, Social Networks and Consoles accounted for the largest portion of core IDM revenue, whereas Mobile and Web platforms generated the largest share of revenue among smaller companies.

Products and services created by core IDM companies in Canada tend to be most frequently targeted at adult and child consumers. This pattern is the same regardless of the size of company. That said, larger companies do tend to target businesses at large, governments, and institutions more frequently than smaller companies do, whereas medium-sized companies tend to target other creative businesses more frequently.

Products aimed at consumers also accounted for more than three quarters of core IDM revenue generated by core IDM companies in Canada in 2011. Many companies market to both adult and child consumers with many products that may be marketed to both groups. For example, many video games fall into this category.

Digital distribution channels (i.e., direct digital distribution, distribution via a digital store or distribution via a third-party application) appear to be the most frequently used across the Canadian core IDM industry. Indeed, direct digital distribution accounts for the largest share of core IDM revenue generated in Canada in 2011, although retail and third-party distribution account for the second- and third-largest shares, even though they are a less frequently used distribution channel by Canadian core IDM companies.

Human Resources and Training

The majority of the core IDM workforce is employed in technical and creative positions, a pattern that is repeated across all sizes of companies.

On average, core IDM companies in Canada feel that well-trained, experienced talent that meets their needs is only rarely or sometimes available, regardless of the job category. More senior talent appears to be slightly more difficult for companies to find than more junior talent.

There are a number of key skills gaps that exist among the current core IDM talent pool in Canada, despite the fact that the workforce is generally quite highly educated, with the majority of companies indicating that average level of education of their employees is either a university or college degree. For example:

- Technical digital skills were most frequently identified by core IDM companies as the skills most lacking in Canada's current IDM talent pool; and
- Business and leadership skills and production management and pipeline skills were also seen to be lacking by a significant group of respondents.

Technical digital skills were most frequently selected as the top in-demand skills in the next three to five years. Respondents also indicated a number of specific skills areas for which demand will increase, including:

- Monetization expertise;
- Skills related to cross-platform development and transmedia products; and
- Data analytics skills and expertise.

In response to these skills gaps in the core IDM talent pool and the low availability of talent with adequate skills and experience to meet demand, many companies offer or facilitate in-career training for their employees. Indeed, about half of respondent companies indicated that they do so either via on-the-job training or by accessing formal professional development and training services facilitated by a third party.

Future Outlook

Interactive digital media companies in Canada appear to be poised for growth over the next year or two. Just over 80% of companies are projecting at least a 10% growth in revenue over the next 12–24 months and more than half (56%) are projecting revenue growth of 25% or more over the same period. At the same time, there are also a number of barriers that could potentially hinder future growth. Core IDM companies in Canada indicated that a seeming lack of affordable capital is the most significant limiting factor for company growth in the industry, followed by the availability of management and sales expertise and the availability of skilled labour in general.

1. Introduction and Background

In this section, we outline the purpose of this study, and introduce the evolving definition of the interactive digital media industry in Canada.

A description of the methodologies used to produce this report can be found in Appendix A.

1.1 Study Mandate

The 2012 Canadian Interactive Industry Profile (CIIP 2012) report represents a significant departure from previous editions of the CIIP. It is a fresh approach to quantifying the ever-changing landscape of Canada's interactive digital media (IDM) industry. To that end, the report has the following objectives:

1. To update and further streamline the definition and taxonomy of the interactive digital media industry – in this case to reflect the convergence of interactive platforms and experiences and to focus only on companies creating rich interactive experiences (excluding computer animation studios, digital advertising agencies and website developers, for instance); and
2. To profile the interactive digital media industry in Canada.

1.2 Industry Definition

Before the interactive digital media industry can be examined, one must first establish a definition of that industry. To this end, Nordicity and CIAIC created a working definition of the interactive digital media industry. The current working definition of an interactive digital media company is as follows:

A company that creates digital content and environments that provide users with a rich interactive experience – either with content itself or with other users – for the purposes of entertainment, information or education, or that provides services that directly enable these products/services.

While in concept the current working definition of the industry is similar to the one used in the 2008 and 2006 *Canadian Interactive Industry Profiles*, it is, in practice, much narrower in scope. For the purposes of this study, firms that meet the above definition can be considered to be "core" companies. Meanwhile, "peripheral" companies can be considered to be those that create products or provide services that (a) are related to interactive digital media (e.g., online linear content, generalized web design) or (b) provide generalized services that may be used by core IDM companies. This study only profiles "core" IDM companies, whereas the 2008 and 2006 versions of the CIIP captured data from both core and peripheral IDM firms.

The principal impact of the current, updated definition is that it excludes more IT-like activities like general website design, as well as linear forms of digital content such as computer animation. The change was made to focus the study on companies creating true interactive experiences, and to

account for the convergence of products and platforms. Again, as a consequence of this change, **readers should not make comparisons between this study and *Canadian Interactive Industry Profiles* published in 2006 or 2008.**

In order to undertake comparisons between companies of different revenue profiles, Nordicity has further subdivided the survey results into the following categories:

- **Small Companies** are those that reported revenue of less than **\$250,000**.
- **Medium-sized Companies** are those that reported revenue between **\$250,000** and **\$1 million**.
- **Large Companies** are those that reported revenue between **\$1 million** and **\$10 million**.
- **Very Large Companies** are those that reported revenue in excess of **\$10 million**.

1.3 Classification System

Working from an updated, narrower industry definition, Nordicity, CIAIC and key stakeholders developed a classification system that allows for the segmentation of the industry along four key axes: (a) the type of experience being created; (b) the platforms for which content is being developed; (c) the market segments or customer groups being targeted; and (d) the distribution channels being used to bring interactive digital media products to customers. The graphic below outlines the various segments of the interactive digital media industry along these four axes.

Type of Experience/ Line of Business	Platforms	Target Customers	Distribution Channels
<ul style="list-style-type: none"> ▪ Game ▪ Lifestyle/ Entertainment ▪ Education/Training/ Simulation ▪ Health/Fitness ▪ Sports/News ▪ Social/ Communication ▪ IDM Services 	<p>Platforms</p> <ul style="list-style-type: none"> ▪ Mobile (Phones and Tablets) <ul style="list-style-type: none"> ○ iOS ○ Android ○ Windows Phone ▪ PC/Mac (Software) <ul style="list-style-type: none"> ○ OSX ○ Linux ○ Windows ▪ Console <ul style="list-style-type: none"> ○ Xbox 360 ○ PS3 ○ Wii ▪ Social Network ▪ Smart TV ▪ Web (e.g., Via a Portal) ▪ Handhelds <ul style="list-style-type: none"> ○ PSP ○ Vita ○ DS (All Variants) ▪ Kiosk/Standalone ▪ Other (Please Specify) 	<p>Target Customers</p> <ul style="list-style-type: none"> ▪ Consumers: Adults ▪ Consumers: Children ▪ Businesses at Large ▪ Government/ Institutions ▪ Other IDM Firms ▪ Provide New, Complete Products (e.g., to Publishers) ▪ Supply Parts of a Product (e.g., Middleware) ▪ Provide Services to Creators (e.g., Analytics, Testing) ▪ Create Versions of Existing Products ▪ Other Creative Businesses <ul style="list-style-type: none"> ○ TV Producers ○ Broadcasters ○ Magazines ○ Other 	<ul style="list-style-type: none"> ▪ Direct to Customer (Physical) ▪ Direct to Customer (Digital) ▪ Via Digital Store (e.g., App Store, PSN, XBLA) ▪ Via Retail Store (e.g., Walmart, Amazon) ▪ Via Third-Party Application (e.g., Facebook) ▪ Via Third-Party Distributor (e.g., Game Publisher)

Note: The grey boxes denote sub-options for the platforms and target customers listed (e.g., iOS, Android and Windows Phone are types of Mobile platforms).

2. National Industry Profile

This section of the report summarizes a profile of the core interactive digital media industry in Canada. It includes a summary of the size and structure of Canadian core interactive digital media companies, a summary of the most active segments of the industry, and an analysis of industry revenue.

1.1 Company Profile

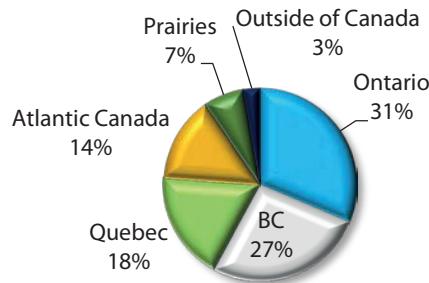
Data from a total of 360 core IDM companies from across Canada was captured by this study. Using the gross-up methodology described in Appendix A, Nordicity estimates that there are approximately 1,684 core interactive digital media companies operating in Canada.

The majority of core IDM companies operating in Canada are headquartered in British Columbia or Ontario, as shown in the chart below. A small number of core IDM companies in Canada are headquartered outside of Canada.

Figure 1 – Location of interactive digital media companies (% of respondent companies, using location of company headquarters) (Canada, 2011)

Source: 2012 CIIP Survey

N=360



2.1.1 Corporate Structure

The interactive digital media industry in Canada is primarily composed of Canadian-controlled private corporations. Indeed, as the following charts demonstrate, the vast majority (94%) of interactive digital media companies captured during this study are Canadian-controlled. Similarly, the majority of core IDM companies in Canada are structured as private corporations (65%), although a significant number are also structured as sole proprietorships or private partnerships (17% and 11%, respectively).

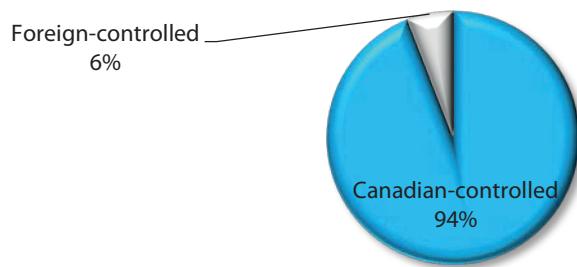


Figure 2 – Company ownership (% of respondent companies) (Canada, 2011)

Source: 2012 CIIP Survey
N=357

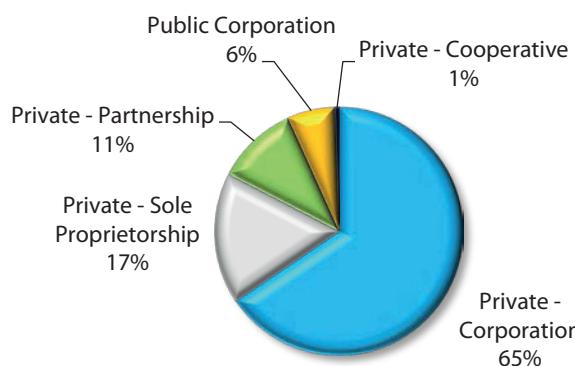


Figure 3 – Corporate structure (% of respondent companies) (Canada, 2011)

Source: 2012 CIIP Survey
N=357

Looking to the breakdown of companies by size (Figure 4), as shown in the following charts, the overwhelming majority of small, medium-sized and large companies are Canadian-controlled. Only at the very large level did the survey indicate a significant number (33%) of foreign-controlled companies operating in Canada.

In terms of corporate structure (Figure 3), medium-sized and large companies are incorporated to a greater extent (77% and 83%, respectively) than small and very large ones (52% and 66%, respectively). The share of private partnerships is relatively constant across small, medium-sized and large companies (between 9% and 10%), but relatively greater in very large ones (24%). Sole proprietorships are more common in small (24%) and very large companies (19%) than in medium-sized and large firms.

Figure 4 – Company ownership by company size (% of respondent companies) (Canada, 2011)

Source: 2012 CIIP Survey

N=357

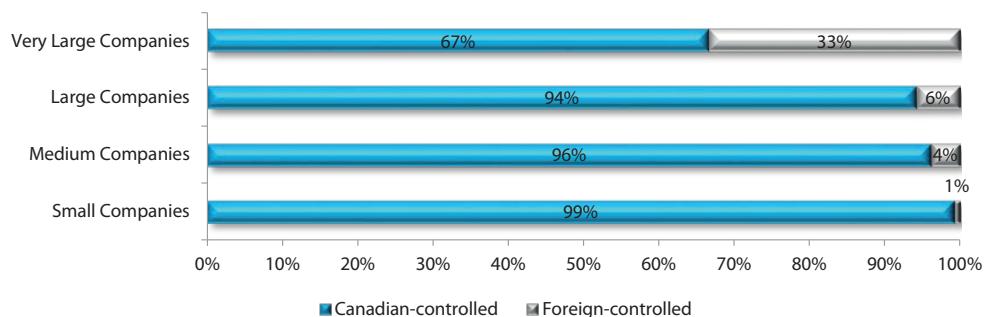
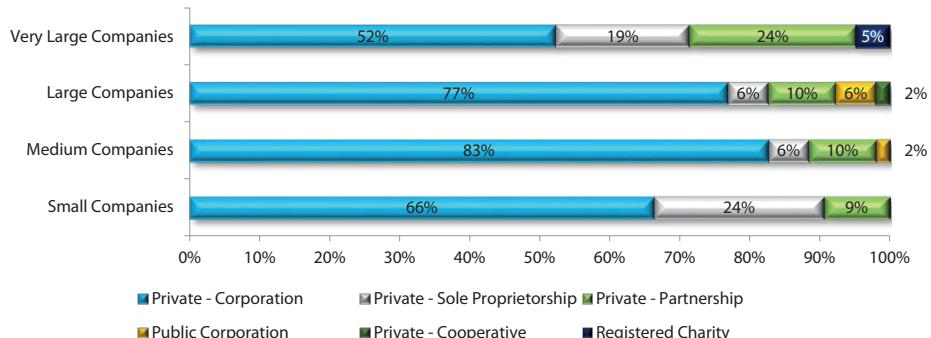


Figure 5 – Corporate structure by company size (% of respondent companies) (Canada, 2011)

Source: 2012 CIIP

Survey N=357

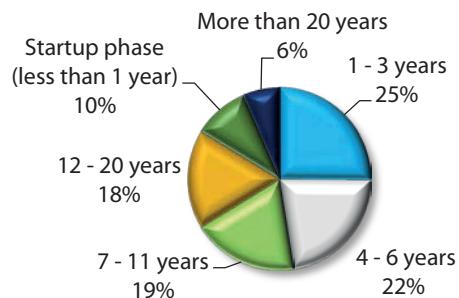


The average age of interactive digital media companies in Canada is almost 7.5 years. Indeed, the majority of companies captured by this study (66%) have been in operation in Canada for somewhere between one year and 11 years, as illustrated in the chart below. That said, there are also a significant number of companies in the startup phase (10%) or that are one to three years old (25%), indicating that Canada's core IDM industry is actively growing.

Figure 6 – Company age (% of respondent companies) (Canada, 2011)

Source: 2012 CIIP Survey

N=357



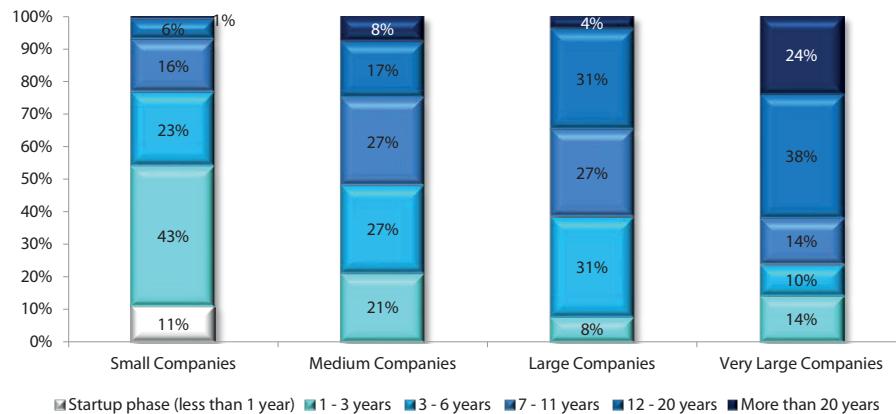


Figure 7 – Company age by size (Canada, 2011)

Source: 2012 CIIP Survey
N=357

As might be expected, the breakdown of companies' ages by size reveals that smaller companies tend to be somewhat younger than larger ones. Almost two thirds (62%) of very large companies have been operating for more than 12 years – this is true for only 7% of small companies that responded to the survey.

2.1.2 Industry Classification

When it comes to the structure of the core IDM industry, the following charts illustrate which segments of the industry are most active along the four axes of the industry classification system developed by CIAIC and Nordicity: (a) Type of Experience; (b) Platforms; (c) Target Customers; and (d) Distribution Channels. See Section 1.3 for more detail on this industry classification scheme.

Among the companies captured by this study, Games is by far the most common type of experience or product offered. Indeed, as shown in the chart below, 54% of survey respondents selected Games as one of their lines of business. Interestingly, roughly a quarter of core IDM companies indicated that they provide IDM Services to other businesses,¹ the second most commonly selected line of business.

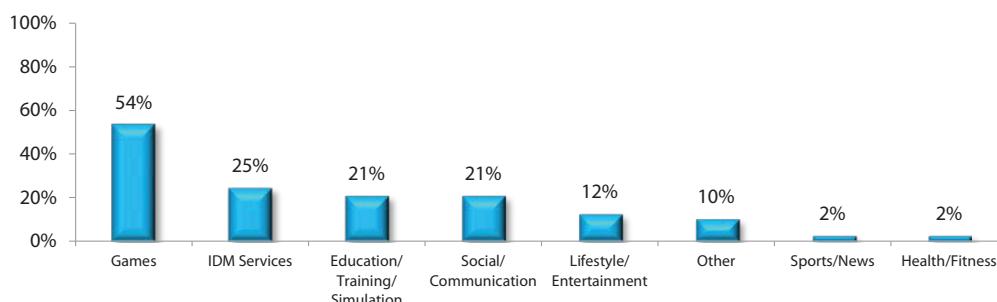


Figure 8 –Type of experience/lines of business (frequency by % of respondent companies) (Canada, 2011)²

Source: 2012 CIIP Survey
N=360

¹ In this context, "IDM Services" refers to the provision of specialized services to other IDM companies. For example, middleware developers produce software for use by games developers.

² Please note that for Figures 8 through 15, the data presented represents the percentage of respondents to the question who selected each of the options. As such, the percentages will not sum to 100% given that the question was inclusive (i.e., respondents could select more than one option).

The following chart shows the most common lines of business, broken down by company size. The distribution reveals that medium-sized and large companies are somewhat more likely to participate in a greater number of lines of business; that is to say, they are active in more types of experience than either small or very large companies.

Figure 9 - Type of experience/lines of business by company size (% of respondent companies) (Canada, 2011)

Source: 2012 CIIP Survey

N=360

Figures may not sum to 100% due to rounding.

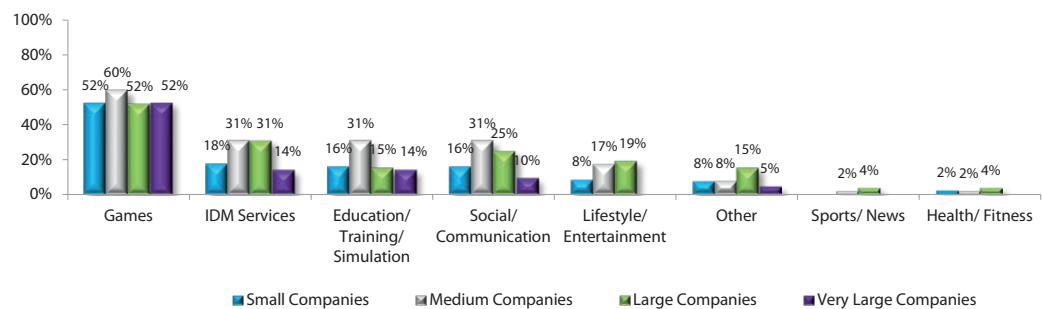
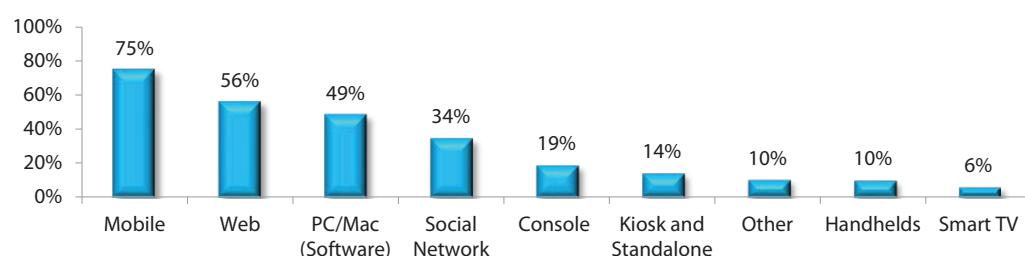


Figure 10 – Platforms (frequency by % of respondent companies) (Canada, 2011)

Source: 2012 CIIP Survey

N=235

The chart below illustrates the platforms for which core IDM companies most frequently develop products and/or services. Mobile is the most common target platform, with 75% of companies indicating that they develop core IDM products for Mobile platforms. Web platforms and PC/Mac are the next most common target platforms for core IDM companies in Canada (56% and 49% of companies selected those platforms, respectively).



If we look at the same breakdown subdivided by size of company, as illustrated in Figure 11, some variations appear. For example, very large companies seem to be considerably more involved in the PC/Mac (73% vs. 49%), Console (44% vs. 19%), and Handheld³ (29% vs. 10%) platforms than the average across all companies.

3 “Handhelds” refers to interactive devices produced for entertainment purposes. Examples include Sony’s PSP and the Nintendo DS. “Mobile” refers to mobile telephones, including both regular cell phones and smart devices such as the iPhone or BlackBerry.

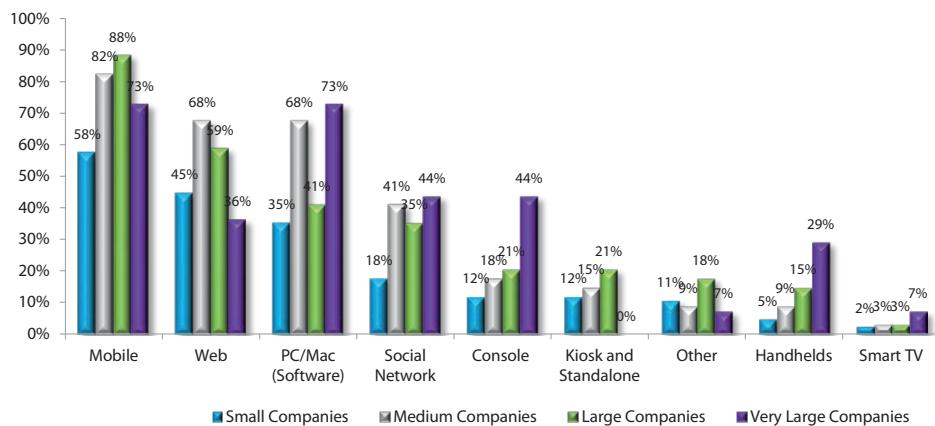


Figure 11 – Platforms by company size (frequency by % of respondent companies) (Canada, 2011)

Source: 2012 CIIP Survey
N=235

Overall, interactive digital media companies tend to identify consumers rather than other businesses as their target customers. Indeed as the chart below illustrates, 81% identified adult consumers as at least one of their target customers, and 48% identified children as target customers.

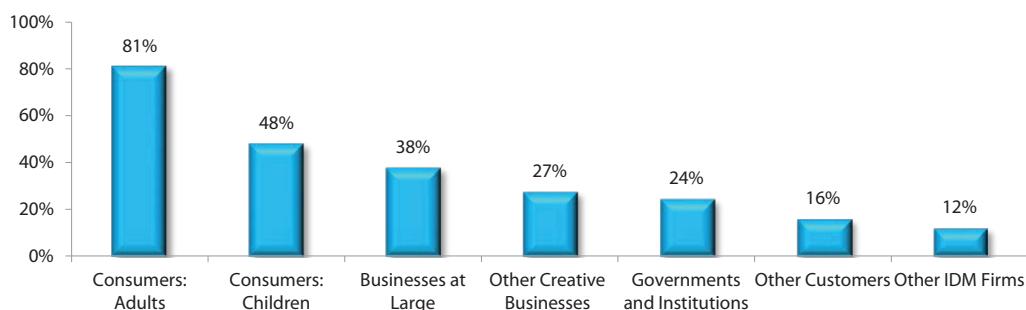


Figure 12 – Target customers (frequency by % of respondent companies) (Canada, 2011)

Source: 2012 CIIP Survey
N=235

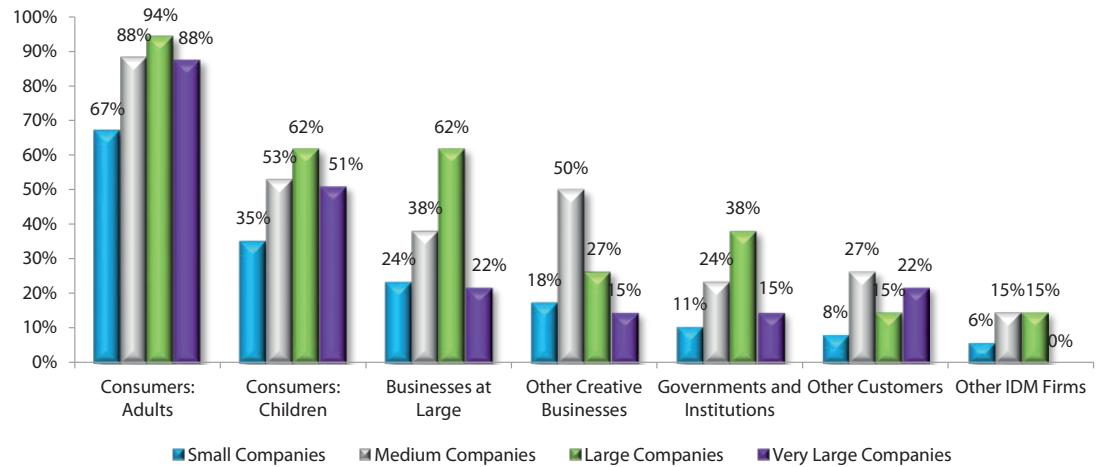
A breakdown of target customers by company size is presented in Figure 13, below. Of note is the significantly lower percentage of small companies that are active in targeting each type of customer. This finding is likely due to the increased specialization of small companies, which do not have the resources to seek different kinds of customers. Variations from the aggregated picture⁴ include Governments/Institutions and Businesses at Large, which are sought by a greater number of large companies compared to the average, and Other Creative Businesses, which are heavily targeted by medium-sized companies.

4 The “aggregated picture” or the “aggregate” refers to the national profile undifferentiated by company size.

Figure 13 – Target customers by company size (% of respondent companies) (Canada, 2011)

Source: 2012 CIIP Survey

N=235



With respect to distribution channels, core IDM companies in Canada seem to be employing digital distribution channels. Indeed, as Figure 14 illustrates, the companies captured by this study tend to most commonly distribute their products through digital distribution channels – either directly to the customer or via a digital store or third-party application.

Figure 14 – Distribution channels (frequency by % of respondent companies) (Canada, 2011)

Source: 2012 CIIP Survey

N=235

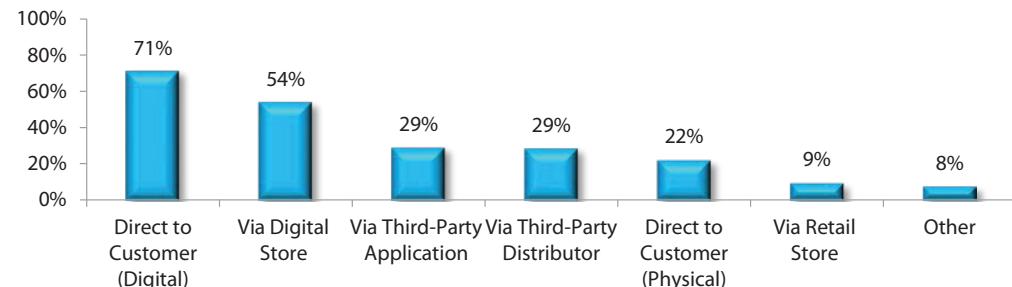


Figure 15 (below) gives the breakdown of distribution channels by company size. As with Figure 13 (above), small companies appear to be active across fewer distribution channels than their larger counterparts, likely because they lack the resources to pursue many channels concomitantly. Very large companies are more likely to use third-party distributors (58%) and third-party applications (44%) than the aggregate (29% in both cases). At the same time, medium-sized companies are heavily active in the digital retail environment, either directly (91% vs. 71% in the aggregate) or via digital stores (77% vs. 54%).

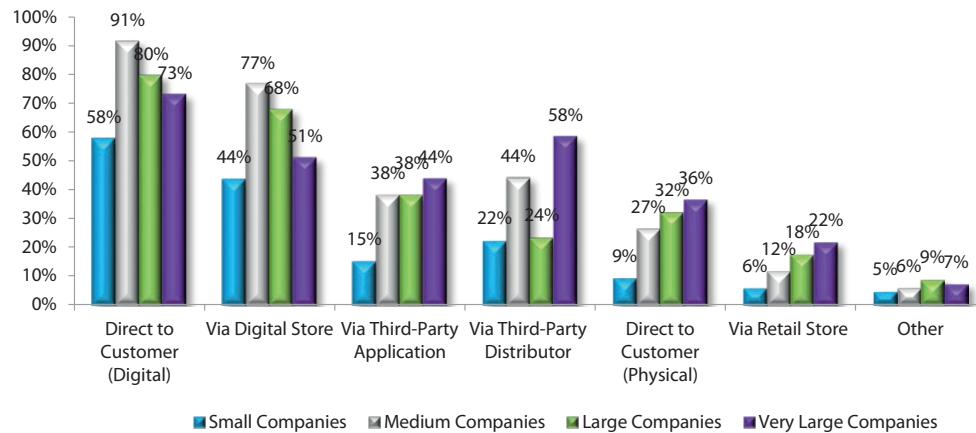


Figure 15 – Distribution channels by company size (% of respondent companies) (Canada, 2011)

Source: 2012 CIIP Survey

N=235

2.2 Financial Profile

2.2.1 Gross Revenue

Based on the figures reported by the companies captured during this study, core interactive digital media companies operating in Canada generated approximately \$3.8 billion in total gross annual revenue in 2011.⁵ Roughly 65% of that gross annual revenue from 2011 was directly attributable to the sale of core IDM products and/or services, whereas approximately 5% of core IDM firms' gross annual revenue was derived from public sources.⁶ Approximately 57% of total annual revenue from core IDM companies was derived directly from export sales.

The following two pie charts present (a) the distribution of companies by size and (b) the share of gross revenue by size. A simple count of companies by size shows that 72% of companies are small or medium-sized, meaning they generated less than \$1 million in revenue in 2011. The second chart, which preserves the colour scheme of the first, indicates that despite their numbers, these companies accounted for only around 5% of gross revenue. Very large companies alone took in 71% of revenue earned in 2011, though they make up only 8% of respondent companies.

5 Please note that this revenue figure (of core IDM companies) should not be compared to revenue figures from previous editions of the CIIP, which include revenue from both core and peripheral IDM companies.

6 In this instance, a company's "gross annual revenue" includes monies derived from all sources other than infusions of new capital.

Figure 16 (left) – Count of companies by size (Canada, 2011)

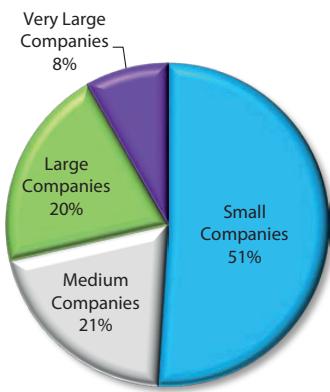
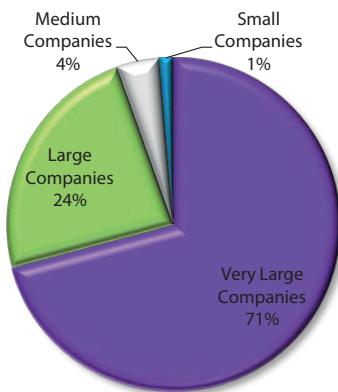


Figure 17 (right) – Share of gross revenue by size (Canada, 2011)



Source: 2012 CIIP Survey (for both charts)

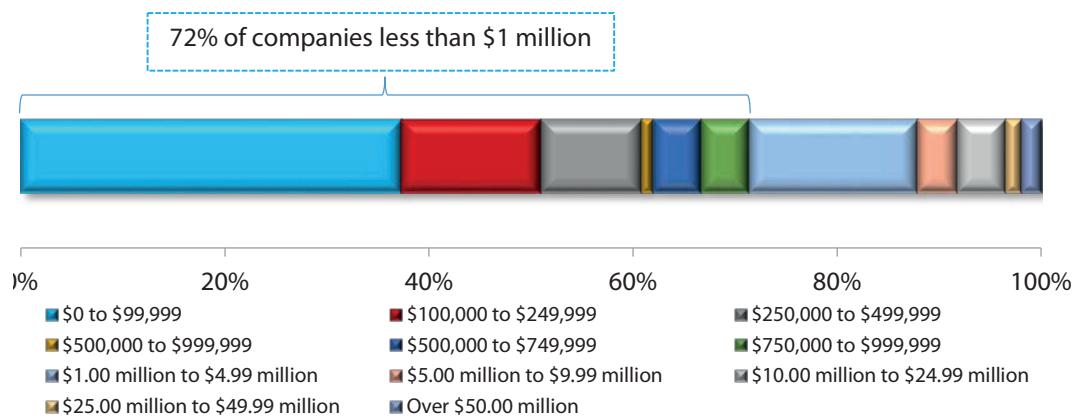
N=287 (for both charts)

The figure below gives a more detailed breakdown of companies' shares of revenue. About half (51%) of the core IDM companies from which data was collected reported total annual revenue of less than \$250,000 in 2011. Only about 20% of companies reported gross annual revenue of between \$1 million and \$10 million, and most of these companies reported annual revenue of between \$1 million and \$4 million. These figures indicate that the interactive digital media industry in Canada is primarily composed of small and medium-sized companies with a small number of large companies and only a few very large companies (with annual revenue above \$10 million), based on total annual revenue.

Figure 18 – Total annual revenue (Canada, 2011)

Source: 2012 CIIP Survey

N=287



2.2.2 Core Interactive Digital Media Revenue

In 2011, the interactive digital media industry generated a total of approximately \$2.5 billion in net annual revenue attributable to interactive digital media projects, an average of roughly 65% of the total revenue reported by core IDM companies.⁷

When companies are subdivided by size, the share of core IDM revenue remains approximately constant, as can be seen in the following chart.

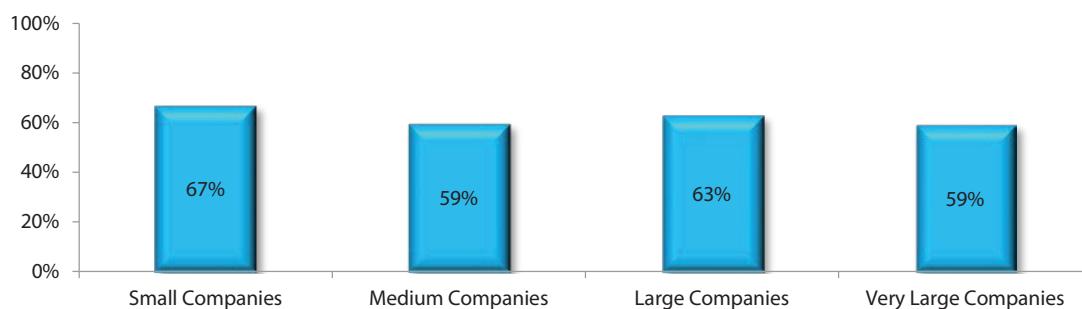


Figure 19 – Core IDM revenue as share of gross revenue by company size (Canada, 2011)

Source: 2012 CIIP Survey

N=235

The following charts provide a summary of the industry segments from which interactive digital media revenue was derived in 2011.

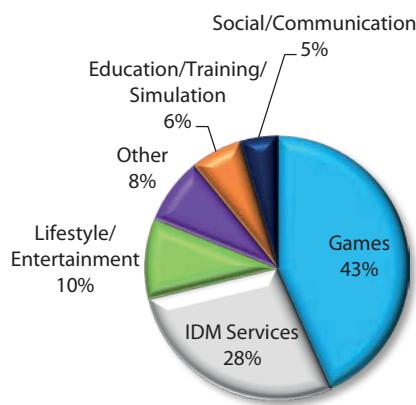


Figure 20 – Revenue by type of experience (Canada, 2011)

Source: 2012 CIIP Survey

N=235

As shown in the chart above, Games products produced the largest amount of revenue for core IDM companies in Canada, representing about 43% of total interactive digital media revenue in 2011. The second largest source of interactive digital media revenue was IDM Services, which generated 28% of total core IDM revenue in 2011.

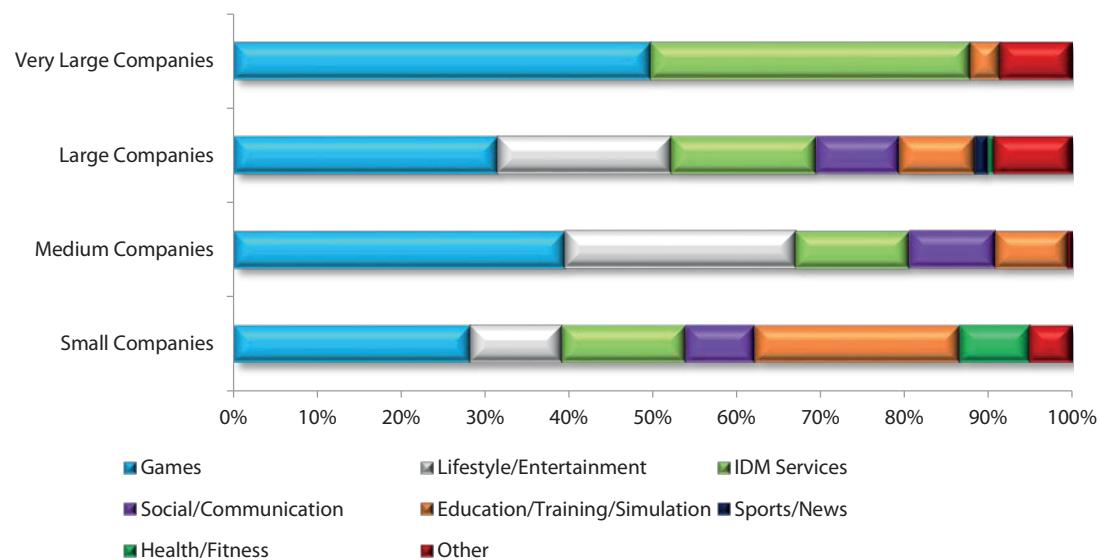
⁷ Again, core IDM revenue present in this edition of the CIIP should not be directly compared to IDM revenue from previous editions, which measured core and peripheral IDM revenue.

Figure 21, below, subdivides the revenue by type of experience chart according to company size. Games products remain the largest component of revenue across all size categories, ranging from a little less than 30% for small companies to around half for very large ones. Health/Fitness, though it is too small a share to be represented in Figure 20 (above), nevertheless accounts for slightly less than 10% of small companies' revenues.

Figure 21 – Share of revenue by type of experience and company size (Canada, 2011)

Source: 2012 CIIP Survey

N=235

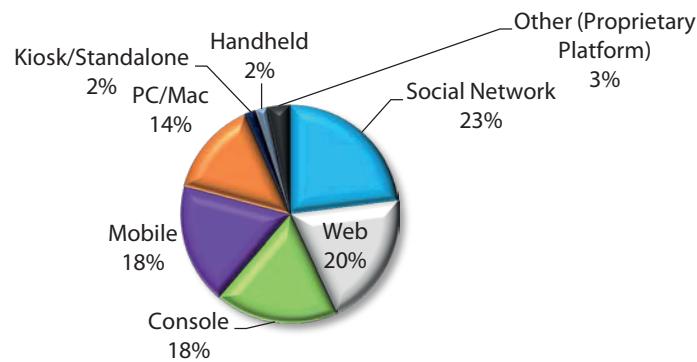


When it comes to what platforms generated the greatest proportion of core IDM revenue, Figure 22 shows that Social Network-related revenue comprised the largest share, representing almost one quarter (23%) of total net core IDM revenue generated in 2011.

Figure 22 – Revenue by platform (Canada, 2011)

Source: 2012 CIIP Survey

N=235



Although Consoles are a less common target platform (as shown in Figure 10, only 5% of companies indicated they developed products for Console platforms), they represent a significant proportion of total core IDM revenue from 2011 (18%). This finding suggests that Console products tend to generate a disproportionately large amount of revenue.

The following chart breaks down the revenue share by platform according to company size. Among small, medium-sized and large companies, 65–75% of revenue is derived from the Mobile and Web platforms, which is roughly in line with their project output (see Figure 29). Very large companies differ from small, medium-sized and large firm in that they generate a far greater share of core IDM revenue from Console and Social Network platforms.

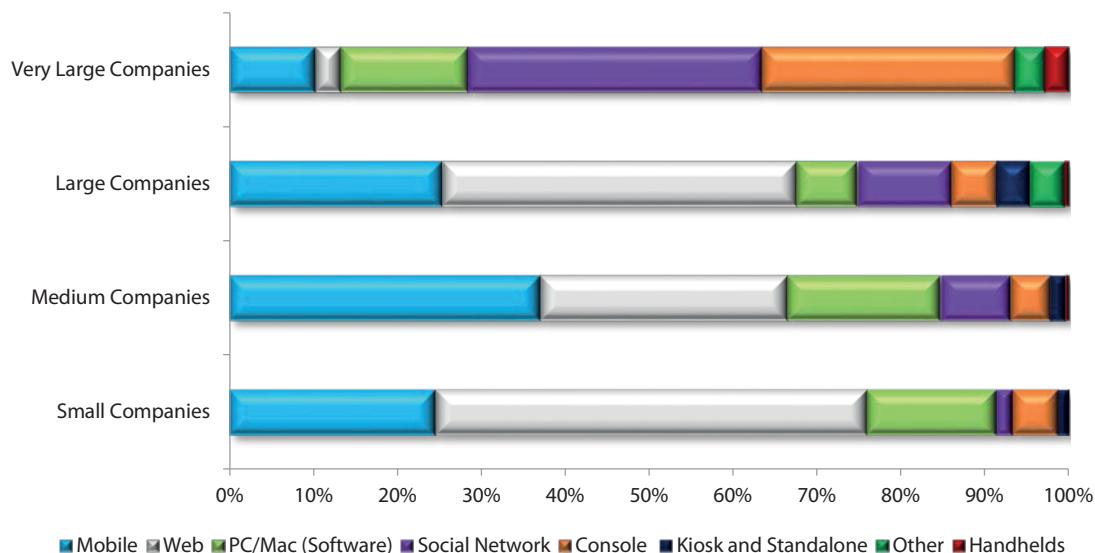


Figure 23 – Revenue by platform and by company size (Canada, 2011)

Source: 2012 CIIP Survey
N=235

With regard to target customers, the vast majority of core IDM revenue in 2011 was generated by products developed for consumers (78% in total), as illustrated in the chart below. In particular, the majority of revenue was derived from products targeted at adult consumers (57%).

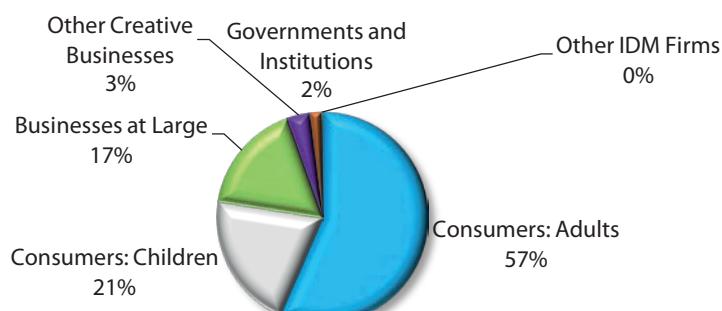


Figure 24 – Revenue by target customer (Canada, 2011)

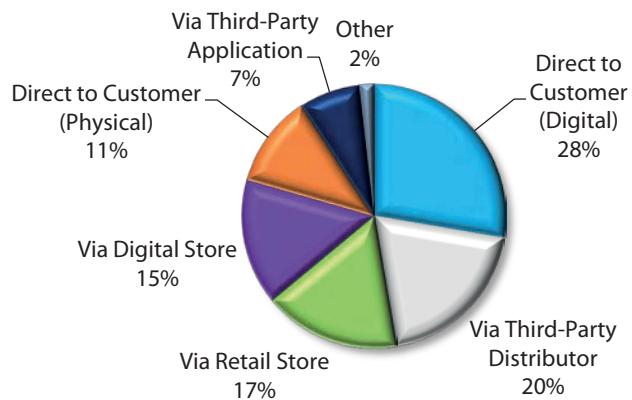
Source: 2012 CIIP Survey
N=235

When looking at revenue by distribution channel, core IDM companies appear to derive the majority of core IDM revenue from digital distribution directly to customers (28%) and distribution via third-party distributors (20%) or retail stores (17%). Despite the consumer-focused nature of the industry (per Figure 12), retail and third-party distribution were not identified as the most common distribution channels used by core IDM companies (refer to Figure 14 above). These distribution channels do, however, account for a large portion of core IDM revenue. Similarly, although distribution via third-party applications and digital stores were among the most common distribution channels used by core IDM companies in Canada, they represent a relatively smaller proportion of core IDM revenue.

Figure 25 – Revenue by distribution channel (Canada, 2011)

Source: 2012 CIIP Survey

N=235



Intellectual Property in the Interactive Digital Media Industry

When examining the profile of creative industries, it is common practice to distinguish revenue generated by self-developed intellectual property (IP) from other revenue generated by “fee-for-service” work. The presumption in this assessment is typically that it is desirable for firms to create and retain control of their IP. For example, by retaining control of its IP, a film and TV production company would be able to generate revenue from the “long-tail” sales of a product, distribute the property in more territories, and reap other economic benefits.

The IDM industry does not easily reflect this distinction. Indeed, many IDM projects could be considered both a fee-for-service and a product based upon self-developed IP. Take, for example, a games developer that creates a prototype of a game, which is then successfully pitched to a games publisher. In return for project financing, the developer may opt to sell the IP rights to the publisher. In addition to financing, the developer would gain access to the publisher’s would assume much of the financial risk associated with the (often big-budget) project. In this example, the core idea of the game is internally developed IP, while the IP is sold and thus the actual development of the game is a fee-for-service contract.

To further complicate matters, a developer may strike a revenue-sharing deal with a publisher, in which case that revenue would be both from internally-developed IP and from a fee-for-service contract. While this arrangement is most typical of console game development, similarly complex structures exist across the IDM industry.

For this reason, this study did not explicitly ask respondents to indicate their revenues (or outputs) by IP ownership. That said, Figure 25 indicates that approximately 20% of IDM revenue was generated via a third-party distributor (e.g., a publisher), whereas a combined 40% of industry revenue was generated by direct physical and digital sales to customers (for which no IP sale could have taken place).

2.3 Company Output

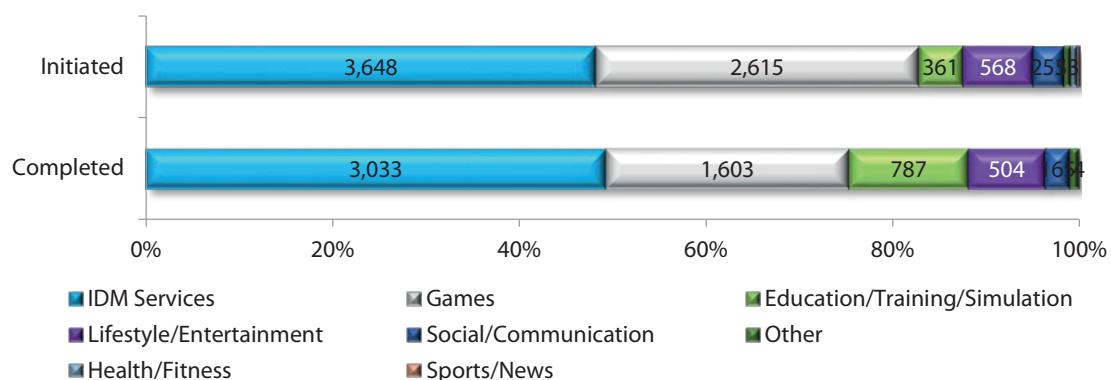
In 2011, the interactive digital media industry in Canada collectively initiated almost 7,600 projects and completed just over 6,100 (which may or may not be the same projects). The charts below illustrate the distribution of those projects across different types of experience and platforms.

The majority of projects initiated and completed in 2011 fell under IDM Services, as shown in Figure 26. Games represented the second largest group of projects initiated and completed, with over one third of initiated projects and just over one quarter of completed projects being Games projects. While IDM Services accounts for the majority of the projects initiated and completed in 2011, this is not the largest source of core IDM revenue for the same year. Similarly, while Games represent the largest portion of core IDM revenue for 2011, they do not represent the largest portion of projects initiated or completed by core IDM companies in the same year. Of course, not all projects initiated and completed in 2011 would have generated revenue in the same year. Accordingly, one can conclude that, on average, Games projects tend to yield greater revenue than IDM Services projects.

Figure 26 – Number of projects initiated and completed, by type of experience (Canada, 2011)

Source: 2012 CIIP Survey

N=235



The following chart (Figure 27, below) gives a breakdown of the share of projects completed by type of experience for each company size category. Approximately 95% of core IDM projects completed by very large companies in 2011 were game-related.⁸ Medium-sized and large companies had much smaller game involvement – companies of that size were more heavily focused on IDM Services, with each reporting that more than 50% of their completed core IDM projects fell into that category. Small companies had a somewhat more diverse distribution of projects, though they too reported more than 50% of their projects coming from the Games segment.

8 One possible reason for this finding is that the IDM services offered by very large core IDM companies tend to be continual and do not have a “completion date.” As such, these services may generate significant revenue (as expressed in Figure 21), but are not represented as completed projects.

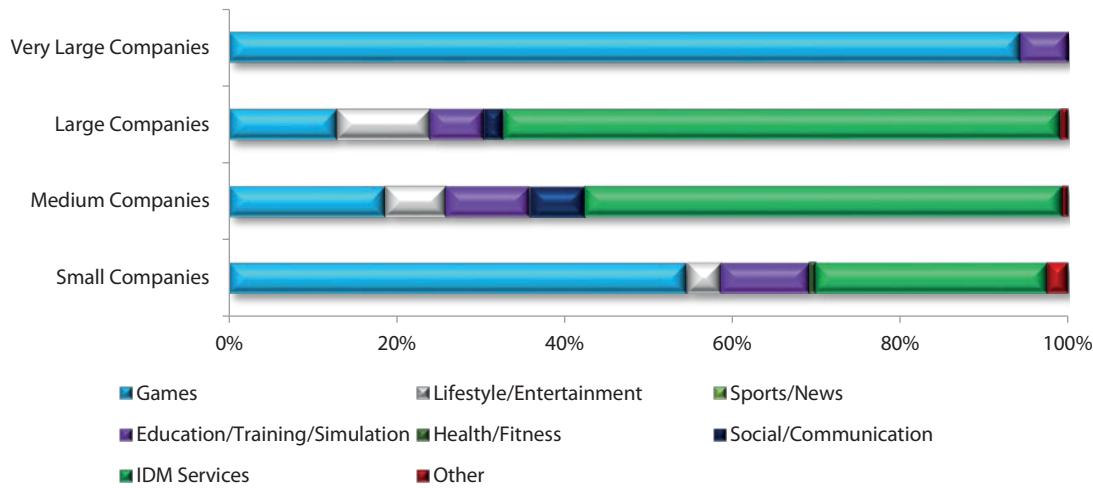


Figure 27 – Share of projects completed by type of experience (Canada, 2011)

Source: 2012 CIIP Survey
N=235

When examined by platform, the majority of projects initiated and completed in 2011 were for Mobile or Web platforms, as shown in the chart below. These figures align fairly well with the distribution of revenue across platforms where Mobile and Web platforms were both significant sources of core IDM revenue in 2011. The only discrepancy between the revenue and output figures lies with Social Networks, which represented one of the largest revenue areas for core IDM companies in 2011 (see Figure 22) but only represent a small portion of the projects that were initiated or completed in the same year.

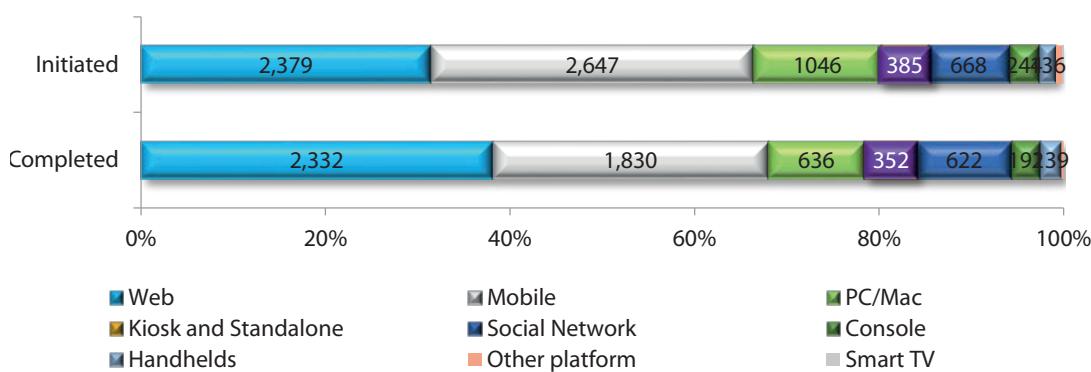


Figure 28 – Number of projects initiated and completed, by platform (Canada, 2011)

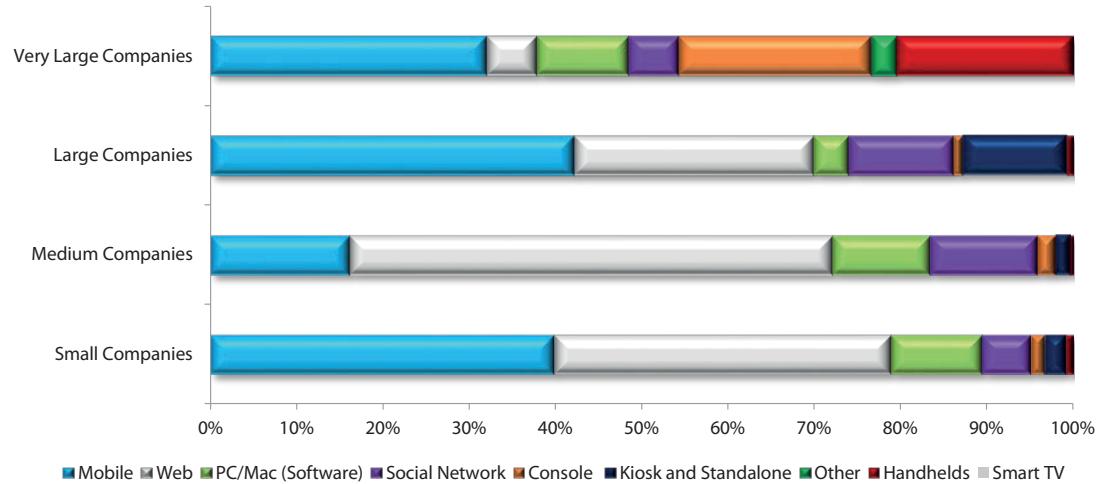
Source: 2012 CIIP Survey
N=235

The following chart (Figure 29) depicts the breakdown of completed projects by platform. Among small, medium-sized and large companies, Mobile and Web platforms accounted for between 70% and 80% of all completed projects in 2011. Large companies are the only segment that had an appreciable share of projects on the Kiosk and Standalone platform, while the only companies completing a significant number of projects for the Console or Handheld platforms were very large ones.

Figure 29 – Share of projects completed by platform and size of company (Canada, 2011)

Source: 2012 CIP Survey

N=235



2.4 Access to Capital

Interactive digital media companies use a variety of private and public sources of capital to finance their operations. The following charts (Figures 30 and 31) illustrate the most commonly used public and private sources of operational/project financing (i.e., cash flow) and capital investment.⁹

Provincial tax-credit and funding programs as well as the federal Scientific Research and Experimental Development (SR&ED) program are the most frequently accessed public sources for both operational/project financing and for financing for capital investments. Indeed, the chart below (Figure 30) indicates that roughly 43% of companies captured by the study used their provincial tax-credit rebates for operational/project financing in 2011, an interesting figure given that only five provinces offer digital media tax credits (Ontario, Quebec, BC, Manitoba, and Nova Scotia). Furthermore, just over one third of core IDM companies used SR&ED rebates for operational/project financing in 2011 and just under one third used the proceeds of provincial funding programs for operational/project financing in 2011. In addition, as shown below, almost 10% of companies used provincial tax-credit rebates for capital investments in 2011, while 9% accessed SR&ED and 8% used provincial funding programs for the same purpose.

9 It should be noted that respondents were asked to indicate the how they used the proceeds of these public sources of funding, which should not be confused with the intended uses of these programs. For example, while provincial tax credits are accrued based on labour expenditures related to one or more IDM projects, the proceeds of the tax-credit can be used in any number of ways.

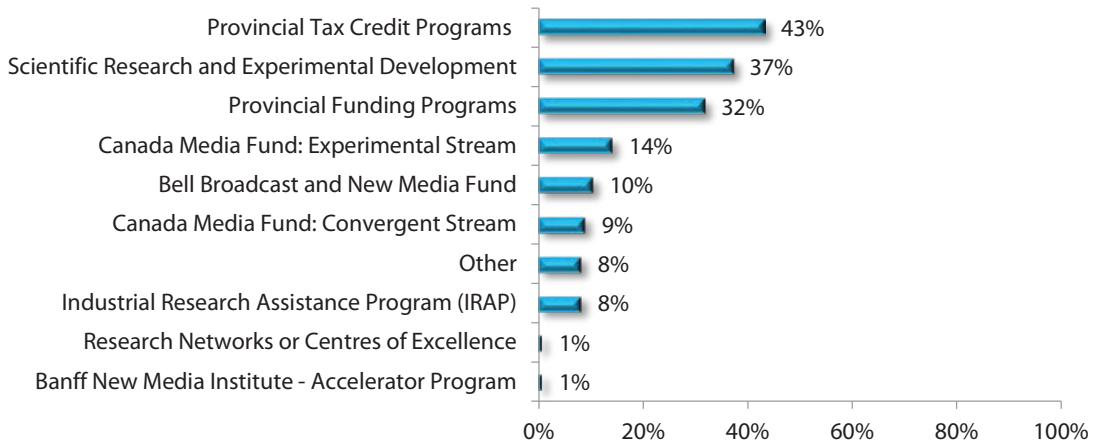


Figure 30 – Use of public funding sources for operational/project financing (% of respondent companies) (Canada, 2011)

Source: 2012 CIIP Survey
N=133

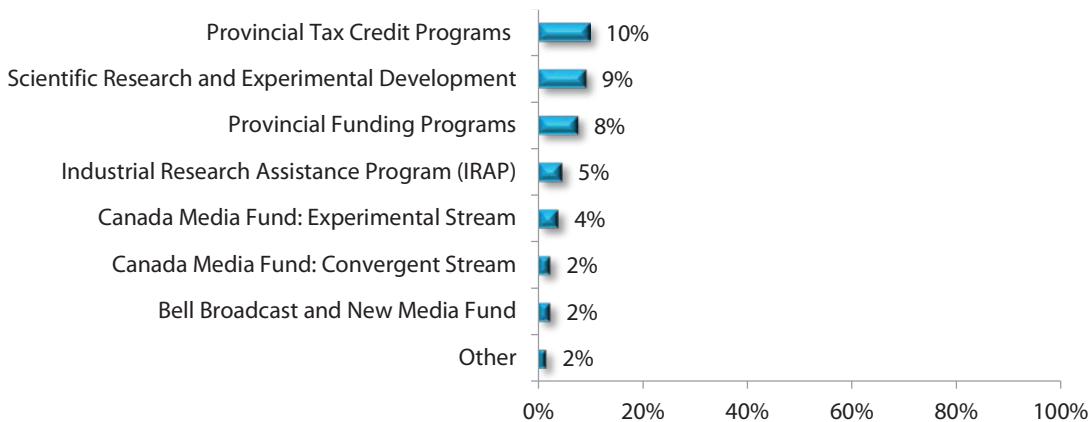


Figure 31 – Use of public funding sources for capital investments (% of respondent companies) (Canada, 2011)

Source: 2012 CIIP Survey
N=133

Turning to private sources of financing, the most frequently used sources for both operational/project financing and capital investments were “Self-funding” and “Other Business Earnings,”¹⁰ as illustrated in the charts below. For example, almost three quarters of captured core IDM companies used self-funding for operational/project financing. Similarly, almost one third of core IDM companies captured by the study used self-funding for capital investments.

10 In this context, “Self-funding” refers primarily to revenue earned by the business unit (e.g., from product sales) and to monies invested in the company by its founders (i.e., not by an outside party). “Other Business Earnings” refers to monies contributed by other businesses (e.g., those owned by the founders). At the same time, “Traditional Financing” refers to bank loans, lines of credit, and similar financing vehicles.

Figure 32 – Private sources of operational/project financing (% of respondent companies) (Canada, 2011)

Source: 2012 CIIP Survey

N=134

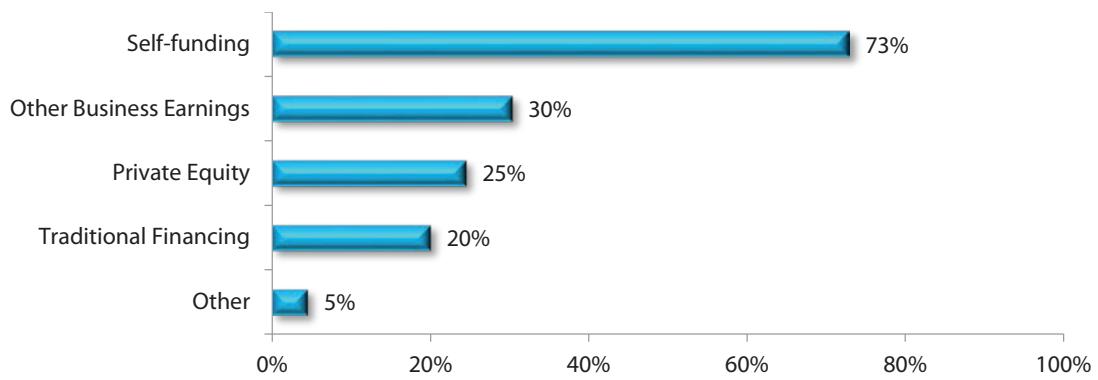
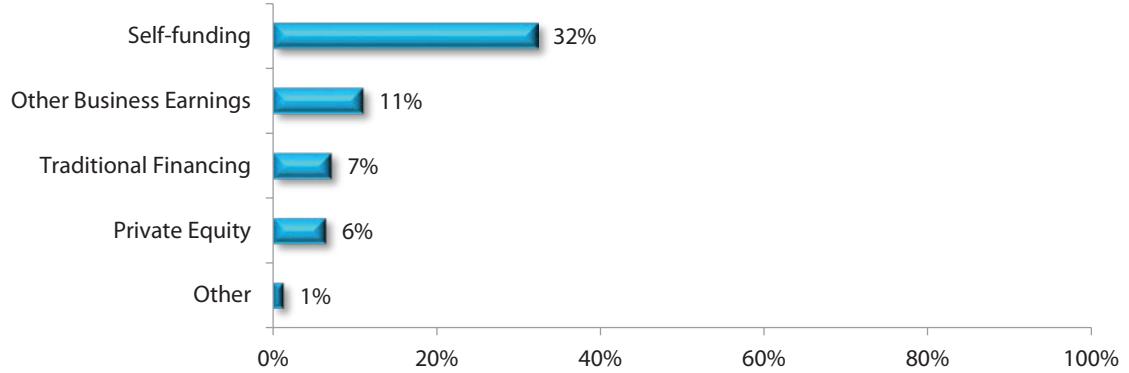


Figure 33 – Sources of private capital for capital investments (% of respondent companies) (Canada, 2011)

Source: 2012 CIIP Survey

N=155



3. Employment, Talent, and Training

Among the most important measures of an industry is the size of its workforce. The labour force supply-demand dynamic is also an important indicator of an industry's health and future viability. The following section examines employment in the interactive digital media industry in Canada. It includes analyses of the size and make-up of the core IDM workforce, core IDM industry remuneration, the talent supply-demand dynamic in the industry, and skills and training in the industry.

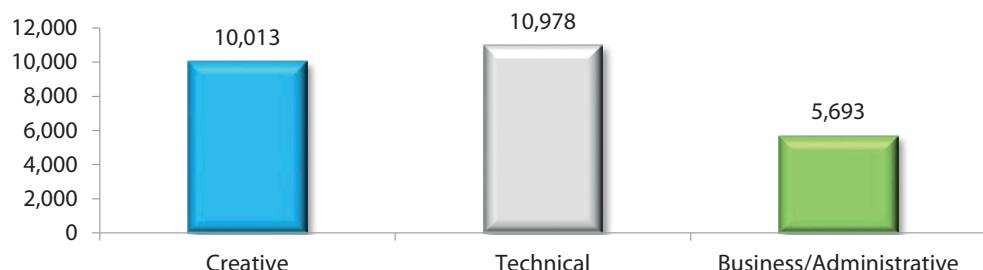
3.1 Canadian Core Interactive Digital Media Workforce

The core interactive digital media industry in Canada employs a total of approximately 26,700 Full-time Equivalents (FTEs) as of 2011.¹¹ The vast majority of those FTEs are actual full-time positions (97%); part-time positions make up only a very small proportion (3%).

The majority of the core interactive digital media workforce in Canada is employed in technical or creative positions. Indeed, as the charts below illustrate, roughly 39% of the total workforce (FTEs) are employed in creative positions and about 40% are employed in technical positions as of 2011.

Figure 34 – Core IDM employment, by job category (FTEs) (Canada, 2011)

Source: 2012 CIIP Survey
N=228



¹¹ This FTE figure (and those that follow) was calculated by adding the number of full-time employees reported by respondents with the number of part-time employees adjusted by the portion of a 37.5-hour work week, and then adjusting this figure according to the gross-up methodology described in Appendix A. Furthermore, please note that the core employment figures presented here should not be compared to previous editions of the CIIP, which include both core and peripheral employment.

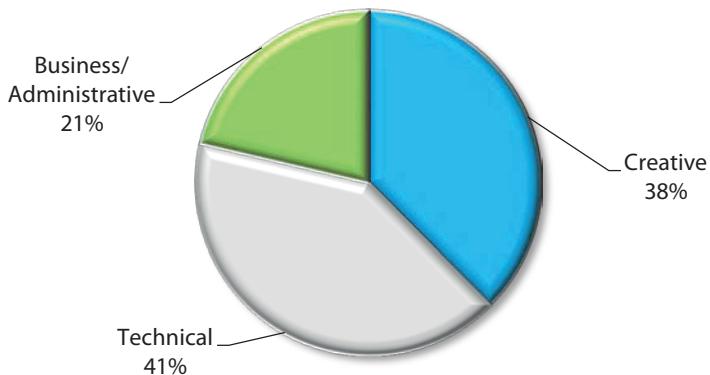


Figure 35 – Employment by job category (Canada, 2011)

Source: 2012 CIIP Survey
N=228

Figure 36, below, gives the distribution of FTEs by job category, subdivided by company size. The majority (54%) of FTEs are employed by very large companies.

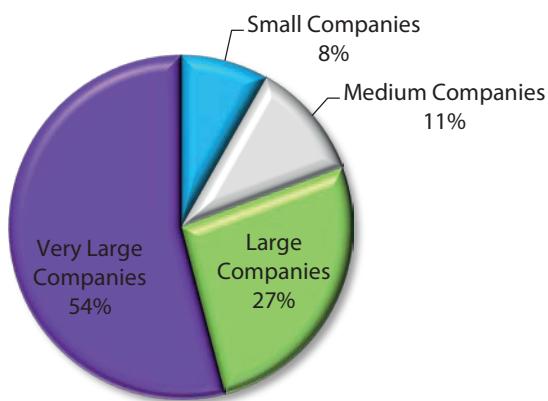


Figure 36 – Employment by company size (Canada, 2011)

Source: 2012 CIIP Survey
N=228

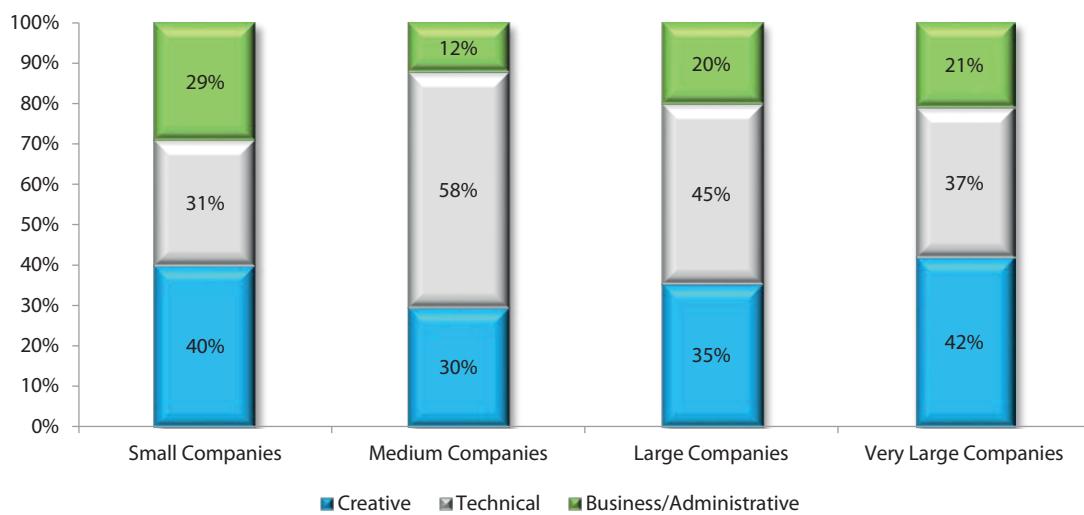
While these very large companies employed 54% of the core IDM workforce in 2011, they also generated 71% of the gross revenue in that year. At the same time, small companies generated only 1% of revenue while employing 8% of the workforce. Put another way, for every FTE in a small company, roughly \$17,900 in gross revenue was generated in 2011, while very large firms generated roughly \$187,900 per employee in the same year.

In terms of the distribution of job categories among companies, very large firms employ proportionally more creative workers than the average (as suggested by Figure 37), while medium-sized firms appear to employ fewer such workers. Medium-sized companies also appear to employ fewer business/administrative employees than the average, implying that such firms are more focused on technical endeavours.

Figure 37 – Employment by job category and company size (Canada, 2011)

Source: 2012 CIIP Survey

N=228



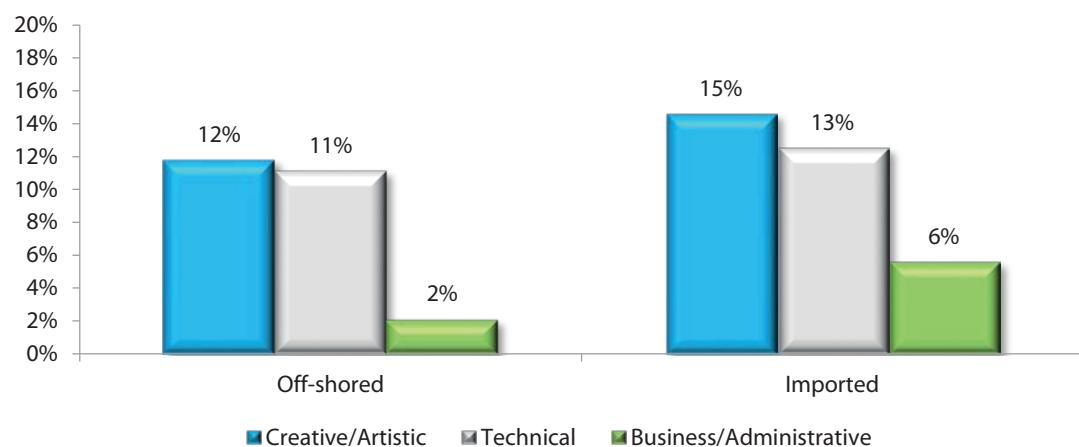
In addition to the FTEs stated above, the core IDM industry also employed a number of freelancers. While the survey data does not allow us to calculate the number of freelancers employed (due to the fact that a single freelancer may be employed by more than one company), we can note that core IDM companies (across all company sizes) employed an average of 4.7 freelancers at any given time in 2011.

Some core IDM companies also indicated that they off-shored and/or imported talent in 2011. As the chart below illustrates, there was generally a higher frequency of imported talent than off-shored talent. In particular, there was a much higher frequency of both importing and off-shoring creative or technical talent than business and administrative talent.

Figure 38 – Off-shored and imported talent (frequency by % of respondent companies) (Canada, 2011)

Source: 2012 CIIP Survey

N=144



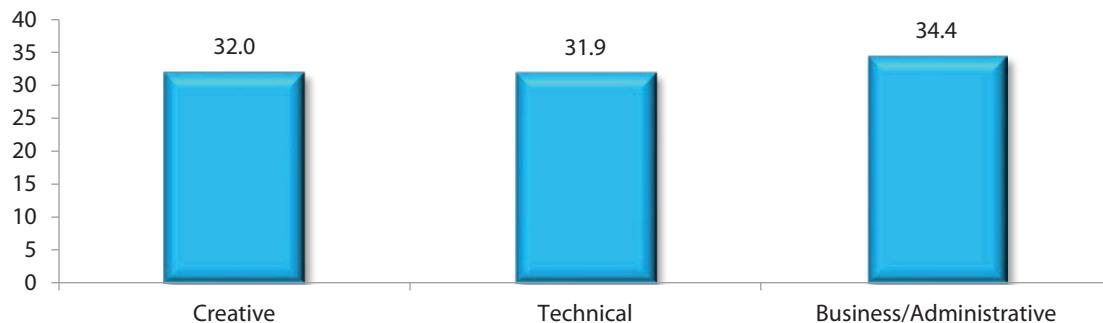


Figure 39 – Average age of employees, by job category (Canada, 2011)

Source: 2012 CIIP Survey

N=178

The average age of interactive digital media workers in Canada hovers in the 30–35 age range. As shown in the chart below, the technical and creative workforce generally tends to be very slightly younger than the business and administrative workforce. The slightly higher average age among business and administrative workers can likely be explained by the higher incidence of management and executive positions in that category, which tend to require more years of experience.

Looking at remuneration, the following chart illustrates average salaries for the interactive digital media workforce across the various job categories and at various levels of employment. Overall, salaries tend to be highest for technical positions at all levels of experience. Indeed, salaries for technical positions tend to be about 13% higher on average than creative position salaries for all levels of experience. Salaries for creative positions tend to be lowest on average, across all levels of experience.

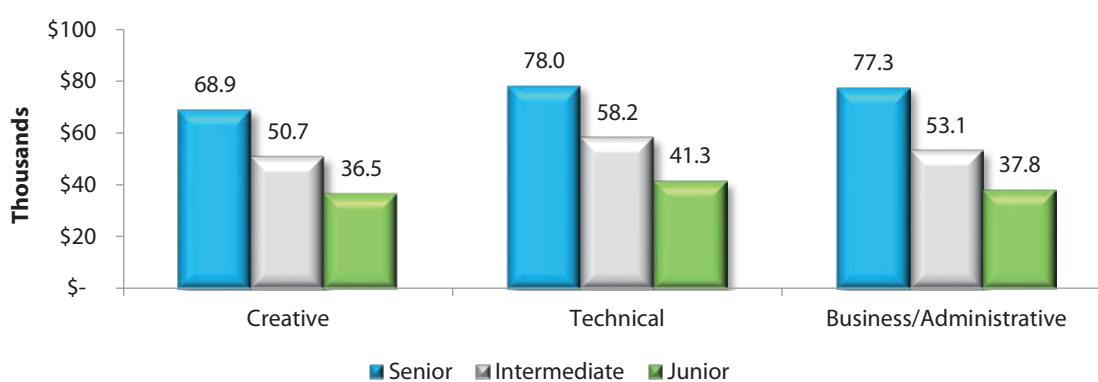


Figure 40 – Average salary, by job category, by level of experience (Canada, 2011)

Source: 2012 CIIP Survey

N=116

3.2 Talent Supply and Demand

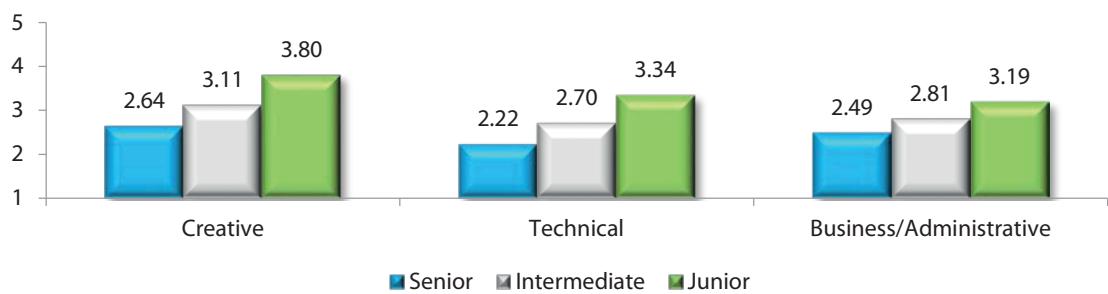
The current availability of interactive digital media talent appears to generally fall slightly short of demand. Indeed, as the chart below demonstrates, core IDM companies indicated that well-trained, experienced talent that met their needs was only either rarely or sometimes available on average. There does not appear to be any significant difference between the availability of talent in different job categories. However, the general trend illustrates that talent at more senior levels of experience is more difficult for core IDM companies to find than junior-level talent.

In terms of future demand, the highest frequency of projected future hires among core IDM companies

Figure 41 – Availability of talent (average score on a 5-point scale from “Not at All Available” [1] to “Very Available” [5]) (Canada, 2011)¹²

Source: 2012 CIIP Survey

N=199

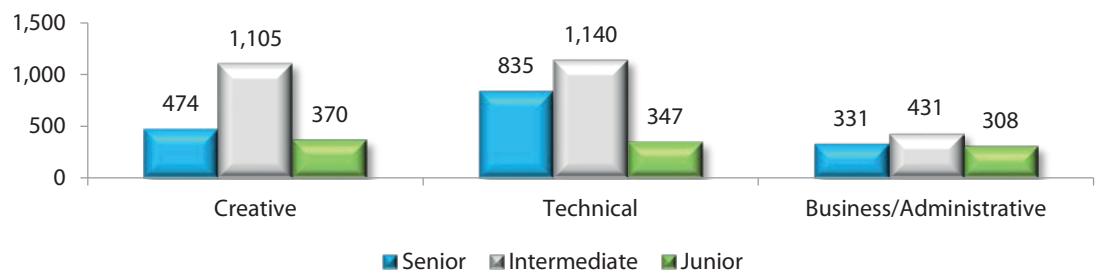


in Canada is for creative talent at the intermediate level and technical talent at the intermediate and senior levels (as shown in the chart below). Given that current supply in these areas is only somewhat meeting current demand, there could be additional strain on the supply of talent in the next 12–18 months that will make it very hard for companies to access the talent they need to grow their businesses.

Figure 42 – 12–18-month projected future demand for talent (Canada, 2011)

Source: 2012 CIIP Survey

N=197



12 Please note that a scoring system was used for this question. This chart presents the average score given by respondents in each category. The score scale ran from 1 to 5, where 1 is “Not at All Available” and 5 is “Very Available.”

3.3 Skills and Training

Moving on from a general discussion about the availability of talent, the following charts will serve to illustrate where the key skills gaps are among current core IDM workers.

First, it is helpful to get a general sense of the average level of education or training of core IDM talent in Canada. The following chart illustrates that in general there is a much higher frequency of university-level education among full-time employees in the industry, followed by college-level education. The frequency of university and graduate or post-graduate education also generally tends to be higher for technical and business/administrative positions. On the other hand, the frequency of college-level education and training from a technical or professional institution tends to be proportionally higher for creative talent.

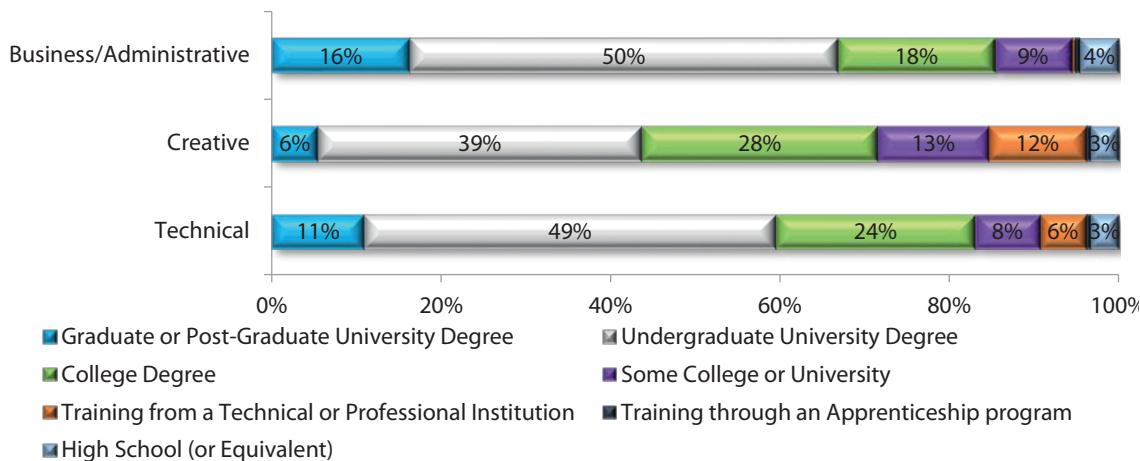


Figure 43 – Frequency of average level of education, by job category (% of respondent companies) (Canada, 2011)

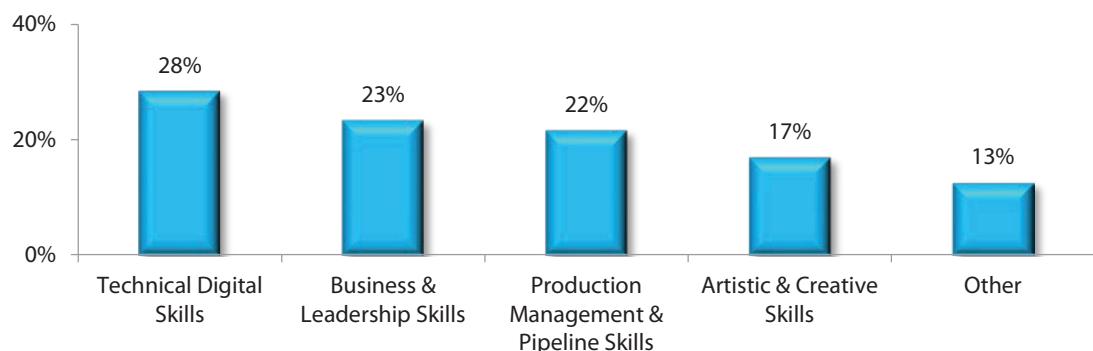
Source: 2012 CIIP Survey
N=181

Despite this high level of academic experience, skills gaps persist. Technical digital skills were most frequently identified by core IDM companies as the skills most lacking in Canada's current core IDM talent pool. Business and leadership skills as well as production management and pipeline skills¹³ were seen to be lacking by a significant group of respondents.

13 In this context, "pipeline skills" refers to those skills related to working in an integrated process flow (e.g., meeting deliverable timelines, collaborating with colleagues, etc.).

Figure 44 – Key skills gaps¹⁴ (frequency by % of respondent companies) (Canada, 2011)

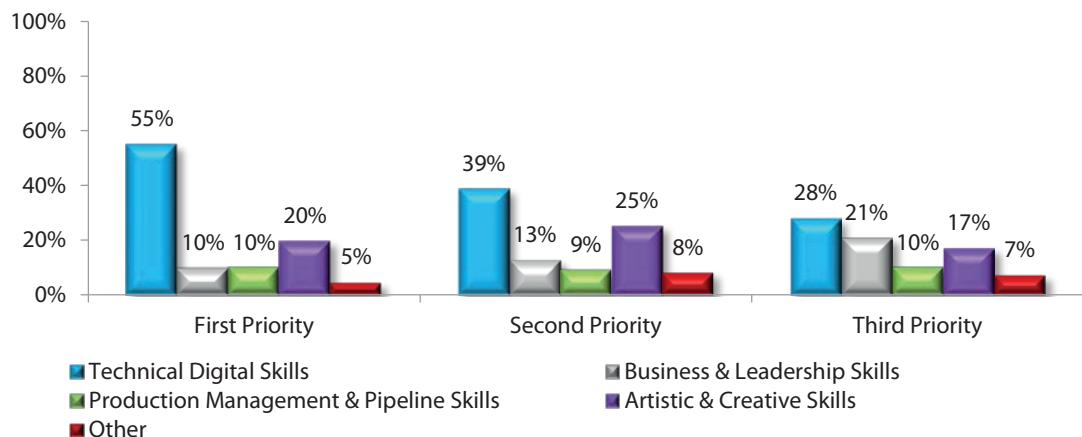
Source: 2012 CIIP Survey
N=148



Looking ahead to future demand for key skills, core IDM companies in Canada anticipate that the top in-demand skills will be technical digital skills, artistic and creative skills, and business and leadership skills. As the chart below illustrates, companies' first and second priorities tend to be technical and creative skills. On the other hand, the third priority is more frequently technical skills and business and leadership skills.

Figure 45 – Projected future demand for key skills (frequency by % of respondent companies) (Canada, 2011)

Source: 2012 CIIP Survey
N=110



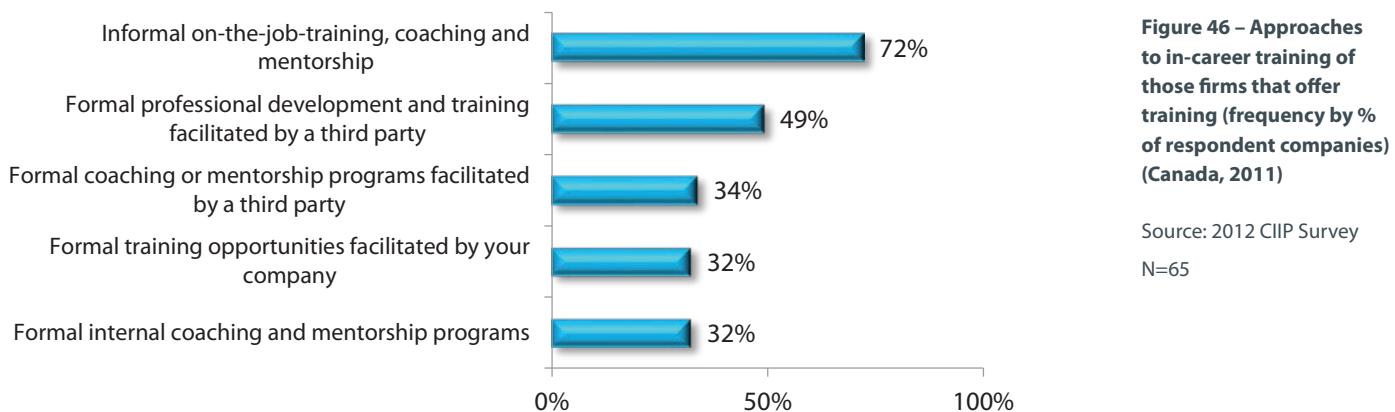
Some interesting specific skills areas identified by respondents include: monetization expertise, skills related to cross-platform development and transmedia products, and data analytics skills and expertise. These particular skills areas hint at the direction in which the core IDM industry is going. Monetization is a significant challenge, particularly when it comes to content on mobile and web platforms. In addition, with media convergence, transmedia moved into the mainstream and is rapidly becoming the standard for media content development and consumption. Finally, with mobile and web platforms, there is a wealth of data analytics regarding users and their behaviours that can be mined and leveraged to improve products and more effectively target core market segments.

14 Please note that the figures presented in Figure 44 represent the percentage of respondents who selected each of the options. As such, the percentages will not sum to 100% given that the question was inclusive (i.e., respondents could select more than one option).

3.3.1 Training

Given the general presence of skills gaps in the core IDM talent pool and the low availability of talent with adequate skills and experience to meet demand, it is not surprising that many core IDM companies either offer or facilitate in-career training for their employees. Indeed, almost half (49%) of core IDM companies offer or facilitate in-career training of some kind.

As the following chart demonstrates, informal on-the-job training is the most frequently used approach to in-career training in the interactive digital media industry, with more than 72% of respondents indicating that they employed that manner of training. At the same time, nearly half of respondents accessed formal professional development and training facilitated by a third party.

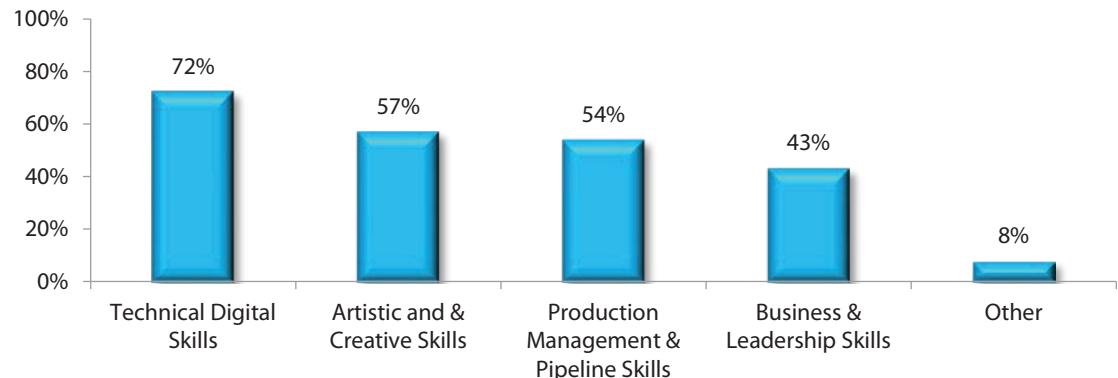


As shown in the chart below, interactive digital media companies most frequently offer or facilitate training for technical digital skills, with 72% of companies indicating that they offer or facilitate training in that area. This figure aligns well with the most commonly identified skills gap. However, while business and leadership skills was the second most frequently identified skills gap, it is not one of the areas where companies most frequently offer training to their employees. Similarly, while “artistic and creative skills” was not a very frequently identified key skills gap, it is the second most frequently offered area of training. These results indicate that a shift in the focus of in-career training efforts could help alleviate some of the key skills gaps being experienced in the industry.

Figure 47 – Frequency of training, by type of skill of those firms that offer training (frequency by % of respondent companies) (Canada, 2011)

Source: 2012 CIIP Survey

N=65

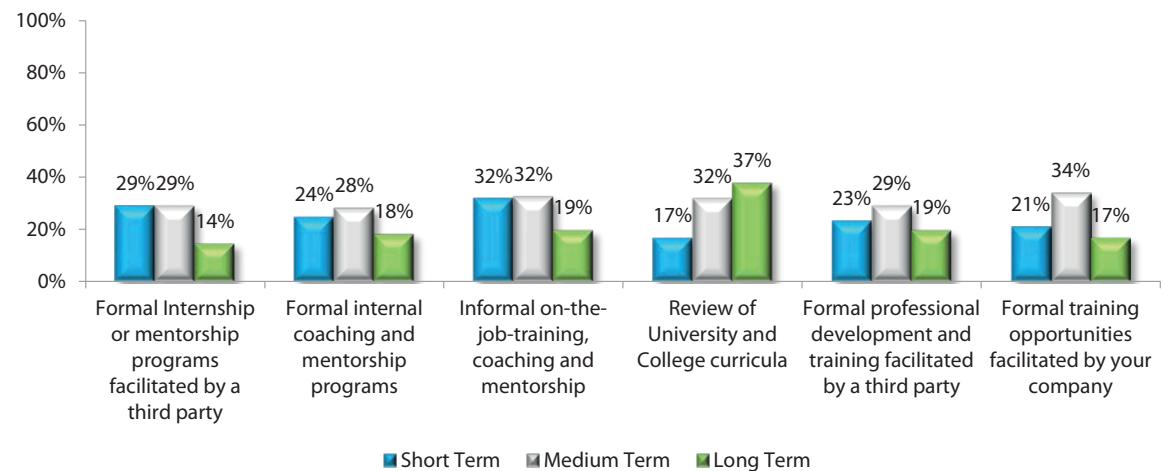


Indeed, as Figure 48 illustrates, on-the-job training and formal professional development and training opportunities offered internally or by a third party targeted at key skills gaps in general would help to resolve current skills gaps issues. Core IDM companies indicated that, in the short term, on-the-job training would be the best solution to key skills gaps, whereas in the medium term the best solution would be more frequent formal training and professional development training offered directly by employers. Over the long term, core IDM companies most frequently identified a revision of education curricula at the university and college levels as the solution that would best resolve skills gaps issues in the industry.

Figure 48 – Potential solutions for addressing key skills gaps (frequency by % of respondents) (Canada, 2011)

Source: 2012 CIIP Survey

N=139



4. Industry Growth and Development

The following section examines growth potential for the interactive digital media industry in Canada in the short to medium term. The section first examines areas of projected growth before moving on to a discussion of existing barriers that might be hindering the industry's growth and the effectiveness of existing industry support systems. The section concludes with a brief summary of key business development events that would help support the growth and vitality of the interactive digital media industry in Canada.

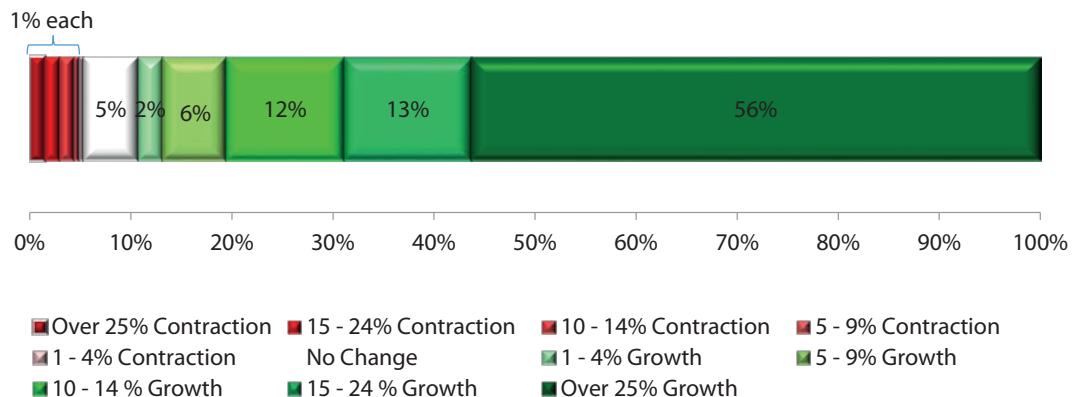
4.1 Projected Growth

Interactive digital media companies in Canada appear to be poised for growth over the next year or two. As the following chart illustrates, just over 80% of companies are projecting at least a 10% growth in revenue over the next 12–24 months. Moreover, more than half (56%) are projecting revenue growth of 25% or more over the same period. Fewer than 10% of core IDM companies are expecting any measure of revenue contraction for the next 12–24 months.

Figure 49 – 12–24-month projected revenue growth (% of captured companies) (Canada, 2011)

Source: 2012 CIIP Survey

N=206



When it comes to expanding into new markets, 94% of respondent companies indicated they plan to expand into a new market over the next 12–24 months. Within this group, there was a higher frequency of companies indicating that they planned to initiate new business activities¹⁵ in the US and the UK than in other jurisdictions. Indeed, as the chart below illustrates, 85% of respondent companies that indicated they were planning to expand their business activities into new jurisdictions indicated that the US was one of their target jurisdictions. Almost 52% of respondents indicated that the UK was a target jurisdiction for expanding their business activities.

15 Please note that for the purposes of this study, "new business activities" includes expanding a company's activities into jurisdictions where it does not currently operate and/or generate revenue.

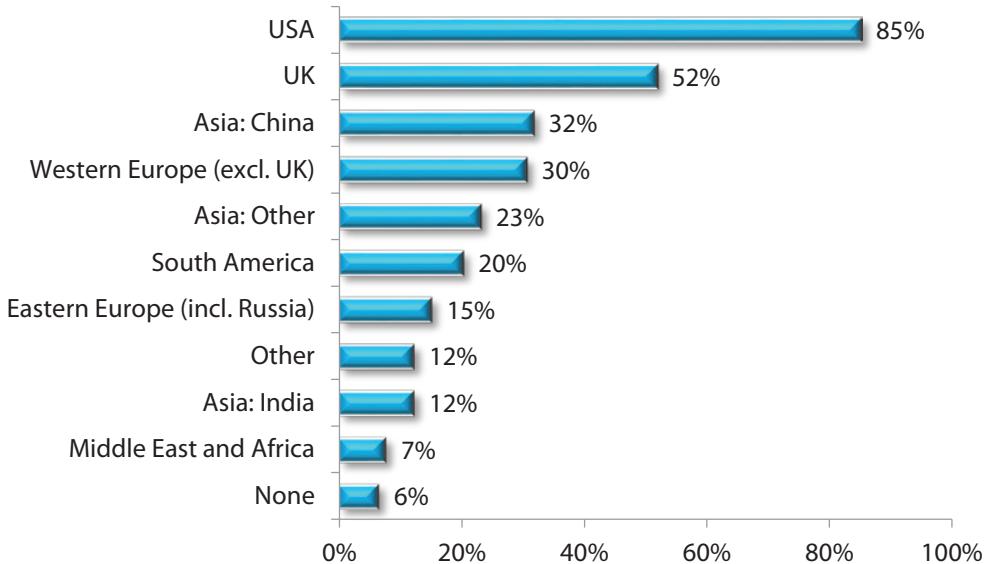


Figure 50 – 12–24-month planned new business jurisdictions (frequency by % of respondent companies) (Canada, 2011)

Source: 2012 CIIP Survey

N=174

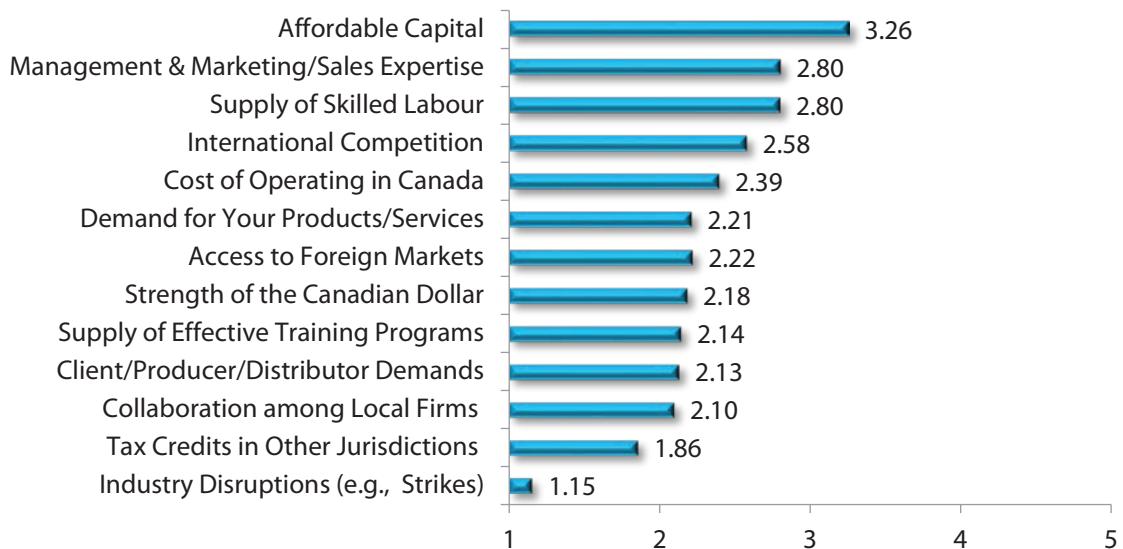
4.2 Barriers to Growth

Although the core IDM industry does appear to be poised for growth with a high frequency of companies planning to expand their business activities into new jurisdictions and a clear majority expecting significant revenue growth over the next 12–24 months, core IDM companies also identified a number of barriers that could hinder that growth.

As the chart below illustrates, the seeming lack of affordable capital is the most significant limiting factor for company growth in the industry, followed by the availability of management and sales expertise and the availability of skilled labour in general.

Figure 51 – Barriers to growth (average score on a 5-point scale where 1 is “Not at All Limiting” and 5 is “Very Limiting”)
(Canada, 2011)¹⁶

Source: 2012 CIIP Survey
N=180



4.3 Access to Support

One of the factors that impact industry growth is company access to various forms of support.

As Figure 52 illustrates, just over half of the interactive digital media companies in Canada belong to at least one industry association. Membership with these industry associations allows companies to access a variety of services offered by the associations that help support their business activities and encourage business growth.

Among the companies that do invest in an association membership, the level of satisfaction with the services offered is generally quite moderate. Companies appear to be most satisfied with the networking and collaboration services or opportunities offered by associations. They also appear to be relatively satisfied with the industry associations’ advocacy efforts. Where companies feel the least satisfied is with their industry associations’ training and professional development services as well as insurance offerings.

Interestingly, access to skilled labour is one of the more significant growth barriers identified by companies and training is one of the areas where they are least satisfied with the services offered by their industry associations.

¹⁶ Please note that a scoring system was used for this question. This chart presents the average score assigned to each barrier by respondents. The scoring system uses a 5-point scale, where 1 is “Not at All Limiting” and 5 is “Very Limiting.”

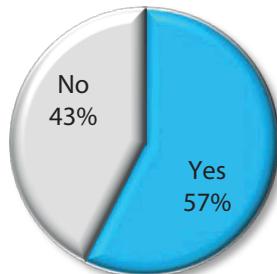


Figure 52 – Association membership (% of respondents) (Canada, 2011)

Source: 2012 CIIP Survey
N=134

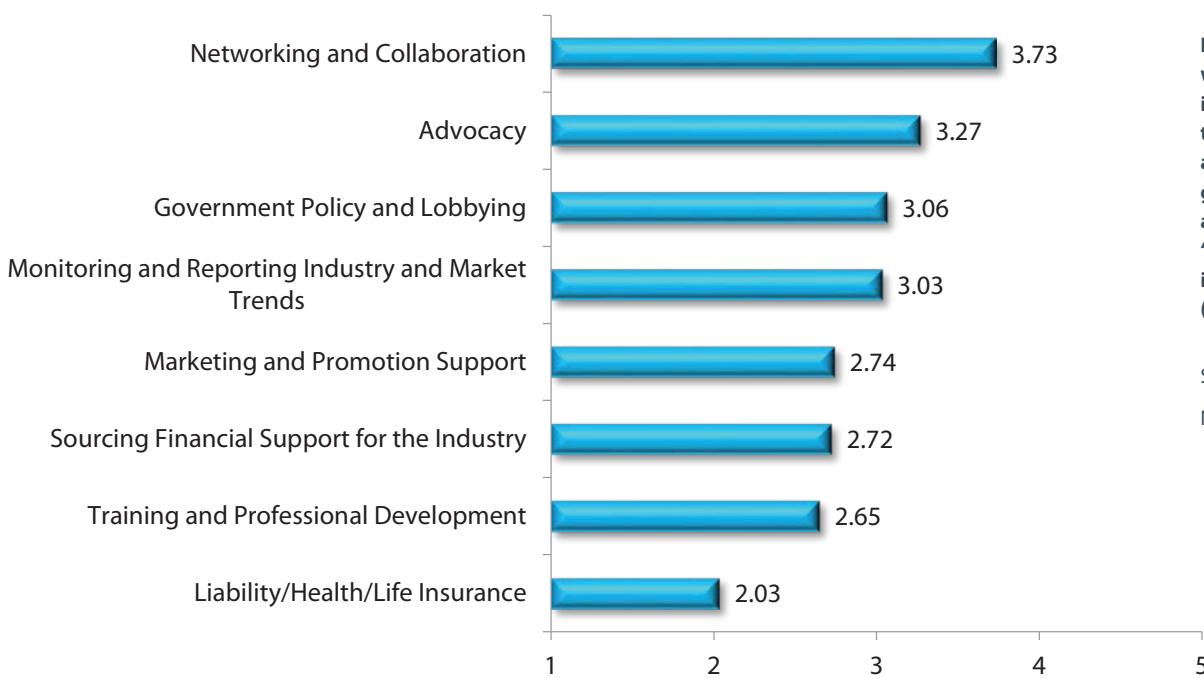


Figure 53 – Satisfaction with services provided by industry associations of those respondents that are a member of an association growth (average score on a 5-point scale where 1 is "Not at All Satisfied" and 5 is "Very Satisfied") (Canada, 2011)¹⁷

Source: 2012 CIIP Survey
N=65

¹⁷ Please note that a scoring system was used for this question. This chart presents the average score assigned to each barrier by respondents. The scoring system uses a 5-point scale, where 1 is "Not at All Satisfied" and 5 is "Very Satisfied."

Appendix A

Methodological Appendix

In order to fulfil the study mandate, Nordicity and the Canadian Interactive Alliance (CIAIC) undertook to revise and update the previous edition's methodology to reflect changes in Canada's interactive digital media industry. That said, the principal approach taken has not changed since the first CIIP was conducted in 2006: to collect data on companies operating in Canada's core IDM industry in a manner that can be analyzed and "grossed-up" to provide reasonable estimates of the entire Canadian interactive digital media industry. However, the methodology employed in this version of the CIIP does differ in terms of the questionnaire used and the target audience (as explained below). As a result of this change, the data presented in this report is not strictly comparable to the data presented in the 2006 and 2008 CIIPs.

A.1 Redefining and Reclassifying IDM

There are two significant changes to this study from previous versions of the CIIP:

1. The definition (and thus the scope of inquiry) of interactive digital media has been refined to reflect further changes in the industry, resulting in a narrower definition than that used in previous studies about the IDM industry in Canada; and
2. The classification of interactive digital media has been changed to reflect the maturation of the IDM industry in Canada.

The purpose of this change in definition and scope is twofold. First, it was observed by CIAIC that the definitions used in previous iterations of the CIIP included a wide variety of firms that may no longer be considered interactive digital media companies. For example, the previous definition included linear computer animation and visual effects firms. The present definition thus represents an attempt to refine the scope of inquiry to those firms that create "rich interactive experiences" or that supply services that directly enable other firms to create such experiences. Indeed, the principal difference from the previous definition and scope is that the current updated definition excludes general website design. Although the end user does interact with the content provided on websites, as the industry has evolved over the past several years, general website design has become less of a skilled trade requiring specialized expertise, and websites may not incorporate rich interactive experiences.

The second reason for the change was the perceived difficulty in identifying a given firm. Where the previous classification system required firms to identify themselves as a "games developer" or a "mobile application developer," many such categories have become nearly indistinguishable from one another. Consider, for example, a mobile games developer that effectively combines the two previous

distinctions. As such, it was deemed necessary to move away from an identity-based classification system to an activity-based classification system. For this study, firms were asked to identify the types of interactive experience they create, the platforms for which they make those experiences, to whom they sell those experiences, and the points at which they access the interactive market.

In order to ensure that this definition reflects the wide variety of interactive experiences created in Canada, it was developed with the direct input of CIAIC's members (i.e., provincial interactive digital media trade associations). **As a result of this change in definition, any comparisons made between this profile and previous editions of the *Canadian interactive Industry Profile* should be made with great caution.**

A.2 Survey Methodology

This study is primarily based on the results of an online survey exercise. In this case, the survey was deployed between November and December 2012. The survey link was distributed broadly with the assistance of partner organizations, including (in no particular order):

- Women in Film & Television Toronto
- Interactive Ontario
- Canadian Digital Media Network
- Canadian Media Production Association
- Internet Marketing Association
- TechVibes

Additionally, CIAIC undertook to identify "must-have" firms that were deemed to be critical to the results of the study. These firms, chiefly larger ones, were contacted individually (by CIAIC) and asked to participate. Once that list had been exhausted, CIAIC worked with the provincial associations to identify and contact smaller interactive companies. Finally, CIAIC engaged in a series of telephone reminders targeted at those firms that had initiated but not completed a survey questionnaire. The response rate and data limitations are described in Section A.4.

Some questions have been included in this study to reflect the needs of the Cultural Human Resources Council (CHRC). These additional questions are limited to the Employment section of the study.

Additionally, the CIIP study was undertaken simultaneously with a parallel study in Nova Scotia commissioned by the Atlantic Canada Opportunities Agency (ACOA) and Nova Scotia Economic and Rural Development and Tourism (NSERDT). This ACOA/NSERDT study was carried out over the same period as the CIIP, and a single survey was deployed to obtain data and information to meet both CIAIC's and ACOA/NSERDT's needs. Furthermore, the questionnaires were accessed by the same link,

with ACOA and NSERDT using data from Nova Scotia-based respondents. Although the Nova Scotia study was promoted separately and its results presented to ACOA and NSERDT independently, the data acquired was also consolidated with the rest of the CIIP data.

The CIIP survey exercise (including Nova Scotia respondents) garnered a total of 235 responses deemed to be sufficiently complete to include in the analysis. In this case, “sufficiently complete” questionnaires were ones where the respondents identified themselves in the classification system used (i.e., the types of experience they create, platforms they use, etc.). As not all respondents provided data for every question, the response count (or *n*-value) is presented for each chart. Charts that combine responses from two or more questions are based only on data from respondents that answered *all* relevant questions.

A copy of the 2012 CIIP survey questionnaire can be found in Appendix B.

A.3 Integration of Existing Databases

In recent years, several jurisdictions in Canada have conducted profiles of their own interactive industries. Two of these studies were undertaken by Nordicity – namely in British Columbia (surveyed from May to July 2012) and Manitoba (surveyed from December 2011 through February 2012). As these recent studies covered many of the same companies – and asked many of the same questions – as the CIIP, the decision was made to integrate the findings of those two studies into this report. However, the industry definition used by the BC and Manitoba studies reflected the definition used by the 2006 and 2008 CIIP studies (which, as mentioned above, are not compatible with the definitions used in this study). Accordingly, Nordicity manually interpreted each response from BC and Manitoba to determine if the respondent met the definition used in the 2012 CIIP. Only those respondents who met the CIIP definition of an interactive digital media company were included in the data presented in this report. In the end, 43 responses from Manitoba and 82 responses from BC were added to the CIIP database.

At the same time, the questionnaires used in the three surveys were slightly different. As such, Nordicity integrated the BC and Manitoba data into the CIIP database to the extent that it was possible without making assumptions. For example, while it was not possible to include revenue breakdowns for BC and Manitoba along the lines used by the CIIP, we were able to include employment data.

It should be noted that BC and Manitoba respondents were permitted to participate in the CIIP. In the unlikely event that a respondent participated in more than one study, the CIIP response was given precedence.

A.4 Gross-up and Data Limitations

Combining the CIIP database with responses available from BC and Manitoba, the present study includes data from a total of 360 interactive digital media companies operating in Canada. Typically,

Nordicity would compare this sample to comparable data available from an “administrative data source” to “gross-up” the sample to the size of the universe.¹⁸ However, while there are clearly more than 360 interactive digital media companies operating in Canada, there is currently no reliable count of all core IDM companies operating in Canada. For example, the North American Industrial Classification System (NAICS) splits the interactive digital media industry across several industry groups, many of which (such as 519130 – Internet publishing and broadcasting) include both core interactive companies and firms that would not be included in the CIIP (such as distributors of linear content over the Internet).

This data limitation means that Nordicity has had to use alternative means to estimate the portion of Canada’s core IDM industry captured by the survey sample. To do so, Nordicity looked to recent provincial interactive digital media studies to estimate the coverage rate of this study (i.e., the portion of companies, employment, or company revenue captured by the survey sample). Based on that estimate, Nordicity determined a gross-up rate for each province where data was available.

Where possible, a gross-up rate was determined by calculating the portion of revenue captured by the CIIP relative to the overall revenue from core IDM firms operating in that jurisdiction. As a fallback, Nordicity relied upon a count of companies (i.e., the portion of total core IDM firms present in a given jurisdiction captured by the survey sample). Where the definition of interactive digital media differed from that used in the CIIP, assumptions were made to estimate the portion of the provincial study that would likely apply to the CIIP. Finally, the individual provincial gross-up factors were assigned a weighting according to the share of responses from each province to arrive at a weighted average gross-up factor. For example, British Columbian core IDM companies accounted for 46.1% of the responses captured by the survey, for which a gross-up factor was available. As BC’s gross-up factor was 2.11, the portion of the total gross-up given by BC responses was calculated as follows: 46.1% of BC’s gross-up rate (i.e., $2.11 \times .461 = 0.973$) was included in the national gross-up rate. The same procedure was applied to all other provinces save Ontario (see below) to arrive at the final gross-up for Canada’s core IDM industry.

For Ontario, Interactive Ontario (IO) provided Nordicity with a recent list of IDM companies operating in the province. Nordicity identified those firms that are part of the core IDM industry and used that filtered list as the universe of potential respondents. Where possible, Nordicity identified micro-sized, standard, and large firms presented in this IO list. Having done so, Nordicity divided the Ontario portion of the survey sample into the same categories, and established an average firm profile for each category. Nordicity then multiplied this average firm profile (in each category) by the number of firms identified in the IO list in that size category and summed the results. As the gross-up methodology was different for Ontario than for other provinces, Ontario and non-Ontario data was calculated separately and subsequently combined. It should be noted that this methodology could only be applied to the following data: number of companies, overall revenue, overall expenditures, IDM revenue, number of

¹⁸ “Administrative data sources” include organizations like Statistics Canada and funding bodies (if public support is ubiquitous).

projects initiated, and number of projects completed. Other data presented in this report reflects an analysis of the entire national data set.

The following table outlines the results of this provincial gross-up exercise:

Province		Gross-up Rate	Source	Data Point Used
British Columbia	46.1%	2.11	<i>MediaScreen 2012 (forthcoming)</i>	Company Count
Ontario	N/A	N/A	Data supplied by Interactive Ontario	Company Count
Québec	18.5%	5.31	<i>Production multimédia au Québec: Portrait des établissements en 2007-2008 (2009)</i>	Revenue
PEI	0.8%	4.50	Interactive Digital Media Alliance of PEI	Membership Count
Manitoba	18.5%	1.00	<i>Manitoba New Media Census (2012)</i>	N/A
Nova Scotia	11.4%	1.52	ACOA/NSERDT Interactive digital media Profile	Company Count
Alberta	--	--	--	--
Newfoundland and Labrador	--	--	--	--
Saskatchewan	2.0%	65.62	<i>Saskatchewan Interactive Digital Media Association Sector Study Final Report (2010)</i>	Revenue
New Brunswick	--	--	--	--
National (average)	100%	4.91		

Notes: The Manitoba study was not subject to a gross-up methodology. The gross-up for Ontario assumes that games industry companies were as likely to respond to the survey as other IDM firms. Weightings may not sum to 100% due to rounding.

The following table provides additional detail on the provincial gross-up methodologies employed for this study:

Province Grossed-up	Source of Gross-up	Methodology
British Columbia	<i>MediaScreen 2012</i> (forthcoming)	Used the count of companies based on primary research conducted by Nordicity for the <i>MediaScreen</i> study. The company list was adjusted to match the definition used in this study.
Ontario	Interactive Ontario company list	Based on establishing the size of an average micro-sized, standard, and large IDM firm in Ontario.
Québec	<i>Production multimédia au Québec: Portrait des établissements en 2007-2008</i> (2009)	Based on an adjusted revenue figure designed to match the definition of IDM used in this study.
PEI	Interactive Media Alliance of PEI	Based on a count of members of the Interactive Media Alliance of PEI. Assumes that all significant core IDM companies in PEI are members of that Alliance.
Manitoba	<i>Manitoba New Media Census</i> (2012)	As the Manitoba study was a census operation, no gross up was conducted for this province.
Nova Scotia	ACOA/NSERDT Interactive Media Profile	Based on a company count provided to Nordicity by ACOA Nova Scotia and other partners of the ACOA/NSERDT Interactive Media Profile.
Saskatchewan	Saskatchewan Interactive Media Association Sector Study Final Report (2010)	Based on an adjusted revenue figure designed to match the definition of IDM used in this study. Low response rate results in a very large gross-up; however, it has a negligible impact on the national gross-up factor.

Note that a gross-up methodology was not possible for those CIIP respondents that indicated they were based outside of Canada.

In addition to the gross-up methodology, it is necessary to comment on the reliability of the figures presented in this report. For the national profile, the total number of potential observations (i.e., core IDM companies operating in Canada) is unknown. However, if one assumes an infinite universe, the 360 observations made for this study translate into a margin of error no greater than +/- 5% (19 times out of 20). However, it should be noted that respondents not necessarily answer all questions. As such, the margin of error will be larger for questions with fewer responses.¹⁹

19 The number of responses is indicated for each figure as "N=x", where "n" is the number of responses. Margins of error were not calculated for each question.

Appendix B

2012 Survey Questionnaire

Hi there! Please tell us where your company headquarters is located (Province/Foreign jurisdiction).

- Alberta
- British Columbia
- Manitoba
- New Brunswick
- Newfoundland and Labrador
- Northwest Territories
- Nova Scotia
- Nunavut
- Ontario
- Prince Edward Island
- Quebec
- Saskatchewan
- Yukon
- Outside of Canada (US)
- Outside of Canada (Other non-US)

Welcome to the Canadian Interactive Industry Profile Survey!

Thank you for agreeing to participate in this update to the Interactive Media Industry Profile (2012) conducted by Canadian Interactive Alliance (CIAIC). Whether your company is one or 100 people strong, you are an important part of the interactive media industry in Canada -- and we want to make sure that you're counted!

Why fill in the survey? To show why interactive media matters and why people should care. To improve and enhance support programs—e.g. public funding programs and provincial tax credits. To develop a national interactive media strategy. To guide how the industry grows and evolves in Canada.

COMPLETE THE SURVEY AND WIN! Complete the Canadian Interactive Industry Profile survey and your name will be entered into a draw to win the Great Canadian Video Game Bundle including an Xbox 360

or PlayStation 3 and a selection of top “made in Canada” video games, including: Assassin’s Creed 3, Deus Ex: Human Revolution, Sound Shapes, Fez, Papo & Yo and more!

How to fill out the survey CIAIC has engaged Nordicity to prepare and administer this online survey, which will ask about several critical parts of your company’s operations. This survey is likely best done by person(s) in senior management, who are most familiar with key financial, human resources and other strategic issues facing your company. In order to complete this questionnaire on behalf of your company, you will require access to project and financial information for the fiscal year ending in 2011.

Confidentiality: All of your responses to the survey will be kept strictly confidential and will only be presented (to CIAIC or anyone else) in aggregate. Your participation in this survey is of the utmost importance and is greatly appreciated. The questionnaire is easy to fill out and should take about 20 minutes to complete. If you have any questions about this survey, you may contact: Kristian Roberts of Nordicity at 416 657 2521 or email him at kroberts@nordicity.com.

About CIAIC: The Canadian Interactive Alliance / L’Alliance Interactive Canadienne (CIAIC) is a not-for-profit trade association formed in 2005 to serve as the voice of Canada’s interactive digital media industry. CIAIC’s membership is comprised of Canada’s seven existing provincial interactive digital media trade organizations: Alliance Numerique (Quebec), Interactive Ontario, New Media Manitoba, SaskInteractive, DigiBC, Digital Alberta, Interactive Media Association of PEI.

Definition of Interactive Media

The Canadian Interactive Alliance defines Interactive Media as “Digital content and environments that provide users with a rich interactive experience--either with content itself or with other users--for the purposes of entertainment, information or education.” Importantly, this survey is open to both Canadian-owned and non-Canadian-owned interactive media companies.

Who should complete this survey?

- Games developers
- Mobile app developers
- Transmedia producers
- Creators of interactive content for the web (e.g. an online magazine)
- Smart TV app developers
- Social platform developers
- Developers of e-learning materials and/or platforms
- Web app developers
- Interactive artists
- Any company that specializes in providing services to any of the above Products/Services not included in this definition:
 - vfx services (for non-interactive end products)
 - IPTV
 - business software

- productivity software
- compression technology
- general website design
- video delivery software/services (e.g. YouTube)
- non-interactive news/sports applications and services
- digital content publishing (e.g. of non-interactive books)***

If you're not sure whether your company fits our definition of interactive media, feel free to send us an email at kroberts@nordicity.com and we'll let you know!

General Information

Please fill in the following information.

Remember: At no time will your responses be attributed to your business. This information simply prevents duplicate entries.

Company name

Respondent name

Email address

Phone Number

Where are your company's operations located?

Location of company headquarters (City)

Do you have operations in other locations in Canada?

Yes

No

How many additional operations does your company have in Canada?

Do you have operations in other locations outside of Canada?

Yes

No

How many additional operations does your company have outside of Canada?

Please list the locations (City, Province/State, Country) of all additional company operations

A. Company Profile

A1. Which of the following best describes the structure of your business?

Private - Sole Proprietorship (i.e. it's only you)

Private - Partnership

Private - Cooperative

Private - Corporation

Public Corporation

A2. Is your company Canadian- or foreign-owned?

Note: A company's ownership is determined by the location of the person or company that owns 51% (or more) of the company.

Canadian-controlled

Foreign-controlled

A3. For how many years has your company been in operation in Canada?

Note: A company is "in operation" from its date of incorporation (if incorporated). Alternatively, if it is not incorporated, a company is in operation from when it began to pay employees (including owners).

Startup phase (less than 1 year)

1 - 3 years

3 - 6 years

7 - 11 years

12 - 20 years

More than 20 years

B. Profile of Interactive Media activities

Please note: In the following section all questions apply only to your company's interactive media activities, except where otherwise specified.

B1. Which of the following options best describe your company's lines of business?

Please select all that apply.

Games

Lifestyle/Entertainment

Sports/News

Education/Training/Simulation

Health/Fitness

Social/Communication

Interactive digital media (IDM) Services

Other, please specify: _____

B2. Which platforms do you create interactive media products for?

Please select all that apply and specify where prompted.

Mobile (Phones and Tablets) (please specify)

iOS

Android

Windows Phone

Other mobile platform

PC/Mac (software) (please specify)

OSX
Linux
Windows
Console (please specify)
Xbox 360
PS3
Wii
Handhelds (please specify)
PSP
Vita
DS (all variants)
Kiosk and Standalone
Social Network
Smart TV
Web (e.g. via a portal)
Other, please specify: _____

B. Profile of Interactive Media activities (Cont'd)

Please note: In the following section all questions apply only to your company's interactive media activities, except where otherwise specified.

B3. Who are your target customers?

Please select all that apply and specify where prompted.

Consumers: Adults
Consumers: Children
Businesses at Large
Governments and Institutions
Other IDM Firms (please specify)
Provide new, complete products (e.g. to publishers)
Supply parts of a product (e.g. middleware)
Provide services to creators (e.g. analytics, testing)
Create versions of existing products
Other creative businesses (e.g. Film/TV producers) (please specify)
TV Producers
Broadcaster
Magazines
Other
Other customer, please specify: _____

B4. Which distribution channels does your company use for its products?

Direct to customer (physical)

Direct to customer (digital)

Via digital store (e.g. app store, PSN, XBLA)

Via retail store (e.g. Walmart, Amazon)

Via third party application (e.g. Facebook)

Via third party distributor (e.g. game publisher)

Other, please specify: _____

C. Financial Profile & Sales Data

Please note: In the following section all questions apply only to your company's interactive media activities, except where otherwise specified.

C1. In the fiscal year ending in 2011, what was your company's total annual revenue for its Canadian operations?

We have not yet completed and/or reported on one complete business year

\$1 to \$49,999

\$50,000 to \$99,999

\$100,000 to \$149,999

\$150,000 to \$199,999

\$200,000 to \$249,999

\$250,000 to \$499,999

\$500,000 to \$749,999

\$750,000 to \$999,999

\$1.00 million to \$1.99 million

... 8 additional choices hidden ...

\$14.00 million to \$15.99 million

\$16.00 million to \$17.99 million

\$18.00 million to \$19.99 million

\$20.00 million to \$24.99 million

\$25.00 million to \$29.99 million

\$30.00 million to \$34.99 million

\$35.00 million to \$39.99 million

\$40.00 million to \$44.99 million

\$45.00 million to \$49.99 million

Over \$50.00 million

Percentage of total annual revenue attributable to interactive media products:

Public funding (in 2011) as percentage of total annual revenue:

C2. What percentage (%) of your total annual revenues for the fiscal year ending in 2011 was generated by projects in the following categories?

- Games Lifestyle/Entertainment Sports/News
- Education/Training/Simulation Health/Fitness
- Social/Communication IDM Services
- Other
 - Mobile (Phones and Tablets)
 - PC/Mac (software)
 - Console
 - Handhelds
 - Kiosk and Standalone
 - Social Network
 - Smart TV
 - Web (e.g. via a portal)
 - Other

C3. What percentage (%) of your total annual revenues for the fiscal year ending in 2011 is attributable to the following distribution channels and types of customers?

- Direct to customer (physical)
- Direct to customer (digital)
- Via digital store (e.g. app store, PSN, XBLA)
- Via retail store (e.g. Walmart, Amazon)
- Via third party application (e.g. Facebook)
- Via third party distributor (e.g. game publisher)
- Other
 - Consumers: Adults
 - Consumers: Children
 - Businesses at Large
 - Governments and Institutions
 - Other IDM Firms: Provide new, complete products (e.g. to publishers)
 - Other IDM Firms: Supply parts of a product (e.g. middleware)
 - Other IDM Firms: Provide services to creators (e.g. analytics, testing)
 - Other IDM Firms: Create versions of existing products
 - Other creative businesses (e.g. Film/TV producers, magazines)
 - Other customer

C. Financial Profile & Sales Data (Cont'd)

Please note: In the following section all questions apply only to your company's interactive media activities, except where otherwise specified.

C4. In the fiscal year ending in 2011, how many projects did your company initiate in the following categories?

Please provide your answer in numerals (i.e. "5" not "five).

- Games
- Lifestyle/Entertainment
- Sports/News
- Education/Training/Simulation
- Health/Fitness
- Social/Communication IDM Services
- Other
 - Mobile (Phones and Tablets)
 - PC/Mac (software)
 - Console
 - Handhelds
 - Kiosk and Standalone
 - Social Network
 - Smart TV
 - Web (e.g. via a portal)
 - Other platform

C5. In the fiscal year ending in 2011, how many projects did your company complete in the following categories?

A project should be understood to be a product or service that has been introduced into the marketplace. A project is considered to be "complete" when a minimum viable product is ready for sale, distribution and/or exploitation. Please provide your answer in numerals (i.e. "5"not "five). Note: This question refers to the same set of projects indicated in questions C4 above.

- Games
- Lifestyle/Entertainment
- Sports/News
- Education/Training/Simulation
- Health/Fitness
- Social/Communication
- IDM Services

- Other
 - Mobile (Phones and Tablets)
 - PC/Mac (software)
 - Console
 - Handhelds
 - Kiosk and Standalone
 - Social Network
 - Smart TV
 - Web (e.g. via a portal)
 - Other platform

C6. In the fiscal year ending in 2011, how many projects did your company initiate and complete that were intended for the following target customers?

A project should be understood to be a product or service that has been introduced into the marketplace. A project is considered to be “complete” when a minimum viable product is ready for sale, distribution and/or exploitation. Please provide your answer in numerals (i.e. “5” not “five”).

- | Number of projects initiated | Number of projects completed |
|--|------------------------------|
| <ul style="list-style-type: none"> • Consumers: Adults • Consumers: Children • Businesses at Large • Governments and Institutions • Other IDM Firms: Provide new, complete products (e.g. to publishers) • Other IDM Firms: Supply parts of a product (e.g. middleware) • Other IDM Firms: Provide services to creators (e.g. analytics, testing) • Other IDM Firms: Create versions of existing products • Other creative businesses (e.g. Film/TV producers, magazines) • Other customer | |

C. Financial Profile & Sales Data (Cont'd)

Please note: In the following section all questions apply only to your company's interactive media activities, except where otherwise specified. Export Sales: Please note that in this context export sales are defined by the location of your customer, not necessarily the end user. For example, if you have produced a game that you are selling to a publisher located in a jurisdiction outside of Canada (e.g. Japan) that would count as an export.

C7. In the fiscal year ending in 2011, what percentage (%) of your company's total annual revenue was derived from export sales?

Move the slider to indicate what percentage of your company's total annual revenue was derived from export sales.

C8. What percentage (%) of your company's revenue from export sales in the fiscal year ending in 2011 is attributable to the following export markets?

% of export sales revenues

- United States
- Latin America (Mexico, Central America & South America)
- Europe
- Asia/Pacific
- Africa

D. Access to capital

D1. What public programs does your company access for capital (as of the fiscal year ending in 2011)?

Used for Working Capital Used to make Capital investments

- Provincial Funding Programs (e.g. grants, bursaries, loans or other business support programs)
- Provincial Tax Credit Programs
- Scientific Research and Experimental Development (SR&ED) Tax Incentive Program
- Industrial Research Assistance Program (IRAP)
- Bell Broadcast and New Media Fund
- Canada Media Fund: Experimental Stream
- Canada Media Fund: Convergent Stream
- Banff New Media Institute - Accelerator Program
- Research Networks or Centres of Excellence for Commercialization
- Other

D2. What sources of private capital does your company use (as of the fiscal year ending in 2011)?

Used for Working Capital Used to make capital investments

- Self-funding
- Other Business Earnings
- Private Equity (e.g. Angel Investor, VC)
- Traditional Financing (e.g. bank loans)
- Other

E. Employment and Human Resources

Please note: In the following section all questions apply only to your company's interactive media activities, except where otherwise specified.

E1. How many employees did your company employ (on average) in the fiscal year ending in 2011 (including yourself)?

Remember: We are concerned with your companies' interactive media operations.

Creative/Artistic = Designers, layout artists, modelers, riggers, animators, etc.

Technical = Systems operators, programmers, network and communication specialists, etc.

Business/Administrative = CTO, CFO, production management, sales, marketing, PR, finance, etc.

Contract/Temporary labour = Individuals hired on a short-term basis, either full or part-time.

Freelancers = Self-employed workers employed on a contract basis for one or more companies.

- Creative/Artistic: Full-time staff
- Creative/Artistic: Part-time staff
- Creative/Artistic: Contract/Temporary/Freelance
- Technical: Full-time staff
- Technical: Part-time staff
- Technical: Contract/Temporary/Freelance
- Business/Administrative: Full-time staff
- Business/Administrative: Part-time staff
- Business/Administrative: Contract/Temporary/Freelance
- Interns and Volunteers

E2. How many hours (on average) did your part-time employees work in a normal work week in the fiscal year ending in 2011?

E3. What is the average annual salary of your business's current full-time employees in the following categories?

Senior = More than 6 years of experience

Intermediate = 2 to 6 years of experience

Junior = less than 2 years of experience

Please use the mean average and select the most appropriate range in the following drop-down menus.

Creative/Artistic - Senior

- \$0
- \$1-\$9,999
- \$10,000 - \$19,999
- \$20,000 - \$29,999
- \$30,000 - \$39,999
- \$40,000 - \$49,999
- \$50,000 - \$59,999
- \$60,000 - \$69,999

- \$70,000 - \$79,999
- \$80,000 - \$89,999
- \$90,000 - \$99,999
- \$100,000 - \$119,999
- \$120,000 - \$149,999
- \$150,000-\$200,000
- More than \$200,000

Intermediate

- \$0
- \$1-\$9,999
- \$10,000 - \$19,999
- \$20,000 - \$29,999
- \$30,000 - \$39,999
- \$40,000 - \$49,999
- \$50,000 - \$59,999
- \$60,000 - \$69,999
- \$70,000 - \$79,999
- \$80,000 - \$89,999
- \$90,000 - \$99,999
- \$100,000 - \$119,999
- More than \$120,000

Junior

- \$0
- \$1-\$9,999
- \$10,000 - \$19,999
- \$20,000 - \$29,999
- \$30,000 - \$39,999
- \$40,000 - \$49,999
- \$50,000 - \$59,999
- \$60,000 - \$69,999
- \$70,000 - \$79,999
- \$80,000 - \$89,999
- \$90,000 - \$99,999
- More than \$100,000

Technical - Senior

- \$0
- \$1-\$9,999
- \$10,000 - \$19,999
- \$20,000 - \$29,999
- \$30,000 - \$39,999
- \$40,000 - \$49,999
- \$50,000 - \$59,999
- \$60,000 - \$69,999
- \$70,000 - \$79,999
- \$80,000 - \$89,999
- \$90,000 - \$99,999
- \$100,000 - \$119,999
- \$120,000 - \$149,999
- \$150,000-\$200,000
- More than \$200,000

Intermediate

- \$0
- \$1-\$9,999
- \$10,000 - \$19,999
- \$20,000 - \$29,999
- \$30,000 - \$39,999
- \$40,000 - \$49,999
- \$50,000 - \$59,999
- \$60,000 - \$69,999
- \$70,000 - \$79,999
- \$80,000 - \$89,999
- \$90,000 - \$99,999
- \$100,000 - \$119,999
- More than \$120,000

Junior

- \$0
- \$1-\$9,999
- \$10,000 - \$19,999
- \$20,000 - \$29,999
- \$30,000 - \$39,999
- \$40,000 - \$49,999
- \$50,000 - \$59,999
- \$60,000 - \$69,999
- \$70,000 - \$79,999

- \$80,000 - \$89,999
- \$90,000 - \$99,999
- More than \$100,000

Business/Administrative - Senior

- \$0
- \$1-\$9,999
- \$10,000 - \$19,999
- \$20,000 - \$29,999
- \$30,000 - \$39,999
- \$40,000 - \$49,999
- \$50,000 - \$59,999
- \$60,000 - \$69,999
- \$70,000 - \$79,999
- \$80,000 - \$89,999
- \$90,000 - \$99,999
- \$100,000 - \$119,999
- \$120,000 - \$149,999
- \$150,000-\$200,000
- More than \$200,000

Intermediate

- \$0
- \$1-\$9,999
- \$10,000 - \$19,999
- \$20,000 - \$29,999
- \$30,000 - \$39,999
- \$40,000 - \$49,999
- \$50,000 - \$59,999
- \$60,000 - \$69,999
- \$70,000 - \$79,999
- \$80,000 - \$89,999
- \$90,000 - \$99,999
- \$100,000 - \$119,999
- More than \$120,000

Junior

- \$0
- \$1-\$9,999
- \$10,000 - \$19,999
- \$20,000 - \$29,999

- \$30,000 - \$39,999
- \$40,000 - \$49,999
- \$50,000 - \$59,999
- \$60,000 - \$69,999
- \$70,000 - \$79,999
- \$80,000 - \$89,999
- \$90,000 - \$99,999
- More than \$100,000

E. Employment and Human Resources (Cont'd)

Please note: In the following section all questions apply only to your company's interactive media activities, except where otherwise specified.

E4. In the fiscal year ending in 2011, did your company off-shore or import talent for any of the following categories?

Off-shored talent in 2011 Imported talent in 2011

- Creative/Artistic
- Technical
- Business/Administrative

E5. How many full-time employees does your company plan to hire over the next 12-18 months in the following skills areas?

Please note: If your company is planning (and/or likely) to lose employees over the next 12-18 months, please enter a negative number.

	Senior	Intermediate	Junior
Creative/Artistic			
Technical			
Business/Administrative			

E. Employment and Human Resources (Cont'd)

Please note: In the following section all questions apply only to your company's interactive media activities, except where otherwise specified.

E6. Please provide the following demographic information for your current full-time employees in each of the three skills areas listed below.

	Average level of education	Average age
Creative/Artistic		

- High School (or equivalent)
- Training through an apprenticeship program
- Training from a Technical or Professional Institution
- Some College or University

- College Degree
- Undergraduate University Degree
- Graduate or Post-Graduate University Degree

Technical

- High School (or equivalent)
- Training through an apprenticeship program
- Training from a Technical or Professional Institution
- Some College or University
- College Degree
- Undergraduate University Degree
- Graduate or Post-Graduate University Degree

Business/Administrative

- High School (or equivalent)
- Training through an apprenticeship program
- Training from a Technical or Professional Institution
- Some College or University
- College Degree
- Undergraduate University Degree
- Graduate or Post-Graduate University Degree

E7. How would you rate the current availability of well-trained, experienced talent for your company in the following categories?

Very Available, Often Available, Sometimes Available, Rarely Available, Not at all Available, Not

Applicable

- Creative/Artistic - Senior
- Creative/Artistic - Intermediate
- Creative/Artistic - Junior
- Technical - Senior
- Technical - Intermediate
- Technical - Junior
- Business/Administrative - Senior
- Business/Administrative - Intermediate
- Business/Administrative - Junior

E8. What specific skills areas are most lacking in the current interactive media talent pool in Canada?

- Business & Leadership Skills (including financial skills, and change/knowledge management skills)
- Production Management and Pipeline Skills
- Technical Digital Skills
- Artistic & Creative Skills
- Other (please describe): _____

E9. Over the next 3-5 years what do you expect will be the top three in-demand skills in the interactive media industry?

- 1)
- 2)
- 3)

E10. Does your company currently provide or facilitate in-career training for its employees?

- Yes
No

E10-a. In what specific skills areas do you most-often offer or facilitate training?

- Business & Leadership Skills (including financial skills, and change/knowledge management skills)
- Production Management and Pipeline Skills
- Technical Digital Skills
- Artistic and & Creative Skills
- Other (please describe): _____

E10-b. What training tools does your company currently access to offer or facilitate in-career training for its employees?

- Formal coaching or mentorship programs facilitated by a third party
- Formal internal coaching and mentorship programs
- Formal training opportunities facilitated by your company
- Informal on-the-job-training, coaching and mentorship
- Formal professional development and training facilitated by a third party

E11. What types of training would be best suited to remedying the current skills needs and gaps in the interactive industry in Canada?

- | Short term solutions | Medium term solutions | Long term solutions |
|--|-----------------------|---------------------|
| <ul style="list-style-type: none"> • Formal Internship or mentorship programs facilitated by a third party • Formal internal coaching and mentorship programs • Informal on-the-job-training, coaching and mentorship • Review of University and College curricula • Formal professional development and training facilitated by a third party • Formal training opportunities facilitated by your company | | |

E11. What types of training would be best suited to remedying the current skills needs and gaps in the interactive industry in Nova Scotia?

- | Short term solutions | Medium term solutions | Long term solutions |
|--|-----------------------|---------------------|
| <ul style="list-style-type: none"> • Formal Internship or mentorship programs facilitated by a third party • Formal internal coaching and mentorship programs • Informal on-the-job-training, coaching and mentorship • Review of University and College curricula • Formal professional development and training facilitated by a third party • Formal training opportunities facilitated by your company | | |

F. Associations, Incubators and Accelerators

F1. Is your company currently a member of any industry associations?

Yes

No

F1-a. Please list the industry associations for which your company is a member.

F1-b. What is your level of satisfaction with the services and support provided by industry associations in the following areas?

- | Very Satisfied | Satisfied | Neutral | Dissatisfied | Very Dissatisfied | Not applicable |
|---|-----------|---------|--------------|-------------------|----------------|
| <ul style="list-style-type: none"> • Training and professional development • Marketing and promotion support • Networking and collaboration • Advocacy • Government Policy and Lobbying • Monitoring and reporting industry and market trends • Sourcing financial support for the industry • Liability/Health/Life insurance | | | | | |

F2. Has your company ever been or are you currently a member of an incubator or accelerator?

Yes No

- Incubator
- Accelerator

F2-a. Please list the incubator and/or accelerator for which your company is or was a member.

F2-b. What is your level of satisfaction with the services and support provided by incubators/accelerators in the following areas?

Very Satisfied	Satisfied	Neutral	Dissatisfied	Very Dissatisfied	Not applicable

- Free or low-cost office space
- Coaching and mentoring
- Marketing and promotion support
- Management training
- Early-stage funding
- Partnership and collaboration opportunities
- Product development and commercialization support

G. Market Growth Prospects

In this final section of the questionnaire, we ask you about the future. We want to know how you think your firm will do over the next year or two, what new markets you are looking to get into, and what barriers (if any) stand in your way. Please note: In the following section all questions apply only to your company's interactive media activities, except where otherwise specified.

G1. Over the next 1-2 years, how do you think your company's revenue will grow/contract?

- Over 25% growth
- 15 - 24 % growth
- 10 - 14 % growth
- 5 - 9% growth
- 1 - 4% growth
- No change
- 1 - 4% contraction
- 5 - 9% contraction
- 10 - 14% contraction
- 15 - 24% contraction
- Over 25% contraction

G2. Please tell us in which of the following jurisdictions your company plans to initiate new business over the next 1-2 years.

By "new business" we mean any new activities. As such, these could be jurisdictions in which your company doesn't currently operate/generate revenues and/or jurisdictions in which your company would like to increase its business activities. Try to be as strategic as possible when selecting jurisdictions, while you may want to operate in all markets over the next 2 years, try to think of those jurisdictions that are most important to your company's future success.

- USA
- UK
- Western Europe (excl. UK)
- Eastern Europe (incl. Russia)
- Middle East and Africa, please specify: _____
- Asia: India
- Asia: China
- Asia: Other, please specify: _____
- South America, please specify: _____
- Other, please specify: _____
- None

G3. What are the factors that are limiting growth for your company?

Not at all limiting	Not very limiting	Somewhat limiting
Very limiting	Extremely limiting	Not applicable

- Tax credits in other jurisdictions
- Demand for your products/services
- Supply of skilled labour
- Supply of effective training programs
- International competition
- Affordable capital for expansion or day-to-day operations
- Access to foreign markets
- Management & marketing/sales expertise
- Collaboration among local firms in an effort to leverage economies of scale
- Client/producer/distributor demands
- Cost of operating in Canada
- Industry disruptions (e.g. strikes)
- Strength of the Canadian dollar

G4. Are there any conferences, marketplaces, or similar business development events either within Canada or internationally that would help your company achieve its strategic goals? Please list any that come to mind.

- Business development events within Canada:
- International business development events:

G5. Is there anything else you would like to add with respect to your company's potential for growth and/or factors that might be impeding that growth?

Thank you for your participation.

To submit your questionnaire, please ensure that you press the "Submit" button (the farthest button to the right). Your input has been critically important to CIAIC's understanding of the size, orientation and activities of the interactive media industry in Canada. Without the input of companies such as yours we would not have the information needed to advocate, create effective programs, or devise strategies that best serve the needs of the industry. Also, we remind you that all information submitted will be held in strict confidence by Nordicity and will only be presented in aggregate to CIAIC, its Board, or any other party. At no time will personal or company-specific information be made available. Remember to press the "Submit" button to be entered to win the Great Canadian Video Game Bundle! Thank you again for your participation.

Check the box below if you agree to let Nordicity share the name of your company and the types of products you produce with industry associations and organizations in your province/territory.

Please note: No financial, employment or sales data relating to an individual company will ever be shared with any party.

Yes, I agree to have the above-stated information shared with industry associations and organizations in my jurisdiction.

