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The “New Media” Business, Regulatory and Policy Landscape in Canada: its Implications for Supportive Policy

Final Report

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Executive Summary

The Canadian new media industry is a highly complex and varied environment. Its landscape is at the same time filled with promising opportunities, and challenging threats. Some parts of the industry are well-supported, while others are excluded from public support entirely.

Given the complexity of the new media landscape this report details the numerous ways that new media has been defined to date. In doing so, we developed the following composite definition of “new media”:

‘New media’ is content with which users can interact, that can be used to facilitate the interaction between users, or that is delivered to users on a platform whose primary function is such interaction.

We then developed business segments to analyze the new media funding infrastructure in Canada. Because of the convergent nature of new media, indentifying discrete segments is no easy task. We provide a detailed discussion of the intricacies of new media, leading to the following **new media business segments** for analysis:

- New media broadcasting
- Gaming content
- Traditional media extensions
- Promotional products
- New media aggregators, wholesalers and publishers
- Mobile-specific content
- Education and reference

We also examined the federal and provincial new media **support programs and incentives** for new media projects and/or firms, as provided by the following organizations:

- Canadian Radio-Television and Telecommunications Commission (CRTC)
- Canadian Television Fund (CTF)
- Bell New Media Fund
- TELUS Innovation Fund
- Fonds Quebecor
- Canadian Broadcasting Commission (CBC)

- The Canada New Media Fund (CNMF)[1]
- Canadian Culture Online (apart from the CNMF)

Upon examining the new media funding environment, we concluded that **gaps** exist in the following segments:

- New media broadcasting
- Traditional media extensions (for film)
- New media aggregators, wholesalers and publishers
- Promotional content
- Mobile content (somewhat)

Furthermore, we concluded that, while the "value chains" of these segments are varied, there is an overall paucity of support for two parts of the value chain of new media products: (i) early development, and (ii) marketing/distribution.

After evaluating the strengths and weaknesses of, and opportunities and threats to (SWOT) the seven business segments listed above, we found that the most accessible **opportunities for Canadian new media companies** exist in the following business segments (or sub-segments)

- Casual gaming content
- Mobile content (for 3G devices)
- New media aggregators, wholesalers and publishers
- Promotional content
- Educational content for Canadian schools

Finally, while we do not provide specific recommendations for the focus or direction of any particular new media support policy or program, this report does provide an optional approach to maintaining a relevant new media support infrastructure. Because of the rapidly evolving state of new media, we suggest that the process of developing a specific focus for public support should be on-going.

[1] We have opted to treat the CNMF separately from the rest of the CCO's initiatives. The CNMF is comprised of several concurrent initiatives spanning the gamut of new media products and so is more easily analyzed in isolation. It should be remembered, however, that the CNMF remains a part of the Department of Canadian Heritage's overall strategy for new media in Canada.

In this process, a report like this one could represent a useful starting point. This process, if employed may help to keep the support of Canadian new media production both relevant and effective.

1 Introduction and Context

The transition to digital technologies has been a common theme across the content and creative industries over the past five years. One way to represent this shift is in the rise of the Internet as an advertising platform – a role so far played by the traditional media (e.g. television, magazines, etc.). Indeed, global spending on Internet advertising (including mobile) has risen from $12.6 billion in 2003 to about $49.5 in 2007. Moreover, this figure is expected to grow to over $120.3 billion by 2012.[2]

This is not to say that 'traditional media' has waned just yet. In fact, total digital and mobile distribution comprised only 5% of revenues in the entertainment media sector in 2007 (worldwide). These revenues will, however, account for 24% of the growth in the entertainment media sector over the next five years.[3] So, while digital technologies, may not currently comprise a large piece of the world's entertainment and media spending, they do present very significant opportunities for firms with innovative ideas and the infrastructure to realize those ideas.

This report outlines some of these opportunities as they relate to the Canadian context, while examining the support infrastructure available to help Canadian companies capitalize on these emerging market openings. To do so, we will first situate 'new media' – an oft ill-defined term – by reviewing the definitions of new media and offering a taxonomy for analysis. We will then examine new media business segments, identifying their strengths, weaknesses, opportunities and threats (SWOT), in a Canadian context.

These SWOTs will then be mapped to an overview of the funding/regulatory environment in which those technologies must operate in Canada. Specific attention will be paid to support available for the various elements of the new media 'value chain' in each identified business segment.

Lastly, we come to some conclusions as to how support for the new media industries can be administered in the future.

[2] PwC. *Global Entertainment Media Outlook: 2008-2012*

[3] Ibid. pg 20. PwC's definition of digital and mobile distribution includes online renting/digital streaming, video-on-demand, mobile TV, internet/mobile music, internet advertising, satellite radio, online video games, wireless video games, video game advertising, electronic professional books, electronic consumer and educational books, and online and mobile gaming.

2 Defining "New Media"

In this section we discuss the definition of new media in order to arrive at a workable segmentation for examination and analysis.

We first look to several existing definitions, and then review various aspects of new media, including the following:

- Content (e.g. video, games, etc.)
- Delivery and distribution methods
- Routes to market
- Business models (i.e. method of generating revenue)

Using these lenses we refine our focus onto seven market segments, which are evaluated as opportunities for Canadian new media firms. As a consequence of the rather convergent nature of new media, these market segments are not 'air-tight,' thereby permitting osmotic seepage of various products into other segments. Additionally, this categorization combines content, delivery/distribution, and business models.

2.1 Overall definition

As a point of departure, we will need to arrive at an understanding of 'old' or 'traditional' media. While there no clearly drawn line between 'traditional' and 'new' forms of media, the former is typically understood to mean:

Media transmitted from one source to many users, that incorporate little to no interactivity between users or with the media itself and that are transmitted through distribution vehicles.

Turning to 'new media,' the term itself seems to defy simple definition. Nonetheless, we will begin to clarify its meaning by outlining the rather vague descriptions already afield. In the Canadian context, the Canadian Radio-Television and Telecommunications Commission (CRTC), Ontario Media Development Corporation (OMDC), and Canadian Interactive Alliance (CIAIC) provide three somewhat conflicting definitions of 'new media':

- **CRTC:** "[I]nformation and entertainment content which may or may not be new, linear, interactive or professionally produced, but which is available to the general public on new point-to-point distribution platforms such as Broadband Internet and Mobile Wireless."[4]

[4] Source: "New Media Background," CRTC Nov. 2007, p 1.

- **OMDC:** products "intended to be experienced by the end user on a digital platform that is capable of interactivity and allows users to make decisions and have control over the content and the form and sequence in which it is presented," that "consists of a combination of two of text, sound and images" and that are not "repurposed linear or streaming content." [5]
- **CIAIC:** "digital media which enables users to interact with other user or with the media itself for the purposes of entertainment, information and education [and includes two sub-sectors, the entities creating the media content (creators) and the entities that are focused in allowing the media to be manipulated to facilitate distribution to the user (enablers)."[6]

Notably these definitions are simultaneously overly broad and motivated by a particular stance on new media. For example, the CRTC is concerned with 'new media broadcasting'[7] whereas the OMDC is primarily focused on 'interactive' content. Indeed, these two definitions seem to mutually exclude one another. The CIAIC's rendition, on the other hand, extends the definition to technical endeavours, while still excluding most of the CRTC's constituency. The following table outlines the scope of the above definitions:

Figure 1 - Definitions of New Media Compared

	CRTC	OMDC	CIAIC	Nordicity
Includes traditional media on new platforms	✓	✗	✗	✓
Includes interactive content	✓	✓	✓	✓
Includes supporting technologies	✗	✗	✓	✓
Requires multiple forms of media	✗	✓	✗	✓

The reality is that "new media" is an inadequate term to describe the emerging relationships between user and content. As such, we propose the following definition:

'New media' is content with which users can interact, that can be used to facilitate the interaction between users, or that is delivered to users on a platform whose primary function is such interaction.

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[5] Source: Guidelines to OMDC Interactive Digital Media Fund, 2007.

[6] Source: Canadian Interactive Alliance, *Canadian Interactive Industry Profile 2006* November 2006.

[7] Traditional media transmitted along new channels.

As is immediately evident, this definition, though perhaps more complete, does little to inform analysis of the Canadian new media environment. It is for this reason that a more involved taxonomy of the new media environment is necessary. It should also be noted here that we have excluded what the CIAIC calls “enablers” from our definition of new media. Enablers include, but are not limited to, the following:

- Software development and software publishing,
- Digital compression algorithms (e.g. MPEG3 and DVB-H standards),
- Rendering programs (e.g. Java),
- Visual effects design and development.

While critical to the deployment of new media, these technical functions work with, but do not comprise content. As such, they are not media according to our definition and so will be excluded from the remainder of our analysis. Nevertheless, some content-driven new media is inextricably linked to an enabler. For instance, much gaming content relies heavily on graphics rendering, software development (e.g. physics engines for motion and hair) and other such enabling technologies to the point where the content and enablers can be indistinguishable.

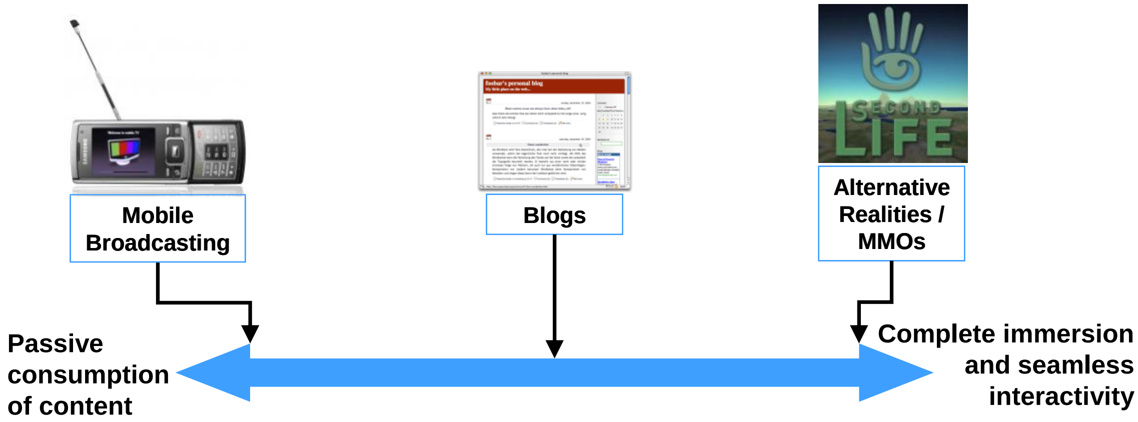
In this case, we would include the analysis of enabling technologies only so far as they allow the content developer to access funding limited to technical innovation (e.g. SR&ED and IRAP, which are federal government vehicles to support technological development).[8] Thus, only those enabling technologies that are directly associated with a content product are considered part of new media for the purposes of this study.

2.2 Types of Content

One issue with the definition of new media in is that interactivity is not a black or white issue, but rather is better conceived of as a spectrum (as illustrated below).

[8] SR&ED represents Scientific Research and Experimental Development, and IRAP is the Industrial Research Assistance Program.

Figure 2 - Interactivity Spectrum



Divisions between these types of content as they appear on this spectrum are not as clear as they might at first appear. For instance, streaming video (passive content) may be posted to a weblog ('blog') on which interactive text/images are also present. Also, many video games contain a passive element to their storytelling (i.e. cut-scenes).

This ambiguity leads one to divide forms of content by assigning primary status to one form of content (e.g. games should be treated as highly interactive content, despite more passive storytelling elements). As this approach is hardly an analytically rigorous or scientific process, we will only use the ends of the spectrum when devising our market segments: total passivity and complete immersion.

In all cases, however, the definition of new media used in this study *requires* the inclusion of content, as opposed to software of platform. While this distinction may be tenuous in places (e.g. in highly technical gaming content), it excludes from analysis productivity tools, management applications, and the platforms themselves. For example, we would consider Nintendo Wii applications as content, but not the Wii console itself.

Similarly, social networking platforms (e.g. MySpace, Facebook, etc.) are considered only insofar as they are inextricably linked to the content they purvey. That is to say that Facebook, *per se* does not create content, and so taken alone is not 'new media.' However, when it is used by members (who add content and interact with one another), it becomes 'new media.' Given that the content cannot be divided from the platform, we conclude that social networks are new media.

2.3 Delivery and Distribution methods:

As we have established that forms of content do not tell the whole story of new media, we now turn to the modes of delivery and methods of distribution used by new media providers. To that end, we can identify the following channels of content:

- Internet to PC
- Internet to Wireless/Mobile (mobile phones and smartphones)
- Physical format (e.g. CD, DVD, Blu-Ray)
- Internet to Game platform (e.g. Xbox 360 or Playstation 3)

Interestingly, all forms of new media content can be distributed using each of the above delivery methods. Game content is delivered via the Internet to consoles, PCs and mobile phones and using physical formats. At the same time, passive audio-visual content is currently being delivered by streaming Internet feed to PCs (streaming and downloaded video), mobile phones (e.g. DVB-H broadcasting), physical formats, and gaming platforms (e.g. through Xbox Live!).

Again, we conclude that delivery methods alone are not sufficient to segment the new media environment in Canada. This is not to say, however, that platforms are meaningless in the new media landscape. While content may be transportable, there are significant differences in production environment. For example, content development for mobile devices faces challenges and opportunities that differ from development in a standard web environment. In the case of delivery methods, as with content, we are concerned with the primary method of distribution.

2.4 Routes to Market

A third avenue along which to parse new media is the route to market (or end user) taken by various product offerings. As our definition of new media relies on the existence of content, these routes to market are viewed from the perspective of the content producer. Essentially, we are asking: “Who is the end user?” The following table outlines the five possible answers to this question:

Figure 3 - Routes to Market

Route to Market / End User	Description	Example(s)
Aggregators of content	Selling content to a service that then repackages it for wider consumption	▪ Hulu, Heavy.com (online video) ▪ Most mobile content
Personal users/consumers	Selling directly to consumers	▪ Most gaming content
TV and film producers or broadcasters	Selling applications or games to TV or film producer (or broadcaster) to support new or existing ‘old media’ content	▪ Xenophile Media for Regenesis ▪ Degrassi: TNG’s website
Corporate client	Producing commissioned work for a brand or to promote a consumer product	▪ “Aver-games” ▪ Branded portals
Existing applications	Using existing applications as platforms for content distribution	▪ Facebook applications ▪ Widgets

2.5 Business Models

The final lens through which we will gaze at the new media landscape is the manner by which revenues are generated. We have found that new media content aims to generate revenues by the following means:

Figure 4 - New Media Business Models

Business Model	Description	Example(s)
Unit sales	The sale of a product to the end user (consumer, or corporate client)	▪ Download to own games (e.g. Direct-2-Drive) ▪ Physical media sales ▪ Degrassi: TNG's website ▪ Advergames
Content aggregation	Selling content to a service that then repackages it for wider consumption	▪ Hulu, Heavy.com (online video) ▪ Most mobile content
Advertising	Revenues generated from search, pre-roll, banner, and/or embedded advertising	▪ Many websites
Sponsorship	Product manufacturers and/or service providers fund the creative of new media for promotional purposes	▪ Branded entertainment on product sites (e.g. 'Capture the Cube' game for Mountain Dew)
Cross-subsidization	Content creation and distribution is funded a related media organization. New media content becomes an extension of the existing media brand	▪ Newspaper and broadcaster websites
Subscription and Memberships	Users pay a one time or recurring fee to access content	▪ MMOs (e.g. World of Warcraft) ▪ Online communities of interest (e.g. Kaboose) ▪ SMS services on mobile devices
Pay-per-use/view	Content that is experienced remotely or is downloaded for a limited period (a "tethered download"	▪ Online video sites (e.g. Vuze.com, iTunes)
Micro-transactions	Revenue is generated through many small purchases made to enhance the new media experience	▪ Small expansions to gaming content ▪ Virtual goods

While these business models tend to be discrete, any given new media product may make use of more than one of the above business models. For instance, a game may be sold via retailers, contain in-game advertising and make use of incremental micro-transactions. Similarly, a TV-series' interactive website can be funded in part by the show's broadcaster and/or producer while also making use of advertising revenues and pay-per-view (e.g. of HD episodes viewable online). Indeed, owing to the often marginal returns (and generally rising costs of new media production) a multi-pronged business model is in many cases a prudent strategy for companies engaged in new media production/publishing.

As with forms of content, when examining the business models of new media we are called upon to judge which business model is primary. This largely arbitrary manner of classification is at times misleading. For instance, while there may appear to be a large amount of advertising on a TV program's website, the site's creation itself may have been included in the program's overall production budget (and indeed may have received funding from the CTF and/or Bell New Media Fund). As such, any revenues generated by the website through advertising sales are largely incidental and are likely to be of secondary concern to the broadcaster (next to the promotion of the program).

2.6 Business Segments

Taking into account the four above dimensions to new media, we will now attempt to develop an analytically useful business segment with which we can examine the current funding and policy environment for new media in Canada. Rather than attempting to devise hermetically sealed categories using one of the above lenses, we have opted to look at new media with a mixture of content types, delivery/distribution methods, routes to market and business models.

As there is so much overlap and interplay within the four 'dimensions' of new media, we have attempted to isolate those unique elements around which a business segment can be formed. For example the segment "new media broadcasting" isolates only that content at the passive end of the interactivity spectrum (a unique quality of some new media products), but is agnostic to the method of delivery, route to market or business models. Similarly, "mobile content and applications" denotes all products that make use of particularities of the mobile platform.

Using this method, we have developed the following business segments:

Table 1 - New Media Business Segments

Market Segment	Rationale	Examples
New media broadcasting	Area to be examined by CRTC that most closely resembles traditional forms of media consumption (i.e. radio and television).	▪ Internet radio and Internet television ▪ Web/Mobisodes versioned from traditional media properties ▪ Original web/mobile video content
Gaming Content	Interactive, entertainment content is	▪ Console Games[9]

[9] Note that gaming content developed for handheld platforms (e.g. Sony's PSP or Nintendo's DS) can fall either into the console or casual gaming category. For example, while *God of War:*

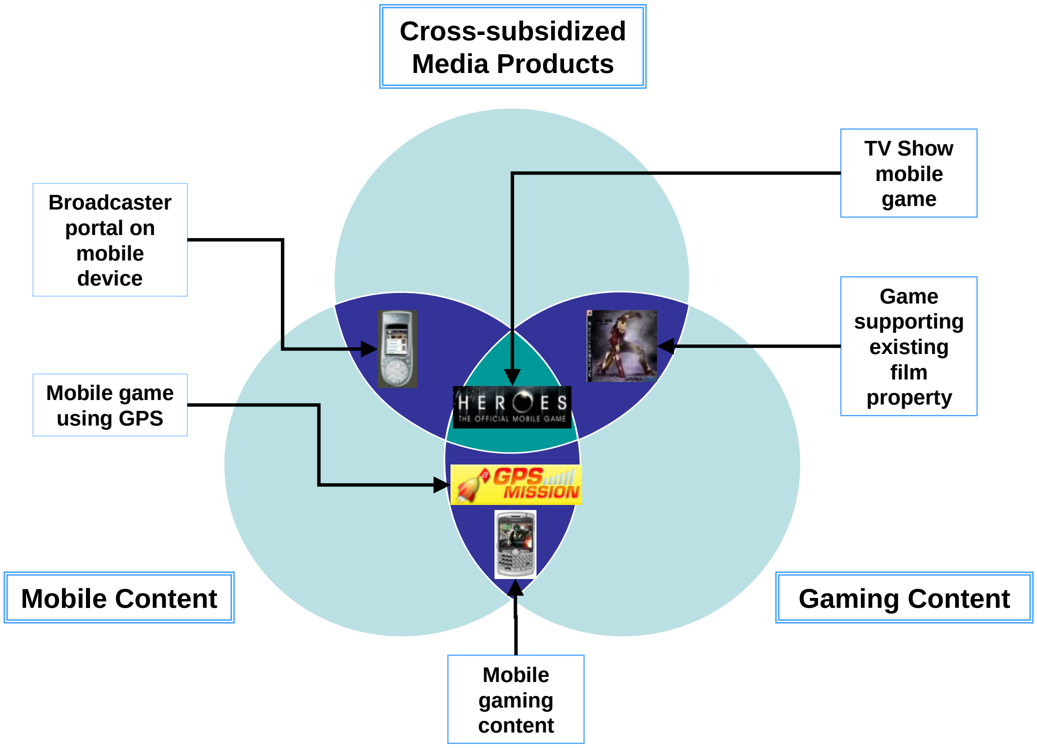
Market Segment	Rationale	Examples
	a particular activity. Part of various provincial economic strategies (esp. Quebec)	▪ PC (stand alone) games ▪ Mobile games ▪ Online games (from Checkers to World of Warcraft)
Traditional media extensions	Well-supported segment, tied to traditional media. The new media content is primarily a marketing vehicle for the associated media property	▪ Film/TV website and associated interactive content (excluding games)
Promotional products	Products created expressly for the support of a physical product or service.	▪ Branded portals and websites ▪ Adver-games
New media aggregators, wholesalers and publishers	Critical both as conduits for content (aggregators) including social networks, but also the presentation and often sale of content (publishers). These firms then take this content directly to the end user (usually a consumer). "Content" can be information/knowledge, entertainment, social networks, games, and e-commerce	▪ YouTube ▪ Wikis ▪ Flickr ▪ Online 'communities of interest' (publishers) ▪ iTunes ▪ Xbox Live! ▪ Blogs (e.g. Slashdot, the Dredge Report, TechCrunch)
Mobile-specific content	Applications specifically designed for a mobile device as the distribution platform	▪ Location-based applications like friend finders, Bluetooth-based advertising ▪ WAP portals
Education and reference	Content whose purpose is to inform	▪ Scholastic e-learning ▪ Corporate e-learning

Notably, we have excluded IPTV and VOD as they closely resemble traditional (passive) broadcasting and thus do not reflect the definition of 'new media' proffered above. Also, IPTV has gained little traction in the Canadian marketplace, although incumbent telecom companies are slowly into launch mode with IPTV to compete against cable companies.

As in the case of most definitions of new media, it is very difficult to establish discreet components of the industry. There are overlaps in several areas, as the graphic below illustrates, using mobile gaming as an example:

Chains of Olympus (developed by ReadyatDawn Studios for the PSP) incurred costs similar to those experienced by console games, other more casual games like *Cooking Guide: Can't Decide what to Eat?* (Nintendo) are comparatively cheaper to develop. This latter type of handheld game is best described as a casual game.

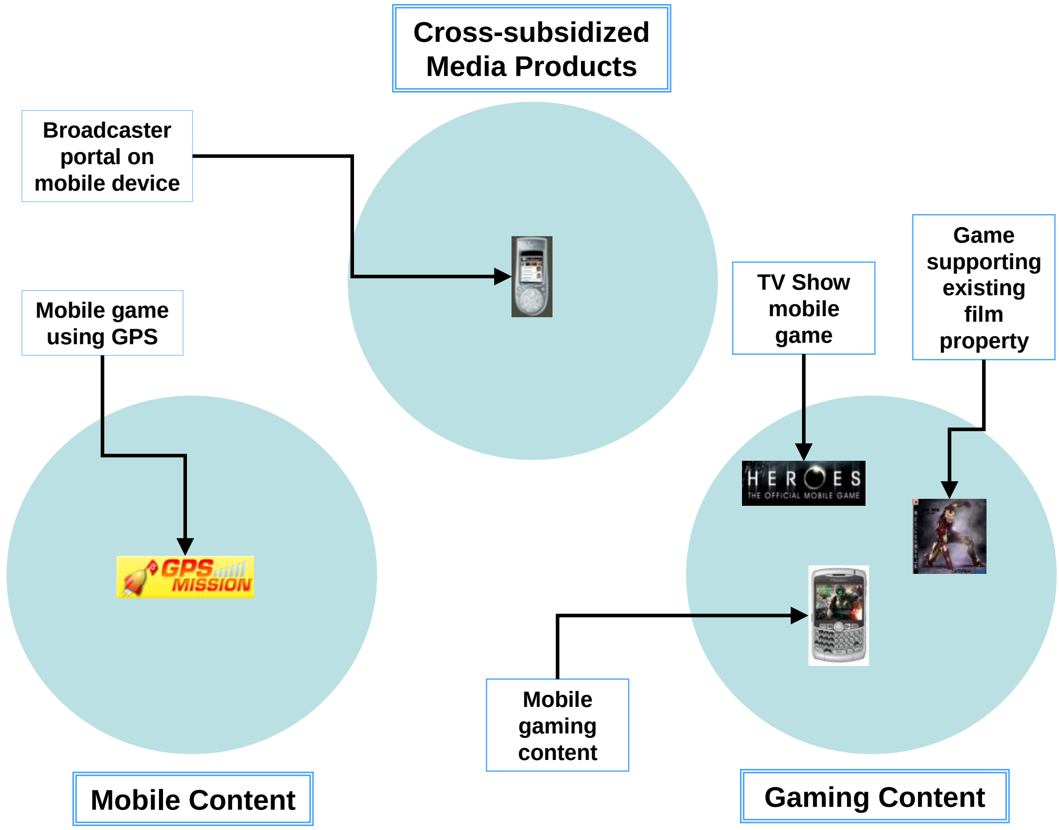
Figure 5 - Complexity in Mobile Gaming



As the above graphic illustrates, even categorizing mobile games can be difficult. Mobile content can be a new media extension of an existing media property (e.g. Fashion TV's Wireless Application Protocol portal), gaming content (e.g. *Command and Conquer 3*: Mobile Edition) or both (e.g. *Heroes: the Official Mobile Game)*.

To make better sense of this complex environment we have attempted to find the primary or unique element of each of these market segments. For instance, the "mobile content" segment does not contain all content available on mobile devices (e.g. mobile games, mobile versions of social networking platforms, etc.), but rather accounts for that content which is *specifically* tied to a mobile device (e.g. location-based services based on mobile GPS transceivers). Products/content sharing this differentiating attribute have then been grouped together. Returning to mobile content, when we 'pull apart' the diagram, our business segments emerge.

Figure 6 - Mobile Games into Business Segments

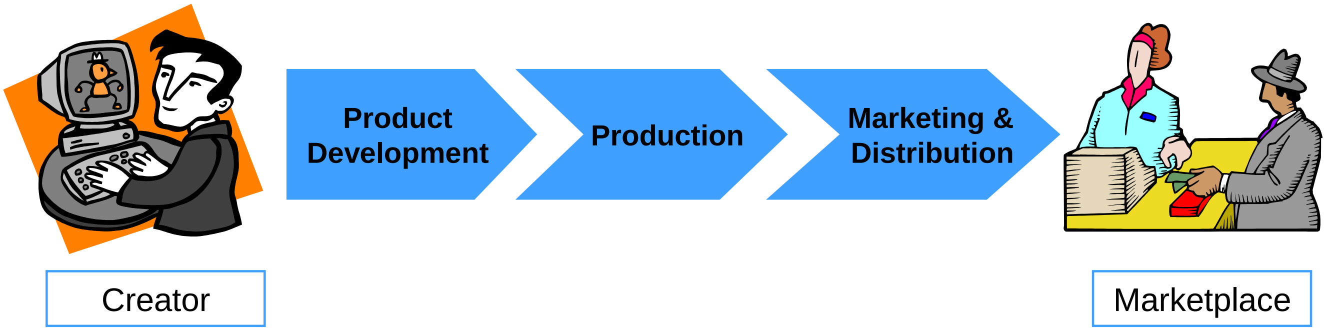


As the above figure illustrates, what we are concerned with is the factor that distinguishes a new media product from other products with which it shares content, distribution, market access or business model attributes. In the above example, the mobile game using GPS *requires* the particular abilities of handsets, whereas mobile gaming content simply happens to be distributed on the mobile platform.

2.7 The New Media Value Chain

As with any industry, the new media industry's products are developed, produced and distributed. This process, where value is added in each progressive step is commonly referred to as a 'value chain.' The following figure illustrates a simplified rendition of how this is done.

Figure 7 - Simplified Value Chain



Note to figure: exports are considered as a part of marketing and distribution

The new media industry's value chain has its own peculiarities. The new media market changes rapidly, and so the move from a creator's idea to the production of a product must be quite swift to take advantage of fleeting opportunities. In other words, product development is perhaps the most critical element of the new media value chain.

Another factor particular to the new media value chain is that the traditional Research and Development (R&D) model does not map easily on to the manner in which new media products are created. For example, an automobile firm might research new engine configurations or fuel sources, and then apply that research to the development of a new model of car. A new media firm's research, on the other hand, is more likely to result directly in the product that will be taken to market, especially if that firm is a new media content producer. For instance, processes that provide the technical environment of a video game (e.g. programs that determine the physics, lighting, etc.) are often developed together with the more narrative content. Indeed, the Canadian Interactive Alliance has concluded that "the content and technology features of interactive media – once easily distinguishable from one another – are now often developed in tandem."[10]

New media is a nascent industry in Canada, and one that produces cultural content. As such, it needs an integrated support infrastructure to address areas in the value chain where there is "market failure" (i.e. where public support and/or financing is necessary to support the fledgling industry). These might vary from business segment to business segment.

In any event, while different business segments might require emphasis to be placed on different parts of the value chain to be successful, only a complete value chain will result in a successful product. Only fully commercialized products will lead to the betterment of the Canadian new media industry. This approach is similar in nature to the "from script to screen" mantra of the film and television production sector.

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[10] Source: Canadian Interactive Alliance, as quoted in Telefilm Canada's "Comments on the Scope of a Future Proceeding on Canadian Broadcasting in New Media," July 11, 2008.

3 Regulatory and Policy Environment

In this section, we will examine the support framework in Canada for the new media business segments identified above. We will first present an overview of the federal, provincial and technical support bodies of which the Canadian new media industry makes use. In doing so, we will identify the programs or policies relevant to new media businesses, the points along the 'value chain' (see below) that these programs and policies support, and the levels of funding available (if applicable).

Following each overview, we return to our new media business segments to determine which programs support which segments. That analysis will form a crucial component of the SWOT analysis present in the next section.

3.1 Overview of New Media Funding and Support Programs

To map the new media funding and support environment in Canada we examined the policies of several federal programs and organizations, some leading provincial support mechanisms, and two (federal) 'technical' funds. Among the federal mechanisms we did not limit our research to those organizations that directly fund the creation of new media products. Rather, we extended it to include those bodies like the CRTC and CBC which provide indirect public support, be it through regulation or the commissioning of work.

We have, on the other hand, limited the discussion to organizations and programs that specifically deal with new media. To be sure there are initiatives (e.g. OMDC and the Ontario Ministry of Culture's Entertainment and Creative Cluster Partnership Fund) that apply to the breadth of the creative industries, and so can be accessed by new media companies. However, our focus is on what is being done *specifically for new media* in Canada, and our choice of funding/support organization reflects that priority.

For these federal organizations, and their provincial and technical counterparts, we have provided a brief description of the programs and/or policies that the organization provides, noted the points along the new media value chain (see Section 2.7, above) supported by that organization, and detailed the funding or support available (highlighting the total size of the fund where possible).

3.1.1 Federal Departments and Agencies

Figure 8 - Federal Support and Funding for New Media

Organization	Description of Programs or Policy	Points on the Value Chain Supported	Funding or Support Available
CRTC	**Currently re-evaluating stance:** ▪ Four possible outcomes, some not mutually exclusive: (i) continue to rely on market forces, (ii) introduce/increase subsidies, (iii) add "opt-in" and "incentive-based" reg. mechanisms, (iv) introduce more conventional reg. mechanisms ▪ "New media broadcasting" and "mobile broadcasting" are currently exempt from *Broadcasting Act* **Main Interests in new media:** ▪ Net neutrality: Interested in ensuring proper traffic management no undue discriminatory conduct by ISPs (e.g. limiting access to certain websites, throttling) ▪ Content: CTRC has divided content in 3: UGC, inexpensive commercial content (news, information) and high-quality, expensive programming ▪ Asking if new media will/has fundamentally changed 'casting business model ▪ Access to infrastructure: also an issue (affordability and availability of services)	▪ Rights associated with new media production (and fair compensation thereof) are currently begin examined as part of the "Terms of Trade" negotiations imposed by CRTC on TV broadcasters. ▪ Could (in theory) stipulate an ISP levy to fund production of new media projects ▪ Currently regulate fair use of the platform on which a large portion of new distribution occurs (i.e. the Internet)	▪ No direct funding support. However, if an ISP levy is introduced there would be funding through an equivalent of the CTF
Canadian Television Fund (CTF)	▪ CRTC recently proposed changes to CTF that include the establishment of a new media stream of production funding ▪ This fund potential targets among 'new media' segments were not discussed ▪ Stipulates that broadcaster must pay for ancillary (e.g. web/mobile) rights ▪ Rates of these rights are to be determined in terms of trade negotiations	▪ Currently supports interactive extensions of children's TV programming (both development and production) as part of general production envelope	

Organization	Description of Programs or Policy	Points on the Value Chain Supported	Funding or Support Available
Bell New Media Fund (IPF)	To be eligible projects must ▪ include both NM and TV elements, ▪ obtain a minimum of 8 CAVCO points, ▪ have a broadcast commitment for the TV component ▪ not be news, reporting, or sports	▪ The Fund support both the production and development of TV-related, new media extensions of traditional media products (not those products related to film properties)	▪ **Production** – NM component: 75% of costs up to $250,000 (+ possible $100,000 bonus to match broadcaster contribution) ▪ **Development** – NM component: 75% up to $50,000 (+ training element) **Total Funding (2007): $8.3 million**[11]
CFC (TELUS Innovation Fund)	▪ Part of Canadian Film Centre ▪ Key criteria are innovation and narrative ▪ **Innovation Fund** invests in new forms of high-quality, original Canadian content that explore new ways of approaching entertainment and storytelling. This fund supports projects in the form of a recoupable contribution towards the production of innovative film, television, new media, or cross-platform content projects. ▪ Requires that 50% of funding be in place	▪ Production of narrative interactive media	▪ Up to $100,000 per project **Total Funding (annually): up to $300,000**

[11] Source: CRTC (2008) pg 178.

Organization	Description of Programs or Policy	Points on the Value Chain Supported	Funding or Support Available
Fonds Quebecor	▪ Funds the production of an interactive multimedia product that will use ICT including necessarily high speed Internet or interactive television; projects must be associated to TV programs that have been 'picked-up' by a broadcaster. ▪ Quebecor Fund "favours projects where use is made of advanced technologies permitting interactivity at the televisual production level as well as at the level of multimedia intended for high speed Internet."	▪ Funds the production of an interactive multimedia products	**$500,000** per project up to 35% of production and NM combined budget **Total Funding (2007): $3,500,000**[12]
Canadian Broadcasting Corporation (CBC)	▪ 4 Internet services (cbc.ca, radio-canada.ca, radio3, bandeapart and RCIviva) ▪ Most popular broadcaster-related site in Canada (2008), but not in top 25 of video content ▪ Revenues more than double target in 2006/07 ▪ TV and Radio websites grew 19% and 13% respectively from 2005/06 to 2006/07 ▪ Signed deal with Quattro Wireless to provide real-time, ad-supported news, sports and entertainment content through mobile phones ▪ Negotiates with content providers for right in all formats ▪ Widely applauded for multi-platform approach (e.g. trad. radio shows w/ websites and weekly podcasts) ▪ Have commissioned 1st web-only video content recently (*Bloody Immigrants*)	▪ Commissions the development and production of new media broadcasting	▪ $10.3 million spent in 2006-2007 on 'cross-media programming'
Canada New Media Fund (administered by Telefilm on behalf of the Department of	▪ Total annual budget is about $14.5M (2007) several layers of involvement (i.e. approvals) in production process ▪ Requires that copyright to be retained by CDN company ▪ 3 components of CNMF administered by Telefilm: ○ **Product Assistance** – conditionally repayable advances for interactive digital cultural content products in both official languages that are intended for the general public	▪ **Product Assistance -** supports development and production of products (though marketing plan is required ▪ **Sectoral Assistance –** supports creators and knowledge of marketplace	Product Assistance accounts for 80% of all funding

[12] Source: CRTC (2008) pg 178.

Organization	Description of Programs or Policy	Points on the Value Chain Supported	Funding or Support Available
Canadian Heritage)	○ **Sectoral Assistance** – conditionally repayable (and non-repayable) advances to initiatives that contribute to the industrial and professional development of the interactive digital content industry in Canada. ○ **Sectoral Development** – Telefilm driven initiatives to address gaps in industrial support through events and initiatives that contribute to the industry's participation at industry events in Canada and abroad.	▪ **Sectoral Development –** support marketing of products	**Total Funding (2007): $14.5 million**
Canadian Culture Online (CCO)	▪ The funder for the CNMF (administered by Telefilm Canada) ▪ Recently wound up 3 programs ▪ Purpose is to develop policies and programs related to the Internet and digital technology to bring our country's cultural content to Canadians. **On-going funds:** ▪ **Gateway Fund** – aims to increase access to diverse Canadian cultural content online, specifically aboriginal and 'ethnocultural' content ▪ **Partnerships Fund** – Aims to provide meaningful and seamless access to content that helps deepen an understanding of Canada; primarily aimed at public, educational and NFP sectors **Recently Discontinued Funds:** ▪ **Canadian Memory Fund** – goal was to encourage federal agencies to digitize their collections and make them available online to Canadians ▪ **New Media Research Networks Fund** – aimed at supporting innovative applied research at the intersection of technology and culture ▪ **New Media R&D Initiative** – a pilot project that was not continued to build a foundation for the interactive media	▪ **Gateway Fund** – development and production ▪ **Partnerships Fund** – development and production	▪ **Gateway Fund –** up to $50,000 for any single project, with 25% of the project budget contributed by the applicant ▪ **Partnerships Fund –** up to $500,000 or 75% of project budget (the lesser of the two)

Organization	Description of Programs or Policy	Points on the Value Chain Supported	Funding or Support Available
	sector; funding totalled $27.3 million.		

Figure 9 - Federal Support by Business Segment

Market Segment	CTF	Bell New Media Fund	CRTC	CFC (TELUS Innovation Fund)	Fonds Quebecor	CCO[13]	CBC	CNMF
New media broadcasting			(x)	x		x	(x)	x
Gaming Content				x				x
Traditional media extensions	x	x	(x)		x		(x)	x
Promotional products								
New media aggregators, wholesalers and publishers						x		x
Mobile-specific content				x		x	(x)	x
Education and reference						x		x

Legend: x = directly supported or funded; (x) = indirectly supported/funded or support is likely in the near future

[13] Note again that the CCO initiative includes the CNMF, which has been isolated for analytical purposed only.

Summary: Federal Bodies and Agencies

Among Canada-wide funding/support organizations, there is significant support for new media products that are associated with an existing media property (TV). Currently the Bell Fund, Fonds Quebecor and CTF (for children's programming) all provide funding support only for this segment, to the exclusion of other new media. Further, it is likely that the CRTC will mandate support for some forms of new media broadcasting as an extension the *Broadcasting Act*. Additionally, only the CNMF supports the creation of content and original IP for new media.

3.1.2 Provincial Ministries and Agencies

Below is a sampling of the provincial support available to new media businesses. As most activity in new media production occurs in Ontario, Quebec and British Columbia, we have focused our attention on those jurisdictions. We have also included Manitoba as an example of support stemming a smaller province.[14]

Figure 10 - Provincial Support and Funding for New Media

Organization	Description of Programs or Policy	Points on the Value Chain Supported	Funding or Support Available

[14] Other Canadian provinces also offer some support to new media producers. For instance, Nova Scotia (35% tax credit) and Prince Edward Island (35% tax credit up to $40,000) both support the creation of digital media. We have nonetheless chosen to detail the approaches taken by the three most active new media provinces (Ontario, Quebec and British Columbia) as well as one smaller province (Manitoba) as an illustrative example of a more robust approach to new media support.

Ontario	▪ Recently identified "digital media" as a key growth sector ▪ Recently expanded interactive digital media tax credit by 5% to 25% of eligible labour expenditures ▪ Geared to helping Ontario-based businesses with particular products ▪ **Interactive digital media fund** (an OMDC Fund) supports the creation of original IP, assist in capitalization, and contribute to financing. ▪ Applies to consumer, commercial projects ▪ Also has tax credit (recently extended through 2012)	▪ **OMDC Fund -** supports the total production budget of an interactive media product including development and distribution ▪ **Tax Credit –** labour costs involved in the production of new media products	**Fund**: 50% of budget up to **$100,000** **Tax Credit**: 25% of labour expenditures **Total funding (2007): $870,000**[15]
Quebec	▪ Commits significant support to gaming industry through a series of one-off tax incentive (e.g. for Ubisoft, Eidos) ▪ SODEC does not include 'new' or 'digital' media as a supported area ▪ The Quebec government's refundable tax credit for the production of multimedia titles helps companies lower their production costs. Depending on the category of titles produced, assistance can represent up to 37.5% of labour costs.	▪ **Tax Credit -** labour costs involved in the production of new media products	▪ Strategic investment on a case-by-case basis in addition to tax credit
British Columbia	▪ **New Media Venture Capital Program** – to support manufacturing/export or development of interactive new media products	▪ Supports investment in new media companies not product development	▪ 30% non-refundable tax credit for venture capital investment in NM *by corporations* (no maximum) ▪ 30 % refundable (maximum $60,000) per tax credit per year for *individuals*

[15] Source: CRTC (2008) pg 178.

Manitoba	▪ Falls under the jurisdiction of Ministry of Science, Technology, Energy and Mines (STEM). Manitoba's rendition of 'interactive' media mirrors that of Ontario ▪ Manitoba Interactive Digital Media Fund (MIDMF) goals: ○ to provide recoupable financial support to Manitoba companies for the development, production, and marketing/distribution of high-quality, original, Interactive Digital Media products; ○ to assist in the growth and development of a Manitoba Interactive Digital Media production and distribution industry that is competitive in international markets; ○ to raise the profile and presence of Interactive Digital Media creators in both domestic and international markets (including providing travel assistance) while providing opportunities for professional development	▪ MIDMF supports development, production, and marketing/distribution of new media products	MIDMF has 3 components: 1) **Market Research & Prototyping:** up to 50% of approved eligible costs, to a maximum of **$20,000** 2) **Product Development:** up to 50% of approved eligible costs, to a maximum of **$50,000** 3) **Marketing Assistance:** up to 50% of approved eligible costs, to a maximum of **$25,000**

Figure 11 - Provincial Support by Business Segment

Market Segment	Ontario	Quebec	British Columbia	Manitoba
New media broadcasting			x	
Gaming Content	x	x	x	x
Traditional media extensions	x	s	x	x
Promotional products			x	

Market Segment	Ontario	Quebec	British Columbia	Manitoba
New media aggregators, wholesalers and publishers			**x**	
Mobile-specific content	**(x)**		**x**	
Education and reference	**x**		**x**	

Legend: x = directly supported or funded; (x) = indirectly supported/funded or support is likely in the near future

Summary: Provincial Bodies and Agencies

Ontario and Manitoba have similar approaches to new media support, emphasizing interactivity in the products it supports. While the funding levels are quire small for Manitoba, it is noteworthy that the province offers marketing support. Quebec, on the other hand, seems to be more opportunistic in its approach to new media support in attempting (successfully) to land large gaming content developers. Finally, BC supports the investment in new media ventures (rather than the development of a particular product); it means that the province casts the support net quite widely.

3.1.3 Technical Funds

These federal funds are limited to the technical innovation of new media products.[16] Nonetheless, many new media products make use of innovative processes and technical innovations (e.g. innovative gaming content). As mentioned above, the creation of a new media product, and the technical innovation(s) related to that product are, at times, indistinguishable.

[16] Some provinces, such as Ontario, also offer a tax credit program. For instance, the 20% refundable Ontario Business-Research Institute Tax Credit (OBRITC) applies to research performed at recognized research institutes, while the 10% refundable Ontario Innovation Tax Credit (OITC) pertains to R&D undertaken by small and medium sized businesses.

Figure 12 - Technical Funds Support of New Media[17]

Organization	Description of Programs or Policy	Points of the Value Chain Supported	Funding or Support Available
Scientific Research and Experimental Development (SR&ED)	▪ Maximum expenditure limit (and other limits) increase to tax years ending after February 2008. ▪ A federal tax incentive program to encourage Canadian businesses of all sizes and in all sectors to conduct research and development (R&D) in Canada that will lead to new, improved, or technologically advanced products or processes ▪ Supports R&D for improved technologically advanced products or processes (e.g. gaming devices and game-related software) ▪ A firm-level investment tax credit that is phased out as a company group	▪ Research and Development at the firm level	▪ 35% tax credit up to $2M on labour, overhead, equipment; 20% above $2M
Industrial Research Assistance Program (IRAP)	▪ Provides advice to technology innovators ▪ Provides non-repayable contributions to Canadian SMEs interested in growing by using technology to commercialize services, products and processes in Canadian and international markets ▪ Also administers a network of innovators and financiers ▪ Recently committed to increasing the funding available per client ▪ Stimulates wealth creation through technological innovation by providing technology advice, assistance and services to SMEs to help them build their innovation capacity.	▪ Supports the commercialization and development of innovative technologies	▪ Canadian-controlled private corporation (CCPC) can earn an investment tax credit (ITC) of 35% up to the first $2 million of qualified expenditures for SR&ED carried out in Canada, and 20% on any excess amount

[17] Some provinces also provide R&D support for the development of new media products. For instance, Ontario has a 10% refundable tax credit for small and medium sized businesses called the Ontario Innovation Tax Credit (OITC). In this document we only address the federal technical support funds.

Figure 13 - Technical Funds by Business Segment

Market Segment	SR&ED	IRAP
New media broadcasting		
Gaming Content	x	x
Traditional media extensions		
Promotional products		
New media aggregators, wholesalers and publishers	x	x
Mobile-specific content	x	x
Education and reference	x	x

Summary: Technical Funds

In terms of technical funds while significant support is available for those that qualify, creating an innovative process that meets the technical definition of "R&D" can be difficult for many new media firms. As such, they will tend to be of most interest to the more technically challenging business segments of new media: gaming and mobile content.

3.2 Summary of Support Mechanisms

3.2.1 Specific Business Segments

- **New media broadcasting** is not commonly eligible for support among existing funders. However, the forthcoming CRTC hearings and the CRTC review of the CTF suggest that some manner of support for this business segment will emerge in the near future. Also, the CBC's continued investment and new partnerships in the new media space suggest that more new media broadcasting content is likely to be commissioned in the future.
- **Gaming content** is eligible for significant support (CNMF, technical funds and various provincial programs). At the same time, there is little thought given to directing funding *within* the business segment (outside of Quebec). For instance, a $100,000 award from the OMDC can be of great help to a smaller, casual game (e.g. Bejewelled) than it would be to a large console development whose production budgets can total tens of millions of dollars.

- **Promotional products** (e.g. branded portals) do not receive any support in the current policy context, but they are – by definition – funded by corporate interests and thus are not likely to require additional support.
- There is currently little support (beyond the technical funds) for new media **publishers or aggregators**.
- **Mobile-specific products** can also make use of the technical funds and can access other fund only insofar as they 'overlap' with other business segments
- While there is no specific fund for the creation of **educational or reference content**, CCO's Partnership and Gateway funds can be used to support educational material that reflects the lives of Canadians

3.2.2 Elements of the Value Chain

- **Development** funding for new media products, across most business segments is sparse. The notable exception is development funds for TV-related traditional media extensions, which is supported by the CNMF, Fonds Quebecor, Bell Fund and CTF (children programming). Gaming content creators also have access to some level of development funding. Ontario and Manitoba's provincial programs also offer development assistance with respect to more interactive new media content, and the technical funds are commonly accessed by gaming companies.
- Support for the **production** of new media seems somewhat more robust than for development. New media broadcasting, while not currently eligible for much funding beyond the CNMF, will likely receive (indirect) support in the future from the CRTC. Again, the major gaps in production support are for film-based traditional media extensions, promotional content, and new media aggregators, wholesalers and publishers
- New media specific **marketing and distribution** support, including export support, is seemingly absent, apart from the CNMF and the efforts of Manitoba's MIDMF.[18]

[18] It should be noted that new media product has be eligible for some creative industry wide marketing and export support (e.g. OMDC's Export Fund, etc.). These programs are not new media specific and so are outside the scope of this study.

4 Challenges and Opportunities for New Media in Canada

In this section, we will re-examine the six business segment outlined in Section 2. We present a SWOT-analysis of each in an attempt to show which elements of the value chain and/or sub-segments within each segment will most benefit from continued or additional support. For some segments, we will address sub-segments, as necessary. The aim of this section is to highlight potential opportunities for Canadian companies to create and retain Intellectual Property (IP), rather than service-level work for foreign firms.

4.1 New Media Broadcasting

Strength	Weakness	Opportunity	Threat
▪ More than 50% of Canadian Internet subscribers have residential connections of more than 5 Mbps, which allows for access to most new media broadcasting services[19] ▪ Protected and generally well-supported television production environment ▪ CRTC seriously examining funding support	▪ Small domestic market ▪ Lack of sustainable business models ▪ Little uptake of online video in Canada (less than 1% of the total time spend viewing TV series)[20] ▪ Little mobile video uptake (less than 2% of Canadians have viewed mobile video in the past month)[21]	▪ iPhone and similar devices (i.e. 'smartphones') may encourage more mobile viewing ▪ Online digital streaming, currently a $2.7 billion global industry is set to growth by over 32% per year to $9.2 billion in 2012 ▪ Mobile TV's global growth is projected to be 23.5% to 2012 ▪ Podcast usage has grown in Canada from about 7% in 2005 to over 13% in 2007[22]	▪ Difficult to limit access to foreign content or specifically promote Canadian content ▪ Geo-blocking can limit access to foreign markets[23]

[19] Source: CRTC (2008) pg. 168.

[20] Source: CBC, "Comments on the Scope of a Future Proceeding on Canadian Broadcasting in New Media," July 11, 2008.

[21] Source: CRTC (2008) pg. 171.

[22] Ibid. pg 174.

[23] "Geo-blocking" refers to the denial of access to content to viewers from certain jurisdictions. For example, Canadian online viewers cannot currently access most content on Hulu.com.

Conclusions

While there is currently little support for new media broadcasting available for Canadian companies, the CRTC's attention has been turned to this topic. As such, some forms of new media broadcasting (most likely the production of high-quality audiovisual content distributed on digital platforms) will probably gain support from the CTF or similar fund in the medium term. If this were to transpire, development and production funding similar to traditional television funding will likely arise. However, the success of new media broadcasting largely depends on the uptake of video-viewing on online and mobile platforms by Canadian audiences, which has been traditionally low.

Even if this funding does come to pass, however, there will be significant hurdles for Canadian entrants into the new media broadcasting space. The small Canadian market and the seeming reluctance of Canadians to view video content online or on mobile devices, means that foreign markets will be key to success. However, competition from foreign services and the ability of foreign jurisdictions to 'geo-block' Canadian content, means that any play in the new media broadcasting segment will have to overcome significant challenges. Moreover, the lack of stable or predictable business models for the monetization of these products will likely further limit the access to funding for new media broadcasting in Canada, as a return on investment cannot be easily projected.

In sum, new media broadcasting offers the Canadian production community an opportunity to enter the new media space, if a risky one.

4.2 Gaming Content

	Strength	Weakness	Opportunity	Threat
General	▪ Significant labour pool (over 260 firms and 9000 developers)[24] ▪ Some provincial support (e.g. Quebec, Ontario)	▪ Provincial support programs vary in scope and terms ▪ Very limited federal support (only CNMF and technical funds)	▪ Large and growing market	▪ Must be developed for specific platforms which often incurs major costs

[24] Source: Hickling Arthurs Low, *Entertainment Software: The Industry in Canada* October 2007, pg 11-12.

Value Chain	▪ Some gaming firms can access development funding from technical funds	▪ Little private funding available ▪ Little development support beyond technical funds and CNMF	▪ Content developers can market and distribute directly to consumers	▪ Physical retail space dwindling ▪ Development costs are growing in line with consumer expectations
Console	▪ Some mid-sized home-grown companies (e.g. Bioware, Radial Entertainment, Silicon Knights) ▪ Large development community centred in Montreal and Vancouver and anchored by major international developers/publishers EA and Ubisoft.	▪ Very high barriers to entry (development costs); too high for most Canadian firms ▪ Requires significant development time and takes a long time to get to market ▪ Successful domestic companies have been bought out by larger foreign developers/publishers (except for Silicon Knights)	▪ Largest single element of the gaming content segment ($25 billion globally in 2007)[25] ▪ 6.9% growth projected in the next 5 years[26]	▪ Heavy competition from established firms ▪ Life span of games is very short
Mobile games	▪ Some existing successful Canadian firms (e.g. Silverbirch) ▪ Highly regulated environment lessens foreign competition	▪ High data rates limits uptake ▪ Different standards of carriers increases cost of production ▪ Same content must be adapted to different handset technologies	▪ Increase in data usage and use of smartphones grows the market ▪ Fastest growing element of the gaming content business segment (19% per year to 2012)[27] ▪ Can often leverage marketing/development funding if tied to another media property	▪ Content tends to be geographically agnostic, increasing competition from foreign firms ▪ Arrival of iPhone

[25] Source: PricewaterhouseCoopers *Global Entertainment and Media Outlook: 2008-2012,* pg 44.

[26] Ibid.

[27] Ibid.

Casual games	▪ Builds on ICT and design skills of labour pool	▪ Relatively few links with game aggregators (e.g. PopCap Games, etc).	▪ Tremendous growth in recent years (e.g. Nintendo Wii) ▪ Lower costs of development ▪ Content is accessible through new platforms (and aggregators) – e.g. Xbox 360 Live! Arcade or Facebook	▪ Low barriers means near saturation of the marketplace ▪ Increased competition is leading to 'bloat' found in other genres[28]
Online games	▪ ICT skills are more important as networking skills form the foundation of these programs	▪ High development costs for top tier products	▪ MMOGs are increasingly popular ▪ Market estimated at over $6.5 billion in 2007 ▪ Growth projected at 17% to 2012.	▪ Can be very costly (e.g. MMORPGs) ▪ Tend to require the establishment and maintenance of a significant customer base ▪ Crowded market place
PC games (standalone)	▪ Some existing domestic success (as with console games)	▪ High development costs	▪ Less challenging technical requirements and more simple approval process than for console gaming	▪ Shrinking segment of gaming content (by 1.2% per year to 2012)

Conclusions

Overall, the gaming content market is expected to grow from $42 billion (globally) in 2007 to over $68 billion in 2012. The gaming content environment is, however, quite varied. While (generally speaking) there may not be a viable opportunity for console or large online game development in Canada, smaller casual games (including some games for handheld gaming platforms) can gain easier access to the market. Mobile games, though they are somewhat hampered by the various types of handsets, high data rates and tight carrier control that permeate the Canadian mobile world, are somewhat better positioned than other parts of the gaming

[28] "Bloat" refers to the inclusion of additional content and/or feature to differentiate a game. This process ultimately leads to larger, more expensive games.

environment. This is due in part to the fact that they can access private funding from mobile platform developers. “AAA” PC games present neither a good opportunity for Canadian developers, nor will they benefit greatly from the small amounts of funding currently available to new media developers.

In sum, it appears that small casual games, and perhaps mobile games, represent the most promising target for investment in the gaming content segment.

4.3 Traditional Media Extensions

Strength	Weakness	Opportunity	Threat
▪ Protected and well-supported traditional media production environment that is increasingly using web and mobile extension to promote their properties ▪ Support exists for development, production and marketing ▪ Existing successes for TV extensions (e.g. ReGenesis, Zimmer Twins)	▪ Little support for (feature or short) film properties	▪ Could specialize in this segment, targeting funding and support.	▪ Sites of foreign-based TV shows/ films draw the majority of audiences ▪ Tied to the success of the related traditional media property

Conclusions

Although support for traditional media extensions is relatively robust for television properties (i.e. Bell Fund, CTF, and Fonds Quebecor), little support exists for film properties beyond the CNMF. The opportunity in this business segment for new media firms in Canada, or traditional media producers engaged in the production of new media extensions, is directly tied to the building of strong brands. The *Degrassi* TV series, for instance, can lead to a successful new media extension of a traditional media property, precisely because of the success of the TV series.

The same logic holds true for Canadian film properties. So, while a new media extension for Trailer Park Boys: The Movie may get some traction, a similar (or even superior) product for a less popular film will face serious challenges. The challenge of creating new media properties for Canadian film properties is further compounded by the relative lack of funding support in the sub-segment. Nonetheless, if support was co-ordinated (between funding bodies) in this area, and perhaps extended to film properties, Canadian new media producers could become world leaders in this business segment. This opportunity could be expanded if support were to be extended to Canadian new media producers for the development and production of new media properties for both domestic *and foreign* traditional media properties.

In sum, while there is an opportunity to build upon past successes, success in this business segment is largely out of the control of the new media content producer. It is, therefore, a somewhat risky investment.

4.4 Promotional Products

Strength	Weakness	Opportunity	Threat
▪ Global Internet advertising (wired and mobile) is a $49.5 billion industry and is expected to grow to over $120 billion by 2012[29] ▪ Strong brands with national appeal (e.g. beer companies, HNIC) ▪ Products do not need to be marketed	▪ Not always considered cultural products, and thus are excluded from many funding programs	▪ Easier access to private funding ▪ Growing migration of advertising spending form traditional media to the Internet ▪ In-game advertising increasing ▪ Allow monetization of user generated content (i.e. viral marketing)	▪ Easy to out-source production to foreign developers ▪ IP often retained by the commissioning company

Conclusions

While the creation of promotional products using new media is not commonly thought of in the context of support for the creative industries, it is an important segment of the new media landscape, especially with the rapid growth of Internet advertising.

[29] Source: PwC (2008) pg 32.

Companies engaging in this kind of new media production can later transition to the production of other forms of new media properties. Also, while IP for the specific product is most often retained by the commissioning company, IP relating to the product's format and associated technical innovations can be retained by the producer.

While Canada is a small market, it does have a number of widely recognizable brands, some of which market internationally (e.g. Molson's, Canadian Club, Roots, etc.). These brands, with help from support organizations, could make use of the Canadian new media industry to further extend their brand presence. This type of new media property, as they are (by definition) funded by private sources, will require less public intervention to be successful.

In sum, promotional product may provide an opportunity for new media companies in Canada.

4.5 New Media Aggregators, Wholesalers and Publishers

Strength	Weakness	Opportunity	Threat
▪ Extremely high usage of social networking platforms (e.g. Facebook) ▪ Canadian firms' knowledge of the culture and habits of Canada	▪ Low uptake of Canadian-made online products/services[30] ▪ Little to no public funding ▪ Little access to private investment, especially in the development phase	▪ Can be successful if focussed on niche content and theme (e.g. Kaboose and CurlTV) ▪ Easy connection to advertisers	▪ Massive competition from large foreign firms (e.g. Facebook, YouTube)

Conclusions

Despite Canadian's widespread usage of such services, the new media aggregation, wholesale and publishing space is a challenging one for Canadian firms. In the face of direct and fierce competition from foreign competitors, and a general lack of funding (public or private) in Canada, the most likely opportunities for Canadian firms in this space lie in niche markets. Cultural traits particular to Canada (such as the popularity of curling) may point to some of these niche areas in which Canadian firms can be

[30] See Alexa's Top 100 Canadian websites: http://www.alexa.com/site/ds/top_sites?cc=CA&ts_mode=country&lang=none#

competitive. Additionally, the success of properties like Flickr (a photo-sharing site), as substantiated by its $20 million sale to Yahoo in 2006, underscore the possibility for success in this segment.

In sum, the new media aggregator, wholesale and publishing business segment can present an opportunity to a Canadian new media firm, if its audience is carefully and thoughtfully targeted. Given the small size of the Canadian market, these businesses must also have a global appeal to succeed. There are only a limited number of areas where Canadian firms can hope to achieve this level of appeal (e.g. ice hockey).

4.6 Mobile-specific Content

Strength	Weakness	Opportunity	Threat
▪ High mobile broadband penetration rate (78% of households)[31] ▪ Recent spectrum auctions should increase competition and thus lower consumer prices ▪ Presence of leading handset manufacturer (RIM) ▪ Innovative companies like GestureTek ▪ No competition from large US carriers ▪ Relatively low initial development costs	▪ Sparse geography increases cost per subscriber ▪ High data rates from carriers ▪ One of lowest mobile uptake in OECD ▪ Difficult to access markets outside of Canada ▪ Different technical standards between carriers increase production costs	▪ Strong growth projected in global mobile data revenues (from $27 billion in 2007 to over $100 billion in 2017)[32] ▪ Use of content-heavy 'smartphones' increasing ▪ Private investment becoming available through BlackBerry Partners Fund and iFund[33] ▪ New offline distribution mechanism like Apple's AppStore allow easier consumer access to applications	▪ Little to distinguish Canadian-made mobile applications from foreign competitors

[31] Source: CTRC (2008) pg 165. It is important to note, though that mobile broadband penetration does not necessarily lead to uptake of mobile broadband services (e.g. mobile internet browsing, application use or gameplay).

[32] Source: SNL Kagan as reported by FierceWireless, August 1, 2008. See http://www.fiercewireless.com/press-releases/snl-kagan-expects-wireless-data-revenue-increase-16-annual-rate-over-next-decade?utm_medium=nl&utm_source=internal&cmp-id=EMC-NL-FMC&dest=FW

[33] These funds are designed to stimulate the development of mobile applications. The BlackBerry Partners Fund supports development for a variety of mobile platforms, while the iFund is geared solely to iPhone applications.

Conclusions

With the emergence of the iPhone and similar handsets (i.e. Smartphones) in the Canadian market, the presence of a world-leading handset manufacturer (RIM) and the increasingly competitive Canadian market following 2008's wireless spectrum auction, the mobile content segment presents a significant opportunity for Canadian developers. While there is some access to development funding from industry, risk-financing for prototype development would be especially effective in this space. Nonetheless, given the scale and depth of competition, high quality products (so-called 'killer apps') are likely to be the only successful ventures in this segment.

In sum, mobile content provides both an opportunity for Canadian new media firms and is a segment where smaller investments can have large impacts.

4.7 Educational and Reference Products

Strength	Weakness	Opportunity	Threat
▪ Well educated and highly connected population ▪ Canadians know Canada best ▪ Funding available for products highlighting the Canadian experience ▪ Canadian firm can make use of CCO support and funding	▪ Some reluctance to adopt e-learning in the school setting	▪ The web is a main source of information for the average Canadian ▪ Corporate clients are beginning to see the value of e-learning	▪ Some resistance to uptake in scholastic setting ▪ Strong reference incumbent (Wikipedia)

Conclusions

Educational and reference products delivered on new media platforms are being adopted by educators and corporations alike. Given the technical skills of the Canadian new media community, and their knowledge of Canada and its prevailing issues, this business segment would seem a logical place for a domestic entrepreneur to focus her efforts. This is especially true with the CCO's Gateway Fund and Partnership Fund.

There will be, however, some challenges in the distribution of such products. The institutional market (i.e. schools, colleges and universities) have been historically slow to adopt e-learning tools, while the corporate world is only beginning to evaluate the benefits of e-learning in the workplace. In term of reference material, strong incumbents like Wikipedia will make entry into that sector tough for new Canadian firms.

In sum, e-learning products aimed at Canadian audiences present a good opportunity for Canadian new media firms, but only if access can be gained to either the institutional or corporate market.

5 Key Findings

In this section we integrate the conclusions drawn from the examination of the funding and policy environment for new media in Canada with the SWOT analysis for the six business segments. Again, these segments are as follows:

- New media broadcasting
- Gaming content
- Traditional media extensions
- Promotional products
- New media aggregators, wholesalers and publishers
- Mobile-specific content and applications
- Education and reference

For each of these business segments, we highlight opportunities for each business segment specific gaps in the support available for new media companies and products in Canada.

Canada has a high level of adoption of high speed Internet[34] and the total time spent by Canadians on the Internet per month has risen 10% in the past 10 years.[35] This would seem to make Canada a natural market for new media products. However, the small size of the Canadian market and our shared language and proximity to the US and UK make new media a challenging environment for English-language Canadian firms. This is especially true for those firms that are interested in creating (and retaining) IP. Furthermore, the threat of "free" content online erodes the likelihood that a Canadian new media firm will be successful.

5.1 Conclusions by Business Segment

Here we review the business segments designed in Section 3, summarizing the opportunities available to Canadian firms operating in those segments, current funding and support available and particularities of the value chain in that segment.

5.1.1 New media broadcasting

Funding and Support

New media broadcasting is a significant opportunity for Canadian content producers. The creation of professionally-made video content for delivery on online or mobile

[34] Canada was ranked 9th in terms of internet penetration among OECD countries with 22.4 broadband subscribers per 100 inhabitants. Source: OECD Communications Brief 2007, pg 158.
[35] Ibid. pg 166.

platforms will likely see some increased support in the near future. In this segment, Canada could build on its highly talented, and generally well-supported film and television production environment (by international standards) to create high quality content.

Opportunity

Previous attempts to enter this space in Canada have not met with very much success. Challenges like Canadians' slow uptake of online and mobile digital, fierce competition from foreign content producers, and the lack of an established business model for the monetization of new media broadcasting, renders this segment a somewhat difficult space to make profitable. Furthermore, while it is critical that Canadian new media broadcast content be brought to market in other jurisdictions – a process made easier with online distribution models – 'geo-blocking' can limit the foreign consumers' access to Canadian products.

Value Chain

In terms of the value chain, new media broadcasting functions very much like the production of content for traditional forms of distribution (e.g. TV and film). However, there is currently no established process to secure funding for this type of project.[36] This deficiency is especially true of products specifically developed for new media broadcast distribution (e.g. online or mobile). As a result, additional public development and production funds are needed to make new media broadcasting a viable opportunity.

5.1.2 Gaming content

Funding and Support

Funding for gaming content in Canada is rather spotty. Some provinces (e.g. Ontario and Manitoba) provide some support, and the CNMF has funded several gaming projects. Other provinces (e.g. Quebec and BC) provide indirect support by way of investment or labour tax credit. However, support for gaming content has not been focussed on any particular sub-segment of the gaming content business segment (e.g. mobile or causal games). It is this lack of targeted funding that makes up the most significant gap in terms of support.

Opportunity

As mentioned above, gaming content is a large and rapidly growing industry. That does not, however, suggest that there are opportunities for Canadian firms across the gaming sub-segments. Where console, online, and standalone PC games tend to require a

[36] As opposed to the interim financing process present for the funding of film and TV properties.

scale of company not realistically feasible for Canada, smaller casual or mobile games may well present an avenue for Canadian firms to make their mark. New methods of distribution reinforce this opportunity by allowing for easier access to the market.

Value Chain

Development funding for gaming content (regardless of sub-segment) is somewhat hit-and-miss. For larger titles, development funding is typically provided by publishers in return IP for ownership. For smaller titles, funding from some provincial initiatives (e.g. OMDC), the CNMF, and technical funds may be sufficient to allow for the creation of high-quality, marketable products. That said, more targeting funding – such as for casual or mobile games – for this sub-segment would increase their chances for success.

Beyond the development and production of Canadian gaming content, the commercial health of gaming firms is greatly hampered by the lack of marketing/distribution support, which is nearly absent. As brand (developer) recognition is critical in the gaming space, increased marketing/distribution support would only cement this opportunity.

5.1.3 Traditional media extension

Funding and Support

Traditional media extensions, while well supported as they related to TV properties, are much less supported for film (or other) products. The Bell Fund, Fonds Quebecor, and (to an extent) the CTF all provide support in this area, but only for TV projects with existing broadcaster support. New media products for film properties, on the other hand, must rely on other, more general new media funds like the CNMF.

Furthermore, the development of this type of new media product is often entwined with the production of the associated traditional media product. That is to say that it is often an item in the TV series or film's promotional budget. As such, the production of new media products extending from traditional media products is often supported by production funds.

Opportunity

The success of cross-subsidized new media products, as mentioned above, is inextricably linked to the popularity of the traditional media product they enhance. This is not to say that a popular TV series or film property will necessarily lead to a successful new media extension, but the reverse (i.e. a popular new media extension of an unpopular traditional media property) almost never occurs. As such, the principal opportunity for new media companies is to capitalize on emerging properties that have significant market potential (e.g. CBC's *The Border*, CTV's *Flashpoint*).

Value Chain

Because this type of new media product is often an element of a larger marketing campaign, support emphasis need not be placed on the marketing/distribution element of the value chain. Also, the development of traditional media extensions is somewhat less time-sensitive than other new media products as their appeal lies primarily with the additional content they provide fans of the traditional media property versus creating new content.

5.1.4 Promotional products

Funding and Support

There is almost no public funding or support for promotional new media products in Canada. However, by definition these products make use of private funds from the sponsoring corporation. For this reason there is no reason why project financing needs to be applied to this business segment. On the other hand, if new media firms are to retain any IP from promotional products (e.g. format, proprietary software, etc.), they must have a healthy corporate base. As such, enterprise financing for this business segment is the principal gap to be filled.

Opportunity

Though partly a service industry, the creation of promotional new media products presents a significant opportunity for Canadian entrepreneurs. Successful companies like Ottawa-based Fuel Industries suggest that access to foreign and domestic brands is indeed possible (and profitable) for Canadian firms.[37]

It is debatable whether these products will be relevant to the mandates of public support programs or initiatives which tend to promote the production and distribution of Canadian content. One could argue, however, that promoting recognizable Canadian brands (such as CBC's Hockey Night in Canada) may satisfy this criterion. Furthermore, given the somewhat easier access that promotional products have to private funds, support in this segment may be less risky than in other segments.

Value Chain

Again, for the reasons mentioned above the production of promotional new media products does not require targeted value chain support. Development is done with private funds, and the product is itself a marketing tool.

[37] See http://www.fuelindustries.com/

5.1.5 New media aggregators, wholesalers and publishers

Funding and Support

Funding for new media aggregators, wholesalers and publishers is negligible at the present. One possible reason for this may be the commonly held view that this segment produces services rather than products. However, in the view of the Canadian Interactive Alliance, "the demarcation line between products and services [is] disappearing [which] further complicates the issue for public policy regimes used to dividing content and technology into their own convenient silos."[38] For this reason, we consider the lack of support for this segment a significant gap in the new media funding environment.

Opportunity

While there have been some notable successes in this segment (e.g. CurlTV, Kaboose), it is an area wide open to competition from foreign competitors. As such, the best strategy for Canadian new media firms (as with the cited examples) is likely to hone in on a particular niche area, and aggregate/supply content for that niche. If done carefully and thoughtfully, this can result is a very successful product.

Value Chain

The value chain in this business segment closely follows the archetype presented in Section 2.7. As such, support if initiated is needed all along the value chain.

5.1.6 Mobile-specific content and applications

Funding and Support

The production of mobile content and applications is supported both by the broader public new media funds (e.g. CNMF, OMDC, etc.) and by development funds established by industry (e.g. iFund). Indeed, private funds for mobile applications and content are somewhat easier to come by than in other new media segments. This is because handset manufacturers compete with one another for the most active development environment. However, project funding that would allow application developers to quickly develop a prototype can still be improved.

Opportunity

Given the expected growth of the mobile industry worldwide, the advent of more powerful handsets (Smartphones) and the relatively low costs for entry, mobile content provides a particularly good opportunity for Canadian new media firms. Also, the

[38] Telefilm (2008). p 3.

presence of a leading handset manufacturer (RIM) further highlights this segment as an area of opportunity. That said, competition is fierce, making innovative and timely products mandatory for success.

Value Chain

Because mobile products are commonly distributed through aggregators, marketing/distribution is a less critical part of the value chain. On the other hand, due to the rapid evolution of the mobile space, development of mobile content products must be very swift. Funding at this early stage through to the production of a prototype (or beta-testing) is the most important part of the value chain for mobile content.

5.1.7 Educational and reference products

Funding and Support

This segment of the new media industry in Canada has access to at least one exclusive support mechanism (from CCO). This is particularly true if the educational material documents the perspective of minority and/or aboriginal Canadians. Otherwise, educational and reference products are eligible for most broad-scoped new media funds. Developers in this segment have historically made consistent use of the CNMF. Corporate e-learning products are, on the other hand, less supported.

Opportunity

The intimate knowledge that Canadians have about their own country and the business environment in Canada, lends Canadian developers an advantage in this area. Moreover, the growing interest on the part of corporation for new media solutions to professional development provides a natural opportunity for the Canadian new media industry.

Value Chain

In this segment marketing/distribution is the primary element of the value chain. While the product must be high-quality to succeed, access to corporate or institutional markets will determine the ultimate fate of a new media product.

5.2 Support Along the Value Chain

When we delve to the level of the value chain, we see that support exists for the production of numerous kinds of new media products. Note that we have included export support as a separate item to highlight the apparent weakness in export support for new media products.

As Figure 14 (below) suggests, there appears to be relatively little support for the development of content for new media products, especially outside of traditional media extensions for TV products. This is particularly concerning in areas indentified above as being dependent on the development of timely and innovative products (e.g. gaming content and mobile applications).

Additionally, marketing and distribution do not appear to be well supported, save (again) for traditional media extensions. Furthermore, while we have so far treated export activity as an element of the marketing and distribution of the new media products, we have broken it out here to highlight the fact that there are few export programs geared to new media.

The figure also re-enforces the conclusion made above that very little support exists for promotional products or new media aggregators in any part of the value chain.

Figure 14 - Summary of Support along the Value Chain

	Development	Production	Marketing & Distribution	Export
New media broadcasting				
Gaming content				
Traditional media extensions				
Promotional products				
New media aggregators, wholesalers and publishers				
Mobile-specific content and applications				
Educational and reference content				

Legend: Green = Well supported; Yellow = somewhat or indirectly supported; Red = not supported

5.3 Summary of Findings

- Gaps in current support exist for the following segments:
  - New media broadcasting
  - New media extension content for film properties

  - New media aggregators, wholesalers and publishers
  - Promotional content
  - Mobile content (somewhat)
- Opportunities for new media businesses exist in the following segments:[39]
  - Casual gaming content
  - Mobile content (for 3G devices)
  - New media aggregators, wholesalers and publishers
  - Promotional content
  - Educational content for Canadian schools
- Gaps in funding also exist along the value chain in terms of
  - Development support, particularly for new media broadcasting, new media aggregators and promotional products;
  - Marketing and distribution support, particularly with respect to export support.

[39] This list does not take into account what may or may not be applicable to Telefilm's mandate.

6 Conclusions

In this final section, we will present some high-level conclusions as to possible strategies for the funding and support of new media in Canada. More precisely, this section presents an optional strategy for the transformation of the findings presented in the previous section into strategic investment in the Canadian new media industry.

Overview of Conclusions

It is not the purpose of this report to examine the role of any specific policy or programs, nor does this report make recommendations as to what business segments and/or points along the value chain should be supported. Rather, drawing upon the above findings, we suggest some possible options for the on-going support of new media production in Canada.

At the core of this broad policy option is the understanding that the new media environment is one of change so rapid that they require a very flexible yet informed policy approach. Indeed, while we have identified opportunities and gaps (above) – across many new media business segments in an emerging new media environment, these opportunities – and indeed the business segments themselves – will continue to evolve. It is in this context that we provide the below broad policy options.

First, support programs for new media could choose to

- be open to all types of projects (the ‘wide net’ approach)

OR

- focus on specific business segments

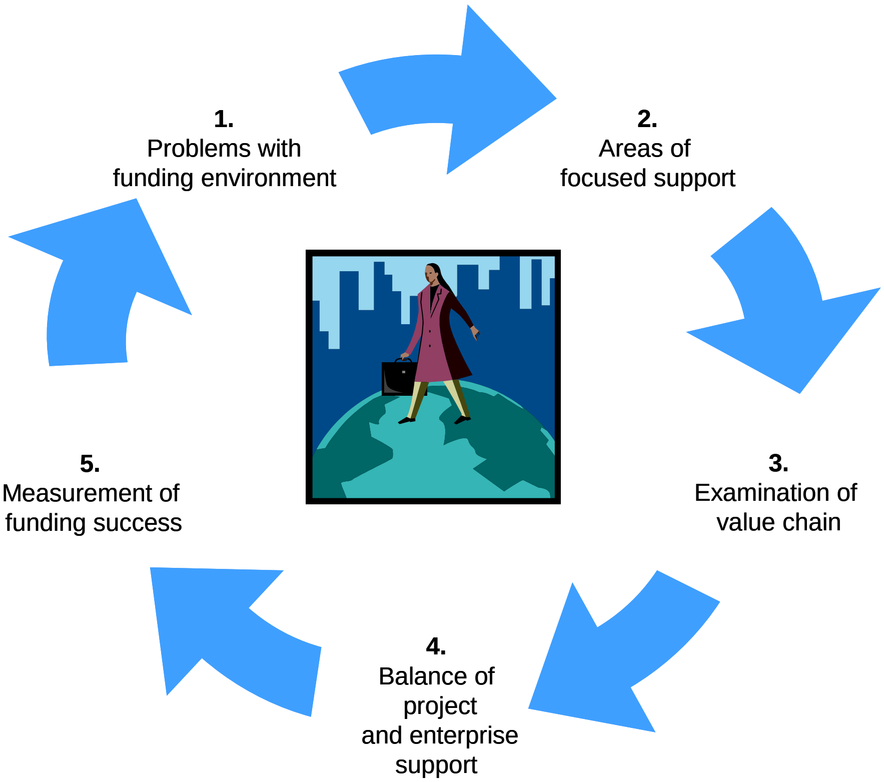
In either case, the support ought to exist at points along the value chain of specific business segment types, as relevant to the business segment(s) chosen. If a more general approach is taken (i.e. the ‘wide net’), policy should be focused to support the development of particularly innovative new media products (like the TELUS fund).

Other cultural sectors are forging support for companies (in addition to projects) engaged in the development and distribution of content as well as products – the support given to new media could also orient its programs toward companies who are building IP – as was the case when support for Canadian music companies was still under Telefilm’s management.

Most other cultural industries support programs are using market success or evidence of market support as important funding criteria – and new media should be not be an exception.

Before exploring these conclusions in more detail, it is important to note that the process of selecting an area (or areas) of support is perhaps best to be an on-going process. The new media environment is a rapidly changing environment where today's innovation is tomorrow's legacy. To keep one's new media policy effective and relevant it needs to keep up with the industry's evolution. Figure 15 (below), illustrates the cyclical evaluation of support necessary for effective new media support.

Figure 15 - Cycle of Effective New Media Support



The remainder of this section will follow the logic of this cyclical process.

1. Identify Problems with the Funding Environment: a Recap

To arrive at a way forward, we must first clarify the challenges of the current support environment. A report like this one could serve as the first step in the current cycle of shaping a new media support policy. To briefly recap the gap analysis in Section 3.2, we have concluded that there are two concurrent problems:

- Several new media business segments are currently underfunded. These include:
  - New media broadcasting;
  - New media aggregators, wholesalers, and publishers;

- Traditional media extension for film properties;
- Mobile content;
- Promotional products.

- There is a very limited amount of support available for the either the early-stage development or for the marketing and distribution of new media content *in all business segments*.

2. Select Areas of Support: Options for Selecting a Focus

To address these issues, a funding body must determine what kind(s) of new media products and/or firms it will support. This is to say that policy directed to the support of new media in Canada should likely choose which business segments to support. Because value chains (and the support available to various parts of the value chain) differ from one segment to another, choosing a business segment should occur before choosing an element of the value chain to support.

In selecting a focus, general options emerge, each with its strengths and challenges. As such, there are two overall approaches to the support of new media:

1) **Cast a "Wide Net":** One option is to provide funding for a broad range of new media products and/or companies, across most business segments.[40] This approach most closely resembles the approach currently taken to the CNMF.
   Strengths:
   - Does not exclude many applicants
   - Does not attempt to predict growth opportunity, reducing the risk of investment

   Challenges:
   - Only small amount will be available to each applicant
   - Not very cost-effective, as it funds segments unlikely to produce marketable products
   - Does not support 'world-leading' status in any segment
2) **Targeted Investment:** The second option is to select a narrower focus, choosing one or two business segments for targeted investment. If this option is pursued, policymakers could opt to either support those areas currently supported by other

[40] TFC may deem that one or more that new media business segments examined in this report to be outside of the mandate of the CNMF.

funds or attempt to fill a gap in the current funding environment. These two options are detailed below.

a. **Support co-ordinated industry specialization:** Target investment into the most supported segment of new media. In the current funding environment, the logical choice for industry specialization would seem to be traditional media extension for TV properties as they are currently targeted for support by the Bell Fund, Fonds Quebecor and (to a lesser extent) the CTF.

   <u>Strengths:</u>

   - Build on existing strengths and experience
   - Smaller awards will have larger impact (as they will be supplemented by other funding bodies)
   - May lead to internationally competitive products and/or business segment (e.g. Canada as a world leader in new media products for TV programs)

   <u>Challenges:</u>

   - Difficultly and risk of 'picking a winner'
   - Does not necessarily capitalize on emerging opportunities
   - Limited breadth of new media supported

b. **Match a funding gap with an opportunity:** Isolate one or two emerging opportunities in the sector (either at the business segment or sub-segment level) that couple a gap in current support with a growth opportunity. It is important that this opportunity *be available to Canadian companies* and not just be broad, global growth potential.

   <u>Strengths:</u>

   - Takes better advantage of emerging opportunities
   - Allows a funder to 'own' support of a segment of new media
   - Allows for greater levels of support with greater impact per disbursement
   - More likely (than option 1) to result in successful products and/or companies

   <u>Challenges:</u>

   - Difficult to 'pick winners'

- Requires significant and on-going market research to stay abreast of trends and developments in chosen segment(s)

Some preliminary candidates for option 2b (as drawn from the SWOT analysis in Section 4) include the following:

- (Casual) gaming content
- Mobile content (for 3G devices)
- New media aggregators, wholesalers and publishers
- Promotional content
- Educational content for Canadian schools

3. Critically Examine and Support the Value Chain

Regardless of the segment(s) of the new media industry chosen, it is critical to ensure that the value chain of the selected segment is properly supported. As section 5.2 suggests, there are varying degrees of support along the value chain for different business segments. Accordingly, once it is determined what segments of the new media landscape are priorities for support it is important for a new media policymaker to closely examine that segment's value chain to determine if sufficient resources are available to bring an idea from creation and prototyping through to commercialization. If no segment is specifically targeted for support, more general conclusions will likely have to be drawn as to how best to apply support.

As with the selection of a focus for support in terms of business segment, the elements of the value chain needing support will change over time as the Canadian new media industry continues to evolve and mature.

In general, however, we can conclude that there two elements of the value chain that will require attention.

<u>Development</u>

Specific attention could be devoted to support the development of new media products, given the importance of this stage to most new media products (see Section 2.7). This early stage support will allow new media entrepreneurs to quickly capitalize on opportunities presented by new technologies or processes. The importance of this support is reinforced by the relative lack of private capital accessible by Canadian new media firms.

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Given the speed at which new media products of all business segments are introduced to the market, it is critical that the application and approval process for development support be as quick and accessible as possible.

Marketing and Distribution

Funding the development or production of a brilliant idea is ultimately fruitless unless there is way for it to be *commercialized*. As noted above, there is currently a gap in the funding in terms of marketing and distribution.

This is to say that there are insufficient resources for small new media companies to access domestic and international markets. These companies need to build audiences for their products (marketing) and arrange – usually through aggregators – for content to be delivered to the end user (distribution). Given the small size of the Canadian domestic market the exporting of these products in other jurisdictions is also a crucial part of growing a successful new media business.

4. Evaluate Product vs. Enterprise Support

Another observation on the new media support environment is that funding has to this point been overwhelmingly focussed on product-level support. This can be problematic in terms of the timing of the fund (which may or may not coincide with product development). Additionally, perhaps more than other creative industries, new media firms must be poised to exploit opportunities as they emerge. That said, supporting individual projects allows for tighter control on the part of the support body as to the direction of funding monies.

Another option is to initiate enterprise-level funding for new media companies. Moving to this manner of support entails a shift towards supporting the building of sustainable new media companies. It would also allow companies with (somewhat) proven products to move into new markets and/or develop new products on the back of their existing products. By allowing for more diverse portfolios among Canadian new media developers, enterprise funding will contribute more directly to the building of a strong new media industry in Canada.

However, some business segments will be more responsive to enterprise support (e.g. promotional new media products) than others. As such, the choice of product vs. enterprise support is also somewhat contingent on step 2 (“Select a Focus”)

Enterprise funding would have the following cultural and economic benefits:

Cultural Benefits:

- Building of strong, recognizable Canadian brands
- More relevant cultural material produced

Economic Benefits:

- Building sustainable companies
- More likely for healthy companies to retain intellectual property rights

Likely the best approach will be a blended strategy of enterprise funding for somewhat ‘proven’ new media companies, with project funding being made available to emerging firms. Such an approach would be flexible enough to address the needs of both new media ‘start-ups’ in need of seed money, and established firms that need to build capacity and/or expand into new markets.

5. Measure Success

The new media industry is a very technologically-driven environment. Moreover, it is an industry that changes very rapidly. It is, accordingly, more difficult to ensure that support mechanisms remain relevant and effective. To do so, one can first create measurement parameters by which to rate the success of funding. These parameters must also satisfy both the cultural and economic goals common to creative industry support programs. Three very high-level options for measurement criteria are as follows:

- **“Eyeballs”:** Counting the unique page views or downloads (depending on the type of product), for example, would measure access to or the popularity of a particular new media product. This would function as a gauge to determine the impact a product has towards representing the Canadian experience online.[41]
- **Profitability:** Examining whether new media properties funded have developed a profitable business model is another measure of success of the fund. If the public contributions result in sustainable companies that are able to produce more IP (and thus a stronger new media industry in Canada), this should be seen as a success. Evaluating market success will also lend some economic discipline to the evaluation process.
- **Capacity:** Tracking the number and scale of projects subsequent to those receiving support will contribute to an understanding of whether or not a program is successful in the building of a new media industry in Canada.
- **Capital Appreciation:** New media firms are more prone to mergers and acquisitions than other industries. As such, one could measure the increasing

[41] This option would necessitate the creation of a standardized method for gauging online (or mobile) audiences, which currently does not exist.

'value' of supported firms, ultimately leading to their sale.[42] The development of attractive companies would draw private investment monies into the sector in Canada, a perennial issue. This would also likely result in an increased number of 'serial entrepreneurs' with the business acumen to build new, successful Canadian new media start-ups.

It is likely that the collection of this kind of data will require a close working relationship between the funding or support body and funding recipients.

Determining what funding has been successful, and what has not met with success, also serves as the first step in re-evaluating the new media landscape. The cycle described in this section would then begin anew.

Summary of Conclusions

In all, we conclude that a cyclical process of some nature ought to be maintained to continually evaluate and improve the effectiveness of support for new media content production in Canada. We further suggest that a report such as this one could well serve as the first step in this process.

Nonetheless, we stress that the gaps in new media support and opportunities for Canadian new media firms identified in this report are subject to rapid change. The new media landscape is fluid and public intervention to address these gaps should reflect that fluidity. Similarly, while support for new media *content* will undoubtedly be the focus of current or future support programs, it is important to recall that the exact meaning of 'content' in a new media context will continue to evolve. As such, it is imperative not to mire the analysis of new media in steadfast silos or business segments, but rather it will be necessary to re-evaluate the environment as a whole on an on-going basis. Both support programs and measurement criteria developed to measure the success of these programs should respond to this unparalleled rate of change with an unprecedented level of flexibility.

Finally, whatever support is offered to new media firms and/or products must be coherent and cohesive. That is to say that support programs have to address the particular needs of new media creators *all along the value chain* from the development phase through marketing. Only then will focus be rightly placed on the *commercialization* of Canadian new media products and only with commercial viable products will the Canadian new media landscape reap the bounty of Canadian new media creators' ingenuity.

[42] Value, for new media companies, is commonly measured in terms of indicators such as subscribers, market share and/or ownership of innovative IP.