



INDUSTRY PROFILE - INTERACTIVE

DECEMBER 2021 PROFILE

INTRODUCTION

The term interactive digital media (IDM) accounts for a range of digital content and experiences available through a variety of digital platforms such as PCs, mobile devices and game consoles. IDM in Canada is a growth industry that is quickly changing, driven by shifts in consumer behaviour and technology. IDM content includes but is not limited to video games, cross-platform entertainment, virtual and augmented reality content, web series, and e-learning and training products.

INDUSTRY SIZE AND ECONOMIC IMPACT

The following information on industry size, activity, revenue, and employment should be considered a snapshot of activity in the industry based on the best available information.

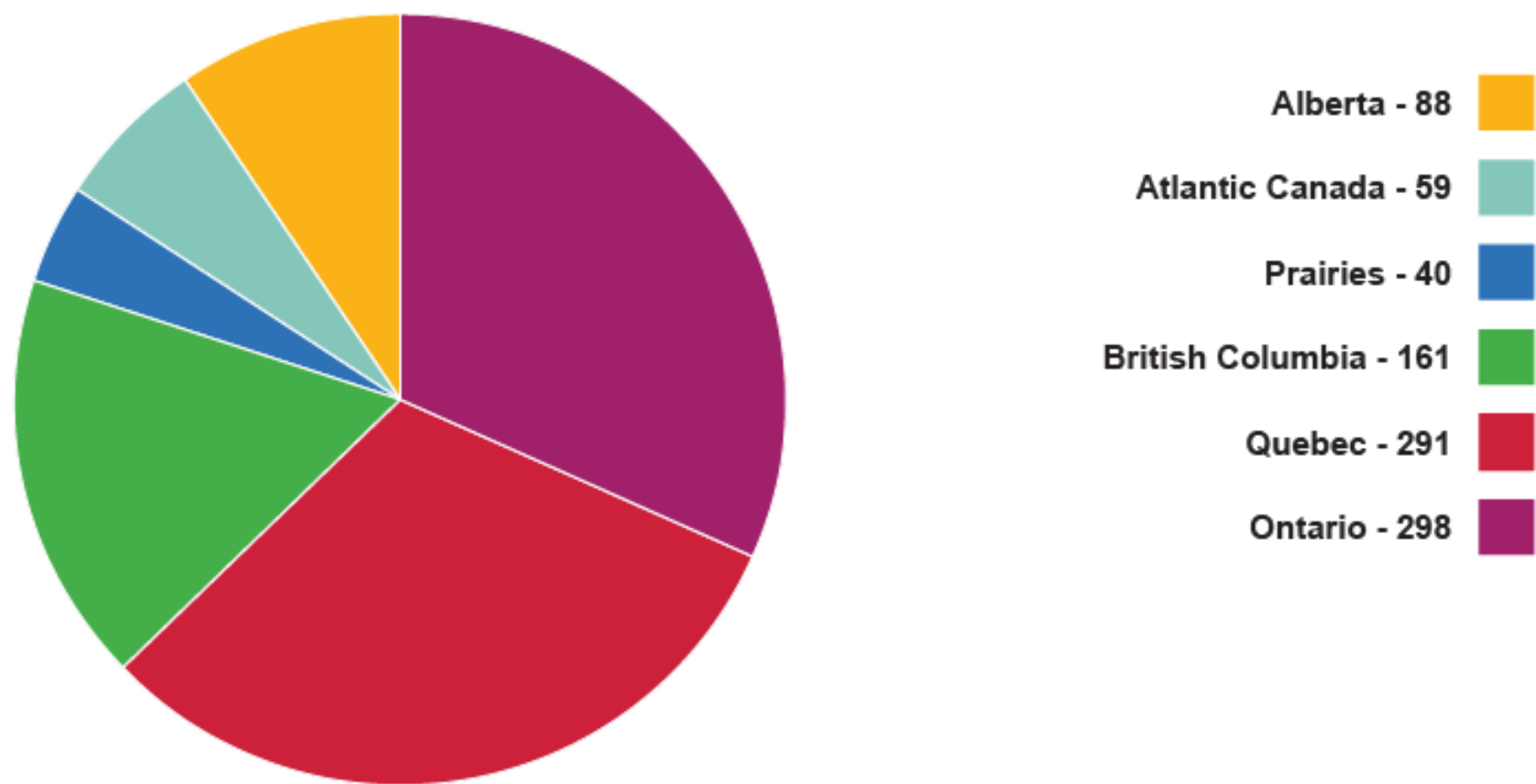
REVENUES, PRODUCTION VOLUME, AND EMPLOYMENT

- According to a study by [Interactive Ontario](#) (IO), in 2017, Ontario IDM companies generated \$1.17 billion in direct GDP, \$317.7 million in indirect GDP, and \$285.8 million in induced GDP, for a total GDP contribution of \$1.77 billion. This was 24% higher than the industry's 2015 GDP impact of \$1.43 billion.^[1]
- Ontario-based IDM companies generated \$1.66 billion in revenue in 2017, with a profit margin of 15.7%.^[2]
 - \$1.14 billion (69%) of this was from IDM-related products and services. Forty-seven percent of this revenue (or \$771 million) was from game development, with another 22% (\$370 million) from other IDM activities.^[3]
- A study conducted by [Interactive Ontario](#) (IO) found that the IDM industry in Ontario consists of 929 companies, almost half of which employ five or fewer people. In total, the sector employs a total of 18,070 full time equivalents (FTEs), 12,300 of which are direct employment. This demonstrates significant growth since IO's previous study, which found that there were 10,900 FTEs employed by Ontario IDM companies in 2015.^[4]
- IDM companies surveyed in [Interactive Ontario's Measuring Success](#) report indicated that some of their greatest concerns were the value of the Canadian dollar, difficulty with finding skilled labour in-province, and further difficulty in trying to hire foreign labour to fill gaps. Smaller companies were more likely to see skilled labour as a significant challenge rather than immigration issues, because they are more likely to hire directly from post-secondary institutions, whereas larger companies are more likely to attempt to bring employees into the country.^[5]
- [Statistics Canada](#) has released updated national quarterly data on GDP, jobs and exports for interactive media up to Q2 2021. The "interactive media" category is inclusive of, but not restricted to, the interactive digital media sector. This data is available on the Statistics Canada website.

VIDEOGAME INDUSTRY

- Ontario houses the highest number of video game companies in Canada (298), having surpassed Quebec as the national leader in 2019. Ontario is home to 31.8% of Canadian video game companies, compared to 34% in 2019, and 27.2% in 2017.^[6]

Distribution of Canadian Video Game Companies

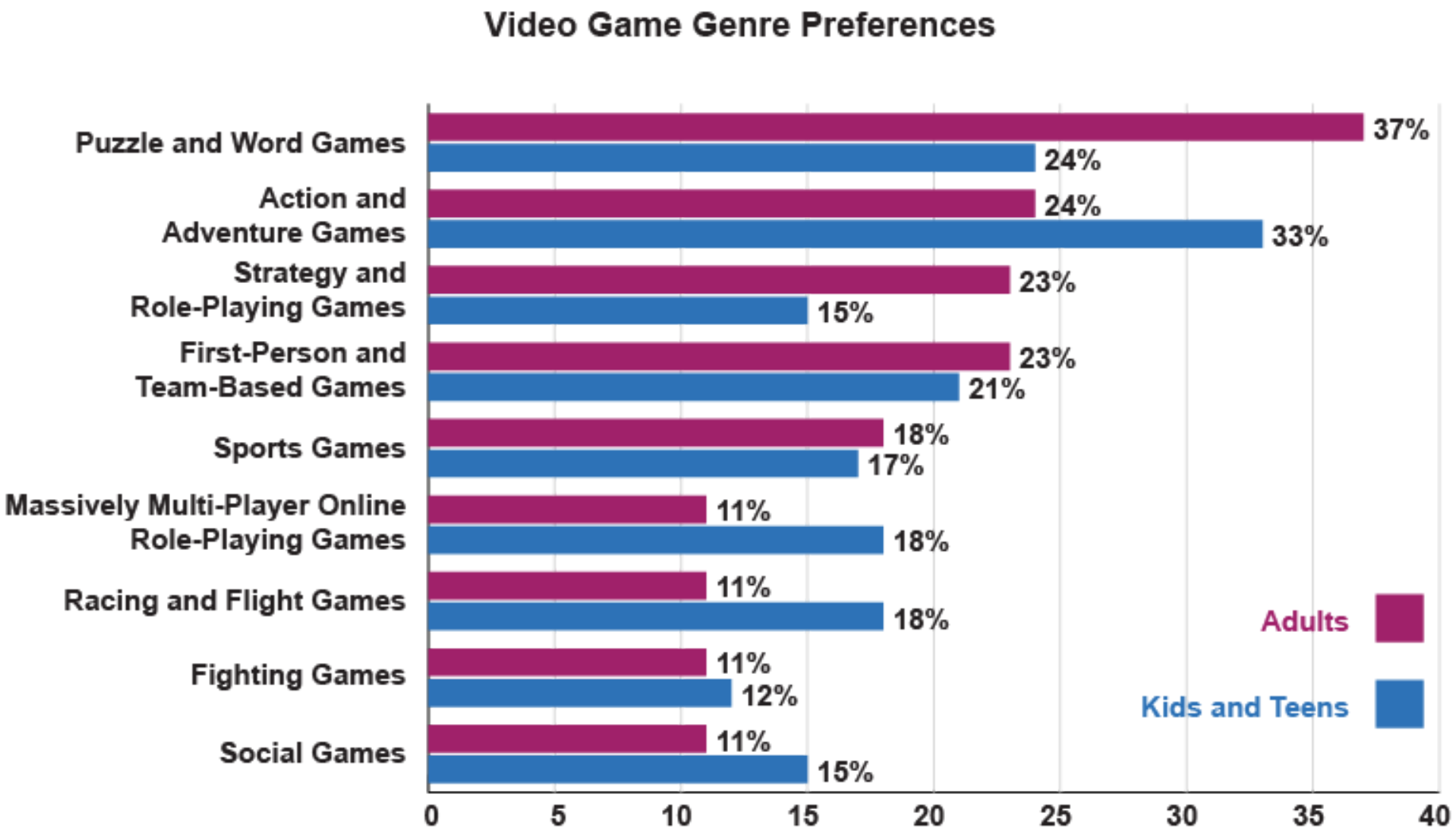


Source: Entertainment Software Association of Canada, *The Canadian Video Game Industry 2021*, 2021, p. 11.

- The Canadian video game industry had a 2021 expenditure of approximately \$3.7 billion, marking an increase of 17% over 2019, with Ontario accounting for 22%. Almost two thirds of this expenditure (64%) was spent on employee wages, compensation and benefits.^[7]
- As of a 2021 survey, Canadian video game companies employ 32,300 full-time equivalents (FTEs), an increase of 17% over 2019. This is attributable to both a significant growth in number of companies, and the fact that over half (57%) of individual companies indicate having more employees than in 2019. Of these 32,300 FTEs, 81% are full time employees, 18% are contract or freelance employees, and less than 1% are part-time employees.^[8]
- The Canadian video game industry had a direct GDP contribution of \$3.2 billion in 2021, as well as an indirect and induced impact of \$2.3 billion, for a total of \$5.5 billion, a 23% increase over 2019.^[9]
- Although the video game sector was less impacted by COVID-19 than many others, its influence was still felt, particularly in lost productivity. Of surveyed Canadian companies, 59% said they experienced a marginal or significant decline in productivity, with only 5% indicating an increase. The top reasons for lost productivity were contracted cancellations, disruption and/or delays for fee-for-service work, and for original IP projects.^[10]

CONSUMER MARKET

- As of 2020, 23 million Canadians (approximately 61% of the population) play video games. The average Canadian gamer is 34 years old, and 89% of Canadian kids and teens play video games, indicating that the audience base is only growing.^[11]
 - Of these Canadians, 63% of adults and 90% of kids and teens in Ontario play games, with an average of 9 hours per week and 13.5 hours per week respectively.^[12]
- During COVID-19, 58% of adults reported playing more video games, and 80% of teens were playing more. Additionally, 65% of adults and 78% of teens found that gaming helped them feel better during stay-at-home measures.^[13]
- There was also an increase in popularity for online multiplayer games, including people using them as virtual gathering spaces to celebrate real-world milestones like weddings or graduations. People reported that being able to play video games together helped them feel more connected to friends and loved ones, whether playing remotely or together at home.^[14]
- Puzzle and word games are the most popular genre for adults, with 37%, and action and adventure games are most popular among kids and teens at 33%. Fighting games and social games are the least popular among both groups, with 11% for both for adults, and 12% and 15% respectively for kids and teens.^[15]



Source: Entertainment Software Association of Canada, *Real Canadian Gamer: Essential Facts 2020, 2021*, p. 13.

- Mobile devices are the most popular medium for video game play among Canadian adult gamers, with 94% reporting owning and using mobile devices for video game play, followed by computers with 88% and consoles with 56%. Mobile devices are also used more, with 48% saying they use mobile devices most often, as opposed to 23% for computers and 29% for consoles.^[16]
- In 2019/20, Canadians engaged in esports extensively. Forty per cent of Canadian gamers participated in game streaming, with 31% of adults and 30% of kids and teens engaging in game streaming as viewers, and 15% of adults and 22% of kids and teens engaging as a player.^[17]
- Esports also became significantly more popular as a result of COVID-19, with 5.7 million Canadians watching multiplayer competitions, a 29% uptick year over year. Non-competitive video game streaming also increased significantly during this time, with 45% of adults and 66% of kids and teenagers streaming more video games.^[18]
- Virtual Reality (VR) and Extended Reality (XR) also experienced a significant uptick during the pandemic, with many people turning to social VR as a way to connect safely while social distancing.^[19]

TRENDS AND ISSUES

Virtual reality and esports continue to be rapidly growing markets, and VR, AR and XR continue to push boundaries of what the technology can be used for. IDM industries are striving to make improvements in regards to environmental impact; representative and inclusive workplaces; and minimizing excessive overtime.

GROWTH RATE AND INDUSTRY TRENDS

- In 2020, Canadian video games and esports generated almost US\$2.8 million in revenue, marking an increase of 19.65% combined annual growth rate (CAGR) over 2019. Growth is expected to slow over the next five years, with CAGR dropping to 4.48% by the end of 2021, and reducing to 2.58% by the end of 2025.^[20]
 - While Canada’s video game and esports market had a higher rate of growth between 2019 and 2020 (compared to the global market’s growth of 14.71%), the global market is expected to slow less than Canada’s, with 8.08% annual growth in 2021, and 4.0% by 2025.^[21]
- The global virtual reality market has continued to grow, with a 31.67% growth rate between 2019 and 2020. This is expected to remain fairly steady, with a CAGR of 30.29% between 2021 and 2025. In 2020, the global VR market generated US\$1.8 billion in revenue.^[22]
- Esports audiences are growing rapidly. As of 2021, there are 474 million people who watch esports globally, an 8.7% year over year increase from 2020. It is estimated that this number will reach 577.2 million by 2024, with a CAGR of 7.7% between 2019 and 2024.^[23]
- Some media sources turned to online video games as a way to give children unique learning experiences during lockdown, such as the CBC Kids News-hosted live event in Minecraft which allowed children to learn from scientists, as well as

destroy a huge coronavirus particle as a team with their in-game avatars.^[24]

- Canadian companies are at the forefront of VR, AR and XR technology:
 - Advancements in VR technology continue to be utilized in schools, such as a program being used at a Windsor school to allow biomedical engineering students to “physically” interact with skeletons and muscles, as well as take part in virtual tours of international facilities.^[25]
 - Many innovative uses for Augmented Reality (AR) are being developed, such a St. John’s startup which is developing manuals for electronics which appear as an overlay over the item using a cell phone camera.^[26]
 - A VR TV show coproduced with NASA and the Canadian Space Agency called *Space Explorers* released its second season in 2020. VR technology allowed the pre-COVID show to be released to audiences even without the scheduled IMAX launches.^[27]
 - Ontario-based production company Shaftesbury Films is releasing an XR game based on popular TV show *Murdoch Mysteries*, in which players use a phone or tablet to examine three dimensional crime scenes and interrogate witnesses along with the titular character.^[28]
- Sales of video game consoles and accessories increased 58% year-over-year in 2020, with almost 250,000 more units of hardware being sold.^[29]
- It is estimated that the global cloud gaming (wherein the consumer streams games available through a cloud service rather than owning physical or digital copy of a game) market will generate \$6.5 billion in revenue by 2024. It is expected that there will be 23.7 million cloud gaming users by the end of 2021, climbing to 60.7 million by 2024.^[30]
- A [new report](#) from the [Canadian Film Centre](#) provides a snapshot of the impact of COVID-19 on women-led digital media businesses in Ontario. Having conducted a number of surveys and workshops, the study identifies main priority themes being business adaptation, social distress, and exhaustion, change, and collaboration.
- Video game publishers are waiting to see what changes come as consumers are increasingly able to leave their homes and engage with different forms of entertainment. The pandemic has marked an extremely strong year for video games, including driving worldwide console sales to a record \$56 billion in 2020.^[31]
- Some video game studios are beginning to develop games using blockchain technology. The use of blockchain allows for innovations such as making it possible for former players to sell their inventory or experience points to new players, or trade assets among existing players for real-world currency (generally bought and sold using cryptocurrency).^[32]
 - Obstacles to the future of blockchain gaming include investor risk (conservative gaming studios being reluctant to pick up new monetization strategies) and PR (such as backlash against cryptocurrency and NFTs due to the carbon footprint of their creation).^[33]

GLOBAL AND DOMESTIC ISSUES

- In 2019, only 26% of Ontario video game employees were women. However, this was still higher than the Canadian average of 19%.^[34]
- Netflix is considering adding the ability for users to stream video games in addition to television shows and movies, in an effort to counteract the significant slowing of their subscription growth as competition increases.^[35]
- The IDM sector’s awareness of climate change is growing. Playing for the Planet Alliance, an initiative of the United Nations Environment Programme, brings together a number of video game companies looking to raise awareness and encourage action on climate change. Member companies make commitments ranging from integrating environmental messages in their video games to reducing emissions rates.^[36]
- The video game industry continues to struggle with crunch, the term used to describe mandatory overtime leading up to the release of a game. Crunch has been shown to be damaging to the mental (and sometimes physical) health of employees, as well as being potentially detrimental to the final quality of the game. As of a 2019 survey, 40% of game developers reported having worked crunch time at least once over the previous year, with up to 20 extra hours beyond a standard 40 hour work week. Only 8% reported having being paid extra for those overtime hours.^[37]
- A Canadian class-action civil claim against video game publisher Electronic Arts is another in a line of challenges worldwide which suggest that loot boxes (rewards purchasable in-game that provide players with a random assortment of items or other bonuses) violate gambling laws, due to the random nature of the rewards. This challenge has been particularly raised due to the popularity of games that use loot boxes among children and teenagers.^[38]
 - [Youth Media Alliance](#) has some guidelines and best practices for creating ethical digital media for children, [An Ethical Framework for Marketing and Monetizing Digital Content Media for a ‘self published’ Children’s/Youth Audience](#) and a [Digital Toolkit](#).
- Prompted by the advent of COVID-19, Indigenous Tourism Ontario is working to develop online tools to allow tourism organizations to provide virtual tours in VR. While this technology has come to the forefront during the pandemic, there

has also been an increasing demand for Indigenous tourism, and virtual tools can help offset the cost of expanding offerings to a wider audience.^[39]

- LGBTQ+ advocacy organization Egale Canada and global esports and entertainment organization Overactive Media are working together to improve diversity and inclusion in the esports industry. The partnership will study this issue and produce Ontario-focused findings to inform future policies, best practice reform, and other interventions.^[40]
- Video game giant Activision Blizzard has been sued by the California Department of Fair Employment and Housing for fostering a “frat boy” culture of sexual harassment and unequal pay for female employees, following a two-year investigation.^[41]
- An ongoing lawsuit between Apple and Epic Games is debating whether Apple is engaging in anti-competitive behaviour by charging a commission for its in-app payment systems and exercising control of which apps can be installed on its devices. The dispute follows an effort by Epic Games to add their own payment system to the popular game Fortnite, resulting in the game being banned from the App Store.^[42]

GOVERNMENT SUPPORT

- Ontario interactive digital media producers have access to public funding through the [Ontario Interactive Digital Media Tax Credit \(OIDMTC\)](#) and the [Ontario Creates Interactive Digital Media \(IDM\) Fund](#). Support from Ontario Creates provides opportunities for producers of interactive content to create new products, access existing and new markets and grow their business through the IDM Fund. IDM Fund programs include: Production (Linear and Non-Linear streams), Concept Definition (Linear and Non-Linear streams), Global Market Development, Commercialization and Discoverability and Industry Development, which provides support to trade organizations for events and activities that stimulate the growth of the industry. As part of the Industry Development program, the IDM Fund also supports emerging digital companies with training activities through the [IDM Fund: Futures](#) initiative.
- The [Canada Media Fund](#) offers a number of funding programs to support the IDM industry, which can be found under the Experimental category on their website.

INDUSTRY RECOGNITION

- *Bit Playas* by [Larue Productions Inc.](#) won Best Series and Best Writing at the 2021 Canadian Screen Awards.
- *Avocado Toast* by [Border2Border Entertainment](#) won Best Web Series – Narrative at Japan Web Fest 2021, and the Best Editing award at the Seoul Webfest 2020.
- [Heliconia Press](#) received four statues at the 41st Telly Awards in 2020: Gold and Silver for *Epic Trails: Papua New Guinea*, Silver for *Paddle Tales: Le Boat*, and Bronze for *Kayak Bassin’: Long Branch Lakes*.
- In October 2021, *LOVE – A Puzzle Box Filled with Stories* by [Rocketship Park](#) was selected by Apple as Game of the Day in the United States.
- *Chivalry 2* by [Torn Banner Studios](#) boasts more than 1 million copies sold and over 8 million gameplay hours.

Profile current as of October 5, 2021

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[5 Interactive Ontario](#), *Measuring Success: The Impact of the Interactive Digital Media Sector in Ontario* -2nd Edition, May 2019, pp.3, 31.

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