

**IN-DEPTH STUDY OF  
MULTIMEDIA INDUSTRY**

QUALITATIVE RESEARCH

FINAL REPORT

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# Introduction

## Background

This study, conducted on behalf of Industry Canada by DJC Research, is part of an on-going effort by Industry Canada to understand the rapidly evolving multimedia industry.

The release of the first comprehensive quantitative study of the multimedia industry in Canada established the ground work in understanding the industry's needs. It also raised issues that are important to the industry and required further in-depth study. This research represents the first step in working towards an understanding of these issues.

## Objectives

The primary objectives of this research were:

- To understand the perceptions of those within the industry of what factors constitute barriers to growth;
- To obtain a qualitative sense of what role strategic alliances play in the industry;
- To determine how distribution and marketing are being achieved in this sector;
- To understand perceptions of the current and ideal role of government in the industry.

## Methodology

Six focus group discussions were conducted with multimedia producers in Toronto, Montreal, and Vancouver. In each city, one group was held with producers of corporate, i.e., training and reference, titles and one with producers of titles intended for the home market, for example, games, lifestyle, and educational titles.

The focus group participants were recruited using the database of respondents resulting from the quantitative study. In addition, company names were provided by Industry Canada to supplement the recruitment process.

Terms of reference included teleconferences with Industry Canada, written statements of objectives prepared by Industry Canada, and personal briefings.

Representatives from Industry Canada were present at all sessions. Each group lasted approximately two hours and was tape-recorded.

### Group Composition

Group composition by city was as follows:

Group	City	Sector	# of participants
1	Toronto	Corporate Market	8
2	Toronto	Home Market	7
3	Montreal	Home Market	9
4	Montreal	Corporate Market	7
5	Vancouver	Home Market	7
6	Vancouver	Corporate Market	9

### Caution to the Reader

The observations and conclusions provided in this summary report are based upon qualitative research. Such research is designed to provide insights and to develop hypotheses. The participants interviewed are not necessarily representative of the target population in general.

# Industry Definitions

## **DEFINITION OF TERMS**

### *(Interactive) Multimedia*

(Interactive) multimedia can be defined as an interactive presentation of electronic (digital) information that incorporates two or more media elements, e.g., graphics, text, animation, video or sound, for playback on a computer moderated device.

### *Multimedia Developer*

That aspect of the multimedia industry that is directly involved with the creation and production of the media elements and their intergration into an (interactive) multimedia presentation.

### *Multimedia Publisher*

That aspect of the multimedia industry that is primarily involved with the marketing, promotion, and financing of (interactive) multimedia products.

### *Corporate Developers*

That sector of the multimedia industry involved in the production of titles designed for use by business or educational institutions.

### *Consumer Market Developers*

That sector of the multimedia industry involved in the production of titles intended for use by consumers including entertainment and lifestyle titles and games.

### *Small and Medium Sized Enterprises (SMEs)*

Companies in the private sector employing less than 100 individuals.

# Executive Summary

## Background

This report provides the preliminary findings from qualitative research conducted by DJC Research, a Canadian survey research company, on behalf of Industry Canada. Two focus group discussions were conducted in each of Toronto, Montreal, and Vancouver with owners or senior managers of Canadian multimedia companies to explore issues in the multimedia industry. Specifically, participants discussed their perceptions of the factors influencing growth and investment with particular emphasis on the perceived barriers to growth, strategic alliances, distribution and marketing, and the current and ideal role of the federal government in the industry.

Participants in these discussions were multimedia producers. In each city, one group was held with producers of corporate, i.e., training and reference, titles and one with producers of titles intended primarily for the home market.

The observations and conclusions provided in this summary report are based upon qualitative research. Such research is designed to provide insights and to develop hypotheses. The participants interviewed are not necessarily representative of the target population in general. Results should be quantified before any action is taken.

## Key Findings

### *Factors Influencing Growth and Investment*

Participants in this research identified the following as factors that influence growth of and investment in the multimedia industry:

- the lack of an industry definition and *de facto* industry standards;
- the lack of an established and well-defined market;
- a work flow that fluctuates with the creative process;
- the lack of a defined multimedia industry specific business model;
- obtaining financing;
- the limitations of the SME definition;
- an uneducated client base with often unrealistic expectations;
- the rapid pace of growth within the industry;
- the nature of the labour force;
- training;
- copyrighting;
- obtaining distribution channels.

### *Strategic Alliances*

While few participants reported that they had forged *formal* strategic alliances, a picture emerged from these groups of an industry supported by a loose network of informal alliances.

As owners and managers of SMEs, these individuals relied heavily on networking to obtain business information. This informal networking often extended into the formation of informal alliances.

Strategic alliances were seen as valuable by most participants. Several reported that they were attempting to form an alliance but were having difficulty. When asked how they went about seeking out a strategic alliance, participants reported that there was no formalized process and mostly they used word-of-mouth, networking, and attendance at conferences in the United States. While the Interactive Multimedia Arts and Technology Association (IMAT) was seen as providing networking opportunities, it was not seen as helping in alliance building because the members generally have a creative rather than business orientation. In Vancouver, participants reported that they used trade shows, like Multimedia Market West. Other Vancouver participants had attended a University of British Columbia seminar that had been sponsored by Industry Canada.

Alliances seem to have been more common among Montreal participants. There, participants reported that informal alliances were the norm and that alliances were often created out of fear of lagging behind industry leaders or lack of technical expertise on the part of the traditional media. Participants suggested that some advertisers are coming to the new media to solve advertising problems associated with the fragmentation of traditional media channels, i.e., to extend their reach in a market that is tending to narrowcasting or finely targeted specialty channels. In Montreal, it appears that alliances were often more of a short-term, project specific nature than long-term partnerships.

### *Distribution and Marketing*

When asked how multimedia products were marketed and distributed, one participant in Vancouver responded, "*endless meetings, demos, getting to know people, referrals.*" This continual search through networking for distribution channels was a constant throughout all the groups. There appeared to be some differences in distribution and marketing issues according to industry sector.

Across all cities and both types of developers, participants were in agreement that marketing their products and services was an industry challenge. They reported that as they had become more experienced they



recognized the need for including an individual with specific marketing experience on their project teams.

The Internet was seen as the future of multimedia distribution by most participants in Toronto. In the words of one participant, "*the Internet has unlimited shelf space*". There was a widespread perception that distribution channels and models are evolving. Participants reported that they had created their own distribution channels through advertisements in the back of magazines, direct marketing, and distributing through non-traditional outlets rather than media outlets (for example, distributing a cooking title through a specialty food store rather than a retailer of multimedia products specifically).

Content emerged as an issue connected to marketing and distribution. The view was held by some respondents that on issues of grammar and spelling, companies had to appease the largest market and put nationalism aside.

### *Role of Government*

When asked to describe the current role of government in multimedia, participants tended to cite government assistance in facilitating their attendance at trade shows. Participants most frequently mentioned Industry Canada and Foreign Affairs; participants in British Columbia were more likely to cite provincial government involvement, as were participants in Montreal. Indeed, it was apparent that the Quebec government is active in promoting Quebec culture on multimedia vehicles. Knowledge of federal government involvement in the industry was limited to financial assistance.

When asked how they perceived the government *should* be involved in the multimedia industry, participants offered the following suggestions:

- Provide financial assistance and incentives;
- Open doors to foreign markets;
- Promote understanding and raise the profile of the industry with the public, within the government, and within the multimedia industry;
- Provide tax incentives to both the industry and clients;
- Award contracts to smaller multimedia companies;
- Recognize the limitations of the SME definition;
- Provide all ready existing information to the industry;
- Provide or subsidize training;
- Avoid over-regulation of the Internet, with many suggesting no government regulatory involvement at all;
- Facilitate resolution of copyright issues;
- Help create strategic alliances;
- Provide expertise and support for international marketing efforts.

It should be noted that, more so than participants in other cities, participants in Montreal believed that the government should be involved in the multimedia industry through policy development as well as more practical assistance, like funding and training.

*Key Differences Between Developers of Corporate Versus Consumer Titles*

Although many commonalities were in evidence among developers of titles for the corporate and home markets, some key differences *did* exist. The following is a summary of some of these differences:

- Financing needs were likely to be different. Corporate developers were more likely to be working on commissioned and, therefore, funded projects while developers for the home market were often working on more speculative ventures, requiring significant effort in sourcing financing.
- Unreasonable expectations of the client base were a problem more for corporate developers whose clients often were coming to them after having been exposed to another corporate product. Clients of corporate developers were more likely to be involved in the development of the product than end-users of consumer products who purchased it after it was commercially available. As such, while consumer product developers often had more difficulty obtaining financing, they often had more control over the creative development of their products.
- Obtaining and licensing content appears to be a bigger issue for developers of products intended for the home market. Corporate product developers reported that most projects incorporated client supplied content.
- The corporate developers who participated in this research were more likely to have formed alliances. These tended to alliances involving the sharing or pooling of technical services and expertise rather than content or marketing related alliances.
- Distribution was more of a challenge for producers of consumer products; corporate developers were more likely to have been commissioned by a particular client with limited, if any, distribution requirements.

## DETAILED FINDINGS

# Participant Profile

## Overview

Participants in this research were owners or senior managers of companies whose primary focus was the production of multimedia titles. All of the companies represented were SME's, with many falling into a micro company, i.e., five employees or less, category.

Within each city, it was apparent that the industry was small and interconnected; for the most part, participants were aware of each others' companies, in some cases having dealt with each other professionally or through industry associations.

The groups, although randomly recruited, were primarily male, particularly in Toronto and Montreal. The issue was raised by one female participant in Vancouver that there exists a split by gender, with men more likely to be involved in technical writing or programming and women as project managers. There was little support for this view in the group.

Participants loosely fit into one of the three following categories:

- individuals, usually older, who had come to multimedia through the evolution of the video or film industries;
- individuals, usually younger, who had technical expertise in the emerging media;
- creative talent drawn to the new media because of its possibilities for expression.

Regardless of their demographics, participants in this research were, for the most part, resourceful entrepreneurs who prided themselves on their "hands-on" approach to business. Without exception, they relied heavily on networking as their primary source of business information.

## Sample Structure

Group composition by city was as follows:

Group	City	Sector	# of participants
1	Toronto	Corporate Market	8
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# Factors Influencing Growth

At the outset of the groups, participants were asked to articulate what factors, if any, they perceived as influencing the growth of their industry. The following is a summary of these responses.

## Issues within the Multimedia Industry Itself

### *Lack of an Industry Definition*

*"This is tomorrow's industry and unfortunately if we cannot make these people aware, these thinkers who are protecting our cultural industry, it's going to be a problem."*

One of the primary barriers to growth and investment identified by participants in this research is the perception of the industry itself. Participants believed that the parameters of what constitutes the multimedia industry are not clearly defined and this presents a problem in both individual business development and in the search for financing.

In Toronto, participants pointed to the different *types* of individuals who make up the multimedia industry as contributing to the rather nebulous nature of the multimedia industry and, therefore, part of the barriers to growth. Participants identified two general categories of multimedia professionals: 1) technologically advanced, usually younger with a creative orientation, and 2) individuals who had evolved with the industry itself, coming, for example, from the traditional media. These two groups often have disparate views and orientations and contribute to the lack of definition inherent in the industry.

### *Lack of a De Facto Standard*

There was also a prevailing view that, despite the highly specific and technical nature of the industry, the technology itself has evolved to the point where *"any guy with a Mac is a multimedia producer."* This has resulted in an industry in which there is no *de facto* standard.

### *Lack of an Established Market*

*"The market does not exist as such. We are building it, it's exponential. For the moment, in Quebec and Canada, the market does not exist, so in order to come up with competitive products,*

*to compete with the rest of the world, that can be quite a challenge."*

Participants viewed the industry as one that is rapidly emerging and creating its own market as it develops. While this uncharted frontier represented opportunities to these developers, it also holds inherent marketing and distribution challenges, highlighted in subsequent sections.

#### *Work Flow*

Some participants reported that their companies fluctuated in size due to the project-based nature of most companies. This presented unique management challenges in *"keeping human capital together"* as well as issues of office space and equipment. This was deemed as an industry specific barrier, similar to that faced in the film and video industries. Participants reported that they responded to this challenge by hiring contract employees to fill the additional jobs required by specific projects. Although this resolved some problems associated with fluctuating work flow, this revolving door created new problems in training staff and retaining the best people.

#### *Reliance on a Broadcast Model*

Many participants felt that the multimedia industry is relying primarily on a broadcast model and that this represents a barrier to industry growth. They described a broadcast model as being one through which payment to content creators was contingent upon knowing audience size and number of exposures. The point was made that, with a multimedia product, neither of these variables can be anticipated. One participant cited the example of a piece of music he had imbedded in a CD-ROM product that was accessed only when the user made certain choices. As such, it is possible that a particular user would *never* hear this music. In his view, it was not feasible to use broadcast model to pay the composer of this music. There was agreement that a computer software model, i.e., one user, one fee at time of purchase, might better facilitate industry growth. The majority of respondents in Toronto felt that copyrighting, licensing, and payment issues needed to be resolved quickly in light of the rapidly increasing usage of the Internet.

#### **Financing**

More so than on any other issues, participants were in agreement that the Canadian financial community is not meeting the needs of the multimedia industry. There was a prevailing view that banks *"only lend you money when you can prove you don't need it."* The reluctance of financial institutions to accept computer equipment as collateral was seen as an industry specific issue that was growth prohibitive.

*"The problem we all have here is capitalization. This is intangible. You go to the banker, the civil servants, they don't know what we*

*do. They'll look at a budget and they'll say "This is air. This is wind. We're selling ideas." So that's the problem. We're selling something intangible and civil servants and bankers like tangible things. Even people in the network don't understand...here (Quebec) we're still mining and logging and forests. Pulp and paper, everything is very tangible and our sector is really tertiary."*

Some participants reported that because of the high tech and constantly evolving nature of the industry, it was difficult to explain financing needs to personnel in Canadian financial institutions. Bank managers comfortable with financing companies that offered tangible products and services and unfamiliar with new technologies are generally unable to see the possibilities of multimedia. There was a general consensus among the groups that the type of individual who might be able to understand producers' goals would most likely be a younger employee who would not have the decision-making power needed to provide financing for a venture that was seen as speculative by more traditional financial professionals. Regardless, several participants in Vancouver remarked that once they had "trained" their account manager as to the nature of their business, that person inevitably moved on. Although anecdotal, this description struck a chord with the group and seemed to represent an overriding notion as to the commitment of financial institutions to SMEs generally and the multimedia industry specifically. While financing was seen as a major problem for the multimedia industry, it was not seen as being industry specific. Rather it was viewed as a problem shared by SMEs in general, and particularly those involved in new economy businesses (which tend to an absence of traditional collateral).

Difficulties in obtaining financing were seen as a *Canadian* problem. Participants believed that financial institutions in the United States were more likely to finance multimedia companies for two reasons: 1) the increased competition between financial institutions because of their greater numbers, and 2) the larger market for multimedia products in the US.

In Toronto and Vancouver, participants supplied anecdotal evidence to support the wide-spread view that multimedia talent was moving to the United States because of the financing problems in Canada.

Financing appears to have been obtained mostly outside of Canada's financial institutions. Corporate developers were more likely to have funding from a specific client; developers of products for the home market tended to have used a combination of personal and private financing.

## **SME Definition**

Participants also cited the SME definition as being a barrier to growth. These participants presented the view that the companies that make up the multimedia industry are generally micro companies (with one to four employees) rather than small or medium-sized. As such, they felt that the training programs and funding available for SMEs did not meet their needs since they were perceived to cater to companies of larger sizes.

## **Unfamiliarity with New Media Among Client Base**

*"There have been some objective criteria in corporate training materials that have been established. People who have been in the industry know what they are but clients...no real guidelines."*

Participants reported that their clients also represented a barrier to growth, particularly for developers of corporate titles. The average person who might benefit from a multimedia product was not perceived as having the technical knowledge or even a business model from which to evaluate the need for a potential product. Participants reported that they spent a significant amount of time educating their client base about the possibilities and ramifications of the new media. There was a perception by participants that, as with financial decision-makers, clients with the ability to commission a multimedia project were often older and not technologically literate. The upside of this lack of technical expertise on the part of clients is reliance on multimedia professionals due to fear of losing a competitive edge.

When this lack of knowledge on the part of clients is coupled with exposure to multimedia products, which generally are designed to appear user-friendly, unrealistic expectations are often set up in clients' minds. Because they are uninformed as to the technical difficulty of achieving certain technical standards (an example provided by one participant was the playing of video off a CD-ROM), they are unable to understand the cost and time implications of requesting it.

*"I think there is a mismatch between what corporate clients are looking for and what multimedia companies are offering. Often multimedia people are artistic or they love the technology or they think it is really cool or they love to play and work until three in the morning. Clients want people who understand their business. They are leery about small companies that are sort of fly-by-nightish."*



## Pace of Growth

Perhaps paradoxically, participants identified the growth of the industry itself as a barrier to growth. The rapidly advancing and evolving nature of the multimedia industry has meant that products often have a very short shelf life as they are improved or become obsolete. One participant in Montreal reported that in his business they experienced *"a turnover every six months"*.

In the corporate market, the pace of industry evolution has additional implications for profitability. As one participant explained:

*"...someone [Ed., a client] reading wild claims in the media asks for something that wasn't in the [Ed., product development] budget because it wasn't available six months ago when the budget was written."*

The rapid pace of technological advancement has had implications for multimedia developers who have been forced to invest in both software and hardware that is constantly improving. In order to meet the demands of clients' expectations, this has meant constant upgrading or lagging behind industry leaders. As one participant suggested, it is almost impossible *"to build the state-of-the-art into your business."*

## Labour Force

Views on whether obtaining qualified personnel was an industry problem were polarized. Based on this research, it appears that obtaining staff is less of a problem in Toronto and Vancouver than it is in Montreal. One respondent in Toronto reported that talented people were *"a dime a dozen"*. Others, however, believed insufficient training was a serious issue. While the world-class standing of Sheridan College's animation program was widely acknowledged, some participants believed that educational institutions did not train their students in a way that allowed them to enter the profession ready to contribute. In Montreal, there was a sense that, while creative talent was abundant, individuals with the *technical* expertise were difficult to find. There was a sense that traditional educators are resistant to multimedia as a tool in education.

In Vancouver, participants reported that they accessed their new hires through word-of-mouth and through a bank of résumés or cold callers. Particularly in Vancouver, participants reported that they preferred to hire creative or talented people regardless of their previous media experience and train them for their particular multimedia needs. The view was presented that, as software becomes more intuitive, this practice will increase. One respondent reported that her Photoshop expert is a classically trained painter who had limited computer experience when she hired him. She recruited him based on his particular talent and had him trained in the new media. More so

than in the other centres, participants in Vancouver saw the industry as product oriented, rather than media oriented.

For many participants, multimedia technology was a *tool* to achieve a particular product standard. In the words of one participant, *"my computer is another tool, just like my paintbrush. Whether it's a pencil or whether it's a computer, it's that talent that is inherent to develop that individual."*

There was a heightened sense in Vancouver, perhaps due to the proximity to both Seattle and California, that it was difficult to compete with US companies in terms of salary and cost of living. There was some experience in the groups in Vancouver with recruiting staff from the US. One participant reported that he had hired an individual from the US at a higher rate of pay than other employees and that human resources issues had arisen from this. In Vancouver, only anecdotal evidence was offered in support of the notion that Canada is losing talent to the US.

### **Training**

Participants reported that they generally did their training in-house. In Toronto, there was dissatisfaction with government training programs. Participants reported that they had paid for employees to attend training programs at which government-sponsored individuals were in attendance; there was a sense that these individuals would never work in the industry and, as such, it was a misuse of what was viewed as a valuable programme and a waste of government money.

*"I take for granted that I'll have to train the person even though they have been trained and they've studied. I expect them to take about six months to a year before they're useful in our business and that's very expensive."*

When asked about his in-house training, one participant in Vancouver described it as *"school of hard knocks, gopher school, sink or swim."* There was a prevailing view that formal training was a luxury that most multimedia firms could not afford as they scrambled to meet clients needs. Since clients are generally unwilling to underwrite the cost of training, people within the industry are forced to learn what is necessary to complete a job.

It was also noted in Vancouver, that due to the rapidly advancing technology within the industry, industry leaders have no resources to access as they are *"pushing the envelope"*. As such, leading companies become completely self-reliant. One participant reported that she had partly overcome this problem by using the Internet as a forum for problem-solving. She viewed the Internet as *"global training for senior people...now you can ask anyone your questions."*

In all centres, the lack of apprenticeship programmes was seen as a major barrier to industry growth. The specific nature of each individual business and the perceived inability of educational institutions to train students adequately demanded apprenticeship programmes. Several participants in Vancouver had had students work for them on practicum assignments and had found this to be a worthwhile exercise. There was a general consensus that formalized apprenticeships would serve both employers and those trying to break into the multimedia industry well.

## **Content**

Throughout all six groups, content was not spontaneously mentioned to any extent as a factor in the growth of the industry, except as it related to other issues. In general, producers of entertainment titles expressed more concern about the scarcity, cost, and copyright limitations of content than those individuals involved in the corporate market. In the corporate market, where projects were frequently completed on a commissioned basis, content was often provided by the client.

Content was raised as an issue as it related to copyright. There was a widespread perception that issues around payment and licensing need to be resolved to allow the industry to grow successfully.

Content was also raised in the context of strategic alliances. Some participants, especially those developing products intended ultimately for the home market, forged partnerships in order to obtain content.

In Montreal, content was also raised as an issue with respect to validation. Participants reported that the onus was on them to ensure that the content they used in developing their products was factually accurate. This was seen as a difficult and time-consuming task.

*"For us that is an issue... We did something for (a company). They supplied us with the material and that was validated but we are also doing something for the Ministry of Education in ecology, where once we had a data bank and then the experts wanted to validate that. They said, 'Hey, this is full of mistakes' and the information actually came from MA students, so we thought we were OK but then the experts said it wasn't good."*

Some participants in Montreal raised the issue of the performers union, UDA, which was perceived as blocking industry growth by an unwillingness to be flexible with the new media in terms of copyrighting. One participant reported that his company had developed a product which was currently indefinitely shelved because of what he perceived as intransigence on the part of the union on these issues.

Content was also viewed as expensive and there was a general view that it was more productive to either produce one's own content or strike alliances to obtain it.

*"Better to use the content you have already, try not to buy any rights. So when you have the content already, that's a big point. Costs are minimized."*

# Strategic Alliances

*"One of the things that I've noticed just in the last six months or so, maybe because we're in the process of developing software, there's a lot of structure now built into the big companies in terms of forming alliances with smaller developers, like the Microsoft Developers Network, for instance. Those are alliances that are very strategic because you're dealing with information and code. We organize their code structures' architecture so that they can have alliances with lots of outside developers. Three or four years ago, we didn't know if it was going to be this or that."*

While very few participants reported that they had forged *formal* strategic alliances, a picture emerged from these groups of an industry supported by a loose network of informal alliances. In general, it appears that producers of corporate titles were more likely to have formed a formal strategic alliance than producers of titles for the home market.

Formal alliances reported had been forged with academic institutions, major telecoms, and a broadcaster. In exchange for product, these multimedia companies received funding, Internet access, and, in the case of the broadcaster, content and distribution. It appeared that formation of corporate alliances were more common for several reasons. First, these tended to be found around immediate opportunity for a return on investment. With consumer product developers, the return was further along and less assured. It also appeared, by generalizing from the composition of the groups, that corporate developers had more sophisticated management structures than the consumer product developers. This often led to dedication of management resources to the creation and maintenance of alliances.

As owners and managers of SMEs, these individuals relied heavily on networking to obtain business information. This informal networking often extended into the formation of informal alliances. In Vancouver, producers of titles for the home market reported that informal alliances were usually based on finding a company working with equipment or skills in an area in which they were interested. One participant in this group reported that he was looking for multimedia developers and existing authoring tools, in essence, other second tier players to go after the industry leader.

Of all groups, corporate developers in Vancouver were the most likely to have forged alliances. Even where formal alliances were described—for example, one with a client involving software development and distribution—most were achieved without the intervention of legal experts.

Strategic alliances were seen as valuable by most participants. Several reported that they were attempting to form an alliance but were having difficulty. One Toronto participant reported that his company was in the second year of a three year plan to develop an alliance and that his partner spends 50 per cent of her time exploring for these.

When asked how they went about seeking out a strategic alliance, participants reported that there was no formalized process and mostly they used word-of-mouth, networking, and attendance at conferences in the United States. While the industry association, IMAT, was seen as providing networking opportunities, it was not seen as helping in alliance building because the members generally have a creative rather than business orientation. In Vancouver, participants reported that they used trade shows, like Multimedia Market West. Other Vancouver participants had attended a recent University of British Columbia seminar that had been sponsored by Industry Canada.

In Vancouver, the International Interactive Communications Society (IICS) has alliance building as part of its mandate:

*"I'm with IICS and part of our goal is to facilitate that kind of networking for our members and for other through a fairly large e-mail list. We try to send out things that are going to be of interest to people who are in multimedia in BC—meetings that are coming up courses that are available, that kind of thing."*

Alliances seem to have been more common among Montreal participants. There, participants reported that informal alliances were the norm and that alliances were often created out of fear lagging behind industry leaders or lack of technical expertise on the part of the traditional media. Some participants in Montreal were of the opinion that the reach of traditional media channels was becoming less all encompassing as the trend to narrowcasting or specialty channels—for example, sports channels and special interest channels—increases. Some participants suggested that advertisers are coming to the new media to solve advertising problems created by the emergence of this perceived fragmentation of the traditional media. Participants suggested that advertisers were, in effect, using the new media to extend their reach to new or larger audiences. In Montreal, it appears that alliances were often more of a short-term, project specific nature than long-term partnerships.

In Montreal, there was a heightened sense of the limits of the local market, perhaps due to the perception, raised by one respondent, that the Quebec market represents "0.8% of the total market". As such, many Montreal participants reported international alliances for the purpose of distributing their products, mentioning alliances with companies in India, Mexico, and Europe.

There was a perception by some participants that the Canadian multimedia industry was more insular than the US industry. Participants in Toronto reported that a database of clients and multimedia companies would be a tool that might facilitate alliance building.

# Distribution and Marketing

*"One thing that we have found is a kind of co-marketing works where you're as a package going out with another package rather than just individually. Any grouping or strategic alliance, I suppose you could call it, on the marketing side, has been particularly successful rather than trying to do it individually because you end up having to become a direct mail expert or get somebody else to direct mail it for you, become an advertising expert or pay someone else to do it for you. So if you're self-financed, you've got to find the most effective way of advertising for the least amount of money and effort...just really trial and error."*

*"We were kind of fortunate in a way. About six years ago, IBM had the multimedia developers programme. My partner enlisted in it. He was a preferred supplier to IBM. Then when they stopped the programme—I think they stopped it after a year and a half—IBM decided that they would farm out the specific multimedia work to cottage industries, and because he was enlisted, we get quite a few referrals from IBM, which is really nice."*

When asked how multimedia products were marketed and distributed, one participant in Vancouver responded, *"endless meetings, demos, getting to know people, referrals."* This continual search through networking for distribution channels was a constant throughout all the groups. There appeared to be some differences in distribution and marketing issues according to industry sector. Developers of titles for the home market reported that distribution was more of a challenge; corporate developers were more likely to have been commissioned by a particular client with limited, if any, distribution requirements.

Across all cities and both types of developers, participants were in agreement that marketing their products and services was an industry challenge. They reported that as they had become more experienced they recognized the need for including an individual with specific marketing experience on their project teams.

Distribution was also seen as a problem as the number of titles available on the market increases. The view was presented that it is not possible to start



a distribution channel as larger companies have shelf space locked up. There was a perception that the shelf space is controlled by three or four major companies.

The Internet was seen as the future of multimedia distribution by most participants in Toronto. In the words of one participant, *"the Internet has unlimited shelf space"*. There was a widespread perception that distribution channels and models are evolving. Participants reported that they had created their own distribution channels through advertisements in the back of magazines, direct marketing, and distributing through non-traditional outlets rather than media outlets (for example, distributing a cooking title through a specialty food store rather than a retailer of multimedia products specifically).

Content emerged as an issue connected to marketing and distribution. The view was held by some respondents that on issues of content (spelling, pronunciation, etc.), companies had to appease the largest market and put nationalism aside.

A need was identified for courses on how to sell internationally. One participant suggested that Canada does not have a tradition of international trade and that it is the government's responsibility to fill this gap in expertise through training.

Although it had not emerged during discussions on strategic alliances, some participants reported that they used formal alliances to distribute and market their products, for example, bundling their products with other larger companies that already had a distribution deal.

*"I've recently been approached by a multimedia producer who also owns a distribution company that is clamouring for product right now and saying that if we can develop a title—and some of it can be from their catalogue of video—and just transform or re-purpose it into multimedia, they guarantee a certain amount of units."*

A few participants in each Toronto group had international distribution and marketing experience. It emerged that Canadian distribution is not an issue as the Canadian market is perceived to be 5 per cent of the US market and Canadian products are often distributed in Canada by US distributors. Those with international experience had used US distributors and had not had any major problems.

*"I'm supposed to be going to Japan in the summertime and I'm really concerned because I have no idea how I'm going to do it. The power requirements, the video requirements are all different. I'm going to have to spend a good couple of months just figuring that one out."*

*"We're getting some help from a senior consultant who will hopefully be able to start talking to some people in the States on our behalf. But we're going to go slow because that is a very new area for us. But the market is huge south of the border."*

As noted previously, concern over the need to establish international distribution channels was heightened in Quebec.

It was suggested that Canadian titles are seen as foreign in the US and, for that reason, it is better to have a .com World Wide Website address (rather than .ca) so that it is not evident where the product originates.

# Role of Government

## Perceived Current Role

When asked about the current role of the federal government in the multimedia industry, some participants in Toronto reported that they had been able to participate in Comdex through Industry Canada. They attributed their receipt of high profile booth space to the Ministry and felt that the experience had been extremely valuable. There was a widely held view that US trade shows were the most valuable marketing enterprise in which they could participate.

IRAP was also seen as having been an excellent deal, providing a 50/50 cash deal to proceed on a new concept in an expedient manner. Participants believed that the rules had been altered and the new requirements excluded most multimedia companies.

Participants held the view that application criteria for loans and programs were too stringent and mired in red tape to facilitate usage by small multimedia companies. Tendering procedures were also seen as favouring large companies.

## Perceived Ideal Role

*"The government has a rare commodity in money. They can use it. If they funnelled the money into the institution or companies that are already producing, like BCIT. Bump up the support here to an evening marketing course or week-long marketing course that I can go to. At a reasonable rate and so on. Not try to deliver the programmes themselves...build on what is already there."*

When asked to provide ways in which the government *should* be involved in the multimedia industry, the following suggestions, were made:

### *Financial Assistance and Incentives*

There existed in the minds of many participants a link between government funding and industry success. In Vancouver, the model of the Australian multimedia industry was held up as being exemplary. According to a few participants familiar with the Australian industry, support by the Australian government has resulted in superior products being developed in that country and the emergence of a world-class industry.

*"Where I would like to see government incentive go is towards the sort of out-on-the-edge stuff...you know, tool development, not necessarily everything people can already make. I think that*

*this industry is going to change at an accelerating pitch because we have such a global information system around it."*

#### *Open Doors to Foreign Markets*

There was a prevailing view evident in all groups that the major market for both home and corporate multimedia titles lies outside of Canada. Virtually all participants believed that the industry as a whole did not have the access or expertise in international marketing that successful industry growth dictated.

*"Canadian market is very small, the size of southern California. No producer would make a product that appealed to such a small market. We need access to foreign markets—means market studies required. There is a role for government in international trade for making international connections, putting together market information."*

International trade shows were seen as benefiting multimedia producers in two ways. First, the shows were seen as valuable tools in networking and, ultimately, alliance building. The shows were also seen as providing unique opportunities for research and development, as they are essentially a showcase of leading edge products and a chance to have a product evaluated in a venue that approximates the marketplace. In all groups, at least some of the participants had attended a trade show through government subsidization. This was seen as an appropriate and worthwhile way for the government to help the multimedia industry. These owners and managers of small companies were appreciative of government assistance in this manner. There was a sense that it targeted true SMEs and, as such, was beneficial to ordinary Canadians. In the words of one participant in Toronto, the government should be *"opening doors for the little guys, not showcasing done deals with multi-nationals"*.

Foreign embassies and trade officers were seen as a potentially valuable resource for the multimedia industry as it tries to make in-roads into international markets. Participants suggested that the government could help the industry tap into these resources.

There was also a widespread perception in the groups that a shortfall existed in the industry in expertise in marketing in general and international marketing in particular. It was suggested that the government could provide assistance in this matter by providing direction and training for multimedia companies.

#### *Promote Understanding of the Industry Itself*

The rapidly evolving face of this new industry was cited as a barrier to growth in earlier discussions. Participants suggested that if the government

promoted understanding of the industry to the public, within the federal government, and within the multimedia industry itself, industry growth would be well served.

At a very basic level, some participants believed that the government could help in developing an industry definition. A firm definition of exactly what constitutes the multimedia industry was seen as a way to make the industry more cohesive and to help in the development of policy, training, and programme initiatives.

Some participants believed the government had a role to play in lifting the perceived barrier of financial institutions that do not understand the industry specific requirements. It was felt that the government could both educate the financial community and incent it to invest in multimedia companies.

Some participants also believed that the federal government should educate itself about multimedia and ensure that the technology it uses is up-to-date.

There was also a role to be played by the government in educating the multimedia industry itself about the shape of the industry and government departments that related to the industry. It was believed that this could be achieved by developing a database of clients and multimedia companies for use in both alliance building and marketing. It was also believed that the government could provide a liaison dedicated to the multimedia industry, similar to a trade officer, to provide access within the government.

#### *Tax or Financial Incentives*

Many participants believed that the government could facilitate industry growth by providing tax incentives to multimedia companies. The opinion was also put forward that the industry would benefit if larger high tech companies and telecoms were incented in some manner to use smaller multimedia firms.

#### *Use the Services of Multimedia Companies*

There was a perception on the part of some participants that the government was contracting out multimedia projects to larger multimedia firms. It was suggested that, by awarding some of these contracts to smaller multimedia companies, the government would be providing financial assistance and the opportunity to build expertise.

#### *Recognize Limitations of the SME Definition*

Participants suggested that it was important that the government recognize the shape of the multimedia industry, i.e., the abundance of micro companies that make up the industry. There was a prevailing view that

programmes were designed to favour larger companies. The application processes and requirements were deemed prohibitive to very small companies. Some concrete examples of how the government could effect change to help the industry were suggested. These included making tendering processes less lengthy and labour-intensive and setting up a funding agency that excluded companies with more than ten employees.

#### *Provide Information to the Industry*

The federal government was seen as holding a wealth of information that would be a valuable resource for the multimedia industry. Dissemination of this information was seen as pivotal role for the government.

It was suggested that an on-line information service specific to the multimedia industry would be helpful to the industry. Participants also suggested market data (both domestic and international), Statistics Canada data, and trade contacts as information the government could disseminate to the industry.

There was also some frustration in evidence with many programmes that offer training to unemployed workers. Many participants felt that the government could be fueling the rapid growth of the industry by helping employers train *current* employees.

#### *Provide or Subsidize Training*

Participants identified training as major factor in the growth of the industry. It was believed that the establishment of apprenticeship programmes would be a major benefit for the industry as this would both provide employers with human resources and give employees valuable work experience and training in the real world of business.

*"I think there are a lot of people out there who are going to produce the products one way or another and certainly the model of the Federal Development Bank if that assisted multimedia development companies in the same way or in a similar way, I think that would work. Where ...I think the biggest help could be, actually would be in the marketing. Because you don't get a return if the company fails."*

Marketing skills were also seen as under-developed in the industry. Participants believed the government should subsidize training in this area. Participants were generally more receptive to the government subsidizing training courses within the industry rather than trying to deliver them itself.

#### *Avoid Over-regulation of the Internet*

In Toronto, where discussion of the potential of the Internet as a distribution and marketing channel was extensive, some participants felt that

over-regulation of the Internet would harm the multimedia industry. The opinion was presented that domestic rules might be more stringent than those of other countries and result in restricted access to the global market.

#### *Facilitate Resolution of Copyright Issues*

Although the acquisition or creation of content did not arise as a significant issue in this research, some participants did express concern about content as it related to copyrighting. This was seen as a problem looming on the industry's horizon and it was felt that the government should act quickly to resolve this issue.

#### *Policy Development*

*"The government has to take a position, The state has to take a role."*

Participants in Montreal differed from their counterparts in other cities in that they appeared to favour intervention in the industry both in the development of policy and the through financial assistance.

#### *Stay Out of the Multimedia Industry*

It should be noted that a few participants felt that the government should not be involved in the industry. They provided their lack of faith in the government to offer constructive assistance and the lack of understanding in the government about the industry as rationale for this opinion.

*"I don't know if I'm cynical or pessimistic or just a realist but I honestly can't see the government contributing much of anything to the multimedia industry for a good number of years except maybe as an end client to one or all or us. That we'll get a job from them, producing something. In terms of support or training or education, I don't really see it coming."*

#### *Outside of Funding*

When asked how the government could best encourage growth in the multimedia industry outside of providing financial assistance, participants most frequently suggested two areas: 1) opening doors to international markets through embassies and international trade officers, and 2) help foster networking structure to aid in the development of strategic alliances.

*"Help create strategic alliances. Connect distributors and marketers with product. Do that somehow."*

One participant believed that the government could also help the industry through the generation of publicity to raise the industry profile generally and particular companies specifically. He felt that the promotion of "a couple of Wayne Gretzky's" in the industry would facilitate industry growth.

*"Information that would be helpful I think is an accurate, up-to-date tracking of the kinds of products that are being sold successfully. What are the categories? What are the unit sales? How are people making money? On-line?"*

As noted previously, there was a widespread perception that the government had access to a wide array of information that would provide benefit to the multimedia industry. Dissemination of this information to those within the industry was seen as a valuable exercise with limited price tag in which the government could become involved.



## APPENDICES

Name: \_\_\_\_\_

Title: \_\_\_\_\_ Company Name: \_\_\_\_\_

Business Phone #: \_\_\_\_\_ Business Fax #: \_\_\_\_\_

- A. Hello, my name is \_\_\_\_\_ from INFOCUS, a marketing research company. We are conducting a short survey about the multimedia industry on behalf of Industry Canada. May I please speak with the owner or most senior manager of your company at this location?

TO THE OWNER OR SENIOR MANAGER:

Hello, my name is \_\_\_\_\_ from INFOCUS, a marketing research company. We are conducting a short survey about the multimedia industry on behalf of Industry Canada. This survey is being conducted with senior business managers of different companies within the multimedia industry.

- 1a) For the purposes of this survey, we are dividing multimedia companies into two categories... READ LIST

*Developers*, or those currently involved in  
the development of multimedia titles..... 1 → SKIP TO Q.2

and,

*Publishers*, or those currently involved in  
the marketing and distribution of multimedia  
products .....DISCONTINUE

Both..... 3 → ASK Q.1B

- 1b) From which of these two categories—*Production* or *Publishing*—would you say more of your total company revenue is sourced?

Production .....1

Publishing .....DISCONTINUE

The next questions are for classification purposes only.

2. How many employees currently work in your company?

1 to 4 ..... 1

5 to 24..... 2

25 to 100..... 3

More than 100..... 4

NOTE: REFERS TO TOTAL NUMBER OF EMPLOYEES AT THAT LOCATION.

- 3a). Which, if any, of the following market segments does your company serve? READ LIST AND RECORD UNDER COLUMN Q.3A. FOR EACH SEGMENT SERVED ASK:
- 3b) And what percentage of your company revenue does that segment represent? RECORD BELOW UNDER COLUMN Q.3B.

	Q.3a Segments	Q.3b % Revenue
Business or Corporate products, that is, the production of primarily training products, sales & business tools .....Y	N	_____
Entertainment and/or Game Titles .....Y	N	_____
Other (SPECIFY) .....Y	N	_____
_____		_____
_____		_____

PLACE RESPONDENT IN GROUP WHERE THE MOST REVENUE IS MADE.  
IF EQUAL REPRESENTATION, THEN MUST BE 30% OR MORE TO  
QUALIFY FOR ANY GROUP.  
GROUP 2 IS FOR BUSINESS, AND GROUP 1 IS FOR ENTERTAINMENT

4. In which year was your company established? RECORD BELOW:

1	9		
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5. What is your job title?

\_\_\_\_\_

6. Have you ever attended a focus group discussion, interview, or survey which was arranged in advance and for which you received a sum of money?

Yes..... 1

No..... 2→SKIP TO Q.8

7. How long ago was the last group you attended? \_\_\_\_\_

DISCONTINUE IF IN THE PAST 6 MONTHS

8. I mentioned that this survey has been commissioned by Industry Canada. This government department has also commissioned my company to conduct a focus group among leaders in the multimedia industry. The purpose of this focus group is to discuss issues that will lead to a greater understanding of the Canadian multimedia industry. All of the focus group participants will receive an honorarium of \$75. Would you be interested in attending? The focus group will be held on (see schedule).

Yes..... 1

No ..... DISCONTINUE

9. Do you need eye glasses to read or watch TV?

Yes .....1

No.....2

IF YES—PLEASE BE SURE TO BRING YOUR GLASSES WITH YOU AS WE MAY  
ASK YOU TO VIEW SOME MATERIALS.

Group 1 - MONTREAL

Thursday January 25

ENTERTAINMENT

6:00 PM

☐

Group 2 - MONTREAL

Thursday January 25

CORPORATE

8:00 PM

☐

Location:

Directions:

RECRUITERS PLEASE READ:

1. Please arrive 10 minutes prior to your scheduled session as they do start on time and if you are late you will not be able to participate nor will you be paid.
2. If you have any questions please do not hesitate to call Kathleen at (416) 928-1562.

THANK YOU

# Discussion Guide

## Multimedia Developers

### Warm-up (5 minutes)

- Introduction of moderator.
- Explanation of protocol, two-way mirror, taping, etc.
- Introduction of participants.
- Introduction of topic of *multimedia industry issues*.
- Elicit discussion of the application development process using current or recent examples of specific projects. Direct discussion to outlining the roles of various players such as content providers, technical skills providers, creative developers and marketing.

### Factors Influencing Growth and Investment (30 minutes)

- What general factors have been encountered that inhibit or promote growth  
*Probe specifics:*
  - Availability of financing.
  - Availability of a skilled work force.
  - Training issues.
  - Adequacy of management skills.
  - Other macro environment issues such as taxes, user base readiness/size.
  - Availability of content.
  - Copyright issues (i.e., expense.)
- How is new title development funding acquired? How difficult is it to source these funds? What is the role of venture capital, intermediaries such as banks and other FIs?

### Understanding The Role of Strategic Alliances (20 minutes)

- Provide examples of current or recent past alliances and their importance in the development process. What kind of alliances are/were these? Why were these alliances struck?
- How are alliance partners selected? Sources of information for partners' capabilities? Process for alliance creation (i.e., Is it a legal process or informal? How are revenues/earnings distributed?)
- What role do consortiums play in alliance building? And associations?

### Distribution and Marketing Issues (20 minutes)

- Discuss current and recent past product marketing and distribution.

*Probe specifics:*

- Are identified issues endemic to Canada or are they industry wide?
- Do current distribution methods meet their needs? Is this so of all content segments such as education, information/reference/entertainment?
- Probe compatibility issues and their impact on production cost and product profitability.
- Probe for opinions on the potential of the so-called information highway as distribution medium.
- Describe and discuss international marketing efforts.

*Probe specifics:*

- What are the typical, or non-typical, problems faced in this area?

**The Role of Government (30 minutes)**

- Isolate general feelings towards the role of government in the industry. Current thoughts on the role government plays? Expectations of government? (*Attempt to limit discussion related simply to taxation.*)

*Discussion related to information needs.*

- What information is required that is considered of strategic value? In which areas does the industry perceive government as an appropriate provider of information? How can the government provide this information (e.g., access issues, cost)?

*Discussion related to strategic alliances.*

- What role should government play in aiding the creation of linkages and partnerships? (RELATE TO PREVIOUS DISCUSSION)

*Probe specifics:*

- What kind of information can government provide to facilitate alliances?

*Other government issues.*

- Determine awareness of Foreign Affairs/Industry Canada and their participation in the industry.
- How do you see government adding value to your marketing efforts internationally? (*Explore first hand experience if present.*)
- How can government encourage investment in your industry?
- How can government add value to your trade efforts?

*Probe specifics:*

- Have you used or contacted embassies or trade posts abroad? How do you see their role in assisting you in your international marketing efforts?

- Have you used or contacted the International Trade Commission? How do you see their role in assisting you in your international marketing efforts?

**Wrap-up (5 minutes)**

*Give respondents the opportunity for any last or additional thoughts.*

*Thank respondents for participation.*

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DJC Research  
In-depth study of multimedia