The State of Content Distribution

Review of Content Distribution in the Cultural Media Industries

Final Report

Prepared for

Ontario Media Development Corporation (OMDC)

by

Nordicity

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Ontario Media Development Corporation
Société de développement de l'industrie des médias de l'Ontario

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1. Introduction

1.1 Nordicity's Mandate

Audiences access content in constantly evolving ways, following the rapid pace of technological change. From the transformation of the broadcasting system into one that includes so-called "over-the-top" providers (such as Netflix and the like), to the growing importance of music streaming services (such as Spotify or Apple Music), there are more options than ever for content owners to disseminate their creative material to those who might read, watch, listen to, and/or play it.

It is in this context that Nordicity was asked by the Ontario Media Development Corporation (OMDC) to conduct an assessment of the state of content distribution across the six cultural media industries that the OMDC is charged with supporting, namely:

- Film Production
- Television Production[1]
- Recorded Music
- Magazine Publishing
- Book Publishing
- Interactive Digital Media

This assessment is organized in two parts:

1. **Distribution Models:** An identification and description of key models for content dissemination and end-user access used by the cultural media industries globally. They include both models traditionally used (e.g., distribution of physical books through book stores) and newer emerging models (e.g., e-book distribution via digital storefronts). The objective of profiling these models is to identify, on an industry-neutral basis, distribution challenges facing cultural media companies in Ontario.
2. **Funder Scan:** A review of a select number of funding organizations other than the OMDC that are trying to address challenges posed by the ever-changing distribution environment.

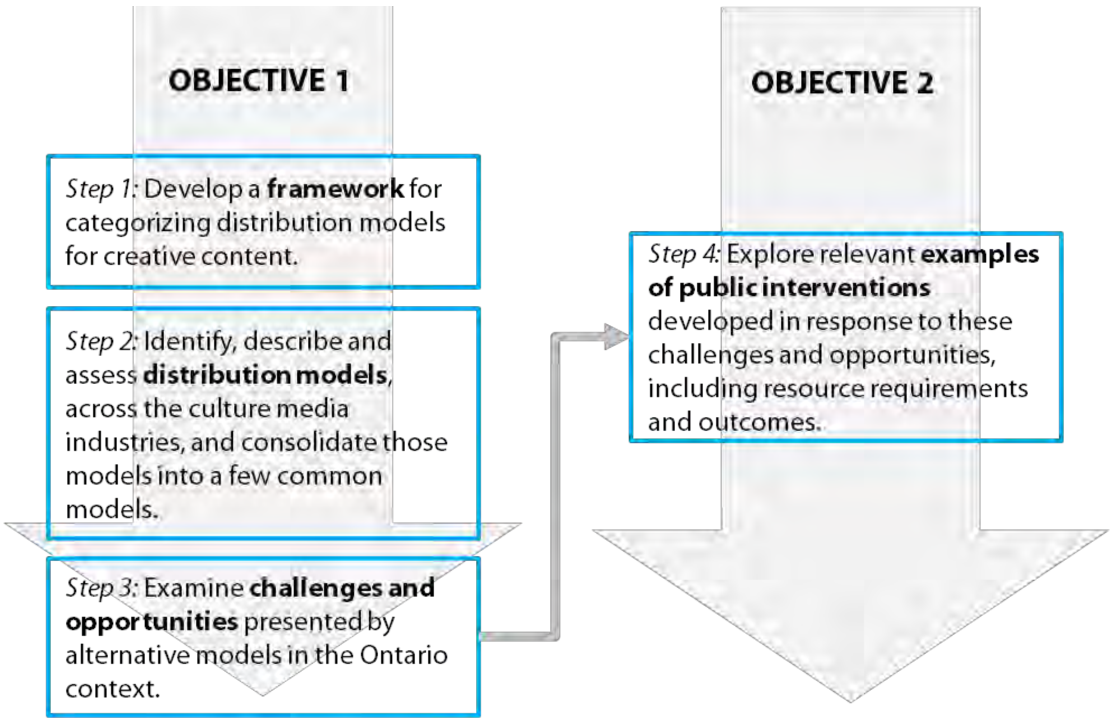
In both cases, Nordicity was concerned with how *market-ready* content gets from the content owner (as defined in Section 3.1) to the end-user, as opposed to the creation and/or financing of that content. As such, new mechanisms like crowdfunding, although linked to content distribution as relationships are developed with users, were deemed to be out of scope.

1.2 Methodologies Used

In order to achieve the objectives of the study, Nordicity followed the steps illustrated in the following graphic:

[1] Film and Television Production have been grouped together in several occasions in this report since they present many similarities – many components of the value chain are shared.

Figure 1 – Objective and Methodological Steps



Step 1: The Framework

To examine the methods by which content is disseminated, Nordicity first needed to establish an analytical framework in order to make sense of the complex world of content distribution. Because of the large number of variations and different terms used in each sector, a common framework is necessary to present a manageable number of models.

Several framework options were considered. For example, one option was to use an industry-led approach whereby the models would be presented for each of the six cultural media industries. However, it was determined that such an approach would mask distribution trends that cut across the various cultural media industries. Another approach considered was one that focused on revenue models. However, it was deemed too limited in scope for the required analysis (e.g., it may not have been able to describe data issues).

In the end, a "functional role" approach was adopted. In this approach, the primary lens of analysis was the role(s) played by all participants in a given distribution model – and how content flows through these participants from the content owner to the end-user. It was determined that this approach was both flexible enough to accommodate distribution models from each of the cultural media industries, and also broad enough to be able to track the flow of content, money, data and audience from the content owner through to the eventual end-user.

This framework is reflected in the presentation of each model, in particular where the report discusses the "value chain" of each distribution model.

Step 2: Distribution Models

Once the framework was established, Nordicity set out to identify as many distribution models as possible in each of the cultural media industries. This task was accomplished in two ways:

1. **Stakeholder Interviews:** Nordicity conducted a series of (27) interviews with representatives of cultural media companies operating in Ontario and beyond. In addition to identifying distribution models in use, these interviews were also used to identify challenges and opportunities arising from those models (Step 3).
2. **Subject Matter Expertise:** Nordicity drew upon the expertise of the subject matter experts (SMEs) assembled on the project team for this engagement. This expertise also informed the identification of challenges and opportunities (Step 3).

Using data from these two sources (coupled with an on-going informal literature review), Nordicity identified more than 25 distinct distribution models in use in one or more cultural media industries. However, in order to present a manageable, readable description of the state of content distribution, the project team distilled those models into the six models presented in this report. This distillation process was largely accomplished through the judgement of the project team and through meetings with OMDC staff and representatives of Ontario's cultural media sector.

Step 3: Challenges and Opportunities

As alluded to above, the challenges (and opportunities) related to the various distribution models were principally developed from stakeholder interviews and the SMEs on the project team. These challenges and opportunities were also discussed in a validation session held by Nordicity and the OMDC.

Step 4: Examples of Public Intervention

In order to identify the funders, the project team primarily drew on its professional experience, and that of the OMDC, to find programs that were addressing challenges related to the distribution of creative content in an innovative way.

As illustrated in Section 4, each selected support program was examined in three ways:

- **Eligibility of the applicant**: Who can apply to the program? From what industries? At what stage of development?
- **Eligibility of the project/business**: What kinds of projects is the program designed to promote? Why those projects and not others?
- **Eligibility of the activity/expense**: What activities does the program actually fund? Why those activities?

In addition, Nordicity conducted interviews with each of the identified funders to better understand the origin, operation and effectiveness of each program.

1.3 About this Report

This report is organized in four principal sections:

1. **Trends in the Habits of Content Consumers:** This section provides background material describing how consumers in Canada are accessing creative content.[2] The objective of this section is to provide background material to inform the distribution models – and related challenges – that follow in subsequent sections.
2. **Content Distribution Models:** This section presents the six distribution models identified, after a brief introduction to the "building blocks" used to develop the models. Each subsequent sub-section describes each model's value chain, the use of the model in the various cultural media industries, challenges that derive from the model (both globally and in Ontario), and the likely ways that the model will evolve.
3. **Summary of Challenges for Content Owners:** This section summarizes the challenges presented for the models identified. In so doing, it highlights industry-specific challenges, key themes that cut across the industries, and the ways that the issues are likely to evolve (as the models themselves change).
4. **Responses to the Challenges:** This final section presents a summary of some approaches taken by other support bodies to address challenges similar to those faced by Ontario-based cultural media companies. It concludes with a summary of trends in public intervention, as they relate to supporting distribution efforts.

   Detailed descriptions of these interventions follow in Appendix A.

[2] Given the lack of province-level data, Canadian consumers serve as a proxy for Ontario consumers.

2. Trends in the Habits of Content Consumers

The changing technological landscape has had an immense influence on the way the cultural media industries deliver content to audiences, as well as the way that content is consumed, especially among younger audiences. In fact, the "total digital population" in Canada had reached 29.4 million toward the end of 2014, including:

- 27.9 million individuals reached through desktop computers, and,
- 15.8 million individuals reached via smartphones and tablets.[3]

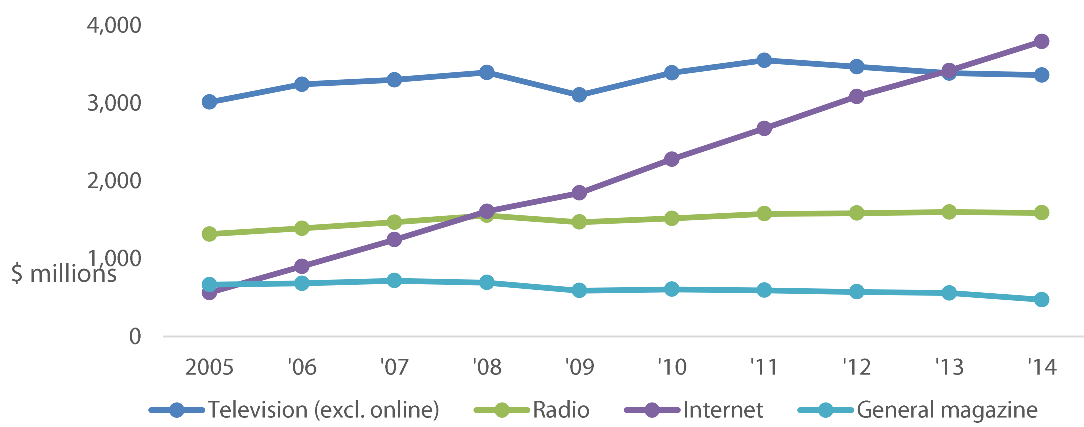
Beyond the shift toward digital versions of creative products, there is now an increasing number and variety of options available to consumers.

The following sub-sections outline high-level shifts in advertising spending and changing consumer habits in each of the cultural media industries in OMDC's purview.

2.1 Shifting Advertising Revenue

As "eyeballs" move to online channels, advertisers have increased their spending in that space.

Figure 2 – Historical Advertising Revenue Generated by Major Media (2005-2014, CDN$, millions)



Source: Peter Miller and Nordicity (2015), *Canadian Television 2020: Technological and Regulatory Impacts.*

As shown above, advertising revenue remained steady for most traditional media segments over the past decade, while Internet advertising has experienced significant growth, reaching nearly $4 billion in 2014.

[3] comScore (2015), *Canadian Digital Future in Focus.* Figures are for 2014 Q4.

2.2 Film and Television

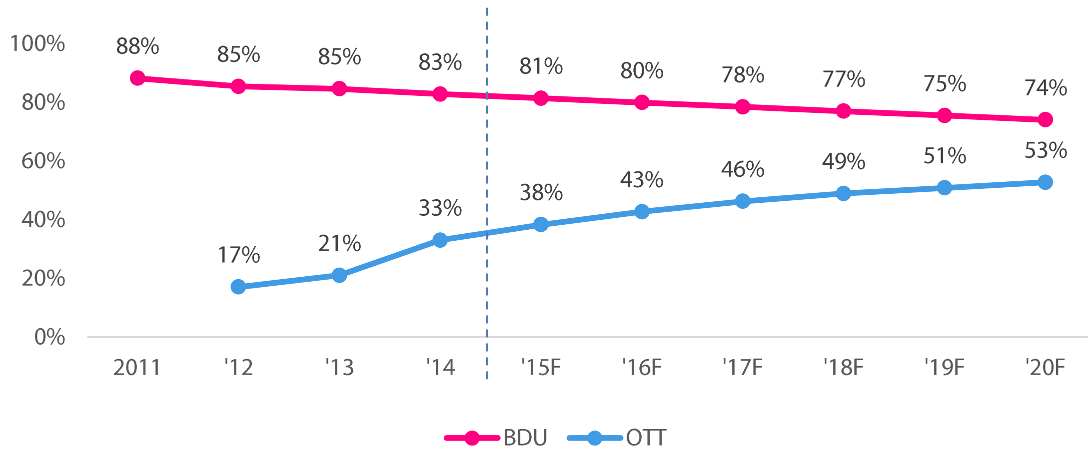
With the increased availability of film and television content, viewing habits are changing. In particular, they are shifting from appointment television (e.g., over-the-air [OTA], specialty and pay television) to on-demand and online channels, as well as toward binge-watching and multi-tasking. On-demand includes subscription-based services (SVOD), such as Netflix, CraveTV, and transactional-video-on-demand (TVOD) services available through set-top boxes or over-the-top[4] (OTT) platforms, such as iTunes.

Younger demographics have demonstrated a higher than average decline in their viewing hours between 2009/10 to 2013/14, with the 18-24 group watching 20% less hours of television per week. In 2013/14, Canadians 18 to 24 years of age watched an average of 19.7 hours per week per capita while those over 65 watched more than twice as much, at an average of 41.5 hours per week.[5] Conversely, Netflix's penetration rate is highest among the 18 to 34 cohort, with over half of Canadians in that age group – 51% – subscribed to the service in 2014, while penetration is only 11% among Canadians over 65.[6]

With the ongoing shift toward online television viewing, consumer spending has been moving gradually to OTT subscription services, and is likely to continue to do so. The figure below juxtaposes the projected penetration rates, reflecting a slow decline in Broadcasting Distribution Undertaking (BDU)[7] subscriptions as a result of cord-cutting – although rates are still very strong at 74% in 2020 – while OTT subscriptions keep growing.

[4] Over-the-top (OTT): services that can be accessed directly through the Internet, and are not bound by Canadian Content regulations, unlike licensed video on demand services and broadcasters.
[5] TVB (2015), PPM Audience Statistics.
[6] CRTC (2015), *Communications Monitoring Report*.
[7] For example, Rogers, Shaw and Bell.

Figure 3 – BDU and OTT Subscription Growth, Historical and Forecast to 2020[8]



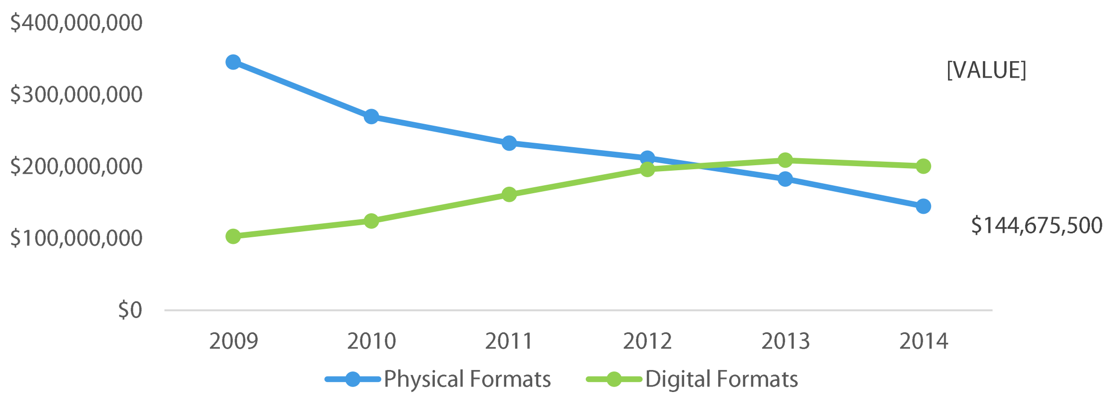
Source: Peter Miller and Nordicity (2015), *Canadian Television 2020: Technological and Regulatory Impacts*.

2.3 Music

Consumer demand in the global recorded music industry has been driven by two trends: the adoption of digital downloads and the shift from *ownership* to *access*. In the former case, physical music sales have experienced a continuous decline in recent years. In fact, 2013 marked the first year in which digital formats exceeded physical formats in terms of total trade value in Canada (as illustrated below).

[8] The penetration rates presented in Figure 3 have been calculated in order to be as consistent as possible with the approach adopted by the CRTC in its calculation of historical penetration rates for BDU services (see CRTC, *Communications Monitoring Report 2015*, p. 132).

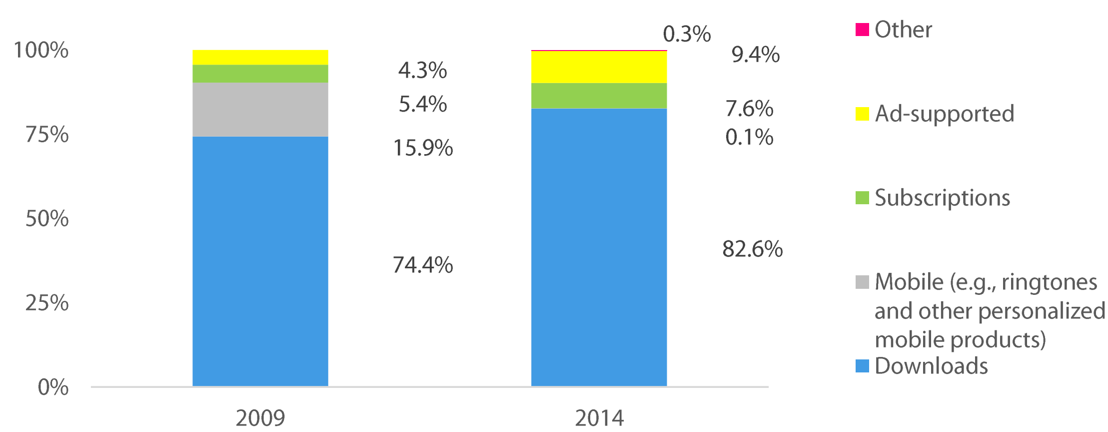
Figure 4 – Total Trade Value of Recorded Music in Canada, by Format



Source: Music Canada Statistics, 2014.

While digital sales overall have been on the rise over the last five years, the drivers of that growth have shifted as new distribution models have emerged. As shown in the figure below, downloads account for the highest proportion of digital music sales. In 2014, this segment accounted for $165.6 million in sales in Canada,[9] yet after years of growth the new global trend for downloads is a decline, with an 8% decrease in sales in 2014, followed by a 10% decrease in 2015.[10] Subscription services in Canada captured over $15 million, while ad-supported reached nearly $19 million in 2014.

Figure 5 – Digital Music Sales Breakdown, as a Proportion of Total Digital Sales



Source: Music Canada Statistics, 2014

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[9] Music Canada, Statistics 2014.
[10] IFPI (2016), *IFPI Global Music Report 2016.*

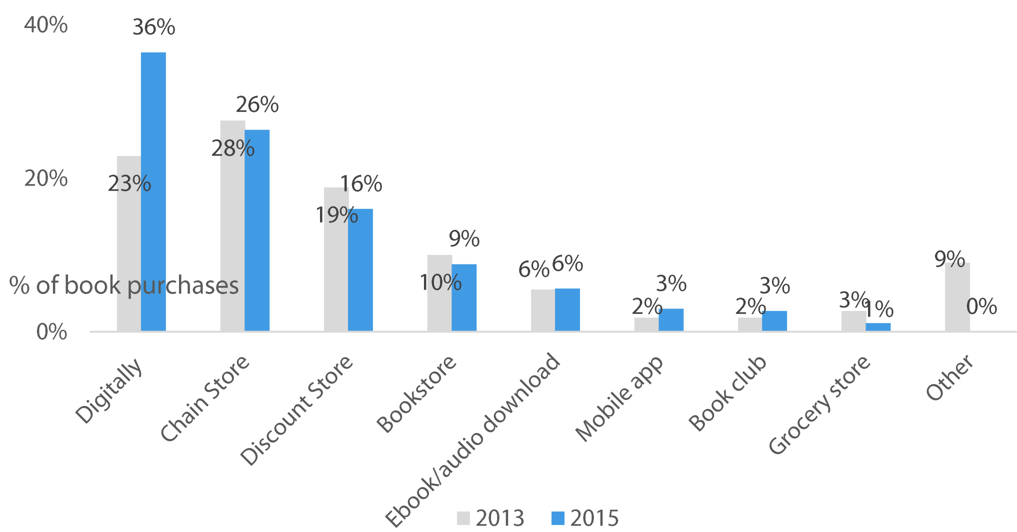
However, the growth of ad-supported and subscription services over the same period (from a combined 9.7% of digital music sales in 2009 to 17.0% in 2014) indicates that more music than ever is accessed, rather than owned.

2.4 Book Publishing

Unlike the growth of digital in music, print books have continued to maintain their dominance over digital or e-books. Between 2013 and 2015, print books accounted for 79% of all book sales.[11] E-book sales remained constant as a proportion of overall book purchases at 17%, while audio books saw a slight increase in proportion, although from a small base – from 1.3% in 2013 to 2% in 2015.[12]

While the books themselves may be physical, digital storefronts are nonetheless an increasingly important part of how consumers access books in Canada. Indeed, Canadians are increasingly buying their books online. As shown in Figure 6, more than one in three book purchases made in 2015 were made digitally.

Figure 6 – Location for Purchasing Books, 2013 and 2015



Source: Booknet Canada (2015), *The Canadian Book Buyer's Guide.*

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[11] Booknet Canada (2015), *The Canadian Book Buyer 2015.*
[12] Ibid.

2.5 Magazine Publishing

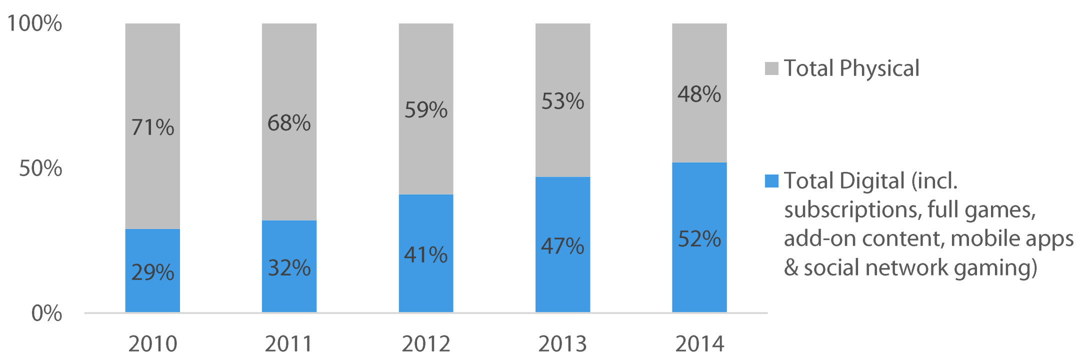
Magazine readership in Canada has remained constant, with data from 2015 showing that 73% of Canadians are magazine readers.[13] Looking at consumption across age groups, readership among teens is slightly above the national average at 75%, while young adults (18 to 34 years old) fall below at around two-thirds.[14] The decline in print readership has been countered by an increase in digital. The majority of digital readers (70%) access magazine and newspaper content on their mobile devices.[15]

2.6 Interactive Digital Media (IDM)

For the purposes of this section, consumer habits regarding video games are used as a proxy for the discussion of the wider IDM industry, as data on other parts of the industry (e.g., educational IDM and convergent digital media) is not available. That said, those parts of the industry do share some of the same distribution pathways with games (e.g., use of mobile app stores).

As shown in Figure 7, and in line with the other cultural media industries, games are increasingly being accessed and played via online channels. In 2014, sales of digital games in the US surpassed physical games to reach 52%, up from 29% in 2010.[16]

Figure 7 – Physical and Digital Sales Breakdown (US)



Source: Entertainment Software Association (2015), *Essential Facts about the Computer and Video Game Industry*.

For Canadian companies, whose revenues are highly dependent on sales in large foreign markets, the trend is clearly reflected in the breakdown of their revenue, as shown in the figure below. The large majority of the revenue of Canadian independent games companies come from digital products sold directly or through online channels such as Steam, Google Play, and the App Store, while the

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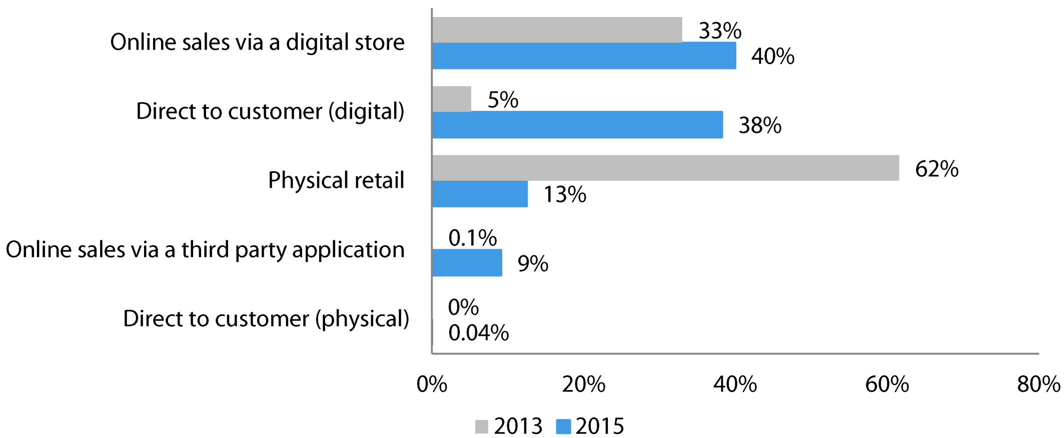
[13] Vividata (2015), "Vividata Launches with Release of Fall 2015 Study."
[14] Ibid.
[15] Ibid.
[16] ESAC (2015), *Essential Facts about the Computer and Video Game Industry*.

proportion of revenue from physical retail has seen a significant decline, from 62% in 2013 to only 13% in 2015.

Figure 8 – Video Game Revenue by Sales Channel



Source: ESAC (2015), *Canada's Video Game Industry in 2015*.

2.7 Overarching Content Consumption Trends

Content is gradually shifting *from physical to digital* formats. The same evolution is also happening for sales channels, triggering the rise of new over-the-top platforms and online retailers. This trend has emerged across all creative sectors, although at varying paces.

Enabled by technology, especially smartphones, content consumption is evolving from device-specific and linear to an on-demand world where audiences no longer want ownership as much as *access*, *anywhere, anytime, on any device*. As a result, new monetization methods and pricing strategies have appeared, including monthly subscriptions and in-app purchases in IDM products.

As these changes occur simultaneously and have tangible impacts on entire industries, having a clear understanding of what these shifts entail is key for content owners, in Ontario as in the rest of the world, to navigate change and to make the most of new opportunities.

3. Content Distribution Models

As introduced in Section 1, the primary objective of this study is to present distribution models for creative content using a common framework that crosses all the cultural media industries. This approach is designed to enable identification of the challenges in getting a market-ready creative work, regardless of the industry that it comes from, through the existing and evolving distribution paths and to the end-user, who can be either in Canada or abroad.

The six models discussed in this study serve as a starting point for exploring how creative businesses navigate today's distribution landscape and the variety of exchanges and negotiations along the path to that coveted end-user. An initial step is to define the roles of the various participants that make up the "building blocks" of the value chain.

3.1 The Building Blocks

Each of the distribution models discussed in this report includes a combination of two or more of the following “building blocks,” each of which represents a functional role along the distribution path. Defining these roles and functions precisely is necessary because of the differences in terminology across the creative industries. For example, a book publisher, a music publisher and a video game publisher each serve a different function in their respective industries – even though they are all “publishers.” Therefore, in an effort to mitigate the risk of confusion arising from industry-specific labels, the study uses common terms that describe the roles in ways that cross all industries.

3.1.1 Content Owner

The content owner “block” represents the rights holder of the market-ready piece of creative content. It includes companies, as well as individual creators insofar as they function as a company. For example, a self-published author can, in fact, be considered a publisher which represents a single author. Industry-specific examples of potential content owners include:

- A book publisher, or self-published author;
- A film/television producer as an individual, or a production company;
- A video game developer, or a studio;
- A magazine publisher, or a self-published writer; and,
- A music artist, whether solo or as a group or band, or a recording industry label.

The content owner is a building block that is necessarily present in all models. However, it should be noted that the content owner does not always own all of the intellectual property (IP) associated with the content (see **Model 0: “Content Owner(s) to Other Content Owner”**).

3.1.2 Service Provider

The service provider[17] "block" represents an *optional* intermediary in many of the distribution models. The service provider offers technical or administrative services for a flat fee. Industry-specific examples include (but are not limited to):

- A service provider that converts a manuscript into an *epub* file for an author or publisher;
- A company that provides printing services to a book or magazine publisher;
- A "self-serve" digital aggregation service that provides file encoding services to film producers for a one-time fee (e.g., Distribber);
- A video game duplication, quality assurance or localization service provider;
- A magazine fulfillment house; and,
- Label services provided by a more prominent label to a smaller label or music artist.

Service providers do not hold the rights to the content at any point in the process, nor are they given a share of revenues. While they may facilitate distribution of content, they are not involved in marketing or strategy development, and their involvement in the distribution process remains unrelated to the outcome of that distribution. In some cases, the service provider functions can be supplied by a company also involved in other parts of the value chain, such as a production company, a distributor or a wholesaler.

3.1.3 Distributor

The distributor is an intermediary that distributes content from one or more content owners to one or more retailers, to other distributors, or to platform providers for a financial consideration. This "block" represents a variety of companies including traditional distributors for film and television (e.g., Distribution360), books (e.g., University of Toronto Press Distribution), magazines (e.g., Coast to Coast), music publishers (e.g., ole), and video game publishers (e.g., Electronic Arts).

In music, larger labels (e.g., Universal Music Canada) may provide distribution services to smaller labels. In film and television, this role can also be played by digital aggregators (e.g., Syndicado) that provide more hands-on distribution services, marketing and strategy support, in addition to technical support, and focus on digital platforms. Television broadcasters can also be considered as distributors in this model, as they package content coming from content owners and other distributors into television channels, which are then made available for viewers to access on dedicated platforms, in this case BDUs.[18]

A distributor will usually take a rights position and/or share of revenue from the sale of content and may work with other distributors or service providers in order to reach retailers and access platforms.

[17] The concept of service provider in this context is not to be confused with a telecommunications operator or platform which are often called a "service provider."

[18] Where broadcasters make content available directly to the public (e.g., through their websites and/or via an over-the-air signal), they can also play the role of an access platform (see Section 3.1.5).

A wholesaler that distributes creative products to retailers and platforms also falls under this category, as it serves as an intermediary between the content owner and end-user.

3.1.4 Retailer

The retailer role represents the intermediary that facilitates the business-to- end-user (B2EU) exchange of money for content. This "block" includes both brick-and-mortar retailers such as Walmart, and online retailers – or "e-tailers" – such as Amazon.ca or Chapters.indigo.ca.

3.1.5 Access Platform Provider

This "block" is generally (although not always) present in the distribution of content in digital formats and represents the intermediary that facilitates access to content by the end-user. Platforms range from completely open platforms (e.g., YouTube), to more closed platforms (e.g., Netflix, CraveTV) that are more selective in the content they carry. Some platforms, such as Spotify, have components that fall into both the open and selective categories.

Platforms are generally limited to digital creative products and emerging distribution models, but may also appear in more conventional models. For example, a BDU serves as a platform in the conventional broadcast television model, as do any Video-On-Demand (VOD) spin-offs offered by BDUs or broadcasters in an effort to provide multi-platform access to their subscribers.

3.1.6 End user

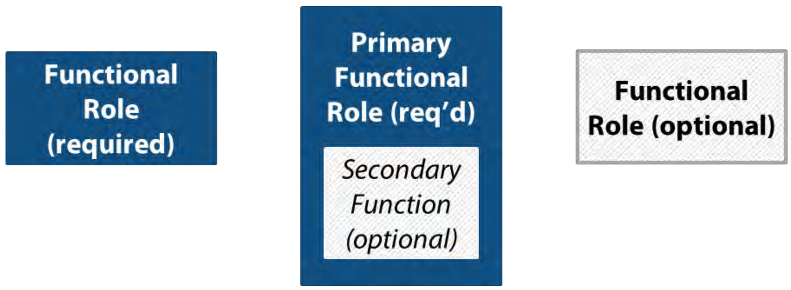
The end-user is the final "block" in all distribution models. The end-user, either located in Canada or abroad, can be an individual, an institution (e.g., library) or a business/non-profit organization to which the creative product, in physical or digital form, is delivered.

3.2 About the Models

Having defined the "building blocks" and identified their roles in each of the cultural media industries, the next step of the analysis involves the identification of overlaps among the industries and the establishment of industry-neutral models.

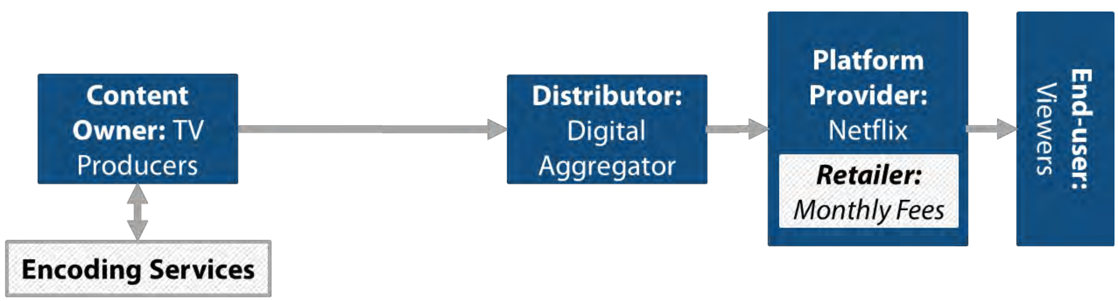
The following sub-sections present six simplified, distinct distribution models used in the cultural media industries. Collectively, these models represent the variety of ways in which content moves along the value chain between the content owner and the end-user. In describing each model, each sub-section includes a visual representation of the building blocks of the model. The following legend corresponds to the roles depicted in each visual.

Figure 9 – Legend for Distribution Models



Roles that are mandatory in the model are shown in blue boxes with white text, while optional roles are presented in grey boxes with black text. Participants in distribution models can play multiple functional roles. In such a case, the optional (secondary) role is depicted as a grey box contained within the blue box. For example, the model depicted below (**Model 4: "Via Distributor**") shows that a platform provider can also serve as a retailer (e.g., Netflix).

Figure 10 – Example of the Depiction of Overlapping Roles in a Distribution Model



The arrows in the visual depictions of the models represent the interactions between parties in the value chain. For each model, the report also describes the nature of the transaction that occurs between the content owner and the *first intermediary* with whom they interact, in terms of the exchange of content, rights, data, money and audience.

Each sub-section then presents the model's prevalence and state of adoption across the various industries. The prevalence of each model varies from one industry to the next, but a single creative content product is likely to be distributed through a combination of models, as the content owner (and in some cases distributor) try to maximize the reach of and return on the product.

For example, a single track of recorded music may be placed directly on a digital platform (e.g., YouTube) as per **Model 2: "Direct to Retail"** *and* access foreign retail markets via a distributor through **Model 4: "Via Distributor"**. As content owners navigate through each distribution path, they are likely to face some, if not all, of the challenges articulated for each model.

Summary of Distribution Models

The six distribution models described in detail below are summarized in the following list:

- **Model 0: "Content Owner(s) to Other Content Owner":** Where one content owner (e.g., the owner of a book property) provides content to another content owner (e.g., a film producer), who uses it to create a second creative product (e.g., a film based on the book).

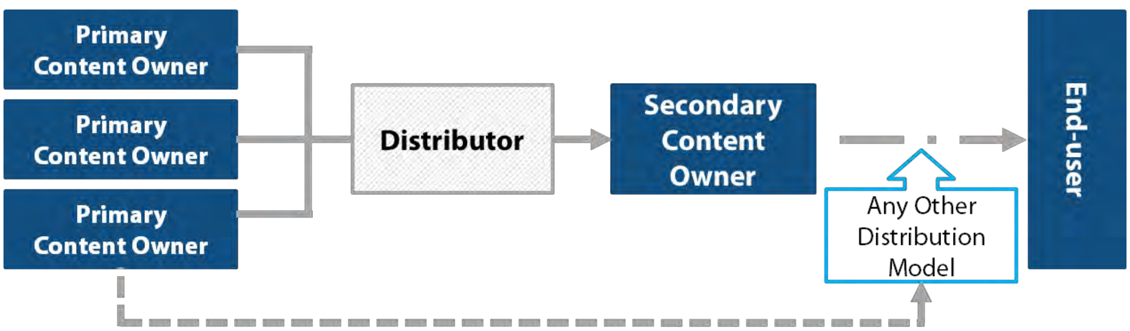
  Notably, this model can lead into any other distribution model for the second creative product.
- **Model 1: "Direct to End-User":** Where the content owner (e.g., a magazine publisher) delivers content directly to an end-user (e.g., a subscriber), sometimes with the help of a service provider (e.g., a fulfillment house).
- **Model 2: "Direct to Retail":** Where the content owner (e.g., a book publisher) provides the product (e.g., an e-book) direct to a retailer (e.g., a digital storefront), sometimes with the help of a service provider (e.g., a digital conversion service).
- **Model 3: "Direct to Platform":** Where a content owner (e.g., a linear audiovisual producer) puts their content directly on a digital platform (e.g., YouTube), sometimes with the help of a service provider (e.g., an encoding service).
- **Model 4: "Via Distributor":** Where the content owner (e.g., a game developer) works with a distributor (e.g., a games publisher) to get their content on platforms (e.g., the *Steam* platform for PC games) and/or to retailers (e.g., Apple's App Store).
- **Model 5: "Platform-Driven":** Where the platform itself (e.g., IMAX) has a significant influence on the development of the creative product (e.g., an IMAX film). The product is then distributed via a distribution model that also includes this platform (e.g., an IMAX theatre).

3.3 Model 0: "Content Owner(s) to Other Content Owner"

The first model presented is not a complete distribution model in itself, but rather one that can precede any of the subsequent models described below. It represents the relationship between several content owners that may contribute creatively, and through transfer or licensing of IP, to one market-ready piece of content. Notably, after the market-ready piece of content is distributed to the "secondary" content owner, it is transformed into a new creative product, which is then distributed again using any of the other distribution models explored in this report.

Due to its position as a potential precursor to the subsequent models, the model is numbered "0".

Figure 11 – Model 0: Content Owner(s) to Other Content Owner



The following table provides a few examples of how this model is used in the cultural media industries.

Table 1 – Examples of Model 0

Industry	Example	Primary Content Owner	Distributor	Secondary Content Owner
Books	Film adaptation of a book	Book publisher	Film agent	Film production company
Film and Television	Format licensing	Television producer	Distributor	Television producer in another territory
Interactive Digital Media	Video game adaptation of a film	Film producer	-	Video game developer
Music	Song used in a video game	Composer and other Rights Holders	Music publisher	Video game developer/studio

As suggested, by the illustration, more than one content owner can contribute their creative products to the other content owner. For example, a film may be based on an optioned book and include several songs licensed to it by other content owners.

3.3.1 Value Chain

The table below describes the transaction between the primary and secondary content owners.

Table 2 – Model 0 Value Chain

Primary Content Owner and Secondary Content Owner Transaction			
	Primary Content Owner Gives	Secondary Content Owner Gives	
Content	✓	-	The primary content owner provides the secondary content owner with the creative product, or components thereof.
Rights	✓		Along with the components that the secondary content owner requires, the primary content owner provides permission to use the primary content within the second creative product. For example, a film producer may allow the characters and storyline of the film to be used in a video game. The rights can be fully given up (i.e., the primary content owner can no longer use that content), or partially transferred for specific use. In some cases, the primary content owner retains a certain level of control over *how* the content is used by the secondary content owner. For example, the IP owner can set boundaries around the ways in which the brand can be represented in other media or marketed, as well as limit the paths to distribution. This way, the primary content owners also receives rights on the second creative product.
Data	-	-	Normally, there is no provision for usage or sales data exchanged between the two parties.
Money		✓	The primary content owner receives financial compensation for the use of the content, which could be a lump sum or linked to the revenue generated by the secondary content owner (i.e., royalties).
Audience	✓	✓	The primary content owner may have an established and engaged audience base, which would be highly valuable to the secondary content owner. On the other hand, the primary content owner may also benefit from increased exposure through the use of the content in other contexts. For example, increased exposure of a book through a film adaptation could lead to increased sales of the original book.
Technical/ Admin Service	-	-	

This model also includes the optional functional role of a distributor. The distributor, generally, would specialize in the specific distribution model – for example, a music publisher for rights to use a song in another creative product such as a video game, or a film agent pitching a book's movie rights. In cases where a distributor is involved, the initial interaction/transaction occurs between the content owner and distributor, a scenario similar to that described in **Model 4: "Via Distributor".**

3.3.2 Industry Use and Variation

The multiple content owners model is prevalent in (and among) all six industries. It can apply to adaptations, remakes in other formats and territories, both across industries and within the same industry.

The model is conducive to collaboration and convergent media development. It is particularly compelling to (primary) content owners in one medium who want to expand their content into other media. For example, a book publisher who wants to meet market demand for digital products beyond e-books might license the rights of the content to producers or developers who can create video-based or interactive components. The model also appeals to content creators who want to minimize risk and tap into an established or proven demand-base, through adaptations of successful brands across a variety of media – for example, creating a *Star Wars* game or licensing a television program format that has been successful in another market.

However, this model generally better suits primary content owners with enough scale and staff to seek those opportunities. For a self-published author or artist-entrepreneur (other than in exceptional cases), really engaging in this type of market behaviour would be hard without an appropriate level of institutional support.

3.3.3 Model Challenges

While the multiple content owners model provides many opportunities for the primary and secondary content owners, the key challenge faced by both parties is related to ongoing control over and access to the content.

For example, in some cases, the IP owner will continue to have a say in terms of the direction of the rest of the content development, which limits the creative control of the secondary owner. The IP owner may also set limitations on the production and distribution process, such as distribution paths, retailers or access platforms. The secondary content owner, as a result, will have to navigate a challenging decision-making process throughout, influenced by constant creative input from an external party or in some cases, multiple external parties.

On the other hand, if the rights negotiation results in more favourable terms for the secondary owner, then the original IP owner may not be able to control how their content is used. In fact, in some cases, the original content creator may not even be allowed to leverage the success of the work to promote new content. For example, a music artist whose earlier work is owned by a different label may not be able to use previous audio and video material to promote a new album.

3.3.4 Model Evolution

The multiple content owner model is likely to continue to be a significant revenue stream for content owners, both primary and secondary. In an increasingly competitive environment, flooded with content across a multitude of platforms, leveraging the proven success of an existing creative product carries far lower risk than developing a concept or brand from the ground up.

Additionally, the prominence of **Model 1: "Direct to End-User"** and **Model 3: "Direct to Platform"** provides more opportunity than ever before for emerging content owners to license their IP for use in other media. In fact, while Direct to End-User and Direct to Platform distribution is difficult to monetize for amateur and small-scale content owners, both models are conducive to audience development and engagement. The results of such audience engagement can serve as key bargaining chips if those content owners are ever faced with an opportunity to act as a primary content owner in this model.

3.4 Model 1: "Direct to End-User"

This model represents the most direct path between the content owner and the end-user, without the involvement of any intermediaries. In fact, if there is active promotion of the content through multiple channels, a retail transaction, and/or a platform on which the content is being accessed, those intermediary functions (e.g., distributor, retailer, platform provider) are taken on by the content owner. For example, a magazine publisher that develops an in-house app to deliver articles acts as the content owner as well as the platform provider. Of these secondary roles, that of the retailer is most commonly taken on by the content owner in this model (as is depicted in the visual below).

Figure 12 – Model 1: Direct to End-User

The following table provides a few examples of how this model is used in the cultural media industries.

Table 3 – Examples of Model 1

Industry	Example	Content Owner	Service Provider(s)
Books	Sales via publisher website	Book publisher (e.g., Dundurn Press)	E-commerce platform (e.g., Shopify), website developer, e-book formatting services
	Corporate sales	Book publisher who develops content directly and by request for the end-user (i.e., a corporation)	-
Film & Television	Video content hosted directly on content owner's website	Producing website (e.g., College Humor, Funny or Die)	Website developer
Interactive Digital Media	Game hosted on a website	Game developer (e.g., one that develops in HTML5)	Website developer
Magazines	Magazine print subscription	Magazine publisher (e.g., *Maclean's*)	Printer, fulfilment house

Industry	Example	Content Owner	Service Provider(s)
	Magazine content delivery via in-house digital platform	Magazine publisher (e.g., *The Walrus*)	App developer
	Controlled circulation[19]	Magazine publisher	Printer, fulfillment house
Music	Album sales at a live performance	Artist	Duplication service, payment platform (e.g., Square)
	Album/song sales on artist/label website	Artist/label	Website developer, e-commerce platform

3.4.1 Value Chain

The table below describes the transaction between the content owner and the end-user in this model.

Table 4 – Model 1 Value Chain

Content Owner and End-User Transaction			
	Content Owner Gives	End user Gives	
Content	✓	-	The content owner provides the end-user with direct access to the creative product, without the need to go through an external party (such as a platform). Generally, that means that the content exists in or is delivered in a format created directly by the content owner or through a service provider.
Rights	-	-	
Data	✓	-	The content owner has direct access to sales data and other consumer data, in addition to feedback from audiences.
Money	-	✓	This model can be monetized *directly*, with the content owner directly charging the end-user a fee for ownership or access – including unit sales, limited time access (i.e., rentals), or subscription fees. The content owner retains all the revenue less any expenses incurred (e.g., printing, shipping). The model can also be monetized *indirectly* through advertising. Options include the sale of advertising space at the point of sale or point of access (e.g., websites, apps, pre-roll video, etc.). Advertising can also be embedded within the product itself (e.g., product placement, closed circulation, etc.).

[19] Controlled circulation is a type of magazine distribution whereby the publisher sends its magazine for free to a specific audience, for example members of a certain profession.

Content Owner and End-User Transaction			
	Content Owner Gives	End user Gives	
Audience	-	✓	The end-user can enable audience growth through organic promotion of the content. In this model, audience-centered tools such as social media and events are key to a successful marketing strategy, as a highly-engaged end-user has the potential to support the content creator in "spreading the word."
Technical/ Admin Service	-	-	

This model also includes an optional service provider, which is generally required for the production of physical products (e.g., printing), the formatting of digital products (e.g., encoding for e-readers), or supporting the content owner in the retail transaction (e.g., e-commerce platform). In cases where this function exists, the content owner will pay the service provider a fee for service (flat or subscription).

3.4.2 Industry Use and Variation

Magazines: This model is an essential one for the traditional magazine industry, as the majority of most publishers' revenue comes from physical issues delivered to subscribers. This revenue is derived both from the subscriptions themselves (through subscription fees) and also from advertising space sold against those subscriptions. Magazines also distribute content direct to users via in-house apps or websites, and through controlled circulation. The sale of back issues on a publisher's website also falls under this model.

Books: Books are often made available via publishers' websites. However, the success of this stream of revenue is highly dependent on existing demand and brand recognition (e.g., consumers knowing the book they want to purchase and knowing who the publisher is), and competitive pricing (e.g., consumers not being able to find it for a lower cost elsewhere). Publishers targeting niche markets (e.g., Irwin Law) have effectively used this model. Other versions of this model are direct-to-consumer sales at author readings, book fairs and festivals.

Music: This model is more critical among new entrants in the music industry that rely on leveraging the direct contact with fans to sell physical copies of albums at live shows or trying to reach audiences directly online through making music available for direct download (e.g., MP3 file).

IDM: As mentioned in Table 4 above, this model is possible to implement in the video game industry. However, it is not prevalent. It remains quite effective and cost-efficient for game developers and publishers to work with retailers and platforms to reach their desired market, allowing content to be more easily discoverable. As a result, not many game developers opt for the Direct to End-User model.

Film & Television: Similarly, in film and television, this path is a possible one, exemplified by web series. However, it generally requires a recognizable and established brand (e.g., Funny or Die, College Humor) in order to gain any traction with audiences. It is difficult for emerging content creators to succeed using this model, and most opt to go through a platform to aid discoverability and become compatible with more funding sources.[20]

One of the advantages of this model across all the industries is that direct access to end-users means access to data on those users. This data can inform content development, drive high levels of engagement among audiences, and also support advertising sales in ad-driven models, particularly in niche markets (e.g., for a special interest magazines).

3.4.3 Model Challenges (Global)

In the Direct to End-User model, the onus of driving discovery through promotion is solely on the content owner. As such, it is often difficult/costly to market directly to consumers. The development and implementation of a marketing and distribution strategy – even if it is limited to promotion through social media – can be immensely time-consuming, limiting the time a creator has to devote to content development.

In cases where the content is being delivered through digital means, such as an app, the up-front and ongoing maintenance can be quite costly. For example, apps can be difficult to maintain by small magazine publishers, who may not have the ability internally to troubleshoot or provide customer support the same way that they would for a website.

In music and books, where the content is often delivered in a physical format in this Direct to End-User model, per-unit production costs could be high due to lack of volume. Furthermore, inventory management can prove challenging for an independent artist or author, or even a small label or publisher with limited resources.

Finally, while it is likely that content owners will have full access to data through these direct channels (e.g., website views, app usage, unit sales, audience feedback), the analysis of that data and its incorporation into decision-making around content development, marketing and distribution is not only time-consuming and burdensome, but may also be outside the skills and capabilities of many content owners.

3.4.4 Model Challenges (in Ontario)

In Ontario, cultural media companies often lack the scale – and thus the market power – to be able to take full advantage of the benefits of the Direct to End-User model – unlike the major global media companies.

Film & Television: In industries where this model is particularly difficult to implement, such as film and television, examples of success with this model illustrate the importance of brand recognition. For example, Funny or Die, a website that has effectively attracted tens of millions of viewers, venture capital investments and partnerships with the likes of HBO and Time Warner, was founded by Will

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[20] For example, web series are not usually eligible for traditional grants and tax credits, as these funding source often require that a broadcaster be involved with the project. Specific grants for web series, such as the Skip Ahead program by Screen Australia, address this specific issue, as do other programs that allow funding for small-scale projects with no links to broadcasters (e.g., Alberta Production Grant).

Ferrell and often features other high-profile celebrities. However, for those without that level of brand recognition, ongoing marketing costs can pile on as they attempt to reach their target audience.

Magazines: For many magazine publishers, the majority (one interviewee estimated 60-70%) of their revenue comes from the Direct to End-User model through print subscriptions. This ad-driven revenue stream has faced significant erosion as a result of shifting consumption trends toward digital platforms. Alongside the loss of revenue from print subscriptions, small publishers have faced difficulties monetizing other direct distribution paths, such as apps, finding that it required skills beyond their core capabilities (i.e., selling print advertising).

Books: Funding support for Ontario book publishers to develop web and mobile enhancements that support direct to consumer distribution has been and will continue to be important. In addition to website sales, Ontario book publishers have also developed apps for content, in some cases directly as a result of having access to funding for such initiatives. However, direct digital distribution through apps is not seen by Ontario publishers as a core distribution path, although it has served as an effective means of marketing for sales through other distribution models.

The challenge of discoverability and monetization posed by this direct model applies across the cultural media industries, and it is often necessary for Ontario creative enterprises to leverage the reach of a platform or retailer to reach end-users.

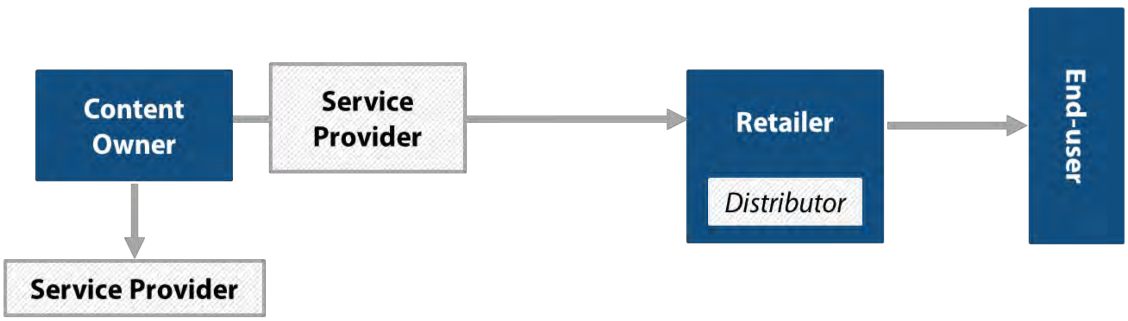
3.4.5 Model Evolution

One potential future direction for the Direct to End-User model is increased collaboration among multiple content owners to develop their own digital access and distribution platforms. For example, there is an opportunity for publishers to join forces to provide digital access to course packs to the higher education market to combat the shrinking revenues in that segment (i.e., as a result of the Access Copyright decision). However, the same economies of scale are available to the major global content creators and the global electronic distribution platforms.

3.5 Model 2: "Direct to Retail"

The Direct to Retail model introduces an additional intermediary (i.e., the "Retailer") between the content owner and the audience. In this model, the Retailer primarily facilitates the exchange of money for content, but may also shoulder some distributor responsibilities, such as promotion and marketing, or pushing the content through other retail channels.

Figure 13 – Model 2: Direct to Retail



The following table provides a few examples of how this model is used in the cultural media industries.

Table 5 – Examples of Model 2

Industry	Example	Content Owner	Service Provider	Retailer
Books	Physical book sold online	Publisher or self-published author	Printer	Electronic retailer (e.g., Amazon.ca)
	Physical book sold at a bookstore or other retailer	Publisher or self-published author	Printer	Physical retailer (e.g., an independent bookstore)
	e-book sold online	Publisher or self-published author	Technical service provider (e.g., file conversion services)	Electronic retailer (e.g., Amazon.ca)
	Institutional sales	Book publisher	Printer	Wholesaler (e.g., Library Bound, United Library Services, Whitehots, Tinlids, Canadian Electronic Library), who distributes to institutional end-users, such as libraries or schools.
Film & Television	N/A			

Industry	Example	Content Owner	Service Provider	Retailer
Interactive Digital Media	PC games sold through publisher retail point of sale	Game developer or studio	-	Publisher (i.e., distributor) retail store (e.g., EA's Origin, Ubisoft's Uplay)
Magazines	N/A			
Music	Song or album sold via e-tailer	Label	Digital aggregator (encoding only, fee-for-service)	Electronic retailer (e.g., iTunes)

3.5.1 Value Chain

The table below describes the transaction between the content owner and the retailer.

Table 6 – Model 2 Value Chain

Content Owner and Retailer Transaction			
	Content Owner Gives	Retailer Gives	
Content	✓	-	The content owner provides the retailer with the physical or digital product. In cases where it is a digital product, a service provider may be required to ensure retailer technical specifications are met.
Rights	-	-	
Data	-	✓	The retailer may share sales data (e.g., metadata, regional sales, customer demographics, etc.) with the content owner to support future content development and marketing strategies. However, e-tailers generally do not share detailed and timely data.
Money	-	✓	The content owner receives a portion of the sales, minus the retailer's cut.
Audience	✓	✓	The content owner can bring an established demand-base to the retailer, which could increase sale of their product as well as the retailer's other products. Retailers also provide access to market, and can direct consumers to certain products through showcasing, curation, presentation of reviews and ratings, and basket/affinity analysis (i.e., "Customers who bought this item also bought…").
Technical/ Admin Service	-	✓	In some cases, the retailer may provide technical services as part of the value it provides content owners. For example, Amazon provides e-book publishing services through Amazon Kindle

Content Owner and Retailer Transaction			
	Content Owner Gives	Retailer Gives	
			Direct Publishing.

The Direct to Retail model also includes an optional service provider function, which is generally required for the physical production of physical products (e.g., printing) and the formatting of digital products (e.g., encoding for e-reader). In cases where this function exists, the content owner will pay the service provider a fee for service (flat or subscription).

3.5.2 Industry Use and Variation

When it comes to physical distribution of physical products, this model is not prevalent in the cultural media industries, primarily due to the fact that a single content owner is not likely to have the scale or resources required to negotiate with or even gain access to key retail points.

Books and Magazines: The Direct to Retailer model is not common for physical magazines or books sold through physical retail stores, as physical retail generally requires a distributor that represents a number of companies. However, content owner-driven, shared distribution services, such as that provided by Magazines Canada for its members, have the potential to aid independent content owners in reaching more retail points without significant cuts to their margins. The Direct to Retail model works well with "click-and-collect" book sales through leading e-tailers such as Amazon.ca. E-tailers with an endless supply of "shelf-space" are more accessible to content owners directly for both physical and digital products.

Film & Television: Similarly, the distributor plays an essential role in connecting film and television producers to retailers (and in many cases also platforms). As a result, this model is not prevalent in the film and television industry.

IDM: While console and mobile games are inherently linked with an access platform, this model appears most prominently in the video game industry in the form of PC game sales directly through the publisher's retail store.

Music: The model is an accessible distribution path for digital music, with downloads through iTunes accounting for a significant portion of music sales. However, most content owners in the music industry would rather reach retailers through their distributors, if only to obtain more favourable placement terms.

3.5.3 Model Challenges (Global)

Discoverability is the most significant challenge in the Direct to Retail model, as it is in several other models. If a retail platform is accessible to a content owner without the involvement of a distributor, it is likely open to all other content owners as well. As a result, the success of the content is dependent on either the marketing efforts of the content owner – a costly task – or the showcasing of content by the retailer. To some extent, the marketing process is sequential in nature. It is more up to the content provider to generate the buzz before the retailer, which is commonly a global corporation, will invest heavily in marketing and promotion.

In addition, while e-tailers (e.g., Amazon.ca) may be easier to access directly than brick-and-mortar stores (e.g., Walmart), the logistical requirements of "click-and-collect" sales can be difficult to navigate. As well, the lines of communication to leading e-tailers are not always open, a cause of frustration for some content owners. As one interviewee stated, dealing with large e-tailers can seem like "dealing with a machine that is often wrong."

The sale of physical products directly through retail points also requires inventory management (e.g., avoiding over- or under-stocking), and is often associated with high costs for content owners (e.g., to pay for placement in the front of a store). Those companies with fewer resources to devote to this form of "retail marketing" will be less discoverable at the retail point.

3.5.4 Model Challenges (in Ontario)

Once again, discoverability is a major challenge for Ontario content owners, as it is generally up to the retailer to promote and position the product for visibility or up to the content owner to drive consumers to the retail point. As mentioned above, good "shelf-space" is difficult to achieve when dealing directly with retailers, and it requires market power (or the negotiating power of a distributor). This challenge is amplified by the generally small scale of Ontario cultural media enterprises, the decrease of physical shelf space available – store closures and competition in remaining stores from product lines outside of media content – and the profusion of choices online.

To mitigate this issue, some cultural media industries have taken collective action. For example, eBOUND Canada is a not-for-profit organization established to help Canadian book publishers maximize their digital presence via offerings including digital conversion, distribution, digital asset management, and educational services.

Beyond discoverability, the revenue share demanded by top retailers can significantly squeeze content owners' already slim margins. The leading e-tailers typically take a cut of 30-50% of each sale from book publishers and music labels, though more advantageous deals can be possible with increased bargaining power. For example, interviewees shared that when it comes to book sales, it takes "clout" to negotiate beyond the typical 50% split with e-tailers.

Indeed, these e-tailers are much larger than the Ontario-based companies with which they deal, and so are in a position to exert significant market power. For example, the Canadian Independent Music Association reported that the entire independent music industry in Canada generated roughly $292 million of revenue in 2011 (the last year the industry was measured).[21] By comparison, iTunes generated $1.5 billion of revenue in the third calendar *quarter* of that year (which amounted to only 6% of Apple's total revenue in that period).[22] Similarly, Steam (the platform on which many PC games are distributed) generated an estimated $400 million in revenue for Valve (the company that operates

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[21] Canadian Independent Music Association (CIMA) (2013), *Sound Analysis: An examination of the Canadian Independent Music Industry*, p. 16.
[22] Apple Press Release (October 18, 2011), "Apple Reports Fourth Quarter Results."

it) in 2014.[23] The games industry in Ontario as a whole (which includes international companies such as Ubisoft Toronto), spent $265 million on games in that same year.[24]

As such, Canadian companies are dealing with international companies larger than their entire *industries*. For this reason, they are often put in disadvantageous negotiating positions.

3.5.5 Model Evolution

It is anticipated that e-tailers will continue to enhance their platform-like offerings to become engaging "one-stop-shops" for end-users. Aspects such as community forums, reviews, recommendations, loyalty programs, links to social media, content curation, gamification, and geo-location have the potential to continue to refine the retail experience and aid discoverability. These enhancements also provide content owners more paths to discoverability, and may result in the increased use of the Direct to Retail model. At the same time, those very same options may result in content owners having to increase their marketing and/or data analysis efforts (e.g., to respond to reviews, analyze geo-location data, etc.).

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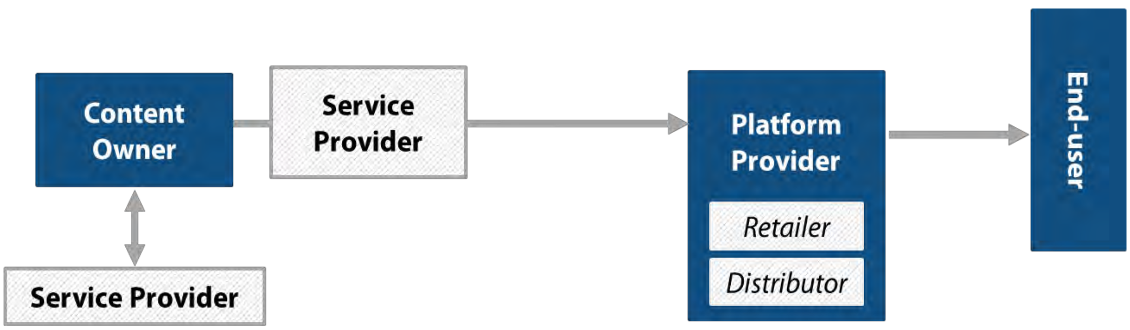
[23] Develop (July 27, 2015), "Valve made more than $730m in 2014, report claims," citing data from SuperData.
[24] Entertainment Software Association of Canada (ESAC) (2015), *Canada's Video Game Industry in 2015*.

3.6 Model 3: "Direct to Platform"

The Direct to Platform model exists in cases where an intermediary (i.e., the Platform Provider) in the value chain provides access to digital content. Similar to the retail function in **Model 2: "Direct to Retail"**, the access platform provider in Model 3 may take on secondary functions. These functions might include distribution services or the facilitation of a retail transaction. For example, Vimeo is a platform that facilitates the exchange of money for content in the form of sales, rentals and subscription fees.

Figure 14 – Model 3: Direct to Platform



The following table provides a few examples of how this model is used in the cultural media industries.

Table 7 – Examples of Model 3

Industry	Example	Content Owner	Service Provider	Platform Provider
Books	Electronic access to books on a platform	Book publisher	File formatting service (e.g., CoreSource, Smashwords, eBOUND)	Platform (e.g., Scribd, Audible, OverDrive, etc.)
Film & Television	Film or television series on a platform	Independent producer	Encoding house (e.g., Distribber)	Open platform (e.g., YouTube, Vimeo, etc.) Selective platforms (e.g., iTunes)
Interactive Digital Media	Mobile apps	Developer/studio	-	iOS or Android platform
Magazines	Aggregated magazine	Magazine publisher	-	Subscription-based or single-

Industry	Example	Content Owner	Service Provider	Platform Provider
	subscription			issue access platform (e.g., Zinio, Texture)
Music	Streaming websites	Artist/label		Platform (e.g., SoundCloud, Spotify, etc.)

3.6.1 Value Chain

The table below describes the transaction between the content owner and the access platform.

Table 8 – Model 3 Value Chain

Content Owner and Platform Provider Transaction			
	Content Owner Gives	Platform Gives	
Content	✓		The content owner sends content in the appropriate format to the platform. If specific technical standards need to be met, a service provider may be used to meet them.
Rights	✓	-	Depending on the platform, the content owner may be required to license the rights of the content to the platform.
Data	✓	✓	The content owner generally gets access to sales data and other useful information (e.g., metadata, bibliographic data, time spent on various components, drop off point, etc.). Open platforms are more likely to provide direct access to user data, while larger platforms generally keep data private.
Money	✓	✓	In some cases, the content creator pays for the use of the platform (e.g., Vimeo Plus or Pro, or paying to become a registered iOS developer). The content owner gets a portion of the sales from the platform. Some platforms will allow the content owner to select among different revenue models (e.g., unit sales, subscription, etc.). For example, Vimeo offers this flexibility and takes a 10% cut of revenue after expenses. Other platforms will compensate the content owner through a revenue sharing agreement based on established models. For example, YouTube shares 55% of video advertising revenues with content owners, and 70% of revenue from the sale of songs or albums are passed on to the artist/label.
Audience	✓	✓	If the content owner is sufficiently popular, they can leverage their existing audience to drive traffic to the platform. The platform exposes the content to new audiences, which can

Content Owner and Platform Provider Transaction			
	Content Owner Gives	Platform Gives	
			result in increased sales for the content owner. In some cases, the platform curates or cross-promotes content (e.g., playlists, "You may also like…").
Technical/ Admin Service		✓	In some cases, the platform may provide technical services as part of the value it provides content owners. For example, Kobo provides at-cost *epub* conversion services.

In order to meet the technical requirements of access platforms, many companies do all or most of their own file creation and management in-house. Others create the original file and use a service provider to convert that file to various other necessary formats. If not done internally, conversion is done by a service provider for a flat fee for service.

3.6.2 Industry Use and Variation

Film & Television: The Direct to Platform model is prevalent in film and television, particularly on open platforms such as YouTube and Vimeo, which accept all user-generated content. More selective or curated platforms, such as Netflix or iTunes, are more difficult to access directly and generally fall under **Model 4: "Via Distributor**".

Music: Similarly, in music, open platforms such as SoundCloud are more easily accessible directly by artists and small labels.

Magazines: For magazines, platforms such as Zinio bring in minimal revenue but generally serve as a funnel for new business via other distribution streams. Open social media platforms such as Facebook, drive a lot of traffic to publishers' online content. Texture is generally out of reach of small independent publishers. Magazines have also expanded to platforms geared to other industries, such as YouTube, to diversify the types of content they provide and the touchpoints they have with their audiences.

3.6.3 Model Challenges (Global)

Similar to **Model 1: "Direct to End-User"** and **Model 2: "Direct to Retail"**, discoverability is a key challenge in the Direct to Platform model. Gaining visibility can be costly, particularly on open platforms that are flooded with user-generated content. These same platforms are also the most difficult to monetize, although for some content owners they are effective marketing tools and drivers of downstream revenue.

More selective platforms, such as Netflix and Spotify, hold a lot of bargaining power and thus can be difficult to access directly by content owners. For magazine publishers who cannot access selective platforms such as Texture, there is no option but to use platforms less tailored to each content type, such as Google Play.

In other industries, such as IDM, platforms hold near-monopolies in some segments of the market – for instance, the iOS platform/App Store is the only path to bringing mobile games to iPhone users.

As a result, these platforms manage to take a significant portion of revenue from content owners (i.e., roughly 30%).

In general, gaining visibility and monetization can be particularly difficult for content owners with a small audience base. For example, selling pre-roll advertising for video content can be difficult for a cultural media company with low viewership. However, platforms do provide some support on this front as they increasingly aid content owners in advertising sales, providing easier monetization for smaller companies, while taking a cut of those advertising revenues. For instance, news publishers using Facebook Instant Articles can leverage Facebook's Audience Network to generate advertising sales, in addition to the ads their in-house staff already sell.

Even in cases where they share revenues with the content owner (e.g., streaming music), platforms are not considered major sources of revenue for most Ontario-based, Canadian-owned content owners. Due to the decline of **Model 2: "Direct to Retail"** for music (i.e., dwindling digital download sales), Direct to Platform is likely to be ever more important in the future.

Inherently linked to monetization on platforms is visibility, another significant challenge in this model. Many platforms hold the key to discoverability through curation or showcasing of content. Some content owners have attempted to leverage aspects of the platform to support monetization. For example, in IDM, a successful approach has been to bundle one's content with others (e.g., Humble Bundle) to give a life to the product beyond the 1st release window.

In other industries, content owners have experimented with special partnerships and agreements with the platforms, which have the potential to have a huge impact on audience numbers. For example, during the 2015 Canadian federal election, Vice Media and Facebook collaborated to bring a streamed town hall meeting to Facebook members, with positive results. However, this option is not easy for small companies (unless they have a strong brand).

Alternatively, it is up to the content owner to spend the effort/money to drive audiences to their content on the platform. As one interviewee from the film and television industry explained, although perceived to be more "organic," marketing Direct to Platform content costs just as much as more traditional channels such as theatrical release and broadcast, because it requires ongoing maintenance of a curated online presence. Despite the importance of marketing, there is limited funding available for it in the film and television industry.

Another global challenge associated with the Direct to Platform model is the access that a content owner has to data regarding the performance of their content. Although the availability of data varies widely among platforms, it remains up to the discretion of the platform provider to furnish the content owner with timely, actionable data. At the same time, smaller content owners may not have the internal data analysis capacity to make informed decisions based on this data.

3.6.4 Model Challenges (in Ontario)

As platforms grow in market share and importance, Ontario's film, television and music industries increasingly need to secure access to these platforms, which can be challenging. In parallel, regulatory support to Canadian content in their domestic market may not be as strong in the future. For instance, the new regulations for television broadcasting and distribution could shave as much as

$500 million from the programming market according to some analysis.[25] As a result, in order to be successful, many content owners will have to rely more on revenue streams from international markets and from platforms.

As with **Model 2: "Direct to Retail"**, Ontario-based companies are much smaller than the platforms with which they are doing business. For example, Credit Suisse estimated that YouTube generated $5 billion in gross revenue in 2015.[26] While the precision of this figure may be challenged, it is still larger than the entirety of the Canadian film and television production sector, which produced just under $3 billion of content 2014/15.[27] Similarly, Spotify boasted US$1.22 billion of revenue in 2014 – several times the US$377 million in industry-wide revenue figures reported by the IFPI for the same year.[28] As a result of this clear disparity in scale, Ontario-based cultural media companies are often negotiating from a disadvantageous position.

3.6.5 Model Evolution

As access platforms continue to evolve, expand, and experiment with their own business models, cultural media companies will be better able to exploit the opportunities presented by the Direct to Platform distribution model. Platforms have been introducing new and easier-to-use monetization tools, for example Facebook's publishing tool which allows easy advertising sales combined with convenient end-user access, or Apple News with the introduction of iAd.[29]

In addition, as the market matures, new, more targeted platforms are likely to emerge, presenting opportunities to reach key end-user segments in new ways. Nonetheless, much of the recent advancements in access platforms have been developed by existing players (e.g., Facebook Publisher, Apple News), and as the model evolves, content owners will need to remain abreast of these changes and expand their partnerships with leading platform providers to maximize their ability to take advantage of this growing distribution path.

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[25] See, for example, Canadian Television 2020: Technological and Regulatory Impact, prepared by Nordicity and Peter Miller, p. 7.

[26] Business Insider UK (July 10, 2015), "We finally got some really good data on just how much money Google makes from YouTube and Google Play."

[27] Canadian Media Producers Association (CMPA) (2016), *Profile 2015: Economic Report on the Screen-based Media Production Industry in Canada.*

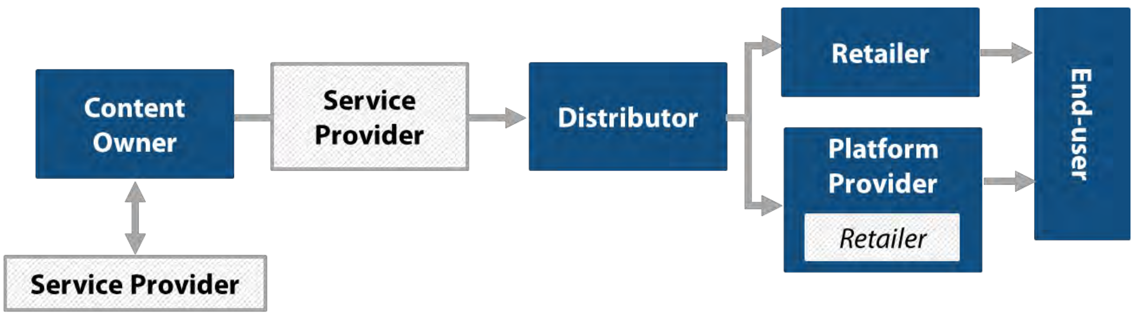
[28] IFPI (2016), *Recording Industry in Numbers,* p. 64.

[29] The flipside to the development and adoption of easier monetization tools is the quickly expanding availability and use of ad-blocking software.

3.7 Model 4: "Via Distributor"

This model represents the most conventional distribution path in the cultural media industries. It involves a third-party company that either buys the rights to a piece of content for the purpose of selling it to retailers and/or platforms, or plays a hands-on role in facilitating the exchange of rights, money and/or data between the content owner and retailers/platforms.

Figure 15 – Model 4: Via Distributor



The following table provides a few examples of how the Via Distributor model is used in the cultural media industries.

Table 9 – Examples of Model 4

Industry	Example	Content Owner	Service Provider	Distributor	Retailer/ Platform
Books	Book sales through physical retailer (or e-tailer selling physical books)	Book publisher	Printer Sales representation (e.g., Canadian Manda Group, Ampersand)	Books distributor (e.g., University of Toronto Press Distribution, Fraser Direct, Firefly)	Physical retailer (e.g., Walmart, Chapters Indigo, Costco, etc.) e-tailers (e.g., Amazon.ca, Chapters.ca, etc.)
Film & Television	Television scripted series shown on a traditional network	Independent producer	-	Broadcaster	BDU
	Film shown in a cinema	Film producer	-	Sales agent/film distributor	Cinema (e.g., Cineplex)
	Film or television shown on a digital platform	Producer	-	Digital aggregator (e.g., Syndicado) and/or traditional distributor	Digital access platform (e.g., Netflix)

Industry	Example	Content Owner	Service Provider	Distributor	Retailer/ Platform
Interactive Digital Media	Games sold through physical retail	Developer/Studio	Duplication services	Video game publisher	Physical retailer (e.g., GameStop, Walmart, etc.)
Magazines	Single copy magazine sold through physical retail	Magazine publisher	Printer	Distributor (e.g., Disticor) Wholesaler	Retailer (e.g., newsstands, Chapters Indigo, etc.)
Music	Albums sold through physical retail	Artist/label	Duplication services	Distributor (e.g., eOne, Outside Music, major label providing distribution services)	Physical retailer (e.g., independent record shop, Chapters Indigo, Walmart, etc.)
	Song or album streamed online	Artist/label	-	Distributor (music publisher, major label)	Streaming service (e.g., Apple Music, Spotify, etc.)

3.7.1 Value Chain

The table below describes the primary transaction in the Via Distributor model between the content owner and the distributor.

Table 10 – Model 4 Value Chain

Content Owner and Distributor Transaction			
	Content Owner Gives	Distributor Gives	
Content	✓	-	The content owner provides the distributor with the work and related publicity and promotional materials (e.g., movie trailers, etc.)
Rights	✓		The distributor typically takes some portion of the content rights, although the rights may be assigned in advance of content development at the financing stage. Feature films, for example, might be picked up at a festival by a sales agent for a commission (subject to assignment of rights at the funding stage) of world sales or in specific territories. The sales agent would then sell the rights to local distributors in each territory. Television programs follow a similar pattern although the content owner or broadcaster may choose to retain rights in some regions/windows. The distributor negotiates subsequent windows based on

Content Owner and Distributor Transaction			
	Content Owner Gives	Distributor Gives	
			flat fees for licenses or revenue share. It should be noted that it is far less common for distributors to take rights positions in the book publishing and magazine publishing industries.
Data	✓	✓	In this model, consumer data is often not made readily available to the content owner. In fact, the distributor may not even be given full and timely access to data by platforms or retailers (e.g., BDUs), but some channels (e.g., home video, e-tail, and theatre) involve more open access to data by the distributor.
Money	✓	✓	The content owner may receive financing for the content production, generally in exchange for rights (full or in certain windows/territories), in the development stage. In some cases (e.g., in the book publishing industry), the distributor will take a percentage of or a commission on sales. In other cases, the distributor will pay out royalties to the content owner (once the distributor has recouped its own costs). In film/television and music, minimum guarantees were once common, but they are no longer the default model. Now, it is usually a revenue share model (as above).
Audience	✓	✓	Once the content owner has assigned rights to distributor(s) – generally in exchange for production financing – the interaction with the audiences and platforms and retailers are generally handled by the distributor. The distributor is also the main driver of marketing and promotion. However, content owners with established audiences bring value to the transaction, as the distributor may be able to leverage demand for one piece of content to sell other works in its catalogue.
Technical/ Admin Service		✓	Distributors may offer technical services, such as file conversion for digital platforms, or outsource to external service providers. In books, distributor services also include warehousing, order entry, customer service, sales representation, collections, credit checks and fulfilment.

3.7.2 Industry Use and Variation

As the traditional model in all the industries, the Via Distributor model, with the involvement of the distributor as a "middle man," exists in one form or another in all the industries:

Books and Magazines: The distributor model remains prevalent as retailers of print books and magazines are seldom open to dealing directly with individual publishers -- with the exception of the larger publishers and circumstances where the retailer want to assume a distribution role (e.g., where Amazon approaches a publisher directly). Additionally, some book publishing distributors work with specific types of clients. For example, OverDrive distributes to public libraries.

Film & Television: The role of the film and television distributor has been changing in response to the rise of digital distribution. This shift includes the entry of a new class of distributors – digital aggregators who focus on top-tier platforms such as Netflix, as well as territory-specific digital platforms that conventional distributors might not be able to reach. Particularly in this new landscape, the distributor role is essential to developing a *strategy* to maximize results from various retailers and platforms, windowing and rights exploitation. This distribution model remains essential in more conventional channels, including broadcast television and theatrical releases. Interestingly, some film and television production companies have been opening related distribution arms to distribute their own content (e.g., Entertainment One, marblemedia), which is a way to execute the Direct to Platform or Direct to Retail models and remove a middleman by simply becoming that middleman.

IDM: The importance of the Via Distributor model has diminished in the video game industry, at least among independent game developers. Direct access to platforms such as Steam, the App Store and Google Play has become easier for developers, and lessened the need to work with a video game publisher (for mobile and PC-based games).

Music: Despite the availability of directly accessible retail and access platforms such as iTunes and SoundCloud, the distributor can play an important role in developing and building an artist's career and brand (in collaboration with the primary label). As such, the distributor not only gets content onto retail and access platforms, but also maximizes its discoverability (a key challenge in other models).

Additionally, distributors offer content owners the benefits of economies of scale, driving down certain costs including warehousing, logistics, printing and marketing. This scale also allows the distributor to make more advantageous deals with retailers and platforms.

3.7.3 Model Challenges (Global)

The key challenge in the Via Distributor model is that the involvement of multiple intermediaries drives up the costs of distribution, leaving a smaller portion of total revenue for the content owners. At the same time, the model is invaluable in some industries as distributors remain the sole entry point to many retailers, jurisdictions, and/or platforms.

Books: The ongoing challenge is to sell global rights for book content on all platforms and therefore to develop a strategy to exploit content across all territories and platforms.

Film & Television: Similarly, the distributor role is increasingly important in the film and television industry, as content delivery models continue to evolve. One of the biggest challenges in film and television is that traditional distributors are not always able to fully exploit all the new and emerging platforms and retailers in the market. In addition, their lack of expertise in the digital arena means that they are not necessarily able to maximize the return through effective windowing and rights strategies. However, traditional distributors who are successful and have the capacity have ramped up their abilities to go after all emerging markets.

Additionally, in the traditional film and television distribution model, content owners are not highly active in driving audiences or building engagement. However, with the rise of digital distribution, content owners are increasingly required to take on the marketing and promotion of their content. As mentioned in previously discussed models, marketing and promotion can take up a significant amount of time that would otherwise be devoted to content development.

3.7.4 Model Challenges (in Ontario)

The lack of scale, as discussed in the preceding models, makes this more conventional model a common one among smaller cultural media companies in Ontario. These small companies often do not have the market power to make deals directly with retailers and platforms, and so many continue to remain reliant on distributors, particularly when it comes to reaching international markets.

Book Publishing: The book publishing industry in Ontario remains dependent on distributors to get physical books to market. Simply gaining access to a book distributor can be an issue for smaller publishers, a situation that has led to the creation of organizations like the Literary Press Group.

In addition, there are not many Canadian-owned distributors, likely because success in distribution depends on volume, on-going investment in technology, and customer service (which all require both scale and resources). At the same time, some publishers with distribution arms are not eligible for funding support because of their not-for-profit status.

Film & Television: In the film and television industry in particular, the interaction between content owner and distributor has been changing, and new challenges have emerged. According to one interviewee, the relationship usually "starts off as a beautiful honeymoon, and then you become part of a catalogue." It is becoming more difficult to agree on arrangements with a distributor that are beneficial to the content owner. In some cases, content owners are looking for non-exclusive agreements for the opportunity to conduct their own sales, as they feel distributors are less engaged. Minimum guarantees from distributors are also a thing of the past, with more distributors sharing the risk with the content owner – as one interviewee said, "you [the content owner] start making money when they [the distributors] start making sales."

Music: A lack of scale among Ontario-based music companies means that they must often work with larger companies (e.g., Canadian branches of major labels and/or foreign distributors) to access key platforms and territories. As such, some may use the Via Distributor model where a Direct to Platform may have been more advantageous.

3.7.5 Model Evolution

As other distribution paths develop and become easier for content owners to access/monetize, there may be less of a role for the traditional distributor or "middle man." However, the more variety there is in markets, pricing models, marketing tie-ins and terms, the distributor's role will continue to be key. Indeed, the rapidly changing distribution landscape may also result in the emergence of new types of specialized digital distributors. At the same time, the digital aggregators will take on a more active distribution role, as appears to be the case in film and television.

3.8 Model 5: "Platform-Driven"

The structure of this model slightly differs from the others in that the ultimate access point for the content – that is, the platform – has a significant influence at the *content development* stage. In many cases, the platform dictates the tools and techniques used to develop the content, and also impacts how it will be brought to market.

In this model, there is an exchange between the content owner and the platform provider prior to the market-ready piece of content making its way through the other optional intermediaries (as shown in the figure below). As a result, once the content has been developed, it can be provided to the end-user by being placed directly on a platform (**Model 3: "Direct to Platform"**), or go via a distributor (**Model 4: "Via Distributor"**).

Figure 16 – Model 5: Platform-Driven

The following table provides a few examples of how this model is used in the cultural media industries.

Table 11 – Examples of Model 5

Industry	Example	Content Owner	Service Provider/ Distributer/Retailer	Platform
Books	N/A			
Film & Television	Special venue theatrical film production	Film producer (e.g., following IMAX technical specifications)	Film distributor	IMAX theatre (e.g., Cineplex)
	Immersive audiovisual products (e.g., virtual reality [VR] documentary)	Producer (following VR technical specifications)	Distributor	VR headset (e.g., Google Cardboard)

Industry	Example	Content Owner	Service Provider/ Distributer/Retailer	Platform
Interactive Digital Media	Console video game development	Game developer/studio (e.g., using Xbox Software Development Kit)	Video game publisher	Console (e.g., Xbox One)
Magazines	N/A			
Music	N/A			

3.8.1 Value Chain

The table below describes the primary transaction in this model between the content owner and the platform provider. Beyond this transaction, the model generally follows the path of **Model 4: "Via Distributor"** where the content owner deals with the distributor (e.g., video game publisher) to finance the development of the product and get it out to market.

Table 12 – Model 5 Value Chain

Content Owner and Platform Provider Transaction			
	Content Owner Gives	Platform Gives	
Content	✓		As in Model 3, the content owner provides the platform with the creative product. This model, however, is different in that the content's distribution via the platform is agreed upon in advance of content development.
Rights	-	-	
Data	-	-	
Money	✓	✓	In some cases, the content owner (at the point of content development) is required to pay for platform-approved tools or for approval by the platform (e.g., fees for Software Development Kits from video game consoles, or membership fees to become an Apple-approved app developer).
Audience	✓	✓	If the content owner is sufficiently popular, they can leverage their existing audience to drive traffic to the platform. The platform exposes the content to new audiences, which can result in increased sales for the content owner. In some cases, the platform curates or cross-promotes content (e.g., playlists, "You may also like…").
Technical/	✓	✓	The content owner provides patches and updates as required, while the platform may provide troubleshooting or other

Content Owner and Platform Provider Transaction			
	Content Owner Gives	Platform Gives	
Admin Service			technical support services. The platform, if it also serves as a retailer, generally also handles the retail transaction with the end-user.

3.8.2 Industry Use and Variation

The Platform-Driven model is currently only applicable to IDM and film and television.

IDM: The model is extensively used in the development and distribution of console games, which require that the developer be approved by and use tools provided by the console.

Film & Television: The model applies to audiovisual products developed for specific exhibition technologies, such as IMAX or VR environments.

3.8.3 Model Challenges

The inherent link to a specific platform or technology that is established in the early content development stage in this model limits the range of downstream distribution paths open to content owners. There is a risk to content owners of being obligated by platform-specific relationships and agreements, constraining their ability to exploit other distribution windows and strategies.

Depending on the platform, meeting the technical specifications of a platform can be taxing for a content developer. For example, some interviewees report that having a game approved by Sony can be quite time-consuming, and thus can incur significant costs for the content owner. Also, some platform owners in the IDM industry (e.g., Microsoft, Sony, Nintendo) can require significant investment by the content owner (e.g., to purchase a software development kit and/or to become a "certified developer") before a product is ever created.

Most relevant to Ontario's cultural media companies, almost no (significant) platforms are based in the province, with much of the advancement happening outside the local creative cluster. Combined with their limited negotiating power as a result of their small scale, Ontario companies are somewhat limited in their ability to take advantage of this model, especially as it continues to evolve.

3.8.4 Model Evolution

Thus far, the use of this model by cultural media industries is restricted to the screen-based industries. While the rest of the models described in this report are undoubtedly impacted by technology, this model is entirely technology-driven. As a result, it is likely to expand into the remaining cultural media industries as distribution via platforms grows alongside advancements in content delivery technologies (e.g., VR).

This model will allow platforms with leading-edge technologies to maintain a competitive advantage with end-users. In line with that, content owners that are able to maintain pace with such platforms will be able to tap into these new segments and as a result, keep audiences engaged with their content.

4. Summary of Challenges for Content Creators

The previous section of this report focused on each of the distribution models currently used by the cultural media industries. This section draws some broad conclusions as to the challenges that emanate from the use of those distribution models.

4.1 Differences by Industry

The following table summarizes the industry-specific challenges in each of the distribution models presented above, where such challenges exist.

Figure 17: Summary of Industry-Specific Challenges

Model	Film/Television	Music	Magazines	Books	IDM
0: Content Owner(s) to Other Content Owner	Common challenges across industries (e.g., maintaining some creative control).				
1: Direct to End-User	Requires a well-known brand to attract audiences (e.g., to a website). Marketing costs can be high.		Revenues being eroded by the shift to a digital version of this model (as digital versions are more difficult to monetize).	Difficult to make profitable, and thus used primarily as a marketing channel.	Creating a critical mass of players on one's (HTML5) website.
2: Direct to Retail	Common challenges across industries (e.g., discoverability at the retail point).				
3: Direct to Platform	Some platforms are inaccessible to individual content owners (requiring Model 4).	Some platforms are inaccessible to individual content owners (requiring Model 4).	Few available platforms for independent titles.		
4: Via Distributor	Traditional distributors need to raise the bar to be able to exploit new platforms and retailers. Can be difficult to maintain beneficial relationships with distributors.	Distributors in foreign markets still important, but they are also beset by disruptive challenges.		Same traditional challenge to line up foreign and specialized distributors.	Distributors asking more of content owners and no longer providing (as many) advances.
5: Platform-Driven					Can be very time consuming and/or costly to meet platform-driven requirements.

4.2 Challenges Particular to Ontario

While many of these challenges are common to media content owners around the world, others are more particular to the situation in Ontario. Of course, such challenges are not *uniquely* faced in Ontario, as other jurisdictions may be encountering similar issues.

Based on the analysis of the challenges confronting the various models (as detailed above), the project team distilled the challenges into a few key themes (listed in order of priority):

1. **Scale and Market Power:** Many of the issues facing cultural media companies seem to relate to their relative lack of scale, as compared to their global competitors. As many distribution models are global in nature, Ontario-based, Canadian-owned companies are competing with ever-larger counterparts. In some sectors, like magazines, there are very large media companies with many magazine and other IP properties.[30] However, they are generally domestic focused, and they do exert market power over the creative talent.

   These larger companies have the resources to effectively market their products, and to strike beneficial agreements with other participants in a given value chain. For example, a major music label can more effectively promote its artists both through traditional channels and by exerting market power with platforms (like Spotify) and retailers (like iTunes) to ensure that its content receives favourable treatment.

   Due to a lack of scale, many content owners in Ontario often find it difficult to command a large audience (**Model 1: "Direct to End-User"**), access some platforms directly (**Model 3: "Direct to Platform"**), or make advantageous deals with distributors (**Model 4: "Via Distributor**"). Rather, the success route for some companies (e.g., Boat Rocker Media in television production, Arts and Crafts in music) lies in mastering the business of content development and its exploitation through many channels.

   The emergence of digital distribution has not altered the basic challenge of generating a global brand and scale from a Canadian base. Yet, there are hybrid Canadian-foreign examples which benefit Canada – whether it is the contribution of a Harper Collins, Ubisoft Toronto, or Universal Music Canada to Ontario's cultural media sector – or even the new content producer/broadcaster investment between Rogers Communications and Vice Media.

   In addition, this challenge contributes to the other themes described below.

2. **Discoverability:** Related to the lack of market scale in Ontario is the persistent challenge of discoverability. Put succinctly, in a media market where there is more content available to more people than ever in history, having one's product "cut through the noise" is critical.

   In the distribution models presented, some (typically) pass the responsibility for discoverability to parties other than the content owner (notably **Model 4: "Via Distributor"**,

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[30] Television broadcasters constitute another segment of the sector which is heavily concentrated in Canada, particularly Ontario, but again it is domestic focused. While they create a crucial domestic market (abetted by broadcasting regulation) for Canadian content, they are clearly driven to exercise market power in relation to suppliers – which include independent production companies in Ontario.

where the distributor tends to be principally responsible for discoverability). However, in other models, the direct relationship that the content owner has with the end-user, retailer or platform means that they are (typically) charged with making their content "discoverable". The global nature of many retailers, platforms, and even audiences further exacerbates this challenge, and increases the costs associated with discoverability.

3. **Access to Information:** As is the case with most businesses, Ontario's cultural media industries require access to good, timely information to make good business decisions. A persistent issue common to several of the distribution models detailed in this report is access to that information.

   More precisely, in models where the end-user deals with an intermediary (i.e., all models other than **Model 1: "Direct to End-User"**), it falls to that intermediary to determine how much (if any) user data they wish to pass on. For example, in **Model 2: "Direct to Retail"** digital storefronts provide variable access to data. Apple's AppStore provides certain data to developers using that platform,[31] whereas different data is provided by Google. This challenge is also true in **Model 3: "Direct to Platform"**, where platforms can pass on different amounts of data to their content providers. YouTube, for example, always provides a certain amount of user statistics, but will work with more successful creators to give them even more granular, detailed data on their viewers. On the other hand, Netflix does not communicate any audience metrics.

   In **Model 4: "Via Distributor"**, the distributor acts as another filter through which data (provided by retailers and/or platforms) must pass. Distributors can opt to keep as much data to themselves as they desire. Without significant market power, Ontario-based companies are seldom in a position to argue. This challenge presents a kind of "chicken-and-egg" problem: having never had access to all the product or market information that exists, content owners might not know how to use it, or what data they could be aspiring to use.

4. **Access to Platforms:** As described in Section 3.1.5, platforms range from the very open (e.g., YouTube) to the more selective (e.g., Netflix). As such, it is not always a challenge for cultural media companies to get their content on the platforms. Instead, the challenge on the more open platforms is discoverability.

   At the same time, however, there are some barriers to Ontario-based companies accessing some platforms. Some dominant platforms (such as Spotify for music or iTunes for film and television content) require the use of distributors, unless one is a company (like a major label or leading studio) with a large catalogue. As such, those platforms force the use of **Model 4: "Via Distributor"** in a circumstance where it may be in a company's best interest to use **Model 3: "Direct to Platform"**. The effect of this shift is typically that the content owner receives a smaller share of the revenue, as there are more intermediaries.

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[31] In fact, Apple has recently launched a new "App Analytics" service to begin addressing this issue. At the time of writing, the service was too new to evaluate.

4.3 Emerging Issues

Looking forward, there are a number of issues that are likely to become even more challenging as the distribution models presented in this report continue to evolve:

1. **Increased Importance of Brand:** As more content continues to be created, “brands” (i.e., known IP) will continue to grow in importance. Using brands (e.g., by licensing a well-known property) may help content owners use distribution models that require discoverability (most notably **Model 1: “Direct to End-User”** and **Model 3: “Direct to Platform”**).
2. **Growing Digital Channels:** As **Model 1: “Direct to End-User”** and **Model 2: “Direct to Retail”** become more digital in nature, they will erode revenue for those companies that had relied on physical sales (e.g., magazine subscriptions). At the same time, features being introduced by some e-tailers may help products become more discoverable – if content owners can learn how to effectively utilize them.
3. **Increasing Number of Monetization Tools:** As many digital platforms (e.g., YouTube) mature, they are creating more tools to help content owners generate revenue (on their platforms). While these tools may help make such platforms more significant sources of revenue for cultural media companies, there must be sufficient training and access to professional development in the industries so that they can be effectively used.
4. **More Niche Audiences:** Some of the models presented already promote niche, global audiences (e.g., **Model 3: “Direct to Platform”**). In turn, some of those niche audiences are resulting in niche platforms. The proliferation of such platforms will make the distribution environment even more complex than it already is.

5. Responses to the Challenges

Given the global nature of the challenges highlighted in Section 4, it may be instructive to learn how various organizations have sought to address them. For this reason, the project team explored the ways in which public support mechanisms have evolved to support growth in the cultural media industries. The review of funders and policymakers outside of Ontario led to the identification of dozens of interesting programs, or changes in existing processes, to help content owners navigate those challenges.

To examine the most relevant examples, the project team decided to focus on programs that met the following criteria:

1. There is a direct link between the program/service/tax credit and current challenges in content distribution.
2. The program responds to an area that is in Ontario's jurisdictional purview, whether or not it is under the current authority of the OMDC.
3. There is sufficient documentation available on how an initiative works and whether it has been successful (where information is available).
4. The program presents some originality, either because it covers off an area that is not already part of Ontario's permanent activities in support of the cultural media industries, or because it chooses a different focus or method.

As a result, the selected programs give an overview of relevant current practices, but they should not be necessarily interpreted as "best" practices, as effectiveness and policy objectives vary depending on local contexts. Indeed, these interventions should not necessarily be viewed as potential improvements to the suite of support options offered in Ontario. Rather, they provide insight into how similar issues are being addressed.

5.1 Summary of Programs Examined

Several funders of the cultural industries around the world have been selected for more detailed examination, and others are worth noting for specific points. Their programs are all attempting to address the new challenges content owners are facing in the distribution area, without compromising their overall policy objectives, including economic development, intellectual property creation, and cultural value.

As illustrated in Section 4, the project team categorized the obstacles that Ontario content owners face into four main challenges:

1. Scale/Market Power,
2. Discoverability,
3. Access to Data, and
4. Access to Platforms.

These challenges are not mutually exclusive, but rather tend to overlap each other. For example, reinforcing access to platforms contributes to improved discoverability – ultimately, all the interventions reviewed could boost scale and market power. This set of interrelationships suggests that future programs or program changes, while they may primarily target one of the challenges, should be viewed as having an impact in all of these areas. In that way, there is likely to be fewer gaps in the public support infrastructure.

Figure 18 presents programs the project team chose to select for this review, and the primary challenges identified in Section 4 that each of them is attempting to address.

Appendix A provides more detailed information on each of these programs.

Figure 18: Examples of Public Funders' Responses to Challenges

Challenge	Root cause	Selection of publicly funded responses to challenges: Automatic support[1] e.g. tax credits	Selective, sector-specific funding programs	Other Initiatives
Scale /Market Power	Resources	▪ New Zealand Film Commission - NZSPG	▪ SODEC – Investment Banking services	▪ Welsh Books Council – wholesale distribution
Discoverability	Resources		▪ Telefilm Canada – Micro Budget grants	▪ CCA-supported vucavu.com
	Skills		▪ Creative Skillset – Film Skills Fund	
Access to Data	Resources	*No major publicly funded initiative identified*		
Access to Platforms	Resources	▪ CNC – Web Cosip	▪ Screen Australia – Skip Ahead	
	Skills			

[1] Automatic support: tax credits or programs that provide funding to all applicants that meet eligibility criteria

5.2 Trends in Public Intervention

How public funders outside of Ontario are responding to challenges in content distribution shows there is a wide array of possible interventions in this area, although they have to be tailored to the gaps and strengths of each specific territory or industry. In all of the following examples, further detailed in Appendix A, public funders broaden their scope of support to content owners to adapt to new market realities and emerging distribution challenges.

Three main levers can be used, either independently or at the same time:

1. *Extended triggers* allows original content creation to be supported whether it is primarily intended for the platforms that have been traditionally included in these mechanisms, or for online platforms.

2. *Extended eligible activities,* especially around digital marketing, empowers content owners to engage in activities that have not been historically part of their focus - but that are increasingly necessary for them to execute. Such activities can include analyzing data to engage niche audiences throughout the project lifecycle. This objective can also be achieved through providing more resources or supporting programs targeting skills development.
3. *Extended intervention* demonstrates possible interventions that go further than has been traditionally the case – including financing and banking services, and providing a needed service directly in the market's value chain. These examples illustrate some possible longer term involvement that can complement other prograns like grants, tax credits and events.

5.3 Increasing Content Owners' Scale and Market Power

New Zealand Film Commission, New Zealand Screen Production Grant (NZSPG)

The NZSPG covers 20% of qualifying production costs for international film and television projects and 40% for New Zealand projects. The goal of the grant is to better attract and leverage foreign investors, to spur more projects in the middle production budget bracket (i.e., $15-50 million) and to help local content owners have a larger volume of business, and greater control over intellectual property.

To do so, the New Zealand Film Commission implemented high thresholds to focus on large scale projects, combined with wide definitions of qualifying expenses to be as attractive as possible: this makes it almost an "all-spend" model, with *extended eligible activities* that include, for instance, all costs related to foreign cast, and some marketing expenditures. The NZSPG also has *extended triggers* compared to international standards, as projects made for Internet, mobile and VOD platforms are eligible.

Maintaining a high threshold for projects contributes to industry-wide development as it helps smaller content creation companies gain exposure to high profile opportunities. In parallel, the more favourable treatment offered to New Zealand projects, compared to international ones, puts content owners in a position that gives them more market power. An evaluation of the program in 2015 highlighted that the new incentives resulted in content producers widening their focus and launching larger-scale projects with international appeal.[32] As stated in the report, "New Zealand producers have seen immediate benefits such as new relationships with international production companies, and new and improved negotiating opportunities. These benefits have been attributed particularly to the increase in the rebate for television to 40 per cent from 20 per cent for New Zealand productions and official co-productions."[33]

As in New Zealand, attracting foreign productions has allowed Ontario not only to generate positive economic impact over the years, but also to build an increasingly robust domestic film industry. While the province initially benefitted mostly from a boost in demand for accommodation and technical

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[32] Ministry of Business, Innovation and Employment & Ministry for Culture and Heritage (2015), *New Zealand Screen Production Grant One-Year Review Report*
[33] Ibid.

crews, the spillover also spurred opportunities for production and post-production services providers and local talent. Now, Ontario-based producers also develop, own and exploit their IP on larger projects with international partners. Such development has raised the skills, production quality, and reputation of Canadian producers in the US and at the international level. New Zealand is following the same successful public support strategy.

While New Zealand might be perceived as being behind Ontario, its similar approach in a way is a validation for the continued relevance of investment attraction mechanisms such as "all-spend" Ontario Production Service Tax Credit (OPSTC). In this case, though the emphasis and scale are somewhat different, Ontario and New Zealand are pursuing the same course.

Welsh Books Council, Grants to Books Publishers and wholesale distribution services

The Welsh Books Council chose to fill a critical gap in the market (i.e., the lack of a book distribution and other services in the local Welsh market) through direct intervention in the value chain. Beyond its grants to publishers, it also offers direct editing, design, marketing, sales and wholesale distribution services to book publishers.

These initiatives have been instrumental in sustaining the Welsh books industry, and mitigate the content owners' lack of access to retailers and buyers due to their small scale. This program is an example of *extended intervention* that shows how a public institution can reinvent its mandate to have the most impact when and where required. In this case, it is by creating scale and market power through shared facilities, marketing and fulfillment operations, where there was a gap in local Welsh private sector services.

Société de Développement des Entreprises Culturelles (SODEC, Québec) financing mechanisms

SODEC is an example of a public agency, designed to support the development of the creative industries, that does so by providing a range of investment and banking services. SODEC supports Québec's cultural sector companies' growth initiatives, provided they are in line with strategic objectives set for the agency by the Province. SODEC offers a range of financing services, including credit lines, loan guarantees, bridge financing and project investment, and (occasionally) equity. SODEC shows what a provincial agency could become though *extended intervention* in banking facilities, rather than being structured to award grants to projects. By providing financing to Québec companies' eligible projects, SODEC enables them to grow in scale and market power while letting industry players initiate and prioritize projects.

OMDC too has programs that are designed to help companies finance specific projects to help firms grow, for example the Ontario Music Fund. However, while SODEC and OMDC support similar corporate development functions, SODEC has additional credit or banking facilities.

5.4 Enabling Discoverability with Promotional Support

Canada Council for the Arts, Media Arts Grants

The Canada Council for the Arts (CCA) supports literature, media arts, visual arts and performing arts in Canada. In the media arts field – which notionally includes film, music and IDM – CCA delivers grants for promotion and distribution. In so doing, it acknowledges that helping content owners with extra resources for activities downstream from production is key to taking on the challenges identified in Section 4.

Beyond allocating grants to applicants, CCA has also chosen the path of *extended intervention* to take initiatives that address the scale and discoverability challenges. CCA actively fosters long-term collaboration between industry members. One such example is Vucavu.com, a digital platform showcasing media arts works. CCA initiated the creation of a coalition of distributors, inspiring them to pull their catalogues together. The CCA backed the development of this shared promotional tool that enables the collected works to be more visible and more readily accessible to festivals, international markets and the general public. While there are some similarities to other OMDC projects that promote collaboration (e.g., the electronic newsstand for Canadian magazines), this example supports the notion that other funding bodies are engaging in similar activities.

Telefilm Canada, Micro-Budget Production Program

Telefilm Canada's Micro-Budget Production Program (part of its Talent Fund) is designed to encourage emerging filmmakers to use digital distribution platforms. The program specifically emphasizes the need for a discoverability strategy, as it allocates a portion of production grants to promotional activities: $7,500 per project are dedicated to hiring a digital expert, and 15% of the remaining grant has to be spent on promotion and distribution, an example of grants covering *extended eligible activities*.

In this way, Telefilm Canada increases the odds of optimizing the return on investment. It encourages filmmakers to market their projects, instead of focusing all of their efforts on production only. While OMDC has programs to support marketing funds, this new Telefilm initiative promotes specific digital initiatives that are aimed at the new digital platforms.

Creative Skillset (UK), Film Skills Fund

Creative Skillset's mission is to develop skills and employability in the UK creative industries. The Film Skills Fund gives grants to organizations that deliver training that addresses gaps in skills, for instance in digital marketing and data analysis. These training support programs are intended for content owners in film, television and IDM. In reference to the trends in public interventions listed above, this focus on skills development grants would, for many public funders of the media industries, be considered as an *extension of eligible activities*.

Such skills are major enablers to navigating the discoverability challenge that is becoming so critical in the current content distribution landscape. Helping content owners master those competencies gives them not only more potential to make the most of their intellectual property, but also more control and more leverage in their relationships with distributors and platforms.

Other "hubs" for professional development, skills training and networking exist in a broad range of formats and sizes, either focused on culture or with more general areas of intervention. Through its support of industry-led research, OMDC is already supporting the exploration of virtual and physical hubs. These hubs can help to spread best practices, skills training, and data services more widely throughout Ontario's cultural media industries.

Another UK-based example worth mentioning is Nesta, the National Endowment for Science, Technology and the Arts. Through its Digital R&D Fund for the Arts, in collaboration with Arts Council

England and Arts and Humanities Research Council, Nesta funds experiments in business models and in activities that enable content owners to partner with digital technology providers to better reach and engage their audiences. As a result of this program, Nesta publishes guides to provide creative practitioners insights on data, mobile, business models and accessibility.

5.5 Improving Access to Platforms

When it comes to encouraging content owners to experiment with new formats or develop projects for digital platforms first, public funders are usually cautious. Public funders need to ensure the content they support is consistent in production value, skills building and market potential with the more traditional projects undertaken by content creators. Screen Australia and Centre national du cinéma et de l'image animée (CNC) provide interesting insights into how new programs can be created to give screen-based industries easier access to digital platforms, while ensuring they would be aligned with the institutions' cultural and economic objectives.

Screen Australia, Skip Ahead

To support film, television and digital media content owners experimenting with new platforms that are not covered by existing programs, Screen Australia created a new program in collaboration with YouTube, called Skip Ahead. Started in 2013, it consists of production grants, informal mentorship and access to the technical resources of YouTube's studio facilities in Los Angeles. Skip Ahead focuses on launching creators with a potential to reach global audiences. Since YouTube would not in most cases be a distribution platform that allows producers to receive grants or tax credits, Skip Ahead shows how these new platforms can be embraced through programs with *extended triggers*.

To ensure projects meet creative quality levels above that of average viral user-generated content, only narrative scripts are considered and assessed. Furthermore, to leverage online platforms as a stepping stone toward a sustainable career path, Screen Australia requires a well thought-through promotional plan, and encourages partnerships with established production companies.

Centre national du cinéma et de l'image animée (CNC), Web COSIP

CNC's Compte de Soutien aux Industries de Programmes, or Support Fund for Content Industries (COSIP) administers automatic and selective grants for audiovisual production in France. In order to accommodate content owners interested in projects primarily intended for online platforms, that were not hitherto eligible for support in the traditional COSIP program, CNC created a new, specific program that allows online platforms to trigger COSIP funding (another example of *extended triggers*).

The Web COSIP extends eligibility triggers to include digital platforms and new formats instead of restricting funding to projects made for traditional distributors and broadcasters. However, to ensure this program is aligned with CNC's cultural and economic objectives, only platforms that comply with regulations for the promotion of European and French content or that showcase independent audiovisual content can be triggers for funding through Web COSIP. This stipulation illustrates that if there is a need to restrict funding to eligible online platforms, that refinement can be accommodated.

APPENDIX A: Detailed Review of Public Intervention Programs

1. Canada Council for the Arts, Media Arts Grants

Background

The Canada Council for the Arts administers grants and prizes to support organizations that are active in literature, media, visual and performing arts. The Media Arts Grants more specifically seek to support Canadian artists and organizations that promote independent Canadian media art works.

Applicable Industries

Film, music and interactive digital media industries are eligible for Media Arts grants. In 2014/15, the Media Arts grants program amounted to $14.7 million.

Eligibility Information

Applicant

To be considered, applicants must be non-profits active for at least two years.

Project/Business

Eligible projects should comprise the creation of video, music, film or new media artworks, or initiatives that contribute to their appreciation and dissemination in Canada and abroad.

Activity

Various grants target diverse types of activities, from travel grants to artists' residencies. Expenses covered are wide. They include artists' fees, curators' fees, equipment rental fees as well as promotion and distribution costs.

Results

An example of its multi-year approach to give organizations more stability, and in line with its goal to bring more independent artwork to screen, the Canada Council for the Arts initiated a coalition of distributors to create vucavu.com, a digital platform intended to provide them with more visibility and access to the public, to festivals and international markets. In this project, CCA's role in fostering collaboration differs from the most usual role of grant-awarding public funders. The Council made several independent media arts groups come together around a common platform and provided $1.5 million in funding for its creation. The platform will be online in April 2016.

2. Creative Skillset (UK), Film Skills Fund

Background

Creative Skillset is an organization dedicated to developing the skills, productivity and employability in the UK's creative industries. The Film Skills Fund is a collaboration with the British Film Institute and the National Lottery, that awards grants for personnel development, company development and company co-investments. The program was created to provide long-term training programs to small film companies without an internal, dedicated HR department. As of 2016, the total funding available for the Film Skills Fund is £100,000 (approx. $180,000).

Applicable Industries

Funding is available to companies in film, television and video games.

Eligibility Information

Applicant

Most of the funding goes to associations that provide trainings to the relevant industries. The remaining funding for individual businesses is reserved to applicants who participated in a Training Needs Analysis with Creative Skillset, which guarantees the grants are used effectively.

Project/Business

Three streams are available.

1. Personnel Development Grants are accessible to film distribution, exhibition or sales companies. Distribution companies are especially targeted as their environment is particularly competitive and precarious.
2. Company Development Grants target film production companies and small to medium-sized companies specialized in visual effects.
3. Co-investment grants are dedicated to addressing priority skills in the fields of animation, children's television, film, games, high-end television and VFX effects.

Activity

Creative Skillset supports training in marketing, publicity, legal, sales, film programming, creative areas but also focuses on more technical skills that support their go-to-market capabilities.

Results

There is sustained demand for the personnel development grants. Creative Skillset has been trying to improve the impact of its grants in several ways. A diversity component establishes targets for training participants to ensure the film industry workforce becomes more inclusive in terms of gender, ethnicity and disabilities. As far as the training content is concerned, expert' and former practitioners' interventions are also encouraged.

Based on the project team's discussion with Creative Skillset, the next steps consist of developing a more ambitious plan, the Film Skills Strategy, as well as addressing ongoing weak areas and emerging needs such as film distribution and technology – including virtual reality.

3. Welsh Books Council, Grants to Publishers

Background

The Welsh Books Council is an institution funded by the Welsh government, in charge of promoting reading and literacy, both in English and Welsh languages. It intervenes through grants but also addresses the content distribution challenge as a direct provider of editing, design, marketing, sales and wholesale distribution services to book publishers, who would not otherwise have the ability to reach retailers and buyers due to their small scale and scarce resources.

The total budget for the Welsh Books Council in 2016/2017 is £3.5 million (approx. $6.4 million).

Applicable Industries

Books and magazines publishers can apply for grants, as well as authors and booksellers.

Eligibility Information

Applicant

Publishers must be established in Wales to be eligible.

Project/Business

Grants are made toward literary publishing projects with expected deficits.

Activity

Eligible costs for the grants include advances to authors and illustrators, but also marketing expenses for the promotion of one or several titles.

Results

There would likely be no Welsh publishing companies without the support of the Welsh Books Council's grants and book distribution services. They now distribute their titles in England but 90% of their market is within Wales, where the Council proves essential.

However, it should be noted that it can be risky for any organization that requires investment capital to be dependent for its operation on government funding. For example, in 2016, the Welsh government proposed to reduce the Council's budget by 10%, which would negatively impact the grants program.

The wholesale distribution arm operates as a commercial entity, therefore the Council's resources also depend on maintaining sales levels.

4. Telefilm Canada, Micro-Budget Production Program

Background

Telefilm Canada awards grants to support every part of the audiovisual industry's value chain in Canada. It also administers the Canadian Media Fund's programs and the international coproduction treaties. In 2013, it started the Talent Fund, a pool of private donations, as it was looking to expand its sources of financing for the industry. Its main goals are to finance production and marketing of Canadian feature films, and to support emerging talent. In the 2015 fiscal year, the Talent Fund contributed $1.9 million to Telefilm's budget.

One of the ways that Telefilm supports emerging talent is through the Micro-Budget Production Program. Designed as a launchpad for emerging filmmakers, it encourages the use of digital distribution platforms for their first feature films.

Applicable Industries

Film is the focus of this program.

Eligibility Information

Applicant

To be eligible, filmmakers must have already made short films, but no feature films. They have to be recommended through the program's designated partners, which are mostly educational institutions, like the Canadian Film Centre, Ryerson University, York University or Sheridan College, who select applicants among their recent graduates.

Project/Business

Projects can be either a first feature film or audiovisual content made specifically for online audiences by first-time web creators. They must be distributed on online platforms and their budget must be $250,000 or lower.

Activity

Funding provided through the Micro-Budget Production Program encompasses development, production, digital distribution and promotion. The maximum contribution amount is $127,500 for feature films and $112,500 for narrative-based web projects. One of the program's objectives is to ensure first-time filmmakers acquire expertise in digital marketing and promotion. This focus highlights the current skills and resources gap faced by emerging filmmakers/web creators. Telefilm requires for instance that a promotion and distribution plan be part of the applications. $7,500 per project are dedicated to hiring a digital expert, and 15% of the remaining grant has to be spent on promotion and distribution.

Results

In the Summer of 2015, the program presented its third batch of grant recipients, bringing the total of feature-length projects supported to 37. Several of these films were selected in Canadian or international film festivals.

5. Screen Australia, Skip Ahead

Background

Screen Australia is a government agency in charge of supporting the film, television and digital media industry and professionals, through financing, research, tools and marketing support.

Skip Ahead is an initiative started in 2013 in partnership with YouTube / Google, to provide digital audiovisual creators with funding and production resources. Funding comes in equal parts from Screen Australia and from Google. For Screen Australia, this program contributes to launching new talent, with a potential to reach global audiences. To some extent, it could be considered as both a content creation and export fund for digital media: 90% of views for Australian videos on YouTube come from foreign audiences.

Applicable Industries

The program targets short form audiovisual content.

Eligibility Information

Applicant

Skip Ahead is designed to support YouTube creators that can demonstrate a track record of building an online audience for their content: either one YouTube channel with over 50,000 subscribers, two with 70,000 combined, or one video with over 1 million views on a channel with at least 10,000 subscribers.

Project/Business

The projects must be narrative creations, not video tutorials or commercial content. To ensure the sustainable development of new talent and of their skillsets, and to further connect current industry players with digital platforms, collaborations with established production companies or entertainment properties are encouraged, and informal networking opportunities with professionals are offered.

Activity

Up to $250,000 per project is available for up to three projects, in addition to Google's support to attend training at the YouTube Space in Los Angeles. Grants are dedicated to the production of the audiovisual material, but Screen Australia requires a promotional plan, especially through social media, for the supported project and for the YouTube channel in general.

Results

The first Skip Ahead program funded projects that reached a cumulated 5.5 million views globally. Screen Australia showcased them at Mipcom in Cannes. One of the recipients was produced in collaboration with FremantleMedia. Another one is now featured on the Qantas inflight entertainment program.

Skip Ahead bears some resemblance to Telefilm Canada's Micro-Budget Production Program as they both share the ambition of launching new creative talent and equipping them with necessary skills, although its eligibility criteria are more market-driven rather than based on educational background and work experience.

6. New Zealand Film Commission, New Zealand Screen Production Grant

Background

The New Zealand Film Commission (NZFC) funds development, production, distribution, and training activities for the film industries. The Commission also administers international coproduction agreements and the New Zealand Screen Production Grant (NZSPG), on behalf of the Ministry of

Culture and Heritage and the Ministry of Business, Innovation and Enterprise. The NZSPG has two streams: one for international productions, one for New Zealand productions.

The NZSPG was created in 2014 to attract large international productions to New Zealand, to support local content creation and help the domestic industry reach a sustainable scale. According to the New Zealand Government, "The International Grant is primarily focused on economic benefits, direct and indirect. The New Zealand Grant is primarily focused on industry development (specifically New Zealand production companies) and cultural outcomes."

Under the NZSPG program, International Productions are eligible for a cash grant of 20% of Qualifying New Zealand Production Expenditure (QNZPE) and domestic productions are eligible for a cash grant of 40% of QNZPE.

In the year ended on June 30th 2015, the NZFC awarded $4.5 million to projects through the NZSPG program.

Applicable Industries

Both film and television – series or episodes, scripted or unscripted – can apply.

Eligibility Information

Applicant

The applicant must be a special purpose vehicle and a New Zealand resident company or partnership. For the international stream, it can also be a foreign corporation with a fixed establishment in New Zealand for tax purposes. In the New Zealand stream, the applicant must also have an equity share.

Project/Business

To be eligible, projects must meet a threshold of eligible expenditures in New Zealand. For instance, domestic feature films must incur at least $2.5 million in QNZPE, and international ones at least $15 million. Lower thresholds are required for single episodes and series of programs, both scripted and unscripted, as well as for short form animation content.

For domestic productions, additional criteria must be met to cover costs over $15 million, and the Film Commission must receive a share of net receipts and profits equivalent to 50% of the equity share in the production attributable to the value of the additional grant. The New Zealand Grant (on the first $15 million of QNZPE) is capped at $6 million, and the additional grant is capped at $14 million, so the total a domestic production can receive is $20 million.

For international productions, a smaller number of projects may be able to access a 5% "Uplift" if they can demonstrate significant economic benefits to New Zealand, including the use of New Zealand personnel.

For non-feature film formats, projects intended for platforms other than broadcasters, like the Internet, mobile phones or video on demand services are eligible for support.

Activity

QNZPE is generally production expenditure spent by the applicant on goods and services in New Zealand, including the use of land, the use of goods temporarily imported to New Zealand for the purpose of the production. Interestingly, some fees and expenses of non-New Zealanders qualify as QNZPE, both for New Zealand production and international ones:

- Non-resident crew costs for the portion of their time spent working on the production in New Zealand are QNZPE provided the crew member has spent at least 14 days in total working on the production in New Zealand.
- Similarly, non-resident cast costs are QNZPE, but there are no minimum number of working days on the production required.

Results

The NZSPG was created as a merger of two previous initiatives, the Large Budget Screen Production Grant (LBSPG) and the Screen Production Incentive Fund (SPIF). A review carried on in 2015 highlighted that although the grant provided positive impact, local producers are still somewhat acting as service providers more than leads. However, some signs of New Zealand producers starting to build their own intellectual property can be considered encouraging. Some changes were made to boost opportunities from both cultural and economic points of view: domestic children's drama productions became eligible to combine the grant with other funding sources, and the threshold for post-production and visual effects was lowered.

According to the New Zealand Film Commission, the new program spurred an increase in the number of productions in its first year, from 6 to 18, and expects further growth. For New Zealand producers, industry feedback seems to confirm that the mechanism encourages larger scale projects, with an incentive to develop content for international audiences. They benefit from new relationships with international partners and better negotiating power since their stake in the projects is key to unlocking the cash grants.

In the words of Dave Gibson, CEO of the NZFC: "The intention [of the NZSPG] is also to develop New Zealand's own film scene, shifting it from a service-based industry to one which creates intellectual property that feeds into other sectors. What we're trying to do is see if we can actually build sustainable infrastructure off the back of it and do other things… to lead to some sort of alteration in the way the industry operates, so that the industry over time begins to create more of its own intellectual property and be a little bit more sustaining in its own sort of business models. That's a nice balance that we didn't see before."

This funding program shares similarities of goals with British public policies also meant to empower television producers and help them to reach a larger scale. UK's Department for Culture, Media and Sports has implemented policies that supported that growth. In 2004, new terms of trade were agreed between the BBC and independent television producers that gave the latter increased control over their intellectual property, and a guaranteed volume of business representing 25% of the BBC's programs.

Now able to exploit their content more widely, British content owners have grown internationally, have attracted private capital both domestic and foreign, and consolidated. Following the emergence of so-called "super indies" that develop ambitious projects with international backers, the British television production industry has almost doubled in size between the 2004 terms of trade and 2015.

7. Centre national du cinéma et de l'image animée (CNC, France), Web COSIP

Background

CNC is the main public funder of film, television and IDM in France, delivering advances and grants. The COSIP (Compte de Soutien aux Industries de Programmes, or Support Fund for Content Industries) was originally created in 1986. It administers the proceeds of a tax collected from broadcasters, BDUs and home entertainment revenues, and then awards the funds to Film and television producers, both through automatic support according to each producer's content's commercial track record, and through selective grants.

The COSIP for television was extended in 2011 to content funded directly by an online platform, even without the intervention of a traditional broadcaster. This new stream of funding is called Web COSIP.

Applicable Industries

Audiovisual producers, excluding feature film, can use the program.

Eligibility Information

Applicant

Only producers can be grant recipients. They have to already be part of the "normal" COSIP, which require that they are established companies with a sustained level of business and hours of content broadcast during the previous year (the thresholds in terms of broadcast hours depend on genres, the use of French as original language, and the percentage of budget spent in France).

Project/Business

The projects can be part of several genres: fiction, animation, original documentary, or recordings of live performing arts. News segments, factual entertainment, games and talk shows are excluded, to ensure the funds are used for projects with sufficient cultural interest and production value.

The program is designed for projects intended and presold to online platforms that offer video on demand services. Restrictions apply on the project financing structure, to maintain content owners' independence from platforms and commercial sponsors. For the projects to be eligible, platforms also need to comply with European and French content quotas, or dedicate a large part of their service to independent audiovisual content.

Activity

The grant only covers production costs in France.

8. Société de Développement des Entreprises Culturelles (SODEC, Québec), Financing offers

Background

SODEC is a Québec government corporation is charge of supporting the economic development of the cultural industries, and the creation, distribution and export of the province's creative content.

Beside administering provincial tax credit schemes and awarding grants to content owners and distributors, SODEC also acts as a financing entity similar to a corporate banking corporation. This approach is meant to support the cultural sector in the long term, and to build connections with financial institutions. For example, it is a way for SODEC to nurture business development and growth initiatives, help companies in succession planning or digital projects, as well as to create conditions favorable to the creation of Québec-based intellectual property.

Applicable Industries

The Financing arm of SODEC offers its services to the film, television, music, books, IDM, performing arts and visual arts industries.

Eligibility Information

Applicant

In most cases, applicants must be companies based in Québec. Individual artists are also eligible. The field of applicants is very wide, as almost all companies active in the eligible sectors can be apply, from magazine publishers, film producers and book stores to film theaters, art galleries and broadcasters. A few exceptions are music recording studios or touring companies.

Project/Business

Applicants need to submit a detailed business plan about their projects and demonstrate that they are taking a financial risk commensurate with their professional qualifications, and with reasonable profitability expectations.

Activity

SODEC's financing activities include:

1. revolving credit facilities,
2. tax credit bridge loans,
3. loan guarantees,
4. project investment, and
5. exceptionally, investment in company equity.

Results

From 2010-2011 to 2014-2015, the volume of loans on SODEC's balance sheet increased from $40.1 million to $54.3 million. Over 78% of the amounts loaned in 2014-2015 were dedicated to film and television production companies.