

## CONTENT-RICH ONLINE COMMUNITIES



### SECTOR PROFILES

These Sector Profiles are an initiative of the Canadian Interactive Alliance/l'Alliance interactive canadienne, the national voice of interactive digital media in Canada. They have been financially supported by Telefilm Canada, an agency of the Canadian government charged with promoting interactive digital media, film and television both within Canada and abroad.

There are four Sector Profiles in this series, each of which deals with an interactive digital media format where Canadians have had notable success: Console Games, Mobile Entertainment, Convergent Properties, and the following profile, Content-Rich Online Communities.

### WHAT ARE CONTENT-RICH ONLINE COMMUNITIES?

Content-Rich Online Communities are defined as those online “meeting places” where interaction surpasses message boards, blogs and other predominantly text-based formats to include uploads of user-generated video and audio, customized avatars or characters that can be controlled by users, and other similar advanced multimedia features.

### CANADIAN BACKGROUND

With nearly a million square kilometres of land and water within its borders, geography has always been a dominant feature of Canadian life. Although most Canadians live along the southern border with the United States, a considerable number live further north in smaller communities with great distances between them. Not surprising then that telecommunications has proved vital to keeping Canadians in touch with one another, and has been an area of much investment.

Of course, much has changed since the birth of the modern telephone in Brantford, Ontario in 1876. Today, Canadians can share their interests and the big events in their lives online, adding pictures and sounds to their words.

Curiously, western Canada seems to be a fount of innovation in this space: world-famous names such as Flickr and StumbleUpon originally hail from Victoria, B.C. and Calgary respectively. However, since their acquisitions by U.S. firms (Yahoo! in the case of Flickr, and eBay in the case of StumbleUpon), both companies have relocated to the Bay Area in California.

Nevertheless, a new breed of content-rich online communities is springing up. Most cater to lifestyle or business niches, such as Calgary's Cambrian House, Toronto's Kaboose and Winnipeg's Cafesonique.com, which cater to entrepreneurs, parents and musicians respectively. Others, such as Vancouver's Donat Group Enterprises and Toronto's Filemobile, excel at providing custom content development and content management systems for external clients looking to create their own online communities.

Canada also has a rich tradition of first-person documentary film-making and hard-news reportage, and that heritage has transferred to the online community segment as well. Although South Korea's Ohmynews was one of the earliest experiments in citizen journalism, Canada has proved a natural and strong contender with Orato, NowPublic and SoMedia.

As with many other interactive media segments, there are two distinct groups at work within the Content-Rich Online Communities market: those who design and operate the communities themselves, and those who create communities for sale to others. This largely conforms to the CIAIC's "Creator-Enabler" dynamic.

Companies in this space were the least likely of all firms surveyed to say that being Canadian had conferred some kind of advantage for their business. One firm even remarked: "On the contrary." However, those that were enthusiastic about Canada were effusively so, with one stating that "the world market sees Canada as a trustworthy and innovative source of new media product and services," while another said access to R&D tax credits had spurred their business's growth.

## COMPANIES INTERVIEWED FOR THIS PROFILE

CafeSonique (Winnipeg, MB; [www.cafesonique.com](http://www.cafesonique.com))  
Donat Group Enterprises (Vancouver, BC; [www.donatgroup.com](http://www.donatgroup.com))  
Filemobile (Toronto, ON; [www.filemobile.com](http://www.filemobile.com))  
Glassbox TV Inc. (Mississauga, ON; [www.glassbox.tv](http://www.glassbox.tv))  
MovieSet (Vancouver, BC; [www.movieset.com](http://www.movieset.com))  
NowPublic (Vancouver, BC; [www.nowpublic.com](http://www.nowpublic.com))

The companies completed their surveys between May and October 2008.

## COMPANY BASICS

The companies interviewed feature a mix of business models and revenue streams, from in-house building/designing/operation of Content-Rich Online Communities, to custom and off-the-shelf development of communities for sale to outside interests. Some employ a mix of the aforementioned to maximize revenue while bringing original IP to market.

Average employee base of the companies interviewed, where employment levels were available, was 13. This makes Content-Rich Online Communities one of the smallest segments in the interactive media marketplace in terms of employee head count, just one employee on average ahead of companies in the Mobile Entertainment category:

**TABLE: AVERAGE EMPLOYEE HEAD COUNT FOR EACH SECTOR PROFILE SEGMENT**

Console Games	132
Convergent Properties	38
CONTENT-RICH ONLINE COMMUNITIES	16
Mobile Entertainment	15

Average age of the companies interviewed (where available) was less than five years, with the average year of founding being 2004. The oldest company included in the Content-Rich Online Communities sector profile was founded in 2002, the youngest in 2006.

**TABLE: AVERAGE COMPANY AGE FOR EACH SECTOR PROFILE SEGMENT**

Console Games	2000
Mobile Entertainment	2003
Convergent Properties	2003
CONTENT-RICH ONLINE COMMUNITIES	2004

## INDUSTRY RECOGNITION

Companies included in this Sector Profile are among the most accomplished in the industry. Accolades garnered by these companies and/or their products include:

- International Emmy Awards
- Time Magazine's 50 Best Websites
- Vortex Award, McLuhan International Festival of the Future
- Multiple Canadian New Media Awards

## FINANCING/FUNDING

None of the companies included in this Sector Profile are publicly traded.

Several of the companies surveyed had successfully attracted Series A venture capital investments, with Rho Capital Partners Inc. making investments in two of the companies surveyed through various investment vehicles. Other venture capital players with investments in the companies in this profile include Discovery Capital and Working Opportunities Fund/Growthworks.

The Canadian government provides a limited amount of funding for interactive digital media through the Telefilm Canada New Media Fund (a sponsor of this series of Sector Profiles), which falls under the ambit of the Department of Canadian Heritage. One-third of the companies included in this profile received some form of funding (at the development, production and/or marketing stages of their product lifecycle). All of the companies that reported applying for Telefilm Canada New Media Fund monies also reported receiving them, a notable fact since the fund is perennially oversubscribed.

Another influential source of investment is the Bell Broadcast and New Media Fund, an independent production fund which receives contributions from the regulated broadcast system. None of the companies interviewed explicitly mentioned the Bell Broadcast and New Media Fund as a funding partner – this is likely due to the convergent-media focus of the fund, which requires interactive media projects to be tied to a television production.

Finally, one-third of those surveyed reported applying for tax credits under the Scientific Research and Experimental Development Tax Incentive Program (SR&ED), the largest single federal government program supporting industrial research and development. One had received approval of its claim, another was awaiting approval.

## PLANS FOR GROWTH

The companies interviewed were all extremely optimistic about potential growth in the market for Content-Rich Online Communities. Some predictions:

“In the last year, [our company] has more than doubled its staff and plans to double again within the next six months. Year-over-year revenues have increased 275% and the company is on target to double revenues in the coming year.”

“We anticipate [doubling our] staff count by end of fiscal '09.”

“Partnerships and alliances with [new] stakeholders have the potential to triple the influx of new users to the site in just 12 months.”

The growth strategies and new target markets articulated as part of this positive sentiment are some of the most inventive in the interactive digital media universe. One company surveyed is finalizing plans to acquire a sporting franchise as the basis for future interactive content efforts!

## INDUSTRY TRENDS

As noted above, the companies in this segment had high hopes for the coming year. When asked to highlight some of the biggest moments for them and their industry in the past year, many respondents pointed to the honours and recognitions they'd won.

“In the social media industry, the biggest development over the past year has been the significant increase in the use and adoption of social media tools and strategies by corporations and organizations worldwide....The introduction of the iPhone worldwide has also highlighted the interest in and adoption of mobile social media tools. Essentially, content-rich online communities have reached a critical mass!”

“Some of the major players are not recognizing the opportunities that change will present to them or are slow to react, providing a market gap that our business occupies.”

The most commonly heard negative observation dealt with difficult in accessing capital. Some sample comments:

“It is still extraordinarily difficult to find venture capital financing for small digital media companies in Canada. Inevitably, innovative digital media companies are forced to look outside of Canada to fund innovative projects...we have huge opportunity but little entrepreneurial financing available to make these companies a reality.”

“[There is a] lack of knowledge of our industry from banks and similar financial agencies. Result: difficulty attracting investors.”

“Concrete business models and monetization models are still in their infancy.”

One participant commented on the difficulty of identifying and contracting reliable outsourcing expertise.

## DOMESTIC MARKETS

The vast majority of respondents said Canada was as important to their businesses at the time of the survey as it was a year ago, indicating a stable domestic market for companies. The majority believed that situation would persist in the coming year, while one company expressed the belief that Canada would become even more important in the next 12 months than it was at present.

Interestingly, the existence of domestic supports such as the Telefilm Canada New Media Fund and the Bell Broadcast and New Media Fund was judged to be “very important” by the majority of respondents, including two that had not yet accessed either fund directly. One company that had accessed the two funding programs said they were “somewhat important”.

## EXPORT MARKETS

Perhaps not surprisingly because of the heavy text-based content inherent in this segment, many providers said that English-speaking nations have traditionally been the most important export markets. However, in general the respondents believed a number of countries beyond the Anglophone world would grow in prominence and value to their businesses, with India being a particularly popular destination.

### TABLE: EXPORT MARKETS IN ORDER OF PERCEIVED FUTURE IMPORTANCE

- All English-speaking markets (including United States, Great Britain, Australia, New Zealand and South Africa)
- United States specifically
- India
- East Asia/Japan/China
- Germany/France/continental Europe

## ABOUT THE CANADIAN INTERACTIVE ALLIANCE/L'ALLIANCE INTERACTIVE CANADIENNE



canadian interactive alliance  
alliance interactive canadienne

Formed in June 2005, the Canadian Interactive Alliance/l'Alliance Interactive Canadienne is a not-for-profit association and the authoritative voice for Canada's interactive digital media industry on the national stage. Its membership is composed of seven provincial interactive media associations: Alliance Numérique, Digital Alberta, Interactive Media Alliance of PEI, Interactive Ontario, Manitoba Interactive Digital Media Association, New Media BC, and SaskInteractive.

## ABOUT TELEFILM CANADA



Telefilm Canada is a federal cultural agency dedicated to the development and promotion of the Canadian audiovisual industry. It acts as one of the Canadian government's principal instruments for providing strategic leverage to the private sector, supplying the film, television and new media industries with financial and strategic support. Telefilm's role is to foster the production of films, television programs and cultural products that reflect Canadian society, with its linguistic duality and cultural diversity, and to encourage their dissemination at home and abroad.

