

INTERACTIVE MOBILE ENTERTAINMENT



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, Convergent Properties, Content-Rich Online Communities, and the following profile, Interactive Mobile Entertainment.

WHAT IS INTERACTIVE MOBILE ENTERTAINMENT?

Interactive Mobile Entertainment is simply interactive media designed for entertainment purposes and for use on portable or mobile devices. The interactivity is key – it is distinct from those services that offer linear programming, thus replicating the TV experience on mobile devices. Even though games may be a part of Interactive Mobile Entertainment, this category is distinct from the Console Gaming industry (see separate Sector Profile) in that the display is integrated with the hardware, and is small enough to carry and use in public.

CANADIAN BACKGROUND

With the exception of Microsoft Corp.'s Xbox, all major Console Games hardware manufacturers make mobile devices as well. While it is true that many best-selling titles from the Console Games world are "ported" to mobile platforms, increasingly many games are being specifically designed with the smaller screens and more limited input options of mobile devices in mind.

Mobile phone handsets have become another gaming platform worth noting. Many of these firms are finding foreign carriers most approachable than their Canadian counterparts. With the wireless voice and data services market dominated by three network operators (2 CDMA, 1 GSM), mobile content creators based have found better traction abroad when it comes to distribution deals for phone-based content. Vancouver's AirG and Charlottetown's Bight Games are just two examples of Canadian firms that have achieved early success abroad.

Two of the companies included in this profile said that being a Canadian-headquartered firm has proved advantageous, namely in accessing qualified talent, finding funding supports to help fuel growth, and enjoying a competitive exchange rate. One company said being Canadian had conferred no benefits whatsoever, and one declined to answer.

COMPANIES INTERVIEWED FOR THIS PROFILE

Capybara Games (Toronto, ON; www.capybaragames.com)
IUGO Mobile Entertainment (Vancouver, BC; www.iugome.com)
OmniG Software Inc. (Toronto, ON; www.omnigsoft.com)
SilverBirch Studios (Toronto, ON; www.silverbirchstudios.com)

The companies completed their surveys between May and August 2008.

COMPANY BASICS

The companies included were fairly guarded about their business models and revenue sources. One commented: “We’ve been steadily growing over the years but we’ve been careful to control our growth.” While some of the respondents were pure-play game developers, creating content based on both original and third-party intellectual property, others had operations spanning rendering tools, testing services and other games-related lines of business. Platforms developed for include J2ME, BREW, Symbian, Windows Mobile, BlackBerry OS and Apple iPhone in the phone handset category, as well as Nintendo’s DS handheld gaming system.

Average employee base of the companies interviewed, where employment levels were available, was 15, making companies in the Interactive Mobile Entertainment space among the smallest in terms of head count.

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 approximately five years, the same as companies in the Convergent Properties Sector Profile.

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

- Game Critics Awards: Best of E3
- Academy of Wireless Arts, Video and Entertainment (WAVE) Awards
- Independent Games Festival Mobile Awards
- IGN Entertainment Inc. Best of 2007 Awards
- Apple iTunes Store Best App Ever Awards (nominee)

FINANCING/FUNDING

In contrast to the other instalments in this series, the parent entity of one company featured in this Sector Profile is publicly traded on the Toronto Stock Exchange. Private equity or venture capital is hard to come by for Canadian corporations in general, and Interactive Mobile Entertainment firms are no different: none reported any such investment.

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. Three of the four had applied for funding from Telefilm Canada New Media Fund, with two having received Telefilm Canada monies more than once in the past. One company applied but had not yet received approval, while one hoped to apply in the near future.

Also important to companies in this space is another publicly funded initiative, the Scientific Research and Experimental Development Tax Incentive Program (SR&ED), which offers tax credits for firms undertaking intensive research and development for commercial purposes. Three of the four companies had applied to the SR&ED program, with one indicating it did so annually and another stating that 2007 was the first year it had applied. Two of the three had either applied for or received labour tax credits from by their provincial government as well.

Finally, another prominent source of funding for the interactive media industry in Canada as whole is the Bell Broadcast and New Media Fund, an independent production fund which receives contributions from the regulated broadcast system. One company in the Interactive Mobile Entertainment Sector Profile had received Bell Fund contributions several times for mobile games based on properties developed by Canadian television producers.

PLANS FOR GROWTH

As mentioned earlier, a more conservative outlook on growth seemed to prevail among Interactive Mobile Entertainment companies relative to their peers in other Sector Profiles. One stated that they were “exploring” other markets. Interestingly, one of the players in this space reported it was transitioning to console game development, mirroring the path taken by one company in the Console Games profile. Another Interactive Mobile Entertainment firm recently acquired a publisher of console and PC game titles.

INDUSTRY TRENDS

Many respondents expressed excitement at the entry of Apple Inc. and Google Inc. into the handset operating system market, via their respective iPhone and Android platforms. One company said the new arrivals “were inspiring healthy competition and progress that can only be a benefit to consumers. It allows us to create more exciting, technically and visually impressive games in the mobile space.” Another firm commented that the two new platforms would mean more openness in the industry, and would mean more choice or alternatives in how entertainment content gets to market.

Other notable responses concerning positive industry trends over the past year were the uptake of mobile entertainment and growth in mobile gaming market and, in one company’s case, recognition of its products through industry awards.

In terms of negative factors influencing Interactive Mobile Entertainment in the past 12 months, difficulty in dealing with carriers – particularly around coveted deck placement – was the theme most expanded upon. Said one respondent: “The fact that excellent, original mobile titles continue to struggle on the carrier decks when pitted against branded games is unfortunate.” The company added that demonstration versions of new titles were of some benefit in reaching new audiences and convincing them of a game’s worth.

Also included in remarks about negative trends was the relatively slow pace of change in the mobile content industry. One company’s perception was that handsets would now allow incredibly advanced content, and consumers were ready for it, but other links in the chain were lagging. The company in question was philosophical about this phenomenon, saying “Perhaps this is a wonderful lesson in patience.”

DOMESTIC MARKETS

While all companies said that Canada was roughly as important to their business plans today as it was 12 months ago, one company said that Canada would play a more prominent role in future. This sentiment was shared by just one other company interviewed as part of this series, in the Convergent Properties Sector Profile.

In keeping with the responses provided by companies in other interactive media segments, Interactive Mobile Entertainment firms said incentives such as the Telefilm Canada New Media Fund, the Bell Broadcast and New Media Fund, and tax credits were important to their businesses, with answers evenly split between “very important” and “somewhat important”.

EXPORT MARKETS

Interestingly, despite the high mobile device penetration in countries such as Japan, South Korea, China and India, Asia was not mentioned as a future export priority. However, with the United States next door, most interactive media companies naturally see their southern neighbour as the most logical choice when branching out into international business.

TABLE: EXPORT MARKETS IN ORDER OF PERCEIVED FUTURE IMPORTANCE

United States
Western Europe/UK

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.

