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2003 _ INDUSTRY _ SURVEY



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2003_INDUSTRY_SURVEY



Welcome::



The 2003 New Media in B.C. Industry Survey is the first industry-wide study undertaken in nearly five years, during which time B.C.'s new media industry has experienced significant challenges and unprecedented growth. The objective of this study is to analyze, in a high degree of detail, the various factors essential to the survival and success of B.C.'s new media industry.

This survey provides a current snapshot of the activities, strengths and limitations of B.C.'s new media community as well as an understanding of how recent technological and economic events have shaped this emerging industry. The study also reveals, for the first time, the extent to which industry members are involved in export activity and global expansion.

This research will serve as an industry benchmark from which to measure future growth. As a non-profit association created to connect and promote British Columbia's new media companies, New Media BC will utilize this information to guide our future activities and provide a foundation for the development of new strategies that support, promote and further develop B.C.'s new media industry.

It is with pleasure and gratitude that we recognize the new media companies across B.C. who participated in this survey and generously shared information about their businesses and activities. We owe a debt of thanks to Western Economic Diversification Canada, without whose financial support this report would not be possible, and to the Simon Fraser University Centre for

Policy Research on Science and Technology for supporting our internal research team. Thank you also to the members of the survey evaluation committee and the New Media BC research team who contributed their time and expertise to design and administer this survey and analyze and interpret the results.

The 2003 New Media in B.C. Industry Survey represents the most comprehensive evaluation of B.C.'s new media industry to date and will no doubt serve as a valuable source of information about this growing industry. We hope this research will mobilize industry members, stakeholders and government to acknowledge the accomplishments of B.C.'s new media industry and work together to overcome its challenges so the industry can continue to flourish.

Sincerely,

A handwritten signature in black ink.

Jane Green
Executive Director
New Media BC

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Executive_Summary_

/_New Media in B.C. Industry Survey

New Media in B.C. Industry Survey

Conducted throughout British Columbia in March 2003, the New Media in B.C. Industry Survey is the most detailed study of B.C.'s new media industry to date. More than 700 new media companies, representing various industry sectors around the province, were invited to participate.

The meaning of "new media" has been the subject of vigorous debate. The CRTC defines new media as "encompassing, singly or in combination, and whether interactive or not, services and products that make use of video, audio, graphics and alpha-numeric text, and involving, along with other more traditional means of distribution, digital delivery over networks interconnected on a local or global scale."¹

For the purpose of this study, we have adopted this definition and further divided the new media industry into three key sectors: content producers, deliverers and enablers. Content producers are those companies that develop digital content such as games, animation, Web design/development, e-learning, visual effects, streaming media and Internet publishing. Deliverers provide the "pipelines" for digital content and include Web hosts, Internet service providers and telecommunications companies. Enablers provide the tools and resources necessary for the delivery of digital content such as software development, Internet applications, digital compression technologies, security software and e-commerce applications.

The 2003 New Media in B.C. study provides a comprehensive overview of the current state of B.C.'s new media industry. It is not intended to be a forecasting tool. Comprised of 32 questions, the survey was designed by the New Media BC internal research team in consultation with government and industry stakeholders.

The survey was posted on the New Media BC website, and an invitation to visit the link was e-mailed to more than 700 new media companies. Of these, nearly 40% — more than 260 companies — responded.

Survey participants were asked to provide information about their company's age, geographic location, core activities, target markets, human resources, innovative activities, financing and ownership, revenues, export activity, collaboration, industry challenges and reasons for remaining in British Columbia. Responses in each section were cross-tabbed by age, sector, revenues, and location so that it was possible to further analyze data according to these variables. Where significant differences were revealed, they have been noted throughout the study. All revenues quoted are in Canadian dollars.

While some of the research simply corroborates findings from a 1998 PricewaterhouseCoopers B.C. new media industry study, some responses reveal significant change and growth in the industry during the past five years. Following is a summary of the key findings of the survey:

/_Key Findings

New Media Industry Snapshot

- :: B.C.'s new media industry is comprised of more than 700 companies and provides full-time employment to approximately 14,000 people.
- :: Although 79% of B.C.'s new media companies are located within the Lower Mainland, the industry is beginning to flourish in other areas of the province such as the Okanagan and Kootenay regions and Vancouver Island.
- :: Reflecting the recent technological boom, more than half the companies surveyed are less than six years old.

Industry Sectors

- :: More than 82% of new media companies produce digital content such as Web development/design, Internet marketing, digital content publishing or e-learning. Slightly less than 20% deliver the "pipelines" for digital content through Web hosting, Internet service providers and telecommunications. Approximately 42% provide the tools and resources that enable the development of digital content, such as Internet applications, software development, e-commerce applications and consulting.
- :: Most B.C. companies are multi-functional and are involved in more than one sector.

Markets

- :: The most common market segments targeted by B.C.'s new media companies are business, education and entertainment.
- :: Lower Mainland companies selected healthcare and entertainment as target

industries significantly more often than new media companies in other areas of the province.

Human Resources

- :: The new media industry in B.C. employs approximately 14,000 people in full-time positions.
- :: Ninety percent of respondents report that all of their employees are based in B.C. compared to 72% in the PricewaterhouseCoopers 1998 new media industry survey.
- :: B.C.'s new media work force is highly educated: 97% of companies have an average employee education level of post-secondary diploma or higher and 76% of respondents report an average education of undergraduate level or higher.

Innovation

- :: More than 80% of B.C.'s new media companies produce some sort of intellectual property. Sixty-eight percent produce products and 67% produce copyrighted materials including artwork, photographs, software, etc.

Revenues

- :: Reflecting the significant number of start-ups and small companies, 40% of new media companies report 2002 gross revenues of \$100,000 or less.
- :: Digital content producers report slightly lower revenues than companies in the delivery and enabler sectors.
- :: B.C.'s new media companies are optimistic about the future, with 46% anticipating growth of 25% or more in the coming year.

¹ CRTC Final Report: New Media. Telecom Public Notice CRTC 99-14.

Broadcasting Public Notice CRTC, 1999-84. May 17, 1999.

/_Key Findings

Financing and Ownership

- :: A majority of B.C.'s new media companies (87%) are privately held, 8.8% are public companies, 2.3% are subsidiaries of Canadian parent companies and 1.5% are subsidiaries of foreign parents.
- :: Self-funding is the most common form of financing, with 83% of companies receiving funding from founders or proprietors. For almost half of these companies, self-funding accounts for 100% of their financing.
- :: More than half of all new media companies (57%) intend to pursue additional funding during the next 18 months. The most common sources of funding they plan to pursue are founder/proprietor funding, government funding and venture capital.

Collaboration

- :: Many B.C. new media companies are actively involved in collaborative partnerships with other B.C., Canadian or international companies or organizations.
- :: Collaboration is most common in companies five years old or less, indicating a willingness to pool resources and an understanding that strong partnerships are fundamental to their survival.

Export Activity

- :: More than three-quarters of B.C.'s new media companies currently export products, services or both. Seventy-six percent of respondents plan to increase or expand their export activities in the next 18 months.

:: Canada and the United States are the most important geographical markets, with the United Kingdom ranked a distant third.

:: Approximately 43% of companies generate less than 10% of revenue through export activities. At the other end of the scale, however, 30% of exporting companies (mostly larger companies) generate more than 50% of their income from exports.

Industry Challenges

- :: The primary barrier to growth cited by B.C.'s new media industry is lack of financing. Companies have an especially difficult time accessing government funding and venture capital which, ironically, are the most common types of funding they wish to pursue.
- :: Economic volatility, lack of access to key markets and the lack of a business network represent other key challenges faced by new media companies.

Why B.C.?

- :: By far, the province's desirable lifestyle is the key reason new media companies locate or remain in British Columbia. A large talent pool and access to the western United States are also important draws.
- :: Many small and young/pre-revenue companies appreciate the strong sense of community among B.C.'s new media industry while more established companies cite the low Canadian dollar as the number one reason for remaining in B.C.²

² At the time of the survey, the Canadian dollar was worth approximately 0.68 U.S.D

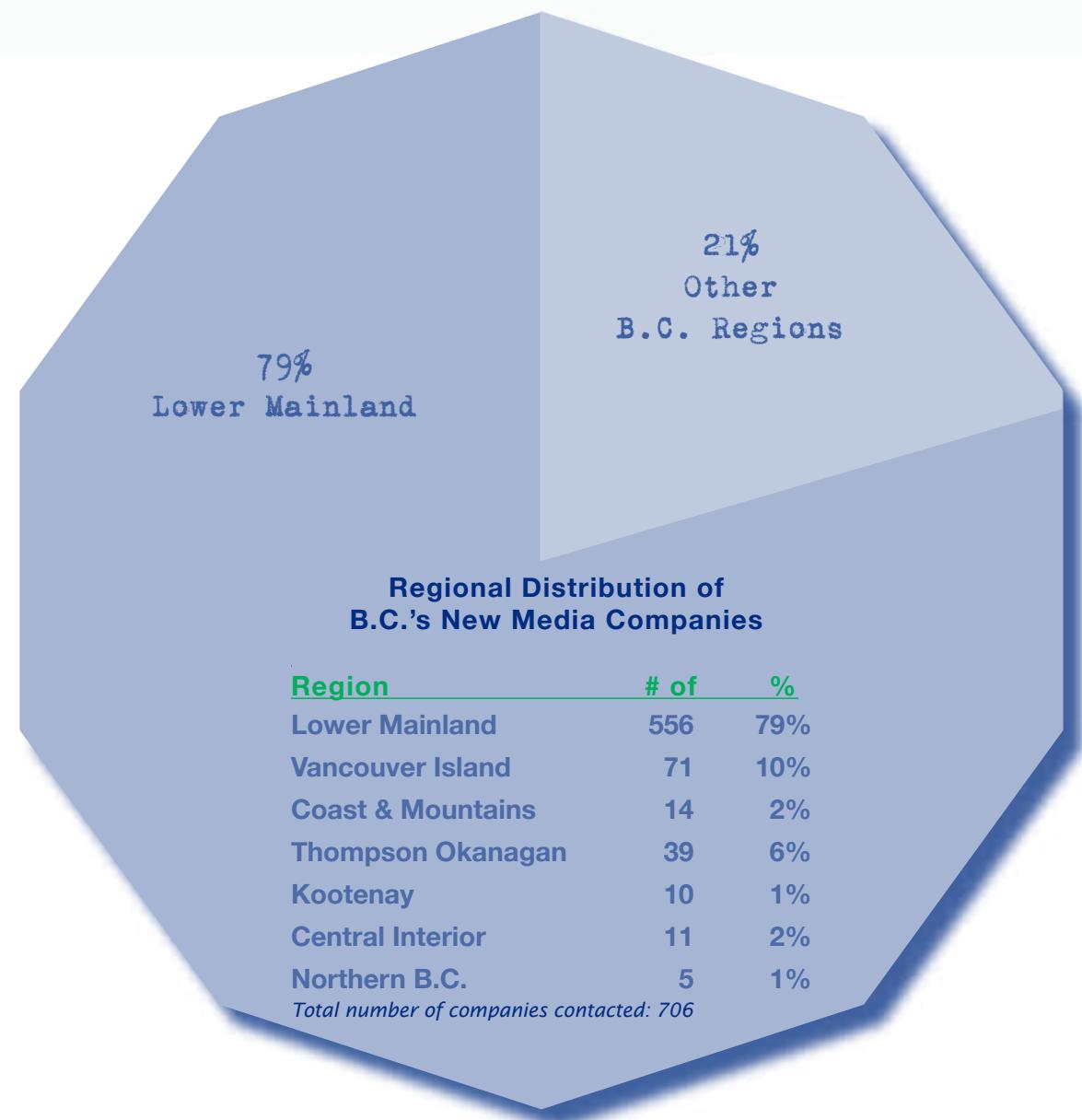
Conclusion

Though significantly impacted by the recent challenges faced by the high tech sector, B.C.'s new media industry has regrouped and is once again poised for success. Anchored by a group of large, established companies, the industry includes many young but growing businesses established during the past five years. While the industry has had a head start in B.C.'s Lower Mainland, it has begun to gain a foothold in other areas of the province.

B.C.'s new media industry continues to grow and its members are highly optimistic about the future. Despite this optimism, however, more than half the industry remains under-capitalized and in need of enhanced support and increased access to target markets. These challenges will need to be addressed and overcome if the industry is to achieve its true potential.

Industry_Overview_

More than 700 new media companies from across British Columbia were identified and invited to participate in the 2003 New Media in B.C. Industry Survey. The majority of these companies (79%) are situated within the Lower Mainland with the remaining 21% distributed throughout other regions of the province.

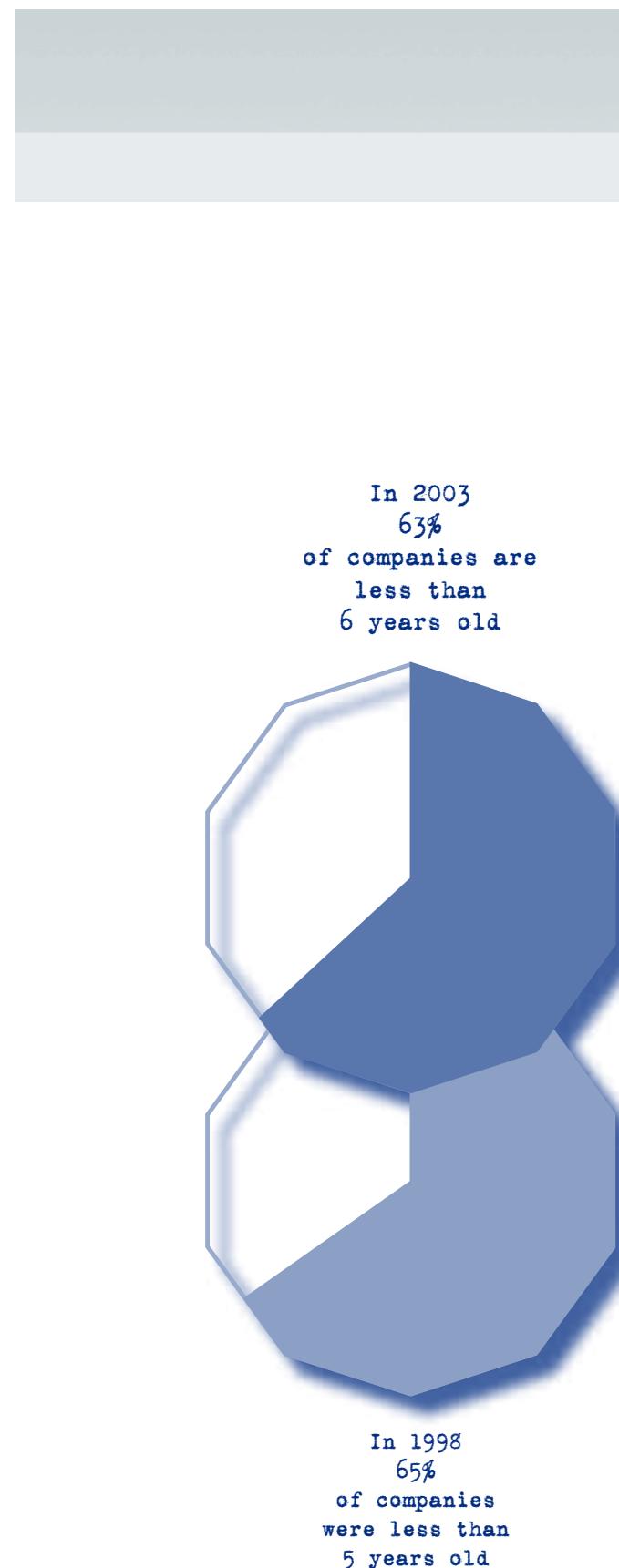
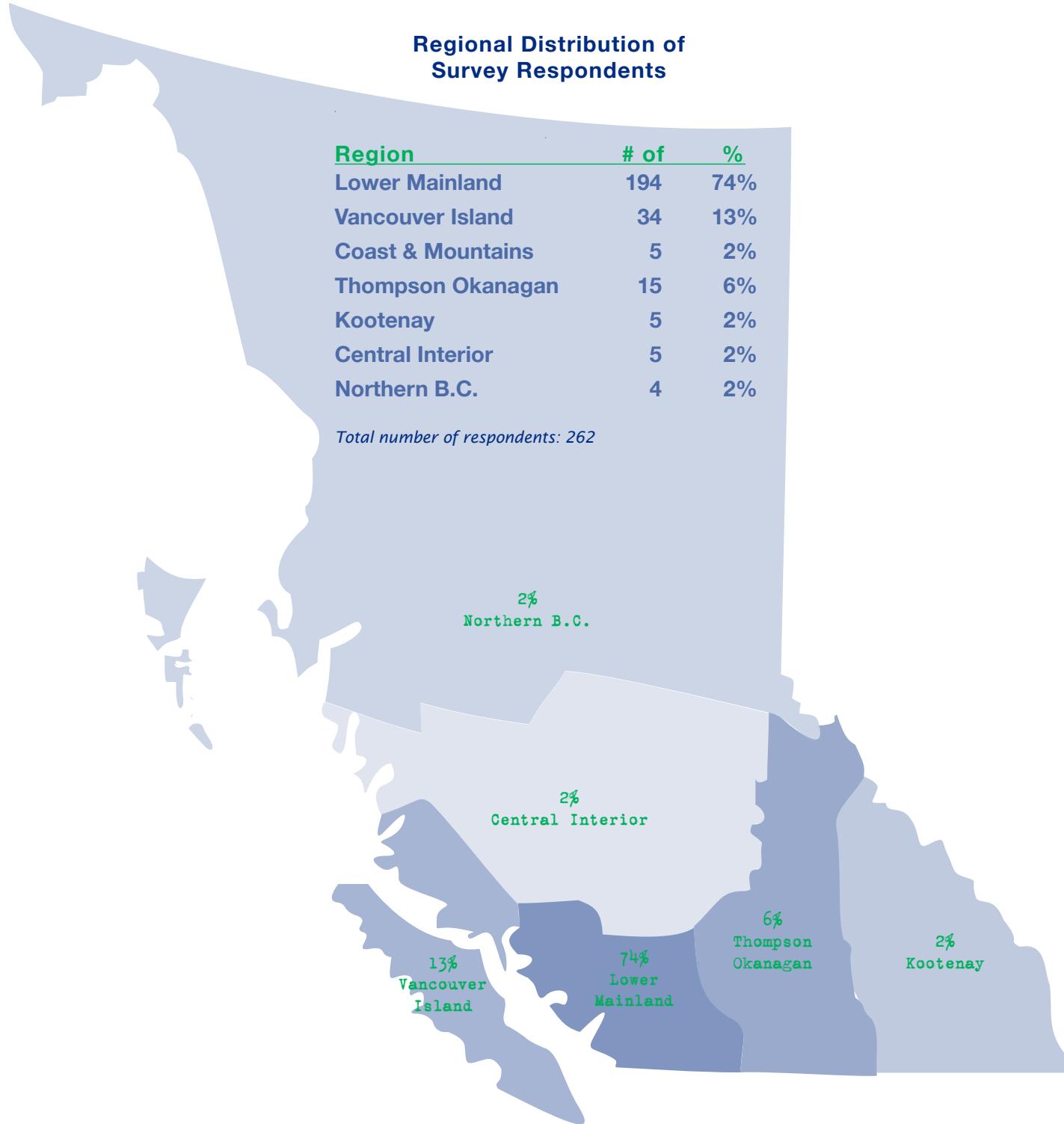


/ _Regional Distribution of Survey Respondents

Two hundred and sixty-two new media companies responded to this survey for a response rate of approximately 40%. Reflecting the distribution of the actual new media population throughout B.C., the majority of respondents (74%) were located within the Lower Mainland and 26% were situated in other areas of the province. Outside the Lower Mainland, the second largest concentration of respondents (13%) was located on Vancouver Island and the third largest cluster (6%) was in the Thompson-Okanagan region.

Since the regional distribution of the survey sample closely mirrors that of the broader new media population, we can assume with reasonable confidence that the results of this study are representative of the larger new media community in British Columbia.

When analyzing study results by region, companies within B.C.'s Lower Mainland were compared as a group with those located outside the Lower Mainland. Since regions outside the Lower Mainland and Vancouver Island did not have large enough sample sizes to provide for statistically sound comparison, companies within the Vancouver Island, Coast and Mountains, Thompson Okanagan, Kootenay, Central Interior, and Northern B.C. regions have been grouped together and are referred to as "companies outside the Lower Mainland" or "the rest of B.C." for the purposes of this study.



Age of B.C. New Media Companies

Age	% of Companies Surveyed
0 - 2	28%
3 - 5	35%
6- 10	23%
11+	14%

Given the age of the overall industry and the fact that popular use of the Internet is less than 10 years old, it is not surprising that more than half the companies (63%) surveyed have been in operation for less than six years. A similar industry study conducted five years ago indicated that 65% of new media businesses in B.C. were younger than five years old.³

The typical Lower Mainland new media company is slightly older than its counterparts in other areas of the province. The average new media company on the Lower Mainland has been in operation for six and a half years compared to an average age of a little less than five years for companies in other areas of B.C. Of those companies that have been in operation for more than 10 years, 84% percent are located within the Lower Mainland.

³ PricewaterhouseCoopers. 1998 British Columbia New Media Industry Survey.

The_New_Media_Industry: An_Analysis_by Sector_

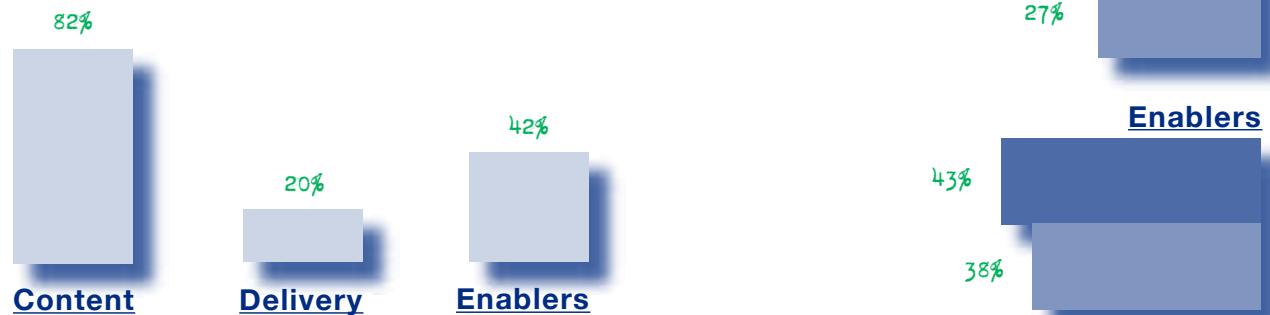
As new media in B.C. continues to evolve, one of the industry's greatest challenges is simply to define itself and the types of activities it encompasses. Here, we attempt to establish a clear understanding of the makeup of B.C.'s new media industry and to develop a classification of new media activities. Respondents were asked to select the industry sector(s) below that best describe their core business activities:

Content: developing digital content such as game development, animation, Web development/design, e-learning, visual effects/post-production/digital content publishing, streaming media or Internet marketing.

Delivery: providing the "pipelines" for digital content, including telecommunications, ISP (Internet Service Providers), or Web hosts.

Enabler: providing the tools and resources for developing digital content, such as software development, Internet applications, digital compression technologies, security software, technology consulting or e-commerce applications.

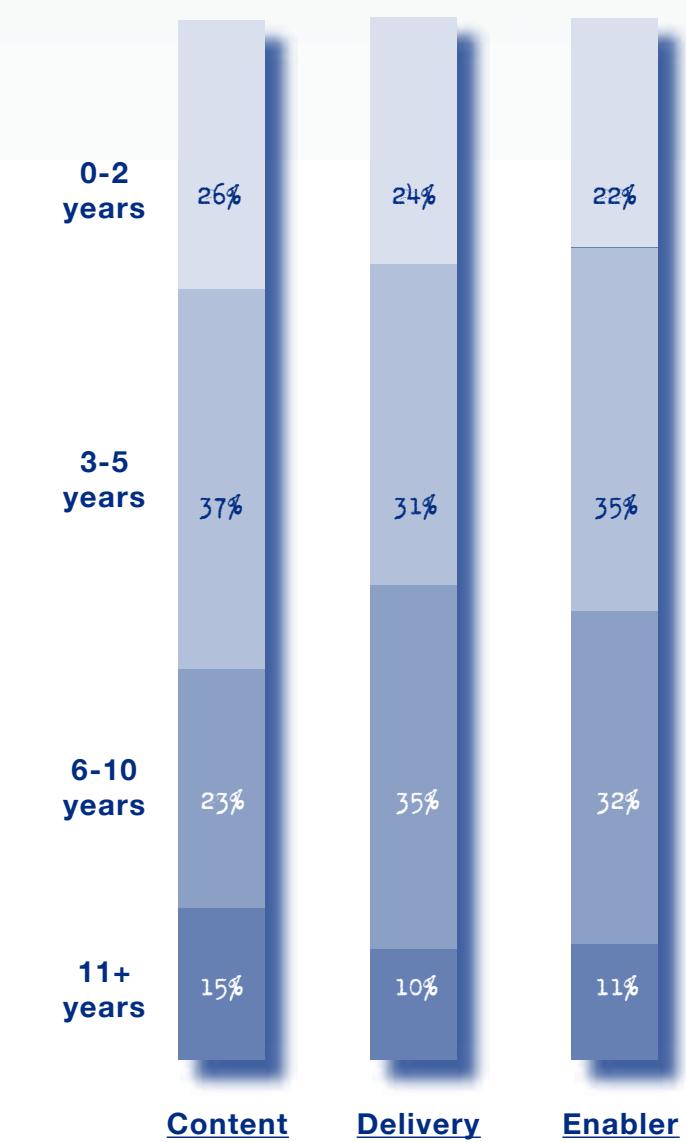
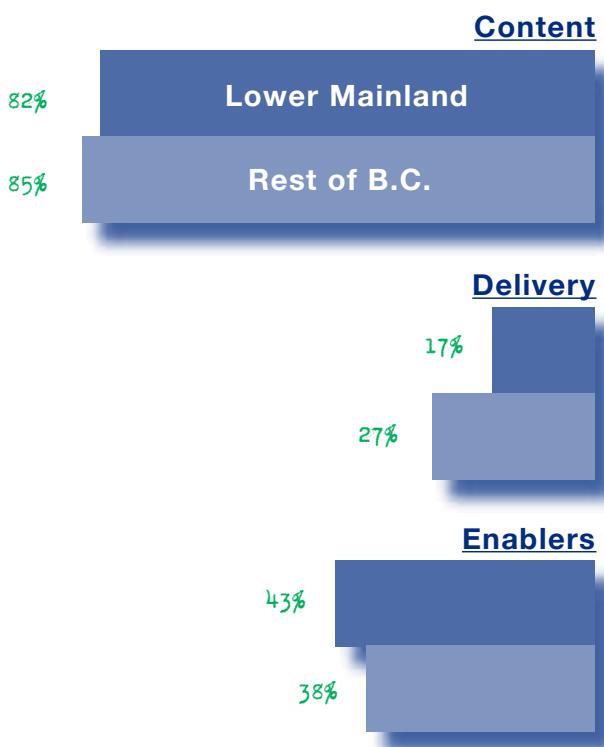
Analysis of B.C. New Media Industry by Sector



Most new media companies indicated that they offer a range of products and services and are involved in more than one industry sector. By far, the most commonly selected sector was the *content* category.

These proportions remain constant throughout the province, although slightly more companies in the "rest of B.C." are involved in the *delivery* sector compared to Lower Mainland companies. This variation is likely due to the fact that many small companies outside the Lower Mainland are addressing the issue of limited accessibility in less-populated areas of the province by offering ISP and web hosting services to local customers.

Analysis of B.C. New Media Industry Sectors by Region



Nearly one-third of companies in each sector are between three and five years old, reflecting the boom period in B.C.'s high tech and new media industries of the late 1990s.

Age

The majority (82%) of young new media companies in B.C. are involved in the *content* sector and 26% of which are less than two years old. A significant proportion (84%) of companies over the age of 10 years are also involved in the *content* sector.

There are significantly fewer *content*-based companies between six and 10 years of age, especially when compared to the number of *delivery* and *enabler* companies in the same age range. This variation may be explained by analyzing the subsectors of the *content* industry. Currently a dominant *content* subsector, Web development was in its infancy about six years ago, which may account for the large percentage of content companies six years old or younger. Other *content* subsectors, such as game development, visual effects, animation and e-learning were established before the onset of the Web, and many of these companies are ten years older or more.

The majority of *enabler* companies are between three and 10 years of age. In comparison to *content*-based companies, a significantly larger proportion of *enabler* sector companies are more than five years old.

Revenues

Generally speaking, companies in the *content*-based sectors reported slightly lower average revenues than companies in the *delivery* and *enabler* sectors.

2002 Revenues by Industry Sector



* There were fewer than 30 respondents in this group.

To provide a detailed understanding of the ongoing activities of B.C.'s new media companies, respondents were asked to identify the industry subsectors in which they are involved.

Content

The *content* sector represents the core of B.C.'s new media industry, with more than 80% of respondents indicating involvement in this industry sector. We are therefore able to provide a more comprehensive picture of this sector than the *delivery* or *enabler* sectors.

Within the *content* sector, there is a great degree of variety both in terms of company size and business activities. Decreasing costs of technology and software have created greater flexibility within the industry. Low barriers to entry allow small cottage businesses and large multifunctional companies to co-exist in the same areas, particularly in subsectors such as Web development and design.

The web development subsector accounts for a large number of companies in the *content* sector. Nearly one-third (31%) of *content*-based companies — and 83% of young *content*-based companies — identified Web development/design as their chief subsector activity. Internet marketing, digital content publishing and e-learning were other commonly identified *content* subsectors.

Activities within the Content Sector

Game Development	4%
Animation	6%
Web Development/ Web Design	31%
eLearning	12%
Visual Effects/ Post-production	7%
Digital Content Publishing	13%
Streaming Media	7%
Internet Marketing	14%
Other	7%

Location

Content subsectors appear to vary depending on company location. More than 80% of the *content* companies outside the Lower Mainland are engaged in Web development/design, compared to 64% within the Lower Mainland. Other common *content* subsectors outside of the Lower Mainland include Internet marketing (40%), digital content publishing (32%) and e-learning (32%).

In contrast, an average of 75% of *content*-based companies involved in game development, visual effects and animation are clustered within the Lower Mainland.

The_New_Media_Industry: An_Analysis_by Sector_

/_Content Sector

Comparison of Content Subsector Activities by Location

	Lower Mainland	Rest of B.C.
Game Development *	89%	11%
Animation	75%	25%
Web Development/ Web Design	67%	33%
eLearning	66%	34%
Visual Effects/ Post-production	85%	15%
Digital Content Publishing	70%	30%
Streaming Media	71%	29%
Internet Marketing	64%	36%
Other	76%	24%

Comparison of Content Subsector by Age of Company

	0-2 years	3-5 years	6-10 years	11+ years
Game Development *	11%	42%	32%	16%
Animation	11%	44%	30%	15%
Web Development/ Web Design	31%	35%	23%	12%
eLearning	28%	26%	22%	24%
Visual Effects/ Post-production	19%	41%	28%	13%
Digital Content Publishing	31%	42%	19%	8%
Streaming Media	29%	46%	20%	6%
Internet Marketing	30%	42%	21%	6%
Other	27%	42%	15%	15%

Comparison of Content Subsectors by Revenue Levels

	less than \$100,000	\$100,000 - \$499,999	\$500,000 - \$4,999,999	\$5,000,000 +
Game Development *	22%	22%	33%	22%
Animation	26%	15%	40%	19%
Web Development/ Web Design	47%	27%	21%	5%
eLearning	52%	16%	22%	10%
Visual Effects/ Post-production	40%	13%	37%	10%
Digital Content Publishing	63%	25%	11%	2%
Streaming Media	28%	34%	32%	6%
Internet Marketing	49%	22%	24%	5%
Other	62%	19%	15%	4%

* There were fewer than 30 respondents in this category.

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Company Age

The patterns of activity among young companies reflects the growth of the web in recent years. The majority (83%) of young companies (<2 years old) within the *content* sector selected web development/design as a core subsector. Following web development/design, the most common subsector activities of young companies are: Internet marketing (37%), digital content publishing (35%), and streaming media (27%).

Non-web-dependent subsectors such as game development, animation, and visual effects/post-production reveal a larger proportion of older companies. Almost half of the companies in these sectors are more than 6 years old.

In the majority of *content* subsectors, approximately 40% of companies are between three and five years old, indicating they were founded in the late 1990s during the technology and Internet industry booms and, despite the downturn in the industry, have since stabilized and grown in terms of size and revenue (see *Company Revenues*, p. 36.)

The *content* sector represents the core of B.C.'s new media industry, with more than 80% of respondents indicating involvement in this industry sector.

Revenues

Companies offering web development account for the highest proportion (75%) of companies with revenues of less than \$500,000 as well as the highest proportion of companies with revenues in excess of \$5,000,000 (44%). This is reflective of the different sizes of businesses involved in this activity - from one-person, cottage businesses to larger organizations offering Web development as well as other products and services such as Internet marketing and e-business applications.

In general, the larger companies in the *content* sector are involved in the game development, visual effects, animation, and e-learning subsectors. Compared to the number of companies in web development, the companies in these sectors account for a relatively small number of *content*-based companies but a larger proportion of companies with revenues over \$5,000,000.

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Enablers

Enabler companies provide the tools and resources necessary for the development of digital content. The majority of *enabler*-based companies are involved in the development of Internet applications or software.

As with the main sectors, there is frequent crossover between industry subsectors, particularly within the *enabler* and *content* categories.

Activities within the Enabler Sector

Internet Applications	71%
Software Development	50%
Digital Compression Technologies	4%
Security Software	8%
Technology Consulting	42%
eCommerce Applications	46%
Other	13%

Note: Percentages do not add up to 100% as respondents were permitted to select more than one subsector.

Location

More than 80% of *enabler*-based companies situated outside the Lower Mainland develop Internet applications. Sixty percent develop e-commerce applications. This statistic suggests that companies outside the Lower Mainland are motivated to develop Internet-based software services to overcome the accessibility challenges presented by their locations.

Age

A fairly consistent distribution of *enabler* companies occurs across all age ranges. More than half of the companies in each subsector are between three and ten years of age. In comparison to the *content* subsectors, the *enabler* subsectors appear to reflect lower levels of start-up activity.

Approximately 62% of *enabler* companies that develop software — particularly companies that develop e-commerce and other Internet applications — incorporate some content development into their business. While this activity may well be service work, this statistic reveals that most new media companies integrate the development of software and digital content.

Analysis of Enabler Subsectors by Location

	Lower Mainland	Rest of B.C.
Software Development	51%	44%
Internet Applications	67%	82%
Digital Compression Technologies	4%	4%
Security Software	6%	15%
Technology Consulting	45%	33%
eCommerce Applications	42%	59%
Other	13%	11%

Note: Percentages do not add up to 100% as respondents were permitted to select more than one subsector.

Analysis of Content Subsector by Age of Company

	0-2 years	3-5 years	6-10 years	11+ years
Software Development	11%	42%	32%	16%
Internet Applications	21%	36%	35%	8%
Digital Compression Technologies *		25%	59%	25%
Security Software *		25%	63%	13%
Technology Consulting *	25%	30%	32%	14%
eCommerce Applications	18%	39%	35%	8%
Other	33%	33%	25%	8%

** This category represents fewer than 30 respondents.*



Delivery

Delivery companies provide the “pipelines” for digital content, such as telecommunications, ISP (Internet Service Providers), and Web hosts. Only 3.4% of those surveyed are involved solely in the *delivery* sector. Another 16% undertake *delivery* activities in conjunction with *content* and/or *enabler* activities. Although several of the delivery firms are large telecommunications companies, the relatively small size of the *delivery*-based group makes some comparisons, such as revenues and age, statistically unfeasible.

Most *delivery*-based new media companies (82%) are engaged in Web hosting as a core subsector.

Internet service providers and companies that provide Web hosting often include activities from other industry sectors in their core businesses. Fifty-one percent of Web hosting companies and 75% of ISPs also offer *content*-based Web development and Internet marketing services. Telecommunications companies, on the other hand, appear least likely to include other sector activities in their core businesses. Given the small number of respondents in this section, however, this conclusion requires further research to be confirmed.

Activities within the Delivery Sector

Telecommunications	14%
Internet Service Provider	24%
Web Hosting	82%
Other	24%

Only 3.4% of B.C.’s new media companies are involved solely in the delivery sector. Another 16% undertake delivery activities in conjunction with content and/or enabler activities.



Markets_

The most common market segments targeted by B.C.'s new media companies are business (70%), education (49%) and entertainment (46%).

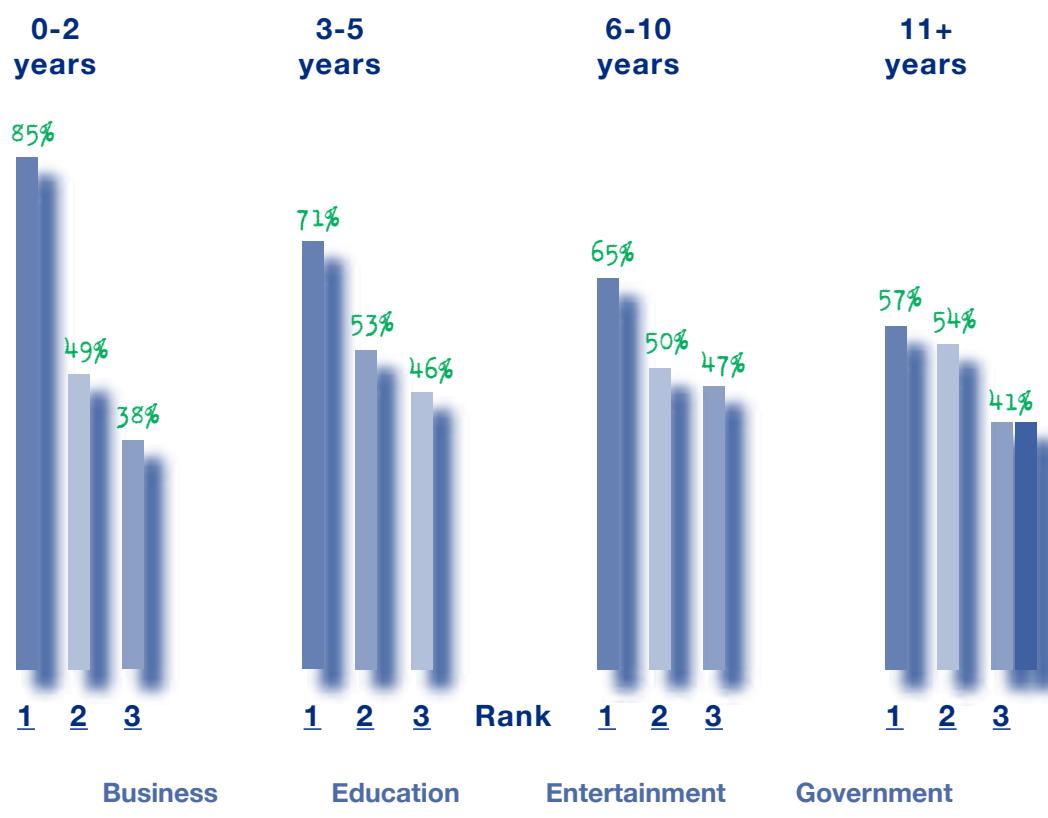
Age

Business, education and entertainment remain the three most commonly targeted market segments across all ages of new media companies. The focus on the business market decreases, however, among older companies.

Market Segments Targeted by B.C. New Media Companies

Business	70%
Education	49%
Entertainment	46%
Government	40%
Consumer	32%
Training	32%
Healthcare	26%
Finance	25%
Other	24%

Note: Percentages do not add up to 100% as respondents were permitted to select more than one market segment.



Analysis of Market Segments Targeted: By Company Age

/ _Market Segments Targeted

Revenue

Seventy-nine percent of startup companies (pre-revenue/less than \$100,000) target the business market, while 50% target education and 43% focus on the entertainment market.

Among larger companies (revenues of \$5 million or more) focus on the various markets is more evenly distributed. At this level, the business market is still the most commonly targeted segment, but at only 55%. The entertainment market (50%) and government market (45%) follow close behind.

Location

Generally speaking, there is no difference in the markets targeted by Lower Mainland companies and those targeted by companies in the rest of B.C. Two notable exceptions, however, are the healthcare and entertainment markets. Thirty percent of Lower Mainland companies target the healthcare market, compared to 18% of companies throughout the rest of B.C.

Forty-nine percent of Lower Mainland companies target the entertainment industry versus 38% in the rest of B.C. This is likely due to the relationships Lower Mainland companies have with the local film and television industry and the fact that 89% of B.C.'s game development companies are located within the Lower Mainland.

Sector

Business is the market most commonly targeted by all three new media industry sectors: *content* (73%), *delivery* (80%), and *enabler* (75%). Education is also popular among all sectors, targeted by roughly 50% of companies in each sector. The entertainment market is more commonly targeted by *content* companies (52%) than by the *delivery* (41%) or *enabler* (36%) sectors.

Generally speaking, *delivery* and *enabler* companies selected healthcare, finance and government markets more frequently than *content* companies.

Seventy-nine percent of startup companies (pre-revenue/less than \$100,000) target the business market, while 50% target education and 43% focus on the entertainment market.

Work_Force_

By extrapolating the number of employees reported by respondents in 2003 to the larger industry population, we estimate that the total number of full-time employees in B.C.'s new media industry is approximately 14,000.

Most new media industry jobs are full-time positions in smaller companies. Just over half (53%) of companies surveyed employ fewer than six people while 11% employ more than 50 and 6% employ more than 100 people.

Number of Employees Reported by New Media Companies

# Employees	% Answered
less than 6	53%
6 - 10	18%
11 - 25	13%
26 - 50	5%
51 - 100	5%
more than 100	6%



Number of Employees by Age of Company

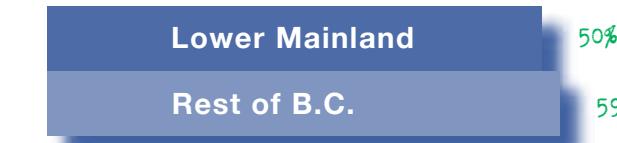
Number of Employees	0-2 years	3-5 years	6-10 years	11+ years
less than 6	80%	57%	30%	27%
6 - 10	17%	18%	20%	16%
11 - 25	3%	15%	23%	13%
26 - 50	7%	8%	8%	8%
51 - 100	2%	11%	8%	8%
More than 100	1%	6%	27%	

Age

There appears to be a direct relationship between company age and number of employees. Eighty percent of companies two years old or less employ fewer than six people while 43% of companies older than 10 years have more than 25 employees.

Analysis of Number of Employees by Location of Company

Less than 6



6 - 10



11 - 25



26 - 50



51 - 100



The majority of jobs in B.C.'s new media industry are full-time positions. Although the average B.C. new media company employs 46 full-time, 7 part-time and 9 contract employees, these figures are skewed by a small percentage (less than 1.5%) of companies with 500 or more employees. When these companies are excluded from the calculations, company averages decrease to 17 full-time, 4 part-time and 8 contract employees.

In addition to full-time and part-time employees, B.C.'s new media companies employ a substantial quantity of contract labour. Of the companies that responded to this question, 81% employ between one and five contractors.

Survey responses indicate that new media companies in B.C. employ slightly more technical workers than artist/content producers and administrative/management employees. On average, new media companies employ 31 technical workers, 8 artists/content producers and 7 administrative/management employees. There are 3.6 technical employees for every artist/content producer and almost 4.3 technical employees for every administrative/management staff member within B.C.'s new media industry.

Total Number of Full-Time Employees per Company

<u># Employees</u>	<u>% Respondents</u>
1 - 2	38%
3 - 5	20%
6 - 10	15%
11 - 20	11%
21 - 50	7%
51 - 150	5%
150+	5%

Number of Contractors Employed per Company

<u># Contractors</u>	<u>% Respondents</u>
1 - 2	42%
3 - 5	39%
6 - 10	7%
11 - 20	5%
20+	7%

Again, a small minority (less than 1.5%) of companies with 500 or more employees skews the average. When these companies are excluded, company averages decrease to 10 technical employees, 7 artists/content producers and 5 administrative/management employees. Using these revised figures, companies employ an average of 1.5 technical employees for every artist/content producer and almost 2 (1.9) technical employees for every administrative/management staff member.

Number of Artists/Content Producers

<u># Artists/Producers</u>	<u>% Respondents</u>
1 - 2	56%
3 - 5	25%
6 - 10	9%
11 - 20	6%
20+	5%

Number of Technical Employees

<u># Technical Staff</u>	<u>% Respondents</u>
1 - 2	44%
3 - 5	27%
6 - 10	13%
11 - 20	6%
21 - 50	4%
51+	7%

Number of Administrative/Management Employees

<u># Staff</u>	<u>% Respondents</u>
1 - 2	59%
3 - 5	21%
6 - 10	9%
11 - 20	4%
20+	8%

These figures are helpful in determining the makeup of a new media company and may aid in making projections for the numbers and types of workers needed by the industry in the future. However, it should also be noted that the division between technical and artistic labour is not always clear-cut in the new media industry. For example, within smaller companies employees can be responsible for programming and content development.



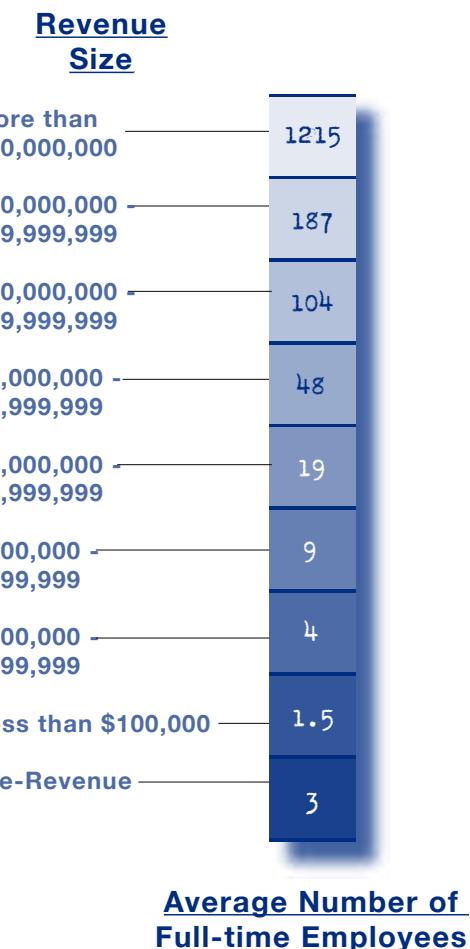
Revenues

Not surprisingly, there is a direct correlation between a company's revenue level and the number of full-time staff members it employs. The fact that pre-revenue companies appear to have more employees, on average, than companies with revenues of less than \$100,000 may be explained by the fact that pre-revenue companies may often list the company founders as employees.

Location

On average, Lower Mainland new media companies employ 59 full-time employees compared to an average of 10 for companies in the rest of B.C. The Lower Mainland figures are skewed, however, in that the majority of large companies are located within this region of the province. Interestingly, numbers of part-time, contract, volunteer and administrative/management employees do not vary significantly by region.

Numbers of technical employees and artists/content producers vary between companies in the Lower Mainland and those in the rest of British Columbia. The average Lower Mainland company has 40 technical employees and 11 artists/content producers compared with 6 technical employees and 3 artists/content producers in companies situated in the rest of B.C.



Average Educational Level of B.C.'s New Media Employees

Education Level	% Respondents
High School	3%
Diploma	21%
Undergraduate	49%
Graduate	26%
Doctorate	1%

B.C.'s new media industry work force is highly educated. Almost all (97%) companies indicated that their employees had obtained a post-secondary diploma or higher and 76% of respondents indicated that the average education level of their employees was at an undergraduate level or higher.

Eighty-one percent of Lower Mainland new media companies have an average education level of undergraduate or higher compared to 63% throughout the rest of B.C. Ninety-nine percent of Lower Mainland companies have an average education level of diploma or higher, compared to 90% in other areas of the province.

There is no discernable difference in education levels between the three main industry sectors: 96%-98% of companies in all sectors report an average education level of diploma or higher. More *enabler* companies have education levels of undergraduate or higher (83%) compared to companies in the *content* (74%) and *delivery* (72%) sectors.

Innovation_

B.C.'s new media companies are leaders in the production of innovative products and services. The majority of survey participants (80.5%) indicated that they produce intellectual property of some kind.

It should be noted that although a significant amount of intellectual property is produced in the province, the majority of B.C.'s new media companies are service-oriented organizations. Some companies produce intellectual property in the course of doing service work to solve client problems or create a competitive advantage. Others utilize service work — which generates revenues without significant investment — to finance their business activities or fund the development of intellectual property.

The most common kinds of intellectual property produced are products and copyrighted materials (artwork, photographs, software etc.) Sixty-eight percent of B.C.'s new media companies make products while 67% produce copyrighted works.

Types of Intellectual Property Produced: By B.C. New Media Companies

Type	% Respondents
Inventions	14%
Trademarks	24%
Industrial Designs	14%
Copyright	67%
Products	68%

Company Location

Types of intellectual property produced do not vary significantly by region except for inventions and trademarks, which are more commonly produced by Lower Mainland companies. The majority of companies in other areas of B.C. are involved in *content-based* activities and therefore produce more copyrighted works or other types of intellectual property.

Comparison of Intellectual Property Produced: By Location



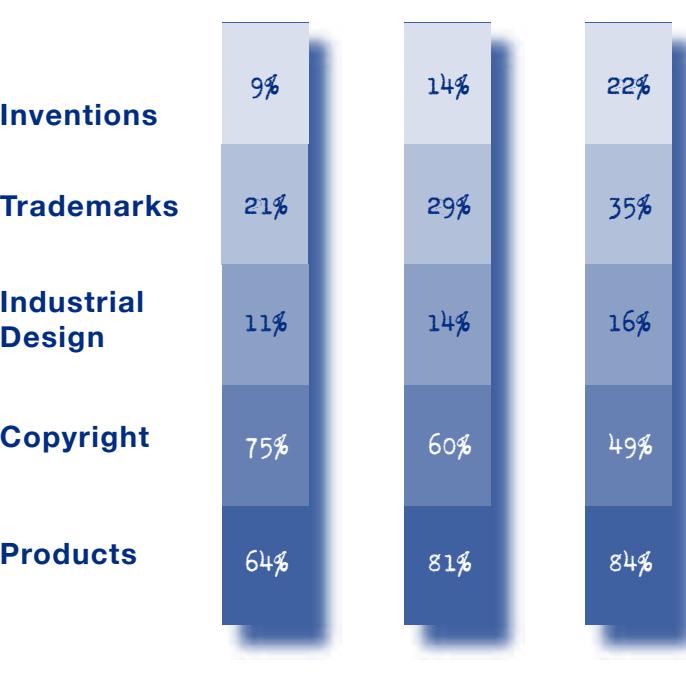
Types of Intellectual Property Produced: By Revenues Level

Type	Less than \$100,000	\$100,000 - \$499,999	\$500,000 - \$4,999,999	\$5,000,000+
Inventions	10%	16%	14%	35%
Trademarks	20%	19%	23%	47%
Industrial Designs	7%	16%	15%	35%
Copyright	76%	72%	62%	47%
Products	55%	67%	69%	88%

Revenues

Companies with larger revenues (over \$5 million) produce a larger proportion of most types of intellectual property with the exception of copyrighted works. Only 47% of these companies produce copyright materials compared with an average of 70% among the other income levels.

Type of Intellectual Property Produced: By Company Sector



Sector

Inventions, trademarks and industrial designs are more commonly produced by *delivery* or *enabler* companies compared to companies that operate solely within the *content* sector. A significant percentage of *content-based* companies (75%) produce copyrighted intellectual property. A majority of respondents from each of the three industry sectors produce products.

Company Revenues

Reported Revenues of New Media Companies (2002)



No doubt reflecting the number of young new media businesses launched in the past five years, 40% of survey respondents report 2002 gross revenues of \$100,000 or less. While there are clearly many new companies in the marketplace, B.C.'s new media industry continues to be anchored by established mid-sized companies including Radical Entertainment, Rainmaker, Mainframe Entertainment and Blast Radius. As well, B.C. is home to the video game development studio of Electronic Arts, which has revenues in excess of \$1 billion.

All revenues provided are in Canadian dollars.

Age

Most companies that are one year old or less are in a pre-revenue stage (43%) or report 2002 revenues of less than \$100,000 (43%). Thirty-six percent of these companies (the largest proportion among the age levels) expect revenue growth of 100% or more in 2003.

Location

When compared with companies in the Lower Mainland, a larger proportion of companies in the rest of B.C. are in a pre-revenue stage. Thirty-five percent of new media companies within the Lower Mainland are either in a pre-revenue stage or reported revenues of less than \$100,000, compared to 55% in the rest of B.C. This is likely related to the fact that, on average, companies in the rest of B.C. are younger than companies in the Lower Mainland.

Sector

In general, *content*-based companies reported lower revenues in 2002 than those within the *delivery* or *enabler* sectors. More companies that are pre-revenue or earned less than \$100,000 fall within the *content* sector (42%) than the *delivery* (25%) or *enabler* (32%) sectors. This may be due in part to the fact that many *content* companies are small, freelance businesses.

A similar number of companies from each of the three sectors reported revenues in the \$100,000 to \$999,999 range.

Revenue differences between sectors appear again at the \$1 million or more level. Nineteen percent of *content* companies fall within this range compared to 30% of companies in the *delivery* sector and 29% of *enabler*. However, it should also be noted that 90% of companies with revenues of more than \$20 million reported belonging, wholly or in part, to the *content* sector.

B.C.'s new media companies are highly optimistic about anticipated revenue growth from 2002 to 2003. Forty-six percent expect growth of 25% or more in the coming year.

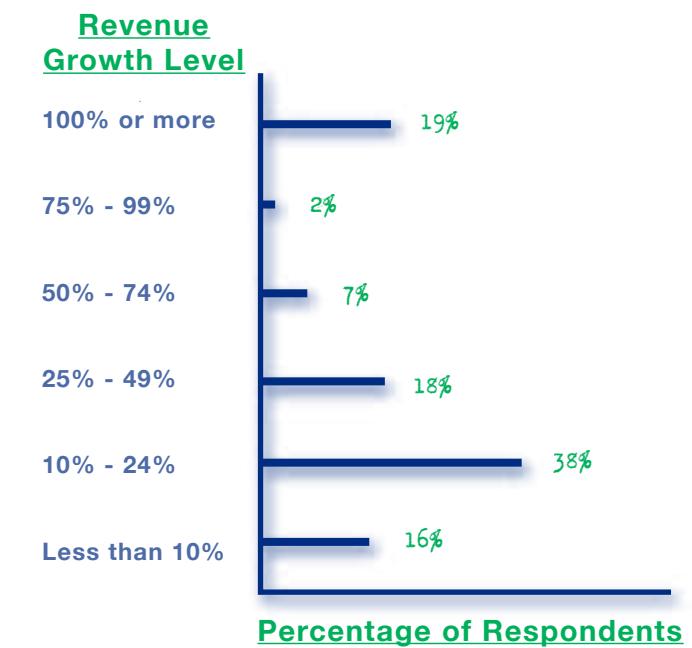
Growth Expectations

B.C.'s new media companies are highly optimistic about anticipated revenue growth from 2002 to 2003. Forty-six percent expect growth of 25% or more in the coming year.

Twenty-six percent of young startup companies (pre-revenue/revenue of less than \$100,000) expect revenue growth of 100% or more from 2002 to 2003.

Overall, anticipated revenue growth is comparable among the three sectors, except that more *enabler* companies (26%) than *content* (15%) or *delivery* (15%) companies anticipate growth of 100% or more.

Anticipated Revenue Growth from 2002 to 2003



Financing_and_Ownership_

/_Ownership Structure

When asked to rank the top barriers to their growth, the majority of survey respondents cited lack of financing as the most significant obstacle.

In this section, we examine the ownership structure of B.C.'s new media industry. We also take an in-depth look at the types of funding received by new media companies, their plans to pursue future financing, and the types of funding they find difficult to obtain. As in other areas of this study, questions related to finance have been cross tabbed by age, industry sector, revenue level and location. Where significant differences appeared in the survey results, they have been noted within this report.

Self-funding remains the most common form of financing among new media companies, with 83% of companies receiving funds from founders or proprietors.

Ownership Structure

The ownership structure of B.C.'s new media industry has changed remarkably over the past five years, likely as a result of the economic downturn and related challenges encountered by the industry during this time period.

Today, the majority of new media companies (87%) are privately held, compared to just two-thirds in 1998. A quarter of all new media companies were publicly owned in 1998, compared to just 8.8% today. Subsidiaries of Canadian parent companies comprise 2.3% of companies while 1.5% are subsidiaries of foreign parents.

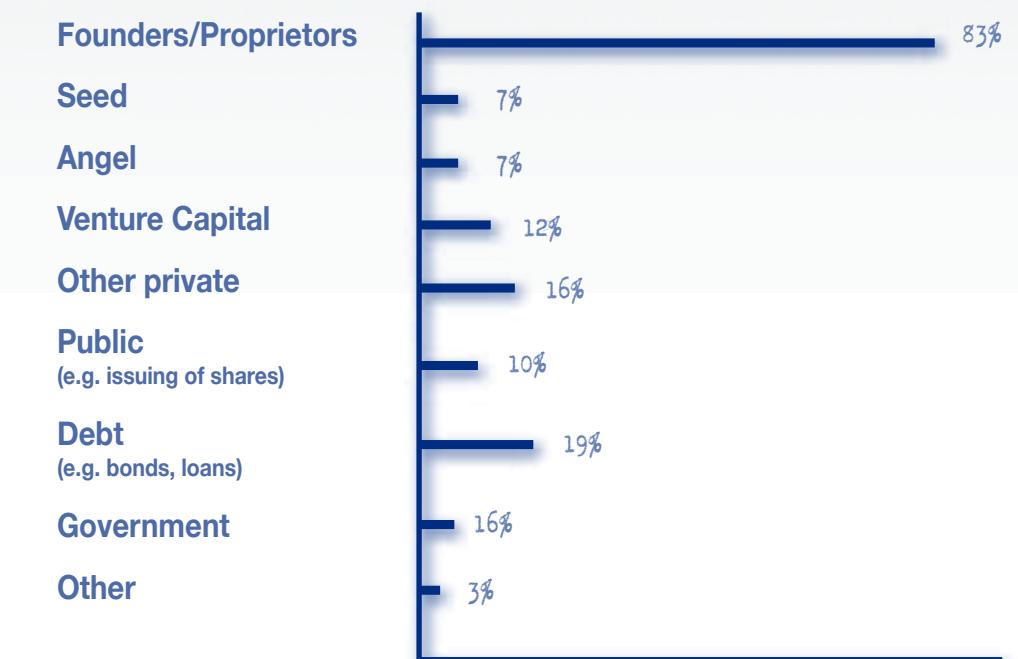
Most (83%) public companies and all Canadian or foreign-owned subsidiaries are situated within the Lower Mainland.

Types of Funding Received

Self-funding remains the most common form of financing among new media companies, with 83% of companies receiving funds from founders or proprietors. For almost half of these companies, self-funding accounts for 100% of their total financing. On average, young companies (two years old or less) receive a high percentage (86%) of total funding from their founders/proprietors.

/_Types of Funding Received

Types of Funding Received by B.C. New Media Companies



Note: Percentages do not add up to 100% as respondents were permitted to select more than one funding type.

Funding Type as a Percentage of Total Funding

Funding Type	0%	1 - 50%	More than 50%	100%
Founders/Proprietors	17%	17%	50%	40%
Seed	93%	4%	1%	1%
Angel	93%	5%	0%	0%
Venture Capital	89%	5%	1%	0%
Other Private	84%	6%	4%	3%
Public	90%	3%	3%	1%
Debt	81%	13%	3%	1%
Government	84%	7%	2%	1%
Other	97%	1%	1%	0.5%

Note: Some respondents did not disclose the percentage of funding represented by each method and are not included in this table.

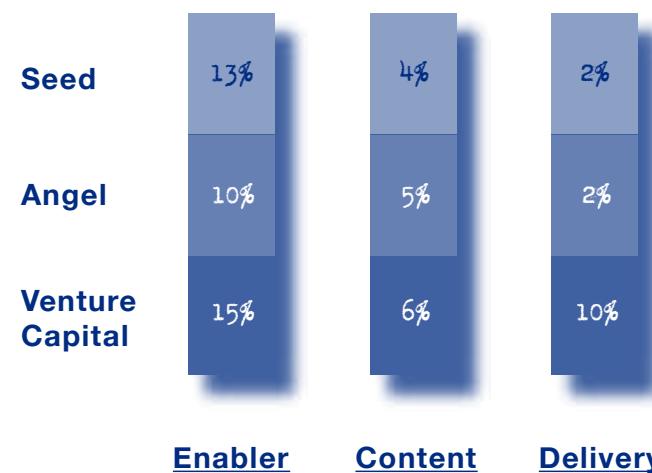
/_Types of Funding Received

Location

While comparable percentages of companies in the Lower Mainland and the rest of B.C. receive capital from founders/proprietors, seed funding, debt and government funding, more Lower Mainland companies receive angel funding, venture capital and public funding.

Companies in all industry sectors find venture capital, government funding, angel funding and seed money the four most difficult funding types to access.

Comparison of Funding Received by Sector



Sector

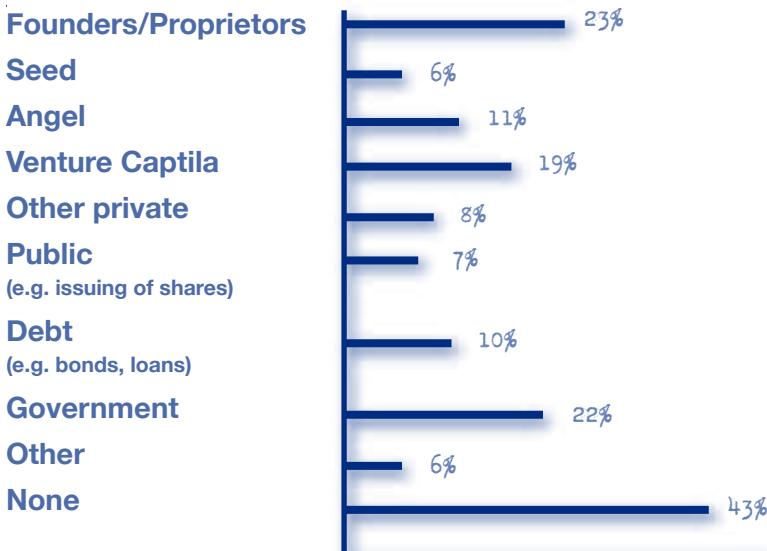
Although funding types do not vary significantly by sector, more *enabler* companies receive seed funding, angel funding and venture capital than companies in the *content* or *delivery* sectors.

Significantly fewer *delivery* sector companies (2%) receive government funding than those in the *content* (14%) or *enabler* (16%) sectors.

Comparison of Funding Received by Location

	Lower Mainland	Rest of B.C.
Angel	8%	2%
Venture Capital	14%	5%
Public	12%	4%

Funding to Pursue



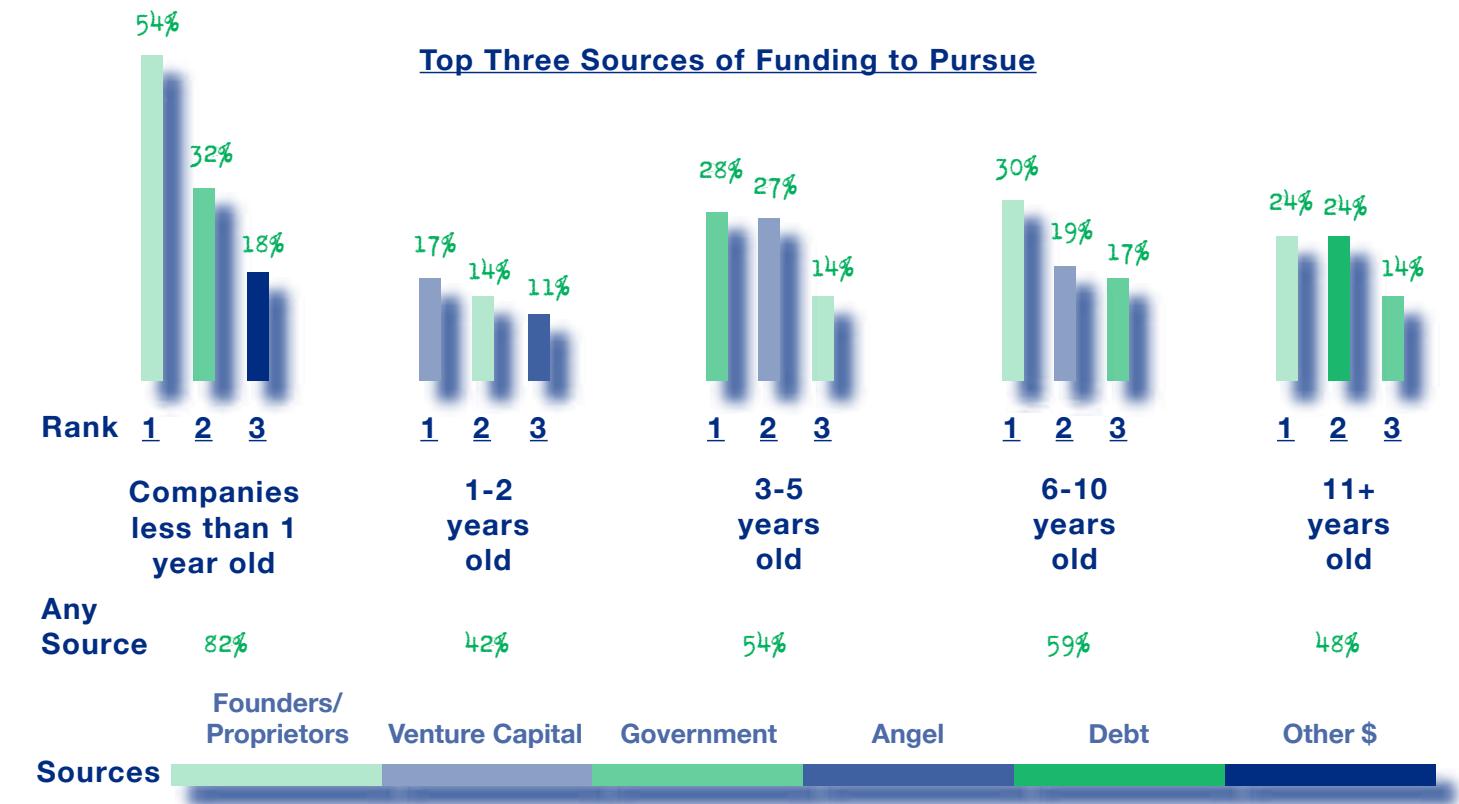
Note: Percentages do not add up to 100% as respondents were permitted to select more than one funding type.

More than half of all new media companies (57%) plan to pursue additional funding in the next 18 months. The three most common sources of funding they intend to pursue include funding from founders/proprietors (23%), government funding (22%), and venture capital (19%).

Age

Not surprisingly, startups (less than one year old) represent the largest group of companies planning to pursue funding (82%). Only established companies (more than 10 years old) listed debt among the top three funding types they plan to pursue in the next 18 months.

Top Three Sources of Funding to Pursue



Location

A slightly greater percentage of companies (61%) in the rest of B.C. plan to pursue funding compared with companies in the Lower Mainland (56%), and a higher proportion of respondents outside the Lower Mainland plan to seek funding from angel, venture capital, government, and “other private” sources.

It is interesting to note that while companies in the rest of B.C. have had difficulties securing funding from angel funding and venture capital (see *Difficult Funding to Access*, p.43), they plan to pursue these sources at a higher rate than their counterparts in the Lower Mainland.

Consistent with the fact that three times as many Lower Mainland companies receive public funding than companies in the rest of B.C., 8% of Lower Mainland companies plan to pursue public funding in the next 18 months compared with just 2% in the rest of B.C.

Twenty-three percent of content companies and 20% of enablers plan to pursue government funding compared to just 13% of delivery companies.

Type of Funding to be Pursued by Company Location

	Lower Mainland	Rest of B.C.
Angel	10%	15%
Venture Capital	17%	23%
Government	21%	24%
Other Private	6%	13%

Sector

:: **Seed:** Although few *delivery* companies currently receive seed funding, 13% of them plan to pursue funding from this source in the next 18 months, compared to 8% of *enabler* companies and 6% of companies in the *content* sector.

:: **Venture Capital:** More *enabler* companies (26%) plan to pursue venture capital than *content* (14%) or *delivery* companies (16%), which supports the fact that more *enablers* receive funding from venture capitalists than companies in the other two sectors.

:: **Government Funding:** Twenty-three percent of *content* companies and 20% of *enablers* plan to pursue government funding compared to just 13% of *delivery* companies. This is consistent with the fact that fewer *delivery* companies have received funding from the government than the other two sectors.

It is interesting to note that, while government funding and venture capital were ranked second and third respectively as the most common types of funding to pursue, they are the top two most difficult types of funding to access. Venture capital, government funding and angel funding are the most difficult types of funding to access across all company revenue levels.

Age

For companies two years old or less, the most difficult sources of funding to access are venture capital (46%), government funding (42%), and seed funding (39%).

Though a greater percentage of companies more than five years old (20%) report difficulty securing public funding than young companies (7%) this is likely due the fact that significantly fewer young companies ever pursue this funding option.

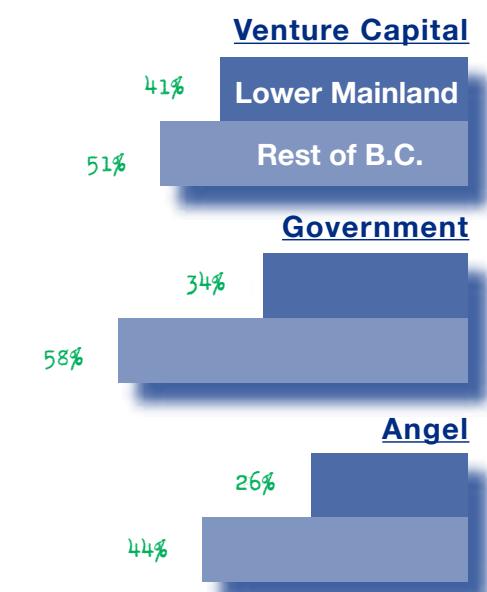
Location

On average, more companies outside the Lower Mainland find venture capital, government funds and angel funding difficult to access than companies within the Lower Mainland.

Funding Sources Difficult to Access

Funding Type	% Responses
Venture Capital	44%
Government	41%
Angel	31%
Seed	30%
Other Private	28%
Debt	22%
Public	15%
Other	9%

Difficult Funding to Access by Company Location



While government funding and venture capital were ranked second and third respectively as the most common types of funding to pursue, they are the top two most difficult types of funding to access.

The most common types of government funding accessed by B.C.'s new media companies are the Industrial Research Assistance Program (15%) and the Scientific Research and Experimental Development Program (13%).

Age

Not surprisingly, more mature new media companies have received government funding than new companies. Eighty-eight percent of surveyed companies two years old or younger have never received government funding, while only 45% of companies more than ten years old indicated they have never received government funding.

Companies that are three years old or more make up 82% of the companies who have received IRAP funding and 82% of the companies that have received funding from SRED.

Types of Government Funding Received

Industrial Research Assistance Program (IRAP)	15%
Scientific Research and Experimental Development Program (SRED)	13%
Advanced Systems Institute (ASI)	4%
Technology Partnership Canada	0.4%
Precommercialization Assistance (PA)	0.9%
Community Futures	5%
Science Council of B.C.	3%
Telefilm Canada New Media Fund	6%
Canadian Heritage	4%
Program for Export Market Development (PEMD)	1%
CANARIE	5%
Other	7%
None	66%

Note: Percentages do not add up to 100% as respondents were permitted to select more than one funding type.

Location

Of the total number of companies receiving government funding, 72.2% are located in the Lower Mainland and 27.8% are situated in the rest of B.C. While a comparable percentage of companies within the Lower Mainland and around B.C. have received IRAP or CANARIE funding, there are significant regional differences between other types of government funding received.

Percentage of Respondents Receiving Government Funding: By Location

	Lower Mainland	Rest of B.C.
IRAP	15%	15%
SRED	14%	8%
ASI	4%	2%
Technology Partnership Canada	1%	0%
Precommercialization Assistance (PA)	1%	0%
Community Futures	2%	13%
Science Council	3%	2%
Telefilm Canada	8%	2%
Canadian Heritage	5%	2%
PEMD	2%	0%
CANARIE	4%	5%



Sector

A larger proportion of *enabler* companies have accessed IRAP and SRED funding. Twenty-three percent of *enabler* companies have received IRAP funding compared to 16% of *delivery* companies and 11% of *content* companies, and 20% of *enablers* have received SRED funding compared to 14% of *delivery* companies and 9% of companies in the *content* sector.

Three-quarters of *delivery* companies have never received government funding compared to 69% of *content* companies and 60% of *enablers*.

Collaboration_



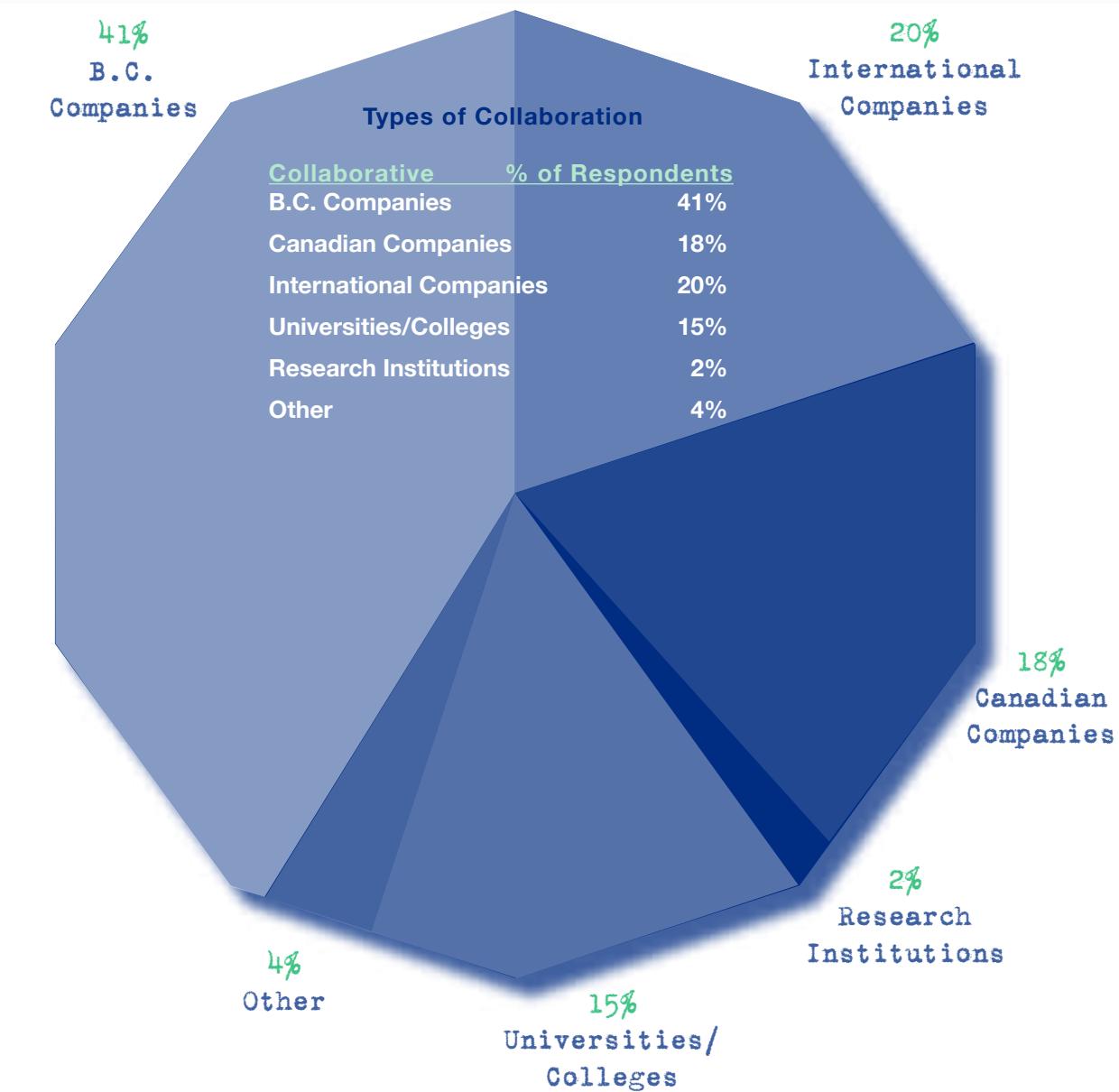
The high degree of collaboration across B.C.'s new media industry suggests that this activity is vital to industry growth and sustainability. A significant percentage of B.C.'s new media companies are actively involved in collaborative partnerships with other B.C. or Canadian businesses, international organizations, universities/colleges, and research institutions. For the purpose of this study, collaboration is defined as: **partnerships, joint ventures, joint research partnership or informal cooperation.**

Forty percent of respondents have collaborated with at least one other company within the province and the average number of collaborative partners within B.C. was slightly greater than five.

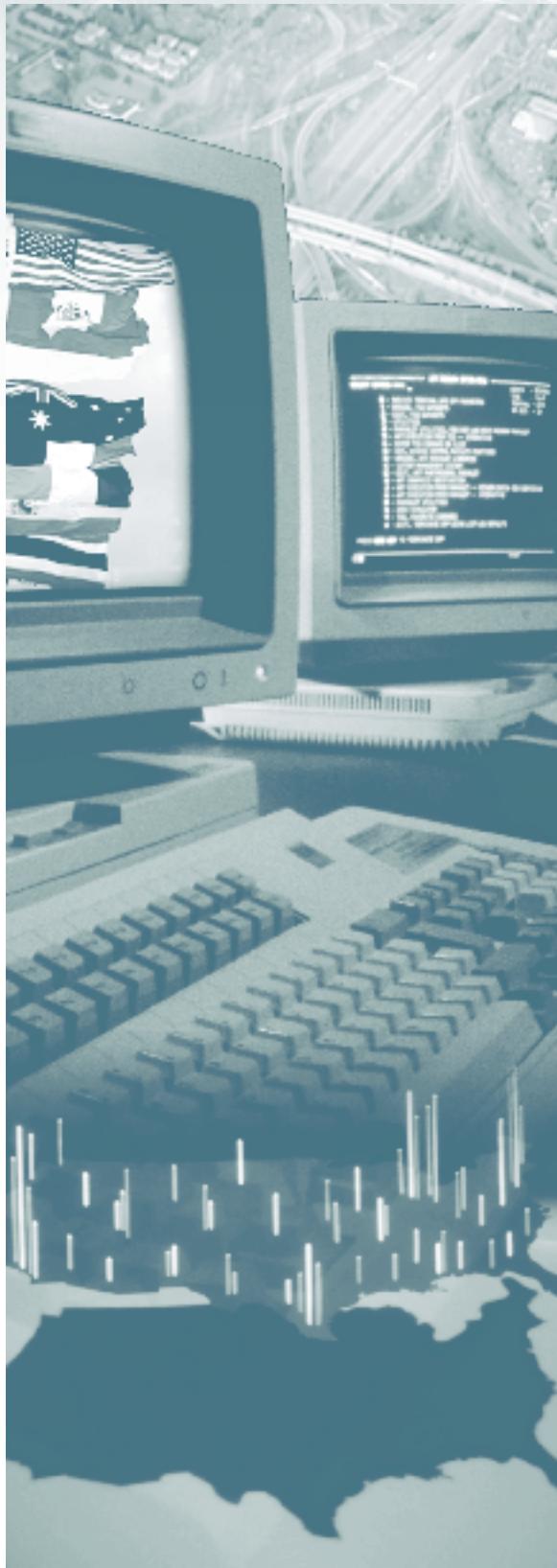
Whether local, national or international, collaborative activity is most common in companies five years old or less. This age group accounts for 67% of companies that collaborate with other B.C. companies, 65% of companies that collaborate with companies in other parts of Canada, and 62% of companies that collaborate internationally.

The frequency of collaboration among B.C.'s young new media companies indicates a recognition that strong partnerships and relationships are fundamental to their survival, and may indicate a trend toward mergers and consolidations over the next several years.

A significant percentage of B.C.'s new media companies are actively involved in collaborative partnerships with other B.C. or Canadian businesses, international organizations, universities/colleges, and research institutions.



Export_Activity



One of the key objectives of this study was to achieve a clear understanding of the nature and degree of export activities undertaken by B.C.'s new media companies. A significant number of survey questions were devoted to this topic.

New media companies were asked whether they export to national or international markets and to what degree. Respondents were asked to rank the markets they pursue by level of importance and whether they planned to increase their export activity in the next 18 months. They were also asked how much revenue they generate from exports and how they generate and develop export initiatives.

More than three-quarters of B.C.'s new media companies export products and/or services. Sixty-eight percent export services while 46% export products. Seventy-six percent of companies indicated they plan to undertake export activity in the next 18 months.

Location

Eighty-one percent of companies that export products and 75% of companies that export services are located in the Lower Mainland. While the majority of current exporters are located in the Lower Mainland, nearly two-thirds of companies (63%) in the rest of B.C. plan to export products/services in the next 18 months.

Sector

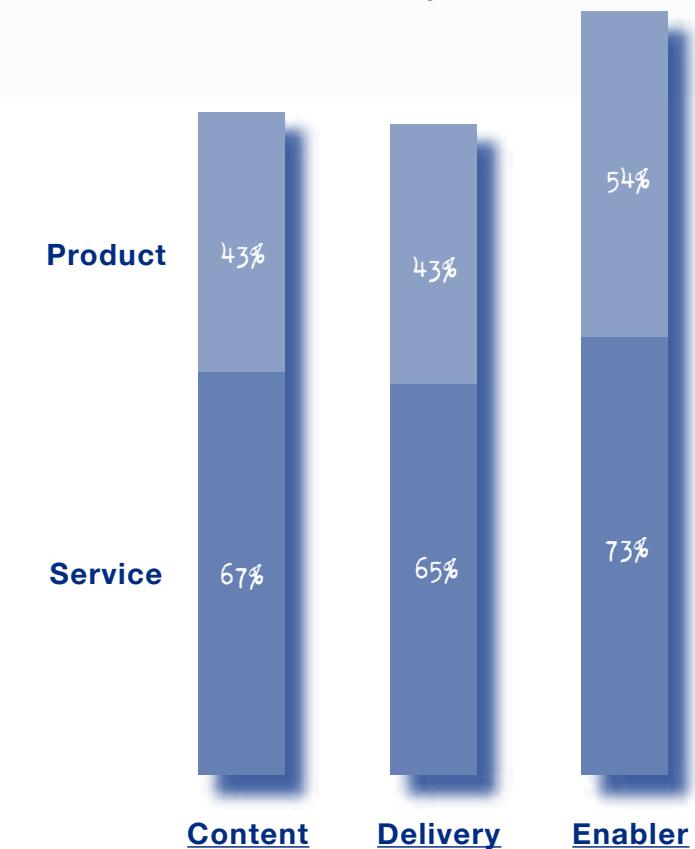
Considering their service-based nature (Web development/design, Internet marketing, digital content publishing, etc.) it is not surprising that a large percentage of *content* companies export services. The number of *content* companies exporting products (43%) suggests that those companies have incorporated product-focused *enabling* and *delivery* activities (e.g. software development) into their core business activities.

The higher proportion of *enabler* companies that export products reflects the large percentage of companies that develop software products and applications, traditionally a more product-focused business.

Age

Reflecting the service-based model of the majority of B.C.'s new media companies, the proportion of companies exporting services is consistent among all age groups. A significantly larger proportion of established companies (60%) export products, compared to 37% of companies aged 5 years or less.

Analysis of Export Activity by Industry Sector



Percentage of Exporting Companies Compared by Age

Export Type	Age 0-2 years	3-5 years	6-10 years	11+ years
Product	29%	43%	65%	60%
Service	60%	68%	75%	73%

Respondents ranked the following markets in order of importance to their business:

Importance to Company

1. Canada
2. United States
3. United Kingdom
4. Western Europe
5. China / Taiwan / Hong Kong
- Australia / New Zealand
6. Japan
7. Southeast Asia
8. Korea
9. Eastern Europe
10. India
11. Middle East
12. Africa



Canada and the United States are equally vital to B.C.'s new media industry with more than 75% of respondents ranking each of these markets as "extremely important".

By comparison, only 24% of respondents rated the third-ranked market, the U.K., as "extremely important". Canada, the United States, the United Kingdom and Europe were the four most important markets across all three industry sectors.

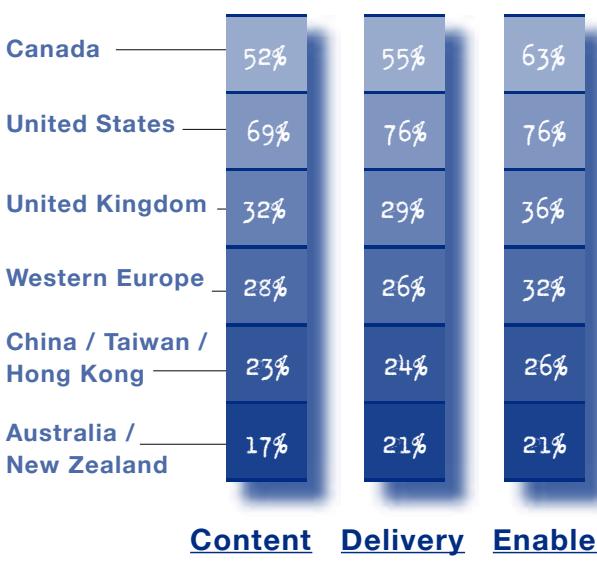
Canada and the United States are equally vital to B.C.'s new media industry with more than 75% of respondents ranking each of these markets as "extremely important".

Of the B.C. new media companies that currently export, approximately 89% plan to expand into their target markets during the next 18 months.

Export Expansion Plans: By Target Market

Market	% of Companies
United States	72%
Canada	57%
United Kingdom	34%
Western Europe	31%
China / Taiwan / Hong Kong	23%
Japan	20%
Australia / New Zealand	19%
Southeast Asia	13%
South America	10%
Korea	9%
Eastern Europe	7%
Middle East	4%
Africa	3%

Comparison of Export Expansion Plans: By Industry Sector



Location

Slightly fewer companies outside the Lower Mainland plan expansion into other markets compared with companies in the Lower Mainland. The most significant difference relates to expansion into the European market. Thirty-seven percent of exporting companies in the Lower Mainland plan to expand into the U.K. and 33% plan to expand into Western Europe. By comparison, just 22% of exporting companies in the rest of B.C. plan expansion into each of these markets.

Sector

Across nearly every export market, the *enabler* sector represents a higher proportion of companies planning expansion than the *content* or *delivery* sectors.

Export Activity

/_Export Development

Age

Perhaps surprisingly, young new media companies (2 years old or less) with less than \$100,000 in total revenues are as aggressive in their plans for expansion into new geographic markets as more established companies.

Percentage of New Media Companies Planning Expansion: By Company Age

Market	0-2 years	3-5 years	6-10 years	11+ years*
Canada	64%	58%	53%	43%
United States	74%	78%	63%	54%
United Kingdom	30%	37%	39%	25%
Western Europe	32%	27%	35%	32%
China / Taiwan / Hong Kong	23%	24%	14%	36%
Australia / New Zealand	23%	16%	16%	18%

*There were fewer than 30 respondents reporting in this group.

Percentage of New Media Companies Planning Expansion: By Revenue Levels

	less than \$100,000	\$100,000 - \$499,999	\$500,000 - \$4,999,999	\$5,000,000 + *
Canada	68%	58%	47%	29%
United States	72%	75%	71%	43%
United Kingdom	39%	13%	45%	29%
Western Europe	31%	15%	43%	43%
China / Taiwan / Hong Kong	22%	15%	31%	29%
Australia / New Zealand	21%	13%	26%	14%

*There were fewer than 30 respondents reporting in this group.

Activities Used to Develop Export Initiatives

Activity	% Respondents
Attend trade shows	50%
Use an agent	24%
Use a distributor	22%
Use trade commissioners	13%
Use online tools from the Canadian government	22%
Independent visits to target market	50%
Participate in a trade mission	9%
Internet marketing	12%
Other	17%

Half of the survey respondents develop export initiatives by making independent visits to their target geographic markets and by attending trade shows. Nearly a quarter of exporters use agents (24%) or distributors (22%). Trade commissioners are utilized by approximately 13% of companies, and 9% participate in trade missions.

More than 20% of respondents use the online tools offered by Canadian government agencies such as the Canada/B.C. business Service Centers and Team Canada and departments such as DFAIT (Department of Foreign Affairs and International Trade). While not listed as an option in the survey, 12% of companies reported using Internet marketing in some capacity.

Location

Perhaps as a result of smaller revenues, increased costs and difficulty in accessing markets, fewer companies in the rest of B.C. make independent visits to target markets than their counterparts in the Lower Mainland. Instead, companies outside of the Lower Mainland have adapted by using online resources. Twenty-two percent of companies outside of the Lower Mainland make use of Internet marketing compared to just 8% within the Lower Mainland. Twenty-nine percent of companies in the rest of B.C. use online tools from the government, compared with 19% of Lower Mainland companies.

Revenues

Participation in the various export development activities is fairly evenly distributed across revenue levels except that a larger percentage (71%) of companies with revenues of \$5 million or more make independent visits to target markets. By comparison, fewer than half of the companies (45%) earning less than \$100,000 make independent trips to target markets.

Despite this difference, a large percentage of companies in the less than \$100,000 revenue range undertake independent visits, indicating a desire among startups to establish and develop exporting activity as soon as possible.

Although three-quarters of respondents export products and services, 43% generate less than 10% of their revenues from this activity. Thirty percent of exporting companies report that they generate more than 50% of their revenues from exports.

Attending trade shows is an important activity for more than half of all respondents, regardless of their age, size, sector or geographic region.

Respondents provided a diverse list of more than 150 different trade shows they attend. However, since just 55 companies responded to this question, the results cannot be considered fully representative of the whole population. The list of trade shows is interesting, however, in that it reveals the diversity and variety of the interests of new media companies. Some of the most commonly attended trade shows include Comdex, the Electronic Entertainment Expo (E3), the Banff Film and TV Festival, the World Education Market, and the Consumer Electronic Show (CES).

**Percentage of Companies Participating in Export Development Activities:
By Revenue Level**

Activities	less than \$100,000	\$100,000 \$499,999	\$500,000 \$4,999,999	\$5,000,000 + *
Attend trade shows	44%	42%	58%	48%
Use an agent	25%	18%	32%	14%
Use a distributor	17%	21%	28%	19%
Use trade commissioner	13%	24%	6%	5%
Use online tools	31%	24%	16%	10%
Independent visits	45%	37%	58%	71%
Participate in trade missions	14%	26%	6%	10%
Other	30%	34%	26%	24%

* There were fewer than 30 respondents reporting in this group.



/ Export Revenues

Although three-quarters of respondents export products and services, 43% generate less than 10% of their revenues from this activity. This is likely a reflection of the number of small and young businesses within B.C.'s new media industry. Smaller companies may have fewer opportunities to generate export initiatives, while new companies are likely more concerned with establishing themselves locally and may not have the funds necessary to develop export activities.

Thirty percent of exporting companies report that they generate more than 50% of their revenues from exports.

The disparity in the levels of export activity suggests that while some companies generate significant revenues from exporting products and services, generating export activity remains a challenge for many new media companies, particularly those outside the Lower Mainland. Of those companies that generate less than 10% of their revenues through export activity, 59% are located in areas other than the Lower Mainland.

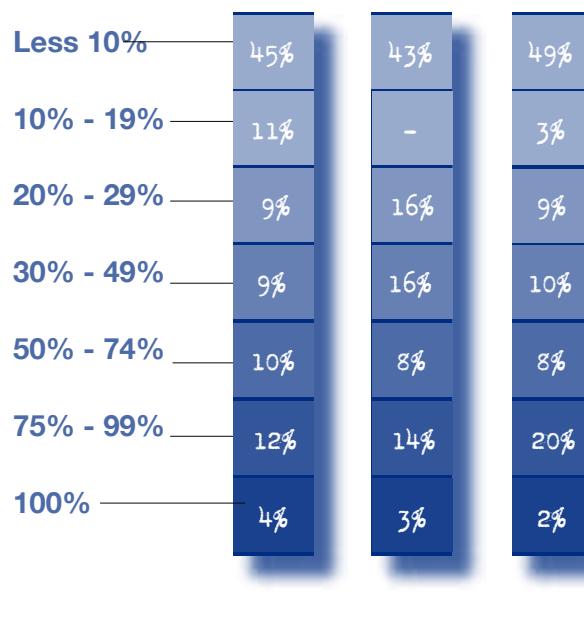
Sector

The number of companies at each level of export revenue is fairly evenly distributed across the three industry sectors. Compared to *content-based* companies, slightly more *delivery* and *enabler* companies have export revenues that exceed 30% of their total revenues.

Percentage of Revenues Generated from Export Activity

% Revenue	% of Respondents
Less 10%	43%
10% - 19%	10%
20% - 29%	8%
30% - 49%	10%
50% - 74%	10%
75% - 99%	15%
100%	5%

Percentage of Revenues from Exports Activity: Compared By Industry Sector



Age

By and large, more established, higher-revenue companies generate a larger portion of their revenues from exports. Half of all companies that are older than 10 years and have revenues in excess of \$5,000,000 report that exports account for 50-100% of their revenues. By comparison, 70% of those companies that are less than two years old generate less than 10% of their revenues from export activities.

Revenues

Not surprisingly, the percentage of revenue earned from export activity appears to increase as total company revenue increases. This is likely due to the fact that larger companies have had more resources to invest in pursuing and developing export activities to develop their markets.



Percentage of Revenue from Export Activity Compared by Revenue Levels

Activities	less than \$100,000	\$100,000 - \$499,999	\$500,000 - \$4,999,999	\$5,000,000 + *
Less than 10%	64%	55%	23%	10%
10% - 19%	10%	14%	6%	10%
20% - 29%	3%	7%	14%	14%
30% - 49%	9%	7%	10%	10%
50% - 74%	4%	12%	17%	5%
75% - 99%	6%	5%	23%	38%
100%	4%	-	8%	14%

* There were fewer than 30 respondents reporting in this group.

Challenges Faced by B.C.'s New Media Companies

Though they remain optimistic overall about the future of their industry, B.C.'s new media companies face a number of potential stumbling blocks. The top three challenges reported by B.C.'s new media industry are lack of financing, economic volatility and lack of access to target markets.

The fact that more than half of all new media companies in B.C. plan to pursue additional funding in the next 18 months indicates that the majority of new media companies are under-funded. Most common types of funding to be pursued include founders/proprietors, government funding and venture capital, despite the fact that government funding and venture capital were cited as the most difficult types of funding to access (see *Financing and Ownership*, p.38.)

The fact that more than half of all new media companies in B.C. plan to pursue additional funding in the next 18 months indicates that the majority of new media companies are under-funded.

The prominent ranking of "lack of access to markets" may explain, at least in part, why nearly half of B.C.'s new media companies generate less than 10% of their revenue from export activity (see *Export Revenues*, p. 56.) It is clear that, while the majority of companies would like to export products and services, many are frustrated by the lack of access to national and international markets.

Though largely beyond the control of the new media industry, ongoing economic uncertainty remains a concern within the industry and a key barrier to growth.

Sector

Lack of financing, economic volatility, and lack of business network are consistent barriers to growth among all three industry sectors.

Challenges Faced by B.C.'s New Media Companies (Ranked by Importance)

Type of Barrier

- 1 Lack of financing
- 2 Economic volatility
- 3 Lack of access to markets
- 4 Lack of business network
- 5 Human resources needs at non-executive level
- 6 Other
- 7 Human resources needs at executive level
- 8 Regulatory environments
- 9 Broadband take-up
- 10 Security
- 11 Tariff & duties
- 12 Piracy

Challenges Faced by B.C.'s New Media Companies (Ranked by Importance)

#	Content	Delivery	Enabler
1	Lack of financing	Lack of financing	Economic volatility
2	Economic volatility	Lack of business network	Lack of financing
3	Lack of business network	Economic volatility	Lack of business network
4	Lack of access to markets	Lack of access to markets	Lack of access to markets
5	Human resources needs at non-executive level	Human resources needs at executive level	Other
6	Human resources needs at executive level	Other	Human resources needs at non-executive level
7	Other	Human resources needs at non-executive level	Human resources needs at executive level
8	Broadband take-up	Regulatory environments	Broadband take-up
9	Regulatory environments	Broadband take-up	Regulatory environments
10	Piracy	Tariff & duties	Tariff & duties
11	Tariff & duties	Security	Security
12	Security	Piracy	Piracy

Why_B.C.?

By far, the top reason for locating in B.C. cited by new media companies is the desirable west coast lifestyle. One hundred and fifty-two companies ranked lifestyle as extremely important, compared to the large talent pool, which was ranked as extremely important by 107 companies. This one-two ranking was consistent across all respondents, regardless of company age.

These findings are corroborated by research conducted by the Simon Fraser University Centre for Policy Research on Science and Technology. In a series of in-depth interviews carried out by the Centre's researchers, companies identified the following key reasons for locating and staying in B.C.: lifestyle; talented labor market; proximity to the US market and convenience. However, slight differences in the ranking of factors do occur when we compare across revenue levels and sectors.

Reasons to Stay in B.C.

Factors

- 1 Lifestyle
- 2 Large talent pool
- 3 Access to western U.S.
(Pacific Northwest & California)
- 4 Low dollar
- 5 Strong sense of new media community
- 6 Strong ties to film industry
- 7 Access to Asian markets

Revenue

For young startup companies (pre-revenue/revenues less than \$100,000), lifestyle and the large talent pool were the top two reasons for staying in B.C. For pre-revenue companies, however, a strong sense of community in new media was third, and ranked almost as highly as the large talent pool. Considering that a lack of business network was cited as a top barrier to growth, fostering the new media community is vital to cultivating and maintaining B.C.-based companies.

As companies grow in revenue, their reasons for staying in B.C. begin to shift. For companies with less than \$100,000 in revenue, the third most important reason is accessibility to the western United States. Access to the U.S. is also the third most important reason cited by companies with revenues of \$100,000-\$499,999, but it is followed closely by the low Canadian dollar.

For more established companies (revenues of \$500,000+), the low Canadian dollar is the top reason for locating/staying in B.C., followed closely by the large talent pool, desirable lifestyle and accessibility to the western U.S.

Location

Reasons for remaining in British Columbia vary depending on company location. Seventy-four percent of companies located in the rest of B.C. ranked lifestyle as the most important factor compared to 55% of those in the Lower Mainland. Forty-six percent of Lower Mainland companies ranked the availability of a large talent pool as the most important factor versus 36% in the rest of B.C. Twelve percent of Lower Mainland companies ranked close ties with B.C.'s film industry as extremely important, compared to just 5% in the rest of the province.

Sector

All three industry sectors indicated that a desirable lifestyle was their most important reason and the large talent pool was their second most important reason for staying in B.C. The order of the other reasons for remaining in B.C. was fairly consistent among industry sectors.

Reasons for Staying in B.C. Compared by Industry Sector

#	Content	Delivery	Enabler
1	Lifestyle	Lifestyle	Lifestyle
2	Large talent pool	Large talent pool	Large talent pool
3	Low dollar	Low dollar	Low dollar
4	Access to western U.S.	Access to western U.S.	Access to western U.S.
5	Strong sense of new media community	Strong sense of new media community	Strong sense of new media community
6	Strong ties to film industry	Access to Asian markets	Access to Asian markets
7	Access to Asian markets	Strong ties to film industry	Strong ties to film industry

All three industry sectors indicated that a desirable lifestyle was their most important reason and the large talent pool was their second most important reason for staying in B.C.

Conclusion_

Though significantly impacted by the recent challenges faced by the high tech sector, B.C.'s new media industry has regrouped and is once again poised for success.

British Columbia provides a fertile climate for the cultivation of the new media industry. Companies are attracted by B.C.'s strong reputation for research and development and its close proximity to a number of attractive western U.S. markets and related industries.

B.C.'s top quality educational institutions have produced a highly educated work force and the province's low personal tax levels and enviable balance of work and play make it one of the most attractive places to live and work in North America.

The companies that make up British Columbia's new media community are resilient, optimistic and entrepreneurial. Having survived the recent dot.com difficulties, they have regrouped and are once again poised for significant growth. Nearly half of B.C.'s companies expect revenues to increase by 25% or more in the next 18 months and most plan to increase their export activities during that time.

From multi-million dollar organizations to the smallest freelance businesses, B.C.'s new media companies represent the leading edge of technology and business practices. They enjoy an atmosphere of collaboration and support within the new media community and embrace the global economy with energy and enthusiasm.

While B.C.'s new media companies have persevered over the past five years, their greatest accomplishments lie ahead and the industry will need support and assistance to achieve its extraordinary potential. It is our hope that this research will draw attention to, and inspire creative solutions for, some of the roadblocks facing B.C.'s new media community.

We invite your comments or questions regarding any aspect of this survey. Please forward your feedback to:



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