CDO 2019 Slide Summary

Slide 1 - Initial Key Research Question and Lessons Learned

Examine the engagement of Canadian digital content and digital media firms in Japanese and South Korean Global Production and Global Innovation Networks. Explore the digital content sector in both countries, and highlight the extent to which Canadian firms are participating in the production and investment networks.

Given the global importance of Japanese and South Korea companies in the digital economy – particularly notable in commercial areas such as massive open online games, animation, anime, video games and digital art – the question of Canada's position in the global production and global innovation networks is of key importance.

Results - Canadian presence appears to be very small

Contacted all the CDMN hubs, incubators and accelerators to find out about their support of digital content companies selling overseas. Reviewed the activities of Canadian digital content firms in Japan and South Korea. Interviewed Canadian business people in Japan.

Of those incubators who replied - support for digital content companies was overall very limited, international business development support is very limited, MaRS (Toronto) has some focus on East Asia but the others did not appear to know of any of their companies active in Asia

Results - Challenges of the Japanese Market

1. How digital content and games development works in Japan – marketing companies tell developers what kinds of games they want and the developers develop them. Have to be part of the system. It is hard to get in. There is a small opportunity for people looking for foreign content. Companies can sell through a publisher but to be a publisher in Japan, you have to be registered as a certified publisher. This takes some work. Publishers have relationships with platformers and each takes a percentage.
2. Japan is a face-to-face market. Must deliver on time, produce high quality, building relationships, adapt products to the market. As one interviewee said, "Canadian producers are good but not good on details on adapting products to the market." Few Canadians in the sector so Canada is not building the relationships or the expertise.
3. Japan is a hard market for small companies. They are often asked about their capitalization and number of employees. It takes time to build connections and relationships so must be able to generate enough revenue to grow slowly. Audiokinetica, for example, became interested in the Japanese market in 2000. They opened in 2013.

Are there lessons about the export of Canadian digital content generally (eg. beyond Japan)?

Canadian companies are predominantly small. Successful ones are bought out before they reach a critical size, difficult for small companies

Video Game Industry Example

As of 2014, 472 video game companies in Canada employing about 20,400 people. Of the 472 companies, 39% (184 companies) have fewer than 5 employees (micro), 56% have 5 -99 employees and 5% (23 companies) have over 100 employees.

85% of the video game companies in Canada are Canadian owned. However, **88% of the employees in the industry work for foreign companies.**

Canadian companies are predominantly or exclusively micro or standard sized companies.

What could be done to improve the situation?

1. Better marketing of country and skills – Canada Brand follow-up.
2. Promotion of the market opportunities to Canadian companies. Joint promotional events, like forest products did
3. Incubators, including those in CDMN, appear not to do much related to digital content nor are they active in terms of international business promotion or assistance
4. Get people to think global
5. Learn from what other countries are doing to promote and support their digital content sectors

Slide Two – Second Key Research Question

How are countries in east and Southeast Asia supporting their digital content sectors? Are there lessons for Canada?

Digital content is a fast growing and dynamic economic sector that includes video games, animation, e-learning, gamification, video blogs

Digital content, as a commercial sector and in terms of business culture, does not fit easily within national innovation or economic development strategies

Slide Three – Research Findings

Great variety of approaches to building the digital content sector

Hong Kong's $2 billion CyberPort (opened in 2004) Equipped with cutting edge infrastructure and hardware, software and technical support, home to a digital creative cluster of over 800 members. "inspire a creative and tech-savvy generation of professionals". To encourage young people to become coders, programmers and digital entrepreneurs, hosts 2,000 young people visits a year. Young people participate in hands-on workshops and in competitions on coding, robotics, animation etc. Students are also eligible for the Creative Micro fund of up to HK$100,000 of six months of seed funding to take a project from idea to concept. Also internships (Shanghai, San Francisco) for students.

Entrepreneurship – rent free office space, pitching sessions, mentorship, subsidized participation in trade fares, professional help, financial assistance even co-investment, Networking opportunities, help finding partnerships

Singapore – data marketplace (allow users access to private and public databases in one place) so they can design new producs and services. Government wants to establish Singapore as the leading centre for games development, talent (lots of investment in training and attracting talent).

Pixel Studios – meeting rooms, thematic sets, music recording studios, bring in companies who buy content, provide a place place to develop game prototypes

Malaysia – Multimedia Super Corridor –

Building talent – make teachers, parents, students aware of digital content as a career, raise the profile. Programs to build talent – bringing in trainers, helping entrepreneurs with office space, facilities, paying companies to do own creative work.

Multimedia University producing the students the sector needs. Closely tied to government and the corporate sector.

Attracting talent – various programs

Digital hubs – building inclusivity, two new platforms. E-rezeki (blessing, wealth)– focussed on the bottom 40%, teaching how to use technology to create own business or improve their lives, mainly through crowd service models. E-Usahawan (entrepreneur) -- training micro entrepreneurs

Games hub, animation (not just doing work for foreign companies but creating Malaysian work. Encourage licensing and merchandizing, build domestic interest, fun run with Malaysian mascot characters

South Korea – Korea Creative Content Industry – charged with expanding the national presence in digital content. Offers financial assistance for production, marketing and promotion, overseas sales and talent recruitment and development.

Contents Korea Lab – equipment and facilities (recording studios, video and sound editing, 3D printers etc) to support prospective creators and start-ups.

Smart Contents Centre – support and nurture small digital content firms – reduced rent, advice support, consulting, common facilities

Digital Media City – bring together researchers, companies, start-ups in media and entertainment, software and IT related to media and entertainment. About 500 companies, mostly small and medium. Film festivals and sets, Digital Media Street

Animation – government assistance, Seoul Animation Centre, Seoul Comics Road – parades, cosplay events, art markets

Japan – not so much building the digital content sector but increasing digital exports. Cool Japan Strategy – build off the appeal of Japanese cultural exports to build Japanese economic growth – digital content along with fashion, food, drama, music, etc.

Cool Japan Fund – provide risk capital and support for the international promotion of uniquely Japanese products and services. Additional subsidies for localization of content

CoFesta – co-sponsoring numerous events showcasing Japanese content to the world

CoFesta ambassadors – 150 international students who love Japanese content – to promote it around the world

Anti-piracy initiatives, national awards, bring in foreigners with animation, design or illustration experience, train more young people in the production side of the content industry

Japan 5.0 – "We aim at creating a society where we can resolve various social challenges by incorporating the innovations of the fourth industrial revolution (e.g. IoT, big data, artificial intelligence (AI), robot, and the sharing economy) into every industry and social life. By doing so the society of the future will be one in which new values and services are created continuously, making people's lives more comfortable and sustainable. providing the necessary goods and services to the people who need them at the required time and in just the right amount; a society that is able to respond precisely to a wide variety of social needs."

Slide Four – Policy Implications

Lessons from Asia for supporting and promoting Canada's digital content sector. Moving beyond subsidies. Lots of potential program and policy initiatives as model.

Canada lags well behind. Have not built on existing expertise in animation and video games. Provide more digital content talent than entrepreneurship.

Have to appreciate and accept the current and future potential of the digital content sector. Difficulty meshing the cultures of digital content with government innovation strategies and investment and with the mindset of the Canadian industrial economy.

Academic recommendation – It is important to add the unique elements of the digital content economy to the literature on National Innovation Systems. Strong focus on the technical and industrial elements in the "new economy." Digital content is still seen as an outgrowth of cultural policy and artistic enterprises.