SPRING 2024

PERSPECTIVES

A PUBLICATION OF THE CMF'S FORESIGHT & INNOVATION TEAM

EMBRACING CHANGE

CANADA MEDIA FUND
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PERSPECTIVES SPRING 2024
EMBRACING CHANGE

The second issue of *Perspectives* explores change. We've all heard the expression "embracing change" but what kind of change matters most for the screen industry? What dynamics should we be paying attention to?

Our industry is built upon a diversified ecosystem with multiple creative realms—audiovisual productions, digital creation on social media platforms, and video games, not to mention extended reality—and they are all intertwined and impacted to varying degrees by current economic, societal, behavioural, and technological dynamics.

The first key dynamic is that the era of profitability has superseded the era of supply at any cost. While this paradigm shift is linked to renewed interest in the business models traditional television was built on (including advertising, channel bundling, event-based sports, and drama programming), it is also accompanied by a concentration of forces at play. Assets like massive catalogues, intellectual property derivatives, and algorithmic power can confer unstoppable global dominance for any major player.

Does this scenario leave room for the diverse output and talent that has made Canada stand out on the international stage? Betting on the quality and authenticity of our content while developing innovative multiplatform approaches and bold distribution strategies are among the potential answers we need to explore.

The second dynamic is today's ultra-connected audiences whose behaviours are continually analyzed and adjusted. In addition to providing hyper-personalized advertising, mining gigabytes of personal data allows for anticipating the slightest variations in public demand before they manifest, which makes it easier to capture audience attention, and, above all, to hold on to it for as long as possible. But as critical as it is, audience data of this type is generally not made available and often remains inaccessible even to those who create and produce engaging content.

The third dynamic finds both video games and immersive entertainment at a crossroads. On the one hand, video game and audiovisual content are becoming more and more alike which has the digital giants putting their money where the gamers are, leading to an increase in the number of audiovisual adaptations of video games. On the other hand, immersive media—even though its business model is still in early days—is paving the way for the future by consolidating the narrative and technological expertise essential for the coming spatial web.

These dynamics are tied together by a structural transformation of the industry that is driving us not only to adapt, but also to collectively reinvent ourselves. Today, artificial intelligence, environmental sustainability, equity, diversity, inclusion, and accessibility are reshuffling the deck. Is the screen industry aligned with the times and the world? Do we have what it takes to meet today's societal, ecological, and technological challenges head-on? Can we look at the data and trends to move forward in integrating these important societal changes now? The answer is certainly yes. Our creativity is what powers our industry, especially when it comes to meeting such challenges.

Florence Girot
Senior Manager,
Foresight and Innovation

SECTION 1

CONQUERING SCREENS IN THE RACE TO PROFITABILITY

A LOOK AT BROADCASTERS' AND STREAMERS' SHIFTING STRATEGIES.

BY NICOLE MATIATION
SENIOR LEAD AV PRODUCTION, NORDICITY

The era of free-flowing investment in production to secure subscribers appears to be ending as streamers shift to a profitability model. Does the slowdown in programming spending described by trade press as "the end of peak TV" mean a slowdown for the whole ecosystem? Does the crowning of Netflix as the winner of the "streaming wars" mean it will now reign unchallenged? Let's look at the past few years before diving into the dynamics reshaping our industry.

During "peak TV," a wide array of content with high production value flooded screens everywhere. Audiences flocked to streaming services, spent less time watching linear television, and began dropping cable subscriptions (chart 1.1). This trend only accelerated during the pandemic.

Netflix has been the consistent front-runner for the number of subscriptions since 2019.

At the outset of the pandemic in 2020, it saw a rise in subscriptions, which eventually levelled off as subscribers explored other services. Their subscriptions peaked again in 2021, then dropped sharply as the pandemic waned. In 2022 and 2023, the streamer returned to subscription growth.

Throughout this period, other streaming services followed a similar growth pattern; the "streaming wars" were declared, at least in some trade press headlines. However, none of them could claim as high a level of subscriptions as Netflix.

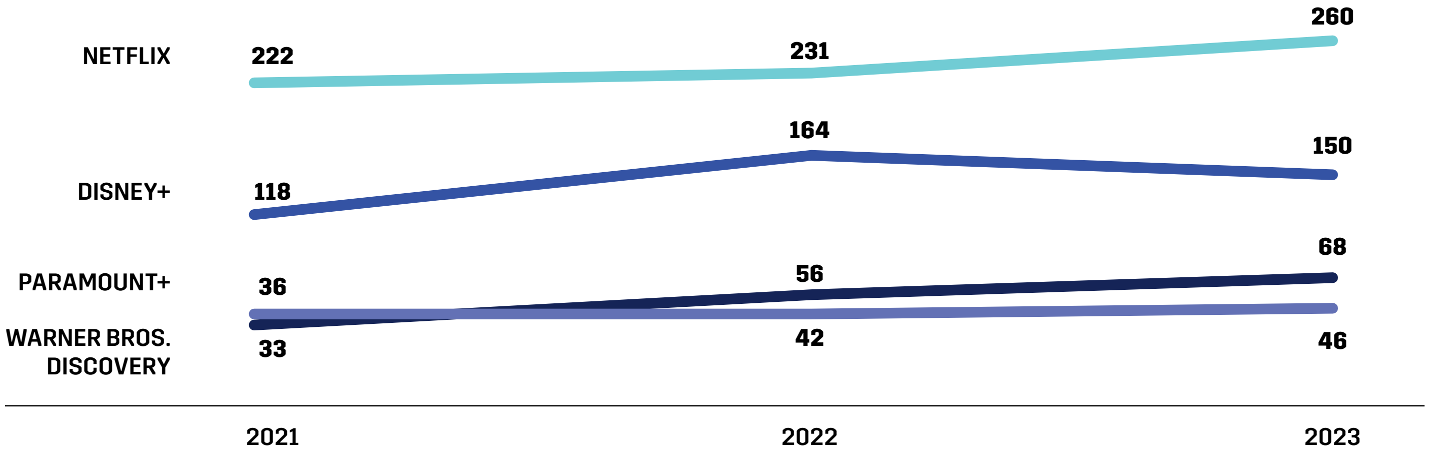
Competing with streamers for viewers and as their cable and pay-TV revenue dropped, traditional broadcasters started struggling to retain advertising dollars.

Before the pandemic, total agency ad spend on digital in Canada was growing, and eventually surpassed linear TV in the second quarter of 2018. This period also saw a sharp drop in total agency advertising spend on linear TV. From then on, agency advertising spend on digital platforms and on linear TV continued to evolve in parallel, with digital representing the larger portion.

When COVID-19 hit and audiences moved en masse to streaming services, an even larger portion of ad budgets followed (chart 1.2)[1]. Strikingly, the total advertising spend on linear TV bounced back and stabilized at near pre-pandemic levels after experiencing a sharp drop at the beginning of the pandemic [2]. The total agency spend on digital advertising followed a similar pattern, although always showing a steady increase.

CHART 1.1

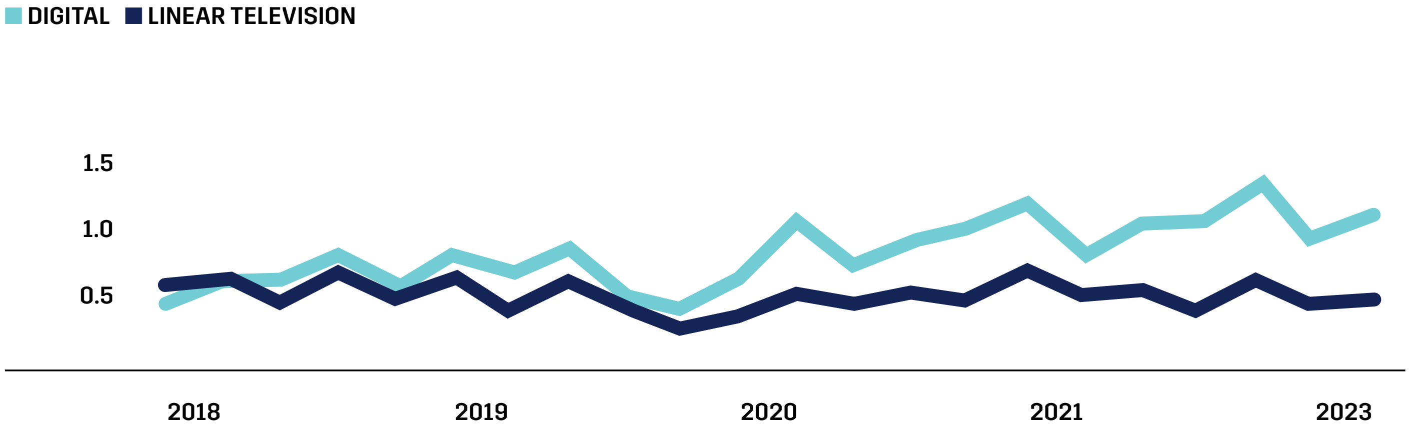
ANNUAL GLOBAL NUMBER OF PAID SUBSCRIBERS IN MILLIONS TO NETFLIX, DISNEY+, PARAMOUNT+, AND WARNER BROS. DISCOVERY (2021-2023, IN MILLIONS)



SOURCE: Statista. Note that Warner Bros. Discovery's platforms include Max, HBO Max, HBO, and Discovery+.

CHART 1.2

CANADIAN TOTAL AGENCY ADVERTISING SPENDING ($B, DIGITAL AND LINEAR TV)



SOURCE: Nordicity, DM@X

AD REVENUE, PART OF THE DRIVE TO PROFITABILITY

Simultaneously to these shifts, advertising-based video on demand (AVOD) and Subscription-VOD options currently offered by streamers and free ad-supported streaming TV (FAST) channels experience significant growth. This represents further disruption to the broadcasting system.

Producers and content creators negotiate with buyers in two systems: broadcast and streaming, both facing significant challenges. While the past few years were marked by high global demand for audiovisual productions, recent modelling points to a levelling off of global spending on audiovisual content (chart 1.3)[3].

With increased competition for audiences, inflation, and high interest rates, shareholders of streaming giants are applying pressure to see a financial return on their investments beyond subscription figures. Audience numbers remain critical to the ongoing success of streamers, but their focus has shifted to a profitability model [4] and the monetization of that audience.

The Wall Street Journal's data shows trends in the value and volume of shares for the largest streamers (chart 1.4). While market interest just prior to and during the pandemic appeared to mirror subscription numbers, it seems to respond to efforts to sustain profitability since 2022.

Early signals of this included Netflix clamping down on shared subscriptions and introducing a less expensive, ad-supported tier in 2022 (which became available in Canada in February, 2023) [5]. Chart 1.5 shows how many users were attached to Canadians' Netflix accounts over the course of 2023. Although there is a significant increase in accounts with only one user, it cannot be confirmed if these changes are solely due to Netflix's strategy. Nevertheless, Netflix saw growth in paid subscriptions as a result. In fact, they have significantly higher direct-to-consumer earnings than their competitors (chart 1.6).

Prime Video also made its basic subscription ad-supported and now requires Canadians to upgrade to a higher-cost tier to go ad-free. A new Paramount+ "basic" plan also launched in Canada on April 1st, 2024 [6].

Other streamers are likely to follow, banking on subscriber preference for a cheaper subscription with ads—which is a much more lucrative model.

BACK TO THE FUTURE?

Other ad-supported digital distribution models are already present in the marketplace. YouTube streaming services are based on an ad-supported model, as are CBC Gem and Radio-Canada's ICI Tou.tv, which launched in 2018 and 2010 respectively. They offer the option of free content with ads, or an ad-free subscription at half the price of an international streaming service [7].

The number of FAST channels, which provide audiences with programming options often thematic in nature, also grew over the past couple of years [8]. Some FAST channels are investing modestly in original content, but most focus on acquiring back-catalogue titles. These services provide another choice to consumers, but their capacity to pull audiences away from the name-brand streamers or linear television remains to be tested.

Ad sales are a new revenue source for SVOD streamers offering an economical price point to secure subscriptions from inflation-strapped audiences with less discretionary income. To further slow churn and offer more options to subscribers, streamers may offer lower monthly price points for longer-term subscriptions [9].

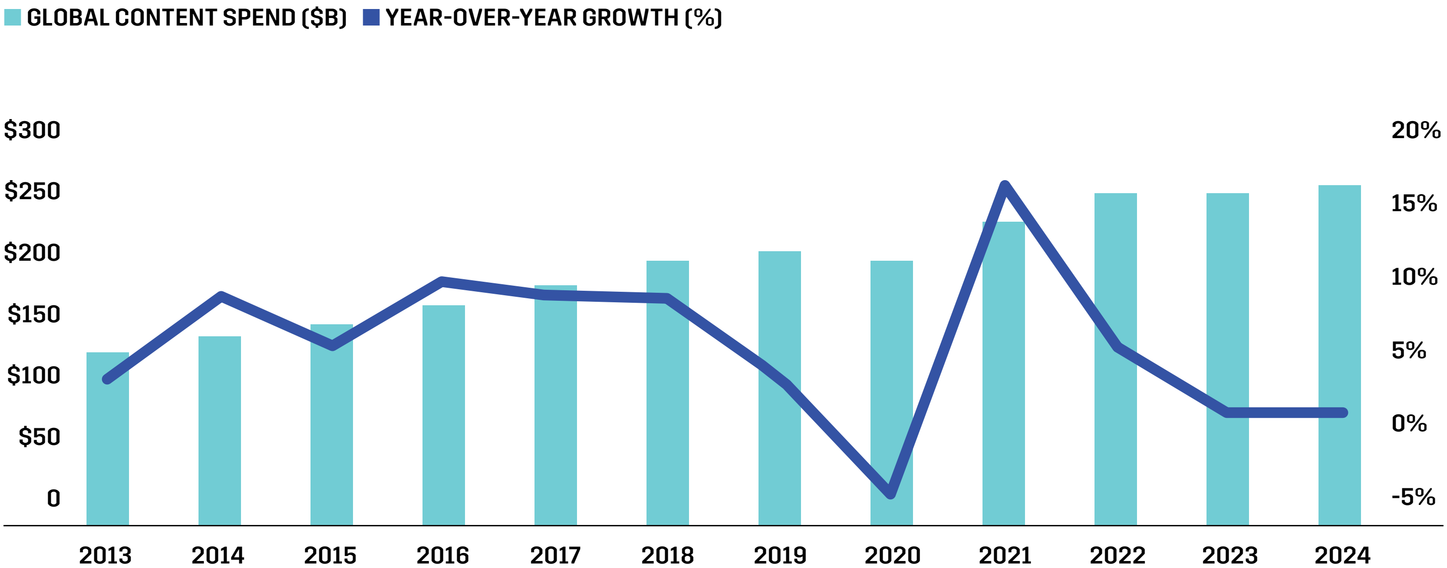
But for now, bundling services is a key tactic to attract and retain audiences [10]. For instance, Disney launched its Disney+/Hulu bundle in 2023; Apple TV+ and Paramount+ were reported to be in discussions in December 2023; and the Netflix/Disney+/Prime Video bundle launched in Canada in January 2024 [11]. And most recently, Disney and Warner Bros. Discovery announced on May 8th, 2024 that they were teaming up to offer a new bundle comprising Disney+, Hulu, and Max [12]. In the European market, pay-TV channels and streamers have struck a number of deals including Charter's Disney+ ad-supported tier in its pay-TV bundle, and Telecom Italia's bundle with Prime Video [13].

Bundling is a familiar space for broadcasters. Corus' STACKTV launched on Prime Video Channels in 2019 with 12 linear networks [14]. Today it offers 16 channels through Prime Video Channels, Rogers, Bell, and Fubo.

Streamers are also offering more "appointment viewing" of live-streamed events and scheduled episode

CHART 1.3

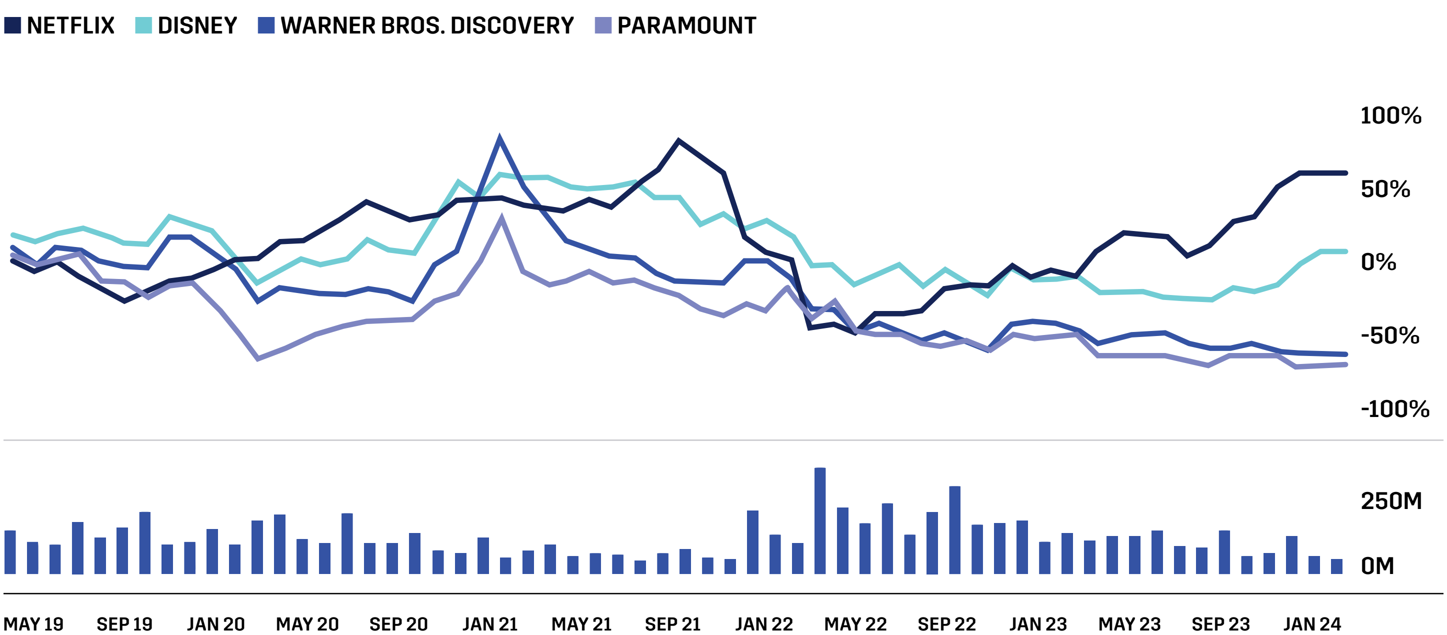
GLOBAL CONTENT SPEND (US$)



SOURCE: Nordicity, DM@X

CHART 1.4

STOCK PRICE BY VOLUME OF STREAMING GIANTS FROM MAY 2019 TO APRIL 2024



SOURCE: *The Wall Street Journal*

releases[15] to sustain audience attention. This strategy includes investing in and promoting tentpole titles, such as the Netflix release of *Sex and the City* in April 2024, and other hit series like *Six Feet Under* and *True Blood* to follow later this year [16].

With streamers offering ad-supported subscriptions, bundling, and "appointment viewing" of premium content, along with FAST channels playing out in the background, the digital platform ecosystem is starting to look a lot like conventional television.

RESTRUCTURING ACROSS BROADCASTERS, STREAMERS, AND TECH GIANTS SIGNALS A PERIOD OF RESTRAINED INVESTMENT

In addition to boosting revenue through advertising, streamers and broadcasters are actively cutting costs and reducing risk. Content commissioners appear more likely to cancel shows and order shorter seasons[17]. Where the streamers once took a walled garden approach—controlling production from development through distribution—there is an emerging openness to shared licencing agreements and windowing [18].

Recent labour strikes in the United States have also put pressure on streamers, resulting in a six-month production stoppage that is only slowly resuming [19]. The strikes resulted in new wage and residual deals that will add to the rising cost of production, and potentially influence other labour negotiations.

Inflation and the shift towards profitability have also contributed to layoffs and restructuring throughout the audiovisual sector [20]. Netflix cut more than 300 jobs in 2022 following a drop in subscriptions [21]; Amazon made cuts to its gaming division and Twitch in 2023[22]; Disney undertook a company-wide restructuring to focus on creative decision-making roles [23]; broadcasters including Bell Media [24] and Québecor announced massive layoffs[25]; along with tech companies like Microsoft, Meta, and Qualcomm [26].

Consolidation of companies may also occur as the market drives towards profitability [27]. Warner Bros. Discovery's merger talks with Paramount shook the ecosystem at the end of 2023, (although they halted discussions after several months) [28] and telecommunications companies adept at consolidation and bundling are anticipated to enter the digital distribution space as well[29]. Telus, originally focused on the wireless market, now offers a bundled streaming service [30]. Even companies in unrelated sectors are also bundling streaming subscriptions in an effort to attract and secure loyal clients. French supermarket giant Carrefour, for example, now offers a store discount and Netflix bundle [31].

THE RACE TO "WIN" THE LIVING ROOM

While tech giants Apple and Amazon are active in the streaming space and have pockets deep enough to buy up competitors, it's YouTube that has a similar audience share to Netflix, according to Global Web Index (GWI, Q4 2023) across all age groups in Canada.

Seven years after launch, YouTube TV has more than eight million subscribers, placing it among the top American pay-TV companies, while other players such as Comcast, Charter, and Direct TV lose market share[32]. YouTube also entered the aggregator business, offering a bundle of streaming services under the new YouTube Primetime Channels brand, currently available in the United States, Germany, and the United Kingdom[33]. It is offered alongside YouTube TV as a stand-alone paid option.

YouTube is also moving into the sport sector with the NFL Sunday Ticket, in a seven-year, US$14B deal available to non-YouTube TV subscribers. In a recent Deadline interview, CEO Neal Mohan confirmed the company's strategy to expand and "optimize [content] for the living room" [34] (find out more about the expansion strategies of user-generated content platforms in *Perspectives* issue 1).

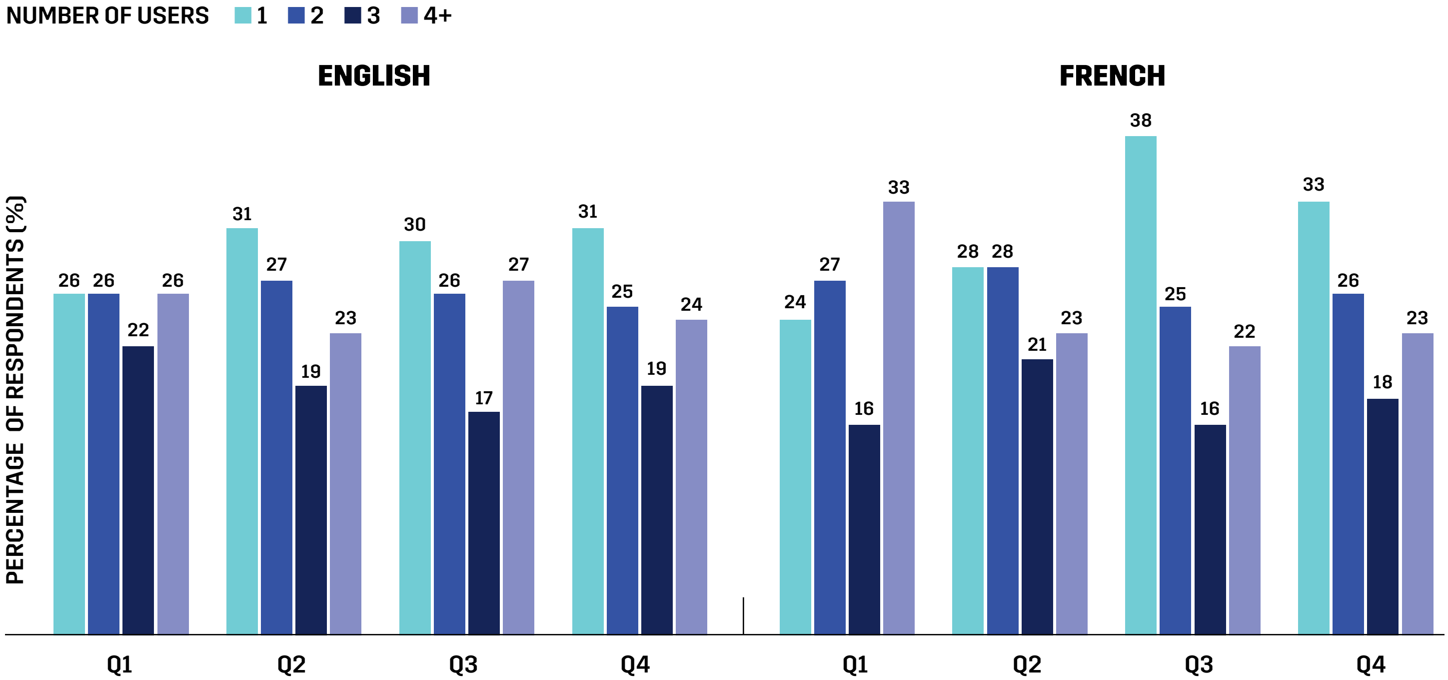
But YouTube is far from alone in the race for sports rights. Prime Video struck a multi-year deal with Direct TV to take over Thursday Night Football live [35] . Warner Bros. Discovery's Max and NBCUniversal's Peacock are also actively providing live sport access [36]. And Netflix is moving quickly to build out its sport offering, which includes *The Netflix Cup*, a live golf event in September, 2024, featuring athletes from its Formula 1 docu-series and the PGA tour [37]. Starting in 2025, Netflix will also carry WWE Raw in a US$5B, 10-year deal [38].

Netflix's objective to "win the living room" includes animation content for younger and older audiences alike [39]: *Gabby's Dollhouse* and successful franchise titles *Dr. Seuss* and *Hot Wheels*; investments in anime; and partnerships with video game studios like Ubisoft, Capcom, and Riot in addition to publishers like Sega. Video game adaptations such as *Castlevania*, *Arcane, Cyberpunk: Edgerunners* and *Sonic Prime* have been successful, as Netflix continues building a game business that includes choose-your-own-adventure offerings.

Content is still king, but market imperatives and evolving technology are reshaping business models. It is indeed back to the future as streamers and tech giants incorporate both advertising and subscription revenue streams into their direct-to-consumer business model. Canadian broadcasters, having evolved through a regulated system based on a one-to-many business model struggle to adapt. Through the CRTC's ongoing work following the passage of the Online Streaming Act, which results are hotly anticipated by all industry stakeholders, a modern approach that recognizes all players that distribute audiovisual content (whether online or via broadcast) may provide a framework for continued investment in Canadian content. Regardless of the regulatory framework that emerges, in today's digital direct-to-consumer marketplace, audience behaviour plays an ever more critical role in influencing business model - for producers as well as streamers, broadcasters and tech giants.

CHART 1.5

NUMBER OF USERS PER NETFLIX ACCOUNT IN 2023

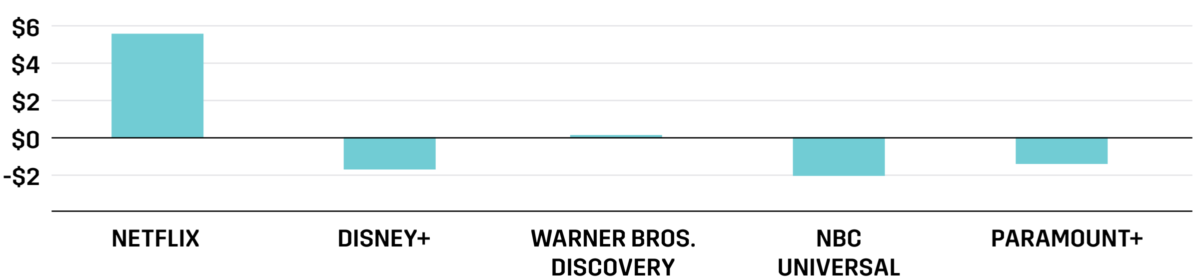


SOURCE: GWI Core, Q1-Q4 2023, Canadian internet users aged 16-64

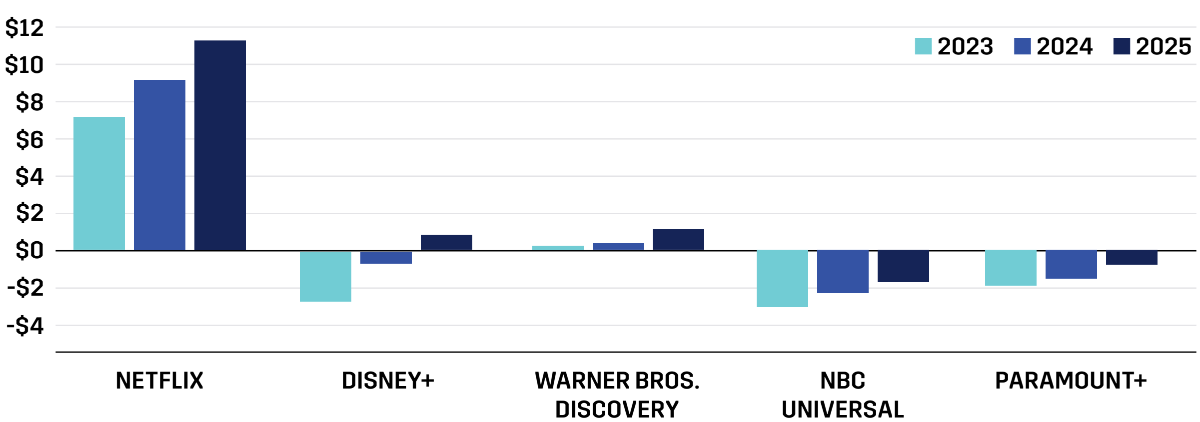
CHART 1.6

DIRECT-TO-CONSUMER EARNINGS OF STREAMING GIANTS

2023 DIRECT-TO-CONSUMER SEGMENT EARNINGS (US $B)



DIRECT-TO-CONSUMER OPERATING INCOME FORECAST (US $B)



SOURCE: Nordicity, DM@X

FOOTNOTES

1 The Digital Media Universe: Measuring the Revenues, the Audiences, and the Future Prospects, a report prepared by Nordicity for Digital Media at the Crossroads (DM@X), January 2024. Digital Media Universe 2024 (nordicity.com). Communications Market Reports - Current trends - Broadcasting | CRTC

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5 Netflix rolls out new fees for password sharing in Canada | CBC News

6 "Paramount+ Sets Launch Details for Ad Tier in Canada, Australia, Premium Plan in France" (The Hollywood Reporter, March 19, 2024). https://www.hollywoodreporter.com/business/business-news/paramount-plus-ad-tier-canada-australia-premium-plan-france-1235854701/

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8 Is free, ad-supported television the answer to changing viewing habits? | CBC News, Number of FAST channels worldwide by country 2023 | Statista

9 Streaming services profitability | Deloitte Insights

10 "Verizon To Offer a Netflix & Max with Ads Streaming Bundle For $10 A Month" (Deadline, December 4, 2023)

11 "Disney+ Adds Hulu Content for Bundle Subscribers in Beta Launch — but Not Everything From Hulu Is Available" (Variety, December 6, 2023),"Apple-Paramount Bundle Would Be Another Hail Mary Streaming Play" (Variety VIP+, December 5, 2023), "Streaming Bundle With Netflix, Disney+, Prime Video Hits Canada" (The Hollywood Reporter, January 18, 2024)

12 "Disney and Warner Bros. Discovery to Launch Disney+, Hulu, Max Streaming Bundle" (Variety, May 8, 2024)

13 "Charter adds Disney+ ad tier to pay TV bundle for free in landmark deal" (Digital TV Europe, January 5, 2024), "Telecom Italia to bundle Amazon Prime in TV packages" (Digital TV Europe, December 12, 2023)

14 Corus launches STACKTV, a multi-channel TV package for Canadian Amazon Prime members - National | Globalnews.ca

15 "The Binge Model is Losing Out to Week-to-Week Streaming Releases for Sustaining Longer Interest | Charts" (The Wrap, October 27, 2023), Streaming services profitability | Deloitte Insights

16 "'Sex and the City' Lands Premiere Date on Netflix" (The Hollywood Reporter, March 2, 2024).

17 "Why streaming services are dumping shows left and right" (VOX, June 29, 2023) "Seven-Year Cancellation Itch: Why 'Good Doctor', 'Station 19' & Other Broadcast Series Are Ending After 7 Seasons" (Deadline, January 15, 2024)

18 "Licensed Content Is the New Currency in Hollywood" (Variety VIP+, December 14, 2023)

19 Global Film Production Remains Cautious After U.S. Strikes (variety.com)

20 Media Companies Have Slashed Over 20,000 Jobs In 2023 (forbes.com)

21 Netflix cuts 300 more jobs after subscriptions fall (bbc.com)

22 Amazon will cut hundreds of jobs, including at game streaming firm Twitch | CNN Business

23 Disney to lay off 7,000 workers in major cost-cutting restructure | CBC News

24 Bell Media planning cuts to CTV, BNN Bloomberg following BCE layoffs, sale of 45 radio stations | CBC News

25 240 emplois supprimés à Groupe TVA et chez Québecor | Radio-Canada

26 "A comprehensive list of 2023 & 2024 tech layoffs" (TechCrunch, April 5, 2024). https://techcrunch.com/2024/03/06/tech-layoffs-2023-list/#:~:text=The%20final%20total%20of%20layoffs,last%20year's%20first%20quarter%20cutbacks.

27 "Warner Bros. Is in Talks to Merge with Paramount Global" (Bloomberg, December 20, 2023), "Canal+ Group Gets Anti-Trust Approval to Acquire French Pay TV Group OCS and Orange Studio, Under Certain Conditions" (Variety, January 12, 2024),

28 "Warner Bros. Discovery halts merger talks with Paramount Global, sources say" (CNBC, February 27, 2024). https://www.cnbc.com/2024/02/27/warner-bros-discovery-halts-paramount-global-merger-talks.html

29 Why Telecom Will Be Key to Bundling's Next Phase (variety.com)

30 "Stream+" (TELUS)

31 "France's Carrefour launches Netflix-plus-store discounts package" (Digital TV Europe, January 16, 2024)

32 YouTube TV Hits 8 Million Subscribers (deadline.com)

33 YouTube launches Primetime Channels in Germany - Digital TV Europe, YouTube Primetime Channels launches in Germany (broadbandtvnews.com)

34 "YouTube TV Hits 8 Million Subscribers; Viewing Of YouTube Content Via TV Screens Now Averages 1B Hours A Day" (Deadline, February 6, 2024). https://deadline.com/2024/02/youtube-tv-million-subscribers-viewing-neal-mohan-1235815665/

35 Amazon signs deal with DirecTV to air 'Thursday Night Football' games in bars (cnbc.com)

36 Max and Warner Bros. Discovery to offer NBA, MLB postseason and other live sports in October - The Athletic

37 Netflix leans more into sports programming (cnbc.com)

38 Netflix slams into live events with $6.7B wrestling takeover of WWE's Raw | CBC News

39 Behind Netflix's Strategy to Win the Living Room With Animated TV in 2023 (hollywoodreporter.com)

SECTION 2

CONNECTED AUDIENCES

WHERE—AND HOW—ARE AUDIENCES WATCHING CONTENT?

BY NICOLE MATIATION
SENIOR LEAD AV PRODUCTION, NORDICITY

Audiences appear to be in the driver's seat, able to pick and choose what, where, when, and how they watch.

According to Statista, Canadians aged 16- to 64-years-old spend an average of six hours and 18 minutes daily using the internet through computers, tablets, and mobile phones—and just under half of that time is spent on mobile phones (chart 2.1) [1]. Overarching patterns are similar for both Anglophone and Francophone audiences.

The youngest cohorts (16- to 34-years-old) are the most active online [2], engaging with social media, messaging friends, seeking information, gaming, and watching audiovisual content [3].

While audiences engage with content on a variety of devices, television sets remain widespread. In April 2023, Media Technology Monitor (MTM) reported that 91 per cent of Canadian households own a TV, a figure that has not changed significantly in the past decade.

What has changed is the *connectivity* of TV sets.

Looking at smart TVs and streaming devices combined, the percentage of Anglophone households connecting their television in some way rose 16 percentage points, from 73.3 per cent in 2020 to 89.7 per cent in 2023. The increase among Francophone households was even higher, growing from 55.3 per cent in 2020 to 73.5 per cent in 2023 (chart 2.2) [4].

Other measures vary across the two language groups, with Francophones reporting less time online. Mobile use by 16- to 24-year-old Anglophones is also slightly higher (at four hours and 14 minutes per day) than for Francophones (three hours and 33 minutes per day), for example.

Understanding where and how to reach each audience segment can support efforts to promote programming.

LINEAR TV STILL STANDING

Critical to streamers and broadcasters, Canadian audiences in both Anglophone and Francophone markets spend an average of three hours and 25 minutes per day watching streaming and linear TV combined, as demonstrated by Global Web Index (GWI) survey data (chart 2.3) [5].

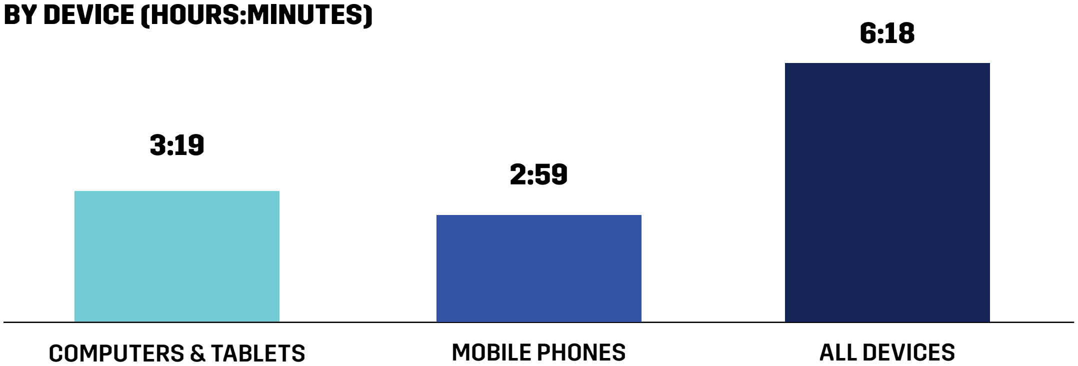
This behaviour may contribute to continued investment in linear TV advertising, even as advertisers increase their spend on digital advertising.

Younger audiences average three hours and 16 minutes, while 55- to 64-year-olds reported watching more than three hours and 30 minutes.

Older audiences watch the most linear TV, with an average of at least two hours beginning at age 25 in the Francophone market, and at age 35 in the Anglophone market.

CHART 2.1

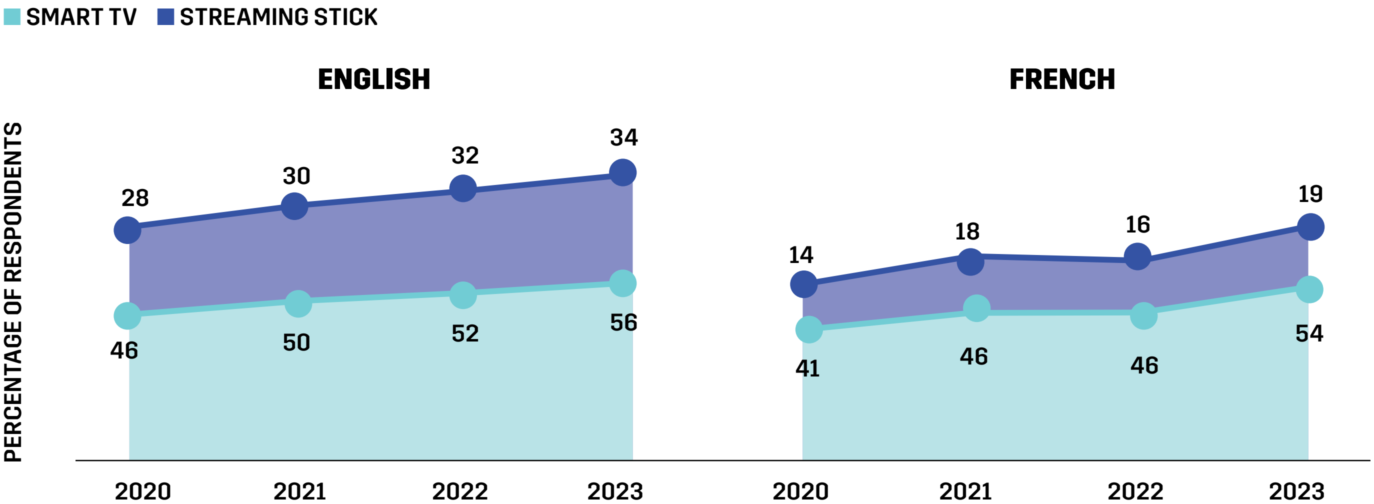
DAILY TIME SPENT USING THE INTERNET IN CANADA Q3 2023 BY DEVICE (HOURS:MINUTES)



SOURCE: We Are Social: DataReportal; GWI; Meltwater © Statista 2024

CHART 2.2

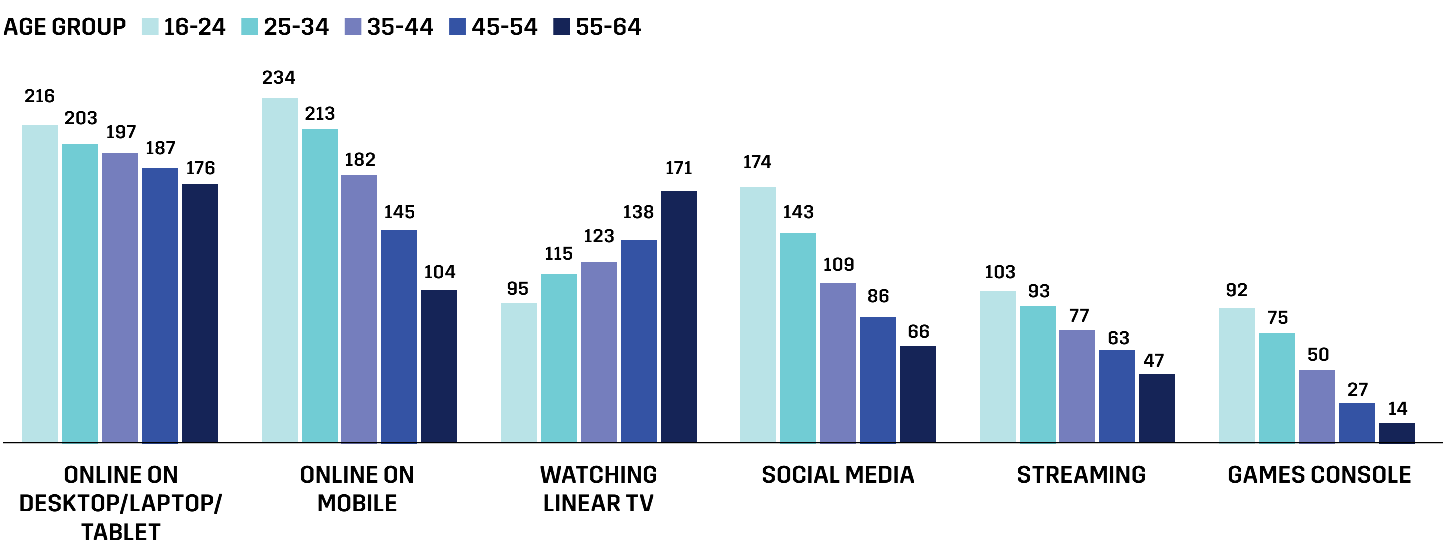
SMART TV AND STREAMING STICK OWNERSHIP FROM 2020 - 2023



SOURCE: GWI Core, Q1 2020 - Q4 2023, Canadian internet users aged 16-64

CHART 2.3

AVERAGE DAILY TIME SPENT ON DIGITAL MEDIA BY RESPONDENTS IN 2023 (IN MINUTES)



SOURCE: GWI Core, Q1-Q4 2023, Canadian internet users aged 16-64.[8]

What is striking is that even the youngest cohort in both language markets still watch about 90 minutes of linear TV per day. Streamers and tech companies interested in "winning the living room" would appear to have a cross-generational play.

STREAMERS BATTLE FOR THE LIVING ROOM

GWI also found that, for all age groups over 25 and in both language markets in 2023, the most common type of digital content purchased in the past month is subscriptions to a streaming service (chart 2.4).

YouTube was the top streaming service used in the past month by 71.7 per cent of Anglophones aged 16 to 24, with Netflix close behind at 70 per cent (chart 2.5). Both platforms were well ahead of other services, which fell under 50 per cent.

For all other age categories in both language markets, YouTube came second place.

The Anglophone 35- to 44-year-old cohort presented other interesting differences as well: smaller gaps between the first four preferred services, and the only age group reporting all three YouTube services—YouTube, YouTube Premium, and YouTube Kids—in their top 10.

Among Anglophones aged 45- to 64-years-old, the free, ad-supported television (FAST) channel Pluto TV made the top 10.

While audiences have access to Canadian content via Netflix and YouTube, the data showed they also choose to watch Canadian streaming services.

Crave was in the top 10 services across all age categories, with CBC Gem a close 11th among Anglophones 25 to 34 years old, and firmly part of the top streaming services for 35- to 64-year-olds.

Tou.tv and Crave also appeared across all age categories of the Francophone market and, interestingly, Francophones aged 55 to 64 years old included CBC Gem in their top 10 services. The higher number of Canadian-owned services in the Francophone market may be tied both to a desire for content in French, as well as to watch original Canadian content made locally.

As the leading streaming service across most age groups in Canada, Statista estimates that Netflix had 19.3 million Canadian subscribers in 2023 [6]. YouTube, while using different metrics, enjoys a strong level of engagement in Canada also.

According to Comscore, YouTube reaches 98 per cent of Canadians across all audiences, making it the number one ad-supported video platform in the country. For the past five years, connected TV has become the fastest-growing platform for YouTube in Canada, with more than 17 million people accessing it on their television in 2023. In addition, 60 per cent of YouTube watch time on connected TV is now spent on content that is 21 minutes or longer [7].

This data suggests that audiences are interested in using YouTube to view content on a larger screen, likely in a space shared with others, which traditionally has been the domain of streamers and broadcasters.

SECOND-SCREEN ENGAGEMENT

Audience use of second screens while streaming or watching live TV is instructive for producers and distributors looking to incorporate it into content marketing campaigns. Chart 2.6 shows how Canadians used their second screen while watching media in 2023, as reported by GWI.

Anglophones and Francophones across all age categories reported that they most often use their second screen to chat and message with friends, and those aged 16 to 44 do so at a much higher rate (50 to 62 per cent). Anglophones and Francophones over 45, however, are more likely to use their second screen to read emails (more than 50 per cent).

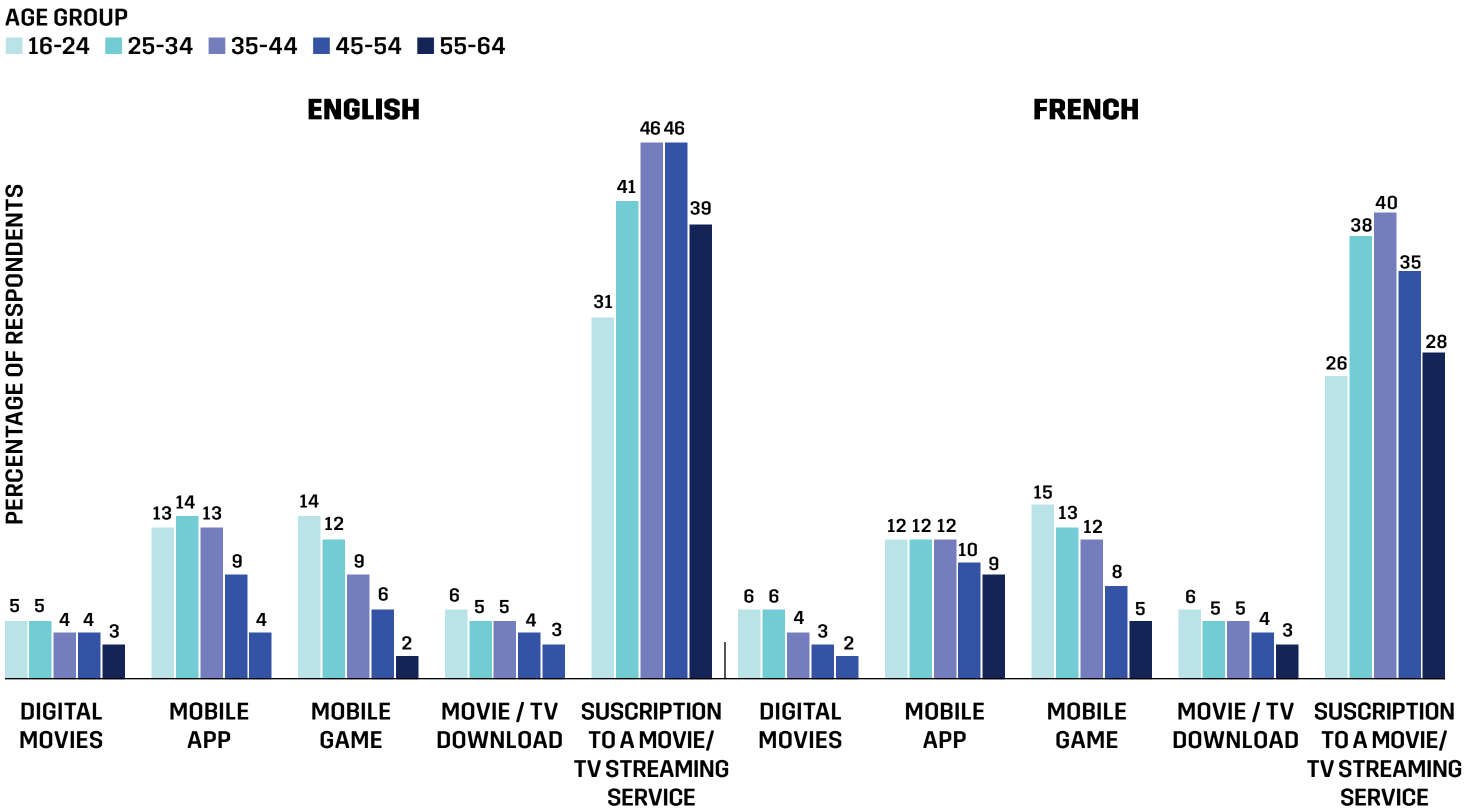
The second most frequent use for second screens is social media, reported roughly half of 16- to 44-year-olds, 45 per cent of 45- to 54-year-olds, and 34 per cent of 55- to 64-year-olds.

The use of second screens "to engage with content online" and/or "to share my opinion of a TV show" is well below 15 per cent in all age groups.

Leveraging social media to support "word-of-mouth" promotion of content via social media itself and through messaging with family and friends would appear to represent a sweet spot for reaching audiences.

CHART 2.4

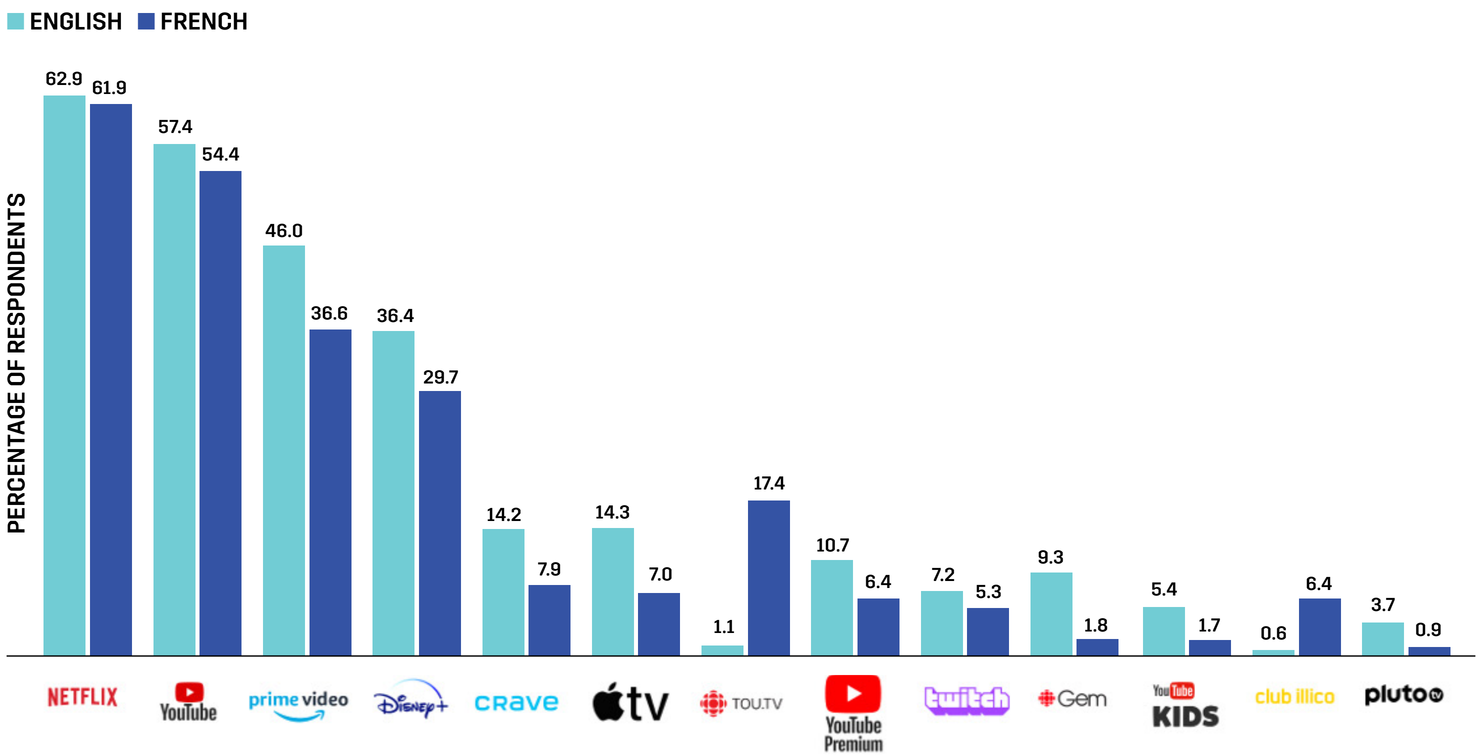
DIGITAL CONTENT PURCHASED BY AGE GROUP IN 2023



SOURCE: GWI Core, Q1-Q4 2023, Canadian internet users aged 16-64

CHART 2.5

MOST POPULAR STREAMING PLATFORMS IN 2023



SOURCE: GWI Core, Q1-Q4 2023, Canadian internet users aged 16-64

THE NEW KEY METRIC: AUDIENCE ATTENTION

While more audience data is being collected than ever before, standards of measurement have not been established even across digital distribution platforms of similar scale and scope.

With streamers shifting focus to profitability, they share information about their capacity to hold audiences' attention. Ad agencies are interested not only in audience size (subscriptions), but in the level of activity or engagement (hours viewed).

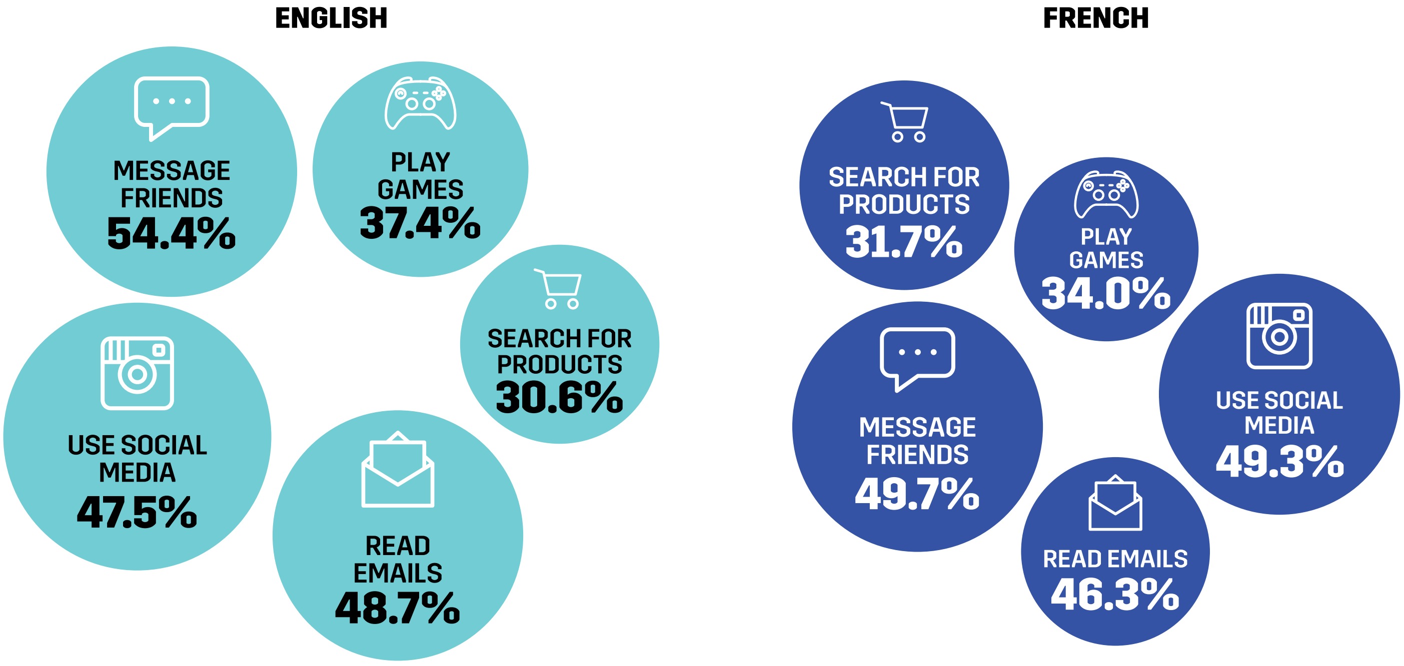
In 2023, Netflix released its first bi-annual Global Engagement Report using its own hours viewed metric and building upon the pre-existing top-10 viewed titles by country, and by week. The report covers more than 18,000 titles, which encompasses 99 per cent of all viewing on Netflix (only titles watched for over 55,000 hours are included) and represents some 100 billion hours.

Earlier this year, when YouTube announced it had reached eight million subscribers to YouTube TV worldwide, it also stated that viewing of YouTube content on TV screens averages one billion hours daily.

The figures released by Netflix and YouTube are designed to impress investors, but the detail that could help producers (and competing streaming and broadcasting services) better understand audience behaviour is scarce. In a highly competitive direct-to-consumer, connected marketplace, tech giants and streaming services are tracking audience behaviour across multiple metrics that include data collected through subscriptions, and viewer interaction with ads and shows. So, while audiences may have the choice of where, when, and what to watch; those choices become data that is ultimately used to predict, and to influence future activity. Connected TV, coupled with anticipated regulatory changes may provide Canadian broadcasters with an opportunity to actively pursue a direct-to-consumer model providing more targeted opportunities for programming content to an ever-more diverse group of consumers. Producers, also hungry for audience data, will likely remain confined to publicly available sources, but may do well to follow viewing trends across age cohorts, language and community groups and countries. So, while content is still king, data is the new currency.

CHART 2.6

ACTIVITIES PERFORMED ON A SECOND SCREEN BY RESPONDENTS IN 2023



SOURCE: GWI Core, Q1-Q4 2023, Canadian internet users aged 16-64

FOOTNOTES

1 Daily time spent using the internet in Canada as of third quarter 2023, by device" (Statista). https://www.statista.com/statistics/1378405/internet-time-spent-daily-canada-by-device/#:~:text=As%20of%20the%20third%20quarter%202023%2C%20internet%20users,around%203.19%20hours%20as%20of%20the%20examined%20period.

2 PCs/laptops, mobile, streaming, and social media combined, according to the GWI terminology

3 GWI

4 GWI: Smart Tv and Streaming Stick/Device use 2020 to 2023

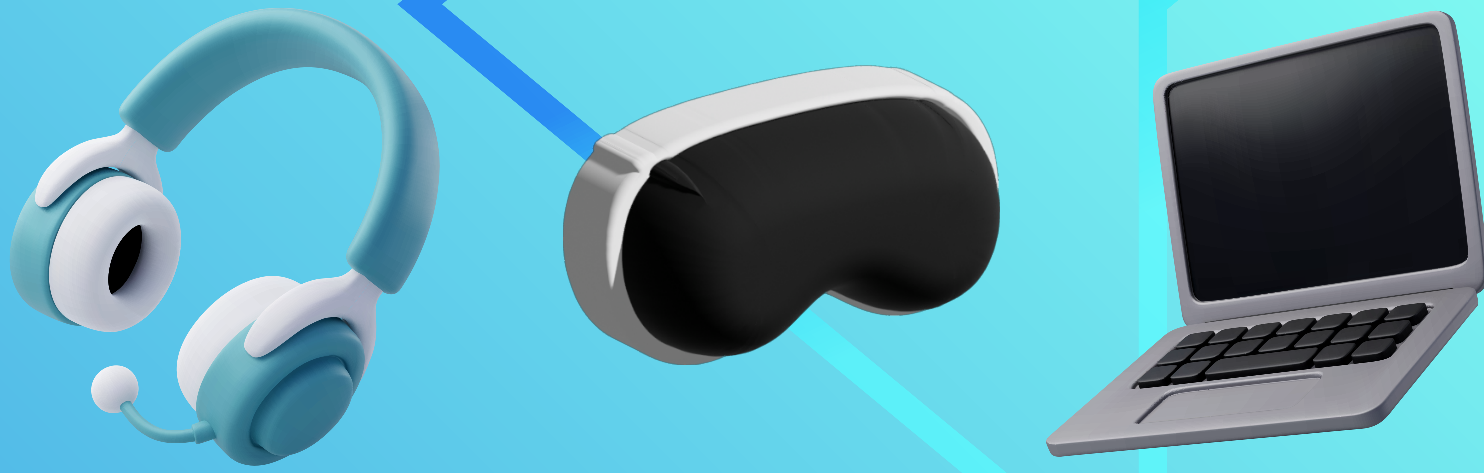
5 Value calculated by taking the averages of hours spent streaming and watching linear TV across each age group, as seen in the chart "Average Daily Time Spent on Digital Media by Respondents in 2023 (in minutes)". Data includes both the Anglophone and Francophone markets.

6 "Number of Netflix viewers in Canada from 2017 to 2025" (Statista)

7 YouTube Internal Data, December, 2022

8 Figures represent averages of hours spent streaming and watching linear TV across each age group, which can be seen in the following chart. Data includes both the Anglophone and Francophone markets.

SECTION 3



INTERACTIVE DIGITAL MEDIA AT A CROSSROADS

TAKING THE VIDEO GAME INDUSTRY'S VITALS

END OF THE FRENZY AND NEW OPPORTUNITIES IN SIGHT

BY FLORENCE GIROT
SENIOR MANAGER, FORESIGHT & INNOVATION, CANADA MEDIA FUND

The video game industry has suffered one round of layoffs after another for months on end. According to one Canadian research group, 10,500 video game-industry employees were laid off worldwide in 2023, with close to another 6,000 January 2024 [1]. In tandem with this trend, game release cancellations, mergers and acquisitions, and the impact of inflation on production costs have created speculation about the economic health of the sector, which contributed $5.5B to the Canadian economy in 2021, according to the Entertainment Software Association of Canada (ESAC) [2].

What is the state of play in an industry that PricewaterhouseCoopers (PwC) [3] predicted would grow by nearly 40 per cent by 2027, and with worldwide revenues projected to increase from US$227B to US$312B?

The sector is certainly undergoing a rebalancing act, not unlike the audiovisual industry. After a frenetic pace of new releases to meet a surging demand for entertainment during the pandemic—14,500 new games were released on Steam in 2023, compared to 8,100 in 2019 [4]—the industry is currently focusing more on profits than on growth.

Industry stakeholders believe that the market will stabilize at a less frenzied release pace, and with Nintendo's next console arriving in March, 2025. Growth is poised to continue but at a slower rate than in recent years.

And despite that more than 40 positions were eliminated at Vancouver-based Blackbird Interactive in August,[5] and nearly 100 job cuts came down at Ubisoft Montreal in November [6] among other cuts, the video game industry is "at the highest level of employment ever, including during the pandemic," according to Jayson Hilchie, president and CEO of the Entertainment Software Association of Canada (ESAC) [7].

PERSPECTIVES ON 2024

The good news is that Canadians are huge fans of video games: 61 per cent of 18- to 64-year-olds are gamers [8]. According to Global Web Index (GWI), 29.5 per cent play every day, and 18.8 per cent play two to three times a week (chart 3.1).

Francophone 16- to 24-year-olds are at their consoles for 95 minutes a day—slightly more than their Anglophone counterparts, who clock in at 89 minutes (chart 3.2). While console ownership remains high, online gaming is the preference of 70 per cent of players [9].

While still in early stages, cloud gaming holds tremendous potential for studios. The online platformization of the industry will not only create access to emerging markets in Southeast Asia and Africa, but will also allow studios to monetize their intellectual property and sustain the attention of gamers more effectively, as detailed in the next chapter.

FOOTNOTES

1 "The video game industry is booming. Why are there so many layoffs?" (The Conversation, February 11, 2024). https://theconversation.com/the-video-game-industry-is-booming-why-are-there-so-many-layoffs-222685

2 "Impact of the Canadian Video Game Industry" (The Entertainment Software Association of Canada). https://theesa.ca/national-impact/

3 "Perspectives from the Global Entertainment & Media Outlook 2023–2027: Resetting expectations, refocusing inward and recharging growth" (PWC, June 21, 2023). https://www.pwc.com/gx/en/industries/tmt/media/outlook/insights-and-perspectives.html

4 "Steam Game Release Summary by Year" (SteamDB). https://steamdb.info/stats/releases/

5 "'Another really crappy day': Vancouver video game studio hit with layoffs" (Daily Hive, August 30, 2023). https://dailyhive.com/vancouver/vancouver-video-game-layoffs

6 "Ubisoft cuts 98 workers across Canadian offices" (Polygon, November 7, 2023). https://www.polygon.com/23950944/ubisoft-montreal-canada-office-layoff

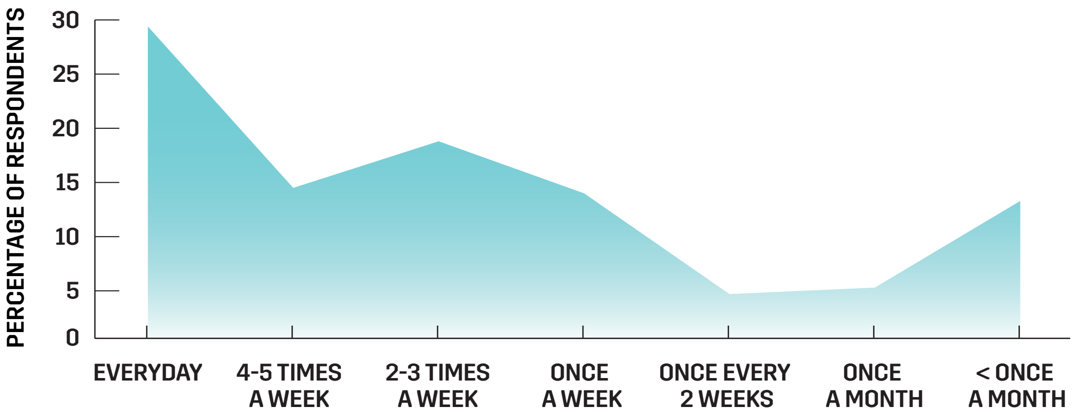
7 "Hundreds laid off in Canadian video game industry" (CBC, January 12, 2024). https://www.cbc.ca/player/play/1.7082976

8 "Video Game Industry Statistics In Canada" (Made in CA, March 13, 2024). https://madeinca.ca/video-game-industry-statistics-canada/.

9 "Video Game Industry Statistics In Canada" (Made in CA, March 13, 2024). https://madeinca.ca/video-game-industry-statistics-canada/.

CHART 3.1

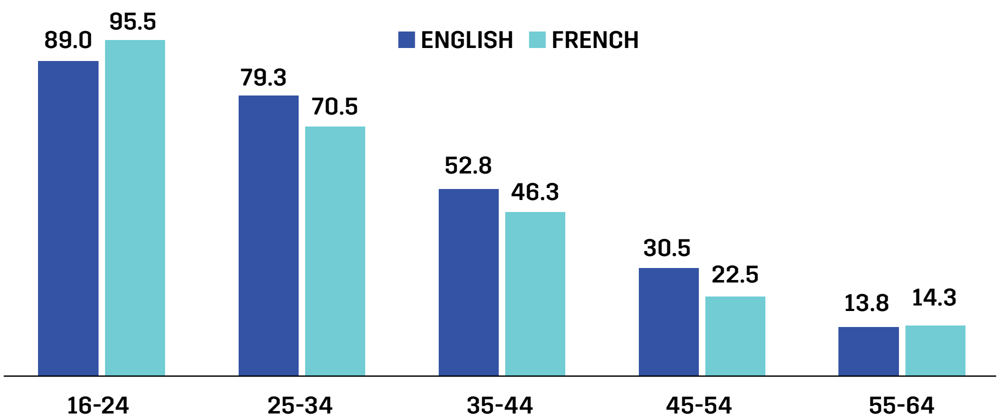
GAMING FREQUENCY AMONG CANADIAN GAMERS



SOURCE: GWI Gaming, Q2 & Q4 2023, Canadian internet users aged 16-64

CHART 3.2

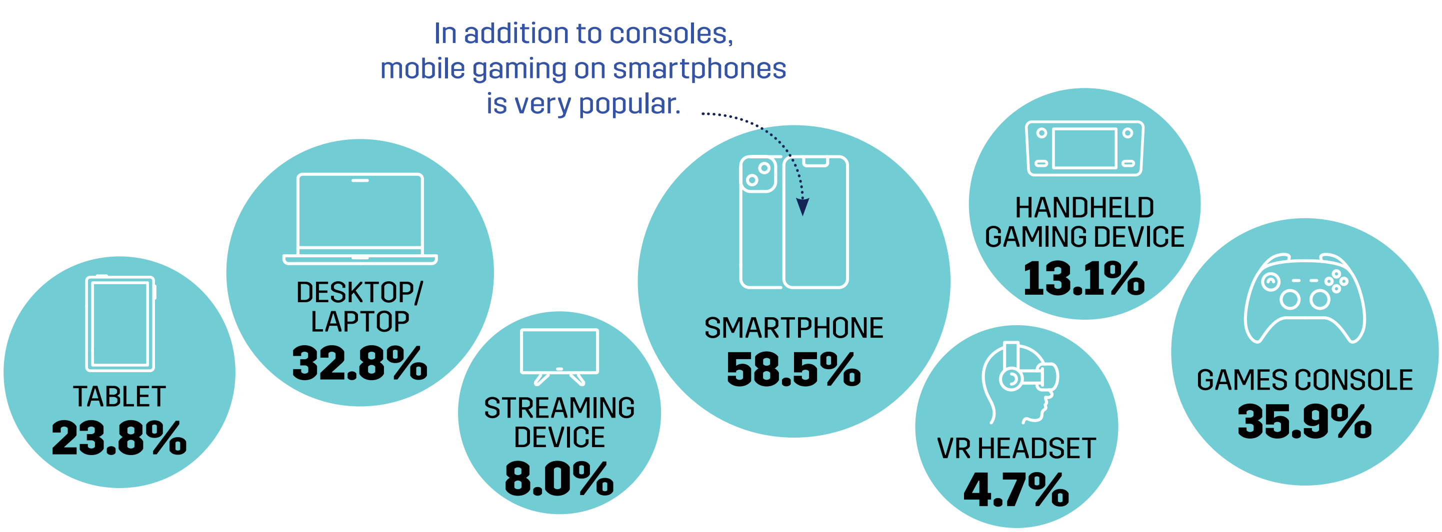
AVERAGE DAILY TIME SPENT ON VIDEO GAME CONSOLES BY AGE GROUP (IN MINUTES)



SOURCE: GWI Core, Q1-Q4 2023, Canadian internet users aged 16-64

CHART 3.3

DEVICE TYPES USED TO GAME BY RESPONDENTS IN 2023



SOURCE: GWI Gaming, Q2 & Q4 2023, Canadian internet users aged 16-64

With 70 per cent of Canadian gamers accessing games online and cloud gaming opportunities forthcoming, the 'attention economy' principles may continue to penetrate the video game industry. These principles consist of keeping players engaged and immersed in games for extended periods to leverage their attention. The longer you can hold players' attention, the more profits you can generate. Already present in the free-to-play gaming model through ad monetization, the trend is likely to amplify in the coming years.

STREAMERS CONQUER THE GAMING INDUSTRY

GAMING AS A NEW HORIZON FOR STREAMERS' EXPANSION

BY CORINNE DARCHE
COORDINATOR, FORESIGHT & INNOVATION, CANADA MEDIA FUND

In the past decade, gamers have shifted from physical to digital ownership of their libraries, especially in markets where physical games are too expensive to justify the cost [10].

Like streaming services, cloud gaming platforms allow players to access a library of content hosted on a remote server. Many major tech companies have launched their own—Microsoft with Game Pass, Sony with PlayStation Plus, and Amazon with Luna, to name but three.

While cloud gaming hasn't fully penetrated the Canadian market, it is gaining traction. According to data from Global Web Index (GWI), for example, consumer use among Canadian gamers of Sony's PlayStation Plus grew from 7 per cent to 11 per cent between 2020 and 2023 (chart 3.4).

The cloud gaming model has caught the interest of streaming platforms. Exploring ways of increasing revenue without sacrificing their existing subscriber base, streamers aim to keep audiences in one place for all their entertainment needs, and to decrease churn. With the gaming market expected to reach up to 5.8 million Canadians by 2027 [11], video games are an obvious opportunity for these platforms.
Netflix has committed to its gaming expansion since 2021, offering a catalogue of free-to-play mobile games for subscribers with no ads or in-game purchases and even testing the use of smartphones as video game controllers [12]. The Netflix Games catalogue is a mix of original and licensed materials, with roughly 25 per cent of games based on existing Netflix TV and films intellectual property (IP)[13].

At launch, Netflix Games did not resonate with subscribers. Despite its game library tripling in size since 2022, daily average users peaked globally at 2.7 million in January 2023. In other words: less than 1 per cent of Netflix's global subscriber base plays games daily [14].

But the streaming giant seems determined to improve those numbers. This past December, Netflix Games added *Grand Theft Auto: The Trilogy – The Definitive Edition* to its library, and monthly downloads nearly tripled compared to November 2023 [15]. These numbers demonstrate that, with the right offerings, the service can attract more players.

Other streamers and user generated content (UCG) platforms are following suit. YouTube launched Playables for premium members in November 2023, with a library of 37 games [16]. After hinting at adding games to Disney+, Disney acquired a US$1.5B equity stake in Epic Games—the creator of *Fortnite*— [17] a collaboration deal on games and Disney IP integration. It has not been confirmed if the resulting games from this partnership will be available on Disney+; nevertheless, this collaboration will be one to monitor going forward.

Ultimately, streamers are fighting for full control over the TV screen, and cloud gaming may be their next strategy. But what's the interest in keeping subscribers this hooked? Based on Netflix's proposed monetization strategies for Netflix Games, this may be a question of boosting ad revenues [18]. If industry players are focused on profitability going forward (see Section 1), a new expansion like this offers a new way to advertise to audiences. Only time will tell how this will impact their overall ad revenue.

FOOTNOTES

10 "Subscription services are changing our relationship to gaming" (The Verge, February 29, 2024). https://www.theverge.com/24044155/xbox-game-pass-subscription-preservation-argentina

11 "Video Games – Canada" (Statista). https://www.statista.com/outlook/dmo/digital-media/video-games/canada?currency=CAD.

12 "Netflix Gaming Beta Expands to Mac, TV and PCs in Canada" (iPhone in Canada, August 14, 2023). https://www.iphoneincanada.ca/2023/08/14/netflix-gaming-beta-canada/.

13 "Netflix aims to 'crawl, walk, run' when it comes to video games. It's still crawling" (CNBC, October 23, 2023). https://www.cnbc.com/2023/10/23/netflix-takes-slow-approach-to-video-games.html.

14 "The Amp Podcast: Netflix's gaming strategy, and analysing investment trends in the sports and gaming industry" (Ampere Analysis, December 7, 2023). https://www.ampereanalysis.com/insight/the-amp-podcast-netflixs-gaming-strategy-and-analysing-investment-trends-in-the-sports.

15 "Netflix's mobile game download numbers have risen sharply thanks to GTA: The Trilogy" (Video Games Chronicle, January 24, 2024). https://www.videogameschronicle.com/news/netflixs-mobile-game-download-numbers-have-risen-sharply-thanks-to-gta-the-trilogy/.

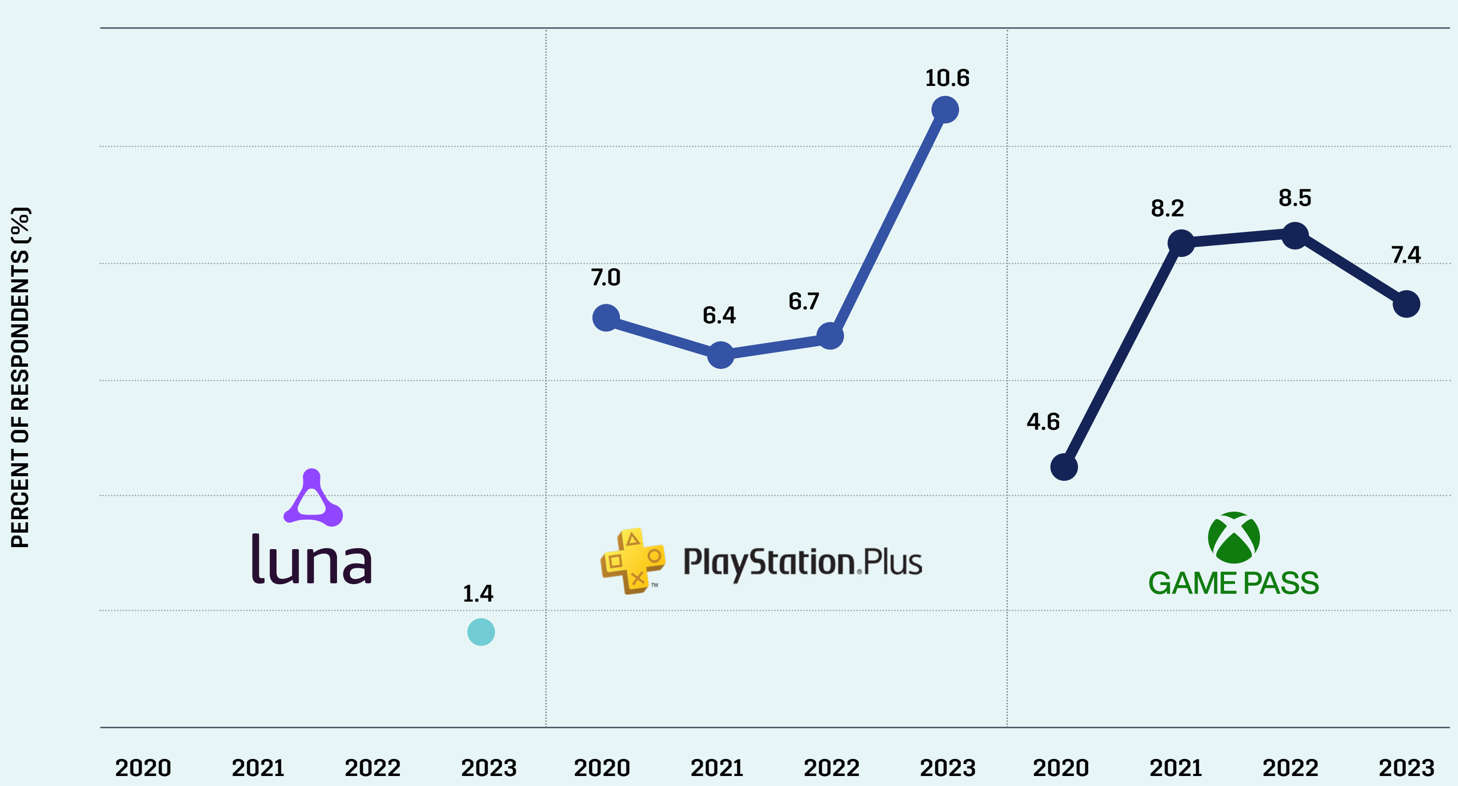
16 "YouTube is getting into games, too" (The Verge, November 27, 2023). https://www.theverge.com/2023/11/27/23978515/youtube-playables-games-premium-subscribers.

17 "Disney Buys Stake In Epic Games, Sets Entertainment Partnership Around Fortnite" (Deadline, February 7, 2024). https://deadline.com/2024/02/disney-buys-stake-in-epic-games-partnership-around-fortnite-1235818206/.

18 "Netflix Considers Ways to Make Money From Videogames in Possible Pivot" (The Wall Street Journal, January 5th, 2024). https://www.wsj.com/business/media/netflix-eyes-ways-to-make-money-from-videogames-in-potential-pivot-705bd3b3?mod=media_news_article_pos2.

CHART 3.4

GAMING SERVICES USED (2020-2023)



SOURCE: GWI Gaming, Q4 2020-Q4 2023, Canadian internet users aged 16-64

WHERE HAS THE METAVERSE GONE?

WHY SHOULD WE KEEP AN EYE ON IMMERSIVE WORLDS?

BY CORINNE DARCHE
COORDINATOR, FORESIGHT & INNOVATION, CANADA MEDIA FUND

Artificial intelligence (AI) dominated the tech industry in 2023 and continues to be a hot topic in 2024 as firms scramble to produce their own competitors to OpenAI's ChatGPT. Even companies like Disney and Microsoft scrapped their metaverse and virtual reality (VR) teams to get all hands on deck for AI [18,19].

So what happened to the metaverse, the former darling of the tech world?

First, let's clarify what the metaverse actually is. Coined by Neal Stephenson in his 1992 book *Snow Crash*, the term designates persistent, immersive, social 3D virtual worlds. Immersion can be achieved through extended reality (otherwise known as XR, which encompasses VR and augmented reality (AR) technologies such as headsets.).

However, the metaverse goes beyond XR and includes rich digital worlds found in multiplayer video games like *Roblox* and *Fortnite*.

Said games are massively popular, particularly among young audiences, and for good reason [20,21]. Gen Z and Alpha have a strong relationship with gaming: nearly nine in 10 Canadian children aged 7 to 11 reportedly play games, as well as 85 per cent of teens [22]. Growing up with technology and digital worlds, Gen Z and Alpha gamers have been experiencing metaverses without the need of a headset for years. As of December 2023, nearly 80 per cent of players engage with the game on mobile devices, as seen in chart 3.5 [23].

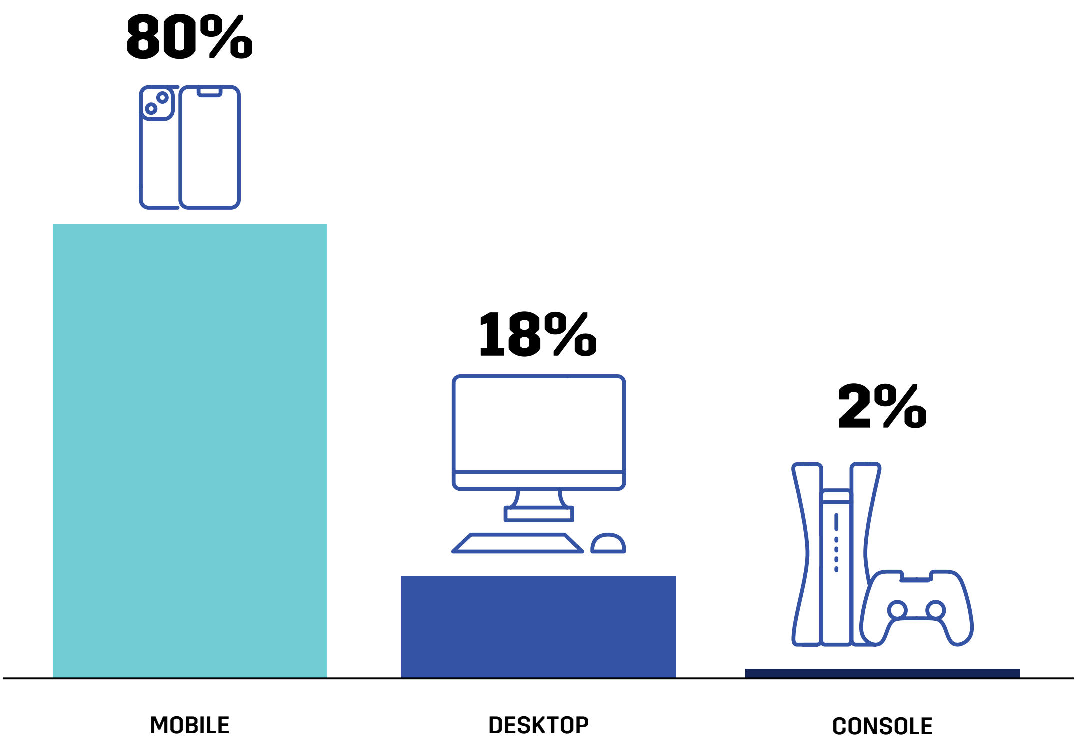
Brands have taken note of Gen Z and Alpha's interest in these immersive gaming worlds. *Fortnite* launched partnerships with kid-friendly brands, including LEGO[24] and Disney[25], to cater to young audiences. *Future Chicken Today Show* [26], a Canadian series that teaches kids about environmental sustainability, expanded beyond television to reach children through multiple mediums, including *Roblox*. These brands meet young audiences where they are, hoping to hold their attention for as long as possible. Immersive and social worlds do just the trick.

Meanwhile, the XR market grows. Statista's projections in chart 3.6 suggest 31.1 million Canadians will be using some form of XR by 2028 [27]. Immersive exhibits have also seen massive success, such as Space Explorers from Felix & Paul Studios and PHI Studio, which sold 450,000 tickets since its launch in 2021.

Even though XR has been around for a while, it still has not reached the mass adoption necessary for it to be

CHART 3.5

DISTRIBUTION OF ROBLOX AUDIENCES WORLDWIDE AS OF DECEMBER 2023 BY PLATFORM

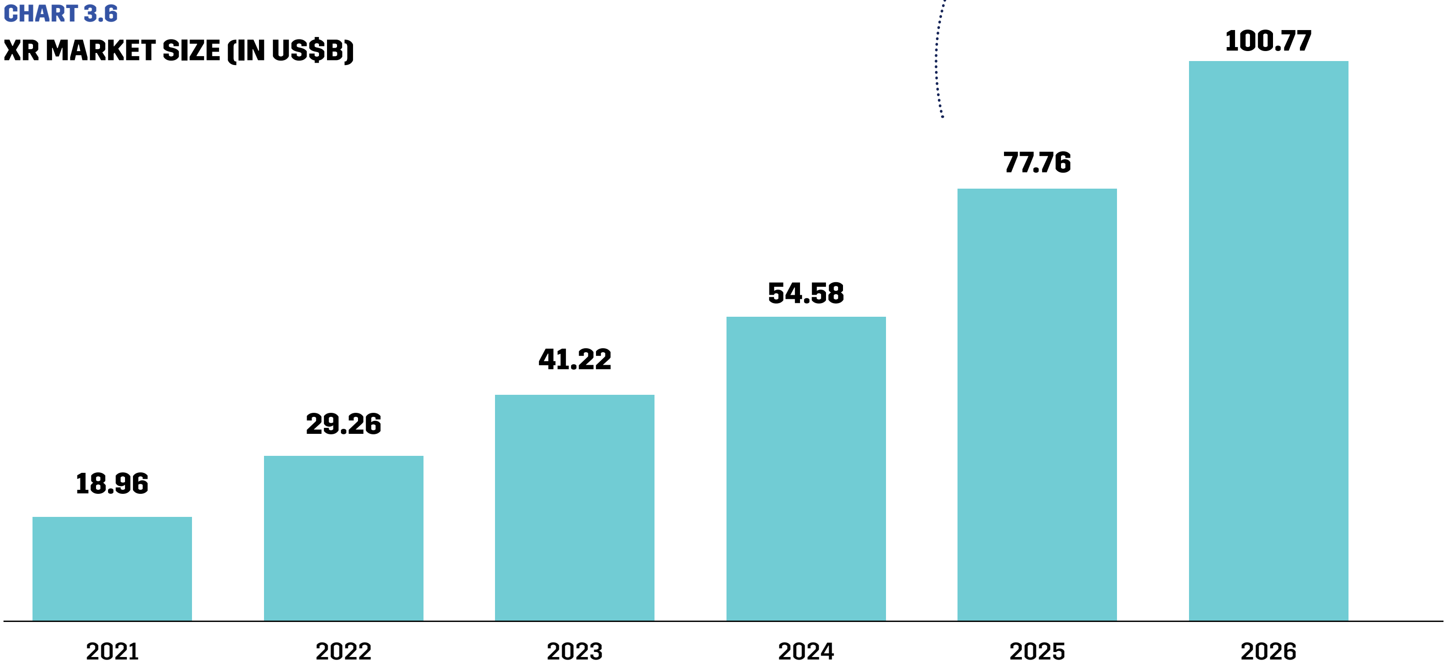


SOURCE: Statista, Roblox

While some tech companies pivoted away from XR, others continue to develop their own headsets. Apple released their long-awaited Vision Pro in the United States earlier this year to compete with Meta's popular Quest 3. Samsung and Sony announced their own headsets shortly after.

CHART 3.6

XR MARKET SIZE (IN US$B)



SOURCE: Statista, ARtillery Intelligence a sustainable ecosystem. There are many contributing factors: cost of headsets (particularly the Vision Pro, which is highly criticized for its US$3,500 price tag [28]), lack of mainstream titles, and cybersickness, etc.

But there are bleeding-edge studios finding niches and pushing the boundaries in immersive storytelling, user experience, applications, and distribution—all of that despite XR's ups and downs. XR headsets being used in virtual production in the audiovisual industry is but one example of that [29].

Immersion is often viewed as the future of entertainment, despite the spotlight moving away from it over the past 18 months. Keep in mind, however, that an industry's future isn't built in a day, nor uniquely based on trends. It involves investing in talent over time to build a robust ecosystem and to grow trust and interest with audiences. The same can be said for immersion.

Audiences and tech companies clearly haven't given up on immersion – not even close. As the talent pool in the gaming and XR industries grows and develops, the rich immersive worlds that they offer are still finding new ways to reach audiences, old and new, across generations.

FOOTNOTES

18 "Bob Chapek's Metaverse Division Cut in Disney Layoffs" (The Hollywood Reporter, March 28, 2023). https://www.hollywoodreporter.com/business/business-news/disney-shuts-down-metaverse-division-bob-chapek-1235362089/.

19 "Microsoft nixed Mixed Reality: This Windows VR didn't even make it to the ER" (The Register, December 27th, 2023). https://www.theregister.com/2023/12/27/windows_mixed_reality_is_dead/.

20 "Fortnite Usage and Revenue Statistics (2024)" (Business of Apps, January 8, 2024). https://www.businessofapps.com/data/fortnite-statistics/.

21 "Roblox Statistics For 2024 (Users, Revenue & Trends)" (Demand Sage, November 18, 2023) https://www.demandsage.com/how-many-people-play-roblox/#:~:text=Roblox%20has%20around%2066.1%20million,users%20mark%20in%20April%202021.

22 "MTM Jr. Level Up!" (MTM, January 26, 2023). https://mtm-otm.ca/en/download?reportFileId=2557.

23 "Distribution of Roblox audiences worldwide as of December 2023, by platform." (Statista). https://www.statista.com/statistics/1190919/roblox-games-users-global-distribution-platform/.

24 "Lego Fortnite is first step towards Epic and Lego's kid-friendly metaverse" (GamesIndustry.biz, December 8th, 2023). https://www.gamesindustry.biz/lego-fortnite-is-first-step-towards-epic-and-legos-kid-friendly-metaverse.

25 "Disney Buys Stake In Epic Games, Sets Entertainment Partnership Around Fortnite" (Deadline, February 7th, 2024). https://deadline.com/2024/02/disney-buys-stake-in-epic-games-partnership-around-fortnite-1235818206/.

26 "Future Chicken." (Wind Sun Sky Entertainment). https://windsunsky.com/future-chicken/.

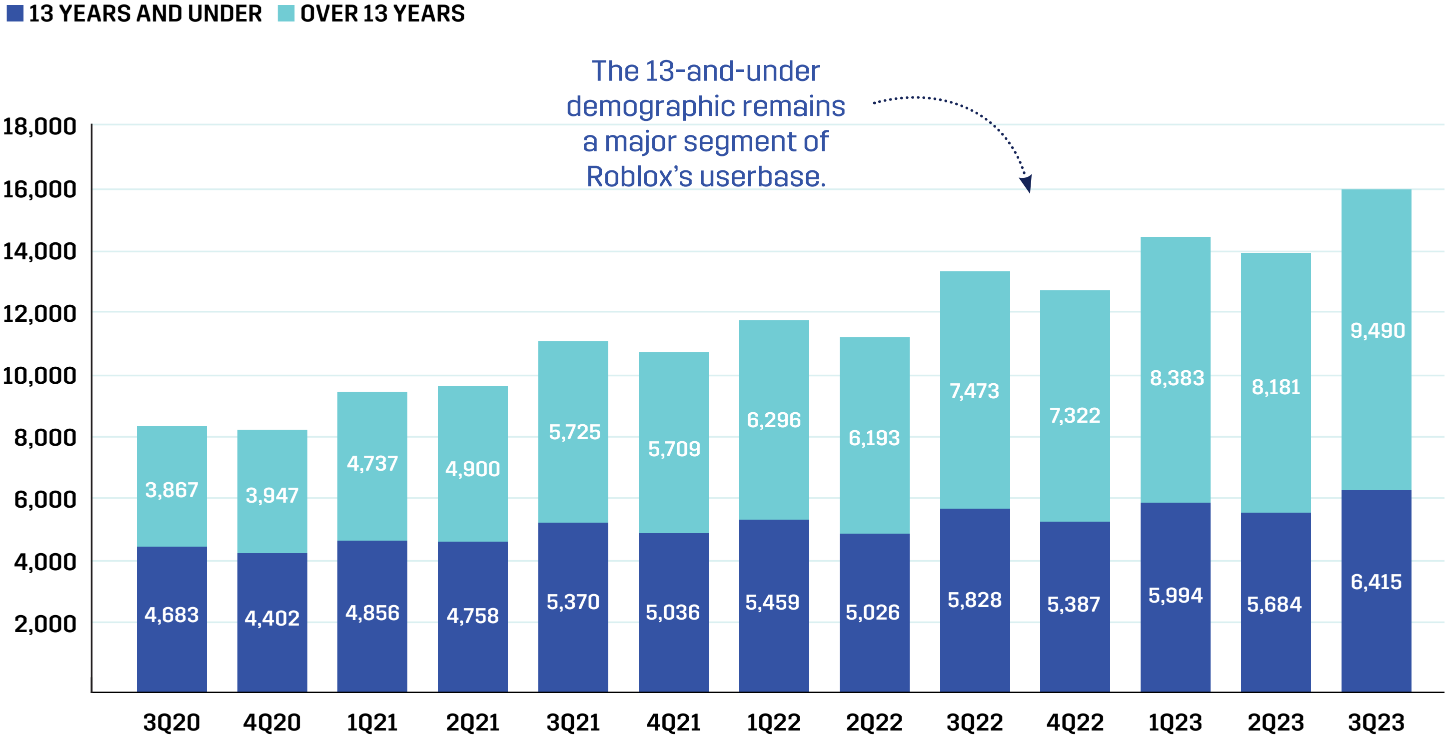
27 "AR & VR – Canada" (Statista) https://www.statista.com/outlook/amo/ar-vr/canada.

28 "Apple Vision Pro: Why does it cost $3,499 and will people pay it?" (ABC News, January 26, 2024). https://abcnews.go.com/Business/apple-vision-pro-cost-3499-people-pay/story?id=106509013.

29 "What is Virtual Production? An Explainer & Research Agenda" (University of York, Winter 2023). https://xrstories.co.uk/wp-content/uploads/2023/01/What-is-VP-final2.pdf.

CHART 3.7

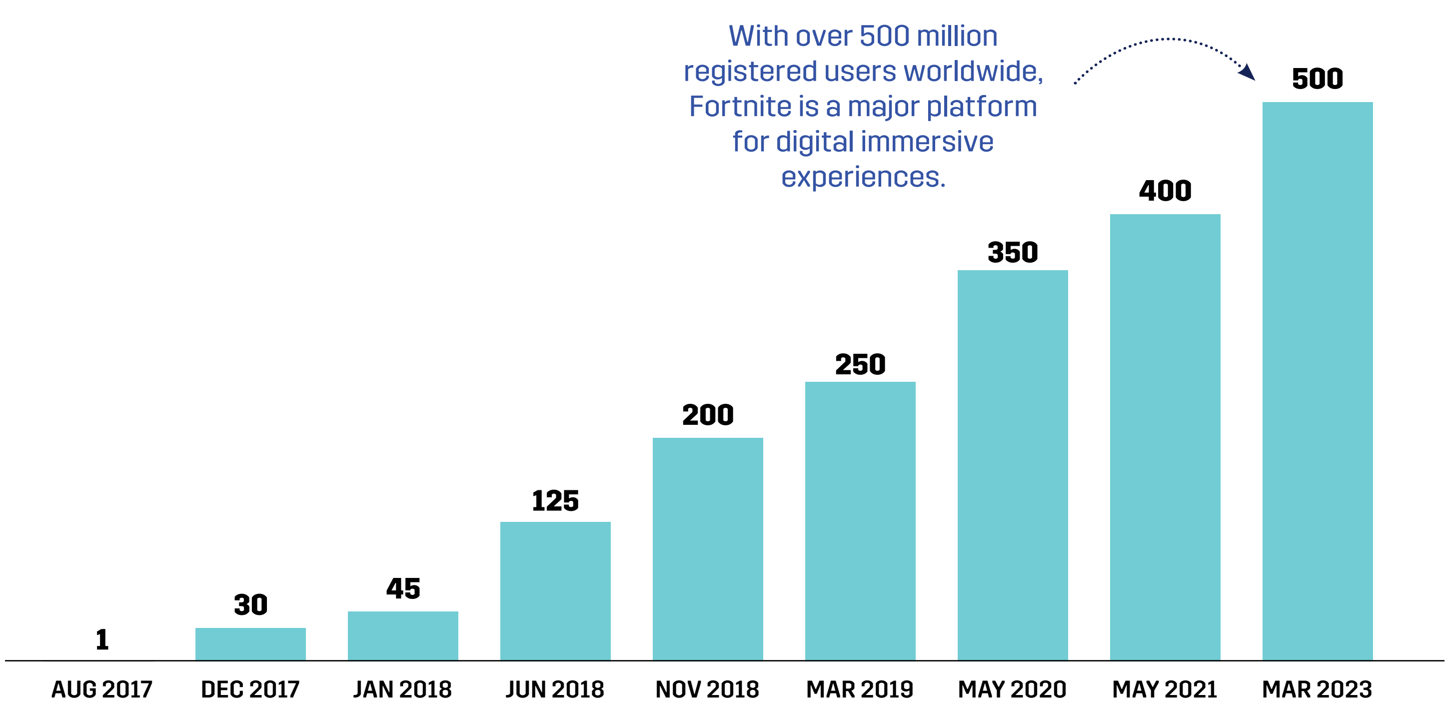
HOURS SPENT ON ROBLOX BY USER AGE GROUP (IN MILLION HOURS)



SOURCE: Roblox

CHART 3.8

REGISTERED USERS OF FORTNITE WORLDWIDE FROM AUGUST 2017 TO MARCH 2023 (IN MILLIONS)



SOURCE: Epic Games: Unreal Engine © Statista 2024

SECTION 4

KEY FACTORS IN BUILDING A STRONGER INDUSTRY

AI IN THE SCREEN INDUSTRY: TIME TO GET SMART

UNDERSTANDING AI THROUGH THE LENS OF THE AUDIOVISUAL EXPERTISE

BY FLORENCE GIROT
SENIOR MANAGER, FORESIGHT & INNOVATION, CANADA MEDIA FUND

Aftershocks from the earthquake triggered by the November 2022 launch of ChatGPT—OpenAI's generative artificial intelligence chatbot—continue to rock the global screen industry.

Of course, AI was already a factor in our sector by then, upstream and down, from predictive tools assessing a project's potential on the basis of its script or cast, to post-production, visual effects, animation, and video games. And thanks to advances in the rendering quality of generative AI (albeit still imperfect) and the rapid adoption of the tool, the industry is now in a position to contemplate automation that practically anyone can use.

The downside of automation is job redundancy, and that quickly became the focus of serious concern. The twin 2023 strikes by screenwriters and actors in the United States brought awareness of the impending danger to a head.

The American screen industry wasn't the only one to make its voice heard loud and clear. The Writers Guild of Canada alerted the Minister of Canadian Heritage to the threat AI posed to screenwriters back in June of 2023. More recently, spokespersons from the television, film, and music sectors have called on the government to protect their industries in the context of the *Artificial Intelligence and Data Act* (AIDA, included in Bill C-27 [1]).

While the challenges associated with AI are well documented, that does not rule out its potential for resource maximization, something that may be scrutinized, especially in times of budget restraints.

In any case, it's a smart move to run a basic benefit-risk analysis adjusted to the needs of your business.

In the development phase, generative and predictive[2] AI can provide effective guidance in the scriptwriting process, in the creation of sound or visual ambience (including set illustrations, lighting, costumes, etc.), and even in casting and storyboarding.

Once in production, automated indexing and labelling rushes, transcribing interviews for documentaries, and assisting animation all help in boosting productivity.

In post-production and special effects, numerous apps and automated systems have been used for years.

Significant levels of optimization are also possible in distribution, promotion, and broadcasting.

In this context, the considerations governing each stage in the production chain remain as relevant as ever for everyone in the industry. Would you be comfortable sharing your work with just about anyone in the early stages of development? Are you willing to share your data publicly using AI without first making sure that the terms of use will be adhered to and that you have a guarantee that your data won't be used for purposes that contravene the terms of the chain of title? And inversely, without a guarantee that any licensed data is finding its way into your work? Is the AI used by your post-production service providers proprietary or is it "public"?

In addition to securing your data, there are financial considerations associated with the kind of AI screen-industry organisations choose to work with. In-house AI is more secure, but much more expensive.

The time investment should be part of the equation as well. Make sure your teams are competent enough to use the tools efficiently and effectively. Running tests to guard against built-in biases or other sensitive issues is one more smart thing to do.

Another key consideration is AI's massive environmental footprint. While the screen industry is working toward implementing effective, long-term ecological protocols and incentives, the widespread use of generative AI could well negate all our good intentions. To give you an idea, using generative AI to create one single image generates the same carbon footprint as fully recharging your phone [3].

What does all this mean for the screen industry in 2024? We urgently need to develop an approach to AI that is consistent with our business processes and objectives, both at the individual and sectoral level, based on well-reasoned and enlightened use of the AI tools we have at our disposal.

Just imagine the industry-wide impact when Sora, OpenAI's upcoming generative model, or any other similar generative AI, is ready to be adopted in the filming process. How would this impact foreign prodcos' future choice to shoot in Canada? And what would that mean for the tax credit policies, from which the local screen industry also benefits?

FOOTNOTES

1 "Canadian TV, film, music industries ask MPs for protection against AI" (CP24, February 12, 2024). https://www.cp24.com/news/canadian-tv-film-music-industries-ask-mps-for-protection-against-ai-1.6765778

2 [sidebar note on the definition of the three main types of AI: generative, predictive, recognitive]

3 "Making an image with generative AI uses as much energy as charging your phone" (MIT Technology Review, December 1, 2023). https://www.technologyreview.com/2023/12/01/1084189/making-an-image-with-generative-ai-uses-as-much-energy-as-charging-your-phone/?truid=&utm_source=the_algorithm&utm_medium=email&utm_campaign=the_algorithm.unpaid.engagement&utm_content=12-04-2023

RESULTS OF THE HOLLYWOOD STRIKES

In 2023, deadlocks in the three-year contract negotiations between the AMPTP (Alliance of Motion Picture and Television Producers) and US labour unions triggered two of Hollywood's longest strikes, simultaneously. In the end, screenwriters from the WGA (Writers Guild of America) succeeded in ensuring that no content produced by AI could be deemed an original or literary work. On the other hand, screenwriters will still be free to use AI in their work. This puts the importance of a human factor in the creative process on a more secure footing for at least three years. Of course, at the rate AI is evolving, three years might seem like an eternity.

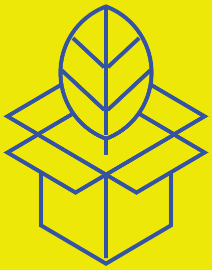
SAG-AFTRA (Screen Actors Guild-American Federation of Television and Radio Artists), as part of their new collective agreement, established a protective compensatory framework in cases where members are on screen without having participated in a shoot. Consent and remuneration must be obtained whenever the voice and image of members are used. While human performance has been (re)affirmed in the new contract, a number of players, especially dubbing artists, have made their concerns about loopholes in the agreement heard. AI advances in voice processing, and Microsoft's patent applications for an automatic dubbing system, are not likely to deal with these concerns.

3 DIFFERENT APPLICATIONS OF AI TO KEEP IN MIND

GENERATIVE AI: generating text, image, sound or video from prompts to assist at different phases (e.g., it can help scriptwriters to move from the treatment to the full-length script, create images aiming to flesh out producers' presentation deck, or even generate audio patches to enhance bad quality interviews)

PREDICTIVE AI: based on algorithms and large databases, predictive AI identifies forward-looking correlations. Predictive AI platforms such as Cinelytic, Largo or Scriptbook to name a few, provide script analysis, financial and box office forecast, or casting analysis. It allows producers to have informed decisions on e.g., the international markets where the content could perform, the cast that could attract which audiences, tailored localized teasers, etc.

AI-DRIVEN RECOMMENDATION SYSTEMS: these systems feed users' behavioral data into algorithms that become smarter over time. This data includes watching history and habits, location information, users' profiles (e.g., are there children in the household or not), etc. These systems allow video platforms (or other kind of website or applications, including on smart TVs) to better understand viewers to eventually provide tailored suggestions. And tailored ads.



MONTREAL-BASED RESEARCHER AT THE FOREFRONT OF TRACKING AI ENVIRONMENTAL IMPACT

The Montreal-based researcher Sasha Luccioni proactively works for raising people's awareness about the environmental impact of AI. Climate Lead for the New York-based start-up Hugging Face, Luccioni and her team track carbon emissions of digital practices, including AI. They first developed an online calculator to estimate carbon emissions based on the hardware used, its runtime and location. This first step helped them create codecarbon, the real-time version of the initial calculator able to provide an estimate of AI models' carbon footprint.

GOING GREEN: SUSTAINABILITY INITIATIVES IN THE INDUSTRY

HOW ECOFRIENDLY PRACTICES ARE GAINING TRACTION IN INDUSTRY, AND WHAT ARE THE AREAS FOR IMPROVEMENT

BY CORINNE DARCHE
COORDINATOR, FORESIGHT & INNOVATION, CANADA MEDIA FUND

The past five years saw a massive shift in awareness of environmental sustainability, with the movement leading to change and initiatives across industries. Although sustainable practices were prevalent in film and TV productions around the world already, they benefited from increased exposure.

Considering the screen industry's latest challenges, such as rising interest rates, what is the state of sustainability in 2024?

Canadian productions are encouraged to use carbon calculators and report their footprint to meet benchmarks for certain incentives. In addition, this data benefits research and reports.

For example, the Quebec feature film *La Meute* tracked carbon emissions over the course of its production cycle in 2022. In total, the film generated 102.33 tonnes of CO_2, which is the same as driving 350,000 kilometres in a mid-sized car. The report found that the largest contributing departments were transport, materials, and filming location, which can be seen in chart 4.1 [1].

Some proposals to reduce carbon emissions on sets are smaller, day-to-day actions like recycling initiatives, electric generators, and catering services using local food suppliers.

Some, on the other hand, are large-scale solutions, like virtual production. By using immersive technology such as virtual reality (VR) headsets, creative teams can experiment with digital prototyping and location scouting. While these are crucial for reducing the pollution generated by the transport and materials departments [2], little attention is paid to the environmental impact of this technology, with emissions produced by cloud servers required to run virtual production tools often relegated to a footnote [3].

Tax credits are also frequently cited as great incentives for sustainability. California and New York, for instance, have state-level programs. Recently, Hollywood productions began to benefit from the national Green Energy Tax Credit program[4,5].

But are these incentives and solutions enough?

Producers answer in earnest when asked about the challenges of maintaining a sustainable production set.

In a survey of 300-plus producers around the world, more than half said that sustainability is not an issue. 56 per cent cited high upfront costs, and nearly 70 per cent reported a general lack of awareness about the benefits as deterring factors to sustainability [6]. These and other reasons are detailed in chart 4.2.

But in Canada, producers and filmmakers are vocal about the need for effective sustainability solutions and greater awareness.

In British Columbia, over 40 independent film and TV producers signed on to Producing for the Planet, a coalition that promotes sustainability, which will launch in 2025 [7]. Ontario Green Screen, in its most recent report, stressed the importance of sustainable practices in the province, especially as more Hollywood productions opt to shoot in and around Toronto [8].

The numerous reports and environmental organizations are a testament to industry interest in sustainability. However, solutions are not one-size-fits-all. TV series or feature film, fiction or documentary, and filming location are factors that impact a production's environmental footprint. In addition, filming in 4K instead of the delivery standard 1920x1080 format requires more data and, by extension, more energy [9].

Given the numerous factors to be considered, the lack of robust indicators and metrics, and our multifaceted industry, it is not a surprise that we are still at the early stage of greening. And yet, our sector has been creative in implementing initiatives and training to drive change. However, such significant structural changes won't be achieved overnight. This is why we need to adopt a long-term approach underpinned by solid planning and defined milestones. We also need to make industry people more aware of their environmental impact and how concrete actions may mitigate this impact. Making changes meaningful is the best way to get people to adopt them.

FOOTNOTES

1 "Étude de cas – La Meute : Calcul de l'empreinte carbone d'un long métrage québécoise (On Tourne Vert, January 2023). https://ontournevert.com/wp-content/uploads/2023/04/Rapport-La-Meute-Telefilm-Francais1.pdf.

2 "What is Virtual Production? An Explainer & Research Agenda" (University of York, Winter 2023). https://xrstories.co.uk/wp-content/uploads/2023/01/What-is-VP-final2.pdf.

3 "What is Virtual Production? An Explainer & Research Agenda" (University of York, Winter 2023). https://xrstories.co.uk/wp-content/uploads/2023/01/What-is-VP-final2.pdf.

4 "Sustainability Survey Reveals Blind Spots to Cleaning Up Studio Shoots" (Variety VIP+, February 28, 2024). https://variety.com/vip/studio-production-sustainability-survey-reveals-execs-know-what-needs-fixing-1235919475/.

5 "Travis Kelce's Debut as a Film Producer Is Also the First Movie Financed Using President Biden's Green Energy Tax Credits (EXCLUSIVE)" (Variety, February 13, 2024). https://variety.com/2024/film/news/travis-kelce-my-dead-friend-zoe-financed-energy-tax-credits-1235908057/.

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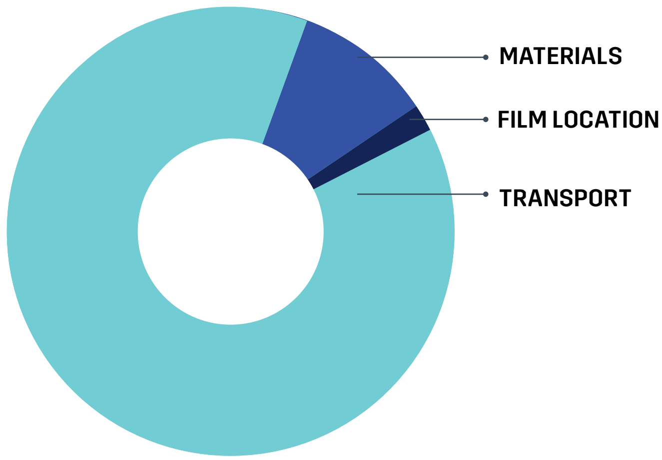
9 "Could video streaming be as bad for the climate as driving a car? Calculating Internet's hidden carbon footprint" (The Conversation, December 8, 2022). https://theconversation.com/could-video-streaming-be-as-bad-for-the-climate-as-driving-a-car-calculating-internets-hidden-carbon-footprint-194558.

CHART 4.1

ROLLING GREEN: CARBON FOOTPRINT FOR THE *LA MEUTE* SHOOT

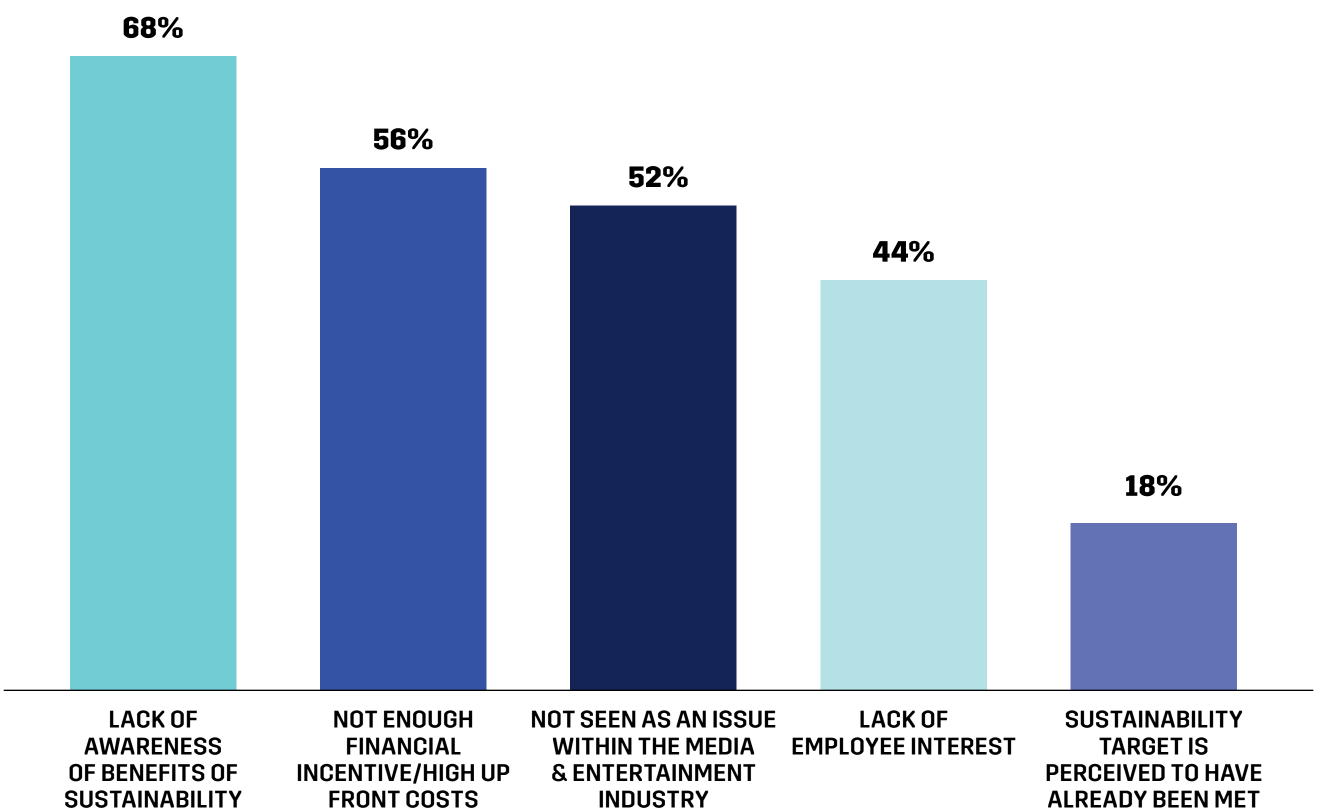


SOURCE: Rolling Green

CHART 4.2

WHICH OF THE FOLLOWING ARE BARRIERS TO PRIORITIZING SUSTAINABILITY IN THE PRODUCTIONS YOU ARE INVOLVED IN?

PERCENTAGE OF RESPONDENTS. N=147.



SOURCE: Altman Solon

WHY WE COUNT: DEMOGRAPHIC REPORTING IN THE MEDIA INDUSTRY

LAYING THE FOUNDATION FOR A MORE INCLUSIVE AND FAIR MEDIA LANDSCAPE

BY DIEGO BRICEÑO
SENIOR MANAGER, DATA EQUITY RESEARCH, CANADA MEDIA FUND

The events of 2020—severe racial unrest and a global pandemic—underscored disparities and prompted media organizations worldwide to re-evaluate their support for 'underrepresented communities.' By then, Canadian media had already implemented gender-balance incentives and programs for Indigenous creators; yet, the societal shifts at hand called for a more profound and structured approach to data collection.

SELF-IDENTIFICATION SYSTEMS

There are various data-collection systems at work across the globe. Diamond, which collects demographic data from six broadcasters in the United Kingdom, has been reporting since 2016 [1]. Australia's Everyone Project started gathering comprehensive industry data in 2021 [2].

The Canada Media Fund (CMF) launched its PERSONA-ID system in 2022 for its own programs [3]. Telefilm Canada, CBC/Radio-Canada, and others followed suit in implementing their own soon after.

Each system's foundational goals required different methodologies. Canada's approach uses data at the application stage to determine eligibility to targeted programs and incentives. It is also used to attain diversity requirements, notably for CBC/Radio-Canada. In contrast, Diamond and The Everyone Project collect data after production for statistical purposes, without directly influencing immediate funding decisions.

The focus of these systems also varies.

Canada emphasizes key roles—writers, directors, producers, and shareholders in the case of the CMF—while other countries capture a broader range of positions. Identity markers may be similar, but the different scales and analytical approaches each system employs make international comparisons and conclusions challenging.

WHAT THE NUMBERS SAY

Globally, gender continues to be a focal point for data collection.

Diamond has the advantage of six full years tracking longitudinal trends. Their data shows that, even if the representation of women working off-screen trends above 50 per cent, there have been fluctuations that speak to broader industry dynamic, such as labour market demand or the economic impact of the pandemic [4].

In Canada, the CMF reports that, from 2022 to 2023, only the minimum goal set by gender-balance incentives was met, with 40 per cent of key roles in linear programs held by women (chart 4.3). The CMF also noted a shortfall of women's representation in interactive content.

Indigenous representation is also a pressing issue in Canada and Australia, understood against a backdrop of historical significance.

From 2021 to 2022, Australia used demographic benchmarks to measure success, reporting four per cent Indigenous representation in production roles (chart 4.4). The CMF reported nine per cent Indigenous representation in key roles for its funded linear content, although it lacks comparative benchmarks.

Ethnicity and race categories gained particular attention post-2020. The CMF's findings of 18 per cent representation of racialized communities, with Black or Afro-Canadians notably present, indicate a potential shift in industry dynamics or the impact of community-driven advocacy.

In the United Kingdom, a similar trend in Black representation was observed.

For 2SLGBTQIA+ communities, representation above 16 per cent is considered strong in the British and Australian industries (charts 4.5 and 4.6). Conversely, persons with disabilities remain underrepresented, pointing to an area needing targeted efforts.

THE FUTURE OF MEDIA REPRESENTATION

Long-term monitoring and consistent data collection are essential for detecting demographic trends, and to help guide the development of policies aimed at addressing disparities.

Meanwhile, striving for global and national harmonized standards would facilitate collaborations between organizations and countries, bolstering co-production initiatives, and shared sector-development practices.

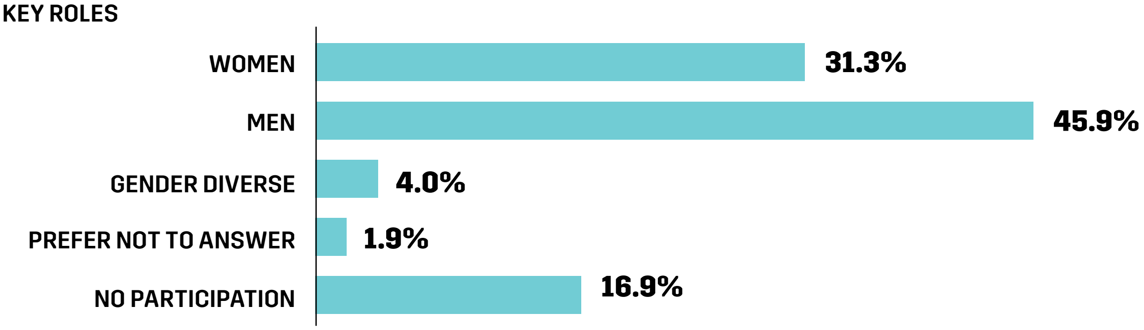
In Canada, defining industry-wide benchmarks on representation remains a challenge, contingent on myriad factors including demographic shifts and labour market dynamics.

Nonetheless, the pursuit of a sustainable, data-driven strategy is crucial for evaluating the real-world impact of efforts towards equity, diversity, inclusion, and accessibility and for developing more effective policies in the future.

CHART 4.3

GENDER REPRESENTATION IN KEY ROLES FOR INTERACTIVE FUNDED APPLICATIONS 2022-2023

N: 575 KEY ROLES



SOURCE: Canada Media Fund (CMF)

FOOTNOTES

1 "Diamond - The 6th Cut Report" (Creative Diversity Network, 2023). https://creativediversitynetwork.com/wp-content/uploads/2023/07/Diamond-The-6th-Cut-July2023.pdf.

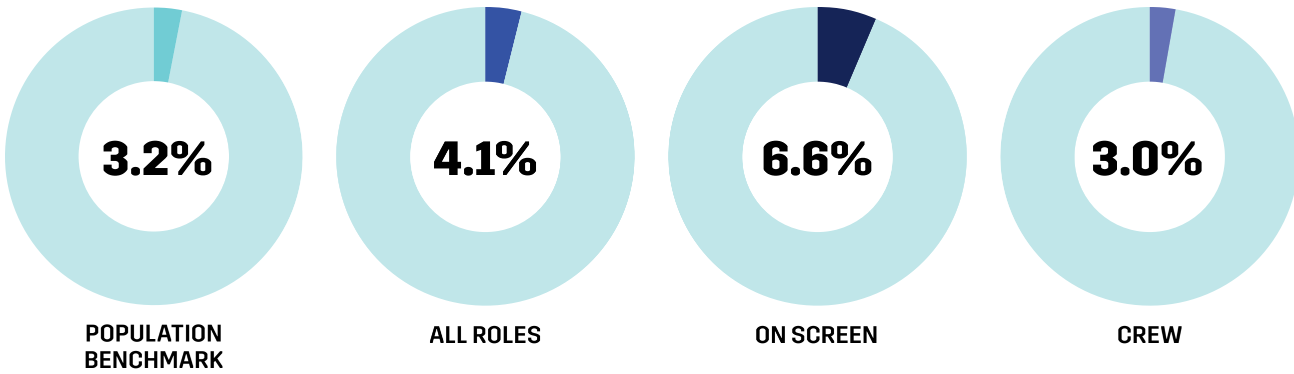
2 "Everyone Counts Report" (Screen Diversity and Inclusion Network, 2022). https://www.sdin.com.au/wp-content/uploads/2022/10/SDIN-Everyone-Counts-Report.pdf.

3 "Demographic Report" (Canada Media Fund, March 2023). https://cmf-fmc.ca/document/2022-23-demographic-report/.

4 "Diamond - The 6th Cut Report" (Creative Diversity Network, 2023). https://creativediversitynetwork.com/wp-content/uploads/2023/07/Diamond-The-6th-Cut-July2023.pdf.

CHART 4.4

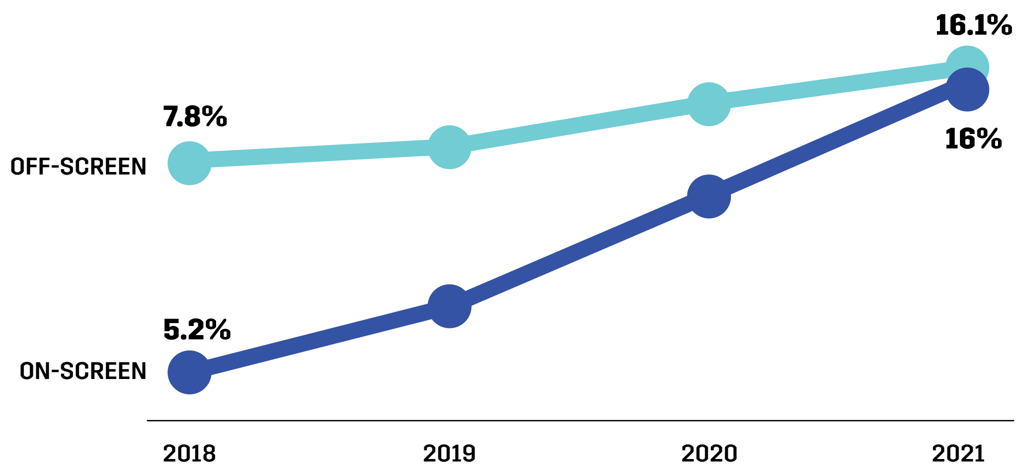
FIRST NATIONS PEOPLE



SOURCE: Screen Diversity Inclusion Network

CHART 4.5

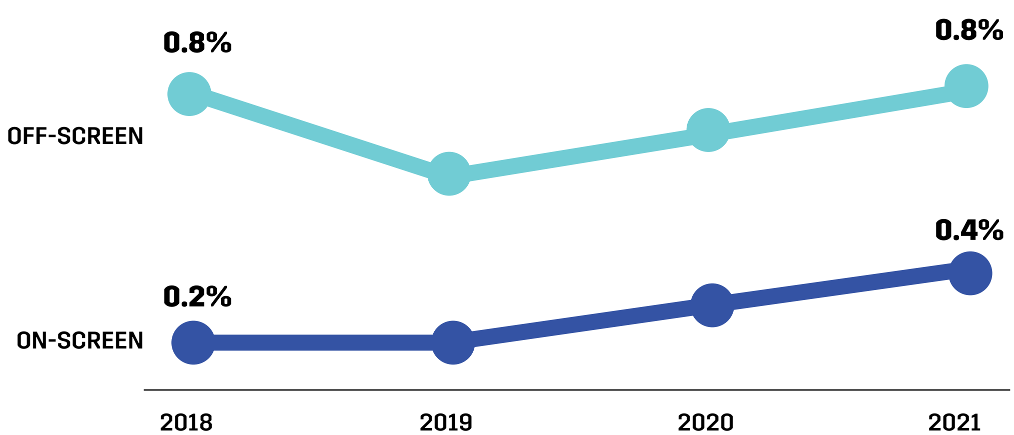
LESBIAN, GAY, AND BISEXUAL CONTRIBUTIONS OFF- AND ON-SCREEN, 2018-19 TO 2021-22



SOURCE: Creative Diversity Network

CHART 4.6

TRANSGENDER CONTRIBUTIONS ON AND OFF-SCREEN 2018-19 TO 2021-22 %



SOURCE: Creative Diversity Network

CREDITS

The Canada Media Fund (CMF) fosters, develops, finances and promotes the production of Canadian content and applications for all audiovisual media platforms. The CMF guides Canadian content towards a competitive global environment by fostering industry innovation, rewarding success, enabling a diversity of voice, and promoting access to content through public and private sector partnerships. The CMF receives financial contributions from the Government of Canada and Canada's cable, satellite and IPTV distributors. **To learn more, visit cmf-fmc.ca**.

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