Measuring the impact. Recovering strong.

As all of Canada's creative industries cope with the on-going effects of the COVID-19 pandemic, the Interactive Digital Media (IDM) sector in Canada has felt the impact of the virus in its own unique way. To gauge this impact, the Canada Media Fund (with support from provincial IDM associations across the county), asked Nordicity to develop a Canada-wide survey. The survey was open between March 23, 2020 and April 6, 2020. In total, 245 IDM companies and 60 self-employed individuals responded to the survey. The principal findings from the survey are presented here.

Need for direct funding

Micro and small businesses have lost on average 40% of monthly income

**33% of micro and small businesses have lost all monthly revenue**

As with many parts of Canada's economy, some parts of the IDM industry have been especially impacted by the pandemic. Smaller IDM studios have suffered particularly difficult losses, with those employing fewer than five employees seeing an average 40% decline in revenue. At the same time, a third of IDM companies with 20 or fewer employees have lost all monthly revenue.

1

Amount of runway left

2

In another measure of the industry's health, companies were asked to report on their fiscal "runways" (i.e. their ability to cover costs should no new business arrive). Overall, the industry estimates an average of four months of runway. However, this figure obscures the reality that, by now, about 20% of respondent have run out of runway altogether – a figure that will likely exceed 80% by September. Micro companies (fewer than five employees) have been hit the hardest, reporting an average of three months of runway, while companies with more than 20 employees could be able to withstand business shortcomings for an average of five months.
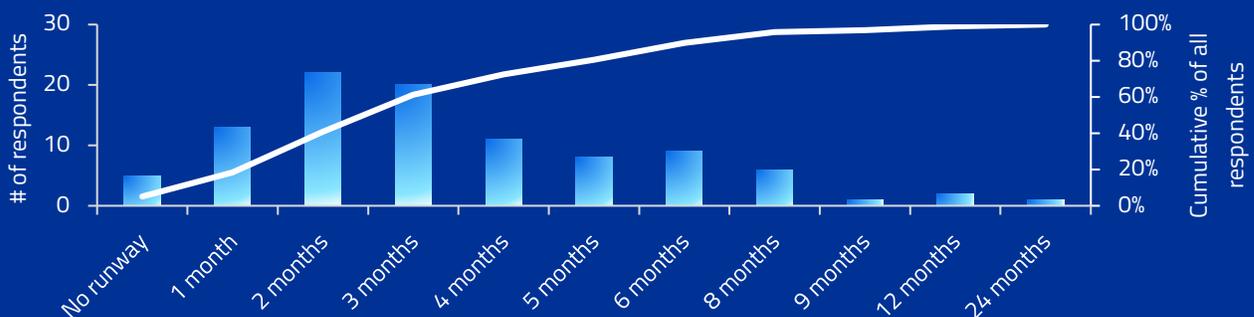
Unpredictable losses

Companies projecting new losses:

Micro companies: 50%

Small companies: 52%

While just over one in five companies report that they will be as profitable or more profitable amid the COVID-19 pandemic than they were previously, 45% of companies will experience lower profitability or an unexpected loss. At the same time, some companies (32%) do not yet know what impact COVID-19 will have on their companies' bottom line.

3

Uncertainty for contract workers

4

Survey results indicate that employment impacts are mostly felt through contract/freelance workers. In all, 17% of the contract workforce, and 1% of the salaried workforce have already been laid off or are likely to be laid off soon. If social distancing measures last beyond June 30, 2020, about a third of the contract workforce in the IDM industry may be laid off, compared to 5% of salaried employees.

32% of freelance workers will be laid off if social distancing lasts past June

Supporting virtual B2B markets

Although some (30%) respondents did indicate that the pandemic would have a moderate impact on their businesses, a larger group (40%) contend that the impact of the pandemic will be felt after three months (from early April). This finding suggests that many companies have sufficient work for the moment but may face business development challenges beyond June. To support this concern, business development challenges were listed as the top two concerns for Canadian IDM companies.

5

Most concerning issues:

Loss of opportunities due to stakeholders being affected

Loss of opportunities due to markets being stalled

Taking into consideration these observations, while some smaller IDM companies have experienced immediate losses of revenue that threaten their viability, the biggest impact of the pandemic may be related to the ability of Canadian IDM companies to attract new business. With shortening runways and limited availability of usual business development channels (e.g., conferences like GDC, PAX or SXSE), the main challenge will likely be funding innovative ways to connect Canada's IDM companies with financiers, funders, and customers before they run out of operating capital.

Prepared by

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