

# Measuring the Impact of COVID-19 on the IDM Industry

## Ontario (Revised – Highlights)

April 15, 2020



## 1. Response Rate

- Number of companies in the universe = 320 (provided by Interactive Ontario)
- IDM company types included in analysis of survey responses:
  - AI products and services
  - eLearning applications
  - Extended reality (VR, AR, MR) products
  - Games
  - Interactive installations
  - Mobile apps (non-games)
  - Multiplatform / Transmedia / Video products
  - Other
- Complete response rate (companies) = 23% (75 complete responses)
- Total responses = 110 (companies + self-employed individuals)

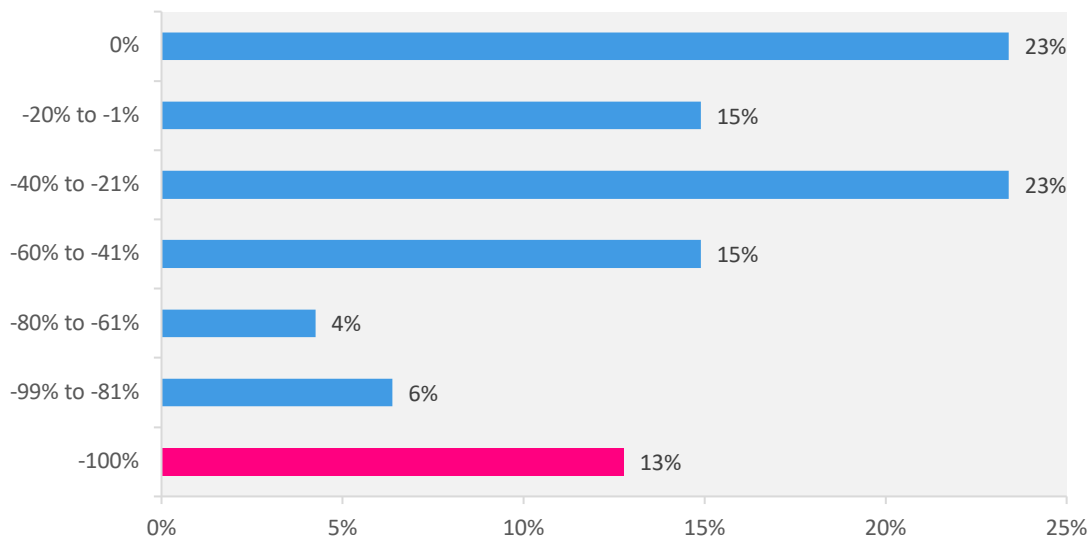
## 2. Impacts on Companies

### 2.1 Financial Impacts

#### 2.1.1 Decrease in Monthly Revenue

- Average decrease = -38%

Figure 1: Decrease in monthly revenue experienced by IDM companies in Ontario due to COVID-19



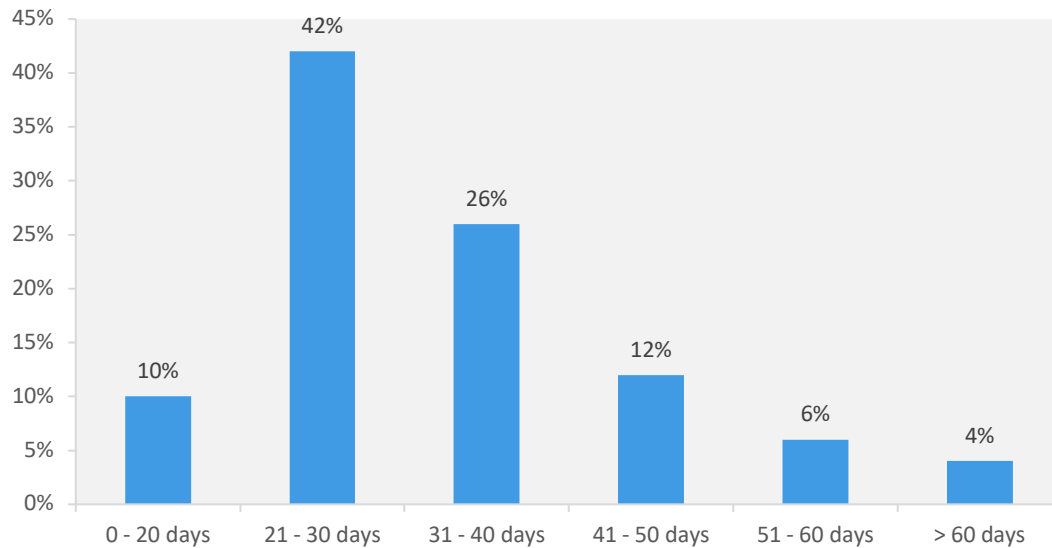
n = 47

Low	High	Label	Number	Percentage
-100%	-81%	-100% to -81%	9	19%
-80%	-61%	-80% to -61%	2	4%
-60%	-41%	-60% to -41%	7	15%
-40%	-21%	-40% to -21%	11	23%
-20%	-1%	-20% to -1%	7	15%
0%	0%	0%	11	23%

### 2.1.2 Number of Days of COVID-19 Impact

- Average number of days = 33 days

Figure 2: Number of days that COVID-19 has impacted revenue (as of April 9, 2020) of IDM companies in Ontario



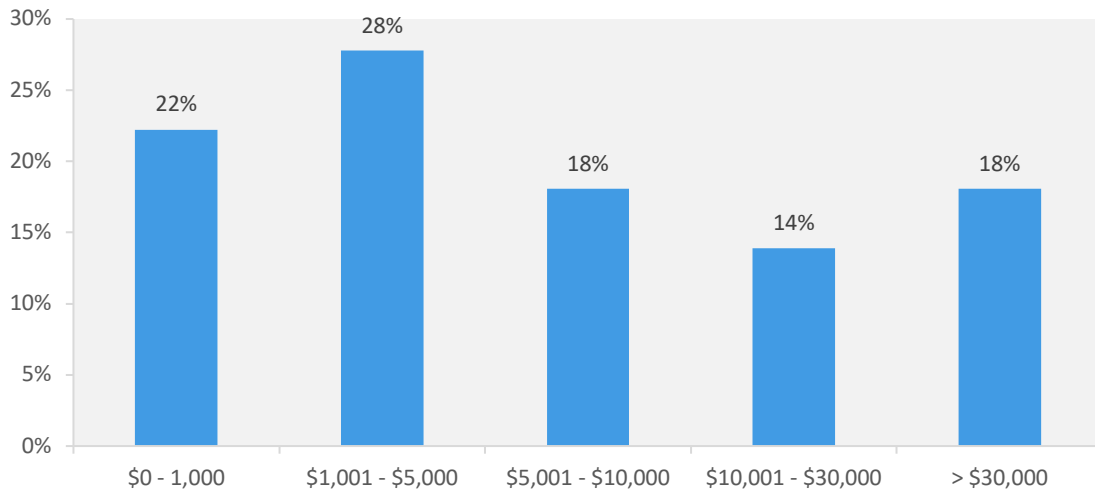
n = 50

Low	High	Number	Percentage	Label
0	20	5	10%	0 - 20 days
21	30	21	42%	21 - 30 days
31	40	13	26%	31 - 40 days
41	50	6	12%	41 - 50 days
51	60	3	6%	51 - 60 days
> 60		2	4%	> 60 days

### 2.1.3 Unrecoverable/Additional Costs

- Average unrecoverable and/or additional costs = \$25,900
- Estimated gross unrecoverable and/or additional costs incurred = \$8,295,000
  - Calculated as the product of average cost and number of companies

Figure 3: Unrecoverable and/or additional costs incurred as a result of COVID-19 by IDM companies in Ontario



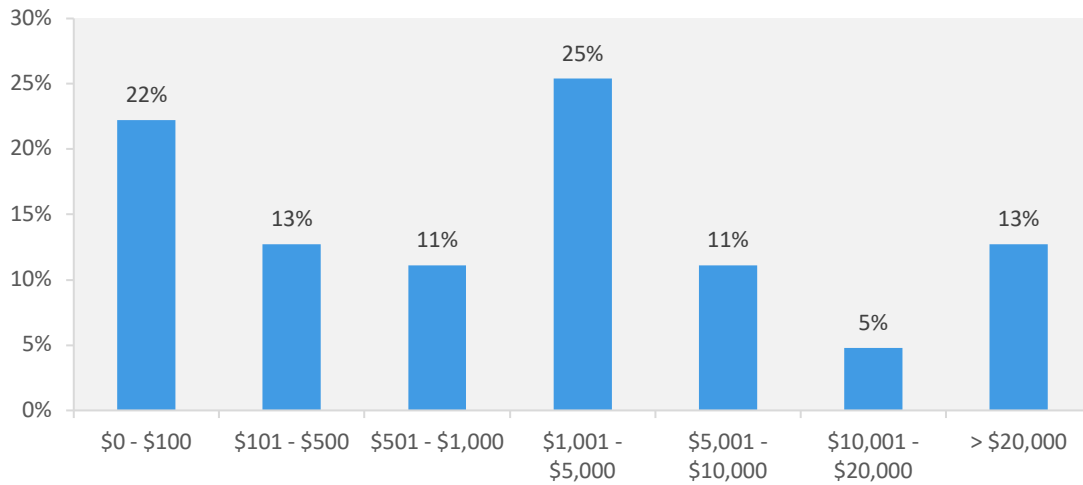
n = 72

Labels	% of responses
\$0 - 1,000	22%
\$1,001 - \$5,000	28%
\$5,001 - \$10,000	18%
\$10,001 - \$30,000	14%
> \$30,000	18%
<b>Total</b>	<b>100%</b>

## 2.1.4 Additional Monthly Costs

- Average additional monthly costs anticipated = \$9,900
- Estimated gross additional monthly costs anticipated = \$3,168,000
  - Calculated as the product of additional monthly costs and number of companies

Figure 4: Additional monthly costs anticipated related to COVID-19 by IDM companies in Ontario



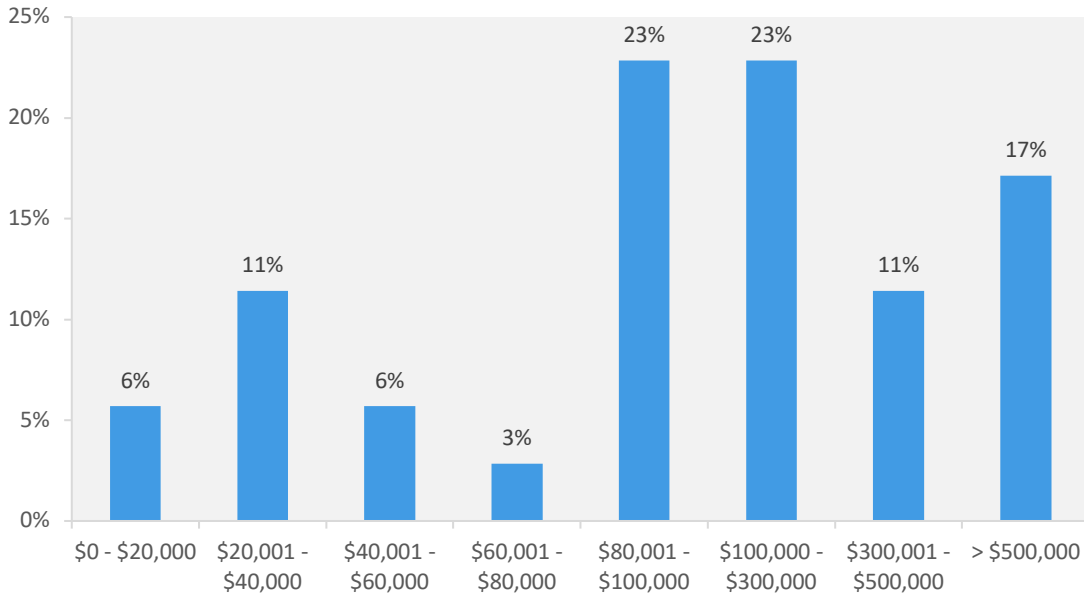
n = 63

Labels	% of responses
\$0 - \$100	22%
\$101 - \$500	13%
\$501 - \$1,000	11%
\$1,001 - \$5,000	25%
\$5,001 - \$10,000	11%
\$10,001 - \$20,000	5%
> \$20,000	13%
<b>Total</b>	<b>100%</b>

## 2.1.5 Profitability

- Average anticipated loss in 2020 = \$168,400
- Estimated gross anticipated loss in 2020 = \$67,057,000
  - Calculated as average loss excluding outliers multiplied by number of companies less number of outliers, then added to the outliers

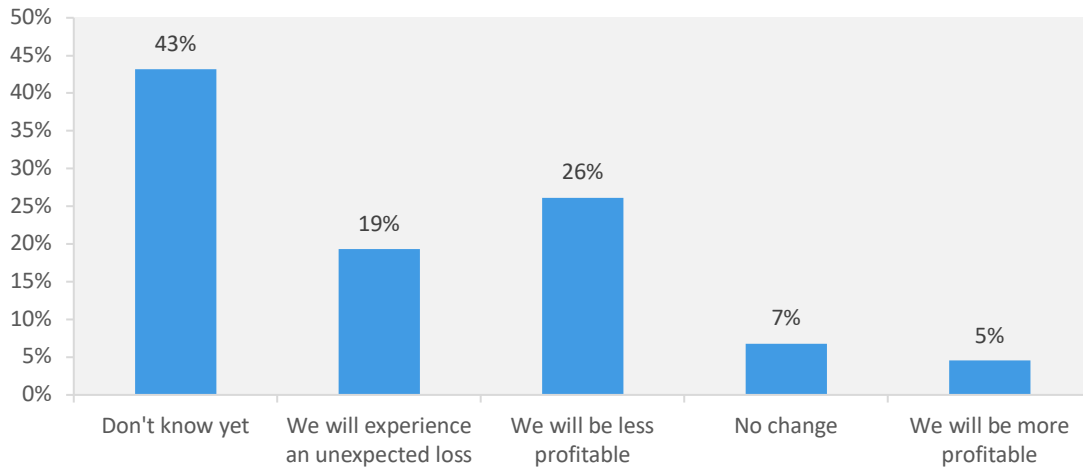
Figure 5: Loss anticipated in 2020 by Ontario's IDM companies



n = 35

Labels	% of Responses
\$0 - \$20,000	6%
\$20,001 - \$40,000	11%
\$40,001 - \$60,000	6%
\$60,001 - \$80,000	3%
\$80,001 - \$100,000	23%
\$100,000 - \$300,000	23%
\$300,001 - \$500,000	11%
> \$500,000	17%
<b>Total</b>	<b>100%</b>

**Figure 6: How Ontario's IDM companies envision COVID-19 impacting their company's profitability in 2020**

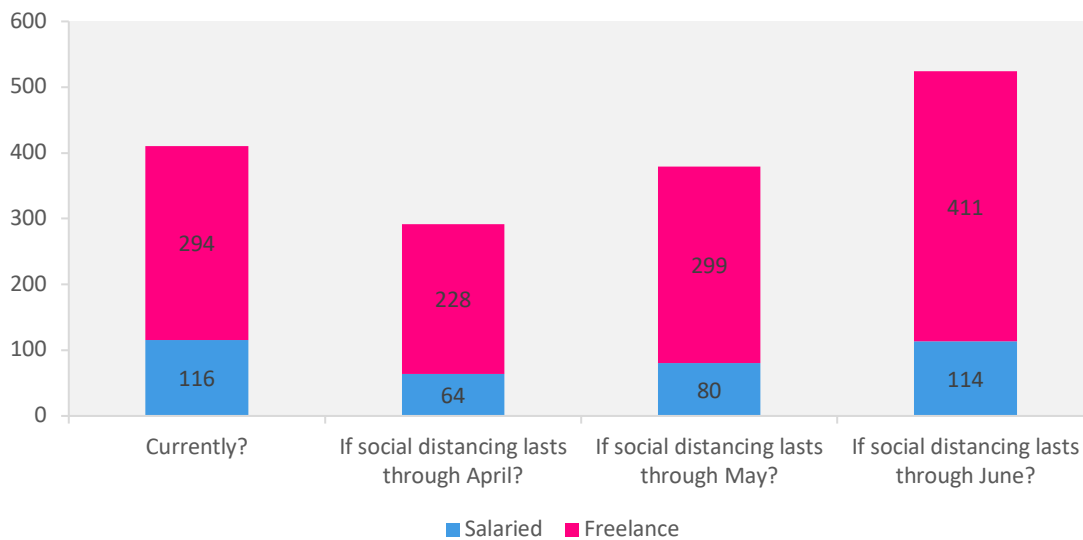


n = 88

Labels	% of responses
Don't know yet	43%
We will experience an unexpected loss	19%
We will be less profitable	26%
No change	7%
We will be more profitable	5%
<b>Total</b>	<b>100%</b>

## 2.2 Employment Impacts

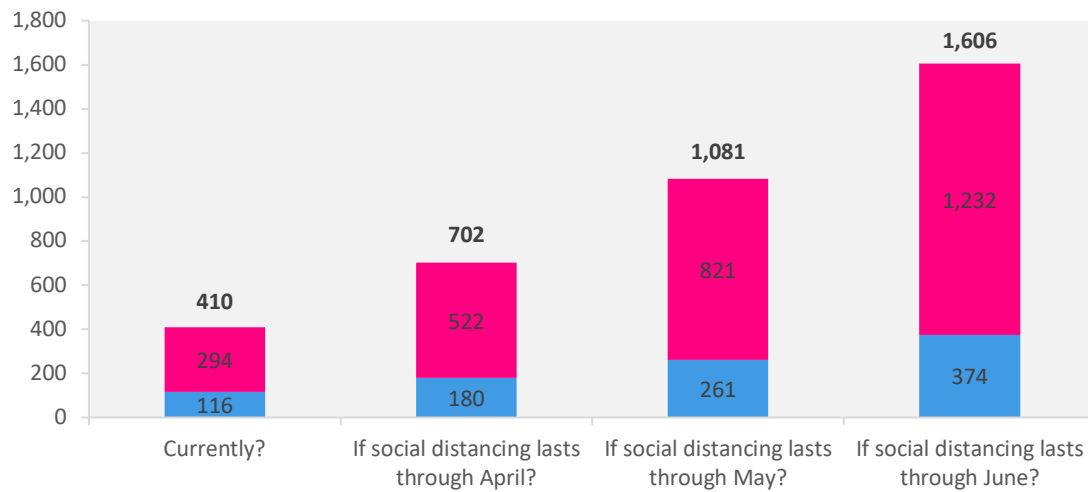
**Figure 7: Estimated gross staff laid off (or will have to be laid off) by Ontario's IDM companies**



n = 88  
Number of companies provided by Interactive Ontario

Type	Currently?	If social distancing lasts through April?	If social distancing lasts through May?	If social distancing lasts through June?
Salaried	116	64	80	114
Freelance	294	228	299	411

Figure 8: Cumulative estimated gross staff laid off (or will have to be laid off) by Ontario's IDM companies



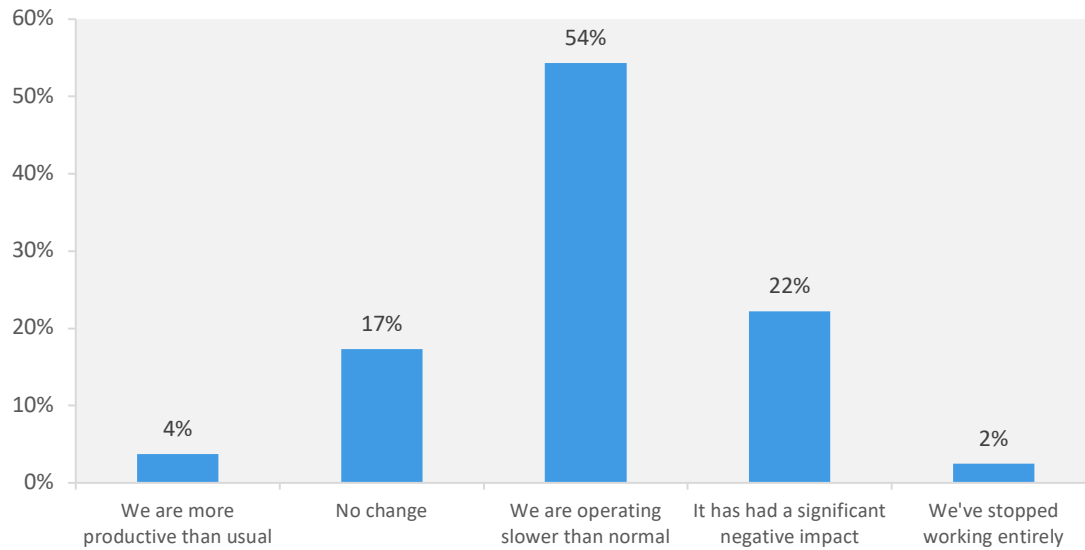
n = 88  
Number of companies provided by Interactive Ontario

Type	Currently?	If social distancing lasts through April?	If social distancing lasts through May?	If social distancing lasts through June?
Salaried	116	180	261	374
Freelance	294	522	821	1,232
<b>Cumulative</b>	<b>410</b>	<b>702</b>	<b>1,081</b>	<b>1,606</b>



## 2.3 Productivity Impacts

Figure 9: Effect of COVID-19 on the ability of Ontario's IDM companies to develop their products/deliver their services



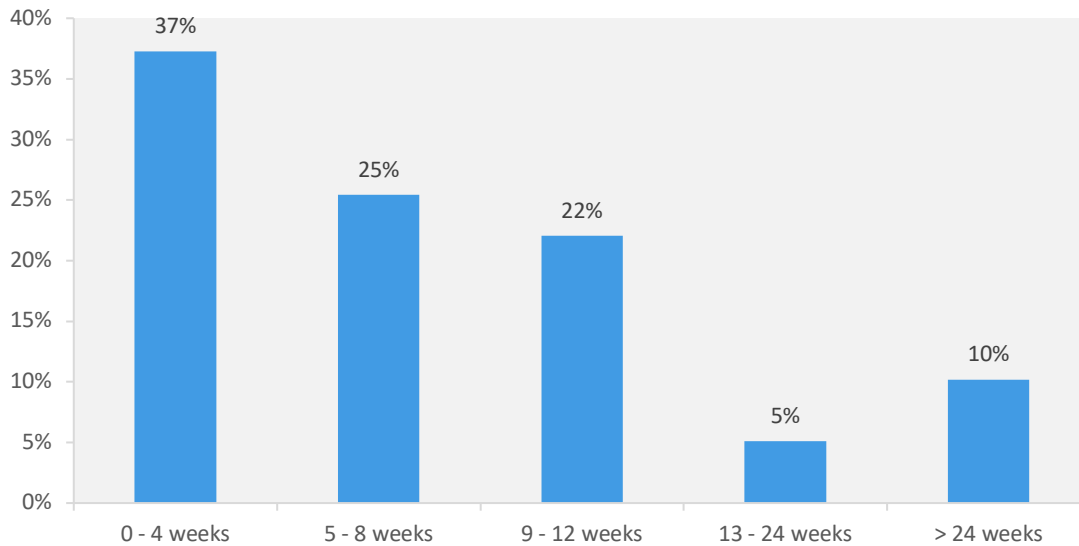
n = 81

Labels	% of responses
We are more productive than usual	4%
No change	17%
We are operating slower than normal	54%
It has had a significant negative impact	22%
We've stopped working entirely	2%
<b>Total</b>	<b>100%</b>

### 2.3.1 Delay in getting products/services to market

- Average delay (number of weeks) in getting product/services to market as a result of COVID-19 = 10 weeks

Figure 10: Number of weeks that Ontario's IDM companies may be delayed in getting their product/services to market as a result of COVID-19

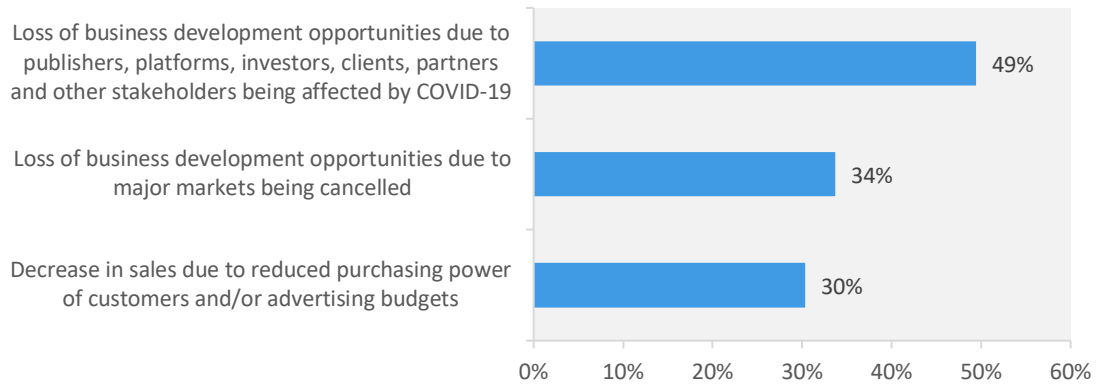


n = 59

Labels	% of responses
0 - 4 weeks	37%
5 - 8 weeks	25%
9 - 12 weeks	22%
13 - 24 weeks	5%
> 24 weeks	10%
<b>Total</b>	<b>100%</b>

## 2.4 Other Impacts

Figure 11: Issues that are likely to have the greatest impact on Ontario's IDM companies due to COVID-19



n = 89

Label	% of responses
Other	2%
Delays or cancellation in the immigration process for hiring foreign employees	3%
Supply chain problems regarding content (e.g., art assets) that is impacting development	4%
Difficulty maintaining company culture	6%
Inability to meet the upcoming funding deadlines	10%
Additional expenses incurred to support employees working from home (e.g., equipment, SaaS, secured VPN, collaboration and video conferencing tools, and more).	12%
Properly supporting employees concerned about their livelihood and the health of their family	12%
Not being able to maintain work if employees get ill with COVID-19	12%
Loss of productivity due to inefficiencies caused by overloaded systems (e.g., inability to login, slow system response time, etc.)	16%
Inability to perform work requiring physical meetings such as performance capture.	16%
Loss of productivity due to having to properly set up employees for working from home	17%
Inability to meet payroll	18%
Potential further delays in processing of tax credits	19%
Cancellation Disruption and/or delays for original IP project(s)	19%
Delays or cancellation of hiring new employees	20%
Non-refundable expenses incurred because of delays and cancellations	22%
Loss of productivity due to teams working from home	24%
Contract cancellations, disruption and/or delays for fee-for-service work	24%
Paying for office space that isn't used during the COVID-19 crisis	26%

Label	% of responses
Cash flow issues	29%
Decrease in sales due to reduced purchasing power of customers and/or advertising budgets	30%
Loss of business development opportunities due to major markets being cancelled	34%
Loss of business development opportunities due to publishers, platforms, investors, clients, partners and other stakeholders being affected by COVID-19	49%

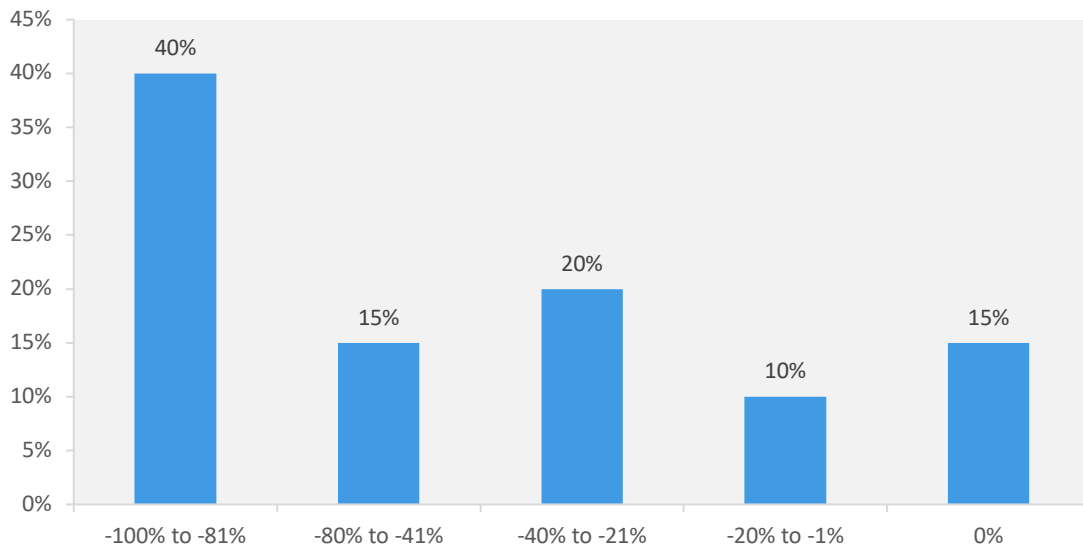
### 3. Impacts on Self-employed Individuals

#### 3.1 Financial Impacts

##### 3.1.1 Decrease in Monthly IDM Income

- Average monthly income from IDM as a % of all income = 81%
- Average decrease in monthly IDM income = -55%

**Figure 12: Decrease in monthly IDM income experienced by self-employed individuals in Ontario who work on IDM projects**



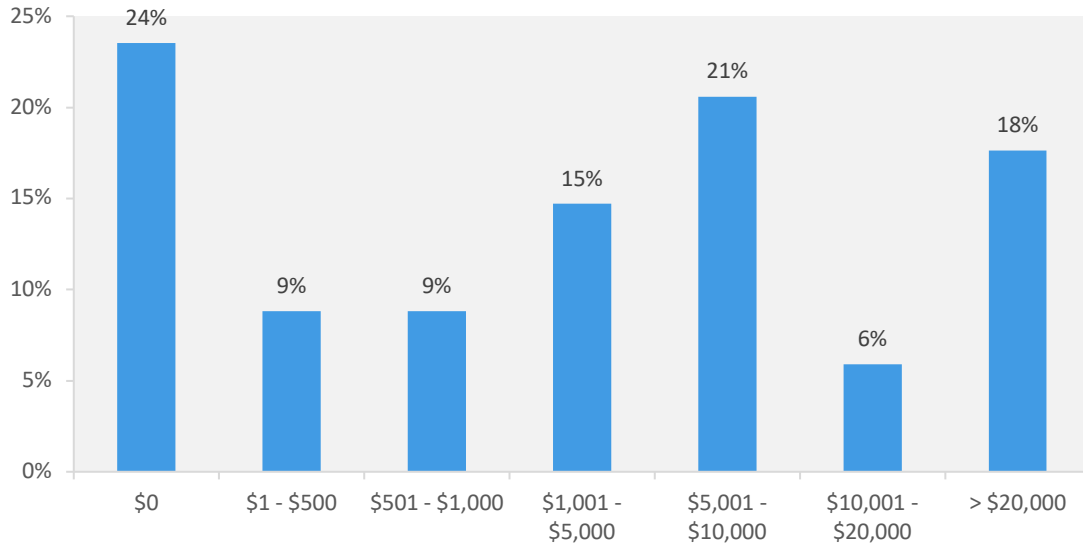
n = 20

Low	High	Label	Number	Percentage
-100%	-81%	-100% to -81%	8	40%
-80%	-41%	-80% to -41%	3	15%
-40%	-21%	-40% to -21%	4	20%
-20%	-1%	-20% to -1%	2	10%
0%	40%	0%	3	15%

### 3.1.2 Unrecoverable/Additional Costs

- Average unrecoverable and/or additional costs incurred by self-employed individuals = \$26,700

**Figure 13: Unrecoverable and/or additional costs incurred as a result of COVID-19 by self-employed individuals in Ontario who work on IDM projects**



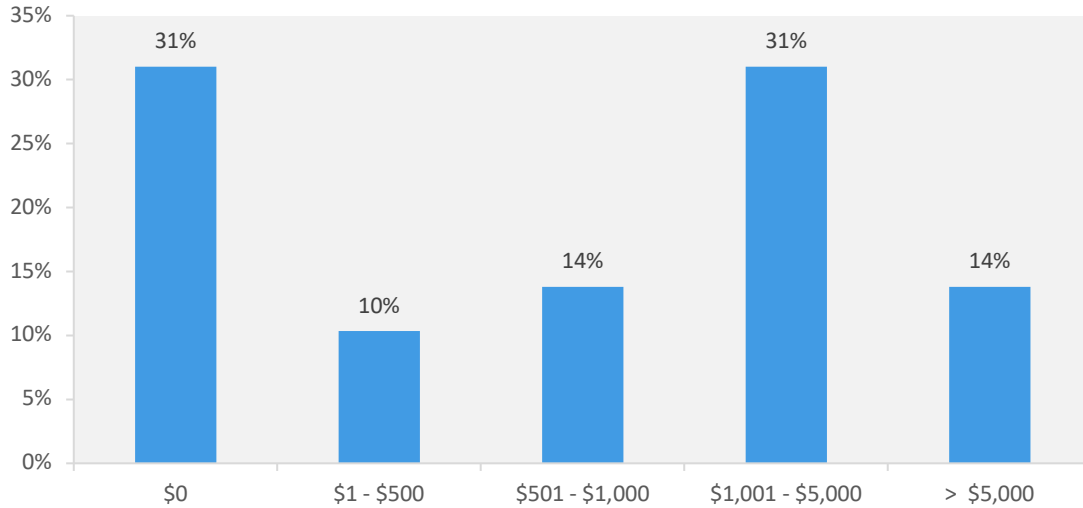
n = 34

Labels	% of responses
\$0	24%
\$1 - \$500	9%
\$501 - \$1,000	9%
\$1,001 - \$5,000	15%
\$5,001 - \$10,000	21%
\$10,001 - \$20,000	6%
> \$20,000	18%
<b>Total</b>	<b>100%</b>

### 3.1.3 Additional Monthly Costs

- Average additional monthly costs anticipated by self-employed individuals = \$4,600

**Figure 14: Additional monthly costs anticipated related to COVID-19 by self-employed individuals in Ontario who work on IDM projects**

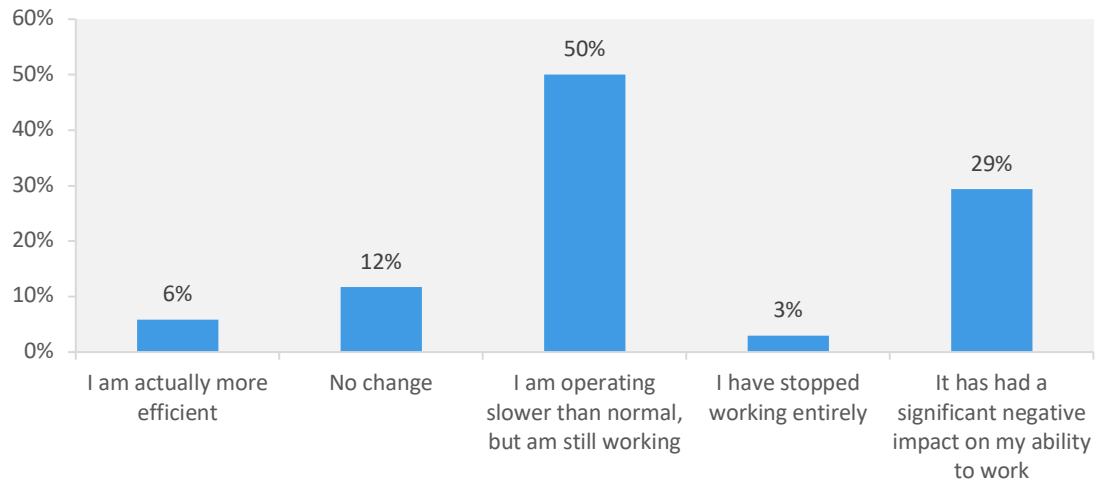


n = 29

Labels	% of responses
\$0	31%
\$1 - \$500	10%
\$501 - \$1,000	14%
\$1,001 - \$5,000	31%
> \$5,000	14%
<b>Total</b>	<b>100%</b>

### 3.2 Productivity Impacts

Figure 15: Effect of COVID-19 on the ability of self-employed individuals in Ontario to develop their IDM products/deliver their IDM services



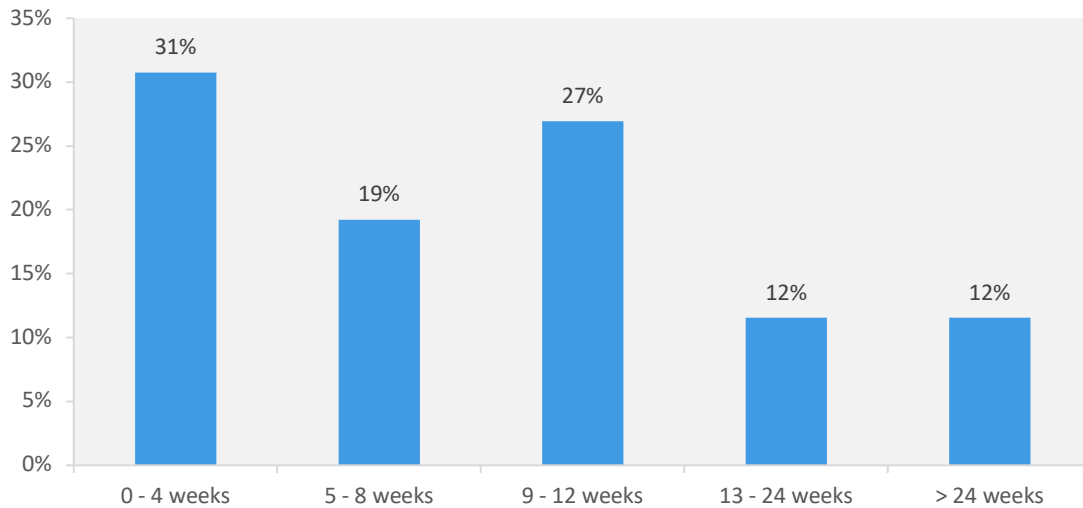
n = 34

Labels	% of responses
I am actually more efficient	6%
I am operating slower than normal, but am still working	50%
I have stopped working entirely	3%
It has had a significant negative impact on my ability to work	29%
No change	12%
<b>Total</b>	<b>100%</b>

### 3.2.1 Delay in getting products/services to market

- Average delay (number of weeks) in getting product/services to market as a result of COVID-19 = 12 weeks

**Figure 16: Number of weeks that self-employed individuals in Ontario may be delayed in getting their IDM product/services to market as a result of COVID-19**



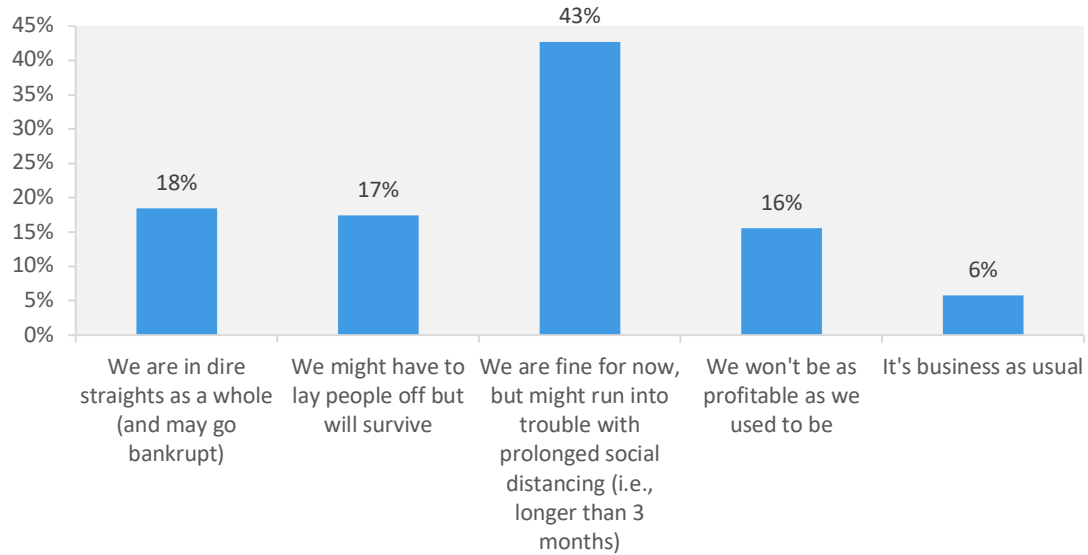
n = 26

Labels	% of responses
0 - 4 weeks	31%
5 - 8 weeks	19%
9 - 12 weeks	27%
13 - 24 weeks	12%
> 24 weeks	12%
<b>Total</b>	<b>100%</b>



## 4. Outlook

**Figure 17: IDM companies and self-employed individuals in IDM in Ontario describe their overall fiscal health in the context of COVID-19**



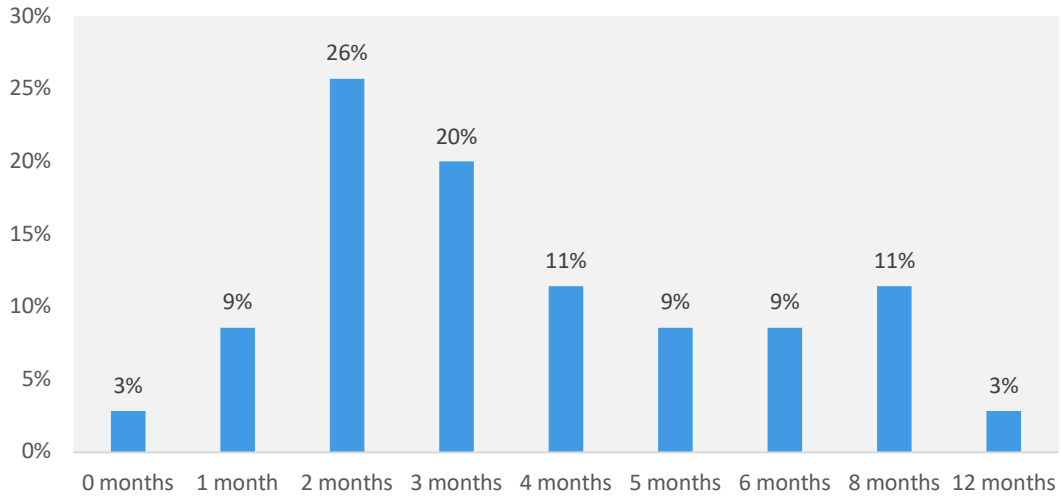
n = 103

Labels	% of responses
We are in dire straights as a whole (and may go bankrupt)	18%
We might have to lay people off but will survive	17%
We are fine for now, but might run into trouble with prolonged social distancing (i.e., longer than 3 months)	43%
We won't be as profitable as we used to be	16%
It's business as usual	6%
<b>Total</b>	<b>100%</b>

#### 4.1 Months of Runway

- Average number of months of runway = 4

**Figure 18: Months of runway available to IDM companies and self-employed individuals in IDM in Ontario**



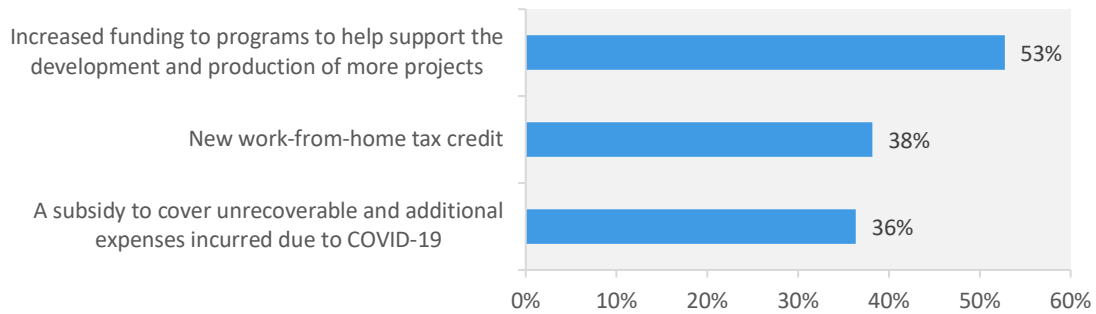
n = 35

# of Months	n	%
0 months	1	3%
1 month	3	9%
2 months	9	26%
3 months	7	20%
4 months	4	11%
5 months	3	9%
6 months	3	9%
8 months	4	11%
12 months	1	3%

## 5. Desired Support

### 5.1 Support Measures to help IDM sector in Canada

Figure 19: Support measures that should be instituted to help Canada's IDM sector according to IDM companies and self-employed individuals in IDM in Ontario

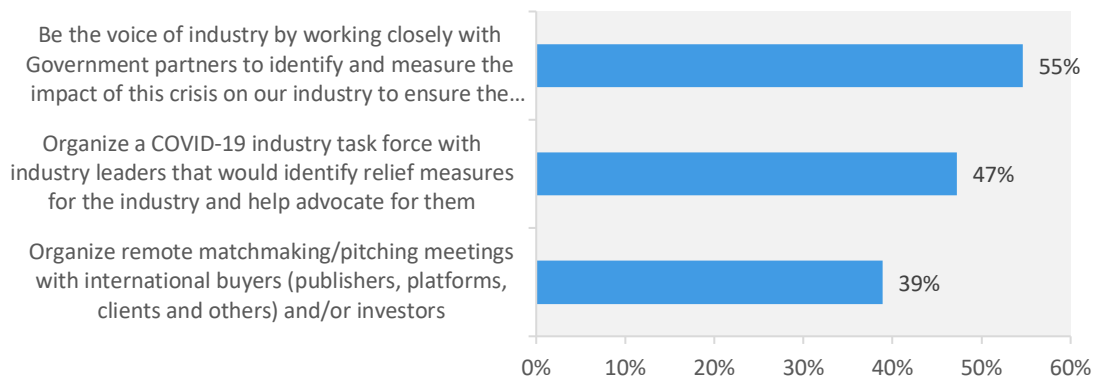


n = 110

Label	% of responses
Increased funding to programs to help support the development and production of more projects	53%
New work-from-home tax credit	38%
A subsidy to cover unrecoverable and additional expenses incurred due to COVID-19	36%
Increased funding to programs to help support the marketing of IDM products	35%
Accelerated tax credit process time	34%
Interest-free loans (existing and new) or loan extensions	33%
Financial support to freelancers who are not eligible for EI and who lose contracts or face reduced hours as a result of COVID-19	32%
Increased funding to programs to help support access to global markets, once the COVID-19 crisis is over	31%
Temporary wage subsidy of 10% of remuneration up to \$1,375 per employee and \$25,000 per employer, paid for a period of three months	27%
A compensation fund to address lost revenue	26%
A tax holiday (e.g., on employer's contribution to EI, CPP or property tax)	19%
Income tax deferrals until after August 31, 2020	16%
A discount on energy bills	11%
Organization of partially funded trade missions to global markets relevant to the IDM industry, once the COVID-19 crisis is over	11%
Other	6%

## 5.2 Support by Provincial Associations

Figure 20: Ways in which the provincial association can best support them at this time according to IDM companies and self-employed individuals in IDM in Ontario



n = 108