Chapter 4 | Markets and competition

Gaining a share of the interactive content market

While the majors compete by increasing consolidation in the media and entertainment sector, opportunities are arising for content companies in markets that are traditionally less familiar with audiovisual production and where there is a growing need for interactive experiences. This new type of collaboration is particularly promising in the education and out-of-home entertainment sectors.

The last few months have seen a trend toward mergers in several media sectors: video on demand, film studios, video game publishing, etc. Regardless of the sector, this wave of consolidation is being driven in large part by a gradual migration of consumers to online environments. In their quest for success, all of the major players are looking to acquire exclusive brands and titles to round out their online offerings.

While the heavyweights are battling it out, new opportunities are cropping up for content producers in markets looking to diversify their practices or reinvent their business models by turning to interactive experiences. This is the case of the education market, among others, and for the market building up around virtual reality and augmented reality experiences.
Educational technology is redefining pedagogy

Educational technology, or EdTech, refers to the use of technology in an educational setting.

As learners are becoming more technically savvy, the popularity of educational technology is on the rise. According to research and consulting firm Frost & Sullivan, the global EdTech market generated revenues of US$17.7 billion in 2017 and this amount is expected to climb to $40.9 billion by 2022, which represents more than 18% in compound annual growth. Investors have recognized a good thing: a recent Metaari report indicates that, in 2017, global investments in EdTech reached a record US$9.52 billion, a year-on-year increase of 30%.

Gamification is a significant trend in educational technology produced for classroom use. This trend can be seen in the integration of game mechanics into pedagogical materials, which seek to encourage student participation. A recent report on gamification in the education sector suggests that the value of the global market could reach US$283 million by 2022.

This industry is generating interesting new opportunities for creators of interactive experiences. For example, the Canadian company Classcraft Studios is recognized as a leader in this field. Classcraft’s offer is built around a learning and motivation management system that adds value to teaching by redefining student progress through gamification.
Learning through the use of virtual and augmented reality

The main players in VR and AR also have the education sector in their sights.

In an effort to demonstrate the relevance and potential of immersive content in the education sector, they are producing specialized programs intended for classroom use.

As early as 2015, Google launched Google Expeditions, a free app that enables students to explore the world through educational VR field trips without having to leave the classroom.

The tech giant came back in 2017 with an AR app that allows teachers to introduce virtual objects in the classroom and study them as though they were physically present. In the summer of 2018, Oculus launched education pilot programs that outfit schools, libraries and museums in Taiwan, Japan and Seattle with Oculus Rift and Oculus Go VR headsets—the goal being to set up educational programs built around history, science and culture.

Manufacturers of VR and AR hardware need content for their devices if they want to stake a claim in the education market, which in turn creates opportunities for content producers and creators.
Focusing on the reintroduction of catalogue content

Another strategy for entering the education market is the reintroduction of catalogue content as a way of developing a collection of learning materials. Several Canadian players are already pursuing this type of strategy. Take, for example, CBC/Radio-Canada’s Curio, a portal which gives teachers access to classroom-appropriate audio and video content, or the National Film Board of Canada’s Campus, which offers a collection of documentaries, animation films, interactive productions, and shorts as well as educational resources and teaching materials.

On the private sector side, Ubisoft released a new, educational version of its Assassin’s Creed Origins game. With the battles, the intrigue of the narrative and time constraints removed from the original game, students can explore and learn more about life in ancient Egypt by taking a virtual guided tour.

The educational technology market in Asia

- In 2016, global investments in Chinese EdTech companies rose to $1.2 billion. Going forward, China’s EdTech industry is expected to register 20% annual growth.
- A joint report by Google and KPMG estimates that India’s online education market will increase by more than 6 times, to $1.96 billion over the next four years.
- The entire Asia-Pacific region is projected to represent 54% of the global EdTech market by 2020.
Beyond the classroom

The term “educational technology” may suggest products that are only for use in the education sector. However, the reality is that the education market extends well beyond the classroom, with training solutions intended for a variety of learning contexts, whether it be in a business setting or at home.

The general public has clearly embraced educational technologies: from language training tools to learning a new skill (how to code, for example), massive open online courses (MOOCs) and brain-training games, to name a few.

The educational content craze can also be seen in online video. Indeed, TED Talks and similar types of content achieve over 3 billion views and downloads a year, including many content available in podcast format.

“The US is quickly becoming a podcast nation. Even more interesting is what people are listening to. One would expect genres like sports, news, and technology to be popular—and they are—but they are all surpassed in listenership by one unlikely competitor: educational podcasts.”

— James McWilliams, Pacific Standard contributing writer, professor at Texas State University, and author, 2018.

Always on the lookout for growing market segments, YouTube announced in the fall of 2018 an investment of US$20 million in YouTube Learning, an initiative whose mission is “to support education-focused creators and expert organizations that create and curate high-quality learning content on the video site.” YouTube’s interest in educational content does not stop there: the platform announced in March that it expects to invest US$10 million over two years in media literacy awareness. Content creators like the Canadian duo behind the ASAPScience channel, which uses drawings as a fun way to explore science, have partnered with YouTube on the project.
Interactive and educational toys

Edutainment products that teach through play are also part of this industry segment that will be of interest to content producers. Many parents are concerned about the educational value of the toys they buy for their children and have a preference for toys that entertain while stimulating creative, social, and intellectual development. Although certain educators may question the educational value of some toys, the trend is nevertheless translating into a flourishing worldwide market for edutainment products: Technavio predicts annual growth of close to 10% through 2021.

Nintendo is also riding this new trend. In January 2018, the company launched Nintendo Labo, a concept based on «build-your-own» cardboard cut-out toys into which the Nintendo Switch console can be inserted in order to play dedicated mini-games. The educational value of these web-connected games is attracting parents and, potentially, the education sector: in October 2018, the Japanese video game company announced pilot projects to integrate Nintendo Labo into STEM curricula in the United States and Canada.

Numerous Canadian companies are also investing in this sector, like Boat Rocker, the main investor in a round of financing that raised US$8.5 million for MarcoPolo Learning, a STEAM competencies app for children.
**Out-of-home entertainment**

Since the commercial release of high-end VR headsets like the Oculus Rift and the HTC Vive in March 2016, general public sales have been lower than many market analysts expected. Although high-end VR has not caught on in huge numbers in the home market, it is on the rise in location-based entertainment (LBE) centres—complexes where the public can try innovative entertainment experiences like VR and AR at a lower cost. Already well established in Asia, the trend is starting to catch on in Canada.

Location-based entertainment centres are popping up in a wide range of venues, including movie theatres and shopping malls. These types of sites could prove to be of particular interest to the content sector. Over the last several years, movie theatres have been striving to diversify their activities to counteract volatility in box-office revenues, while shopping centres, seriously affected by the impact of online shopping, are trying to reinvent themselves as entertainment complexes. By focusing on the LBE centre model, these companies could benefit from collaborating with content producers, to not only gain access to content, but to also benefit from their technological expertise.

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**Location-Based VR Venues by Region**

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<td>18,564</td>
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**Location-Based VR Revenues by Region**

In millions of dollars

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<tr>
<td>Canada</td>
<td>28.4</td>
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Canadian movie-theatre giant Cineplex announced in September that it was partnering with VRstudios, a virtual reality solutions company. The agreement will see the opening of 30 to 40 VR attractions in Canadian movie theatres and shopping centres by the end of 2021. Cineplex also acquired a significant share in VRstudios as part of the deal, and will consequently be able to market the technology in North America and internationally.

Out-of-home entertainment is especially promising when it comes to high-end VR experiences, since they cannot be reproduced at home due to the technical complexity of the devices involved. Therefore, out-of-home entertainment affords the public an opportunity to try high-quality interactive experiences in a social context and, often, for the first time and at a lower cost. For content creators, these entertainment experiences can be developed using the LBE model to reach a wide audience at a fraction of the cost of developing them for home use.

→ **5G: the technology propelling the digital world into the future**

By reducing response times and increasing data transfer rates, 5G technology will make it possible for the content sector to deliver data-hungry experiences in real time. VR, AR, video games, the internet of things and high-bandwidth video are all technologies that will benefit from the deployment of 5G networks.

To better understand the impact of 5G on the content sector, read Ovum’s *How 5G will transform the business of media & entertainment* report.

Although we have been hearing about 5G for several years now, the technology that will replace 4G and LTE is becoming increasingly important, as different countries vie for dominance in the development of the new standard for mobile computing. The issue is crucial when it comes to competitiveness: whoever puts the first operational 5G network in place becomes the world leader in the development of applications that will harness the capabilities of 5G technology. Apps like Snapchat and Uber were developed in the United States, the country considered to have won the race to deliver 4G technology.

Where is Canada ranked in this race? In order to implement the first 5G networks, our telecommunications firms will have to wait for ISED (Innovation, Science and Economic Development) to hold its 2021 spectrum auctions. Nevertheless, given the implementation of the ENCQOR program, which made a pre-commercial 5G network available to researchers and SMEs, Ontario and Québec based companies had the opportunity to start testing 5G technology in 2018.