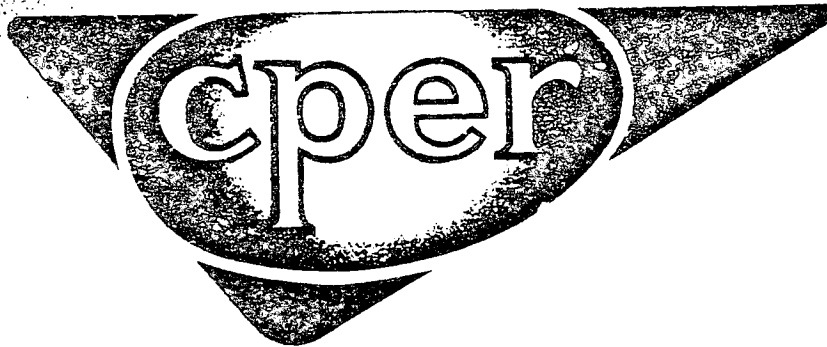


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ANALYSIS OF CAPABILITIES AND  
NEEDS OF CANADA'S CULTURAL  
INDUSTRIES IN FOREIGN MARKETING

Submitted to the  
Cultural Policy Division,  
Department of External  
Affairs

CPER Management Consulting Inc.  
March, 1985

ANALYSIS OF CAPABILITIES AND NEEDS OF CANADA'S  
CULTURAL INDUSTRIES IN FOREIGN MARKETING

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## 1. BACKGROUND AND PURPOSE

The purpose of this study was to provide to the Department of External Affairs an analysis of the capabilities, achievements and needs of four cultural sectors in penetrating foreign markets. The study was to be used by DEA officials to identify individual initiatives which they could undertake to improve their assistance to these sectors in their foreign marketing activities.

The four sectors were:

- the film and video industry;
- the book publishing industry;
- the sound recording industry; and,
- art galleries and dealers.

Emphasis was to be placed on the film and video sector.

The specific products of the study were to be:

- i) an analysis and commentary on the data available easily in Canada on the capabilities and achievements-to-date of these four sectors in foreign marketing;
- ii) the conduct and analysis of a series of interviews with industry representatives on their achievements and needs concerning foreign marketing;
- iii) an overview of programs aimed at assisting the four sectors in their foreign marketing efforts; and,
- iv) the presentation of the above products into this summary report, containing a commentary on potential initiatives which DEA could take to respond to the needs identified.

## 2. STUDY METHODS AND REPORT FORMAT

### 2.1 Study Methods

The following methods were used in the study.

- i) A review was made of data available on financial capabilities and foreign sales' achievements of the four sectors, at Statistics Canada (STC), the Book Publishing Development Program (BPDP) of the Department of Communications, the recipient inventory of the Program for Export Market Development (PEMD). Other sources of data were searched for and reviewed as the study progressed.
- ii) A set of structured interviews was held with representatives of the four sectors and with government officials. An attempt was made to select companies on the basis of language, size, region and country of controlling interest. Suggestions for companies and individuals within them to be interviewed were solicited from both government officials and trade associations and these suggestions were pursued. A list of individuals interviewed is contained in Annex I. The interview guides used are contained in Annex II.
- iii) Relevant studies conducted by other government departments, in particular, the Department of Communications, were reviewed (see Annex V).

### 2.2 Report Format

The remainder of this report consists of eight more sections as follows:

- Section 3 provides a commentary on the data and data sources reviewed;



- Sections 4 through 7 present the study results (data on financial capabilities and foreign sales achieved, as well as the interview results on foreign marketing needs and suggested responses to these needs by DEA) for each of the four sectors of concern;
- Section 8 contains industry comments and suggestions on the Program for Export Market Development;
- Section 9 is a summary of the overall findings in tabular format; and,
- Section 10 is a commentary on potential initiatives which DEA could undertake to respond to the needs identified.

### 3. COMMENTARY ON DATA SOURCES

#### 3.1 Introduction

The purpose of this section is to comment on the data sources available in Canada on: the size and structure of each sector; their financial characteristics and capabilities; and, their export market achievements.

Specifically, the following data were searched for:

- **Sector Size and Structure:** Data showing the degree to which each cultural sector is distributed (or concentrated) by size, language, geography and country of controlling interest.
  
- **Financial Characteristics**
  - **Revenues:** These data indicate the economic importance of the sector and the base from which export/foreign marketing activities would be drawn.
  
  - **Assets, Profitability and Return on Investment (ROI):** These three financial measures can provide some insights into the sector and individual firms within it. However, they must be interpreted carefully because of serious limitations in the data and because the applicability of these traditional measures to the cultural industries sector is somewhat in dispute. These three measures are discussed, as follows.

Assets - a particularly controversial point among business people in these sectors. A component of the assets of these firms often times takes the form of completed works (a film "in the can"; printed books; etc.). Such works are customarily valued by institutions such as banks at much less than market value in an endeavour to be "prudent". Accordingly, assets may be effectively understated - although, these estimates probably reflect accurately their strength as loan collateral.

Profitability - can indicate the ability of firms to support additional marketing, including export, activities. In some cases, marginal profitability may indicate a need to export to attain greater profitability. But marginal profitability may also indicate an inability to undertake such marketing without assistance.

Return on Investment - a particular measure of profitability. Capital investment in some cultural sectors can be relatively low, and so ROI comparisons with other sectors must be made with caution.

- Net Worth is an indication of the difference in value between a company's assets and its liabilities. Interpretation of this financial measure is, however, dependent upon the individual circumstances of the company and, in particular, the nature of its assets and liabilities and how they are valued.
  
- Foreign earnings. These data show the extent of foreign market penetration for each sector. Data broken down by product type and market can show where the sectors particular strengths and weaknesses lie and indicate possible opportunities.

The following data sources were reviewed as part of this study:

- Statistics Canada
  - Cultural Statistics Program
  - Commodity export data of the Business Statistics Group;
  
- Data base of the Book Publishing Development Program (BPDP) of DOC;
  
- The recipient inventory of the Program for Export Market Development (PEMD).

### 3.2 Data on Financial Characteristics of the Four Sectors

Financial data on the film and video, sound recording and book publishing sectors are collected by the Cultural Statistics Program (CSP) of Statistics Canada (STC). These data are collected directly from the companies themselves as opposed to secondary sources such as Revenue Canada. Similar data are not collected by Statistics Canada on private galleries and dealers.

The financial data which are collected and reported by the CSP have come under criticism in the past from certain industry sectors because they are not considered to reflect accurately the strengths of their sectors. In particular, it is argued by industry officials that the assets data do not provide a proper valuation of the companies.

Financial characteristics on companies from all of the four sectors are also available from the Program of Export Market Development (PEMD) and for book publishers, from the Book Publishing Development Program. These data are limited to program recipients and therefore only companies which meet the program criteria.

Data available from the BPDP are as follows:

- export sales;
- net profit;
- net worth; and,
- working capital.

Data available from the PEMD inventory are as follows:

- annual domestic sales;
- annual export sales;
- working capital;
- net worth; and,
- net profit (after taxes).

### 3.3 Data on Foreign Markets

Data on the size of specific foreign markets for cultural products and objects are not available through the sources reviewed. Representatives of the individual sectors suggested that these data are available through trade journals. A further source would be individual studies on each sector (e.g., government-sponsored studies or studies available through the private sector on individual markets).

### 3.4 Data on Foreign Revenues of the Four Sectors

A search was made for data on the foreign sales achieved by companies operating in Canada. These data are available from:

- the Cultural Statistics Program on the film and video, sound recording and book publishing industries; and,
- the Commodities Data on imports and exports for film and video, books, sound recordings and art objects.

The data provided by the CSP do not indicate to which countries sales were made whereas the commodities data do report the destination of the products being reported.

The commodities data are likely the weakest of these data sources in that the information is collected from customs forms as they leave the country. As a result, the data are restricted to finished goods and do not, therefore, take into account the sales of rights, which account for important foreign earnings, nor are the products valued at the market value of, for instance, a film.

#### 4. FINDINGS AND ANALYSIS: FILM AND VIDEO

The federal government recently introduced a new film and video policy. This policy resulted in the restructuring of the federal support structure for film and video in Canada. Of particular relevance to the issue of foreign marketing was the creation of Telefilm Canada.

Approximately one year prior to the introduction of the National Film and Video Policy, the government introduced a new Broadcasting Strategy. An important element of this strategy to the film and video industry was the creation of the Canadian Broadcast Program Development Fund (BPDF), aimed at supporting the production of Canadian programming and now administered by Telefilm.

As part of the film and video policy, Telefilm was given responsibility for assisting the private sector to promote Canadian productions abroad. It carries out this responsibility primarily through its offices in Los Angeles, New York, London and Paris. The offices are to assist the industry in taking advantage of opportunities in these major film markets. Annex III contains a listing of the activities of Telefilm Canada for assisting film and video companies to penetrate foreign markets.

##### 4.1 Analysis of Data Available on Capabilities and Achievements-to-Date in Foreign Marketing

###### Introduction

The film and video industry can be divided into two broad sub-sectors for policy purposes: film and video production and film and video distribution.

The production industry consists in large part of companies with annual revenues of under \$250,000. These small companies accounted for 74% of all production companies in Canada. However, 58% of total industry revenues accrued to the 33 large firms with revenues of over \$1 million, whereas the small firms earned only 14% of industry revenues. In terms of profitability, it is the large and the medium-sized firms (representing 26% of the production companies), which show profits. The small companies showed a loss of nearly (\$11) million in 1982.

The film and video distribution industry in Canada is marked by its domination by foreign-controlled firms. The 20 foreign-controlled distributors reporting to STC in 1982 accounted for 73% of total reported industry revenues.

Total 1982 foreign earnings reported to STC for both the distribution and production sectors was \$18.9 million, earned primarily by the production companies. The largest share of foreign earnings were made from television productions (44%) and television commercials (21%).

The following data pertain to independent film and video producers and distributors and do not include television broadcast networks. Unless otherwise indicated, the data are drawn from the survey of film and video companies conducted by the Cultural Statistics Program (CSP) of Statistics Canada (STC). It was considered possible at the outset of the study that Telefilm Canada might have additional data for this analysis but we were informed by Telefilm officials that this was not the case.

#### 4.1.1 Industry Size and Structure

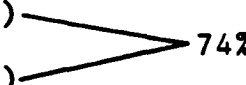
- In 1982, 497 firms reported to STC as being film and video producers. This contrasts with 371 firms reporting in 1981.
- 115 firms reported to be film and video distribution companies in 1982.
- In terms of size, the responding production firms were distributed unevenly, with the majority having gross operating revenues of under \$250,000:
  - Small (< \$250,000): 370 (74%)
  - Medium (\$250,000 - \$1 million): 94 (19%)
  - Large (> \$1 million): 33 (7%).
- The 115 responding distribution companies were

distributed as follows according to size:

- Small (< \$250,000): 46 (40%)
- Medium (\$250,000 - \$1 million): 35 (30%)
- Large (> \$1 million): 34 (30%).


● The language of operation of the firms was not recorded.

● The geographical distribution of the production companies is presented below. It can be seen that the majority (74%) were located in Quebec and Ontario.

- East: 9 (0.2%)
  - Quebec: 111 (22.3%)
  - Ontario: 257 (51.7%)
  - West: 120 (25.8%)
- 74%
- 

● 90% of the large production companies were in Central Canada; and 63% were in Ontario.

● The distribution companies were even more concentrated in Quebec and Ontario, as follows:

- East: -
  - Quebec: 36 (31.3%)
  - Ontario: 63 (54.8%)
  - West: 9 (7.8%)
  - Outside of Canada: 7 (6.1%)
- 86%
- 

● All of the responding production companies were Canadian-controlled.

● 95 or 83% of the distribution companies were Canadian-controlled and 20 (17%) were foreign-



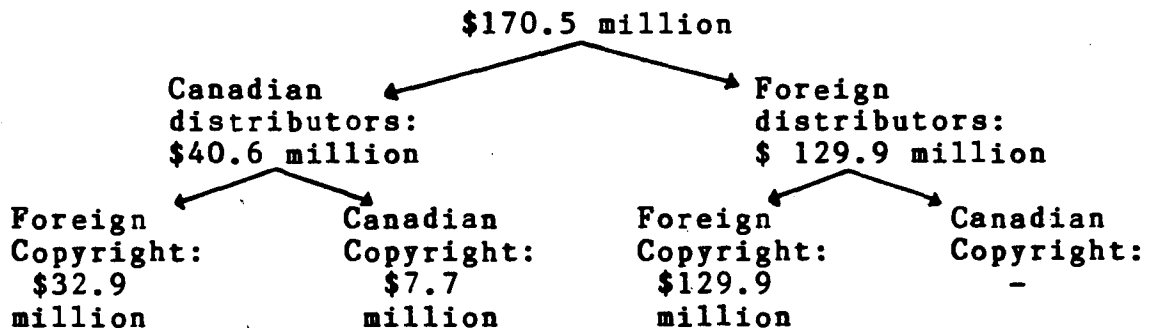
controlled.

#### 4.1.2 Revenues

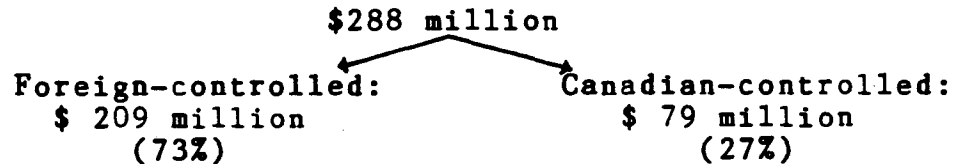
- Gross operating revenue of the production companies in 1982 was \$176.8 million. Of this, \$155.6 million (88%) came from the earnings of productions. The remaining \$21 million came from "other operating revenue" which includes earnings from activities such as the rental of production facilities, lab operations and distribution for other companies. Revenue from sources such as interest and investment advances are excluded from these data.
- The \$177 million was distributed as follows, by size of reporting firms:
  - small: \$25 million (14%)
  - medium: \$49 million (28%)
  - large: \$103 million (58%).
- These earnings were derived from the following types of productions:

	(\$ M)	
Theatrical Features	20.1	(13.1%)
Theatrical Shorts	0.7	( 0.5%)
TV Programs	36.3	(23.6%)
TV Commercials	53.2	(34.6%)
Industrial and Educational	<u>43.5</u>	(29.2%)
	153.8	(100.0%)
Other Production Revenue	1.9	
Other Operating Revenue	21.1	

- Television programs and commercials accounted for 58.2% of these earnings, whereas theatrical features accounted for only 13.1%.
- Responding distributors reported paying in royalties, rentals and commissions a total of \$170.5 million in 1982, distributed as follows according to copyright ownership of productions and country of controlling interest of the distributor.

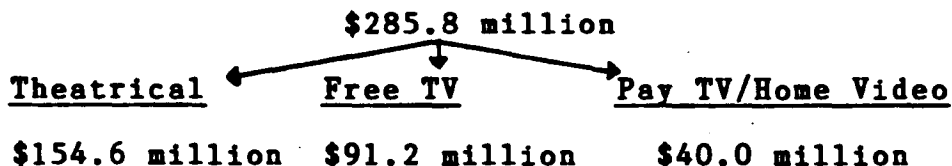


- Gross operating revenues reported by distribution companies was \$288 million distributed as follows according to origin of control:



- The balance of distributors' operating expenses (after royalties, rentals and commissions) totalled \$90.3 million, classified by STC as wages and benefits and "other".
- Revenues reported by distributors from the sale and rental of productions totalled \$285.8 million distributed as follows according to

market and country of controlling interest:



- Canadian firms reported \$24.0 million (15.5%) of the \$154.6 million theatrical sales and foreign firms reported \$130.6 million (84.5%) of these sales.
- For sales to the Free TV market, Canadian companies reported \$32.1 million (35%) and foreign companies reported \$59.1 million (65%).
- For the Pay TV and Home Video markets  
• Canadian firms reported sales of \$20.7 million (52%) and foreign firms \$19.3 million (48%).

#### 4.1.3 Assets and Profitability

- Recent reliable figures on assets were not available. 1979 Statistics Canada data indicate that the industry as a whole operated at a loss or a very marginal profit.
- The total operating profit reported to Statistics Canada for 1982 for the film production industry as a whole was \$11.9 million, or 7% of operating revenues.
- This figure, however, conceals marked differences between the various size groups.

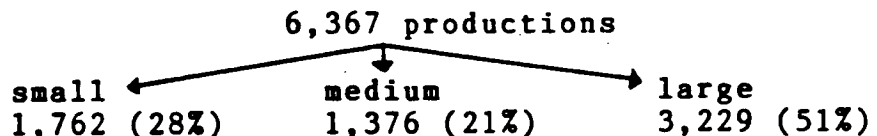
These operating profits (losses) were:

- Small                   \$ (10.8 million)
- Medium                 \$    6.3 million
- Large                   \$  16.4 million

- The large and most profitable production companies - both absolutely and proportionately also make the dominant amount of exports.
- For the distribution sector, the 95 Canadian-controlled respondents had a total profit of \$7.8 million whereas the 20 foreign-controlled firms reported profits of \$19.5 million.
- Data from the inventory of PEMD recipients indicate the total net profits of the firms applying for export activity assistance being a loss of (\$2.8) million.
- The net worth of the PEMD firms is, however, somewhat stronger than the profitability figures would indicate, being some \$5.7 million.

#### 4.1.4 Productions

- Production companies reported the following for 1982:
  - 6,367 productions were created in 1982, distributed as follows according to size of production company



- French language productions accounted for 2,625 or 41% of the total reported productions with filmstrips representing the largest share of total French language

productions (1,232 filmstrips or 47% of all French language productions). Commercials accounted for the second largest share of the French language productions at 922 or 35%.

- English language productions accounted for 3,499 or 54% of total 1982 productions reported. The STC production category 'commercials' accounted for the largest single share of these productions at 1,866 or 54% of total English language productions.

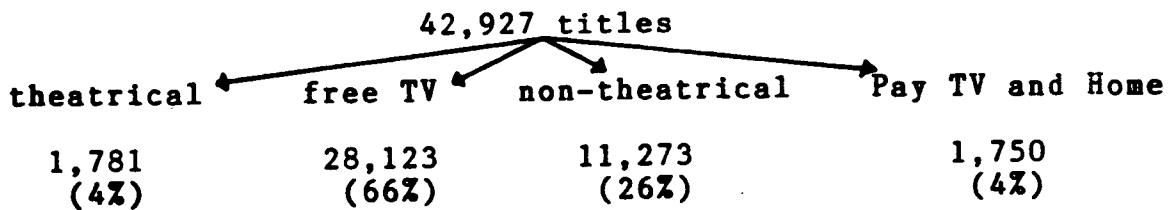
- There were 243 'other language' productions reported in 1982.

- 146 of the reported productions were more than 30 minutes in length. Of these, 94 (64.4%) were in English, 50 (34.2%) were in French and 2 (1.4%) were in other languages;

- there were only 37 productions which were more than 74 minutes long. Of these 37 productions, 29 (78%) were in English and 8 (22%) were in French. As well, 30 of these productions (81%) were reported by small firms and none were reported by the large firms.

- The distribution companies reported the following with respect to the types of productions distributed and the markets to which they were distributed:

- a total of 42,927 new and re-issued titles was distributed as follows:



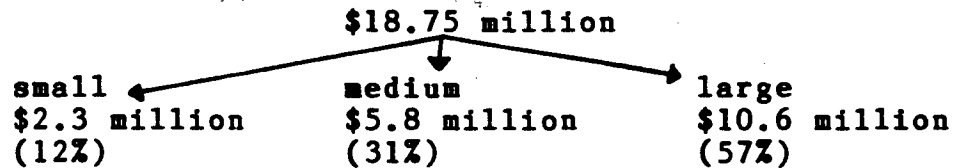
- the 42,927 production titles were distributed as follows according to type of productions:

	Titles
● < 30 minutes:	15,115 (35%)
● 30 - 74 minutes:	18,593 (43%)
● 75 minutes and over:	7,184 (17%)
● filmstrips and others:	2,035 ( 5%)

#### 4.1.5 Export Achievements

- Reported revenues of the surveyed production companies from foreign markets for 1982 totalled \$18.7 million, accounting for about 9% of all reported revenue.
- The 33 large production firms accounted for \$10.6 million of the foreign earnings reported for 1982. This represents 57%. The 94 medium-sized firms accounted for \$5.8 million or 31% and the 370 small firms reported foreign earnings of \$2.3 million (12%).
- Film distributors reported foreign earnings of \$184,752 from the distribution abroad of Canadian film and videotape productions. No foreign revenues were reported from the distribution of non-Canadian productions.
- Together, the total foreign earnings of the film production and distribution industries was \$18.9 million, representing 4% of revenues earned from the production and distribution of films and videos.
- Foreign earnings of production companies, distributed according to company size was as

follows:



- These foreign earnings were distributed as follows according to regional breakdown of companies:

- East:	\$ .021 million	(< 1%)
- Quebec:	\$ 2.24 million	(12%)
- Ontario:	\$ 14.75 million	(79%)
- West:	\$ 1.73 million	( 9%)

- The foreign earnings of the production companies came from the following production categories:

Theatrical Features	\$ 2.84 million	(15%)
Theatrical Shorts	\$ 0.18 million	( 1%)
TV Programs	\$ 8.29 million	(44%)
TV Commercials	\$ 3.91 million	(21%)
Industrial & Educational	\$ 3.52 million	(19%)

- There were 113 Canadian production companies in 1982 which did not report sales made in Canada but did report foreign sales. All of these companies were in the < \$250,000 and \$250,000 - \$999,000 revenue groups. In total these 113 firms not reporting domestic sales accounted for \$5.8 million or 31% of total reported industry foreign sales.

## 4.2 Importance of Foreign Markets, Problems, Prospects and Needs Identified

### 4.2.1 Importance of Foreign Markets

Section 4.2 showed that 4% of the film and video industry revenue from the production and distribution of films and videos came from foreign sales in 1982. The following points were raised concerning the role of revenues earned from foreign markets.

- Some Canadian film companies estimated that close to 90% of their earned revenues are from sales abroad. Other firms interviewed stated that the corresponding figure for them was over 50%. While this may be true of individual companies, the STC data indicate that for the industry as a whole foreign sales are not strong.
- All industry representatives stated that the Canadian market is too small to make profitable the production of most films. Virtually all representatives interviewed stated that even with Telefilm assistance it is close to impossible to make profits on Canadian sales alone.
- The problem of domestic market size was said to be exacerbated by the extent of control of the theatrical feature film and video distribution system by foreign majors. The recent federal film and video policy has identified this as a major issue confronting the Canadian industry.
- Some representatives stressed that television license fees paid to film companies in Canada are frequently too low to cover costs of production, making foreign marketing essential. In contrast, it was reported that pre-sales of television productions, to the United States especially, are often higher than total Canadian sales and sufficient to cover the development investments of a production.



- New markets or distribution channels are opening up all over the world and these offer significant sales potential for Canadian products (pay TV, cable, video cassette). In particular, products for U.S. Pay TV services were identified as already showing significant opportunities for Canadian companies. It was reported that companies like Home Box Office (HBO) are actually seeking out and commissioning Canadian programming.
- Some smaller companies producing low budget theatrical productions such as "thrillers" identified non-North American and non-Western markets as important. These films and markets can be an important source of revenue and can also be used to achieve financial capabilities required to compete in the domestic and U.S. markets.
- Foreign sales to major markets were also said to be important for the status, reputation and, thereby, the future financial viability of companies.

#### 4.2.2 Major Export Markets

- Industry representatives report that for both television and theatrical feature films, the United States is the largest foreign market. For Canadian companies it holds the greatest potential simply because of its proximity.
- While the U.S. market represents the most significant world market, it is also considered to be one of the most difficult to break, being dominated by major, integrated, American firms.
- The U.S. market is sub-divided geographically as well as consisting of a variety of distribution modes. Besides the theatre and television markets, there are many other new and growing markets such as pay television, cable television and home entertainment (video cassettes).

- France and the Benelux countries were identified as important markets for French language productions.
- Other major markets identified for English language productions were the United Kingdom, Germany, France and, in the longer term, Japan. Australia was also identified.
- Sales have been made to many countries all over the world such as India, the Philippines, Malaysia, Brazil, the Middle East, Spain, Sweden, Mexico, Taiwan, Belgium, Italy, U.K., U.S., Germany, South Africa.

#### 4.2.3 Problems, Barriers and Needs Regarding Foreign Marketing

The following factors were identified as the major ones affecting the extent of foreign market penetration by Canadian film companies. There were no major cleavages in the issues identified along size, sector or language lines.

#### Problems and Other Factors Influencing Foreign Market Achievements

- Many of the factors affecting the ability to market outside of Canada and North America are related to the domestic situation. In particular, the following two characteristics of the Canadian environment were raised:
  - the under-capitalization of companies and the difficulties they experience in acquiring financial support from lending institutions which results in an inability to spend adequate time in foreign markets; and,
  - the domination of the market by high-

powered, major U.S. companies and their products.

- The U.S. theatrical market is considered difficult for Canadian companies to break into because it is dominated by high quality, expensive, American productions.
- French language industry officials reported to us that French language productions are limited because of the lack of acceptance in the U.S. of dubbed films.
- In some other non-North American markets including the Middle East, there is often a need to work through intermediaries. Many small production companies find it difficult to determine who are the real buyers and which intermediaries can be relied upon.
- In certain non-Western countries where there is a real demand for programming, there are also foreign exchange and blocked currency problems.
- In other countries, a common example being the United Kingdom, there are foreign programming quotas. Currently the quota on Canadian programming is 14% but it was reported that this quota will soon be changed to 10%. Whether or not this is an actual barrier at present remains to be seen, i.e., have we come close to meeting this quota?
- For the shooting of Canadian projects in the U.S., companies report being faced with immigration, union and guild problems. It was reported that the CEIC in conjunction with DOC and DEA has been attempting to redress the immigration-related problems.
- In some non-Western countries, where initial forays are being made by Canadian companies, issues of protocol are important and yet not always understood. An example given was that of

Japan where a single trip is extremely important due to the cost of going there, but such a trip could bear little fruit if matters of protocol were not understood prior to entering the market.

- Several representatives argued that the CBC is affecting them unfairly in foreign markets. Two particular claims were made. The first claim was that the CBC sells products at reduced prices which results in a devaluation of all Canadian productions in foreign markets. The second claim was that in co-productions, the CBC wishes to control international negotiations, limiting the contact which the Canadian independent has with foreign market representatives. These claims should be verified.

#### Foreign Marketing Requirements

- It is the individual product and not the company which must be promoted. This requires funds for travel and for repeat trips into the same territory.
- Travel to foreign markets and to the major film trade markets such as Cannes are critical to the achievement of non-domestic sales.
- Regular, face-to-face contacts with individual buyers are essential to striking deals with foreign buyers. Once-off trips to visit potential buyers were considered insufficient. Repeat trips were identified as being necessary to establish a market presence and to get to know the markets.

#### 4.3 Suggested Roles for External Affairs in Assisting Film and Video Companies to Penetrate Foreign Markets

This section contains a summary of the suggestions made to us by industry officials regarding the assistance which they considered should be provided by the federal government, and External Affairs in particular, to increase the extent of their foreign market penetration.

##### Create a Climate in Support of Canadian Industry

- As noted in previous sections, lack of adequate capitalization was identified continuously as a problem affecting the activities and plans of film and video companies. While this domestic policy issue lies outside of the mandate of External Affairs several related suggestions were made for DEA as follows:
  - conduct seminars with members of Canada's banking community;
  - introduce an 'exports-achievement award' which might provide more credibility to companies in dealing with banking institutions.
- Industry representatives were of the view that because the U.S. is such an important market for them, all government policy and programs should provide adequate support to the industry in penetrating it. Support to co-productions and co-ventures with U.S. companies was considered important.
- It was stressed that co-productions (both in the formal 'treaty' sense and less formally) are important sources of revenue to many companies. It was suggested that co-production treaties should continue to be negotiated with additional countries.

## Financial Support for Foreign Travel

- Company representatives suggested that DEA should provide financial support to company officers for travel to see individual buyers and for attending Trade Fairs (see comments on PEMD for more details, section 8).

## Support From Canadian Posts Abroad

- While financial support to foreign marketing and promotion activities was given top priority by industry representatives interviewed, many suggestions were made about the role of DEA officials abroad.
- There were quite divergent views on the roles that government officials and agencies in general, and External Affairs in particular, should play in the foreign marketing of Canadian film and video products. An example of the diversity of opinion is that concerning the role of Telefilm Canada. In some cases, film/video companies are in full support of Telefilm's intentions and activities whereas others express the view that Telefilm is interfering in functions which should rest with the industry itself.
- However, virtually all representatives interviewed expressed the opinion that government support in-kind should be facilitative only, i.e., supportive of industry activities and decisions.
- On the subject of providing market-related information, there were basically two views. Neither of these tended to be clustered towards any particular sector of the industry. These views were as follows:
  - some individuals suggested that DEA officials at the posts could provide useful market information such as that on duties, tariffs, foreign content regulations, true withholding

taxes, etc., if they were properly trained through industry consultation about what specific pieces of information were needed;

- others were doubtful that DEA officials abroad could be of any assistance in gathering this kind of information and suggested this was an industry responsibility.

- It was suggested by close to all of the industry representatives that they would have to provide training to DEA officials on their industry and thought that a series of consultations between them and DEA officials could serve to define clearly, the detailed information desired by the industry.
- A number of representatives suggested that it would be of value to smaller companies making first ventures into a territory to be provided in advance, with information on whom and whom not to contact. This could make the limited number of relatively short ventures into non-North American and particularly, non-Western countries much more effective.
- Other individuals suggested that it would be useful for the DEA officials abroad to inform them of individual business opportunities on the horizon. An example given here was the provision of information about large firms in industries related to film and video, which might be interested in investing in a particular film project.
- There was a variety of opinion on the possible use of office facilities of the posts abroad. Most representatives stated that in transacting actual business deals with a foreign counterpart, the client's office was the ideal location, followed by the Canadian's hotel room. However, a number of individuals considered it would be to their benefit to use the phones and reception services of some of the offices. This was seen by some as giving them credibility with clients in certain countries. It was also suggested that more use be made of the post facilities for cocktail and press parties, etc., especially for particularly important projects.

- It was also suggested that DEA officials prepare brochures on protocol for countries which are very different from Western cultures. The particular example given was Japan, a country in which there appears to be a fair amount of interest not just by film and video companies but other industries as well. Information could also be provided on the preferred format for product presentations, etc.

#### Program for Export Market Development (PEMD)

Comments made about PEMD are presented in section 8.



## 5. FINDINGS AND ANALYSIS: BOOK PUBLISHING

The book publishing industry in Canada consists of book publishers, exclusive agents which distribute but do not publish books and publishers which also distribute the books of other publishers (publisher/agents). Books are also distributed in Canada by wholesalers and imported directly. The book publishing industry is fragmented by language of publishing operations and books published, region, size, country of controlling interest and into the two major sectors, text and trade book publishing. The financial strength and stability of the Canadian-owned sector has been a major domestic policy issue of the federal government concerning the book publishing industry in Canada. The industry has made minimal in-roads into foreign markets.

The Canadian book publishing industry is supported by the federal government through the Book Publishing Development Program (BPDP) of the DOC, the Canada Council and the Association for the Export of Canadian Books (AECB). A policy paper on the industry is currently being prepared by the DOC. This paper is expected to comment on the issue of foreign marketing. Industry submissions on this policy review have commented on the issue of government support structures to the industry for foreign marketing.

### 5.1 Analysis of Data Available on Capabilities and Achievements-to-Date in Foreign Marketing

#### Introduction

- The following data are drawn primarily from the CSP book publishing data base. As we are concerned with export capabilities and achievements, the focus in this analysis is on publishers (including publishers who are also agents) and not exclusive agents operating in Canada.

#### 5.1.1 Industry Size and Structure

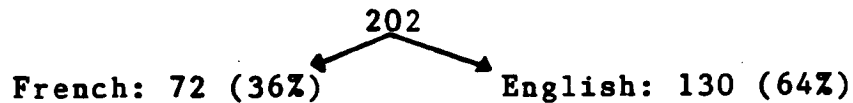
- The number of reporting firms identifying themselves as publishers was 202 in 1982. This compares to 179 reporting in 1981 and 186 in

1980.

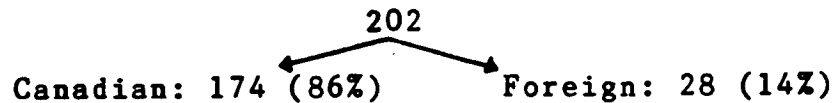
- The publishing industry was distributed fairly evenly in terms of size. In 1982 the following breakdown was reported:

- small (< \$200,000): 74 (37%)
- medium (\$200,000 - \$1 million): 64 (31.5%)
- large (over \$1 million): 64 (31.5%)

- The language distribution of these publishers was as follows in 1982:



- According to country of controlling interest the distribution of the publishers was as follows in 1982:



- The majority (96%) of foreign-controlled publishers were also English language.

- The publishers reporting to STC in 1982 were concentrated in Ontario and Quebec:

Eastern Provinces:	10	( 5%)	
Quebec	: 71	(35%)	} (81%)
Ontario	: 92	(46%)	
Western Provinces:	29	(14%)	

### 5.1.2 Revenues

- Reported publishers' revenues totalled \$772.7 million in 1982.
- Income from actual book publishing (which includes sales of the publisher's own books, sales of rights and sundry incomes) accounted for \$393.18 million (51%) of all revenues and averaged about 50% over the period 1979 - 81 inclusive. Other sources of revenue were from the exclusive distribution of others' books (\$232.32 million or 30%), from integration activities such as order fulfillment services, printing services for others, book retailing and wholesaling, periodical publishing and the production of audio-visual products (\$134.32 million or 17%) and from grants (\$12.87 million or 2%).
- English language publishers accounted for \$672.4 million (87%) of total industry revenues and \$343 million (87%) of revenue from book publishing.
- French language publishers, then, accounted for \$100.28 million or 13% of total industry revenues and 13% or \$50.1 million of industry book sales.
- Revenues of the publishers from exclusive distribution were distributed as follows:

- English language	\$ 207.5 million	(89%)
- French language	\$ 24.8 million	(11%)
Total	\$ 232.3 million	(100%)
- Revenues of the publishers from provincial and federal grants accounted for the following

proportions of publishers' total revenues:

- English language: \$ 7.1 million ( 1%)
- French language: \$ 5.8 million ( 6%)
- Foreign-controlled: \$ 0.36 million (< 1%)
- Canadian-controlled: \$12.5 million ( 3%)

### 5.1.3 Assets and Profitability

- The following data on assets suggest that the foreign-controlled publishers have greater assets with which to embark on new ventures.
- The total publishing industry assets in 1982 were \$485 million distributed as follows:



- On the average, therefore, the 28 foreign-controlled firms had assets of \$9 million, while the 174 Canadian firms had average assets of \$1.3 million.
- Even the strongest Canadian group, the 20 large, English language publishers in Ontario had average assets of only \$4.7 million. The 14 large French language publishers had average assets of under \$2 million.
- This discrepancy in financial strength was even more marked for current assets where the foreign-controlled publishers had average assets of \$7.4 million compared to \$0.7 million for Canadian-controlled publishers.
- Average before - tax profits of reporting publishers in 1981 was as follows by language

and country of controlling interest:

- Canadian-controlled

English: \$0.75 million

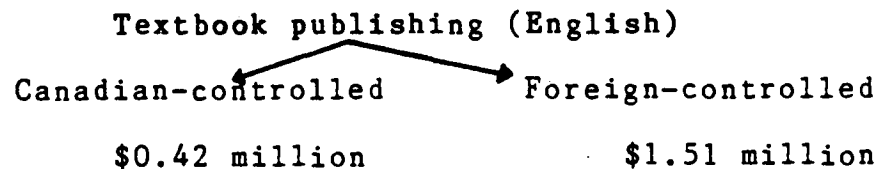
French: \$0.14 million

- Foreign-controlled

English: \$1.34 million

(Data on foreign-controlled, French language publishers cannot be released due to confidentiality regulations of Statistics Canada).

- For Canadian-controlled, English language firms pre-tax profits have been relatively stable from 1979 - 1981, inclusive.
- For Canadian-controlled, French language publishers pre-tax profits have been less stable, rising from \$123.4 thousand in 1979 to \$165.8 thousand in 1980 and then dropping to \$141.2 thousand in 1981.
- The pre-tax profits of foreign-controlled, English language publishers have steadily increased from 1979 - 1981, with a jump from 1979 pre-tax profits of \$924.1 thousand to \$1.17 million in 1980.
- The 1981 data showed significant differences in average pre-tax profits according to language, text and trade publishing and country of control, as follows:



**Textbook publishing (French)**

Canadian-controlled	↙ ↘	Foreign-controlled
\$0.10 million		\$0.09 million

**Trade book publishing (English)**

Canadian-controlled	↙ ↘	Foreign-controlled
\$1.14 million		\$0.69 million

- Canadian-controlled, French language trade publishers had average pre-tax profits of \$0.27 million in 1981.

5.1.4 Production

- The following STC data show that Canadian-controlled publishers produced the vast majority of titles in 1982. There were 6,319 new and reprinted titles produced as follows:

**Canadian-controlled**

English New Titles:	2,111	(33%)
English Reprints :	1,367	(22%)
French New Titles :	1,087	(17%)
French Reprints :	31	(---)
<b>TOTAL</b>	<b>: 4,596</b>	<b>(73%)</b>

**Foreign-controlled**

English New Titles:	1,023	(16%)
English Reprints :	700	(11%)
French New Titles :	-----	
French Reprints :	-----	
<b>TOTAL</b>	<b>: 1,723</b>	<b>(27%)</b>

### 5.1.5 Return on Investment (ROI)

Representatives of both the Association of Canadian Publishers (ACP) and the Canadian Book Publishers Council (CBPC) dispute the following STC data on ROI's. In particular, they dispute the 32% ROI reported for English language trade books. ACP officials consider that the ROI is inflated due to the inclusion of Harlequin in the analysis.

- For the book publishing industry in 1981 it was 18%, having declined moderately from 21% in the previous year.

- Making up the 18% overall figure were the following ROIs:

Canadian-controlled, English - 25%

French - 10%

Foreign-controlled, English - 15%

French - 4%.

- From a different perspective, the individual ROIs were:

Canadian-controlled, English, Textbook - 8%

Trade Book - 32%

French, Textbook - 8%

Trade Book - 16%

Foreign-controlled, English, Textbook - 23%

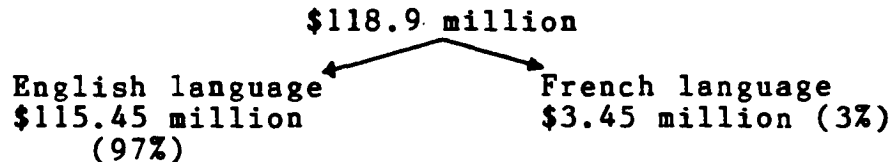
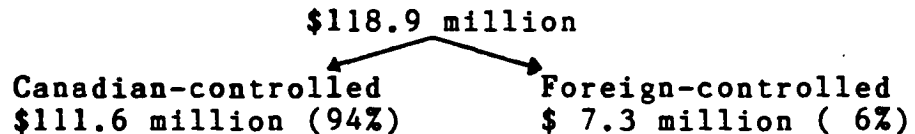
Trade Book - 8%

French, Textbook - 4%

Trade Book - --

### 5.1.6 Export Achievements

- The following figures must be treated carefully because one English language trade publisher has historically accounted for at least 90% of the exports sales. If this publisher is removed, a much more balanced picture would emerge with exports being fairly evenly divided between Canadian and foreign-controlled firms.
- Total foreign earnings from the sale of books and rights in 1982 was \$118.9 million.
- \$733 thousand of these foreign earnings were achieved through the sale of rights.
- Total foreign earnings were distributed as follows according to country of control and language:



## 5.2 Importance of Foreign Markets, Problems, Prospects and Needs Identified

### 5.2.1 Role of Foreign Markets

Book publishing representatives did not consider foreign sales as indispensable to a company's financial success, as did the representatives of the film and video industry. The views expressed by publishers were more in line with the data on export achievements than in the film and video sector.



The following are the main themes arising in the set of interviews with French and English language publishers regarding the role of foreign sales.

- In trade book publishing, in both the English and French language sectors, foreign sales are important for increasing the size of the print run for individual titles. The argument is made that economies of scale are achieved which result in reductions in the unit prices in Canada. This benefit can be achieved on either a co-publishing deal or, in some cases, where the Canadian publishers sells foreign rights to a foreign publisher. In co-publishing two approaches can be followed to achieve this benefit. The Canadian publishing firm can have its books added to the print run of the foreign publisher (in co-publishing, the Canada Council and the DOC printing requirements do not apply), or the Canadian publisher can print for the foreign publisher. In a rights' deal it is possible, if both companies are printing the book at the same time, for the Canadian publisher to print all of the books.
- An additional benefit to foreign rights' sales are the advance payments acquired by both the publisher and the author as well as straight royalty payments which add revenues.
- Canadian trade publishers (including general adult and children's books), also consider that their ability to sell abroad will increase their attractiveness to authors.
- A further argument made by some participants and observers of the book publishing industry is that achieving a rights' agreement with a foreign publisher is of benefit to Canadian publishers desiring the potentially more lucrative foreign titles of foreign publishers. A good example here would be the development of a reciprocal rights arrangement between a Canadian and a British publisher.
- The data in section 5.1 show that the size of

the French language domestic book market is substantially smaller than the English language market and may make foreign sales even more important to them than to English language publishers.

- The importance to textbook publishers of foreign sales is different from its importance to trade publishers. Foreign sales were said to be important as straight additional products and markets, especially when expenditures in Canada on learning materials (including textbooks) are said to be in relative decline on a per pupil basis.

### 5.2.2 Major Export Markets

- For English language, trade and textbook publishers, the U.S. market was identified as the most important non-domestic market due to its size and proximity.
- The United Kingdom was also considered to be an important market for English language trade publishers, especially for the sale of children's titles. Scandinavia was also identified as an important market for Canadian children's books.
- Canadian trade publishers reported having achieved sales in both the U.S. and the U.K., but not of significant value.
- Holland was identified as a potential market for English language trade book publishers.
- Japan was identified as a longer term market for trade books but one which is difficult to break and which requires longer term marketing investments.
- Australia is a market which many textbook

publishers identified as offering potential but limited successes have been reported there.

- For educational products (i.e., those published by both trade and textbook publishers), possible opportunities may lie in countries which are loan recipients of multilateral development banks. For example, the World Bank, in Washington, D.C. loans recipient countries monies for educational development projects. Significant portions of these loans are allocated to the development or purchasing of learning materials of which books are a major component.
- For French language publishers, both trade and text, French-speaking African countries were identified as the markets with greatest potential. France is seen to be an important market but one which is very difficult for Canadian publishers to break.

### 5.2.3 Problems, Barriers and Needs Regarding Foreign Marketing

#### Problems and Other Factors Influencing Foreign Market Achievements

- Canadian publishers must convince publishers in the country of concern, that their books are marketable. English language publishers stated that it is difficult getting American and British publishers to accept Canadian books as marketable in their respective countries.
- The problem of distribution was raised, especially for the U.K. and U.S. markets. In particular, potential buyers often experience difficulty in determining how to get hold of individual Canadian-published titles. This problem is coupled with the traditional problem of having single orders filled. Frequently these orders are ignored by Canadian publishers.

- Some publishers are responding to the previous two points by having their books distributed by a U.S. firm which puts its own jackets, bearing the U.S. company name, on the books. In this arrangement the U.S. company distributes the books of a number of non-U.S. firms which consider that they cannot break the U.S. market from Canada or Britain and as Canadian or British companies.
  
- It was reported that the New York Times and the Publishers Review will not review books which are not published by U.S. companies. We confirmed this policy with editorial officers of the New York Times Book Review.
  
- Some English language, trade publishers noted that in the U.S. and the U.K., price can present a problem. The price differences are attributed to longer production runs of the larger U.S. firms and the lower costs of actual book production. Canadian-published books, they say, are generally more expensive than those published by U.S. firms. This situation may not be as severe for the U.S. right now due to the lower relative value of the Canadian dollar.
  
- Several publishers noted that it requires a long time to develop an international reputation and that due to limited management resources, priorities are placed on doing well in the Canadian market.
  
- English language, textbook publishers suggested that there may be opportunities for them in Australia but that the market is very dispersed. As well, Australian publishers were reported to demand high discounts on books they purchase, diminishing the value of sales.
  
- French language textbook publishers stressed the important opportunity offered to them by French-speaking African countries. A major problem in penetrating these markets is the time and distance involved in establishing the on-going presence required to penetrate the market. The

main competition for these markets is seen to come from France which is closer and already has a much more active presence than Quebec publishers. Canadian companies argue that they do not have the financial resources to establish the kind of on-going presence referred to above.

- Freight transportation costs were identified as a major problem by French language, educational publishers. It was noted that the costs of transportation from Canada to Europe is enormously more expensive than transportation costs from Europe to Canada.

#### Foreign Marketing Requirements

- Both English and French language, trade book publishers and industry association representatives stressed the importance to foreign sales of productions which are international in content, or, 'books which travel'.
- The importance of building relationships with local publishers through one-on-one meetings, and for educational publishers especially, to get to know the market demands, were said to be essential. Trade fairs, while considered very important, were not sufficient to actually strike deals. Many Canadian publishers do not have adequate resources for financing the travel required to build these relationships.
- Some French language trade publishers consider that there is a significant potential export market for translation of non-mass market American books and that the government should consider expanding its support criteria to including translations.

### **5.3 Suggested Roles for External Affairs in Assisting Book Publishing Companies to Penetrate Foreign Markets**

#### **Organizational Structure for Export Assistance**

- Some publishers consider that all export assistance should be amalgamated under one program such as the AECB or DOC's BPDP.

#### **Support to Trade Fairs and Delegations**

- Emphasis was placed on continuing support to trade fairs because of their importance for meeting and establishing contacts in other countries.
- Because of the importance of the U.S. market, representatives of the English language, trade associations argued that top priority be given to assisting publishers attend the American Booksellers Association convention (ABA). The ABA is considered an excellent vehicle for selling rights (and finished products) to U.S. publishers and for promoting Canadian publications and fulfillment centres to U.S. publishers.
- It was also recommended that support be provided for attending the London Book Fair since it is important to the sale of both educational and trade publications and to DIDACTA, said to be the largest educational international fair.
- French language publishers considered that the Salon de Livre should also be supported.
- The trade delegation approach was suggested as an effective one which could be given increased support.

## **Support to Individual Publishers' Foreign Travel**

- It was also stressed that face-to-face, one-on-one meetings are required to transact actual business deals and that financial support should be provided to assist here.

## **Assistance in Exploiting Opportunities with International Organizations**

- A potentially high profile and long-term beneficial suggestion was for DEA to attempt to assist publishers in taking advantage of the educational projects being assisted by the World Bank and other multilateral development banks. Over the next years the Bank will be lending about \$980 million (U.S.) for educational development projects. Between 5 and 10 percent of the \$980 million will be devoted to educational materials, primarily textbooks. The projects are in Malaysia, China, Nigeria, Ethiopia, Pakistan, Turkey and Brazil.
- Other development banks could also be looked into for similar opportunities (e.g., the Asia, African and Caribbean Development Banks).

## **Coordination of Author Tours**

- The following recommendations were made for increasing the benefits of author tours:
  - plan the tours far enough in advance and involving the publishers, to ensure that the author's books could be purchased in the places where he or she was touring;
  - co-ordinate the tours with publishers' attendance at book fairs;
  - provide information on the availability of books

in the specific touring locale.

- One publishers' organization recommended that the touring program of External Affairs should be brought under the aegis of a restructured AECB (Association for the Export of Canadian Books).

#### **Book Donations Program**

- Several English and French language trade and text publishers reinforced the value of book donation programs, stressing that these books should be sent to key people in various countries and should be on display at the posts. Comments were also made about the size of some of the embassy libraries, Bologna being a case in point where, we were informed, there were less than fifty books. This could be verified.

#### **Support From Canadian Posts Abroad**

- French language, text publishers suggested that DEA officials assist them in developing an on-going presence in French-speaking Africa by holding discussions with appropriate officials on the needs for learning materials and soliciting their views on the responsiveness of the Quebec materials to those needs.
- Publishers stressed that with individual exceptions, they have had little support from post officials and that most of these officials have only limited understanding of their industry.
- It was suggested, however, that use of the post facilities for author readings and book launchings would be useful.
- Several other suggestions were made regarding the use of the facilities and officers abroad, should sufficient training be provided to them on the



industry:

- provision of information on how to acquire Canadian books;
- use of foreign officers as key contacts between Canadian delegates and territory contacts in matters of trade missions and fairs;
- use of officers in support of book fairs to make contact with retailers, wholesalers, publishers in the geographic area of the fair and prepare information for Canadian publishers on the local market (e.g., contacts).

#### The Program for Export Marketing Development (PEMD)

Comments made about PEMD are presented in section 8.

## 6. FINDINGS AND ANALYSIS: SOUND RECORDING

### Introduction

There are three basic functions in the sound recording industry: creation/production; distribution; and, marketing/sales. Each of these functions consists of a number of sub-functions and are undertaken by various types of individuals and organizations. Often the individuals and organizations undertake a number of industry functions and sub-functions. The following excerpt from a "Profile of the Sound Recording Industry", prepared for the Department of Communications, explains the various functions and actors involved in the industry.

"Very briefly stated and ignoring overlaps and duplication of roles, a record is created, produced, marketed and sold in the following way. A composer and lyricist create music and lyrics that are published as a record or imprinted form. Its ownership and use are protected by copyright. With the assistance of an arranger and a sound engineer, a producer organizes the recording of a number of songs by a performer (whose business affairs are guided by his manager) in a sound studio, resulting in a master tape of the recorded songs. The master tape is used in the manufacturing process of pressing discs and duplicating tapes. The finished product is packaged in a jacket with appropriate cover graphics for disc, or in a cartridge case for tape. The records are then wholesaled to retail outlets, either directly from the manufacturer acting as a wholesaler or through an intermediate wholesale link of racks and one-stops. Meanwhile, some records are sold directly from the manufacturer to the consumer (mail order, etc.).

In order to support record sales, a certain amount of marketing effort which often requires financing, is undertaken: by the artists through touring, by attracting radio airplay and by various point-of-sale and other merchandising promotions and by

coverage in the trade and consumer press. The overall process is usually managed by a label/record company that will provide much of the original financing and organizational skills. Legal and financial services will often be obtained from others to assist in this process. The production, distribution and marketing functions are also partly controlled by copyright. There are various royalty societies to assist in collecting and distributing copyright revenues".

## 6.1 Analysis of Data Available on Capabilities and Achievements-to-Date in Foreign Marketing

The following data are from the 1982 Statistics Canada survey of sound recording companies. They show that the industry is dominated by Canadian companies but that the market is dominated by the 9 foreign-controlled companies and by foreign-content products. The companies are concentrated in Ontario and Quebec. The foreign sales achieved by Canadian companies have been minimal although individual successes have been achieved.

### 6.1.1 Industry Size and Structure

- The Canadian sound recording industry, as represented by the 1982 survey respondents, was composed of 118 firms.
- These firms were distributed as follows in terms of size:
  - small (< \$100,000): 59 (50%)
  - medium (\$100,000 to \$1 million): 36 (31%)
  - large (> \$1 million): 23 (19%).
- The language of operation of the firms was not available (the language of the product is,

however, discussed below).

- The respondents were primarily Canadian-controlled, as follows:

Canadian: 109 (92%)          Foreign: 9 (8%).

- The industry is concentrated in Quebec and Ontario, as follows:

Quebec	40	(34%)	} 89%
Ontario	65	(55%)	
Other	13	(11%).	

#### 6.1.2 Revenues

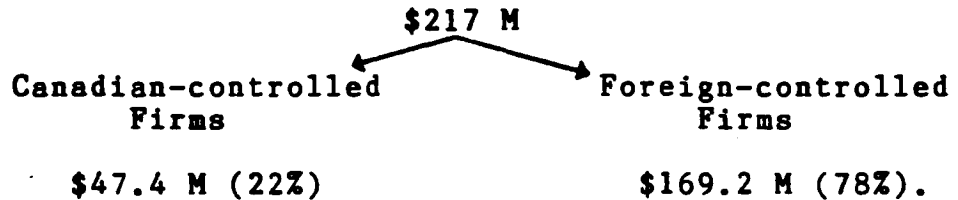
- The following data pertain to only 97 Canadian companies because twelve Canadian companies which released recordings did not report revenues. All 9 of the foreign-controlled firms are accounted for in these data.
- The total revenues of the firms reporting in 1982 was \$326.7 million from the following sources:

- sales of discs/tapes:	\$216.6 million	(66%)
- lease of rights	: \$ 3.9 million	( 1%)
- related activities	: \$ 94.3 million	(29%)
- other	: \$ 11.9 million	( 4%)

"Related Activities" include mechanical royalties, license fees and advances, distribution for others, custom disc pressing and tape duplicating, music publishing, jacket fabrication or design for others, rack-jobbing, retail sales through the company's own stores, artist management, concert promotion and booking, merchandising, renting studio time to others and retail through mail order or record

clubs.

- While Canadian firms dominate the industry in their sheer numbers, foreign-controlled firms dominate the Canadian market. The 9 foreign-controlled firms accounted for \$236.2 million (72%) of total revenues, whereas the 97 Canadian companies accounted for only \$90.5 million (28%).
- The \$217 million reported from the sale of discs and tapes was distributed as follows between Canadian and foreign-controlled firms:



- Foreign content product dominated the Canadian sound recording market. Only \$36.9 million or 17% of reported sales of discs and tapes was from discs and tapes classified as having Canadian content. As well, \$168 million or 78% of disc and tape sales was from the sale of recordings with original masters leased from a company outside of Canada.
- 50% of recording revenues came from sales of rock music. For foreign-controlled producers, 63% of revenues were from the rock category, but for Canadian-controlled producers the corresponding figure was only 34%.

### 6.1.3 Assets and Profitability

- Total assets of the industry in 1982 were \$218 million.
- \$169 million of these assets (77%) were held by foreign-controlled firms.

- The ratio of current assets to long-term assets of foreign firms (83:17) was much higher than for Canadian firms (69:31).

- By size of firm, the assets were distributed, as follows:

	(\$ millions)	
Small	\$ 2.6	( 1%)
Medium	\$ 7.8	( 4%)
Large	\$ 207.5	(95%)

- According to STC Cultural Statistics data, the net worth of the foreign-controlled firms was more than 15 times greater than that of the Canadian-controlled firms.

- STC calculates average after-tax profitability of the sector by calculating the net profit for the individual respondents which fall into different sub-sectors (e.g., foreign-controlled, Canadian-controlled, different size groupings), calculating an average net profit for each of the sub-sectors and dividing this average by the average total revenue of the sub-sector. Net profit is calculated by subtracting from the total revenues (net sales of discs and tapes plus lease of rights, production revenues and revenues from related activities) the total direct and operating costs and then adding (or subtracting) an estimate based on the previous year of the companies income tax payable or refundable, as well as subtracting the costs or adding the benefits of extraordinary items.

- For 1982 the average profitability of reporting companies was 5.2% for foreign-controlled firms as compared to a loss of (0.5%) for Canadian firms.

- These averages do not show that there are individual companies which differ significantly from the average. For instance, while the 23

large firms had an average profitability of 4.1%, 6 of these firms were not profit-making (4 of these companies were Canadian-controlled and 2 were foreign-controlled).

- While the 28 small companies had a negative average profitability of (19.5%), in fact, 17 of these companies were profit-making.
- Similarly, while the average profitability of the 36 medium-sized companies was (3.4%), 18 of these firms were operating at a profit.

6.1.4 Production

- A total of 4,802 new recordings were produced in Canada in 1982.
- 20% of these recordings were made from Canadian as opposed to foreign master tapes.
- Foreign-controlled firms reported 3,414 or 71% of these new recordings as compared to 1,388 (29%) reported by Canadian companies.
- The new recordings reported by Canadian companies were distributed as follows according to the origin of the master tape of the individual recordings:

Origin of Master	#	%
- produced by reporting company	486	(35)
- leased from production company in Canada	231	(17)
- leased from production company outside of Canada	608	(44)
- unspecified	63	( 4)
- Total	1,388	(100)

- The corresponding distribution for foreign companies was as follows:

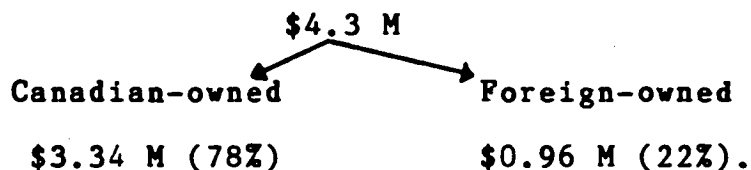
Origin of Master	#	%
- produced by reporting company	168	(5)
- leased from production company in Canada	66	(2)
- leased from production company outside of Canada	3,180	(93)
- unspecified	-	-
- Total	3,414	(100)

- The extent of use by Canadian companies of recordings made from the master tapes of companies outside of Canada likely places an immediate restriction on their export potential.

#### 6.1.5 Export Achievements

- Foreign sales can be made through selling physical products and leasing of rights to another record company.
- The 1982 CSP Sound Recording data show total foreign revenues from the sale of actual recordings and the lease of rights as \$6.1 million as follows:
  - direct foreign sales: \$4.3 M (70%)
  - lease of rights: \$1.8 M (30%)

- The direct foreign sales of \$4.3 million was distributed as follows, by country of control:





- Only \$3.95 M. of total foreign sales were reported to STC according to Musical Category. The shares of these sales in order of decreasing size were as follows:

- Rock:	\$1.9 M	(48%)
- Country:	\$0.71 M	(18%)
- Classical and Related:	\$0.69 M	(18%)
- Middle-of-the-Road:	\$0.35 M	(9%)
- Children's:	\$0.12 M	(3%)
- Other:	\$0.16 M	(4%)

Rock music sales were more than double that of the next category (country).

- The \$3.95 million breaks down according to company size groupings as follows:

- Small:	\$0.095 M	(2%)
- Medium:	\$0.37 M	(9%)
- Large:	\$3.5 M	(89%).

- Data on foreign sales by language of recording were not available. However it could be noted that 18% of the \$3.95 million in foreign sales were reported by Quebec firms.

## 6.2 Importance of Foreign Markets, Problems, Prospects and Needs Identified

### 6.2.1 Role of Foreign Markets

The following points were made by industry representatives regarding the importance of foreign markets to the Canadian sound recording industry.

- Canadian-owned firms are faced with a relatively

small market which is dominated by foreign products and companies. The data in section 6.1 verify these assertions.

- As a result of these market conditions, industry representatives stated that their recordings made from Canadian master tapes must be sold abroad as well as in Canada in order to make them profitable.
- For French language products the size of the Canadian market is even smaller. A report prepared for the DOC shows the France market as being ten times the size of the Quebec market. However, not all of the market is for French language products (see section 6.2.2).
- While foreign sales are considered to be very important to the financial situation of Canadian sound recording companies and in particular, their original products, STC data show that foreign earnings represented only 13% of total revenues in 1982.
- Exposure in foreign markets is also considered essential to the artistic development and marketability of the sound recording artist(s).

#### 6.2.2 Major Export Markets

- As in film/video and book publishing, the United States was identified as a major market for English language products. It was also identified by French language companies.
- While the U.S. market was identified as very important because of its size and its proximity, it was also considered to be the most competitive market.
- The United Kingdom was also identified as important for English language products.

- Following the U.S. and the U.K., Western European countries were seen by English language countries as most important.
- Japan was identified as a potentially longer-term market for English language recordings.
- Australia was viewed as a small market, but once broken by individual performers, could be important.
- France and other French-speaking European countries were identified by French language companies. A profile of the sound recording industry and a follow-up study on the European French language market, prepared for the Department of Communications noted the following:
  - the size of the France market was estimated to be about ten times that of the Quebec market, although the view was expressed that about 50% of the market is for English language products;
  - Switzerland and Belgium were identified as the other main markets for French language products in Europe but that they are small and considered to be controlled by companies based in France. The total number of recordings sold in both countries were roughly 12% of those of France;
  - other markets outside of Europe were considered not worthy of pursuit due to their size and problems with payment of rights and piracy of discs/tapes;
  - Canadian, French language artists were said to be well-known in France but the study reported that there has been a significant decrease in Canada's penetration of the market in recent years. The reasons for this decline were not apparent in the study.

6.2.3 Problems, Barriers and Needs Regarding Foreign Marketing

**Problems and Other Factors Influencing Foreign Market Achievements**

- Both English and French language companies stressed that their main problem with respect to foreign marketing was that of inadequate resources to carry out the required promotional efforts. For instance:
  - touring costs frequently go well beyond what the artists are paid for their performances,
  - in the U.S. it was estimated that there are between 12 and 15 different markets. This means that, in theory, 12 - 15 individual distributors could be required. In France, the DOC study noted that the introduction of free radio has increased substantially promotion costs in that country simply because the number of stations has increased.
- Both French and English language Canadian companies and products are competing against the major U.S. sound recording companies which have significantly more resources for promotion and against the products of domestic companies.
- The DOC study on the European market for French language recordings suggested that the promotion costs in France were more expensive than in the U.S. for English language products. The reasons for this difference were not apparent in the study.

**Foreign Marketing Requirements.**

- It was stressed that each sound recording product is unique and therefore must be actively promoted and marketed on its own.

● Marketing and promotion generally include the following elements:

- touring of the act where records are released;
- working of radio stations to get sufficient air play;
- possibly releasing and distributing a video production;
- sometimes using independent promoters to make contacts with retail outlets;
- attending major trade fairs, in particular, Midem;
- developing and maintaining relationships with key industry contacts in the markets of concern; and,
- getting to know the markets and its tastes.

These activities require financial resources and a capability to establish a presence and understanding of the individual markets for products in the countries selected.

### 6.3 Suggested Roles for External Affairs in Assisting Sound Recording Companies to Penetrate Foreign Markets

Many sound recording companies expressed the view that their industry has been given much lower priority by federal and provincial officials than both the book publishing and film and video industries. The following points were made regarding potential initiatives which could be taken by External Affairs to more effectively support the foreign marketing efforts of the sound recording industry. Recommendations made by industry representatives which concerned domestic market policy were not recorded here as they are outside of DEA's mandate.

## **Touring Support to Recording Artists**

- It was stressed that DEA should review its approach to the provision of touring support. The exposure gained by touring is an essential promotion strategy for breaking contemporary acts into foreign markets. However, the costs of touring are expensive and in many cases the acts were said to be paid very little for their performances. Industry representatives stated that the Department is shirking its responsibilities in touring support because the PEMD program does not view touring as an economic activity and the cultural support programs of the Department are biased towards the classical performers and away from more contemporary performers and music.
  
- Two related points were made on the touring issue as follows:
  - DEA tour plans are made too far in advance for the recording industry; and,
  
  - it is important when acts do tour, that they go to territories where they have records released.

## **Travel Support To Company Officers**

- The establishment of solid relationships with foreign company representatives, was viewed as essential for successful international business. Industry representatives suggested that DEA should provide financial support to company officers to attend MIDEM and to visit potential clients.
  
- As well, industry representatives thought that DEA officials should also understand the importance to film companies of annual attendance at MIDEM, so as to maintain contacts and an international profile in the business.

## **Support to Foreign Artists for Recording in Canada**

- The recording by Canadian companies of foreign artists was considered to be an important source of income for them. It was suggested that DEA consider providing financial support to bring foreign artists into Canada to record. This might be a controversial move but could be of financial benefit to the individual firms.

## **Support from Canadian Posts Abroad**

- The following types of assistance which have been received from the posts were identified as useful:
  - renting a hotel suite which company officials can use for negotiations with their foreign counterparts,
  - hosting of cocktail parties at conventions.
- It was suggested that this assistance would be even more beneficial if industry representatives undertook to education officials in the posts about their industry.
- Other suggestions made were:
  - the organizing of media cocktail parties
  - providing a base to work from.
- Industry representatives, in general, expressed the view that there was no role for post officials in providing market information to them.

## **The Program for Export Market Development (PEMD)**

Comments made about PEMD are summarized in section 8.

## 7. FINDINGS AND ANALYSIS: ART GALLERIES AND DEALERS

### 7.1 Analysis of Data Available on Capabilities and Achievements-to-Date in Foreign Marketing

- Data are not available from Statistics Canada on the market, structure and financial characteristics of private galleries and art dealers.
- The value of exports of art objects as reported by the Commodity Group at Statistics Canada totalled \$17.1 million in 1981. Included in these figures are original drawings, etchings, engravings, paintings and pastels executed by hand, and original sculptures and statues.
- 80% of these exports went to the U.S. (\$13.7 million).

### 7.2 Importance of Foreign Markets, Problems, Prospects and Needs Identified

#### 7.2.1 Importance of Foreign Markets

- Art dealers reported the following benefits of foreign sales:
  - to increase overall sales, per se; and,
  - to build an international reputation and recognition.
- The importance of foreign sales varies. For some dealers these sales are mostly a matter of prestige, whereas others reported that close to 50% of their revenues are from abroad.

#### 7.2.2 Major Export Markets

- New York was said to be the most important and



prestigious market for visual art dealers. However Western European markets, including London, Paris and Basel are also important both for prestige and revenue.

- It was generally agreed that there is still a good international market for Canadian art but that "heritage art" (e.g., Kreighoff) is not highly marketable.
- International sales are achieved in two ways, as follows:
  - directly to foreign visitors; and,
  - through international exhibits abroad (e.g., in New York, London, Paris).

#### 7.2.3 Problems, Barriers and Needs Regarding Foreign Marketing

The following problems and needs were identified:

- Canadian artists are generally not well known in the U.S. (the major art market).
- Major marketing needs identified were one-on-one contacts with dealers, curators, collectors; as well as exhibitions. Art fairs offer good opportunities for making the contacts required.

#### 7.3 Suggested Roles for External Affairs in Assisting Art Galleries and Dealers to Penetrate Foreign Markets

The following recommendations were made by art gallery representatives regarding potential assistance from DEA in foreign marketing.

## **Market Orientation of DEA Activities and Officials**

- Criticisms were made of the effectiveness of the 49th Parallel Gallery in New York as a marketing tool. In particular, it was considered to be more of a curatorial than a market-oriented operation.
- Representatives suggested that DEA should re-orient the cultural attachés to incorporate a market-oriented perspective into the conduct of their responsibilities.

## **Exhibition Support**

- Several comments were made about exhibitions:
  - DEA should consider using its influence to arrange more travelling exhibitions organized by private Canadian galleries;
  - the actual costs of mounting major exhibitions should be re-examined by DEA. The level of current financial assistance was considered to be relatively low in respect of the costs of the exhibitions.

## **Attendance at Art Fairs**

- It was noted that attendance at the Chicago Art Fair is important for establishing and maintaining contacts. Some representatives suggested that criteria regarding the number of Canadian artists should be reviewed in light of the importance of this fair and the numbers of Canadian artists who could be exhibited there.

## **Support to Incoming Buyers**

- Consideration be given to sponsoring visits to Toronto by foreign dealers, curators and collectors.

**The Program for Export Market Development (PEMD)**

Comments on PEMD were not specific. Suggestions were made that the application criteria be reviewed but nothing more concrete was suggested.

## 8. COMMENTS AND SUGGESTIONS MADE BY INDUSTRY OFFICIALS ON THE PROGRAM FOR EXPORT MARKET DEVELOPMENT (PEMD)

Industry representatives were asked for their comments on the PEMD. They are presented below by individual cultural sector. The following chart then summarizes the comments which were common to all sectors and those unique to individual sectors.

### Film and Video

- PEMD should recognize the need for repeat trips, acknowledging the fact that it is each individual product and generally not the company which is the major, if not sole, determinant of a buying decision.
- The PEMD approvals' process was considered to be too long, especially because action must be taken very quickly in this industry. It was suggested that consideration be given to having registered a basic company approval which might reduce the time involved in assessing each new PEMD project application.
- Representatives considered it important that steps be taken to ensure that PEMD funds can be used for activities such as negotiating co-productions.
- Consider providing support to the development of brochures which are used at the trade fairs or major film markets.
- Allow longer trips.
- Some individuals argued that PEMD-type support is of critical importance to new companies which have not established track records. It was suggested that consideration be given to introducing means whereby such young companies could gain access to PEMD assistance.

- The issue of combining PEMD support with support from provincial programs was also raised.

### Book Publishing

The following specific comments were made about the PEMD Program:

- Publishers, like other industry officials find the program a very cumbersome one to deal with.
- The need for repeat trips was stressed as was the need to recognize the scales at which many trade publishers work, especially in foreign markets. The example was given that for some small publishers sales of \$2,500 are reasonable at the small book fair.
- The comment was also made that PEMD is applied inequitably across Canada. For instance, in Central Canada, it was argued, book publishers are competing with major companies from manufacturing industries whereas, for instance, in Eastern Canada, companies are not faced with the same competition.
- Some publishers, especially French language publishers expressed concerns about not being able to combine PEMD support with provincial-level support.

### Sound Recording

Sound recording representatives expressed the following views on PEMD.

- Because each product is unique and must have its own marketing strategy, repeat trips to the same territory are required. This should be acknowledged by the Program.

- Repeat trips are also required for building solid relationships with foreign counterparts, an essential part of achieving foreign sales.
- PEMD should support the touring acts abroad as it is marketing and promotion activity which is essential to achieving sales.
- Funds should be provided for bringing in foreign artists to record in Canada. These artists were considered to be valuable to the financial capabilities of Canadian companies and to their investment in developing and promoting Canadian performers.
- It was suggested that the Program recognize licensing deals as an economic activity and provide assistance for achieving these deals.
- The PEMD 'S' component is not publicized or well understood. It is extremely difficult to acquire the eligibility criteria and to determine on what basis a proposal will be assessed. Difficulties have been experienced with this component of the Program due to its limitations on 'for profit' enterprises accompanied with limitations on the kinds of activities which can be conducted using a PEMD 'S'.
- French language representatives were concerned that receiving assistance from APEX in Quebec meant that assistance would not be provided from PEMD. It was suggested that this rule be re-examined.

#### Art Galleries and Dealers

Comments on PEMD were not specific. Suggestions were made that the application criteria be reviewed but nothing more concrete was suggested.

## SUMMARY OF COMMENTS AND SUGGESTIONS MADE ABOUT PEMD

(Note: no specific suggestions were made by art galleries and dealers)

### Common to All Sectors

- support to repeat trips
- improve efficiency of approvals process
- allow companies to combine support from provincial and federal programs

### Unique to Film and Video

- allow use of PEMD funds for negotiating co-productions
- support for brochures used at trade fairs and major markets
- develop an export support structure for young companies

### Unique to Book Publishing

- inequitable application of PEMD support across regions due to competition in Central Canada with large "smokestack" industries

### Unique to Sound Recording

- support to artists' tours
- support to bringing in foreign artists
- recognize licensing deals as an economic activities
- publicize and make available criteria for PEMD 'S'

9. SUMMARY OF FINDINGS ON EXPORT ACHIEVEMENTS, PROBLEMS AND NEEDS IDENTIFIED AND SUGGESTED ROLES FOR EXTERNAL AFFAIRS

The following chart summarizes the study findings for the following four major headings for each of the cultural sectors:

- foreign market achievements;
- major foreign markets identified;
- impediments identified to increase foreign sales;
- industry recommendations for External Affairs.



**SUMMARY OF DATA FINDINGS AND INTERVIEW RESULTS**

**Sector**

Film and Video

**Foreign Market Achievements**

- Total Industry Foreign Earnings in 1982:  
\$18.9 M. or 9% of total revenues
- Foreign earnings of production sector:  
- \$18.7 million
- Foreign earnings of distribution sector:  
- \$0.18 million

**Major Foreign Markets Identified**

- U.S. (pay TV (especially))
- U.K.
- France
- Benelux countries
- Germany
- Japan
- many other smaller English speaking countries
- Australia

**Problems and Needs Affecting Foreign Sales**

- Problems
  - domestic environment (financial health, financing, foreign control of domestic market)
  - control of U.S. theatrical market by expensive productions and integrated, U.S. companies
  - foreign guilds/unions
  - identification of reliable intermediaries
  - acceptance of dubbed French language films in U.S.
  - in some non-Western markets: blocked currencies, protocol

**Industry Recommendations for External Affairs**

- seminars to Canadian banking community
- introduce an 'exports achievement award'
- policies should reflect importance of U.S. market
- facilitate more co-production treaties
- support to foreign travel and repeat trips
- support to trade fairs/major markets
- brochures on social and business protocols (e.g., Japan)
- assistance in production of sales/marketing aids (e.g., brochures)
- support to incoming buyers

Sector	Foreign Market Achievements	Major Foreign Markets Identified	Problems and Needs Affecting Foreign Sales	Industry Recommendations for External Affairs
Film and Video (cont'd.)			<ul style="list-style-type: none"> <li>● Needs</li> <li>- need for marketing on a product-by-product basis</li> <li>- need to build relationships/contact with key industry representatives, repeat trips important</li> <li>- trade fairs important but not sufficient for making deals</li> </ul>	<p><b>Role of Posts</b></p> <ul style="list-style-type: none"> <li>● use of offices abroad for receptions, cocktail parties, telephones and telephone answering, where appropriate</li> <li>● provision of training to DEA officers abroad on the film/video industry</li> <li>● information on credibility of intermediaries in non-North</li> <li>● provide market opportunity information (e.g., potential investors)</li> <li>● provide up-to-date information on e.g., true withholding taxes, dubbing costs, foreign quotas, key buyers, local promotion practices</li> </ul>

Sector	Foreign Market Achievements	Major Foreign Markets Identified	Problems and Needs Affecting Foreign Sales	Industry Recommendations for External Affairs
Book Publishing	<ul style="list-style-type: none"> <li>● Total foreign revenues reported in 1982 \$118.9 M. but about 90% of this is accounted for by one company.</li> </ul>	<ul style="list-style-type: none"> <li>● U.S.</li> <li>● U.K.</li> <li>● France</li> <li>● French language Africa</li> <li>-----</li> <li>● Holland</li> <li>● Scandinavia</li> <li>● Australia (text)</li> <li>● Japan (long term)</li> </ul>	<ul style="list-style-type: none"> <li>● Problems <ul style="list-style-type: none"> <li>- acceptance of Canadian-published books by U.S. and U.K. publishers</li> <li>- knowledge of Canadian titles in foreign markets and where to buy them</li> <li>- distribution of Canadian books abroad, fulfillment of orders</li> <li>- time, cost, distance in breaking French-African markets</li> <li>- foreign costs to Europe</li> <li>- competitive pricing especially in the U.S.</li> <li>- editorial policies of major U.S. book reviewers against non-U.S. titles</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● one export program for books</li> <li>● book donations' program to key people, opinion-makers, educators</li> <li>● provide information on how to get hold of Canadian titles</li> <li>● ensure that publishers are aware of plans for author tours in advance, to ensure books available for potential purchase</li> <li>● co-ordinate tours and fairs</li> <li>● support to additional fairs: ABA, London, DIDACTA, Salon de Livre</li> <li>● continued support to trade missions</li> <li>● maintenance of adequate libraries of Canadian books at posts</li> <li>● assistance to French language publishers in identifying curriculum and learning material requirements of educators in French Africa</li> <li>● provide assistance to French language publishers for translating non-mass market trade books</li> </ul>

Sector	Foreign Market Achievements	Major Foreign Markets Identified	Problems and Needs Affecting Foreign Sales	Industry Recommendations for External Affairs
Book Publishing (cont'd.)			<ul style="list-style-type: none"> <li>- lack of co-ordination between author tours and availability of books where author is touring</li> <li>● Needs               <ul style="list-style-type: none"> <li>- need for face-to-face contacts to achieve actual deals</li> <li>- need for 'international books'</li> <li>- need to build relationships with local publishers</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● support to fairs by foreign officers</li> <li>● promotional assistance by foreign officers</li> <li>● education to officers re: industry</li> <li>● assist publishers in taking advantage of opportunities of multilateral development banks</li> <li>● use of posts for author readings and book launchings</li> <li>● trade delegations</li> <li>● specific suggestions made for PEMD               <ul style="list-style-type: none"> <li>- repeat trips</li> <li>- less cumbersome approvals</li> </ul> </li> </ul>

Sector	Foreign Market Achievements	Major Foreign Markets Identified	Problems and Needs Affecting Foreign Sales	Industry Recommendations for External Affairs
Sound Recording	<ul style="list-style-type: none"> <li>● Total Industry Foreign Earnings for 1982 were \$6.1 Mill., according to STC</li> <li>- \$4.3 M. (70%) were from direct foreign sales</li> <li>- \$1.8 M. (30%) were from the lease of right</li> <li>● Canadian-owned companies reported \$3.34 M. (78%) of from direct sales</li> </ul>	<ul style="list-style-type: none"> <li>● U.S.</li> <li>● U.K.</li> <li>● France</li> <li>● Switzerland</li> <li>● Italy, Germany, other continental European countries</li> <li>● Belgium</li> <li>-----</li> <li>● Australia</li> <li>● Japan</li> </ul>	<ul style="list-style-type: none"> <li>● Problems <ul style="list-style-type: none"> <li>- costs of touring are high relative to the direct payments made to the acts/artist for the tour</li> <li>- costs of marketing e.g., number of regions, radio stations in U.S., France</li> </ul> </li> <li>● Needs <ul style="list-style-type: none"> <li>- exposure of acts/artists in foreign markets is essential to achieving sales in them</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● provide touring support (with more support to rock acts)</li> <li>● ensure that sound recordings are released where tours are made</li> <li>● acknowledge need for repeat visits</li> <li>● provide support to MIDEM on an annual basis</li> <li>● provide financial assistance for travel of company officials to contact counterparts in foreign countries to negotiate rights deals</li> <li>● seminars with Canadian banking institutions</li> <li>● with industry, educate DEA officials abroad on the industry</li> <li>● hosting of cocktail parties (for media)</li> <li>● renting of hotel suites for negotiations</li> </ul>

Sector	Foreign Market Achievements	Major Foreign Markets Identified	Problems and Needs Affecting Foreign Sales	Industry Recommendations for External Affairs
Sound Recording (cont'd.)	<ul style="list-style-type: none"> <li>● the foreign revenues accounted for about 2% of total revenues of \$216 M. earned from the sale and lease of discs and tapes, related and other activities</li> </ul>		<ul style="list-style-type: none"> <li>- tours must be co-ordinated with releases</li> <li>- annual attendance at MIDEM is essential</li> <li>- on-going face-to-face contact is essential for striking rights deals with foreign companies</li> <li>- need presence in market to 'work it'</li> </ul>	<ul style="list-style-type: none"> <li>● provision of work spaces (but not for actually negotiating)</li> <li>● support for bringing foreign artists to Canada to record</li> </ul>

Sector	Foreign Market Achievements	Major Foreign Markets Identified	Problems and Needs Affecting Foreign Sales	Industry Recommendations for External Affairs
Visual Arts (private galleries and dealers)	<ul style="list-style-type: none"> <li>● STC Commodities data for 1981 show exports of art objects at \$18 M. (This would not include sales in Canada to foreign clients which gallery representatives report is a major foreign sales approach)</li> </ul>	<ul style="list-style-type: none"> <li>● U.S. (New York)</li> <li>● London</li> <li>● Paris</li> </ul>	<ul style="list-style-type: none"> <li>● awareness abroad of Canadian visual</li> <li>● need for direct contacts with foreign dealers, curators, collectors through art fairs, exhibitions</li> <li>● costs of selling abroad, especially due to need for direct contact with clients</li> </ul>	<ul style="list-style-type: none"> <li>● support to Chicago Art Fair</li> <li>● sponsoring of incoming buyers</li> <li>● use influence to arrange more travelling exhibits</li> <li>● travel assistance</li> <li>● re-orient DEA cultural attaches to incorporate a market perspective</li> <li>● re-examine costs of mounting major exhibits in light of level of support for this activity</li> <li>● re-orient "49th parallel" in NYC to be more market-oriented and less curatorial in focus</li> </ul>

## 10. COMMENTARY ON INDUSTRY RECOMMENDATIONS FOR EXTERNAL AFFAIRS

The purpose of this study was to provide insights into the four cultural sectors through an examination of data and the conduct of a set of interviews. The results were to be used by DEA officials to determine how they might improve their assistance to the sectors in their foreign marketing activities. To further assist DEA officials we present below a brief commentary on possible initiatives which the Department could undertake readily to improve its support to the sectors prior to undertaking any major policy development work.

These individual initiatives would be important to the industries, feasible for DEA to undertake, and consistent with DEA's mandate.

### 10.1 Changes in Overall DEA Approach

The following initiatives concern the overall approach of DEA to the cultural sectors.

- **Tailor DEA's Export Stimulation Programs To The Cultural Industries:** PEMD is still viewed by representatives of the cultural sectors to be biased towards the "smokestack" industries and unresponsive to their special features. This concern could be dealt with by:
  - preparing an implementation plan for meeting each of the sectors' requirements through the existing PEMD structure. This plan could be prepared by working with the individual sectors, building upon the preliminary work already conducted on this matter with officials of the Department of Communications; or,
  - creating a new PEMD sub-section with funds earmarked for the cultural sectors and with measures of success which reflect the nature of these industries.



- **Upgrade Support Given By Posts to Individual Marketing Ventures of Companies:** Sector representatives believe that they are treated as second class citizens by commercial officers in the Posts. DEA could assist in upgrading the profile of these sectors at the Posts either by conducting short seminars at key Posts or distributing written material to these Posts. Imaginative schemes could be explored for providing these sectors with some on-going support at key Posts, perhaps through the use of retainers for local contacts on a cost-shared basis.

A policy question for DEA to consider will be whether to provide this support through the cultural attachés, through the existing commercial attachés or through improved co-operation between the trade and cultural counsellors.

To improve the level of service provided by Posts to these sectors, DEA should encourage company officers to give Posts better advanced information on their foreign marketing plans.

- **Education of Post Officials on Each of the Sectors:** DEA could work with industry representatives in preparing an educational package for Post officers on each of the sectors. These packages could also contain specific suggestions on how the Posts could assist individual initiatives in these sectors. The recent DEA conference in Washington, D.C. yielded some valuable guidelines.

## 10.2 Individual Services

- **Annual Updated Set of Market Facts on Key Foreign Markets By Posts:** Sector representatives have identified a short set of market facts (i.e., number of pay TV channels, etc.) that would be very useful to them in planning export initiatives. DEA could undertake to provide these data on an annual basis for key market areas. An initial task here would be to work with representatives of each sector to outline in detail the specific market facts they would

require of the posts.

- **Co-ordination and Planning With Industry of DEA-Sponsored Artists' Tours and Exhibits:** These tours are welcomed by the sectors. Better planning and co-ordination of them could lead to significantly increased financial returns from the initiatives.
- **Provision of Support For Incoming Buyers:** These could be examined as part of the review of PEMD (see above), which has a section already for incoming buyers.
- **Assistance to Publishers in Capitalizing on Market Opportunities Presented By Educational Development Projects of Multilateral Development Banks:** The World Bank will spend \$980 million (U.S.) in educational development projects over the next three years. Approximately 5 - 10% of this is earmarked for teaching materials, in particular textbooks. Both the African and Asian Development Banks also undertake such projects. Many of these projects come up for international competitive bidding or could be tied to Canadian procurement if CIDA funds were involved. Educational publishers in Canada could be encouraged and assisted to develop a strategy for exploring and breaking into these markets.
- **Assistance to French Language Publishers By Posts:** DEA could consider assisting these publishers on a cost-shared basis, in determining how the products of Quebec publishers could respond to the curricula requirements of French-speaking African countries.
- **Disseminate Materials on Protocols:** Such materials could be disseminated on countries considered to hold significant potential for Canadian companies and products (e.g., Japan).



**ANALYSIS OF CAPABILITIES AND NEEDS OF CANADA'S  
CULTURAL INDUSTRIES IN FOREIGN MARKETING**

**ANNEXES**

**Submitted to the  
Cultural Policy Division,  
Department of External  
Affairs**

**CPER Management Consulting Inc.  
March, 1985**

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CPER Management Consulting Inc.  
March, 1985

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**ANNEX I: LIST OF INTERVIEWEES**

## LIST OF INTERVIEWEES

### Film and Video

- 1) Ms. K. Avrich, Executive Director, Association of Canadian Film and Television Producers
- 2) Ms. I. Bennie, Isme Bennie International
- 3) Mr. J. Bouchard, Multimedia Audiovisual Inc.
- 4) Mr. R. Cohen, The Ronald Cohen Film Company
- 5) Mr. R. Cooper, Robert Cooper Productions
- 6) Mr. G. Cousineau, Association des Producteurs de Films du Quebec
- 7) Mr. R. Demers, Les Productions La Fete Inc.
- 8) Mr. M. Donovan, Salter Street Films
- 9) Mr. Ellis, Ralph C. Ellis Enterprises Ltd.
- 10) Mr. M. Hirsch, Nelvana Ltd.
- 11) Mr. S. Jephcott, Executive Director, Canadian Film and Television Association and Cyclops Communications Corp.
- 12) Mr. A. Link, Cinepix Inc. and DAL Productions
- 13) Mr. W. Macadam, Norfolk Productions Ltd.
- 14) Mr. P. Mortimer, Vice-President, Association of Canadian Film and Television Producers

- 15) Mr. M. Raymond, Les Productions Via Le Monde Inc.
- 16) Mr. E. Riley, Atlantis Films Ltd. and Atlantis Films International Ltd.
- 17) Mr. S. Roth, R.S.L. Films Ltd.
- 18) Mr. M. Roth, Canadian Motion Picture Distributors Association
- 19) Mr. W. Testar, Executive Director, B.C. Film and Video Industry Association

**Book Publishing**

- 20) Mr. M. Boucher, Presses Universite Laval
- 21) Mr. G. Bryson, Addison-Wesley (Canada) Ltd.
- 22) Ms. M. Cutler, Tundra Books
- 23) Mr. A. Del Busso, Le Boreal Express Ltd.
- 24) Mr. Doucet, General Publishing Ltd.
- 25) Mr. H. Foulon, Editions Hurtubise HMH Ltee.
- 26) Mrs. J. Hushion, Executive Director, Canadian Book Publishers Council
- 27) Mr. M. Lester, Lester and Orpen Dennys Ltd.
- 28) Mr. S. McIntyre, Douglas and McIntyre Ltd. and Douglas and McIntyre Educational



- 29) Mr. B. Newton, Gage Publishing Ltd.
- 30) Ms. L. Pepin, Association Quebecoise des Presses  
Universitaires
- 31) Mr. S. Reid, Holt, Rhinehart and Winston of Canada Ltd.
- 32) Mr. R. Sanders, Western Producer Prairie Books
- 33) Mr. P. Tisseyre, Societe des Editeurs de Manuels  
Scolaires du Quebec et Editions du Renouveau  
Pedagogique
- 34) Mrs. P. Yaffee, Executive Director, Association of  
Canadian Publishers

#### **Sound Recording**

- 35) Mr. Altman, Boot Records
- 36) Mr. P. Boivin, Quebec Disques
- 37) Mr. P. Christakos, Scorpio Nova International
- 38) Ms. L. Georges, L'Association du Disque et de  
l'industrie du Spectacle Quebecois
- 39) Mr. J. LaCoursiere, A & M Records
- 40) Mr. A. Mair, Attic Records
- 41) Mr. H. Peterson, Stoney Plain Records

- 42) Mr. B. Robertson, Executive Director, Canadian Recording Industry Association
- 43) Mr. E. Rosen, Executive Director, Canadian Independent Record Producers Association

**Art Galleries and Dealers**

- 44) Ms. M. Friedland, Miriam Friedland Galleries
- 45) Mr. C. Lamanna, Carmen Lamanna Gallery
- 46) Ms. S. Simpson, S.O. Simpson Art Gallery
- 47) Ms. M. Sheill, Waddington and Shiell Galleries
- 48) Ms. E. Yeomans, Professional Art Dealers Association of Canada

**Periodical Publishing**

- 49) Ms. D. Hoyle, Executive Director, Canadian Periodical Publishers Association

**Provincial and Federal Officials**

- 50) Mr. A. Bishop, Nova Scotia Department of Culture, Recreation and Fitness

- 51) Mr. G. Buick, Assistant Deputy Minister, Alberta Culture
- 52) Ms. J. Cohnstaedt, Deputy Minister, Department of Culture, Heritage and Recreation, Manitoba
- 53) Mr. C. Denis, Ministère du Commerce Extérieur du Québec
- 54) Mr. S. Hayes, Director of Marketing Consulting Services, Prince Edward Island Development Agency
- 55) Ms. J. Hayton, Market Development Assistance Program, Alberta Department of Economic Development
- 56) Mr. A. Horne, Director, Product Development Management Program, Department of Development, Nova Scotia
- 57) Ms. R. Jackson, Senior Film and Video Policy Officer, Department of Communications
- 58) Mr. W. Litwack, Director of Planning, Telefilm Canada
- 59) Mr. I. McLaren, Director of Distribution, Telefilm Canada
- 60) Mr. John Parsons, Arts Branch, Ontario Ministry of Citizenship and Culture
- 61) Mr. J. Perlin, Director of Cultural Affairs, Newfoundland
- 62) Mr. A. Rankin, Director, Cultural Affairs, Department of Community and Cultural Affairs, Prince Edward Island
- 63) Mr. K. Rogers, Assistant Deputy Minister, Saskatchewan Culture and Recreation

- 64) Mr. F. Rioux, Relations culturelles et de la coopération, Ressources historiques et culturelles (New Brunswick)
- 65) Ms. J. Rush, Director of International Marketing, Ontario Ministry of Industry and Trade
- 66) Mr. J. Saum, Trade Development Officer, Aid to Trade Program, Saskatchewan Department of Economic Development and Trade
- 67) Mr. S. Tobin, Director of Trade Services Program, Department of Commerce and Development, New Brunswick
- 68) Mr. J. Watt, Director of Cultural Industries, Department of Communications
- 69) Ms. B. Wakeham, Director of Prospect Development, Market and Product Development Program, Department of Development, Newfoundland

ANNEX II

INTERVIEW GUIDES

**INTERVIEW GUIDE FOR DISCUSSIONS WITH  
REPRESENTATIVES OF FIRMS**

**A. BACKGROUND**

**i) Purpose and Approach**

Our company, CPER Management is preparing a report for the Department of External Affairs that would provide the necessary information to the Department for developing a strategy for supporting the foreign marketing efforts of Canada's cultural industries. We are conducting three levels of research: 1) an analysis of data concerning the capabilities and achievements to-date of the cultural industries in penetrating foreign markets; 2) a review of federal and provincial programs and services which provide support to the foreign marketing of Canada's cultural industries and products; and, 3) an assessment of the industries' problems, prospects and needs concerning foreign marketing and sales, and how External Affairs could respond to these needs.

**ii) Purpose of Interview**

The purpose of this interview is primarily to identify the problems, needs and potential opportunities of your industry in foreign marketing. In order to do this we would

like to discuss the following topics:

- i) your firm's activities and achievements to-date in foreign marketing and sales;
- ii) the markets which you consider to be most promising for your industry and your firm's particular products;
- iii) the problems and successes which you have encountered in penetrating foreign markets; and,
- iv) your views on the prospects for your industry in foreign markets and your recommendations for assistance from External Affairs (both field operations and in Canada) in meeting your foreign marketing needs.

**iii) Confidentiality**

The results of these discussions will be treated as commercial confidential.

## B. THE FIRM YOU REPRESENT

Before proceeding to the questions concerning your firm's experiences and needs with respect to foreign marketing and sales, we would like to establish some facts about your firm. What is your firm's:

- language of products, if appropriate (e.g., percentage of English Language, percentage of French Language)?
- language of operations?
- age?
- country of controlling interest?
- legal status (limited partnership, private, publicly-traded)?
- size
  - number of employees?
  - total revenues?
  - number of products/productions per year?

What are your firm's:

- product lines/selected markets?
- sources of income (e.g., sales, rentals, co-productions, government support)?

## C. THE FIRM AND FOREIGN MARKETS

1. At which particular countries have your foreign



marketing efforts been directed? Why (e.g., size of market, ease of entry into market, government-to-government agreements, language, Canadian presence, such as programs of Canadian Studies)?

2. Over the past three years, what was the average proportion of total earned revenues accounted for by those earned in foreign markets? Has this proportion increased, decreased or remained relatively constant over the years? If not, why? e.g., Is this an inherent characteristic of the business? Were there particularly significant changes or swings in the market over this period?
3. What is the importance of these foreign revenues to your firm (e.g., increased production runs, more profitable than domestic sales, size of Canadian market?)
4. In which countries have sales been achieved? Specific product or consumer markets in these countries?
5. What is it that has sold your particular products in these individual countries (e.g., characteristics of the products which have particular appeal? Your marketing approach? Bilateral agreements? Canadian presence? Schools with Canadian studies programs? Cultural similarities and ties with Canada)?

6. Over what period of time has your firm been marketing in each of these countries?
7. What specific marketing and sales activities have been used by your firm for each country? (e.g., touring; media; fairs; major markets; direct advertising) What is the relative effectiveness of each of these types of activities in each of these countries?
8. How important are co-productions for achieving sales in these countries?
9. Do you have a local partner or agent in these countries? How important is a local partner/agent?
10. Which particular foreign countries and individual product/consumer markets do you consider hold the most potential for your products? What is the basis of your assessment (e.g., market information, sales achieved to-date)? Are there specific approaches in each of these markets which are most appropriate (e.g., straight export, rights, co-productions, local agents/distributors, licensing, subsidiary)? Please explain.
11. From which other countries does the major competition come for each of these markets? How well can Canadian companies compete with these firms? Why?

12. What is the relative profitability of foreign as compared to domestic sales? For: straight exports, sales of rights, co-productions?
13. What are the relative costs of marketing in Canada and abroad?
14. What are the reasons for your firm's limited success in other countries (e.g., characteristics of the market, including tariff and non-tariff barriers; characteristics and strengths of the competition, both indigenous and foreign; characteristics of your firm's marketing and sales efforts)?

**D. PROSPECTS, PROBLEMS AND NEEDS IN FOREIGN MARKETING EFFORTS**

15. You have previously identified (in #10 above) certain countries and individual markets within them, as having the most potential for increasing your firm's foreign sales. What are the major problems which confront your firm in penetrating these markets? What should you be doing that you are not doing? Why not (e.g., cost, time, expertise)?
16. Do you consider that other Canadian firms in your industry face the same or similar problems?
17. Have you received any assistance to-date from the

provincial or federal governments in specific markets or in developing foreign marketing capabilities in general?

- Program For Export Market Development (PEMD)?
- Trade Fairs and Missions?
- Book Publishing Development Program?
- Canadian Film Development Corporation (Telefilm)?
- Federal posts abroad?
- Other Federal?
- Provincial programs?

Please describe specific assistance: e.g., attendance at trade fair, major markets, incoming buyers, market studies, development of promotional materials, sales aids.

18. How effective/beneficial has each of these types of assistance been? Has your firm or an industry association compared their effects on sales - both long term and immediate? Please describe source and results.
19. What improvements, modifications or changes would you suggest? What benefits would you expect from these changes, improvements?
20. What suggestions would you make for federal initiatives (External Affairs, in particular) to assist in penetrating these markets? Describe the specific problems that would be addressed, the benefits you would

expect to flow from your suggestions and why this would  
be an appropriate role for government.

THANK YOU FOR YOUR COOPERATION AND ASSISTANCE

INTERVIEW GUIDE FOR DISCUSSIONS WITH PROVINCIAL AND FEDERAL  
OFFICIALS ON PROGRAMS AND ISSUES CONCERNING FOREIGN MARKETING  
OF CULTURAL INDUSTRIES

**Background**

Our company, CPER Management, is preparing a report for the Department of External Affairs that will provide the information needed to develop a strategy for supporting the foreign marketing activities of Canada's cultural industries. We are conducting three levels of research: 1) an analysis of data on the capabilities and achievements to-date of the cultural industries in penetrating foreign markets; 2) a review of federal and provincial programs and services which provide support to the foreign marketing of Canada's cultural industries and products; and, 3) an assessment of the industries' problems and needs and prospects concerning foreign marketing.

The report will be completed by the end of December and the results will be available through the Cultural Policy group of External Affairs.

The purpose of this interview is to acquire information about programs which support Canada's cultural industries in foreign marketing.

Cultural industries are defined in this study to include the film and video production and distribution

industries, book publishing, sound recording, galleries and art dealers and broadcasting.

#### The Program(s)

1. Does your department/ministry/program support the cultural industries in their foreign marketing efforts?
2. If yes, which branch/division or agency is responsible for it? Which particular programs? Activities?
3. What are the objectives of this program, e.g., cultural, economic?

#### Marketing Assistance

4. What types of marketing activities are supported by this program (e.g., market studies, trade fairs, advertising, promotion)? Sustained efforts or once-off, short term activities? Which is most prevalent?
5. Which cultural sectors and sub-sectors qualify for the assistance of your program(s)? (Sectors: i.e., book publishing, sound recording, etc.; sub-sector: distribution, production, etc.)
6. Do any industries/sectors apply more consistently than others? Account for a major portion of the support provided? If so, which ones? Is this due to the

industry, as a whole, being more active in foreign markets? Other reasons?

7. What types of assistance are provided (e.g., grants, loans, assistance-in-kind)?
8. What are the eligibility criteria for obtaining the program's support (e.g., ownership, professional or not, size of sales, track record in foreign/export sales)?
9. Are there specific countries/regions at which the program support is directed? If yes, which ones and why?
10. How much financial support did this program receive in 1983/84 FY? How much will this program receive in 1984/85 FY? Any data on the distribution of this support (e.g., between industries, particular countries)?
11. Are the individual activities which are supported by the program, evaluated/monitored to determine their effectiveness? If yes, how? Any results available?  
Copies?

#### Prospects, Problems and Needs

12. Are there particular foreign markets which you consider



hold the greatest potential for the sales of Canadian:

- films/video productions?
- books (text? trade?)
- records?
- art works?
- broadcast programming?

Please describe.

What factors is your view based on? (probe)

13. Are there particular characteristics of these markets which should be considered in the marketing/sales efforts of firms? (e.g., for efforts: sustained vs. short term, need for local partner, co-production vs. exports? for countries: government-to-government agreements, cultural similarities, Canadian presence?)  
Please describe. Implications for marketing activities?
14. What do you consider to be the major problems faced by each of the industries supported by your program(s) in penetrating foreign markets? (Discuss particular industries and particular markets.)
15. What are the major problems of these industries in the effectiveness of their marketing efforts in penetrating foreign markets?
16. What do you see to be the prospects for the various cultural industries in foreign markets - both overall

and individually? Particular problems which would have to be resolved in order to capture opportunities, improve prospects?

17. What do you suggest the federal role, and the role of External Affairs in particular, should be in responding to these needs? Programs in Canada such as PEMD? Fairs and Missions? Field offices abroad? (e.g., feasibility or market studies, support to development of sales aids, opportunity identification, assistance in finding local partners, etc.?)

## GUIDE DE L'INTERVIEWEUR - REPRÉSENTANTS D'ENTREPRISES

### A. RENSEIGNEMENTS GÉNÉRAUX

#### i) Objectif et approche

Le ministère des Affaires extérieures a demandé à notre firme, CPER Management, de préparer un rapport qui renfermerait tous les renseignements nécessaires à l'élaboration d'une stratégie à l'appui des industries culturelles canadiennes qui cherchent à pénétrer les marchés étrangers. Nous menons nos recherches sur trois fronts: 1) une analyse des données se rapportant aux capacités et aux réalisations des industries culturelles sur les marchés étrangers; 2) un examen des programmes et services fédéraux et provinciaux à l'appui de la commercialisation à l'étranger des industries et des produits culturels canadiens; et 3) une évaluation des problèmes, des perspectives et des besoins en matière de commercialisation de ces produits à l'étranger, ainsi que des moyens que pourrait utiliser le ministère des Affaires extérieures pour répondre aux besoins de l'industrie.

#### ii) But de l'entrevue

L'entrevue a pour but principal de recenser les problèmes, les besoins et les possibilités de votre secteur en matière de commercialisation à l'étranger. Pour obtenir ces renseignements, nous aimerions aborder les sujets suivants:

- i) les activités de commercialisation menées par votre entreprise à l'étranger et ses réalisations à ce chapitre;
- ii) les marchés que vous considérez les plus prometteurs pour votre secteur, de même que pour les produits qu'offre votre entreprise;
- iii) les problèmes et les réussites que vous avez connus au cours de vos activités de pénétration des marchés étrangers; et
- iv) vos vues au sujet des perspectives de votre secteur sur les marchés étrangers et vos suggestions quant à l'aide que pourrait offrir le ministère des Affaires extérieures (à l'étranger et au Canada) en réponse à vos besoins en matière de commercialisation à l'étranger.

### **iii) Confidentialité**

Les renseignements fournis seront considérés comme des renseignements commerciaux confidentiels.

## **B. VOTRE ENTREPRISE**

Avant de vous poser des questions portant sur les expériences que vous avez connues sur les marchés étrangers et vos besoins à ce chapitre, nous aimerions obtenir les renseignements de base suivants au sujet de

**votre entreprise:**

- la ou les langues dans lesquelles vos produits sont offerts, s'il y a lieu (pourcentage offert en anglais, pourcentage en français, etc)
- la langue de travail
- sa date de fondation
- le pays qui détient la participation majoritaire
- son genre (société en commandite, privée ou ouverte)
- sa taille
  - o nombre d'employés
  - o chiffre d'affaires
  - o nombre de produits ou de productions annuellement
- ses gammes de produits et ses marchés de prédilection
- ses sources de revenu (ventes, locations, co-productions, aide gouvernementale)

**C. L'ENTREPRISE ET LES MARCHÉS ÉTRANGERS**

1. Vers quels pays en particulier vos efforts de commercialisation ont-ils été dirigés, et pourquoi (importance des marchés, facilité d'accès, accords de gouvernement à gouvernement, langue, présence canadienne, programmes d'études canadiennes, etc.)?
  
2. Au cours des trois dernières années, quelle proportion en moyenne les ventes étrangères de votre entreprise ont-elles représentée par rapport au total des revenus? Cette proportion a-t-elle augmenté, diminué ou été relativement stable au cours des dernières années?

Pourquoi? Est-ce attribuable à une particularité de votre domaine d'activité?

Le marché a-t-il connu des changements ou des oscillations importantes pendant cette période?

3. Quelles répercussions ces revenus étrangers ont-ils pour votre entreprise (intensification de la production, bénéfices supérieurs à ceux réalisés sur les marchés intérieurs, taille du marché canadien, etc.)?
4. Dans quels pays avez-vous réalisé des ventes? Quels produits y sont particulièrement recherchés et quels sont les groupes de consommateurs visés?
5. Pourquoi vos produits se sont-ils vendus dans ces pays (caractéristiques qui rendent vos produits attrayants, stratégie de commercialisation, accords bilatéraux, présence canadienne, écoles ayant des programmes d'études canadiennes, ressemblances et relations culturelles avec le Canada, etc.)?
6. Depuis quand votre entreprise écoule-t-elle ses produits dans chacun des pays que vous venez de mentionner?
7. À quelles activités de commercialisation votre entreprise a-t-elle eu recours dans chacun de ces pays (tournées, médias, foires, marchés importants, publicité directe, etc.)? Quelle a été l'efficacité relative de chaque type d'activités dans chacun des pays en question?

8. Dans quelle mesure les coproductions vous ont-elles permis de réaliser des ventes dans ces pays?
9. Avec-vous un associé ou un agent sur place à l'étranger? Dans quelle mesure est-il important d'en avoir un?
10. Quels pays marchés, ou groupes de consommateurs étrangers offrent les meilleures possibilités en ce que concerne la commercialisation de vos produits? Sur quoi fondez-vous vos conclusions (renseignements sur les marchés, ventes réalisées, etc.)? Existe-t-il des stratégies qui conviennent plus exactement que d'autres à ces marchés (exportations directes, droits, coproductions, agents et distributeurs sur place, licences, filiales, etc.)? Expliquez s'il vous plaît.
11. Quels autres pays vous font directement concurrence sur chacun de ces marchés? Comment les entreprises canadiennes s'en tirent-elles? Pourquoi?
12. Dans quelle mesure les ventes à l'étranger sont-elles profitables par rapport aux ventes au Canada, et ce, pour les exportations directes, pour la vente de droits et les coproductions?
13. Quels sont les coûts de la commercialisation au Canada par rapport à ceux de la commercialisation à l'étranger?
14. Quels facteurs sont venus limiter les succès de votre entreprise à l'étranger (particularités du marché, y compris les barrières

tarifaires et non tarifaires, caractéristiques et points forts des concurrents indigènes et étrangers, nature de vos activités de commercialisation)?

**D. PERSPECTIVES, PROBLÈMES ET BESOINS EN MATIÈRE DE COMMERCIALISATION**

15. À la question 10, vous avez identifié certains pays et, à l'intérieur de ces pays, certains marchés qui présentent les meilleures possibilités d'accroissement des ventes étrangères de votre entreprise. Quels sont les principaux obstacles qui entravent la pénétration de ces marchés par votre entreprise? Quelles mesures y aurait-il lieu de prendre? Pourquoi n'avez-vous pas pris ces mesures (coûts, temps, connaissances spécialisées)?
16. À votre avis, les autres entreprises canadiennes de votre secteur font-elles face à des problèmes identiques ou semblables?
17. Jusqu'à maintenant, les gouvernements fédéral ou provinciaux vous ont-ils aidé à pénétrer des marchés précis ou, en général, à accroître votre capacité de commercialisation à l'étranger?
- Programme de développement des marchés d'exportation (PDME)
  - Foires et missions commerciales
  - Programme d'aide au développement de l'industrie de l'édition canadienne
  - Société de développement de l'industrie cinématographique canadienne (Téléfilm)
  - Missions canadiennes à l'étranger



○ Autres programmes fédéraux

○ Programmes provinciaux

Donnez les détails de l'aide offerte (participation à des foires commerciales, marchés importants, acheteurs en visite au Canada, études de marché, création de matériel publicitaire, services facilitant la vente, etc.).

18. Dans quelle mesure chacun des programmes d'aide susmentionnés a-t-il été efficace ou avantageux? Votre entreprise ou votre association commerciale ont-elles mesuré les répercussions immédiates et à long terme qu'ont eues ces programmes sur les ventes? Donnez la source et les résultats obtenus.
19. Quelles améliorations ou modifications proposeriez-vous? Quels avantages compteriez-vous tirer de ces améliorations ou modifications?
20. À votre avis, comment le gouvernement fédéral, et le ministère des Affaires extérieures en particulier, pourrait-il faciliter la pénétration des marchés en cause? Décrivez les problèmes précis qu'il faudrait régler et les avantages qu'entraîneraient vos suggestions, et expliquez pourquoi le gouvernement devrait jouer ce rôle.

MERCI DE VOTRE COLLABORATION

ANNEX III

SUMMARY OF GOVERNMENT PROGRAMS WHICH  
SUPPORT FOREIGN MARKETING OF FILMS, BOOKS,  
SOUND RECORDINGS AND VISUAL ARTS OBJECTS

## ANNEX III

# SUMMARY OF GOVERNMENT PROGRAMS WHICH SUPPORT THE FOREIGN MARKETING OF FILMS, BOOKS, SOUND RECORDINGS AND VISUAL ARTS OBJECTS

## INTRODUCTION

This annex contains a brief summary of government programs and activities which are aimed at assisting the four sectors in their foreign marketing efforts. Assistance is provided through both dedicated 'cultural' programs and through some general trade support programs.

## FEDERAL ASSISTANCE

Programs designed to assist the individual cultural sectors are outlined below. All of the sectors may also apply for support from the Program for Export Market Development (PEMD).

### Assistance from Telefilm Canada

- The Broadcast Program Development Fund

This Program provides production assistance and is also aimed at addressing some of the financing problems faced by the industry through its script and project development and bridge financing assistance. The Program has an annual budget of \$50 million with a total of \$250 million.

- Telefilm's Foreign Offices

The following are the international support activities for the film and video industry which were being planned by Telefilm Canada's overseas offices in New York, Los Angeles, London and Paris at the time of this study. Some of the services below, if provided, may

be offered on a cost-recovery basis, for example, preview screenings that require a theatre. The types of services being planned are as follows:

- Production Development;
- Marketing Support;
- Cultural Promotion;
- Promotion of the Canadian Film and Video Industry;
- Information and Communications Services.

#### **The Book Publishing Development Program (DOC)**

This is a financial assistance program of the DOC aimed at achieving both cultural and economic objectives. The cultural objectives are concerned with the development of Canadian writers and books and the economic objectives are concerned with increasing the financial viability and domestic market shares of Canadian-controlled publishers.

The Program consists of eight components of which two, the Foreign Rights Marketing Assistance and the Export Marketing Assistance components are aimed at assisting publishers in penetrating foreign markets. The Foreign Rights Marketing Assistance (FRMA) component provides travel and per diem grants to publishers to attend international book fairs for the purposes of buying and selling both finished products and rights. The annual FRMA allocation of the total BPDP budget has been approximately 3% (\$150,000 - \$200,000). The component is administered by the Department of Regional Industrial Expansion.

The Export Marketing Assistance component assists publishers in funding promotional activities. Because of the demand for funds from this component and the limited budget it has, the average contribution to each publisher has been about \$4,000 - \$5,000. The funds are used, therefore, for such activities as mailings and brochures. The 1983 - 84 budget for the component was \$270,000. In 1984 - 85 the budget is \$375,000.

## The Program for Export Market Development (PEMD)

PEMD is designed to help develop and increase the export market of Canadian goods by sharing with businesses the financial risks of entering new foreign markets. PEMD is not intended to support normal export businesses, maintain existing foreign markets or win new business in markets where the supplier is already established. The following chart describes the various forms of assistance provided to Canadian companies under PEMD. The Program is delivered through the regional offices of the Department of Regional Industrial Expansion (DRIE).

Details of the project eligibility criteria and specific forms of assistance provided under each PEMD section are described in the following chart. The Program also has a set of overall eligibility criteria concerning eligible organizations and eligible applicants or firms which must be met by each project applicant. These eligibility criteria are as follows:

- PEMD is available to Canadian business operations which include the supply or manufacture of the product or performance of the service for which the PEMD assistance is required.
- Organizations eligible for assistance are: incorporated firms or partnerships or groups of such firms, firms of professionals (e.g., engineers, architects) recognized by and controlled under regulations of the federal or provincial association of the profession, or groups or partnerships of such firms.

Not eligible for assistance are: unincorporated companies, individuals or partnerships (other than those identified above), organizations from the public sector including Crown Agencies and federal or provincial marketing boards, and organizations exempt from tax under Section 149 of the Income Tax Act.

- To be eligible for PEMD assistance the applicant organization must:

- be established and operating in Canada;

- have sufficient operational experience to demonstrate that it has the ability or potential for competitive performance in foreign markets for the products or services concerned; and,
- have sound managerial and financial capability with positive net worth and working capital.

Program for Export Market Development (PEMD)

OBJECTIVES	COMPONENTS/ACTIVITIES	ELIGIBILITY CRITERIA	SPECIFIC ASSISTANCE PROVIDED
<ul style="list-style-type: none"> <li>- increase the export of Canadian goods and services by sharing with the business community the financial risks of entering new foreign markets</li> <li>- not intended to support normal export business, maintain existing foreign markets or win new business in markets where the supplier is already established</li> </ul>	<ul style="list-style-type: none"> <li>o <u>PEMD section A: Assistance for Specific Project Bidding</u> <ul style="list-style-type: none"> <li>- financial contribution to firms toward the cost of pre-contractual stages of bidding/proposing on a specific project which requires a bidding/proposal procedure</li> <li>- support not normally provided when more than one Canadian firm is competing for the same work</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>o overall program eligibility criteria concerning: organizations and individual firms</li> </ul> <p style="text-align: center;">PLUS</p> <ul style="list-style-type: none"> <li>o project criteria: applicant must demonstrate that:               <ul style="list-style-type: none"> <li>- the project is specific concerning the products, services and region and requires a bidding/proposal procedure</li> <li>- competent Canadian capabilities and sources exist for the goods and services involved</li> <li>- the contract would likely not be pursued without PEMD assistance</li> <li>- there is reasonable profitability of obtaining the contract</li> <li>- the contract would provide a significant net benefit to Canada</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>o May include:               <ul style="list-style-type: none"> <li>- <u>personnel costs</u> of daily allowance for time spent by company personnel working full time on the project in Canada of \$100 per day, \$150 per day while in travel status including two days travel time (for professional or equivalent personnel only)</li> <li>- 50% return economy air fare or equivalent to furthest point on approved itinerary (travel in Canada excluded)</li> <li>- 50% of special costs demonstrated as being necessary and having direct bearing on the success of the project (e.g., consulting, legal, translation, obtaining bid bonds)</li> </ul> </li> </ul>

Program for Export Market Development (PEMD)

OBJECTIVES	COMPONENTS/ACTIVITIES	ELIGIBILITY CRITERIA	SPECIFIC ASSISTANCE PROVIDED
	<ul style="list-style-type: none"> <li>o <u>PEMD B: Market Identification Trips</u> <ul style="list-style-type: none"> <li>- assists in exploring a new market for Canadian goods and services</li> </ul> </li> <li>o <u>PEMD C: Participation in Trade Fairs Abroad</u> <ul style="list-style-type: none"> <li>- encourages participation in trade fairs where effective penetration of new markets is likely to result</li> <li>- firms must exhibit under their own name</li> </ul> </li> <li>o <u>PEMD D: Invitation to Incoming Buyers</u> <ul style="list-style-type: none"> <li>- shares the cost of bringing foreign business or government officials who influence purchasing decisions of their organizations, to Canada or to an approved location abroad</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Program Criteria re: organization and firm, any financial assistance provided must be repaid by the company if sales are made. Applications must be for a contribution of \$1,000 or more</li> </ul> <p style="text-align: center;">PLUS</p> <ul style="list-style-type: none"> <li>- project must:               <ul style="list-style-type: none"> <li>o involve a geographical area that is new to the applicant or introduce a line of goods or services new to a market area</li> <li>o apply to goods and services available from existing Canadian sources and capabilities</li> <li>o be unlikely to take place without PEMD assistance</li> <li>o have a reasonable probability of success</li> <li>o make good business sense relative to its costs, the company's financial position and the expected benefits</li> </ul> </li> </ul>	<p>PEMD B: 50% of return economy air fare or equivalent to the furthest point on the itinerary plus a daily allowance of \$150 while abroad for a maximum of two full-time employees. A total of 2 days' travel plus 5 days in any one country</p> <p>PEMD C: 50% of return economy air fare or equivalent transportation plus a daily allowance of \$150 for a maximum of two full-time employees attending the fair for the duration of the two plus one day to set up and one day to dismantle the display and two days travel. 50% of the following trade fair costs, if incurred, will be reimbursed: space rental, display coats, special show literature up to a maximum of \$1,000</p> <p>PEMD D: 50% of the incoming buyers return economy air fare to the furthest point on the itinerary plus a daily allowance of \$150 for each business day the incoming buyer is with the host firm plus two days travel</p>



## Program for Export Market Development (PEMD)

OBJECTIVES	COMPONENTS/ACTIVITIES	ELIGIBILITY CRITERIA	SPECIFIC ASSISTANCE PROVIDED
	<p>o <u>PEMD E: Establishment of Export Consortia</u></p> <ul style="list-style-type: none"> <li>- assistance to Canadian companies (especially small and medium-sized) to form permanent export consortia. Participating firms are assisted to jointly establish a newly incorporated company to engage solely in the export of the Canadian products and services of those firms</li> <li>- assistance available under one or both of two phases, i.e., phase one involves a feasibility study to determine the viability of forming an export consortium; phase two involves the formation and initial operation of the new export consortium</li> </ul>	<ul style="list-style-type: none"> <li>- program criteria on organization and firm eligibility plus:               <ul style="list-style-type: none"> <li>o proposed consortium must be composed of a minimum of three eligible companies of which at least one is a manufacturer or contractor and it must be demonstrated that the goods or services of each of the other proposed members contributes to the marketability of the range of goods and services to be sold through the consortium</li> </ul> </li> <li>- must be demonstrated that the proposed consortium:               <ul style="list-style-type: none"> <li>o has a significant and credible potential for the export of Canadian manufactured goods and services <u>on an established and continuing basis</u>. A consortium established for the sole purpose of pursuing one project or contract will not be eligible</li> <li>o is likely to result in significant net benefits to Canada</li> <li>o would not likely be established without PEMD assistance</li> </ul> </li> </ul>	<p>PEMD E: <u>Daily allowances</u> for time of professional or management personnel of participating firms as follows: \$100 a day in Canada, \$150/day while in travel status outside of Canada. 50% of <u>return economy air fare</u> or equivalent to the point on an approved itinerary. A maximum of 20% of the total PEMD contribution may go to travel in Canada and a maximum of 20% to travel abroad.</p> <p><u>PLUS</u> 50% of <u>other costs</u> demonstrated as being necessary and having a direct bearing on the success of the project</p>

## Program for Export Market Development (PEMD)

OBJECTIVES	COMPONENTS/ACTIVITIES	ELIGIBILITY CRITERIA	SPECIFIC ASSISTANCE PROVIDED
	<ul style="list-style-type: none"> <li>o <u>PEMD F: Sustained Export Market Development Activities</u> <ul style="list-style-type: none"> <li>- assistance to Canadian exporters who wish to undertake a sustained marketing effort in a foreign market by establishing facilities on location</li> <li>- assistance available under one or both of two phases, phase one involves the development of a market penetration plan, consisting of a market study and a proposal, phase two involves the implementation of a market penetration plan</li> </ul> </li> <li>o PEMD 'R' not described here as it applies to Agricultural, Fish and Food products</li> <li>o PEMD 'S': provides support to associations</li> </ul>	<ul style="list-style-type: none"> <li>- program eligibility criteria for organizations and firms <u>plus</u> applicant should           <ul style="list-style-type: none"> <li>o have established export capabilities</li> <li>o there should be preliminary indications that the export market in question offers substantial growth opportunities to the firm and long term benefits to Canada</li> </ul> </li> <li>- in most cases the applicant will have already achieved a small market share at a low level of activity and will be seeking a greater market share through increased marketing by establishing facilities such as a sales office or a "sales and services" centre in the target area</li> </ul>	<ul style="list-style-type: none"> <li>- PEMD F: daily allowances of \$100 per day in Canada, \$150 per day while in travel status outside of Canada. 50% of the return economy air fare or equivalent to the furthest point in the approved itinerary. Travel costs in Canada are not eligible. 50% of other costs demonstrated as being necessary and having a direct bearing on the success of the project</li> </ul>

## PROVINCIAL ASSISTANCE

Two broad types of assistance programs and activities are outlined; those aimed specifically at assisting one or more of the cultural sectors in foreign marketing, and, general export assistance programs.

### NEWFOUNDLAND

- Department of Culture, Recreation and Youth

The Department of Culture, Recreation and Youth (Cultural Affairs Branch) provides limited support to foreign marketing activities of cultural industries and officials there reported that assistance is provided only if the federal Department of External Affairs in Canada or the posts abroad will participate financially (e.g., an art exhibit).

The province has no programs aimed at sound recording or film and The Publisher's Assistance Program does not directly support international activities. The visual arts sector was reported to be the most frequent recipients of support. No financial formula exists for determining the level of support provided.

- Department of Development

- Market and Product Development Program (MAPD)

Types of activities supported are as follows:

- a) new product research and development;
- b) promotion of new and existing products;
- c) product packaging and labelling;
- d) meeting potential clients;
- e) sponsoring trips to trade exhibitions and fairs.

The program's budget for 1984 - 85 is \$80,000 and is not

restricted to Newfoundland based companies. Support is 50% of costs up to a maximum of \$50,000 and is not repayable.

The program has been used minimally to assist book publishers for marketing analyses. No other cultural industries have applied to the Program.

#### PRINCE EDWARD ISLAND

- The Department of Community and Cultural Affairs

The Department has no formal policy or programs regarding the support of cultural industries in foreign marketing and the province is currently in the midst of a study on the industries. Individual activities are sometimes supported on an ad hoc basis, for example, the circulation in Japan of a PEI book.

- Prince Edward Island Development Agency (PEIDA)

- Marketing Consulting Service

Program supports both domestic and export activities.

Types of activities supported are as follows:

- a) sales assistance;
- b) product development;
- c) market education and research;
- d) advertising and promotion assistance;
- e) trade shows;
- f) product design;
- g) market familiarization and incoming buyers;
- h) marketing plans;
- i) licensing and joint venture;

j) export development.

As yet, the Program has supported only the video sector with advertising and promotion assistance. Companies must meet overall program criteria.

The PEIDA 1983 - 84 budget was \$1.4 million. Assistance can be made available on a grant basis or at shared cost.

## NOVA SCOTIA

- Department of Culture, Recreation and Fitness

The Cultural Affairs Branch provides support to books, visual arts and crafts, films as well as to the performing arts.

Financial support is provided to attend trade fairs and festivals as well as for artist's performances.

The budget is approximately \$100,000.

- Department of Development

- Product Development Management Program (PDMP)

Assistance is available to manufacturers on a 75% cost shared basis for:

- a) product design fees to a maximum of \$15,000 for a new product or redesign of an existing one;
- b) packaging design development costs;
- c) prototype labour and material costs up to a maximum of \$5,000.

PDMP is a grant program with a 1984 - 85 budget of \$75,000.

The Program has supported film companies to produce marketing brochures and literature, particularly for the

export market. Requests have not been made by other cultural sectors.

## NEW BRUNSWICK

### ● Relations Culturelles et de la Cooperation

The Department provides support to the foreign marketing of cultural industries through multilateral and bilateral agreements. There are no formal support programs.

The New Brunswick government is currently developing policies with respect to film and assistance has been provided on occasion to individual projects. For example, the provision of logistical support to a documentary crew which went to France.

Support to book publishing is limited to activities in Canada.

Officials reported that there is only one part time sound recording studio in the province and therefore this sector receives limited support. The Department has purchased and distributed records on a very small scale.

Assistance is provided to art galleries and dealers in conjunction with External Affairs. The New Brunswick government will pay for transportation and insurance to the first place and from the last place of an exhibition. As well, the Department participates in catalogue printing.

The estimated annual expenditures on foreign marketing of cultural industries is between \$30,000 - \$40,000.

### ● Department of Commerce and Development

#### - Trade Services Program

- a) Trade Mission assistance is available for foreign and domestic markets. This section is department initiated and provides sharing of approved costs with a per diem.
- b) Trade Show assistance is also department initiated and varies in the amount of support provided.

- c) Incoming Buyers Missions support is based on travel costs of buyers plus a per diem.

In addition, the Department offers such services as market information and intelligence, tariff and documentation data, transportation information and trade show information.

Budget figures were not available.

The cultural sectors were reported to not be eligible for this assistance.

## QUEBEC

### • Ministère du Commerce extérieur

#### - Aide à la promotion des exportations (APEX)

- i) Market Identification Assistance: per diem of \$110 in Canada and \$125 abroad applies with a maximum of \$5,000 per project. Translation and transportation costs are shared 50%.
- ii) Trade Show Assistance: maximum contribution of \$10,000 per project, same costs shared as (i) with other eligible costs shared at 50%.
- iii) Market Development Plan: assistance is available to set up foreign sales office, warehousing, distribution networks, etc. Minimum level of support is \$10,000 with a maximum of \$50,000 over 12 months only. Same costs shared as (i) with other eligible costs shared at 50%. This program is directed at companies with annual sales in excess of \$1 million.

APEX budget for 1984 - 85 is \$5 million. In 1983, 153 grants were provided.

#### - Fairs and Missions

Assistance is available for exhibitions and missions

organized by the Department varying from 50% to 100% sharing of costs.

Budget for 1984 - 85 is approximately \$1.5 million.

- Courses and Seminars

Preparatory courses and seminars vary in length from 4 to 30 hours for Quebec based companies interested in exporting. Some costs shared.

- Marketing Management Program

Three types of assistance available:

Section A: market studies with 60% sharing of eligible costs up to a maximum of \$15,000.

Section B: Outside marketing consultants fees shared at 60% to set up a marketing organization. Maximum of \$15,000.

Section C: Design of marketing related publications shared at 40% up to a maximum of \$10,000.

1983 - 84 budget was \$4 million.

Assistance is also available to support bringing in incoming buyers.

Financial statements must be submitted and show sales of more than \$200,000 for cultural industries. For other industries, sales must be more than \$500,000. Companies do not qualify if they receive PEMD assistance. All cultural sectors qualify for assistance under these programs.



- Societe de Developpement Industriel du Quebec (SDI)/Quebec Industrial Development Corporation (QIDC)

- Program for Exports

- a) Creation of a Consortium

Assistance is granted on the basis of a minority capital interest and/or a temporary basis in one of the following forms: (i) loan convertible into the business's shares; (ii) shareholder advance; and (iii) acquisition of shares.

Budget for 1983 - 84 totalled \$869,000.

- b) Assistance for Identification and Establishment in New Markets

Companies with sales of less than \$25 million are eligible for 80% cost sharing of eligible expenses while those companies with sales over \$25 million are eligible for 50% cost sharing. Assistance up to a maximum of \$400,000 is available and is repayable over five years. This is the same type of assistance as PEMD "F". Budget for 1983 - 84 totalled approximately \$12 million.

- c) Financing Exports

Financing is available in addition to regular financing for exporting of goods and services and major contracts.

Budget for 1983 - 84 totalled \$2.2 million.

## ONTARIO

- Ministry of Industry and Trade

- Fairs and Missions - Incoming Buyers

- Export Success Fund (\$6.0 million in FY 84 - 85)

50% cost sharing (non-repayable) up to \$35,000 per annum

for:

- a) market research by outside consultants;
- b) on site market assistance;
- c) product modification, package design;
- d) registering patents and trademarks, preparing promotional material, undertaking product demonstrations, warehousing;
- e) capital projects (loans up to \$50,000) for prefeasibility and feasibility studies, bid preparation, insurance premiums for bids and performance bids.

- Export Consulting

Provision of market data, organizing export seminars, and export publications.

- International Marketing Intern Program

50% cost sharing of the salary of a recent graduate (up to \$15,000 per annum) for up to 2 years.

- New Exporter Border State Programs (NEBS)

Educational program whereby companies new to exporting are bussed to Buffalo (or Cleveland) for walk through of customer facilities, meetings with customs brokers, Canadian consulate staff, agents, etc. (first year of operation only).

- Foreign Offices

There are 14 around the world, of which 8 are in the U.S.

- Ontario House (International Offices Branch)

The facilities of Ontario House in London, England have been used by cultural industries' officers as a base for their operation while on business travel there.

These programs are open to the cultural sector if the specific proposals submitted are judged to make sense by program officials. The Programs are looking for projects which will increase Ontario's exports and increase the provinces wealth and employment. Support has been provided to the book publishing industry and to the sound recording industry. There is a separate section in the Ministry for film and video companies.

• Ministry of Citizenship and Culture

The Ministry does not provide direct trade assistance to the sectors for foreign marketing activities but does work with the Ministry of Industry and Trade on its programs.

MANITOBA

• Department of Culture, Heritage and Recreation

This province is in the process of establishing a comprehensive cultural industries policy, excluding galleries and perhaps crafts. Officials of the Department reported that as the policy progresses it will include marketing and distribution-related initiatives.

Manitoba has signed a sub-agreement under ERDA which is aimed at strengthening the opportunities for Manitoba's interests in Canada and abroad in the areas of communications and culture. The province is putting in \$21 million to act as the seed money for increased production. Over the 5 year period the province will be examining issues related to pre-production, production, marketing and distribution and infrastructure. Programs are to be developed over the five year period.

● Department of Economic Development and Tourism

- Trade Assistance Program

- a) Trade Shows - the Department will share up to 50% of eligible costs to a maximum of \$2,000 for companies participating in approved trade shows;
- b) Trade Missions - the Department pays 50% of costs up to a maximum of \$2,000 for companies invited to participate.

The 1984 - 85 budget for the program is approximately \$400,000. Cultural industries is estimated to account for about 10% of the budget.

The province also provides individual export counselling through six offices, has a trade information library and undertakes export related seminars.

The emphasis of the Program is on manufacturing. Direct support is provided to book publishing. Indirect support is provided to film and video and sound recording if the company manufactures equipment.

SASKATCHEWAN

● Department of Economic Development and Trade

- Aid to Trade Program

- a) market research, 50% of costs shared;
- b) product promotion, 50% of costs shared;
- c) trade fairs, 100% of costs shared;
- d) trade missions, 100% of costs shared;
- e) incoming buyers, 50% of costs shared;
- f) sample shipments, 50% of costs shared.

This program is not repayable and can be used abroad as well as in Canada.

The Program budget for 1984 - 85 is approximately \$400,000.

## ALBERTA

### • Alberta Culture

Alberta Culture has no actual programs for the support of international marketing of the cultural sectors. However, there may be a program developed for the provinces' industries overall. Some individual activities are used to assist the cultural industries abroad. Examples are:

- support to individual film makers to attend conferences to conduct direct marketing or to establish contacts;
- financing of author tours;
- participation in the London Book Fair (although it was organized by the writers and publishers association and the Department of Economic Development); and,
- travel assistance to artists to participate in exhibitions.

Sound recording companies have not received assistance to-date but travel funds might be available to individual recording artists. As well, the Alberta Fund for the Performing Arts distributes lottery funds for the marketing of products, getting them abroad and record production.

### • Department of Economic Development

#### - Market Development Assistance Program (MDAP)

The Department uses this program when PEMD has turned down the proposal for export activities. MDAP also covers domestic marketing. The per diem while in travel status is \$125, in Canada it is \$100. Each company is allowed a maximum of \$5,000 per fiscal year.

Total Program budget is \$300,000.

- Trade Missions

Active programs for which budget is included in each geographic division of department, consequently no separate budget available for programs. Normally this is not a cost sharing program.

- Trade Shows

Normally, department shares 50% of costs for exhibit expenses only. An up front participation fee is charged.

Program officials report that as long as the goods and services are made in Alberta they could set support (regardless of sector). The Program is for manufactured goods and services for sales abroad.

BRITISH COLUMBIA

● Ministry of Industry and Small Business Development

- Trade Mission Program

Ministry selected companies participate in missions with up to 100% cost sharing of transportation and official receptions.

Total budget of \$1.0 million for fiscal 1984 - 85.

- Market Development Assistance Program

The Ministry pays return airfare for one person to a maximum of \$2,000.

Total budget of \$1.0 million for fiscal 1984 - 85.

- Incoming Buyers Program

The Ministry will pay return airfare for one buyer up to a maximum of \$2,000.

Total budget of \$0.4 million for fiscal 1984 - 85.

- Trade Show Assistance Program

The Ministry may pay 50% of eligible costs up to a maximum of \$2,500 for a company to participate in a trade show.

Total budget of \$0.4 million for fiscal 1984 - 85.

**ANNEX IV**

**COMMENTS MADE BY THE CANADIAN PERIODICAL  
PUBLISHERS ASSOCIATION**



## ANNEX IV

### COMMENTS MADE BY THE CANADIAN PERIODICAL PUBLISHERS ASSOCIATION

#### INTRODUCTION

The focus of this study was on four cultural sectors (i.e., book publishing, sound recording, film and video and private art galleries and dealers).

In the course of the study we were approached by the Canadian Periodical Publishers Association concerning the needs of the periodical publishing industry with respect to foreign marketing. The views expressed are as follows:

#### Importance of Foreign Markets

The following points were made about the importance of foreign markets to Canadian periodical publishers:

- Special interest magazines in Canada were reported to have limited subscriberships in Canada. The limit for individual subscribers was considered to be between 500 and 800 and approximately 500 for institutional subscribers. This limited circulation base is considered to be too small to maintain the magazines as financially viable operations.
- For literary magazines, international markets were considered to be important due to the size of the Canadian market for such publications and for building a reputation in this market. The assistance of the Canada Council and the Ontario Arts Council were said to have been extremely useful to the industry in developing high quality, literary magazines capable of competing effectively in international markets.
- Medium-size periodical publishers were said to be jumping into the consumer market and therefore competing with the large circulation, 4 colour magazines of U.S. publishers. The U.S. products

of similar quality are offered at lower prices than the Canadian products. Non-domestic sales were seen as a means for increasing the sales base of these costly productions.

- It was reported that foreign markets are considered to be important by magazine publishers but that they place priority on the following, in descending order:
  - renewing Canadian subscriptions,
  - developing new Canadian subscriptions,
  - developing international subscriptions.
  
- However, it was reported that interest in international markets is growing among publishers because Canadian mailing lists were said to be "wearing out".

#### Major Foreign Markets

- The United States and England were identified as the most likely potential markets for long-term subscribers. The following sub-sectors and specific product lines were identified as holding the most potential for international success:
  - Canadian studies programs and conferences,
  - literary magazines,
  - visual arts and native crafts magazines,
  - children's magazines,
  - nature publications,
  - feminist publications,
  - political alternatives' publications,
  - scholarly journals, and,
  - some news and opinion journals.

## Problems, Barriers and Needs Affecting Foreign Market Penetration

### Problems

- The CPPA official interviewed stated that, aside from other priorities, one of the reasons Canadian publishers have not made significant efforts to penetrate foreign markets was because postal rates are so high.

### Foreign Marketing Requirements

The following requirements were identified for effective foreign marketing of periodicals:

- There is a need to find a person in Britain who is knowledgeable about buying mailing lists and can distinguish between those which are useful and those which are not.
- It was suggested that Canadian publishers require knowledge of buying patterns in foreign markets. For instance, it would be important to know whether foreign buyers are more prone to buy at newsstands or through subscriptions. These patterns have significant implications for marketing strategies.
- Other information required is that concerning mail regulations.

### Suggested Roles for External Affairs in Assisting Periodical Publishers To Penetrate Foreign Markets

The following suggestions were made:

- It was suggested that the DEA Posts provide to visitors of their libraries, copies of the co-operative publishers' catalogue. As well, it was suggested that the Posts 'showcase' Canadian

magazines.

- An example of a valuable effort on behalf of DEA's officials in Dallas was that of dropping off Canadian publishers' magazines at a Canadian Studies conference. It was suggested that this effort be emulated elsewhere.
  
- Finally, the CPPA considered that DEA officers abroad could provide to the industry, information on facts such as where people buy magazines and details on postal regulations. It was suggested that DEA officials meet with several circulation directors of British magazines to discuss with them matters of demographics, buying patterns, how to determine what a good response is to a particular promotion campaign, etc.

#### Comments on PEMD

- The comments made about PEMD were relatively general, as follows:
  - PEMD 'S' is very difficult to find out about,
  - It would likely be difficult for periodical publishers to acquire PEMD assistance to increase their subscriber lists.

**ANNEX V**  
**STUDIES AND REPORTS REVIEWED**

ANNEX V

STUDIES AND REPORTS REVIEWED

- 1) Recorded Music Market, Frost and Sullivan Inc., NY, NY, January, 1981
- 2) Profile of the Book Publishing Industry, March 1983, CPER Management Consulting Inc. (Department of Communications)
- 3) Extract From the Woods Gordon Study on the Canadian Sound Recording Industry, (Department of Communications)
- 4) A Discussion Paper on The Foreign Rights Marketing Assistance Program, Department of Regional Industrial Expansion, December 1983
- 5) Canadian Cultural Industries, Broadcasting, Publishing, Records and Film, P. Audley, James Lorimer and Co., Publishers, Toronto, Ontario, 1983
- 6) Cultural Statistics, Book Publishing Industry: A Financial Analysis 1978 - 1981, Statistics Canada
- 7) The French Market for Sound Recordings, Woods Gordon (Department of Communications), 1983
- 8) Submission by the Canadian Book Publishers Council on Book Publishing Policy, 1984
- 9) Submission by the Association of Canadian Publishers on Book Publishing Policy, 1984
- 10) Report to the Minister of Citizenship and Culture by the Special Committees for the Arts, Government of Ontario, 1984

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