

Service bulletin

Film and Video Distribution

2008



Highlights

- Canada's film and video distributors reported total operating revenues of \$1.9 billion in 2008, up 1.3% from 2007.
- Firms managed to reduce their operating expenses by 2.7% to \$1.5 billion. As a result, operating profit margin increased to 19.2% in 2008 compared with 15.9% in 2007.
- The largest expenses reported by surveyed firms were royalties, rights, licensing and franchise fees which represented 34.0% of total operating expenses. Cost of goods sold accounted for 33.8% of expenses, while advertising, marketing and promotions accounted for 17.0%.
- Film and video distributors in Ontario and Quebec combined accounted for the vast majority (91%) of total national film and video distribution operating revenue. Ontario firms earned 78.0% of total operating revenues in 2008, while Quebec firms accounted for 13.0%.
- The two primary sources of revenue for the industry are distribution of film and video titles and wholesaling of pre-recorded videos. Revenues from the distribution of film and video titles accounted for 57.9% of total national operating revenues in 2008, while wholesaling revenues accounted for 39.7%.
- Firms increased their distribution revenues by 13.2% from 2007 but those engaged in wholesaling, as a secondary activity, saw their wholesaling revenues drop 12.7%.
- Film and video distributors increased their revenues in both the conventional television and motion picture theatre markets.
- Distribution revenues earned from the conventional television market increased 20.9% over the year. This market accounted for 48.9% of total distribution revenues.
- Distribution revenues for the motion picture theatre market increased 10.0% from 2007. This market accounted for 33.9% of total distribution revenues.
- Firms generated 8.0% of their distribution revenues from the pay and specialty television market. In this market, revenues were down 6.1% from the year before.
- The five largest companies, ranked on the basis of revenues earned, continued to dominate the industry in 2008. These companies accounted for about 76.0% of total national revenues virtually unchanged from 2007.
- Expenses for the five largest companies decreased 3.0% over the two year period and as a result, profits rose from \$271.7 million to \$318.5 million in 2008.
- The five largest companies enjoyed a healthier profit margin in 2008 than the rest of the industry. The top five companies' profit margin was 22.7% while the rest of the industry showed a profit margin of 9.2%

- In terms of market distribution, the five largest companies generated the majority of their distribution revenues from the theatrical and conventional television markets. Combined, these markets accounted for 63.1% of the revenue share.

Note to readers

Data for this release include all provinces. However, provincial data are available only for firms in Ontario and Quebec in order to protect confidentiality of survey respondents.

Film distribution companies are engaged primarily in distributing film and video productions to a variety of different markets including motion picture theatres, television stations and commercial exhibitors. They are the film industry's intermediaries, the liaison between producers and exhibitors. Distributors obtain the rights to market and distribute films and videos.

Data for 2006 and 2007 have been revised.

Statistical tables

Table 1
Summary statistics for the film and video distribution industry,¹ by province, 2006 to 2008

	Operating revenue	Operating expenses	Salaries, wages and benefits	Operating profit margin
	thousands of dollars			percent
2008 p				
Canada	1,872,408	1,512,824	92,421	19.2
Quebec	244,178	225,729	17,890	7.6
Ontario	1,461,202	1,141,947	73,174	21.8
2007 r				
Canada	1,848,518	1,554,451	99,583	15.9
Quebec	253,700	240,534	19,000	5.2
Ontario	1,447,838	1,176,125	79,602	18.8
2006 r				
Canada	1,839,777	1,406,544	71,489	23.5
Quebec	255,196	247,308	13,433	3.1
Ontario	1,519,119	1,089,671	56,400	28.3

1. Data for this table include all provinces. However, provincial data are published only for firms in Ontario and Quebec to protect the confidentiality of the survey respondents.

Note(s): According to the North American Industry Classification System (NAICS 512120). See "Data sources, definitions and methodology" at the end of tables for definition of terms. Due to rounding, components may not add to total.

Table 2
Distribution revenue for the film and video distribution industry,¹ by Canadian and non-Canadian productions, primary market, Canada, 2006 to 2008

	2006 ^f	2007 ^f	2008 ^p
	thousands of dollars		
Distribution revenue of Canadian productions to the following domestic markets:			
Theatrical market	11,558	11,160	10,104
Specialty pay and TV market	52,702	42,839	30,893
Conventional TV market (includes cable, satellite and digital stations)	16,829	24,662	33,883
Home video	x	x	x
Other markets	x	x	x
Sub-total of domestic distribution revenue of Canadian productions	102,905	90,478	90,571
Distribution of Canadian productions to foreign clients	27,645	43,281	36,990
Total distribution revenue of Canadian productions	130,550	133,759	127,561
Distribution revenue of non-Canadian productions to the following domestic markets:			
Theatrical market	361,582	319,325	353,304
Specialty pay and TV market	66,108	48,049	54,409
Conventional TV market (includes cable, satellite and digital stations)	379,849	409,355	490,911
Home video	x	x	x
Other markets	x	x	x
Sub-total of domestic distribution revenue of non-Canadian productions	845,451	807,587	927,774
Distribution of non-Canadian productions to foreign clients	5,187	6,616	17,350
Total distribution revenue of non-Canadian productions	850,638	814,203	945,124
	percent		
Percentage share by domestic market			
Theatrical market ²	3.1	3.4	2.8
All markets ³	10.9	10.1	8.9

1. Industry estimates are based on the surveyed portion and are augmented by administrative data for establishments that were too small to be eligible for sampling. The surveyed portion includes only data for surveyed establishments weighted to represent other establishments that were eligible for sampling but were not selected. The surveyed portion represents approximately 95% of total industry revenue. Due to rounding, components may not add to total.
2. Domestic distribution revenues from Canadian productions to theatrical markets as a percentage of total domestic distribution revenues of Canadian and Non-Canadian productions to theatrical markets (excludes exports).
3. Domestic distribution revenues from Canadian productions as a percentage of total domestic distribution revenues from Canadian and Non-Canadian productions (excludes exports).

Table 3
Profile of the film and video distribution industry,¹ Canada, 2006 to 2008

	2006 ^r	2007 ^r	2008 ^p
	thousands of dollars		
Operating revenue			
Total revenue from distribution of film and video titles	981,189	947,962	1,072,685
Wholesaling of pre-recorded videos ²	806,844	841,658	734,649
All other operating revenue ³	17,429	29,612	43,903
Total operating revenue	1,805,462	1,819,231	1,851,236
Operating expenses			
Salaries, wages and benefits	63,638	93,335	87,213
Licensing costs (rights, royalties & other fees)	368,309	459,808	506,976
Cost of goods sold	578,009	552,047	504,271
Advertising, marketing and promotions	133,336	243,372	252,897
All other operating expenses ⁴	230,817	179,526	140,142
Total operating expenses	1,374,109	1,528,088	1,491,499
	percent		
Operating profit margin	23.9	16.0	19.4
	number		
Employment			
Full-time	953	941	956
Part-time	110	177	215
Contract Workers	x	x	x

1. Industry estimates are based on the surveyed portion and are augmented by administrative data for establishments that were too small to be eligible for sampling. The surveyed portion includes only data for surveyed establishments weighted to represent other establishments that were eligible for sampling but were not selected. The surveyed portion represents approximately 95% of total industry revenue. Due to rounding, components may not add to total.
2. Wholesale revenue included in this table are from film distribution establishments classified under NAICS 512120. Wholesaling of pre-recorded videos is reported as a secondary revenue source. Establishments primarily engaged in wholesaling pre-recorded video cassettes are classified under NAICS 414450.
3. All other operating revenue includes sales from production of film and video titles, grants and subsidies and other revenue.
4. All other operating expenses include commissions paid to non-employees, professional and business services fees, payments for services provided by head office, office supplies, rental and leasing, repair and maintenance, insurance, travel, meals and entertainment, utilities, telephone and telecommunication, property and business taxes, licences and permits, delivery, warehousing, postage and courier, financial service fees, charitable donations, bad debts and all other expenses.

Data sources, definitions and methodology

Description

This annual sample survey collects data required to produce economic statistics for the film and video distribution industry in Canada.

Data collected from businesses are aggregated with information from other sources to produce official estimates of national and provincial economic production for this industry.

Survey estimates are made available to businesses, governments, investors, associations, and the public. The data are used to monitor industry growth, measure performance, and make comparisons to other data sources to better understand this industry.

Target population

The target population consists of all establishments classified to the film and video distribution industry (NAICS 512120) according to the North American Industry Classification System (NAICS) during the reference year. This industry comprises establishments primarily engaged in acquiring distribution rights and distributing film and video productions to motion picture theatres, television networks and stations, and other exhibitors.

Sampling

This is a sample survey with a cross-sectional design.

The frame is the list of establishments from which the portion eligible for sampling is determined and the sample is taken. The frame provides basic information about each firm including address, industry classification, and information from administrative data sources. The frame is maintained by Statistics Canada's Business Register Division and is updated using administrative data.

The basic objective of the survey is to produce estimates for the whole industry - incorporated and unincorporated businesses. The data come from two different sources: a sample of all businesses with revenue above or equal to a certain threshold (note: the threshold varies between surveys and sometimes between industries and provinces in the same survey) for which either survey or administrative data may be used; and administrative data only for businesses with revenue below the specified threshold. It should be noted that only financial information is available from businesses below the threshold; e.g., revenue, and expenses such as depreciation and salaries, wages and benefits. Detailed characteristics are collected only for surveyed establishments.

Prior to the selection of a random sample, establishments are classified into homogeneous groups (i.e., groups with the same NAICS codes and same geography). Quality requirements are targeted, and then each group is divided into sub-groups called strata: take-all, must-take, and take-some.

The take-all stratum represents the largest firms in terms of performance (based on revenue) in an industry. The must-take stratum is comprised of units selected based on complex structural characteristics (multi-establishment, multi-legal, multi-NAICS, or multi-province enterprises). All take-all and must-take firms are selected to the sample. Units in the take-some strata are subject to simple random sampling.

The effective sample size for reference year 2008 was 88 collection entities.

Definition

Operating revenue excludes investment income, capital gains, extraordinary gains and other non-recurring items.

Operating expenses exclude write-offs, capital losses, extraordinary losses, interest on borrowing, and other non-recurring items

Operating profit margin is derived as follows: operating revenue minus operating expenses, expressed as a percentage of operating revenue. The derived figure excludes corporation income tax paid by incorporated businesses and individual income tax paid by unincorporated businesses. For unincorporated businesses, operating profit margin includes unpaid remuneration to partners and proprietors, which is not recorded as salaries, wages and benefits. Therefore the profit estimate will be higher in industries where unincorporated proprietorships and partnerships are significant contributors.

Salaries, wages and benefits include vacation pay and commissions for all employees for whom a T4 slip was completed. This category also includes the employer portion of employee benefits for items such as Canada/Quebec Pension Plan or Employment Insurance premiums. Salaries and wages do not include working owners' dividends nor do they include the remuneration of owners of unincorporated business. Therefore the relative level of salaries, wages and benefits will be lower in industries where unincorporated businesses are significant contributors.

An active **statistical establishment** is one production entity or the smallest grouping of production entities which produces as homogeneous a set of goods and/or services as possible; which does not cross provincial boundaries; and for which records provide data on the value of output together with the cost of principal intermediate inputs used and cost and quantity of labour resources used to produce the output.

Quality evaluation

Prior to dissemination, combined survey results are analyzed for overall quality; in general, this includes a detailed review of individual responses (especially for the largest companies), an assessment of the general economic conditions portrayed by the data, historic trends, and comparisons with other data sources.

Disclosure control

Statistics Canada is prohibited by law from releasing any data which would divulge information obtained under the Statistics Act that relates to any identifiable person, business or organization without the prior knowledge or the consent in writing of that person, business or organization. Various confidentiality rules are applied to all data that are released or published to prevent the publication or disclosure of any information deemed confidential. If necessary, data are suppressed to prevent direct or residual disclosure of identifiable data.

Data accuracy

Of the units contributing to the estimate, the weighted response rate was 89.9%. CVs were calculated for each estimate and are available upon request.

Related products

CANSIM

Available on CANSIM: table 361-0014 - Film and video distribution, summary statistics, by North American Industry Classification System (NAICS), annual

Survey(s)

Definitions, data sources and methods: survey number 2414 - Annual Survey of Service Industries: Film and Video Distribution Publications

Publications

Analytical paper series - Service Industries Division, Catalogue no. 63F0002X.

Release date: April 2010

Symbols

The following standard symbols are used in Statistics Canada publications:

.	not available for any reference period
..	not available for a specific reference period
...	not applicable
0	true zero or a value rounded to zero
0 ^s	value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
P	preliminary
r	revised
x	suppressed to meet the confidentiality requirements of the <i>Statistics Act</i>
E	use with caution
F	too unreliable to be published

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