


# ***Evaluation of NFB's Online Screening Room NFB.ca***

Evaluation of relevance, performance, and effectiveness  
of the NFB.ca digital screening room



*September 2012*

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# *Executive summary*

## **Introduction and context**

The National Film Board of Canada (NFB) is committed to serving Canadians in every region of Canada, in both official languages, on the platforms of their choice. The overall goal of the screening room at NFB.ca is to improve public access to NFB productions through the use of new technologies and to create a direct relationship with audiences. The overarching objectives of the NFB.ca online screening room are to increase brand awareness, attract audiences (increase audiences and geographical reach), and generate revenue.

In 2008, the NFB introduced a far-reaching digital transformation strategy as the cornerstone of its five-year strategic plan. This strategy was designed to establish a way for the NFB to excel in creative leadership and programming innovation, pioneering the art and entertainment forms of the future, while fundamentally transforming how the NFB engages directly with Canadians.

The emphasis from the outset for the NFB.ca screening room was to ensure that the highest level of viewing experience would be achieved. This therefore determined that an efficiency of bandwidth as well as content management technology would be needed to meet these top-end customer viewing ambitions, and a custom-made technology solution was selected. Equally imperative was the need to create an application programming interface (API) that was adaptable and incremental to ensure future developments and innovations such as smartphones and tablet computers could be readily used as viewing platforms.

PricewaterhouseCoopers (PwC) conducted this evaluation on behalf of the Chief of Evaluation and Finances, Operations and Technology Branch of the NFB. The evaluation is to provide NFB staff and senior management with findings and recommendations about the success and efficiency of NFB.ca in order to inform the design, planning and potential features and content offering for the future of the initiative, in preparation for the NFB's next strategic plan (2012-2017).

## **Key evaluation findings**

Prior to 2008, television revenues and audiences were significant for the NFB, and a major distribution channel. But the television channel was becoming challenged by the fact that it was both anonymous and both revenues and audience numbers were falling rapidly. Physical sales of DVDs were also dropping increasingly rapidly.

The NFB recognized that a significant change would have to be made to directly address these challenges. The underlying reasons behind the declines were fundamentally based upon changing patterns of consumer behaviour, and how people were increasingly engaging with technology and content. Namely, Canadians especially were rapidly adopting the use of the Internet as a preferred medium for consuming content. The NFB.ca screening room was initiated to address these changes in the habits of Canadian consumers, with a focus on enabling the best possible viewing experience in the first instance to draw the audience to an experience that was on a par with the best available in the market. The longer-term objective will be to use the weight of that 'known' audience to enable more significant monetization of the value of that audience.

The decision to build an open and integrated API environment has enabled the screening room to deliver the main promises of the initiative. This has allowed a cost-effective source environment to be created that enables consumers to view the NFB content they want in a quality production facility. This is especially important when consumers are watching much longer videos (average 40 minutes+) as opposed to other online sites such as YouTube where average viewing length is just a few minutes. The in-house construction also means that future developments can be scheduled in as and when consumer preferences or other objectives dictate, such as tablet computer applications, high-definition movies, or even 3D in future.

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There is no doubt that the screening room is taking on a large task in attending to many differing needs, both in terms of the consumer desire for content, and the operational challenges of delivering the content (to include technology, services, new platforms, and changing social attitudes). This creates the constant need for monitoring and listening to consumer preferences as well as having sufficient investment in technology, platforms, and future content, so that anticipated trends and needs can be fulfilled in a timely manner. In many examples we have found that this is an art and not a science, and that a freedom of operational decision-making is needed to support the ongoing development and trends within a digital enterprise. But at the same time, there needs to be a structural rigour around how decisions are made and what gets developed or programmed on the site and when. We found these operational processes to be in place for the NFB.ca screening room, which have contributed to the success, development, and applicability of the services available from the initiative.

We can conclude that the addition of content to the screening room has far exceeded the original objectives that were either deemed possible or thought realistic. Generally, the rapid success of consumers wanting to view content via the screening room has driven the need to increase the volume of content. That said, the screening room program has performed exceedingly well in terms of the content objectives that were initially established.

The results have exceeded expectations in almost all categories: the number of views both in Canada and internationally, the length of time viewers have been prepared to watch content online, and the developments that have been made available across new devices such as mobile in a very short timeframe.

*Darren Henderson*

Partner, PwC

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# 1.0 *Introduction and context*

## **The National Film Board**

The NFB was created by an act of Parliament in 1939 and is a federal agency within the Canadian Heritage portfolio. The NFB's mandate is to produce and distribute original and innovative audiovisual works that add to the understanding of the issues facing Canadians and raise awareness of Canadian values and viewpoints across the country and around the world. Throughout the decades, the NFB has also played an important role in marking the major changes and events taking place in Canadian society and has become Canada's best-known cinematic brand.

As Canada's public producer and distributor of audiovisual works, the NFB creates interactive works, social-issue documentaries, auteur animation, and alternative dramas that provide the world with a unique Canadian perspective. The NFB is breaking new ground in form and content through interactive and mobile media, community filmmaking projects, programs for emerging filmmakers, stereoscopic film, and more. It works in collaboration with creative filmmakers, digital media creators, and co-producers in every region of Canada with Aboriginal and culturally diverse communities as well as partners around the world. Since the NFB's founding in 1939, it has created more than 13,000 productions and won over 5,000 awards, including 4 Webbys, 12 Oscars and more than 90 Genies. Its screening room features over 2,100 productions online, including high-definition and 3D films. The NFB also puts the experience of cinema into the hands of Canadians everywhere through its acclaimed mobile apps for the iPhone, iPad, and Android platforms as well as a pre-loaded app in the new BlackBerry PlayBook.

The NFB also has a mission to broaden the range of possibilities for the population and the Canadian industry by taking commercial and artistic risks that the private sector is reluctant to take on. By supporting emerging filmmakers, members of diverse cultural and linguistic communities, Aboriginal communities, and people with disabilities, the NFB ensures that its audiovisual works reflect the country's diversity and illustrates the changing cultural and social realities of Canada.

The NFB has a mission to provide all Canadians and the world with access to its collection. Ensuring accessibility to NFB programming by Canadians is pivotal to the NFB's success. For this reason, improving accessibility, developing new business models, and elaborating a specific strategy for the educational sector constituted key priority actions. In particular, the NFB put forward a strategy for digital distribution and outreach activities that aimed to engage and reach as many users as possible using new distribution methods and channels as well as traditional outreach models, such as a more effective web portal, e-cinema, and library partnerships.

## **Evaluation of the online screening room NFB.ca**

The objective of this review is to evaluate the NFB.ca screening room program in accordance with the *Policy on Evaluation* published by the Treasury Board Secretariat of Canada. Specifically this evaluation will assess the relevance of this program to Canadians and the alignment with government priorities, as well as the performance of the program in achieving expected outcomes and demonstrating efficiency and economy.

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## 1.1 Profile of the initiative

This section provides a description of the online screening room NFB.ca, including the initiative's implementation background, its objectives, stakeholders, governance and resources, as well as its technological innovation aspects.

### 1.1.1 Context and rationale for the creation of NFB.ca

#### **NFB.ca: The world changes, our stories live on.<sup>1</sup>**

NFB.ca is the cornerstone of the NFB's digital transformation strategy, which is to ensure that the majority of Canadians have 24/7 access to the films and interactive content in its collection.<sup>2</sup> As part of its strategic plan 2008-2012<sup>3</sup>, the NFB has adopted the mandate of taking full advantage of new technologies in order to distribute its content. This digital distribution strategy targets three main markets: (1) the home consumer, (2) the education market, and (3) content aggregators (broadcasters, portals, etc.).

It is important to distinguish between the NFB corporate website and the NFB.ca screening room, which was launched in January 2009. The corporate website ([www.onf-nfb.gc.ca](http://www.onf-nfb.gc.ca)) conforms to the usual federal government standards in terms of the content and the look and feel of the site. The screening room ([www.nfb.ca](http://www.nfb.ca)) is a consumer-facing site that needs to appeal to the competing demands of an audience that is looking for education, entertainment, and information. The competition for people's attention comes from other sites that appeal to similar values, such as YouTube, Netflix and tou.tv.

The concept underlying NFB.ca is:

- Providing simple, direct access to current NFB productions, upcoming releases and interactive content;
- One point of entry with options based on audience interest (educators, youth, buyers, etc.);
- Providing maximum amount of programming to Canadian consumers, free to stream, with purchase options for downloads and DVD purchases; and
- Improving public accessibility

#### **Objectives of the initiative**

The NFB is committed to serving Canadians in every region, in both official languages, on the platforms of their choice. The overall goal of NFB.ca is to improve public access to NFB productions through the use of new technologies and to create a direct relationship with audiences.

The overarching objectives of the online screening room are:

1. Deliver on public policy objective of connecting Canadians to their heritage and their stories
2. Increase brand awareness
3. Attract audiences (increase audiences and geographical reach)
4. Generate revenue

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<sup>1</sup> Main theme used to brand the initiative

<sup>2</sup> The NFB is the caretaker of a remarkable Canadian audiovisual heritage with a collection of over 13,000 works.

<sup>3</sup> Wide accessibility and Democratic Engagement and Digital Transformation were amongst the five strategic objectives of the NFB's 2008-2012 Strategic Plan.



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Positioning the NFB for the future (through increased access and brand awareness) was part of the objectives of the project's initial phase. A revenue objective was not set at the outset of the project. Below are excerpts from 2008 and 2009 planning documents about the proposal and strategic objectives for NFB.ca:

#### NFB.ca strategic objectives

- Use new technologies to expand reach of all NFB products, across the country
- Show the unique value proposition that the NFB offers Canadians

#### Primary objectives (Phase 1)

- Improve Canadian perception of the accessibility of NFB products
- Increase Canadian public access to NFB products
- Increase the number of Canadian NFB online users overall

#### Secondary objectives (Phase 2)

- Increase the engagement of Canadian NFB online users, improve dialogue
- Augment NFB revenues in consumer and educational markets
- Support other NFB online revenue generation activities (partnerships)

By achieving its objectives, the online screening room aims to contribute to the longer-term outcome of the NFB:

- Canadian stories and perspectives are reflected in audio-visual media and are **accessible to Canadians and the world**

### Digital transformation at the NFB

In 2008, the NFB introduced a far-reaching digital transformation strategy as the cornerstone of its five-year strategic plan. This strategy was designed to establish a way for the NFB to excel in creative leadership and programming innovation, pioneering the art and entertainment forms of the future, while fundamentally transforming how the NFB engages directly with Canadians.

Credible reports (such as comScore's 2010 *Digital Year in Review*) suggest Canadians are among the most avid users of digital technology and the greatest consumers of video online. The NFB therefore needed to reinvent how it worked and connected with Canadians to meet the changing needs of Canada in the digital age. As outlined earlier, the NFB's commitment was to serve Canadians in every region, in both official languages, on the platforms of their choice. Also, it's commitment was to serve as a creative laboratory for innovation in new media, breaking ground in areas where there were no existing business models—and where Canada's private sector could not go.

The digital strategy was therefore at the heart of the future of the NFB, at a time when the NFB brand had become nearly invisible on television and in schools, previously the two largest distribution outlets for the NFB. It constituted an institutional priority that led the NFB to focus on key strategic priorities like cross-platform content creation, a digital rights framework, a digital distribution strategy, a new NFB portal/website, and digitizing the collection.

The digital distribution strategy's objectives were:

- 
- to create wider consumer/user choice and increased access to NFB content, knowledge, and experience;
  - to ensure accountability to Canadians;
  - to support the NFB's revenue generation goals;
  - underpinned by a forward-thinking content, information, and contact management system that optimizes interaction between the NFB, its content and users/customers; and
  - to address the coexistence of both passive and “anytime, anywhere” engaged consumers in the marketplace

### *1.1.2 Stakeholders and beneficiaries*

Stakeholders and beneficiaries of the online screening room NFB.ca include:

- Canadians
  - the Canadian population at large: general public (consumer market); and
  - educational institutions, teachers and students (institutional market);
- NFB's partners: creators, filmmakers, private producers and co-producers of NFB's films, content aggregators like broadcasters, web portals, government, etc.;
- the NFB as a whole, in particular the Production and Accessibility divisions;
- worldwide consumers

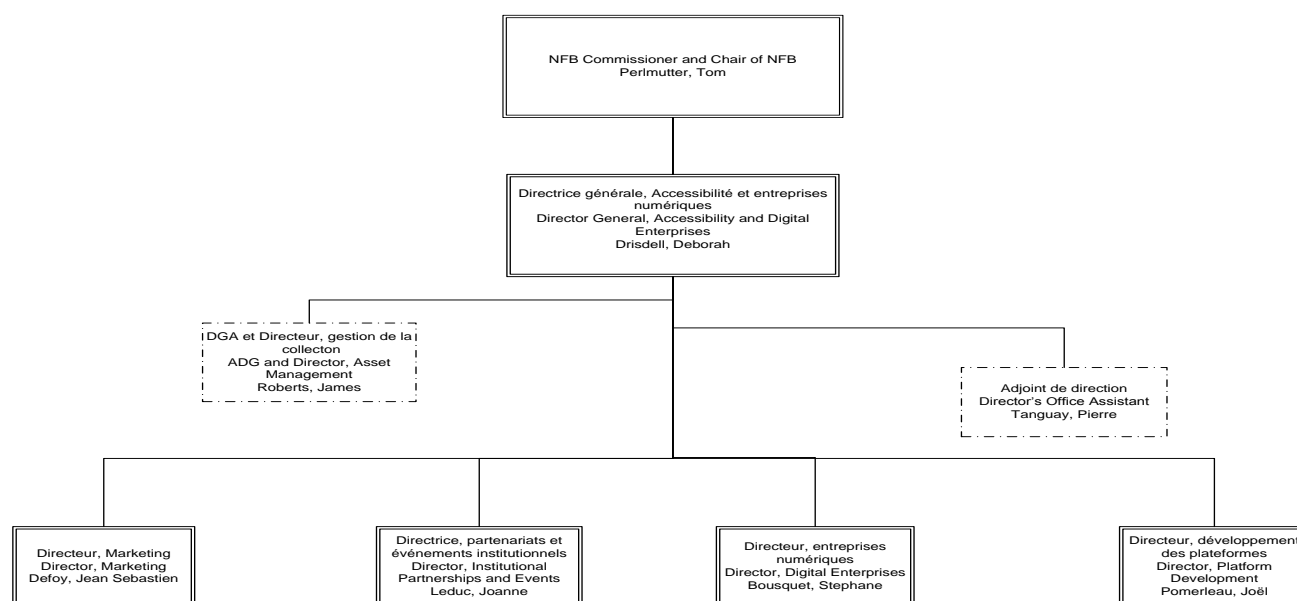
### *1.1.3 Governance*

The overall accountability for the initiative lies with the Film Commissioner and President of the NFB, while the day-to-day program management is the responsibility of the Accessibility and Digital Enterprises (ADE) division.

The ADE as currently structured was established in 2009 to implement and support all NFB's activities related to accessibility and audience engagement. ADE has been responsible for the implementation, ongoing delivery, and support of NFB.ca since April 2009, while the design and development of the initiative was spearheaded by Strategic Planning until the establishment of ADE.

ADE is also responsible for strategic intelligence and audience measurement (quantitative performance measurement). The programming available on NFB.ca is made of productions created by the French and English programs and is overseen by the ADE department in collaboration with the Asset Management team. The Platform Development department is responsible for the development, maintenance, and revision (update) of the architecture, client interface, as well as navigation strategies and the integration of films and interactive productions.

**Chart 1 – Extract of ADE Division’s Organizational Chart (2009-2011)**



### 1.1.4 Resources

No special envelope or additional funding was granted to the NFB for the design and implementation of NFB.ca, which is fully funded internally – as it is for the entire digital strategy – through year-over-year efficiency exercises. The development of the initiative was financed at a total cost of \$1.3 million from 2007 to 2009, with a total of approximately 11 full-time employees (FTEs). Since its launch in January 2009, NFB.ca is being administered with an annual operating budget of \$1.2 million, and a team of about eight FTEs. The ongoing budget reflects transactional activity related to content management and publishing, educational activities, and adding new features to NFB.ca.

Table 2 outlines the development costs of NFB.ca between 2007 and 2009. Development costs essentially include NFB employees’ salaries and professional services related to the strategy, development, graphic design, web editing, and hosting of the online screening room. Please note that development costs exclude expenses related to the digitization and encoding of NFB’s audiovisual works available on NFB.ca<sup>4</sup> and rights clearance. We have excluded these costs as the digitization program was already underway and the NFB.ca screening room was initiated after this digitized content became available. Marketing costs specifically ascribed to the launch and ongoing promotion of the screening room have been included within Table 3 – Annual Operating Costs of NFB.ca.

<sup>4</sup> The digitization of the NFB’s collection is part of its digital strategy and related activities. As explained in section 1.1.1, the NFB’s digital strategy is a corporate-wide project that includes the implementation of the NFB’s digitization and preservation plans, web and “tapeless” production activities, accessibility and audience engagement’s initiatives such as *Campus* and *Download to Own*, and various technical and support activities.

**Table 2 – Development Costs of NFB.ca (2007-2009) (\$)**

	2007-2008	2008-2009	Total
<b>Salaries &amp; Professional Services</b>			
Strategy	221,885	269,491	491,376
Development	195,581	190,408	385,989
Graphic design	62,164	91,833	153,997
<b>Salaries &amp; Professional Services</b>			
Web editing	29,519	174,778	204,297
<b>Total</b>	<b>509,149</b>	<b>728,510</b>	<b>1,235,659</b>
<b>Other costs</b>			
Other costs	24,885	20,379	45,264
<b>Total Development Costs</b>	<b>534,034</b>	<b>746,889</b>	<b>1,280,923</b>

Table 3 summarizes the annual operating costs of NFB.ca in 2009-10 and 2010-11, which include salaries, equipment and operations costs for web analysis, content management and publishing, IT, as well as administrative and indirect costs. Note that the table excludes expenses associated with leasing, digitization, audience management, client service, and rights clearance. This is because these costs are spread across many services delivered by the NFB, and would have been incurred irrespective of whether the NFB.ca screening room had been in existence.

**Table 3 – Annual Operating Costs of NFB.ca (2009-2011) (\$)**

Operating Costs	2009-2010	2010-2011	Total
Web analysts	428,924	470,367	899,291
Content management & publishing	173,918	240,942	414,860
IT	330,014	380,806	710,820
Marketing (for launch)	120,000	N/A	120,000
Admin & indirect costs (15%)	132,429	155,018	287,447
<b>Total</b>	<b>1,185,285</b>	<b>1,247,133</b>	<b>2,432,418</b>

### *1.1.5 The technological innovation of the initiative*

The emphasis from the outset for the NFB.ca screening room was to ensure that the highest level of viewing experience would be achieved. This therefore determined that an efficiency of bandwidth as well as content management technology would be needed to meet these top-end customer viewing ambitions, and a custom-made technology solution was selected. Equally imperative was the need to create an application programming interface (API) that was adaptable and incremental to ensure future developments and innovations such as the iPhone and tablet computers could be readily used as viewing platforms.

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At the inception of the idea of the screening room, external organizations with expertise in website creation and development were engaged to put forward their ideas on how to bring the content of the NFB to an online audience. The management team at the NFB felt that these proposals fell a long way short of the future vision for the NFB. The team also felt it would not be able to cope with the changes anticipated in consumer viewing patterns or the wider context of how people's lives would change in the way they would want to consume programs.

The initial evaluation of technology platforms capable of delivering the performance required for the NFB.ca screening room showed an immediate need for a customized solution to meet all of the needs of the initiative. This included, but was not limited to, the need for adaptation of multiple formats that had to be digitized, the needs for separate language adoption, the quality and resolution desired for the required level of viewing experience, as well as the range of commercial options that would be required for the screening room as it evolved.

## ***1.2 Purpose and scope of the evaluation***

The Finances, Operations and Technology (FOT) Branch of the NFB is responsible for having this evaluation performed. In March 2011, the NFB published its five-year evaluation plan 2011-2012 to 2015-2016, in line with the requirements of the Treasury Board Secretariat's *Policy on Evaluation* and accompanying directive and standards. As part of its departmental plan, the NFB has committed to evaluate its online screening room NFB.ca in 2011-2012.

The consulting firm PricewaterhouseCoopers (PwC) conducted the evaluation on behalf of the Chief of Evaluation and FOT Branch, between October 2011 and March 2012. This is the first formal evaluation (as per Treasury Board policy parameters) of the initiative. While two years is not a long time upon which to be making an evaluation of a product in a mature market, we must recognize that the screening room is very well 'established' in digital terms. In the digital space, the industry is moving rapidly. The iPhone only appeared in 2007 and is part of a smartphone phenomenon with more than one billion handsets in the world. The key change since the advent of the iPhone is the market for applications that run on the smartphone, which is a multi-billion dollar business that was virtually non-existent five years ago. Equally, downloading or streaming movies over the Internet to home (or even handheld devices) was virtually non-existent five years ago. Hence the two years since the launch of the NFB.ca site represent a monumental change in the habits of consumers.

### ***1.2.1 Intended use of evaluation, objectives and scope***

The evaluation is to provide NFB staff and senior management with findings and recommendations about the success and efficiency of NFB.ca in order to inform the design, planning, and potential features and content offering for the future of the initiative, in preparation for the NFB's next strategic plan (2012-2017). The NFB will take the results of the evaluation into account in improving the current version of NFB.ca and designing the next phases of NFB.ca, such as the transactional application and the *Campus* website dedicated to teachers and educational institutions.

The evaluation will be available on the NFB's corporate website in order for the Canadian public and the various stakeholders of this evaluation to access the results of the NFB.ca initiative.

The evaluation consisted of collecting and analyzing the relevant information in order to:

- 1) Evaluate the relevance and success of the initiative;
- 2) Measure progress made in implementing the initiative and progress in achieving its objectives ( i.e. reaching Canadians and audiences from other countries and providing access to its productions);

- 
- 3) Document best practices and gaps in implementing the initiative as well as lessons learned;
  - 4) Evaluate the initiative's cost-effectiveness, whether the way of delivering it is still the most effective and efficient

The evaluation covered the first two years and three months of NFB.ca operations, from the initiative's launch in January 2009 until March 31, 2011. It did not cover the component dedicated to the education market segment, *Campus*. While online content is available for this sector (e.g. increased access to NFB productions, the conversion of some DVD clients notably in BC and Ontario, licensing of NFB.ca for use in the classrooms), the online screening room dedicated to teachers and schools was only officially launched and fully accessible on January 26, 2012.

## 1.2.2 Client, audience and key stakeholders of evaluation

The clients, audience and stakeholders of this evaluation include:

- NFB's senior management and, in particular, NFB.ca's management
- NFB's stakeholders, such as creators and the audiovisual industry
- the Department of Canadian Heritage
- the Treasury Board and Treasury Board Secretariat
- public policy makers in the cultural sector
- government and members of Parliament
- Canadians

## 1.3 Methodology

### 1.3.1 Summary of evaluation questions

The following evaluation questions were used to carry out this evaluation (see detailed evaluation matrix in Annex 2). They are based on the core evaluation issues outlined in Appendix A of the *Directives of the Evaluation Function*, Treasury Board's *Policy on Evaluation*, which focuses on the relevance and performance of all government programs and initiatives.

#### **Relevance**

##### **Issue #1: Continued need for the program**

1. To what extent is the initiative responding to a demonstrable need and is responsive to the needs of Canadians?

##### **Issue #2: Alignment with government priorities**

2. Are the objectives of NFB.ca's online screening room consistent with (i) the Government of Canada's current priorities and (ii) the NFB's strategic objectives?

##### **Issue #3: Alignment with Federal roles and responsibilities**

3. To what extent does the federal government have a role and responsibilities in delivering NFB.ca?
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<sup>5</sup> Treasury Board, *Directive of the Evaluation Function, Annex A – Core Issues to be Addressed in Evaluations*

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## ***Performance***

### ***Issue #4: Achievement of expected outcomes***

4. Is the initiative being delivered/implemented as it was designed? What results have been achieved? What are the strengths and weaknesses of the initiative's design?

### ***Issue #5: Demonstration of efficiency and economy***

5. Is the governance structure of NFB.ca effective?
6. Have the resources been appropriately allocated under this initiative? Are the NFB.ca resources adequate?
7. Is NFB.ca the most cost-effective and efficient way for the federal government to provide access to NFB films for Canadians?
8. Does the initiative overlap with any other programs or services provided by federal, provincial or territorial governments? Could the activity (accessibility of NFB collection) be sustained without NFB.ca?
9. Is the NFB collecting appropriate information to support reporting and evaluation requirements?

## ***1.3.2 Selection of performance indicators used to determine findings***

Performance indicators that were used to determine the findings are outlined in the detailed evaluation matrix in Annex 2. They include data such as the amount of audiovisual works digitized and available online, audience numbers, and viewing trends according to demographics and revenues.

## ***1.3.3 Data sources used***

The following methodology, including qualitative and quantitative analysis, was used in the evaluation:

- *Review of background documentation/ desk review*  
Relevant background documentation was reviewed regarding the design, planning and implementation of the initiative, as well as its organizational context and history. Strategic documents such as the NFB's Strategic Plan 2008-2012, presentations to the Board of Trustees and budgets were reviewed as well as reporting documentation such as quarterly reports, annual reports and departmental performance reports (DPRs).
- *Literature review*  
Relevant reference information was accessed, reviewed and extracted to support the evaluation. This included:
  - PwC's *Global Entertainment and Media Outlook 2008-2012*
  - PwC's *Global Entertainment and Media Outlook 2011-2015*
  - Comscore Inc. Canada, 2009

PwC's annual *Global Entertainment and Media Outlook* is a consistent, comprehensive online source of global analysis for consumer/end-user and advertising trends and spending. With like-for-like, five-year historical and forecast data across 13 industry segments in 48 countries, the *Outlook* makes it easy to compare and contrast regional growth rates and revenue trends across consumer and advertising sectors.

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ComScore provides syndicated and custom solutions in online audience measurement, e-commerce, advertising, search, video, and mobile and offers dedicated analysts with digital marketing and vertical-specific industry expertise.

- *Audience measurement data analysis*

The NFB tracks audience measurement data (quantitative information) such as the number of views and plays of NFB.ca in Canada and internationally, revenues by consumer channel, number of audiovisual works made available online, etc. This data was analyzed to assess the progression towards the initiative's objectives like increasing audience of NFB programming.

- *Interviews with key stakeholders*

Between October 17, 2011 and the end of November 2011, individual interviews were conducted with key stakeholders responsible for the design and delivery of NFB.ca, mainly managers and executives in the ADE division and those responsible for technology (FOT). The interviews assisted in collecting their opinions regarding the initiative's relevance, design, implementation, and success, including opportunities for improvement.

- *Online tracking survey*

The results of the Harris/Decima surveys on Canadians' perceptions of the NFB (satisfaction rate, brand awareness, etc.) 2009 and 2010 were analyzed to assess the perceived or real public value of NFB.ca (i.e. brand awareness).

### 1.3.4 Limitations

We have relied on the available secondary research from both PwC and other external sources that were relevant and available within the resourcing possibilities of this review. We have not conducted an exhaustive search of all available research on digital media or reports on the performance of sites that we could benchmark to NFB.ca benchmark offerings in the market.

Our primary research has focused on the perspective of the members of the NFB who have been available during the course of this review. This covered many of the executives and management team responsible for NFB.ca. Other individuals not interviewed may have differing perspectives of the actions taken or results of the NFB.ca screening room.

We have not audited the information supplied to us in relation to this evaluation. This evaluation does not constitute an opinion, attestation or other form of assurance.

Within the resources available to conduct this review it has not been possible to conduct extensive benchmarking analysis of alternative costs and resources that could have been applied to other scenarios, such as looking into all of the alternative technological platforms that could have been used to deliver a similar quality and consistency of viewing experience.

We have contained our investigations to the NFB.ca screening room, but acknowledge that much of the implementation and actions associated with the screening room transcend into other areas of the NFB. We have not conducted detailed separation analyses to evaluate the various proportions of effort or resources that could be apportioned to the NFB.ca screening room as we do not believe this added granularity would materially change the conclusions reached.



## 2.0 Evaluation Findings

### 2.1 Relevance and rationale

This section will report on the relevance and rationale of NFB.ca by examining whether there was an initial need for the screening room, and if there is a continued need for it. Additionally this section addresses whether the federal government has a role in providing such an initiative. The section will also examine whether the screening room is consistent with the NFB's strategic outcome.

#### 2.1.1 Initiative relevance

By 2008 a significant trend to online viewing of video had been established, especially in well-connected western economies. Websites such as YouTube were already attracting large audiences, albeit for mainly shorter run (four to five minute) videos. The advent of the iPhone was still new, but already the mobile application market was growing at a rapid pace as consumers became comfortable viewing video and playing digital games (amongst other things) on smaller screens. Tablet computers were a later addition to the viewing platforms, notably with the launch of the Apple iPad in 2010.

Looking at Canada-specific data from 2008 we can see the following recorded growth statistics, and projections to 2015, showing over 26% cumulative year-on-year growth in the electronic home video category. This compares to very low growth in physical revenues, and even negative growth in the home video in-store rentals market:

**Table 4 – PwC Entertainment & Media Outlook**

**Actuals 2006 – 2009**  
**Projected 2010 – 2015**



#### Entertainment & Media Outlook

##### Data explorer

	2006	2007	2008	2009	2010p	2011	2012	2013	2014	2015	2011-15 CAGR
<b>Filmed entertainment in Canada<sup>†‡</sup></b>											
Box office	806	812	803	977	983	1,056	1,136	1,216	1,292	1,364	6.8
Cinema advertising	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
Home video	2,659	2,777	2,738	2,700	2,787	2,900	2,987	3,088	3,185	3,277	3.3
<b>Total</b>	<b>3,465</b>	<b>3,589</b>	<b>3,541</b>	<b>3,677</b>	<b>3,770</b>	<b>3,956</b>	<b>4,123</b>	<b>4,304</b>	<b>4,477</b>	<b>4,641</b>	<b>4.2</b>
<b>Home video in Canada<sup>†‡</sup></b>											
Electronic	12	19	48	92	194	305	388	475	557	630	26.6
In-store rentals	824	843	848	863	877	879	873	858	834	805	-1.7
Physical sell through	1,823	1,915	1,842	1,745	1,716	1,716	1,726	1,755	1,794	1,842	1.4
<b>Total</b>	<b>2,659</b>	<b>2,777</b>	<b>2,738</b>	<b>2,700</b>	<b>2,787</b>	<b>2,900</b>	<b>2,987</b>	<b>3,088</b>	<b>3,185</b>	<b>3,277</b>	<b>3.3</b>
Electronic home video in Canada <sup>†‡</sup>	12	19	48	92	194	305	388	475	557	630	26.6
Physical sell through in Canada <sup>†‡</sup>	1,823	1,915	1,842	1,745	1,716	1,716	1,726	1,755	1,794	1,842	1.4

<sup>†</sup>At average 2010 exchange rates.

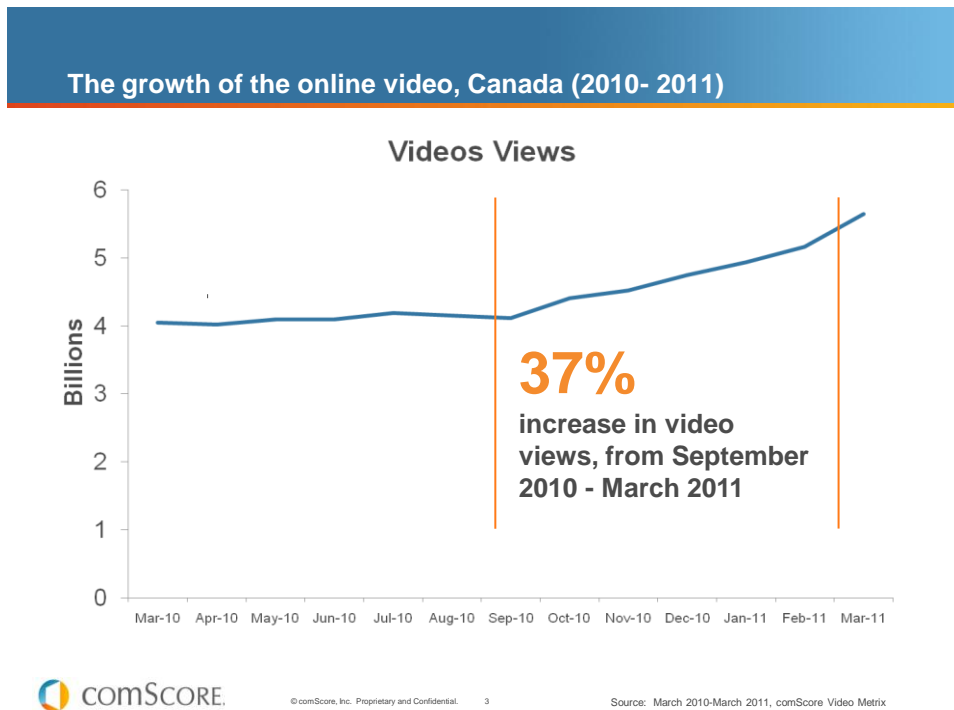
<sup>‡</sup>US Dollar millions

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates, Statistics Canada

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We can also see data from credible bodies such as comScore who have measured and described the growth in online video in Canada from 2010-2011 as follows:

**Chart 5 – Growth of the Online Video – Canada (2010-2011)**



While we see that box office (revenues) continue to grow modestly as people still enjoy the experience of going to the theatre or movies, there is a massive increase in consumption of content on digital devices, leading to the following conclusions:

- (i) Canadians are changing the way they view content and in order to be relevant in this changing world content providers are changing their distribution models;
- (ii) Given the accessibility challenges of the NFB it was paramount that it embrace these new models

In 2007, the NFB was experiencing challenges in two areas (a) public awareness of its existence, and (b) how to access the films. Audiences had been decreasing over time and traditional distribution channels were not as effective as they had historically been. Where distribution channels were effective, they did not always showcase the NFB brand, further impacting awareness. The NFB has a focus on genres such as author documentary and animation, which have always had a limited availability of outlets (cinema, TV, etc.). The NFB had to rapidly adopt new techniques and took a leadership role in adopting a digital transformation strategy that would anchor the institution firmly in the digital era in response to the changing media landscape and consumer viewing habits.

In 2008, the traditional television media and nature of watching movies and documentary programs was changing rapidly, as consumers made increasing use of personal digital recording devices to enable them to watch what they wanted when they wanted. Since 2008 this trend has expanded at an even greater rate, and consumers are also now choosing which devices they want to watch the content on (be that television, smartphones, tablet devices, or home computers to name a few). Recognizing this trend early the NFB took the proactive decision to forge ahead with the NFB.ca screening room. The new chair and commissioner of the NFB, Tom Perlmutter, on his appointment in 2007, referenced that the comment he heard most often about the NFB was “whether it still exists.” It became clear that a digital strategy, including making the NFB’s unique content available online to Canadians and the world, was not just a nice-to-have but an essential and integral part of the future, relevance, and existence of the NFB and the 70 years of content that it had created.

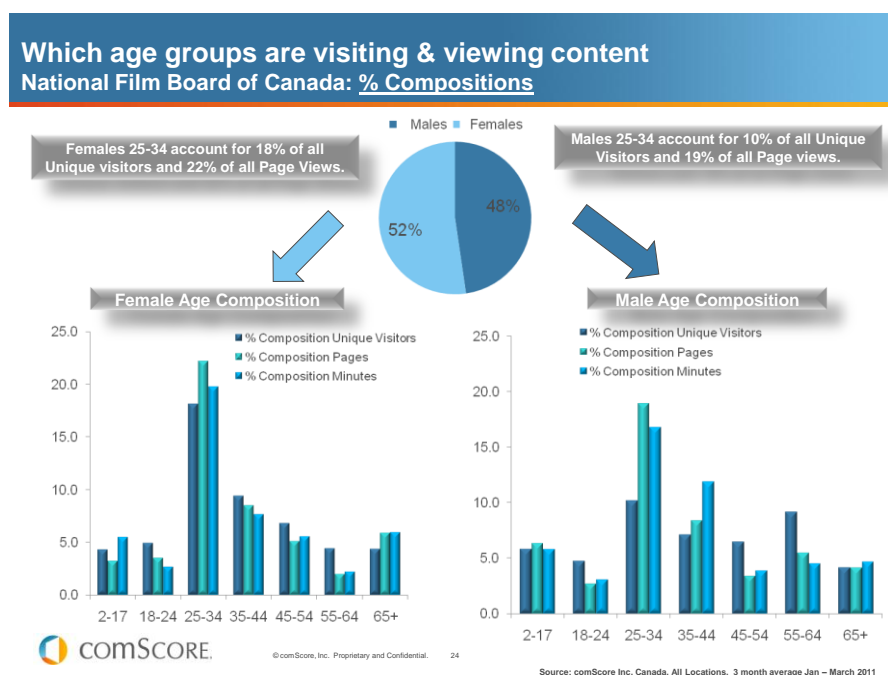
At the launch of the NFB.ca screening room in January 2009, Tom Perlmutter described the objectives of the initiative in the following terms:

“What I’m hoping for is that in spending time looking at these films, people will get a sense of wonder about who we are and get a deeper appreciation of ourselves. For me, particularly in a time of profound social change and with the economic crisis and all sorts of uncertainties, it really anchors us in our sense of identity even as our identity changes. It shows a commonality of values and a shared vision of what it means to be Canadian.”

The hypothesis stipulated at the outset of the screening room initiative was that it was strategically important to the long-term survival of the NFB, and not just another channel to market. As such the online screening room became significant not just in getting the library of content to a much greater audience, but also to ensure that the channel (i.e. digital platforms) are relevant for the current and ‘next’ or forthcoming generation of Canadians.

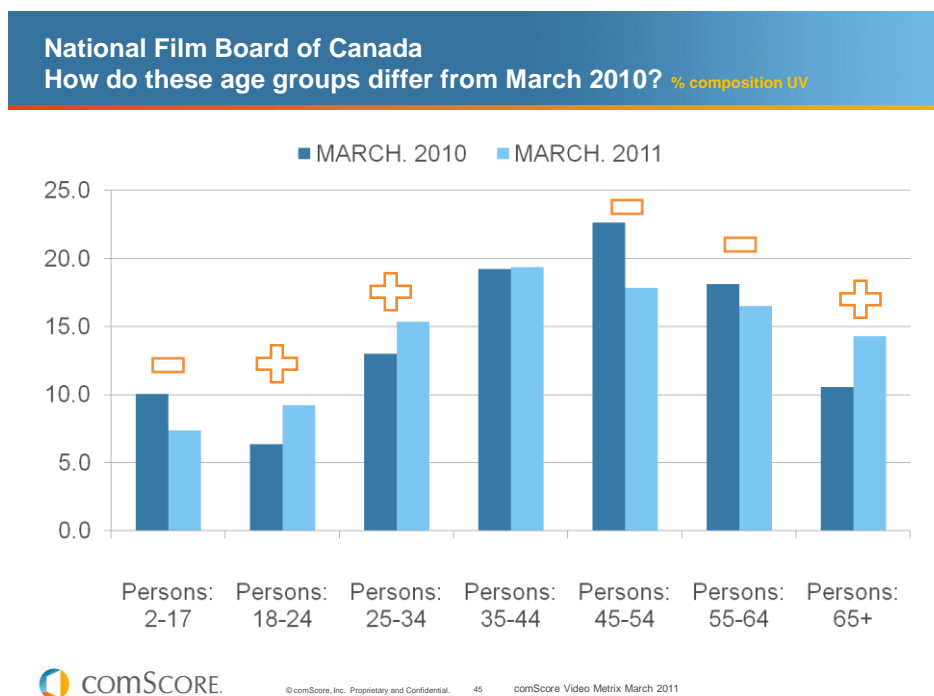
The following chart shows a significant trend towards a younger audience, and as such bears out the hypothesis that the screening room would bring the content to a younger generation and audience:

**Chart 6 – Age Groups Visiting NFB.ca and Viewing Content**



We can also see in Chart 7 – Comparison from March 2010 and March 2011 that this is trending towards a younger audience, with the exception of the 65+ age range that is also proportionately growing, most likely as more of the older generation come online and find the NFB.ca site. We would nevertheless also caveat that this is a very short period and early in the evolution of the screening room:

**Chart 7 – Comparison from March 2010 and March 2011**



At the heart of the NFB.ca screening room strategy is the need to be able to deliver the NFB content to Canadian audiences on whichever platform is the most relevant to their needs, stressing the importance of the development of the NFB application on the iOS platform as devices such as the iPhone and iPad have proliferated amongst consumers.

By 2008 it was therefore safe to conclude that with the popularity and access to the Internet prevalent among Canadians, the NFB.ca screening room was the only logical way to get the content of the NFB to the desired audience. The initiative is aligned with the global trend toward increasing consumption of entertainment and media content via digital means. As people increasingly consume the content they want, where they want, when they want, and on whichever device they choose, the NFB needs to remain relevant to the consumption habits of individuals. The NFB.ca screening room has achieved that relevance.

### **2.1.2 Assessment of the competitive landscape**

PwC's *Global Entertainment and Media Outlook 2008-2012* included the following projections for the filmed entertainment industry in Canada:

- High definition DVDs, online subscription rentals, and digital streaming services will enhance overall home video spending, which will expand at a 5.1% compound annual growth rate (CAGR) to \$6.6 billion in 2012.
- In contrast, online rental subscriptions and digital streaming will rise at a CAGR of 80.5% from a low base, reaching \$402 million in 2012 from only \$21 million in 2007.
- Because digital prints are much less expensive to duplicate than standard prints, the deployment of digital cinemas should help lower-budget local films reach a larger audience during the next five years.

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The 2008 theme showed the changing viewing habits of Canadians from more traditional theatre-based environments or home DVD to online streaming. Canada in particular was well placed to be at the front of the world movement in this regard because of the high penetration of broadband at home, the increasing level of competition in the market, and Canada's almost unique position with 'quad play' operators (meaning home phone, broadband Internet, television, and mobile). PwC's *Global Entertainment and Media Outlook* at the time predicted that there was still room for broadband growth that would continue to be fuelled by quad play packages and network upgrades; wired broadband access spending would rise at a CAGR of 6.9% to 2012; mobile access would be the fastest-growing component from a small base, expanding at a CAGR of 49.2% compounded annually from \$184 million in 2007 to \$1.4 billion in 2012.

In 2010, Google announced Google TV, a set-top-box powered by Google Android, an operating system that included movie streaming directly from the Internet. Google partnered with various device manufacturers (such as Sony and Samsung) to bring entertainment content to consumers on whichever device consumers choose (including in their living rooms). This type of mass market application means that niche content such as NFB movies need to be served on an equivalently relevant platform if they are to gain a foothold in the mind and viewing habits of the consumer. Additionally, Google has negotiated with movie studios to offer Hollywood movies online through a pay-per-view streaming service, using its popular search engine and YouTube video website to connect viewers with movies.

During 2010 and 2011 both Netflix and Cineplex launched their Canadian online streaming services. They offer a broad range of movies, television shows, and documentaries that all compete with the NFB.ca, at least in terms of the time that consumers make available for watching content. The nature of the content and the methods of monetization are somewhat different, in that Netflix has a monthly subscription to a content library that is somewhat older (for the moment at least), and Cineplex offers a more up-to-date library but have a per-viewing fee or download offering. This market is continuing to become more competitive as Roku (which offers a digital home set-top box, through which viewers can access channels such as Netflix) launched in Canada in early 2012.

Many large Canadian cable operators like Rogers, Shaw and Videotron either have or are planning to roll out their own online demand services. As Canadian consumers become more familiar with streaming video/movie content online they will increasingly seek to use this as their 'norm' for viewing.

Mobile viewership figures (on smartphones) have begun to increase significantly. A report by Mobilesyryp.com (Aug 4, 2011) suggests that Bell had just 1,000 mobile TV viewers in 2008. That increased to 300,000 by 2010 for the Vancouver winter Olympics. Early 2012 figures suggest this number tripled for the 2012 Super Bowl. Also significant is the introduction of tablet computers, which have proved to be a popular choice for viewing movies and TV shows owing to its larger screen size. A senior analyst at eMarketer commented that "[w]ithout movies, TV shows, games, photos, books, magazines, newspapers, video clips and music, few would care to own a tablet, a touchscreen smartphone, a connected console or an Internet-enabled TV."<sup>6</sup>

Looking further afield we can see enterprises such as Best Buy, the largest consumer electronics retailer in North America, also offers movie downloading and streaming in the United States via its product CinemaNow, and most recently expanded it in November 2011 to add support for an array of additional electronics.

Internet protocol television (IPTV) offerings such as Bell Fibe TV, Optik TV from Telus and MTS TV are all also likely to swell the consumer familiarity with the Internet as the media for receiving their video content. Potential new entrants in the Canadian market such as Hulu (owned by some of the largest US media empires like NBCUniversal, Disney-ABC Television Group, and Fox Entertainment Group) can also be expected in the not too distant future if regulatory approvals are granted.

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<sup>6</sup> Connected Devices Become Key to Content Consumption, eMarketer, February 17, 2012

Finally, one also needs to consider game box consoles, such as Xbox Live, will also compete and most likely be very popular with the younger generation – and thereby the future viewership of NFB content.

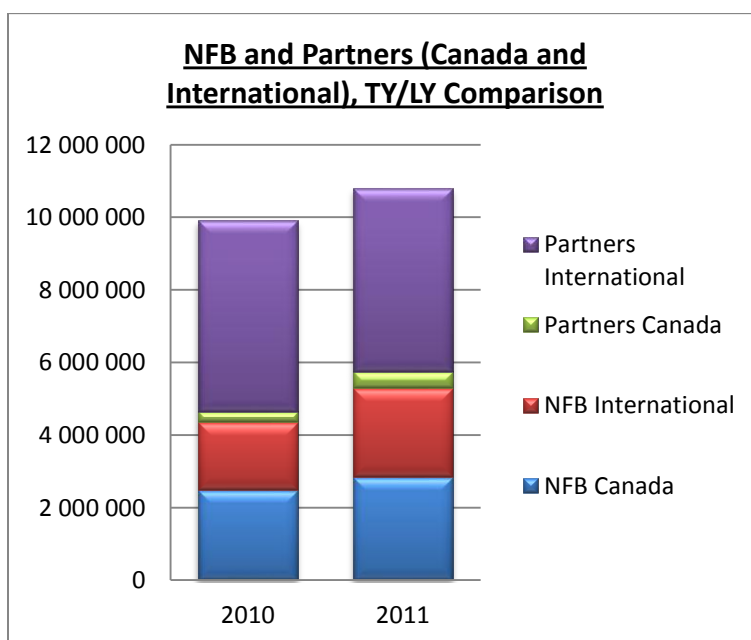
As this analysis clearly indicates, many other household names have invested in digitization of content, such that the consumer has a wide variety of options and the change in viewing behaviour is now widespread. In order to be relevant to the need of Canadians we can conclude that the NFB screening room is an essential piece of infrastructure to make the NFB content relevant in the digital landscape of the Canadian market.

### 2.1.3 Initiative need

Online audiences continue to grow across the world, and the amount of time spent online is also growing. Canadians have shown a disproportionate appetite for digital consumption (see table 8), and by many metrics is the global leader in terms of time spent online and the amount of times people go online. The initiation of the NFB.ca screening room was based upon these statistics that have continued to be true through the timespan of this evaluation.

Specifically for NFB, more than 10 million digital views have occurred within three years of launch, demonstrating the significant popularity of this access medium.

**Chart 8 – NFB and Partners (Canada and International), TY/LY Comparison**



This increasing trend online has also changed traditional television viewing. If people are spending more time online it stands to reason that they used to be doing something else with that time, and it seems that traditional television viewing is one of the most impacted channels. About 18 months ago Bell announced that there were officially more eyeballs looking at a computer screen (Internet) than were looking at a TV screen during peak viewing times. In the following news item, sourced from an article published on June 9<sup>th</sup>, 2010 in the *Wall Street Journal*, it is clear that viewing content over the Internet is steadily increasing and becoming a major alternative to traditional television.

## Good news for online video sites like Hulu and Blip.tv:

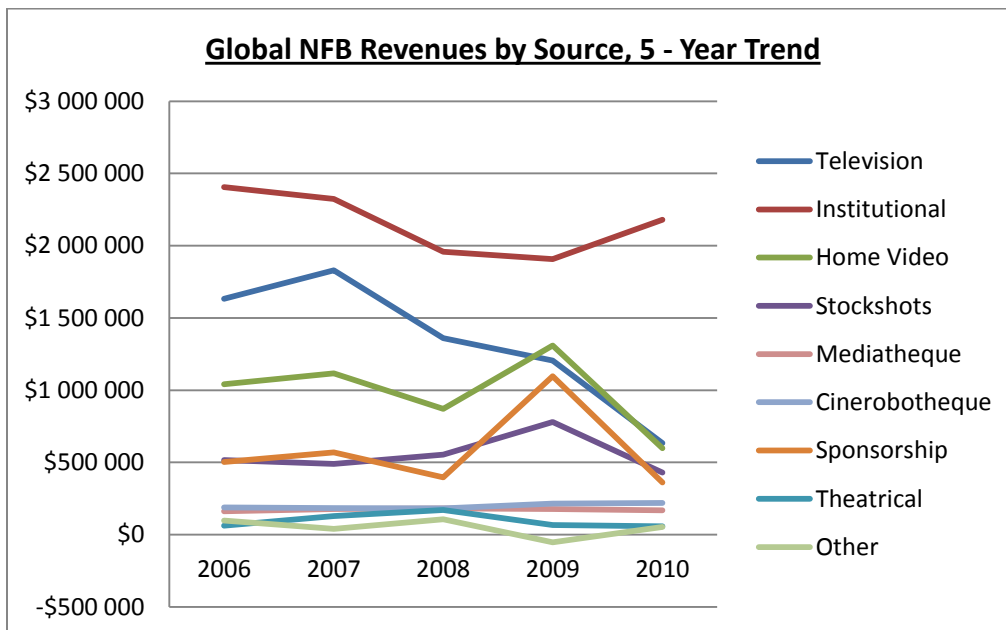
More people are watching their favorite shows on the Internet during primetime, according to a report by Jessica E. Vascellaro in June 9, 2010 Wall Street Journal.

Some stats:

- "The number of people who watched Internet video from 8 p.m. to 11 p.m. Monday through Friday rose 14% to 62.4 million from March 2009 to March 2010, according to Nielsen Co. Viewership from 12 p.m. to 2 p.m. rose only 1% to 45.4 million."
- Blip.tv's peak viewing time has moved to 8 p.m. to 11 p.m. from 12 p.m. to 3 p.m. a year ago.
- "Online video service Revision3's prime-time views now top lunchtime views by 20%."
- "Evening viewing at video site Break.com has grown 18% in the past eight months, while daytime viewing was up less than 5% in the same period."

The NFB has traditionally secured important revenues from television audiences, with the revenues being derived predominantly from the broadcasters and advertising. As demonstrated in the chart below, television revenues dropped 25% in 2007-8, with the trend continuing, dropping 47% between 2009-10 to 2010-11. To demonstrate the scale of the revenue challenge in 2007-8 the TV revenue was \$1.84 billion, whereas in 2010-11 it was \$643 million a total decline of 65% over four years. With the steady reduction in these revenues and audience numbers it was imperative for the NFB to look for new channels to reach target audiences. Therefore the need for the NFB.ca initiative was well founded in 2007-8, and with trends having continued the decision to introduce the screening room from a revenue and audience protection perspective can clearly be vindicated.

**Chart 9 – Global NFB Revenue by Source, 5-Year Trend**

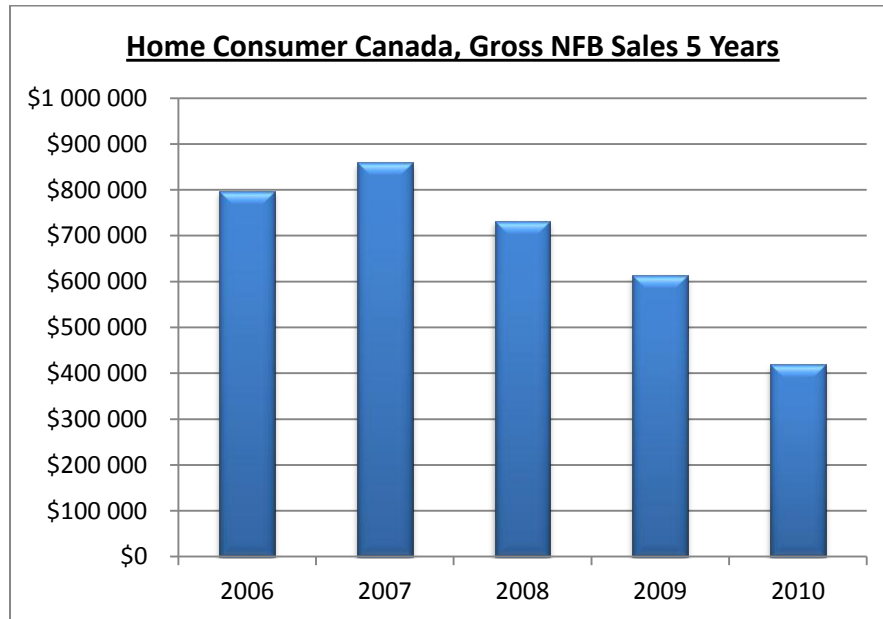




During the period 2008-9 to 2010-2011, NFB television audiences decreased from 11.9 million to 8.08 million, a decline of 3.82 million (32%). At the same time, Internet views have grown from zero to 3.3 million, almost completely offsetting the loss of television audience. The screening room is very new and the growth in traffic quite prolific, but we would expect a continued growth in online viewership to include other platforms (such as mobile) as well as through partner sites such as YouTube as consuming content via video rises dramatically across the globe.

We also note that home entertainment purchases on DVD have been decreasing steadily and that trend is being reflected in both the NFB's sales and in the DVD home sales market as a whole:

**Chart 10 – Home Consumer Canada, Gross NFB DVD Sales 5 Years**



Under these conditions with decreasing revenues and audiences the NFB.ca screening room can clearly be seen as a strategic imperative for the NFB, and not just another channel to market.

The strategic priorities for NFB.ca have evolved and added more detail since their initial position in 2008, but we feel they are as relevant today as they were in 2008. Namely, that technologies should be used to expand the reach of all NFB products and show the unique value proposition that the NFB offers Canadians. Any strategy should stand the test of time (at least five years, even in the rapidly changing world of digital), and the NFB.ca strategy is doing that.

### 2.1.4 Federal priorities

Driving digital innovation and Canada's Digital Economy Strategy are key priorities of the current government. The [Speech from the Throne](#) and [Budget 2011](#)<sup>7</sup> announced the implementation of a *Digital Economy Strategy* to "enhance digital infrastructure and encourage Canadian businesses to adopt digital technologies and provide digital-skills training."

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<sup>7</sup> Speech from the Throne, 3 June 2011 and Budget 2011, *The Next Phase of Canada's Economic Action Plan*, 6 June 2011



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“In order to improve Canada’s productivity, enhance our economic competitiveness and increase our standard of living, our Government will continue to make targeted investments to promote and encourage research and development in Canada’s private sector and in our universities, colleges and polytechnics. It will look for ways to support innovation while ensuring that federal investment in research and development is effective and maximizes results for Canadians. It will also release and implement a Digital Economy Strategy that enhances digital infrastructure and encourages Canadian businesses to adopt digital technologies and provide digital-skills training for their employees and new hires.”<sup>8</sup>

“The Next Phase of Canada’s Economic Action Plan sets the stage for the Digital Economy Strategy to make Canada a leader in the creation, adoption and use of digital technologies and content.”<sup>9</sup>

With the most recent Budget, multi-platform digital content remained a government priority, as evidenced by the allocation of ongoing funding of \$100 million per year to the Canada Media Fund for digital content investments. The government had already instituted priorities such as innovation in digital content creation in its 2010 consultation paper for *Canada’s Digital Economy Strategy*, in which it highlighted the work of the NFB, and its online screening room:

“...the CBC/Radio-Canada and the NFB have reached beyond their traditional roots in broadcasting and film, to show a strong commitment to the new digital platforms to distribute content and interact with users, as a core component of their service to Canadians. The CBC/Radio-Canada and the NFB offer access to extensive online collections, social media tools, games and smartphone applications. Both organizations have been recognized, both nationally and internationally, for their innovation, including two Canadian New Media Awards in 2009 to the NFB for Best Cross-Platform Project for its ‘Waterlife Interactive’ and Best Online Video Portal for its ‘Online Screening Room.’

As part of the marketplace framework, the Government of Canada will ensure that our public institutions have the tools they need to continue to take risks, lead by example and serve Canadians. These institutions can be a hotbed for research and development, organizational and team structures, and a training ground for the next generation of creators. They can play a leadership role in providing Canadians with access to leading edge digital content while not unfairly competing with the private sector. To that end, the Government of Canada expects the CBC/Radio-Canada and the NFB to maximize their presence on all digital platforms.”<sup>10</sup>

All of the above is central to why the implementation of the online screening room was and remains consistent with government priority to create “Canada’s digital content advantage.”

### 2.1.5 NFB’s strategic outcome

NFB.ca supports the strategic objective of *Wide Accessibility and Democratic Engagement* (as per Strategic Plan 2008-2012) and the NFB’s desired strategic outcome that “Canadian stories and perspectives are reflected in audiovisual media and accessible to Canadians and the world.”

Within this context we can see that the NFB.ca screening room is dedicated to improving public accessibility of the NFB’s productions. By providing Canadians and the world with online access to NFB’s audiovisual works 24 hours a day/7 days a week, NFB.ca contributes to the program activity *Accessibility and Audience Engagement*. This

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<sup>8</sup> Speech from the Throne 2011

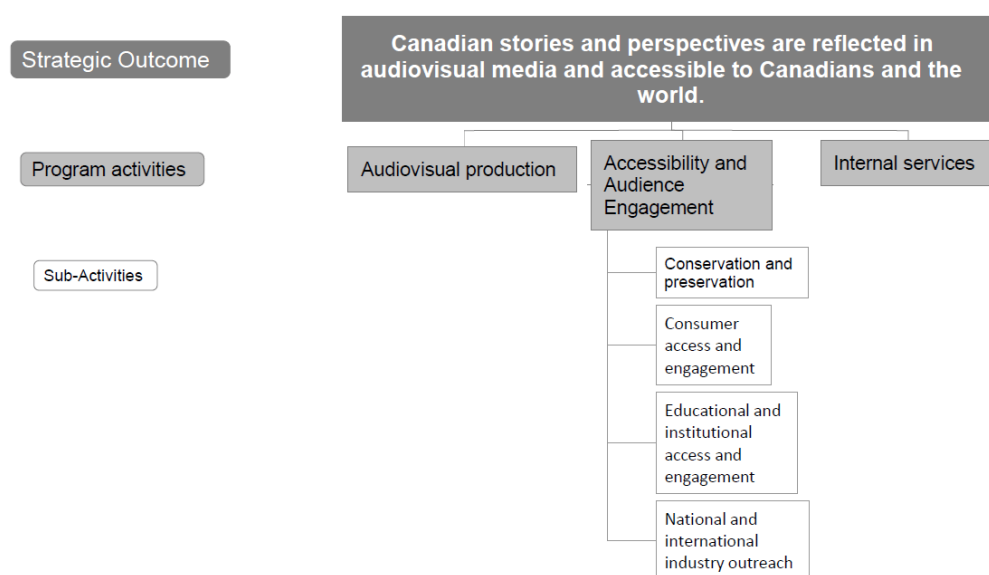
<sup>9</sup> Budget 2011

<sup>10</sup> *Canada’s Digital Economy Strategy*, Consultation Paper 2010

ensures that Canadians and global audiences are able to access, view, discuss, and engage with innovative Canadian content that reflects Canadian stories and perspectives.

The following chart, NFB's Program Activity Architecture, shows how the NFB's program activities and sub-activities supports the desired strategic outcome of the organization. This hierarchy is consistent with the way the NFB.ca screening room has been created and therefore demonstrates a consistent link between the screening room and the overall strategic outcomes desired for the NFB as a whole.

**Diagram 11 – NFB's Program Activity Architecture**



## 2.1.6 Federal role and responsibilities

The sections above presented how NFB.ca's objectives are consistent with the government's priorities, namely the digital economy strategy and digital content investments, and the NFB's strategic outcome. The extent to which the federal government has a role and responsibility in supporting an initiative such as NFB.ca is being addressed in this section, primarily through the legislative obligations of the NFB as a federal film producer and distributor.

*National Film Act, 1985, s.9*

As per the [National Film Act](#) (1985, s.9), the NFB has a legislative mandate to produce and distribute and to promote the production and distribution of films designed to interpret Canada to Canadians and to other nations. The NFB has a particular responsibility to make available the results of its productions (s. 9 (c)), which NFB.ca precisely seeks to achieve by providing wide, online accessibility to NFB's audiovisual works.

**9.** The Board is established to initiate and promote the production and distribution of films in the national interest and, in particular,

**(a) to produce and distribute and to promote the production and distribution of films designed to interpret Canada to Canadians and to other nations;**

Though not specific to *documentary* film production – there is no government documentary film policy per se, the Canadian feature film policy outlines the government's key objectives for the film industry in Canada. The objective of this policy, entitled [\*From Script to Screen\*](#), is to increase the quality, diversity, and accessibility of Canadian films. The objectives of the online screening room NFB.ca are entirely in line with two particular objectives of the government policy, namely:

- to build larger audiences at home and abroad for Canadian feature films; and
- to preserve and disseminate our collection of Canadian feature films for audiences today and tomorrow.

## *Conclusion: Relevance and rationale*

Prior to 2008 television revenues and audiences were significant for the NFB, and a major distribution channel. But the television channel was becoming challenged by the fact that it was anonymous and both revenues and audience numbers were falling rapidly. Physical sales of DVDs were also dropping at a rapid pace.

The NFB recognized that a significant change was needed to directly address these challenges. The underlying reasons behind the declines were fundamentally based upon changing patterns of consumer behaviour and how people were increasingly engaging with digital technology and content. Canadians were rapidly adopting the use of the Internet as a preferred medium for consuming content. The NFB.ca screening room was initiated to address these changes in Canadian consumer habits, with a focus on enabling the best possible viewing experience in the first instance to draw the audience to an experience that was on a par with the best available in the market. The longer-term objective will be to use the weight of that 'known' audience to enable more significant monetization of the value of that audience.

In order to be relevant to the need of Canadians we can conclude that the NFB screening room is an essential piece of infrastructure to make the NFB content relevant in the digital landscape of the Canadian market.

## *2.2 Performance*

This section will focus on the performance of the NFB.ca screening room since its inception (i.e. whether the initiative is making progress towards its expected results and outcomes). In order to measure the performance, it is important to first establish the basis upon which the initiative needs to be assessed. The term 'screening room' is highly relevant as it explains that the initiative is not a simple website. The term screening room also explains that the initiative is designed to be an active medium rather than a passive website.

### *2.2.1 Delivery and implementation of initiative design*

#### *2.2.1.1 Technology*

In this section we will address the performance of the technical nature of the screening room. We are evaluating the technology in the context of the available options that the NFB had in bringing the historical library of its content and new programs to a digital audience. The choices were essentially to either (a) build the screening room 'in-house', (b) outsource the entire operation, or (c) create a hybrid of both in-house and then outsource specific elements of the venture. Our evaluation here is not to re-evaluate the decision, but to evaluate whether the decision has performed as expected and assess whether the overall objectives of the initiative have been achieved as a result of the decisions that were taken.

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In order to evaluate the performance of the technology it is important to recognize that the design from the outset for the initiative was to ensure that the experience be that of a screening room. This therefore determined that an efficiency of bandwidth as well as content management technology would be needed to meet these viewing ambitions, and a custom-made technology solution was selected. The pace of change within the market, and a recognition that new platforms (such as mobile smartphones and table computers) were on the horizon, meant that it was important to build a technical solution that had an open and integrated API environment. The NFB decided to build the solution in-house. The main alternative would have been to have a third party host the screening room and thereby potentially compromise the flexibility of scale and development that has been achieved to date. Within the limitations of this review it is not possible to exhaustively evaluate all of those potential third-party options. However, as a result of the chosen technology platform we can see that the NFB.ca screening room has been able to grow in line with the needs of viewers' requirements (volume and quality of viewing experience such as standard- or high-definition versions of films); the adaptability of revenue and payment models (such as download to own, or online streaming/rental); and the ability to build the library not just in terms of volume, but also in the relevant taxonomies for categorizing and searching by a range of filters.

At the inception of the idea of the screening room, external organizations ("experts in website creation and development") were engaged to put forward their ideas on how to bring the content of the NFB to an online audience. The management team at the NFB felt these proposals fell a long way short of the future vision for the NFB and would not be able to cope with the changes anticipated in consumer viewing patterns or the wider context of how people's lives would change in the way they would want to consume programs.

The initial evaluation of technology platforms capable of delivering the performance required for the NFB.ca screening room showed an immediate need for a customized solution to meet all of the needs of the initiative. This included, but was not limited to, the need for adaptation of multiple formats that had to be digitized, the needs for separate language adoption, the quality and resolution desired for the required level of viewing experience, as well as the range of commercial options that would be required for the screening room as it evolved. Through the use of the in-house built model it has been possible to meet all of these conditions, but to also allow outsourcing for straightforward technical needs (such as hosting) as well as being able to integrate to internal systems such as Oracle Financials.

The system has been built on free and open-source software, together with the requisite tools and ability to modify the source code. The original build was developed through four or five main versions of the site, with each step adding more of the necessary functionality to get the site to commercial operational standards. External consultants were engaged during the build to bring in additional skills and evaluation as necessary.

The decision to build an open and integrated API environment has enabled the screening room to deliver the main promises of the initiative. This has allowed a cost-effective source environment to be created that enables consumers to view the NFB content that they want in a quality production facility. This is especially important when consumers are watching much longer videos (average 40 minutes+) as opposed to other online sites such as YouTube where average viewing length is just a few minutes. The in-house construction also means that future developments can be scheduled when consumer preferences or other objectives dictate, such as tablet computer applications, high-definition movies, or even 3D in future.

### 2.2.1.2 Services

In this section, we address the performance of the services that have been provided through the screening room. By 'services' we are referring to all of the products and methods by which consumers wish to view content at the screening room, such as video on demand (streaming), download to own, as well as other aspects such as help and storage.

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The initial aspiration of the initiative was derived from comments received from Canadians, for instance through public opinion research<sup>11</sup> in the years leading up to the launch, as well as the commitment and drive of the NFB's leadership. This corresponds with data from our *Global Entertainment and Media Outlook* in which we project the trends in viewing habits of consumers across many media, but specifically to include online.

A key strategic decision at the time of implementation related to assessing the relative merits of a video-on-demand/streaming (rental) model as opposed to a download-to-own (sales) model. There was much debate in the industry as a whole as to which would be the most popular and the relative value of selling or repeat sales (via rental). Our perspectives from both within Canada and beyond are that in the long term the only credible solution is that consumers will want the choice and this should therefore be anticipated in the longer term. We expect that there will be a large trend towards consumers owning their own content in the 'cloud' so they can own the product (music, movies, files, photographs, etc.) and then view their content when they want, where they want, and on whichever device they choose. The decision to build all of the options for the screening room, as well as extending to additional platforms such as mobile, was well justified and is directionally in line with all of the global data, thought leadership, and consumer experience we have identified both in Canada and internationally.

The perceived benefits to the user have been the key drivers of the evolution of services on NFB.ca. We also recognize that this is a journey and the NFB.ca screening room is still relatively young. There are many advances that are possible, and needed, to ensure it continues to grow and be current and relevant to its audience. Other online properties that have been around a lot longer have developed their consumer consumption model to significantly greater levels and we feel that NFB.ca will need to do so to continue to thrive. In particular, we feel that the measurement and analysis of consumer choices and consumption is exceptionally important, such that viewers are encouraged to return and/or are directed toward films that their profile suggests they would like (as per examples like Amazon and Netflix who have leading "if you liked that, you may like this" models).

There's no doubt that the screening room is taking on a large task in attending to many differing needs, both in terms of the consumer desire for content, and the operational challenges of delivering the content (to include technology, services, new platforms, and changing social attitudes). This creates the constant need for monitoring and listening to consumer preferences as well as having sufficient investment in technology, platforms, and future content so that anticipated trends and needs can be fulfilled in a timely manner. In many examples we have found that this is an art and not a science, and that a freedom of operational decision-making is needed to support the ongoing development and trends within a digital enterprise. But at the same time there needs to be a structural rigour around how decisions are made and what gets developed or programmed on the site and when. We found these operational processes to be in place for the NFB.ca screening room, which have contributed to the success, development, and applicability of the services available from the initiative.

### 2.2.1.3 Content

In this section we address the performance of the content that has been provided through the screening room. We refer to both the historical database of content that is available for digitization as well as the new content that is continually being produced by the NFB. Here, we are evaluating the performance of how that has matched up to the original plans for the screening room.

It is fair to start by commenting that the content placed into the NFB.ca database has evolved considerably from the original time of the initiation of the screening room. The initial ambition was to place as many titles as possible into

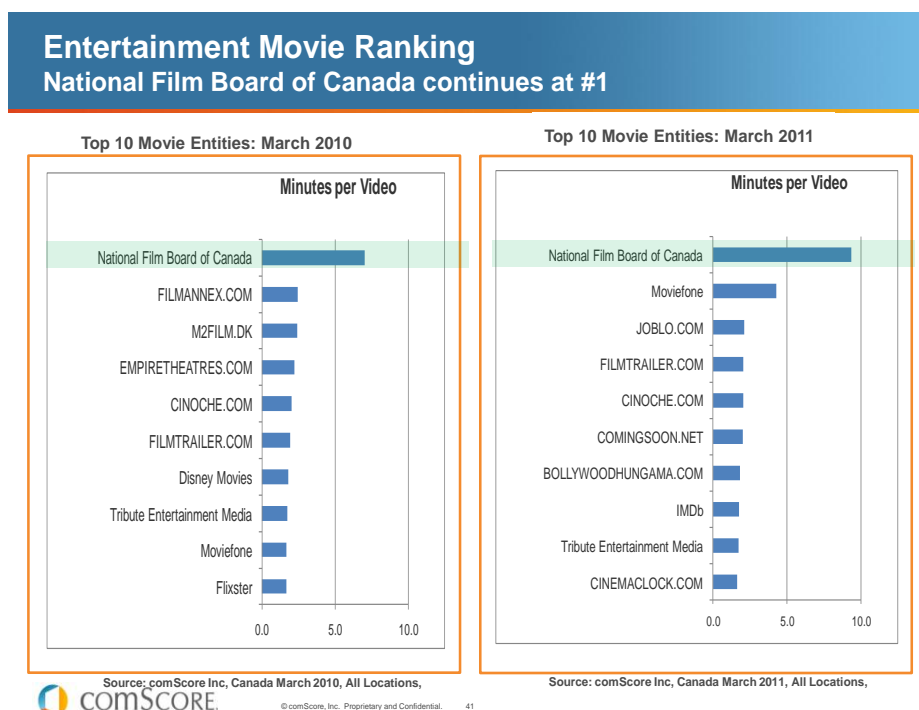
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<sup>11</sup> As an illustration, a 2008 survey by Harris/Decima revealed that the NFB was a well-known and well-recognized institution across the country, but that Canadians felt that NFB products were generally not easy to find, even for those who had seen an NFB production in the past year. (Harris/Decima, *Streaming Initiative – 2008 Benchmarking Study*, Final Report, April 8, 2008)

the screening room for launch in order to ensure an attractive proposition for viewers and to additionally help spread the word-of-mouth referrals that come from an online audience who wish to pass on what they have found to their friends, colleagues, and social networks.

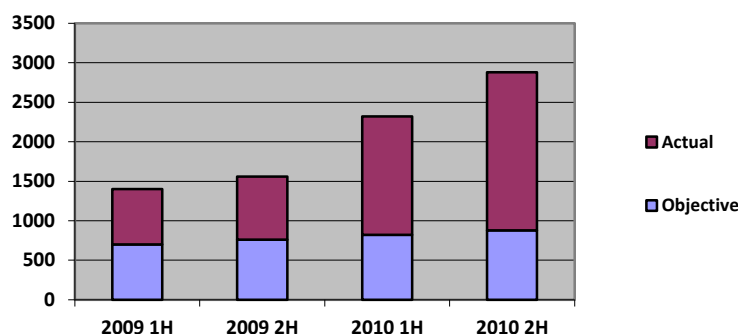
At the inception of the initiative in 2008-9, there were very few, if any, websites showing full-length feature films online. A decision needed to be made as to whether to adjust the content such that full-length films could be reproduced to make shorter versions that would appeal to the more restricted length of films typically being consumed online at the time. The NFB decided to publish a range of content, covering both short features and full-length features. As a result, the NFB has attracted a longer on-average viewing session than other relevant sites.

**Chart 12 – Entertainment Movie Ranking (minutes per video)**



At the outset of the NFB.ca screening room in January 2009 there were 700 films available. The objective was to then release a further 100 films (after the initial 700) within six months, and thereafter to release another 10 every month. The chart below demonstrates the accelerated provisions of content to the site, which correlates to increased adoption of viewing content in digital form.

**Chart 13 – Digitized Content Added to NFB.ca (Actual vs. Objective)**



Owing to the success of the NFB.ca site, we can see that the addition of content to the site has far exceeded the original expectations and plans. The management team rapidly had to adopt an organized and disciplined approach to deciding what content would be available in the forthcoming schedule in order for the site to remain attractive and valuable to returning consumers. Additionally, the schedule needs to accommodate the demands of new and different platforms, such as mobile and tablet computers, which can have different consumer preferences.

We can conclude that the addition of content to the screening room has far exceeded the original objectives that were either deemed possible or thought realistic. The rapid success of consumers wanting to view content via the screening room has mainly driven the need to increase the volume of content. That said, the screening room program has performed exceedingly well in terms of the content objectives that were initially established.

#### 2.2.1.4 Results achieved

In this section we address the results that have been achieved during the evaluation period, looking at the visitors to the site, the platforms they have been using, the geographic location of the viewers, how the viewership compares to other sites.

Soon before the launch of the screening room in December 2008 there were 80,000 visits to the site, which then rose to 200,000 in January 2009. During the initial excitement of the initial launch there were views of 45,000 to 50,000 views per day on the site, which then stabilized at 10,000 to 20,000 per day once the initial launch excitement had subsided. Over the course of the evaluation period visitors have grown as follows:

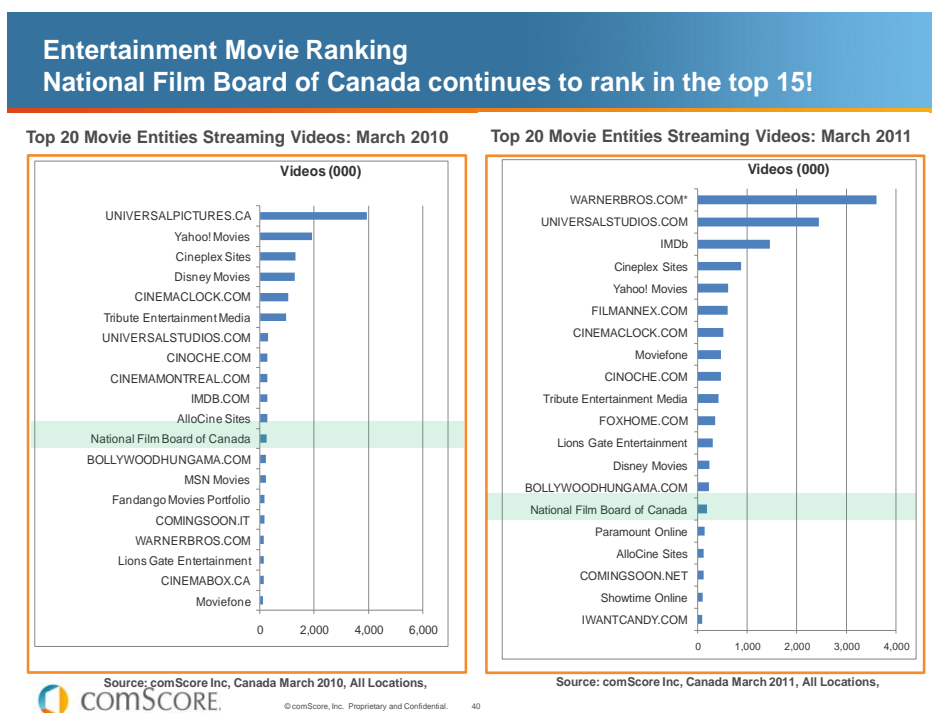
**Table 14 – Visitors by Source from 2008 - 2011**

Platform	2008-09	2009-10	2010-11	Diff TY/LY	% chg TY/LY
NFB.ca	664,989	3,642,378	4,243,758	601,380	17%
iPhone	0	720,985	680,709	(40,276)	-6%
iPad	0	0	365,819	365,819	n/a
Android	0	0	4,612	4,612	n/a
<b>Total</b>	<b>664,989</b>	<b>4,363,363</b>	<b>5,294,898</b>	<b>931,535</b>	<b>21%</b>
Diff	n/a	3,698,374	931,535		
% chg	n/a	556%	21%		



Audiences have grown substantially, both within the screening room and with partner sites. The screening room naturally carries the greater ability to control the quality of the experience and manage the audience, whereas the partner sites (both in Canada and internationally) carry the capacity for greater reach. Within Canada the NFB.ca screening room has shown roughly 10 times greater volume of content plays than partner sites (such as YouTube), whereas internationally the partner sites plays are about double the plays via the screening room.

**Chart 15 – Entertainment Movie Ranking (streaming videos)**



The content also needs to be available on platforms that consumers desire, and PwC's *Global Entertainment and Media Outlook 2011-2015* reinforces the trend towards consumers wanting to receive content where they want, when they want, and on whichever device they want. This highlights a couple of key areas that the NFB screening room has had to address, namely (a) accessibility on a range of device platforms, and (b) the ability for users to find the content they want irrespective of which device they are looking to view it on.

Within this context we can see the evolution of viewership across the mobile iPhone platform after it was launched. Initially, it was anticipated that this would represent a very small proportion of all views, but it now accounts for 15%-20% of total traffic. During the year 2009-10 when the iPhone application was launched at total of 720,000 views were recorded on the app. This undoubtedly confirms the popularity of even small handheld devices for viewing content such as films that had previously been questioned by many industry observers. The launch of the iPad version during 2010 has resulted in more than 365,000 views, during which 680,000 views were recorded on the iPhone app. While this may seem to indicated a dip in iPhone views, our expectation is that many iPhone users are also iPad users and therefore have chosen the larger 10-inch screen as their preferred viewing platform. In total, for both mobile/portable devices (i.e. iPhone and iPad) from 2009-10 to 2010-11, there was a growth rate of 45%+.

International viewership continues to grow apace, most likely as a result of social networking and referrals by word of mouth as there is little online direct marketing to encourage viewership. Audiences have grown from 2009-2011 in all of the top 10 countries and by double-digit percentages in all but France (which nevertheless still has the most viewership outside of Canada and the US).



**Table 16 – Viewership by Country of NFB.ca**

Country	2009-10	2010-11	Difference	% chg
Canada	2,485,269	2,838,999	353,730	14%
US	588,394	784,459	196,065	33%
France	184,104	194,827	10,723	6%
UK	105,880	128,808	22,928	22%
Germany	51,889	60,813	8,924	17%
Turkey	34,915	53,017	18,102	52%
Netherlands	35,445	52,017	16,572	47%
Spain	28,026	37,952	9,926	35%
Australia	29,835	37,945	8,110	27%
Italy	24,191	32,876	8,685	36%
<b>Top 10 total</b>	<b>3,567,948</b>	<b>4,221,713</b>	<b>653,765</b>	<b>18%</b>
<b>Grand Total</b>	<b>4,363,363</b>	<b>5,296,301</b>	<b>932,938</b>	<b>21%</b>
% of Grand Total	82%	80%		

Within Canada, the highest viewership levels have come from Quebec. This could be as a result of the very positive brand awareness and resonance of the NFB within Quebec as well as the nature of the content and lack of as much competition for viewership as in English-speaking Canada. This is reflected in the positive reviews received in the French press on the launch of the NFB.ca screening room and the fact that 80%+ of the content viewed in Quebec is French. Competition in French-speaking Canada is significant from [www.tou.tv](http://www.tou.tv), a well-funded online portal of French content provided by Télévision de Radio-Canada , which sources content from French-speaking countries such as Canada, Belgium, Switzerland, and France.

**Table 17 – Canadian vs. International Viewership of NFB.ca**

Territory	2009-10	2010-11	Difference	% chg	% of total NFB
Canada	2,487,156	2,840,399	353,243	14%	54%
International	1,876,207	2,455,902	579,695	31%	46%
<b>Total</b>	<b>4,363,363</b>	<b>5,296,301</b>	<b>932,938</b>	<b>21%</b>	<b>100%</b>

We have excluded the views from partners (such as YouTube) as these would have been delivered irrespective of whether the screening room was hosted in-house or via a third party.

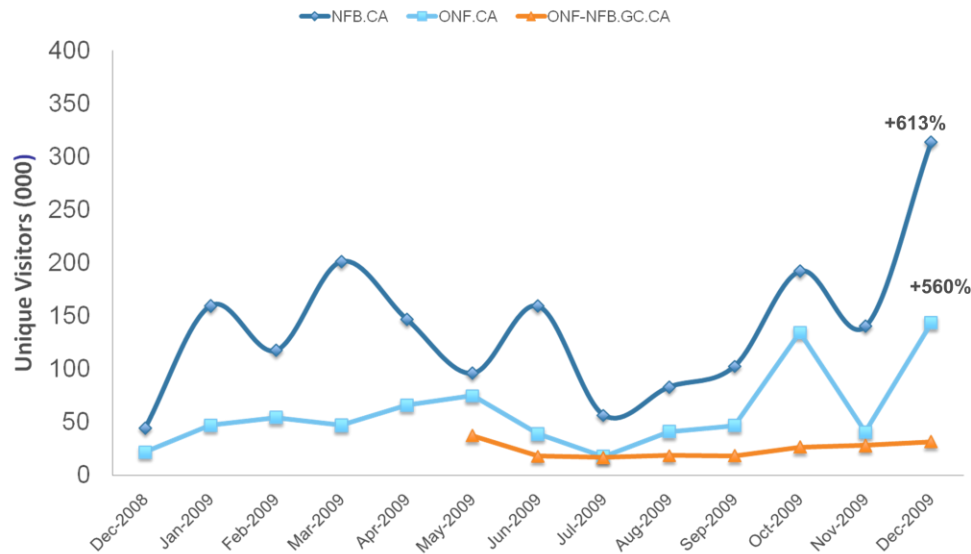
The Harris/Decima survey of 2010 reported on the increase in viewership via the screening room:

“(…) While viewing NFB productions continues to be mostly done on TV, the proportion who say they viewed it this way has declined from 2008 from 74% to 63% in 2010. Meanwhile, the number of Canadians who say they watched the NFB production online has almost tripled over this time: from 6% in 2008 to 17% in 2010 (…)”

## Chart 18 – Year over Year Trend

### Year over Year Trend

Unique Visitors: Large increase in the number of different people visiting the sites



Source: comScore Inc. Canada, All Locations, December 2008 – December 2009

The results have exceeded expectations in almost all categories. Notably, in terms the number of views both in Canada and internationally, the length of time viewers have been prepared to watch content online, and the developments that have been made available across new devices such as mobile at such a quick pace.

#### 2.2.1.5 Operations

In this section we will address the performance of the operations of the screening room initiative.

The NFB.ca initiative operates in a very competitive market space. The attractions and distractions for consumer attention are significant, and the corresponding advertising and marketing budgets that commercial organizations dedicate to achieving high audience figures are equally substantial. The size and nature of the audience becomes vital for entertainment and media organizations to survive, hence they plow millions of dollars into achieving the highest possible viewership figures, and thereby advertising and sponsorship revenues. The NFB.ca site has to compete in this environment, and therefore to some extent the size of the audience will always be a reflection of the size of the awareness and desire that is created amongst the prospective audience.

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## *2.3 Demonstration of efficiency and economy*

### *2.3.1 Governance structure of the initiative*

NFB.ca is governed from within the NFB, with relevant responsibilities allocated to appropriate qualified management teams to achieve the objectives of the initiative.

Nevertheless, we have noted that there are challenges provided in the way the governance of the NFB is structured. This is not an unusual observation when there are competing interests in an enterprise such as this, where there is content being delivered to an audience that has objectives beyond the traditional commercialization of that content.

As a public producer, the NFB has a unique mission to produce and distribute audiovisual works that are typically not being produced or distributed by the private sector (social-issue documentary films, auteur animation, interactive works). Production is not driven by box-office potential.

The marketing of the NFB.ca screening room also has some operational challenges as a result of the unique reality of government machinery, existing government standards and levels of approval. Campaigns promotion need to be sent through a defined approvals procedure, including the Department of Canadian Heritage, the Privy Council, and the Department of Public Works and Government Services Canada (PWGSC) procurement rules including agency tendering, and development of at least three concepts. The nature of this governance models means that delays can occur and can impede the timely execution of marketing campaigns. Often in marketing and media environments, substantial discounts can apply when a media owner has unsold inventory (for example, unsold advertising space in a newspaper due to appear in a couple of days). Coupled with the relatively minor marketing budget that the NFB has to promote the screening room in a competitive consumer environment, a review of this element of the governance would seem justified.

At a higher strategic level we observe that there is indeed an integrity that prevails over the content that gets created and the free hand with which the producers are enabled to get ‘their story’ created. As a result, we have to conclude that the NFB.ca governance structure is sound, but does have the opportunity make improvements in operational areas, such as marketing.

### *2.3.2 Allocation of resources*

We have considered each of the various areas involved in the NFB.ca screening room, and assessed them against the resources originally envisaged, and whether they have been deployed according to the original plan.

The web team tasked with the creation of the screening room increased from two originally to 15 within two years. The nature of the roles changed significantly to move from a transaction basis (i.e. buying the technology to do the job) to a value-driven business model whereby the assessment was about the value to the viewing experience and whether to build, buy or outsource.

The marketing resources allocated to the promotion of the NFB.ca screening room are competing in a very busy media environment. In order to generate viewer traffic, significant expenditure needs to be made to attract the relevant audience to the screening room. The competition comes not just from the traditional media, but additionally from international competitors (such as YouTube and Hulu) that are funded by huge corporate media empires with substantial budgets. Therefore, the NFB.ca site needs to attract audiences by appealing to those prospective viewers who are searching the digital world for the type of informative and educational content that the NFB provides.

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The chosen method of delivery of content was via a self-built platform. The main alternative to this would have been to outsource the delivery to a third party that would most likely have based its delivery cost model on the number of views being achieved. The relevant views to consider are as follows:

- We have needed to take a perspective of the costs that are therefore applicable to the in-house element of the technical delivery of the screening room to assess the relevant cost of delivering the ‘plays’ mentioned earlier. This is a purely quantitative financial comparison and not a commentary on other aspects (such as quality, risk and control) that apply to outsourcing versus in-house delivery. Indeed, we recognize that outsourcing to a third party often involves a significant effort in terms of contract negotiation, risk mitigation, quality control, and administrative management effort.
- The initial budgets established were adhered to and these budgets were funded through other operational efficiencies. We recognize from our market experience that these undertakings represent budgets that run into millions of dollars, but are an essential part of keeping the service up to the quality and standards needed to retain and grow customer viewings.
- On the basis of the costs-per-film viewed, we would therefore contend that the screening room allied with the partner sites (and the need therefore to have the content digitized to be viewable on other partner sites) is the most cost-effective way for the federal government to provide access to NFB productions for Canadians.

### *2.3.3 Use of the initiative as an effective way for Canadians to view NFB productions*

In this section we address the question as to whether the NFB.ca initiative is the most cost-effective and efficient way for the federal government to provide access to NFB films for Canadians.

In order to assess whether the initiative is an effective way for Canadians to view NFB films we need to assess the available channels to market. Without repeating all of the existing methods of viewing we will comment on the propensity for Canadians to consume content online:

**Table 19 – comScore Online landscape of digital audiences worldwide 2010**

### *comScore Online landscape worldwide 2010*

Canada maintains its position as the most engaging online audience, ranking among the top markets in average hours and visits per visitor in Q4 2010

			★ 1		★ 2		★ 1	
	Total Unique visitors (000)		Average hours/visitors		Average pages/visitors		Average visits/ visitors	
Location	Q4 2010	Q4 2009	Q4 2010	Q4 2009	Q4 2010	Q4 2009	Q4 2010	Q4 2009
Worldwide	1,314,031	1,206,146	23.1	23.1	2,133	2,252	53.0	54.6
Canada	22,945	23,138	43.5	42.2	3,349	3,793	95.2	88.8
China	287,451	232,037	13.5	15.6	1,238	1,599	38.6	57.7
U.S.	181,239	172,194	35.3	33.3	2,953	2,822	80.6	70.8
Japan	72,913	69,826	18.4	20.0	1,928	2,108	43.6	47.3
Germany	49,257	45,216	24.1	22.0	2,858	2,854	60.0	58.7
Russia	45,692	36,589	21.8	16.5	2,704	2,399	52.9	44.5
France	41,827	39,137	26.6	28.1	2,752	2,934	68.7	70.3
India	41,170	36,535	11.9	12.1	1,089	1,183	30.6	27.1
Brazil	39,335	32,849	25.8	27.0	2,089	2,672	56.5	58.8
UK	38,581	37,674	32.3	31.3	2,883	2,735	69.4	60.3
S. Korea	30,155	29,424	27.7	35.6	4,093	4,986	50.1	72.5

PwC

Source: ComScore Inc.

This chart demonstrates that Canadians have a very high propensity to want to consume content online (in many cases the highest in the world) and it is therefore entirely appropriate that NFB films should be available online. Thereafter we need to determine if the NFB.ca viewing room is the most effective method by which Canadians should view NFB films online. The alternative online methods of making the films available would be through a third party with a viewing platform (such as YouTube, Netflix, Google, Cineplex, etc.), broadcasters (cable companies, satellite), and distributors (television, telecoms, wireless).

The challenges of making the offerings available via third parties are predominantly in the loss of control over the quality of the content and needing to align to the typically commercial nature of the organizations doing the presentation to the consumer. So while some of the commercial aspects can be offset via licence fees or additional subsidies (i.e. by making additional funds available to the distributor), it does not easily help the way that many search and content management systems run online. Typically these management systems look for systems based on popularity and cross-referencing on metrics such as the diversity of unique users using the content. By these methods it would be increasingly difficult for the NFB to achieve the objectives of making the content as widely available as possible, irrespective of the nature of its commercial applicability or popularity.

Having considered the numerous methods by which the content could be made available online, we remain convinced that the NFB.ca initiative is the most effective way for Canadians to view NFB films. Nevertheless, we also believe that there is an opportunity to create additional awareness of the NFB.ca site to increase the effectiveness of the channel on cost-per-view basis.

The performance of the marketing of NFB.ca confirms the relevance and popularity of the screening room. With banner advertisements it is possible to target relevant audience by showing the banners on sites such as Canada.com and MSN. Through these campaigns and with the campaigns being mostly paid for on cost-per-click basis, we can confirm that the viewers are being efficiently taken to the screening room.

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### *2.3.4 Overlaps of the initiative with other services*

In this section we address whether the initiative overlaps with any other programs or services provided by the federal or provincial government, and whether the activity (accessibility of the NFB collection) could be sustained without NFB.ca.

It is important to acknowledge that there are other sites with content that are competing for the attention of Canadians, and as such the NFB.ca content needs to be relevant and unique enough to warrant its own space in the consumer's appetite for entertainment, education, and information. Sites such as [www.tou.tv](http://www.tou.tv) are very popular and generate up to 10 times as much viewer traffic as NFB.ca. This is due to a number of factors, one of which is it's a commercial site with popular TV series content whose revenues are driven and determined by audience size. Therefore, it is filled with advertising and the most popular content receives the most prominence on the site. NFB.ca is not driven by these objectives or metrics, so it's important to not draw inappropriate correlations in comparisons with metrics such as audience size.

Our conclusion is that owing to the unique nature of the NFB content and the basis upon which the screening room is able to distribute content to the market, the initiative does not overlap with other services.

### *2.3.5 Collection of appropriate information*

In this section we determine whether the NFB is collecting appropriate information to support reporting and evaluation requirements.

There are significant metrics being collected around the performance of the NFB.ca site and as with many digital properties the emphasis needs to be on collection of appropriate information (as opposed to everything that can be measured). Therefore, in order to answer the question as to the appropriateness of the information being collected, we first need to assess what can be done with the information that is collected in order to assess whether there are any gaps or opportunities for more effective management based on data that is not being collected. The main aims of appropriate data collection are:

1. Viewing figures (where they are, how often they access, etc.)

These figures are essential and collected via internal tracking tools. These are essential tools in being able to determine usage patterns and enable referrals and offer suggestions to viewers about other content that they may enjoy. In the longer term it is likely that this data will enable management decisions to be made that can increase usage and viewership of NFB content.

2. Cost management (including operations, marketing, technology, etc.)

The cost information being collected is relevant. This is important as it will allow appropriate assessment of costs on an ongoing basis to determine the point at which it may become relevant or applicable to outsource aspects of the screening room.

3. Revenues

Increasingly granular revenue data collection will become more important in order to help understand the consumption pattern of audiences. This will in turn enable the data to be used, subject to usual privacy and security regulations, to help drive recommendations for viewers to be offered more content on the basis of patterns of others with similar viewing profiles.

4. Customer feedback

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The NFB is regularly conducting public opinion surveys (with Harris Decima for instance). However, customer feedback reviews would be needed in order to better measure audiences response to viewing of specific NFB content. Additionally, there is on-going movement with respect to viewing patterns (days of the week, hours of the day, etc.). It is important that this type of metric be monitored as consumer preferences continue to change.

#### 5. Quality metrics

The NFB use a number of external tools to collect data, including Net Insight, Impromptu and Cognos. These tools use metrics that are standard across the online media industry, albeit there are some recognized limitations and/or a need to be careful about associating data between those analytical tools as they measure different events.

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## 3.0 *Conclusions*

Prior to 2008, television revenues and audiences were significant for the NFB and a major distribution channel. But the television channel was becoming challenged by the fact that it was anonymous and both revenues and audience numbers were falling rapidly. Physical sales of DVDs were also dropping fast.

The NFB recognized that a significant change would need to be made to directly address these challenges. The underlying reasons behind the declines were fundamentally based upon changing patterns of consumer behaviour, and how people were increasingly engaging with technology and content. Namely, Canadians especially were rapidly adopting the use of the Internet as a preferred medium for consuming content. The NFB.ca screening room was initiated to address these changes in Canadian consumer habits, with a focus on enabling the best possible viewing experience in the first instance to draw the audience to an experience that was on a par with the best available in the market. The longer-term objective will be to use the weight of that 'known' audience to enable more significant monetization of the value of that audience.

The decision to build an open and integrated API environment has enabled the screening room to deliver the main promises of the initiative. This has allowed a cost-effective source environment to be created that enables consumers to view the NFB content that they want in a quality production facility. This is especially important when consumers are watching much longer videos (average 40 minutes+) as opposed to other online sites such as YouTube where average viewing length is just a few minutes. The in-house construction also means that future developments can be scheduled in as and when consumer preferences or other objectives dictate, such as tablet computer applications, high definition movies, or even 3D in future.

There is no doubt that the screening room is taking on a large task in attending to many differing needs, both in terms of the consumer desire for content and the operational challenges of delivering the content (to include technology, services, new platforms, and changing social attitudes). This creates the constant need for monitoring and listening to consumer preferences as well as having sufficient investment in technology, platforms, and future content so that anticipated trends and needs can be fulfilled in a timely manner. In many examples we have found that this is an art and not a science and that a freedom of operational decision-making is needed to support the ongoing development and trends within a digital enterprise. But at the same time there needs to be a structural rigour around how decisions are made and what gets developed or programmed on the site and when. We found these operational processes to be in place for the NFB.ca screening room, which have contributed to the success, development, and applicability of the services available from the initiative.

We can conclude that the addition of content to the screening room has far exceeded the original objectives that were either deemed possible or thought realistic. Generally, the rapid success of consumers wanting to view content via the screening room has driven the need to increase the volume of content. In particular, it was unknown at the outset whether longer-length feature films would be popular via this medium and there was little empirical evidence to rely upon.

The results have exceeded expectations in almost all categories: in terms the number of views both in Canada and internationally, the length of time viewers have been prepared to watch content online, and the developments that have been made available across new devices such as mobile in a short timeframe. But there is also significant and growing competition from other sites that may have different content and offerings but provide the convenience of online viewing. This competition comes from many sources, both locally in Canada in French and English, as well as internationally.



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# 4.0 Recommendations, management response, and action plans

## RECOMMENDATIONS

### 1. Marketing

It will be important to continue to increase the level of user/consumer input with regard to decision-making. For example, as different revenue models are considered this will be needed to assess different potential levels of subscription, different pricing options, and different levels of service that might be desired by different audiences.

We believe it is important to review the governance model to allow for rapid approval of marketing communications messages that can be executed to take advantage of heavily discounted, often last-minute, media opportunities.

#### *Marketing to overseas*

Significant growth can be expected from international audiences through relatively cost-effective digital means such as search engines and social media.

A review of the level of marketing resources is needed to help achieve the overall aims of the NFB.ca, as at present the budget and overall activity seems low in comparison to the breadth of appeal of the screening room.

### 2. Continued development

The screening room will need to continue to invest significantly in future developments in order to be relevant to future audiences. The pace of change seemingly continues to increase, especially with the change in preferred viewing options and platforms (such as mobile and tablets).

Video on demand (VOD), streaming and all other ownership models (direct to cloud) will be important to make the content available to as wide an audience as possible.

#### *Exploring IPTV opportunities*

Both in Canada and abroad, consumers are increasingly wiring their homes to take advantage of free-to-air TV stations and then wiring their main televisions to the Internet (many of which are now Internet enabled). This will allow direct streaming of the NFB.ca site to the TV and could offer significant audience growth opportunities if the right offer and partnerships can be struck.

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## **MANAGEMENT RESPONSE & ACTION PLAN**

### **Recommendation #1 – Marketing**

Management accepts the recommendation for increased marketing. The development of a user management hub (completed in 2011-2012) will further enable the NFB to monitor and respond quickly to consumer needs and be in a position to assess potential new offers, pricing and levels of service. As the online marketplace becomes increasingly more competitive, it will be important to increase development resources to our online activities. Regarding governance, the NFB has undertaken discussions with the Department of Canadian Heritage concerning the flexibility required by the NFB in marketing its productions in a timely manner.

**Implementation date:** On-going

**Responsibility:** Director General, Accessibility and Digital Enterprises (marketing) and Assistant Commissioner, Office of the Assistant Commissioner and Corporate Services (governance)

#### *Marketing to overseas*

Management accepts the recommendation to increase marketing overseas. Though the primary goal of the NFB is to serve the Canadian population, we agree that there is potential for revenue generation in the overseas market. To this end, the NFB recently signed an agreement for a dedicated on-line channel with a Chinese on-line distributor (a first for a Canadian organization). Within the confines of available resources, management intends to actively seek out partnerships and opportunities internationally over the next two fiscal years.

**Implementation date:** 2012-2014

**Responsibility:** Director General, Accessibility and Digital Enterprises

### **Recommendation #2 – Continued development**

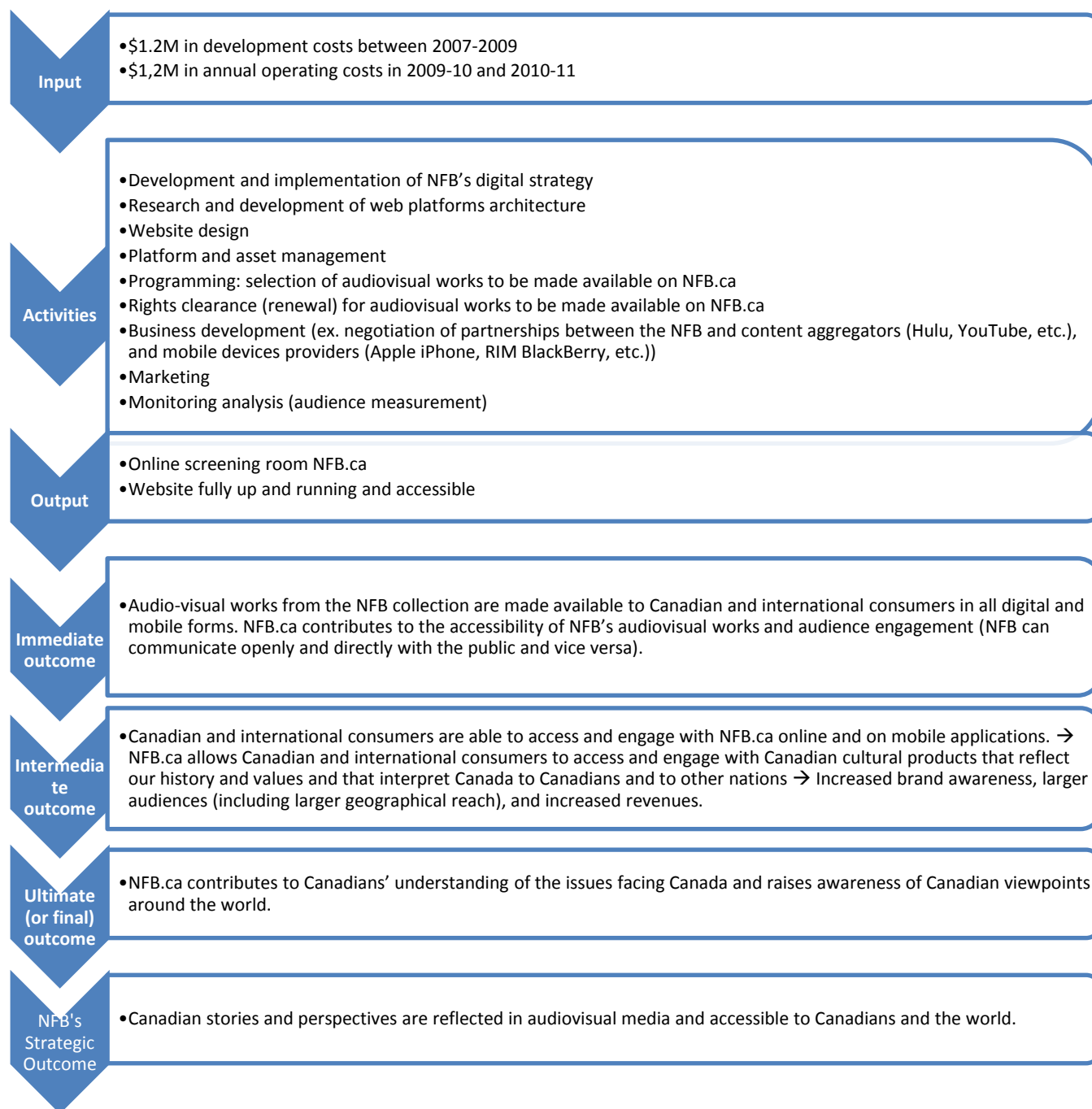
Management accepts the recommendation for continued development and has built continued development into the NFB.ca plan. Choices made at the onset have enabled the NFB to scale and further develop the NFB.ca ecosystem to respond to growing consumer choice in mobile and connected TV. The NFB has negotiated application creation and placement with the major suppliers of connected television (LG, Samsung and Google/Sony). Continued monitoring and development is critical.

**Implementation date:** On-going

**Responsibility:** Director General, Accessibility and Digital Enterprises

# Appendices

## Annex 1: Logic Model



## Annex 2: Evaluation Matrix

Evaluation Issue	Performance Indicator	Methodology
<b>Main Issue: Relevance</b>		
<i>Issue #1: Continued need for the program</i>	Evidence of continued need for digital access to NFB productions	- Document review - Literature review (e.g. industry trends)
1. To what extent is the initiative responding to (a demonstrable need and is responsive to) the needs of Canadians?	Evidence that NFB.ca provides a service/ product that other organizations do not	- Online survey
<i>Issue #2: Alignment with Government priorities</i>	Alignment of NFB.ca objectives with current federal priorities	- Document review - Key informant interviews
2. Are the online screen room NFB.ca objectives consistent with (i) the Government of Canada's current priorities and (ii) the NFB's strategic objectives?	Alignment of NFB.ca objectives with NFB's strategic objectives and outcome	
<i>Issue #3: Alignment with Federal Roles and Responsibilities</i>	Alignment of NFB.ca with federal legislation, policies and programs	- Document review
3. To what extent the federal government has a role and responsibilities in delivering NFB.ca?		
<b>Main Issue: Performance</b>		
<i>Issue #4: Achievement of Expected Outcomes</i>	Percentage of Canadian population who say they viewed an NFB production	- Document review - Quantitative analysis (statistical data)
4. Is the initiative being delivered/ implemented as it was designed? What results have been achieved? What are the strengths and weaknesses of the initiative's design?	Total number of Canadian audience and international views by access channel	- Key informant interviews - Online survey
	Total number of views by level of engagement (anonymous, registered or customer)	
	Percentage of Canadian population who have access to NFB programming	
	Percentage of Canadian population who used, accessed, viewed an NFB	

Evaluation Issue	Performance Indicator	Methodology
	product	
	Number of clients, users and audience reached	
	Critical acclaim (awards, etc.)	
<i>Issue #5: Demonstration of Efficiency and Economy</i>	Assessment of resource utilization in relation to the production of outputs and progress toward expected outcomes	- Key informant interviews
5. Is the governance structure of NFB.ca effective?		
6. Have the resources been appropriately allocated under this initiative? Are the NFB.ca resources adequate?	Has the cost of implementing the initiative exceeded standard operating allocations? Has it been delivered on budget? Financial monitoring?	- Document review - Key informant interviews
7. Is NFB.ca the most cost-effective and efficient way for the federal government to provide access to NFB films for Canadians?	Alternative solutions  Resources utilization  Optimal delivery	- Document review - Comparative cost analysis - Key informant interviews
8. Does the initiative overlap with any other programs or services provided by the federal or provincial government? Could the activity (accessibility of NFB collection) be sustained without NFB.ca?	Overlap with other federal or provincial government initiatives	- Literature review - Key informant interviews
9. Is the NFB collecting appropriate information to support reporting and evaluation requirements?	Audience measurement data  Other performance data being collected by Accessibility and digital enterprises	- Key informant interviews

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# ***Closing Statement***

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*PwC Statement:*

*We have provided no opinion, attestation or other form of assurance with respect to our work or the information upon which our work is based. The procedures we have been performing under this Agreement did not constitute an examination or a review in accordance with generally accepted auditing standards or attestation standards. We have or will not audit or otherwise verify the information supplied to us in connection with any engagement under this Agreement, from whatever source, except as may be specified in the Agreement upon which this work is based.*

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