

The State of Virtual Reality in Canada

Pulse on VR: Situation Analysis Q1 2018

VR 2017: An overview

For the VR industry, 2017 ended with mixed feelings. In 2017, high expectations for consumer adoption have given way to the realization that VR is still in its exploration phase. VR stakeholders are still searching for the killer app or the intuitive hardware that will drive adoption to the point where it achieves critical mass. Most notably, headset sales have generally been slower than expected.

Despite this bracing reality, the global VR industry showed more signs for optimism in the second half of 2017, signalling that the potential of VR slowly but surely being realized, including:

- Global VR industry 2017 revenue amounted **\$6 billions¹**, an 84% increase from 2016.²
- Estimates of the number of VR head mounted displays (HMD) out there range from **9 to 15 million units**.
- Sony PlayStation VR sales have exceeded expectations with more than **1.5 million units shipped in 2017³**.
- Location Based Entertainment acts as a consumer catalyst, introducing new audience to high-quality VR. In 2017, consumers spent about **\$800 million in VR arcades globally²**.
- Familiarity with VR continues to climb: **68% of US consumers have tried VR** as of Q1 2018, against 67% last year⁴.
- As hardware and software become more precise and professional, companies also start seeing commercial and educational use-cases (productivity tool, real estate virtual tour, tourism, etc.).

Content-wise, VR has grown to be recognized as a medium of its own. Fiction and non-fiction VR content approach maturity as artists learn its own composition, acting and storytelling rules. Around the world, major festival embraced this emerging trend, including Canadian festivals:

- **Cannes Film Festival:** The Film Market dedicated 16,000 square feet to VR and new medias. Canada showcased 4 VR productions during two projections of its *Canada Big on VR* program.
- **Berlinale:** The European Film Market hosted the VR Now Summit to demonstrate how film, television and immersive media are all coming together. Stéphane Rituït, Co-founder of Montréal Felix & Paul Studios was the key speaker.
- **SXSW Virtual Cinema:** This year again, SXSW exhibited 25 projects ranging from 5 to 40 minutes.
- **Sundance New Frontier:** The festival's selection presented more than 20 VR and AR projects.

¹ All amounts in Canadian dollar.

² Greenlight Insights, *2018 Virtual Reality Industry Forecast, Spring Edition*

³ Super Data Research

⁴ Greenlight Insights, *2018 VR Consumer Study*

- **TIFF:** The organization's year long programming includes conferences and curated VR projects.
- **HotDocs:** North America's largest documentary festival showcased ground-breaking VR projects in its 2018 DocX series.

Although total sales did not reach the forecast figures, 2017 has been a record year for global headsets shipments:

| Headset | Type | Cost (\$CAD) | Other cost (\$CAD) | 2017 Total Unit Volume |
|----------------------|---------------------|-------------------------|--|------------------------|
| Samsung Gear VR | Mobile-Based | \$200 | Samsung Smartphone (starting \$300) | 3.7M |
| Sony PSVR | Tethered (Console) | \$380 (complete bundle) | PlayStation4 (\$290) | 1.7M |
| Oculus Rift | Tethered (Computer) | \$530 | Oculus-ready computer (starting \$1,000) | 0.33M |
| Google Daydream View | Mobile-Based | \$139 | Smartphone (starting \$300) | 0.15M |
| HTC VIVE | Tethered (Computer) | \$700 | Vive-ready computer (starting \$1,000) | 0.3M |

VR market forecasts⁵

Global VR revenues are expected to grow **by 91% this year**, driven by head-mounted display (HMD) sales, VR cameras and location-based entertainment. The worldwide VR market will be valued at **\$11.5B as of year-end 2018**.

Forecasts also indicate that almost **15 million head mounted displays** will be shipped worldwide in 2018 (excluding Cardboard and similar basic products). The Canadian market will continue its steady growth and represent 2.6% of 2018 HDM shipments. Mobile-based headsets (e.g. [Samsung Gear](#), [Google Daydream View](#)) are the most popular product.

VR hardware is a very consolidated market, with the top six HMD manufacturers currently accounting for 71% of shipments. The past months saw the introduction of innovations by leading players:

- HTC announced the [VIVE Pro](#) in March 2018. Presented as a professional-grade VR headset, this HMD offers an enhanced audio and visual experience for \$999.
- HTC also presented the **VIVE wireless adapter**, shipped later this year, which allows users to get rid of cables disrupting the experience.

⁵ Global forecasts from Greenlight Insights, *2018 Virtual Reality Industry Forecast, Spring Edition*



- The [VIVE Focus](#), HTC standalone headset, is planned to enter western markets this year.



- Facebook recently launched the [Oculus Go](#), a standalone HMD available starting \$269. Services like Oculus TV, a live and on-demand platform, are now available.



Standalone headsets are a turning point in VR. They do not require connection to high-end expensive PC or consoles. In addition to the new Oculus Go and the upcoming Focus, [Lenovo's Mirage Solo](#) and [Pico's Goblin](#) are already on the market. Projections show that standalone headsets will be the fastest growing consumer HMD category in the next 5 years, playing a crucial role in the expansion of user base.

State of the Canadian Ecosystem

Canadian VR stakeholders also feel a mix of confidence and impatience. This quarter our survey reached more than 250 companies employing almost 2,500 people. The industry has seen rapid growth in the last three years with **31% of VR products already in the market and generating revenue** but is dealing with challenges such as **limited financing** (private and public) and the **(im)maturity of the market**. More than two-thirds of companies are developing content related products, and more than 86% of content products are interactive in nature. The industry is **hopeful** about VR becoming mainstream in four years.

Canada VR industry will continue to build on previous achievements in the coming year. With an estimated audience of 3.3 million Canadians, or less than 2% of the global VR audience, the Canadian VR industry will still manage to **capture 3.5% of the total VR industry revenue in 2018**.

Canadian companies have become leading forces in the VR industry by capitalizing on a strong digital and interactive sector. These valuable skills and talent for innovation has brought Canadian companies to **foreign investor's attention**. The most vivid and recent example is [Vrvana](#), a Montréal-based AR/VR company acquired by Apple in a \$30 million deal. Canadian excellence has been several featured in the [HTC VIVE X Accelerator program](#). Last November, HTC announced that Toronto studio [Quantum Capture](#) would be part of VIVE X third batch.

Canada is particularly involved in the development of **location-based VR entertainment**. VR arcades and theatres are becoming one of the fastest growing sectors in this industry. Global spending in VR facilities is expected to double this year and Canadian players may already be positioned to capture this revenue. For example, [CTRL V](#), one of the first VR arcade company, is now expanding in the US and counts 15 locations in North America with more to come. Vancouver start-up [Mobile Reality](#) brings VR to the people with the world's first mobile VR arcade, launched in January.

Canadian VR content is also making a name for itself internationally. During its E3 conference, [Ubisoft](#) presented its VR title *Transference*, developed by its Montréal studio and coming next Fall, reaffirming the interest of major studios in VR games and the Canadian expertise in immersive entertainment. Short films by [Félix and Paul Studios](#) and are programmed in festivals worldwide.

There are many more paths to explore and Canada has the opportunity to lead the way. Experimentations are done across Canada, not only in entertainment, but also in education, health and research, such as [University of Saskatchewan's College of Medicine](#) using VR as a learning tool. The Canadian VR industry is hopeful and definitely eager to innovate, despite the persisting challenge of funding.

Investments in VR

Canadian companies continued to attract domestic and foreign investments in 2017. Interest in enterprise and vertical solutions increased in 2017, as shown by a select number of investments in Canadian companies outlined in the following table:

| Company | Product/Service | Funding | Amount raised (USD) |
|--|---|----------------------------------|---------------------|
| SpherePlay (QC) | Solutions for broadcasters and media companies to create and distribute VR content. | Venture Capital November 2017 | \$1.26 million |
| Blueprint Reality (BC) | Mixcast, a solution for the broadcast and presentation of mixed reality. | Venture Capital April 2018 | \$2 million |
| Veerum (AB) | A platform that creates an exact VR replica of an industrial project to predict and resolves issues in VR before they impact reality. | Seed April 2018 | \$3.9 million |

In addition to these successful fundraising rounds, an encouraging number of VR media projects have recently been funded through Canada Media Fund co-production programs:

- *DNA Danse*, a VR experience co-developed by Zone 3 (QC) and German studio INVR Space received over \$120,000 in funding through the **Canada-Germany Digital Media Incentive**.
- 5 VR applications developed by Canadian and Israeli companies were granted about \$775,000 in funding through the **Canada-Jerusalem Co-development and Coproduction Incentive**.

However, with a modest increase of 6% from 2016, global funding for VR and AR showed a slowdown in 2017². Canadian stakeholders have also expressed **concerns regarding access to funding**. Domestic investors remain risk-averse in comparison to what is happening south of the border. Without any clear funding model, Canadian ideas may either flew away to more welcoming ecosystems or may simply never be realized. All the elements for a thriving VR sector are here: they just need to be aligned.

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