

27th November 2008

# nmatv

## Closed minds

The TV commercial production industry remains devoted to making linear ads, despite interactive's wider possibilities. Is it just a question of budgets or is there a reluctance to engage with online ads?

by Adrian Pennington

» According to the IAB, in the first half of this year online ad spend rose to £1.68bn, increasing its share of the total UK ad market by four percentage points to 18.7%, only three points behind TV (21.7%). Yet the production industry for TV content and commercials, in its traditional Soho base, remains rooted in linear output.

The picture is complex. Most online ad spend is actually on search, with display budgets accounting for just 20%, at £338.8m. This compares even less favourably with the value of the TV advertising market. Yet while producers complain about structural inertia and a cultural mind block at broadcasters and agencies to interactive media, many report a steady trickle in digital commissions.

"Our digital business has grown pretty massively in the last six months," says Mark Pytlik of Stink Digital, highlighting work for Nike and Mastercard. "We definitely feel it's robust and that budgets are shifting to digital."

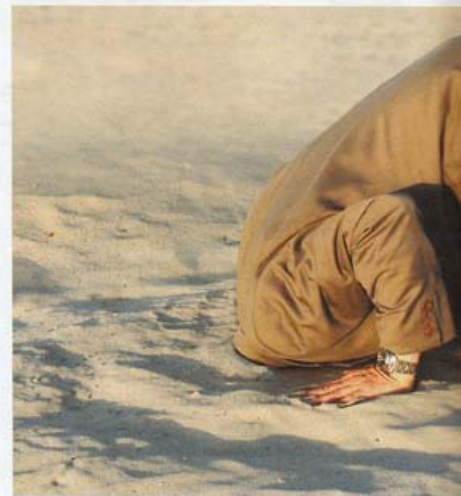
Jimmy Maymann, CEO of viral marketing and branded content agency GoViral, says, "We're still seeing a lot of video advertising based on a re-edit of a TV commercial, but there has been a shift as advertisers start to spend more on original production."

Nevertheless, Liz Smith, head of digital ad producer Film38, says, "There's a lot more desire than demand. We get lots of briefs that never actually come to anything. The client and agency want to create original content on new media platforms but the plans often get dropped."

This situation has knock-on effects among production suppliers, most notably for the key decision about when and how far they should reorganise to accommodate digital. A producer would hope to port core skills in storytelling, technical execution and budget management over to digital, but there are those who argue that digital is so different it requires a fundamental understanding of interactivity and a collaborative, multi-disciplinary approach. In either case, a new business model has to be found since right now the budgets for online video are a fraction of those Soho's finest are used to.

"Budgets are getting bigger but they're nowhere near what they should be," says Pytlik. "They take a zero off the budget and call it a viral, thinking that's enough to compensate." Yet production values remain the same, regardless of platform. "To produce half-decent video you need a crew, location, cast, talent and so on," he adds. "But whereas for a TV ad the budget may be £500,000 clients expect the same on the web for £50,000."

Dan O'Rourke, MD of animation producer Not To Scale,



says, "Because it's a smaller screen they seem to think the budget should reduce. It really is that simplistic."

Nevertheless, traditional TV commercial producers like Stink, Partizan and Park Village have launched digital wings to cater for nascent demand. "The 30-second commercial is still our biggest business, but with digital you have to be in it from the start," says Park Village owner Tom Webb, referring to recent digital campaigns for Barclaycard, Doritos and Revels.

### Higher output

What's unclear is how successful they'll be competing with digital-only specialists, whose working practices sit comfortably within the confines of tighter budgets. "Some producers are setting up digital arms as a loss-leader so they don't get left behind," says Film38's Smith. "But for digital to fill the gap created by a loss of big-budget TV ads, production companies will have to produce an awful lot more work than they did before."

Whereas traditional TV commercial producers may survive on four high-budget campaigns a year, employing a skeleton staff then ramping up with freelance talent as production starts, digital producers need at least four projects a month and employ multiple permanent staff, keeping most, if not all, post-production in-house. Park Village recognises this, dipping into its TV talent pool as necessary but building its digital business around the filming, editing and all-round technical talents of three producers. One of these, director Matt Hollis, says, "We're trying to stay at the cutting edge so those who make traditional TV ads can't compete with what we're doing."

Contrast this with Unit9, an established interactive specialist with 50 staff. "Our model gives us much more flexibility so when an agency pitches to a client we can deliver multiple treatments," says co-founder Tom Sacchi.

At the heart of the issue is the outmoded divide at agency level between digital and traditional arms, which means expectations are often at odds with what can be practically delivered. "Whereas two to three years ago there were very prescribed methods for how an agency

**WEBER** "Digital producers are pitching to us with a new vibrancy"



### quick facts

- In the first half of 2008 online ad spend rose to £1.68bn, 18.7% of the total UK ad market and only 3% behind TV.
- The ad production community believes there's a fundamental disconnect in the way agencies handle interactivity.
- Budgets are still a problem, with online often getting a tenth of the money assigned to a TV commercial.
- Traditional TV commercial producers like Stink, Partizan and Park Village have launched digital wings to cater for nascent demand.



“Because it’s a smaller screen they think the budget should reduce. It’s that simplistic”

**Dan O’Rourke, Not To Scale**

on the cheap just isn’t sustainable.”

Smith says, “Digital is nowhere near as important as TV. It doesn’t make anywhere near as much money so there’s an attitudinal and financial lack of infrastructure.”

Creative agencies have tended either to sprout digital arms to handle the interactive portion of production, or to take it to a specialist digital agency. “We might originate a campaign with one agency but work with another on online execution,” says Chris O’Reilly, co-founder of animation house Nexus. “It feels convoluted to have two agencies developing different sides of the same concept, and harder to join the big idea together.”

“It’s alarming,” agrees O’Rourke. “Some agencies still come onto the digital side right at the end. It’s not planned and that needs to change.”

“The digital arms of agencies don’t get the full support of the agency,” says Unit9’s Sacchi. “Moreover, if all an in-house digital department does is produce web banners, guess what suggestion they’ll pitch to the brand? They should be media-neutral, trusting the producer to apply the concept to the appropriate platform.” UK agencies aren’t blind to this, he says, they just lag behind their counterparts in the US (where Unit9 does most of its work), which have already worked through this process.

Leading TV commercial producers like RSA, Gorgeous and Outsider, which have solid agency relationships and strong track records, are in no imminent danger, but mid-ranking producers may struggle to adapt, creating opportunities for digital specialists.

“Digital producers are pitching to us with a new vibrancy,” says Lawrence Weber, production director of digital agency Work Club. “They’re using the language of TV ad pitches, they’re confident in asserting higher budgets and they’re increasingly proud of their work.” Unit9 appears to have come full circle, he suggests, by promoting the creative talents of key interactive directors. “It’s the old model in new clothes,” agrees Sacchi.

It seems inevitable that agencies will converge their digital and traditional teams and develop truly integrated cross-media campaigns from the outset. “People talk about online and TV as different things when we’re moving towards everything being online,” says Nexus’s O’Reilly. “Agencies are aware of the fake split but the most difficult thing is working at a time when the business models are up in the air. The good news is there will always be a need for storytellers and content authors, which is where production companies thrive.” ●

and producer fitted together, that model has been upended and everything is in a state of flux,” says Pytlik.

The traditional process saw production companies parade their roster of directorial talent before heads of TV, who hired one of them to become the creative force of the campaign. “Digital is far less structured,” explains Film36’s Smith, whose work includes digital signage for Heineken and online video for the launch of the Mazda6. “Many people in an agency’s digital arm haven’t come from a production background so we sometimes have to help them rework the concept into something viable within the budget and timescale. It’s a lot more collaborative and you’re involved in the process much earlier. That’s why a director-led approach doesn’t work.”

“Digital content that only works within the mechanisms of a website can be quite labour-intensive to shoot,” says Camilla Wood, marketing chief of Rattling Stick, recipient of the BTAA’s 2008 Production Company of the Year award. “As such, there’s often little creative involvement for the director or the production company. They can’t put it on their showreel, which is often the sole reason for taking on low-budget work.”

**Split approach**

Almost to a man, the ad production community believes there’s a fundamental disconnect in the way agencies handle interactivity, compounded by under-appreciation of digital’s creative potential. “Digital tends to be divided into two camps: work derived from TV and pure digital briefs,” says Not To Scale’s O’Rourke. “What’s frustrating is that digital seems to come on board as an after-thought.”

“The financial allocation for filmed content on the web still seems low,” says Wood. “I don’t know whether this is due to a lack of understanding of how film works or the fact that media is so disparate that there simply isn’t enough money in the overall pot. You see the odd viral script with money attached, where you may make a fairly respectable margin, but on the whole it’s thought of as a way to get a quick, cheap idea out. Realistically, pulling favours from creative service providers to get films made

**tv moves online**

Similar trends around digital are being witnessed on the editorial TV content production side as traditional independents adapt to new media. “Demand isn’t yet massive,” says Ellen Windemuth, MD of factual TV producer Off The Fence. “The online industry won’t succeed unless it creates substantially different offerings to conventional TV.”

She cites her company’s first fully funded online commission, *Extinction Sucks*, from Babelgum. Another might be HatTrick’s first online drama *Neon Candy*, a series of 13 five-minute episodes commissioned by Ford’s media agency MindShare.

RDF Digital, a division of RDF Media Group, partnered with Bebo to launch user-generated content into space for its *A Message From Earth* campaign, and is in talks with another social network about a web drama.

What these initiatives have in common is a lack of broadcaster involvement. “The opportunity for producers wanting to make original content lies outside the terrestrial platforms,” says RDF Digital head Zad Rogers. “Many producers still see online as another platform for distributing linear TV, but making web support for broadcast content isn’t a business incentive.”

He’s keen to take a share of online’s growing ad revenues. “Producers have always wanted to share in the value of content they create rather than hand it to broadcasters. Online gives us the chance to own IP, which is always valuable,” says Rogers.

