THE PRODUCTION BUSINESS 2018

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THE CONTEXT

Audio visual content has become a commodity. It is now so important to people's lives that it could even be described as a utility. Some have likened it to oil, such is its value.

But just as getting oil out of the ground isn't easy, it's also remarkably difficult to create content that large numbers of people actually want to watch. It's with good reason that many of the skills that are applied to the production of content are called 'crafts'. Even content that may appear unchallenging from the viewer's point of view is still extraordinarily difficult to make – not because of the amount of technology that needs to be applied to the process (although that amount is huge), but because of the editorial skill required to source and shape material into a form that can hold the attention of millions.

> It's remarkably difficult to create content that large numbers of people actually want to watch

So perhaps it is little wonder that content production is largely regarded as a world unto itself – mysterious, intimidating and inaccessible. Business and technology colleagues will often roll their eyes at the sheer difficulty of trying to communicate with people who work in production. But that difficulty is hardly surprising: the mindsets of creative, business and technology people are very different because their minds quite literally work differently.

> Content production is largely regarded as a world unto itself – mysterious, intimidating and inaccessible

But does it matter if no one outside production understands how production works? The answer has to be yes. Numerous companies make products and services designed for use in production. Production people are the customers of such companies. It is axiomatic that you should know your customers; yet most of the companies that make production-facing products and services struggle ever to meet a producer.

The DPP is committed to building understanding across the media supply chain so that customers and suppliers can develop and exploit opportunities from the endlessly expanding and transforming media market. A rich and informed understanding of business need is at the heart of everything the DPP does.

> It is an axiom of business that you should know your customers; yet most of the companies that make production-facing products and services struggle ever to meet a producer

That's why the DPP has undertaken this first ever in-depth survey of how production companies work. The aim was to build a picture of production from the inside, by asking production companies what they are making, who they are making it for, and how they make it.

It has been a considerable research project, and the DPP would very much like to thank its Member company, **Dropbox**, without whom this ground breaking project would not have been possible.

Dropbox

The Survey

A survey questionnaire consisting of 50 questions was sent to a wide selection of production companies in early 2018. Most of these companies were in the UK, but some were located abroad.

The survey asked questions in the following areas:

Basic company information

Name, location, number of employees, turnover, profitability

Content creation and how the company does business

Type of content created, genres, styles, customers, production schedules

Workforce

Number and type of employees, disciplines and job roles, insourcing and outsourcing, location, office environment

Tools and services

IT, connectivity, workplace tools and services, production tools and services, facilities, sales tools

Media assets

Exploitation, storage, security

Future of the business

Efficiency and revenue opportunities and challenges

The vast majority of the questions were in the form of choices from a prescribed range of responses, rather than free text. This approach was employed to ensure that responses could be easily analysed and presented as data. Not every respondent answered every question. Where this is the case, the percentages given relate to completed responses.

The Production Companies

57 companies completed the survey. Although the companies are identified below, the completion of the survey was undertaken on the understanding that the data relating to individual companies would remain confidential.

40 PARTNERS	AJ+	ANGRYCHAIR
ANIMAL VEGETABLE MINERAL LTD	AURORA MEDIA WORLDWIDE UK LTD	BBC CHILDRENS
BBC STUDIOS LTD	BOLD YELLOW MEDIA LTD	BOUNDLESS
BULLION PRODUCTIONS	THE CONNECTED SET	DRAGONFLY FILM & TV PRODUCTIONS LTD
ENDEMOL SHINE UK	FACTORY FILMS	FOREIGN FILMS
FULWELL 73 PRODUCTIONS	GLOBEGIG MEDIA	GREEN ROCK
INITION LTD	ITV STUDIOS	JACKSHOOT
KIDEO INC	LIME PICTURES	LITTLE DOT STUDIOS
LITTLE GEM	MAKE PRODUCTIONS	MATOBO LTD
NEMORIN FILM & VIDEO	NORTH ONE TELEVISION	NOSTAIRWAY CREATIVE

NUTOPIA LTD

OUTLINE PRODUCTIONS

QUICKSILVER MEDIA LTD

RAISE THE ROOF PRODUCTIONS

RDF TELEVISION

RED PRODUCTION COMPANY LIMITED

REMARKABLE TELEVISION

ROLLOUT PICTURES LTD

RUBBER REPUBLIC

SEQUEL GROUP

SILVERBACK FILMS LTD

SPIRIT DIGITAL MEDIA LTD

SPRAT

STRAWBERRY BLOND TV

STUDIO LAMBERT

SWEETWOOD FILMS UG

TECH TV

TIGRESS PRODUCTIONS

TINOPOLIS

TRAILBLAZER

TRUE NORTH PRODUCTIONS LIMITED

VAUDEVILLE PRODUCTIONS

VICE MEDIA

WILBURR PRODUCTIONS LTD

WILD EDRIC MEDIA

WINGSPAN PRODUCTIONS LTD

ZIG ZAG PRODUCTIONS

The respondents reflect the extraordinary diversity of the production market – from the in-house production departments of major broadcasters, to established independents, to companies run by one or two people. The type of content they make also covered the full range, from multi-million pound drama to low cost branded short form content.

Categories of Company

Despite the diversity of our respondents, the companies naturally divide into three broad categories, and these categories are often key in the analysis that follows:

LARGE VS SMALL

Size of company has been assessed by turnover rather than number of employees, since many production companies have relatively few staff employees, but scale up and down through the use of freelancers.

A large turnover has been taken to be above £5m per year, and a small turnover as below £5m per year. However the report frequently uses other, more precise, measures of small – such as companies below £1m per year in revenue.

OLD VS NEW

In the fast moving world of media, it doesn't take long to become old. For the purposes of our analysis an old company is one established five years ago or more – that is, before 2013. A new company is therefore one that is five years old or less.

BROADCAST VS NON-BROADCAST

This is perhaps our most significant differentiator – and arguably the most interesting for this study. Broadcast companies are taken to be ones that derive most of their revenue from established broadcasters; non-broadcast companies mostly create work for other customers, such as online platforms and corporates.

In this report the distinction between broadcast and non-broadcast is made so frequently that we have colour coded the terms for clarity: broadcast and non-broadcast.

At its heart, these categorisations seek to distinguish companies that can be seen as 'TV companies' and those that are not. The distinction is far from scientific, however. Broadcasters sometimes commission content that only appears on online platforms, and there are some production companies that specialise in such content, while never making content for the linear TV schedule. Equally, it could be argued that the high production values of online platforms such as Netflix and Amazon, and increasingly YouTube too, create similarities with broadcasters that are more significant than the differences in their distribution platforms and release schedules.

But such considerations are part of what this survey was seeking to uncover: does the very fact of producing for new content providers, such as the online platforms, change the way in which companies work?

The AvCo Concept

Throughout our analysis we have made use of these three organising concepts of scale, age and primary source of revenue. In doing so we have also frequently made use of the notion of an 'AvCo' – that is an average big or small company, average broadcast and non-broadcast company, and so on.

The AvCo methodology takes classifications such as those outlined above, and then removes any 'outliers' – that is, companies with particularly strong and distinctive characteristics that would skew the average. Similarly, this approach also removes companies that sit on the borderline between one classification and another. This removal of borderline companies is especially important when exploring the broadcast and non-broadcast split, since there are some companies that it is particularly difficult to categorise.

An AvCo company for a particular category of analysis in this report can therefore be regarded as typical of that category – from a statistical point of view it would more strictly be seen as the 'mode' rather than the 'average'.

THE FINDINGS

The findings from the Production Business survey have been broken down into eight areas.

1

THE FINDINGS: PART 1

Production Companies: What Makes Them Different?

The 57 companies who responded to the survey represented an extraordinary diversity of production types. The survey revealed all sorts of differences in specific aspects of how they work – many of which will be explored in the sections that follow. But are there headline differences that could be said to separate one type of company from another?

- Is it what they make – for example, whether they mostly make content for broadcasters or for the non-broadcast world?
- Is it their size – is it the amount of money they earn each year that makes the difference?
- Is it their age – is the fact that a company is more or less than five years old significant?

BROADCAST VS NON-BROADCAST

There are clear distinctions in our sample between companies that make content principally for broadcasters, and those that don't.

To some extent this is a separation between those that make content for the linear TV schedule, and those who make for online – although the emergence of OTT services and online-only channels among the broadcasters does blur the lines.

KEY FINDING

There are clear distinctions in our sample between companies that make content principally for broadcasters, and those that don't

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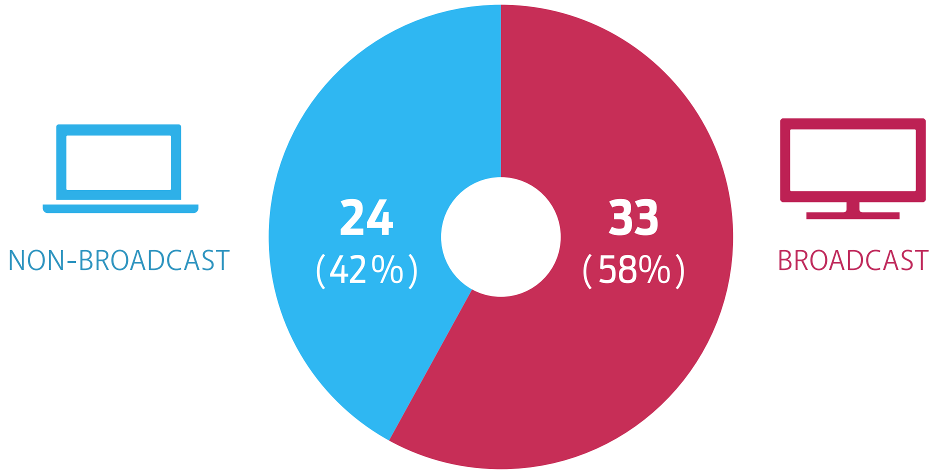
In categorising our sample into 'broadcast' and 'non-broadcast' we find we have 33 broadcast companies and 24 non-broadcast companies.



In order to explore the characteristics of the average broadcast and non-broadcast company (AvCo), we needed to narrow our definition by removing both outliers and borderline companies. We did this by concentrating on what the companies considered to be their priority when it comes to turnover. Companies that ticked broadcast commissions as their number one priority were considered to be the 'broadcast' firms within our survey. Those that ticked corporate commissions as number one were considered to be 'non-broadcast'. Any firms that had both broadcast and corporate commissions as their first and second priority (or indeed their second and first) were discounted from the AvCo sample.

This methodology left us with a sample of companies that are perhaps more typical of broadcast and non-broadcast. It reduced the eligible AvCo sample to 43 companies:

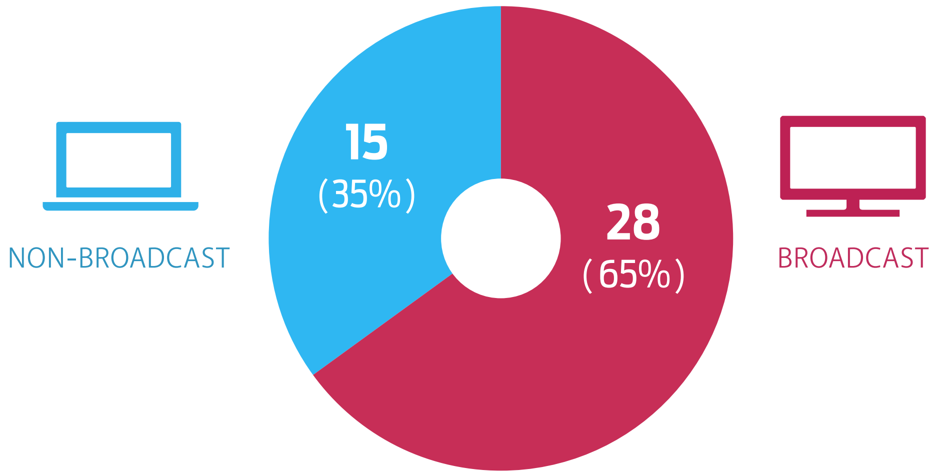


FIGURE 1:

Headline characteristics of typical broadcast and non-broadcast production companies

	Founded
AvCo Broadcast	Pre 2010
AvCo Non-broadcast	Post 2012

STAFFING

	Core staff	Freelance	Staff in creative roles
AvCo Broadcast	<100	up to 100	75%
AvCo Non-broadcast	<50	around 10	60%

	Turnover (per year)	Profitable?	Part of a group?	Main area of growth
AvCo Broadcast	>£10m	YES	YES	VoD
AvCo Non-broadcast	<£2m	YES	NO	VoD

Dominant sources of revenue

AvCo Broadcast	AvCo Non-broadcast
1 Broadcaster commissions	1 Corporate commissions
2 Secondary sales	2 Private commissions
3 VoD platforms	3 Broadcaster commissions
4 Format sales	4 Revenue sharing; public funding

Dominant Genres

- AvCo Broadcast: 1 Factual ▶ 2 Entertainment ▶ 3 News/current affairs ▶ 4 Reality
- AvCo Non-broadcast: 1 Factual ▶ 2 Promotional ▶ 3 Fiction/drama ▶ 4 = Comedy & Entertainment

Content Type

- AvCo Broadcast: Predominantly long form but increasingly short form too
- AvCo Non-broadcast: Predominantly short form but also long form

Typical project duration:

- AvCo Broadcast: around 6 months
- AvCo Non-broadcast: less than 1 month

Most popular collaboration tools

AvCo Broadcast	AvCo Non-broadcast
1 Skype	1 WeTransfer
2 WeTransfer	2 Google Docs/Drive
3 WhatsApp	3 Dropbox
4 Dropbox	4 WhatsApp
5 Facebook	5 Skype

1

A non-broadcast company is typically smaller, younger, and has a lower turnover.

Such companies are likely to be independent, and not be part of a larger production group. Historically, short form has been their bread and butter, but they are starting to make more long form – perhaps reflecting the increasing average duration of online content.

KEY FINDING

Factual content makes the world go around: it is the dominant genre for almost everyone, whether broadcast or non-broadcast focused

Factual always used to be regarded as unprofitable, yet it is the dominant paradigm for all kinds of company – broadcast and non-broadcast. And most are making a profit. Drama and sport may continue to provide the most talked about content – along with the occasional breakthrough from entertainment and comedy. But it's factual that makes the world of production go around.

Non-broadcast companies make a broader range of content types than broadcast companies, but tend not to do either news and current affairs, or reality programming.

Promotional content is extremely important to non-broadcast companies – and much of the content they have classified as factual may in fact also be brand funded.

KEY FINDING

Promotional content is extremely important to non-broadcast companies – and much of their factual content may also be brand funded

1

The typical broadcast company, meanwhile may have moved into making online content, but they have not, by and large, moved into branded or promotional content.

AvCo broadcast is now using social media apps as communication tools for work, and Skype looks to be as important now as the telephone was a decade ago. AvCo non-broadcast, on the other hand, has a strong reliance on the Google G-Suite, alongside Dropbox. (The use of tools and services will be discussed more fully in section 5 below.)

OLD VS NEW

So there appear to be some significant headline differences between broadcast and non-broadcast companies. But is there a risk that – precisely because broadcast companies tend to be older – the real distinction is not in what content companies make, and which platform that content is distributed on, but in how old they are?

The diagram on the next page draws out some of the key comparisons around age.

As can be seen, age turns out in practice to be a less strong determinant of difference than broadcast or non-broadcast.

KEY FINDING

Age is a far less strong determinant of difference than broadcast and non-broadcast

Newer companies do make more VoD content, and they are slightly greater users of cloud and web-based services. However, one would not have expected to find the Google G-Suite and WhatsApp used more by older companies than new ones; nor would one anticipate that corporate commissions would be more important to older companies than their newer counterparts.

In short, there would appear to be sufficient new broadcast companies and sufficient older non-broadcast companies to make distinctions on the grounds of age rather muddy.

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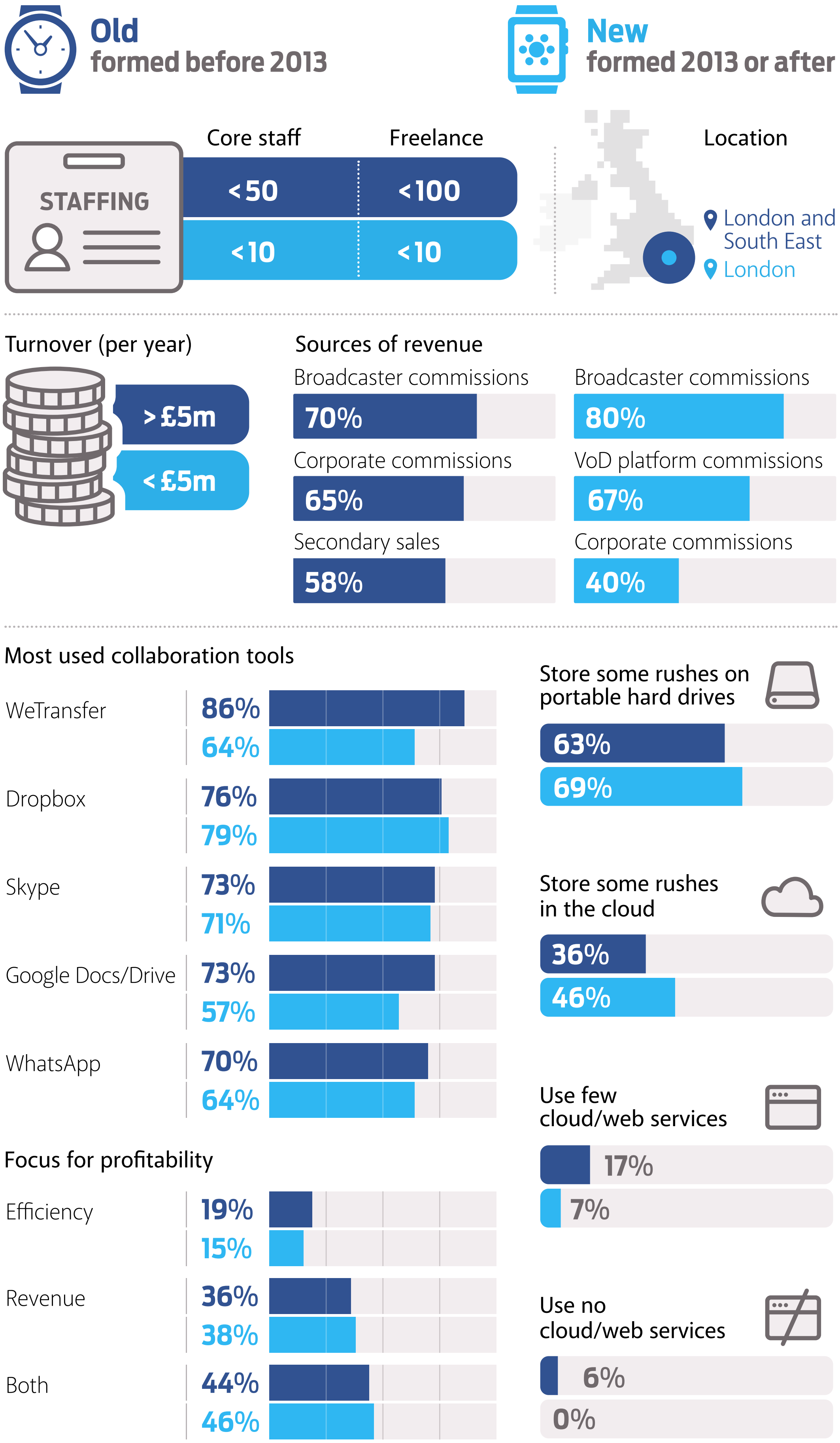
FIGURE 2:

Headline characteristics of typical older and newer production companies



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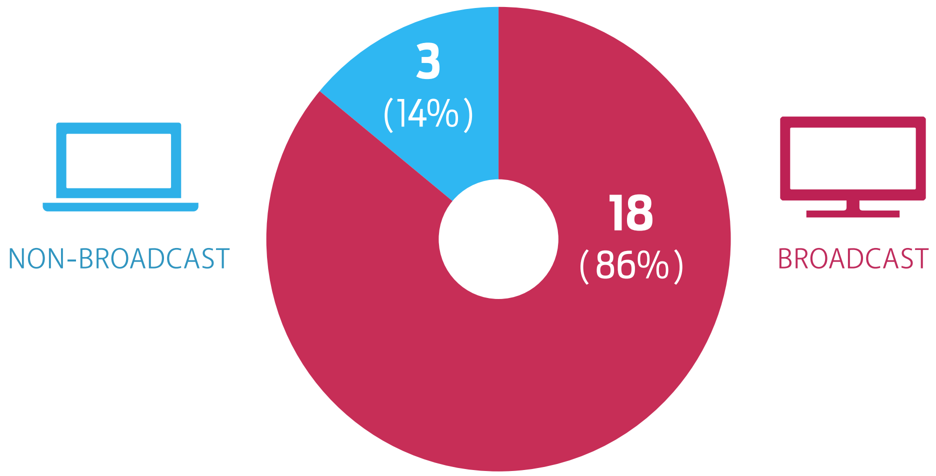
BIG VS SMALL

If age is not a very significant determinant in its own right, perhaps scale – both in terms of revenue and employees – is.

Of the companies in our sample, 21 (37%) have a turnover greater than £5m per year. Of these, only 3 were considered to be non-broadcast.



So the correlation between scale, as expressed by turnover, and companies relying principally on broadcaster revenue is very strong – in fact so strong that big and small correlate almost precisely with broadcast and non-broadcast.

KEY FINDING

The correlation between companies with high turnover and those relying principally on broadcaster revenue is very strong

All but one of the 21 companies with turnover greater than £5m per year were formed in 2013 or earlier – and that one exception was formed in 2014. Of those 21, 76% were founded in or before 2010. So, unsurprisingly, it takes time to reach scale.

With such a strong correlation between high revenue and older, broadcast led companies, it is inevitable that these 21 companies principally make long form content – although three-quarters do also make short form. 70% also make money from formats and intellectual property rights (IPR), which, once again, is strongly associated with maturity.

1

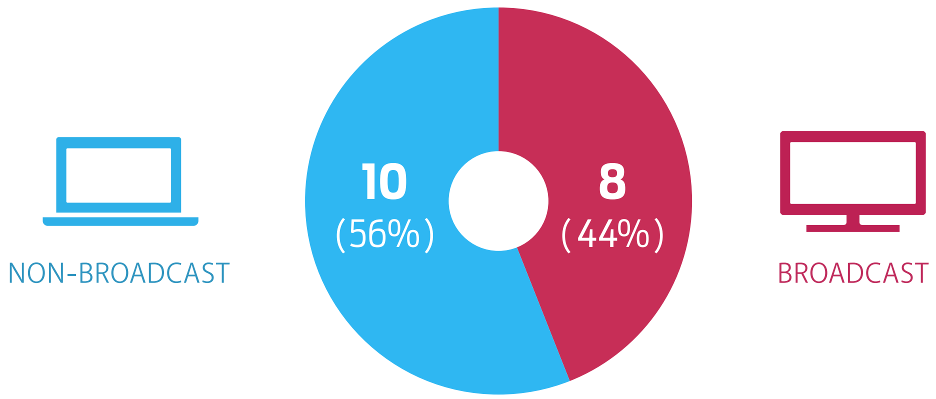
Interestingly, a third – seven – of these companies with high turnovers have fewer than 20 permanent staff. Six of those seven would be considered broadcast companies; and, while their permanent staff base is very modest, they do employ very large numbers of freelancers. One company, for example, employs only 6-10 permanent staff and has a turnover of over £10 m. That means it is generating at least £1 m to £1.7 m turnover per permanent employee. But that same company also employs between 51 and 100 freelancers at any one time.

KEY FINDING

A third of the companies with high turnovers have fewer than 20 permanent staff

It can reasonably be assumed that companies that have such enormous flex in their staff base, may find it difficult to focus on efficiency. After all, such variations in the composition of their workforce will make it very difficult to standardise, or to introduce new processes across the whole company.

When it comes to companies at the smallest end of the small company scale – with revenue of £1 m per year or less – the correlation with a particular production type is less clear cut. There are 18 companies in our sample that turnover less than £1 m, and of these, 10 are classified as non-broadcast.



All of these firms with modest turnover make short form content, with 70% also making long form. These figures are almost a mirror image of the proportions to be found among companies with turnover above £5 m per year. What we also see in this group of sub £1 m companies, is great importance given to promotional and corporate content. Most interestingly of all, only 27% put VoD production in their top three content types – and none of them put it at number one.

1

We'll look at the content production of small companies in more detail in the next section. But what is already clear is that there is now a significant market for small production companies focused not on online programming but on private, corporate and branded content production.

KEY FINDING

There is a significant market for small production companies focused on branded content rather than video on demand

This reality has perhaps been lost when sweeping statements have been made in recent years about the new world of online content.

THE FINDINGS: PART 2

Content: Who Makes What?

Most of the interesting findings in this survey come from breaking the respondents down into subsets. However, when looking at content creation, there are some interesting conclusions that can be drawn from looking at the respondents in aggregate.

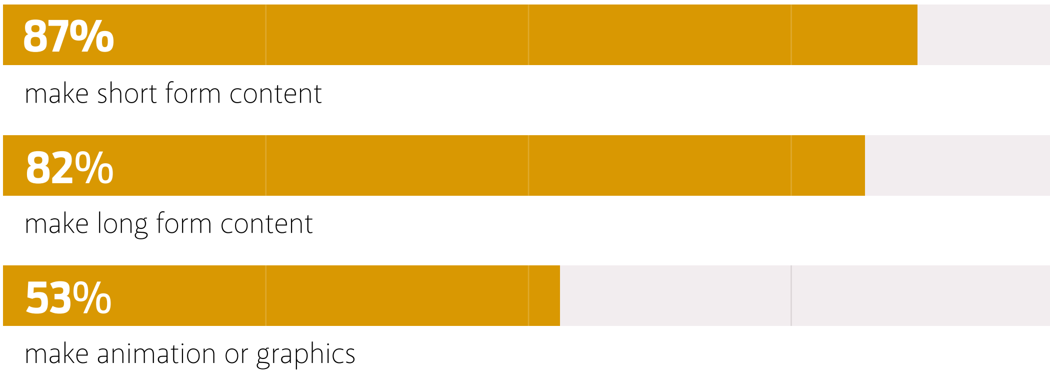
KEY FINDING

Short form content is now even more commonly made than long form

When looking at content type, for example, it is immediately evident that it is now normal to make a range of content types, with short form even more commonly made than long form:

FIGURE 3:

Percentage of companies making particular content types

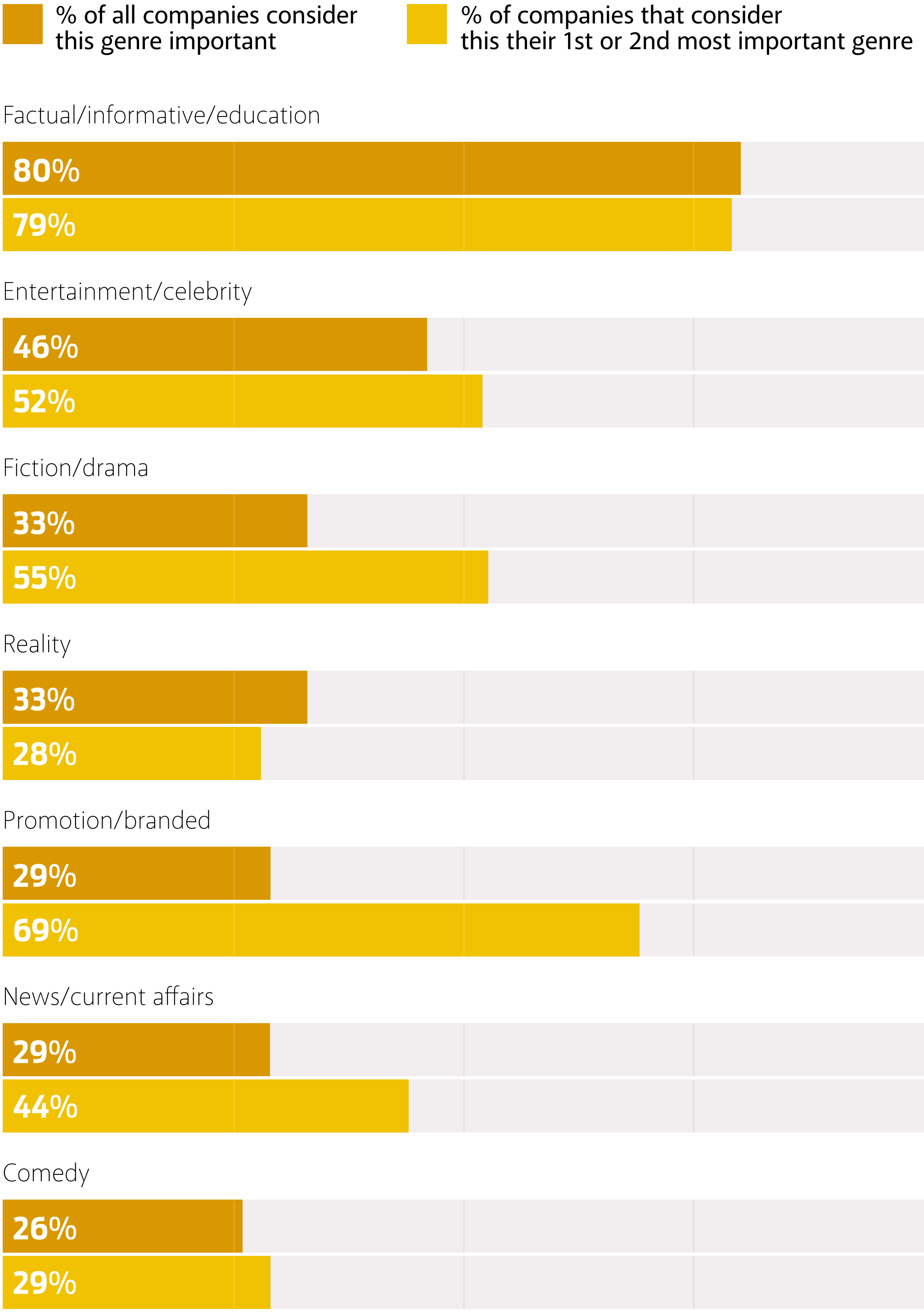


The table below looks at the importance attached by respondents to certain genres.

It immediately becomes evident that factual content is both widely made and considered very important. As was observed earlier, this might be slightly at odds with the impression one gets from the type of content that is most talked about – or held up as examples of 'new' content.

FIGURE 4:

The importance of genres



What comes through clearly is that if a company makes promotional or branded content it is likely it is a very important part of its portfolio. Or put another way, those companies that work in this area tend to be specialists. It's a similar, though less pronounced, picture with entertainment and drama. Companies that make reality or comedy – and, to a lesser extent news and current affairs – are less likely to have them as a specialism.

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It's surprising to find that few of the companies that do comedy specialise in it, since it is a highly specialist genre.

When we look at the specialisms of AvCo broadcast and AvCo non-broadcast, further interesting trends emerge.

The most important genres reported by typical broadcast companies were, in order, factual, entertainment, news and current affairs, and reality.

It is likely such a company will also sell its content and derive revenue from selling or licensing formats and rights.

Non-broadcast companies meanwhile reported a much greater diversity of content type – with small non-broadcast companies being particularly diverse.

KEY FINDING

Non-broadcast companies are typically more diverse in their activity than broadcast companies – and small non-broadcast companies are particularly diverse

THE DIVERSE CONTENT MAKING OF SMALL COMPANIES

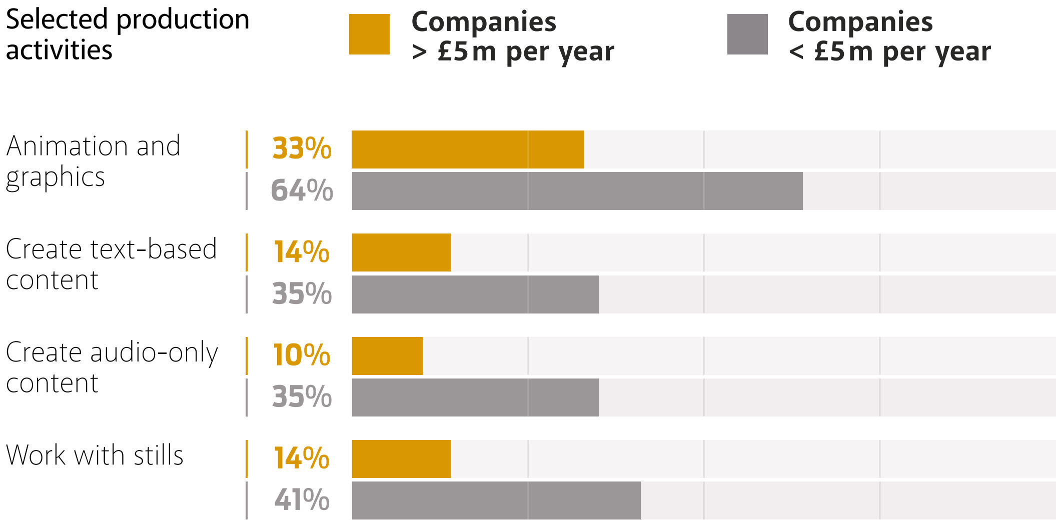
When looking at very small companies (with turnovers below £1m), 72% (13) consider corporate commissions to be in their three most important sources of revenue and just 38% (7) say the same thing about broadcaster commissions.

Private commissions are as important (38%) for these small companies as work from broadcasters, and are more important than income from VoD. As mentioned above, while 27% put VoD in their top three priorities, none put it as number one.

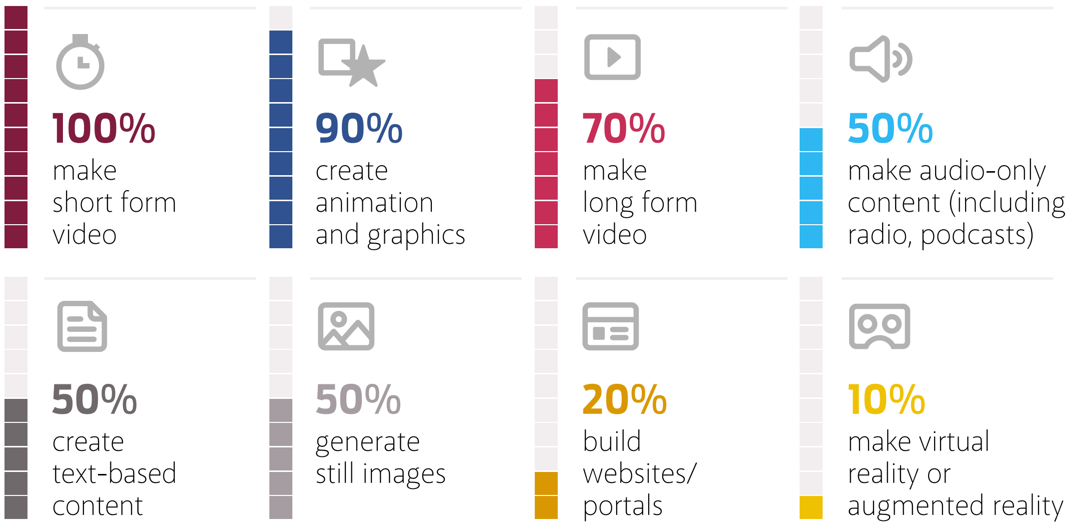
Within these smaller producers, other forms of content are more prevalent too, with animation and graphics, text, audio and stills all more significant than for larger firms.

FIGURE 5:

The production activity of large and small turnover companies



When the sample of small companies is focused on the ten non-broadcast firms with turnover of less than £1m per year, we see enormous resourcefulness.



The company with the widest spread of work among those with a turnover below £1m per year makes seven different content types:

- Video (long form)
- Video (short form)
- Audio (including radio, podcasts)
- Text
- Animation and graphics
- Still images
- VR or AR

2

The non-broadcast company that makes the widest spread of genres makes six different genres:

- Factual/informative/educational
- Entertainment/celebrity
- Reality
- News/current affairs
- Promotional
- Gaming and online

The reason for this diversity in type of content and genre will be that small companies are turning their hand to whatever a corporate client requires. Their creative resourcefulness is extremely impressive.

KEY FINDING

Small non-broadcast companies show the greatest creative resourcefulness

PRODUCTION TIMELINES

As the table below shows, companies that produce primarily for broadcast and those that produce for non-broadcast have a very different cadence to their activity. A huge amount of the content a non-broadcast company makes is created in a month or less; but the vast majority of content a broadcast company makes is created in more than two months – and frequently more than six.

KEY FINDING

A typical non-broadcast project takes less than a month to make; a typical broadcast one takes around six months

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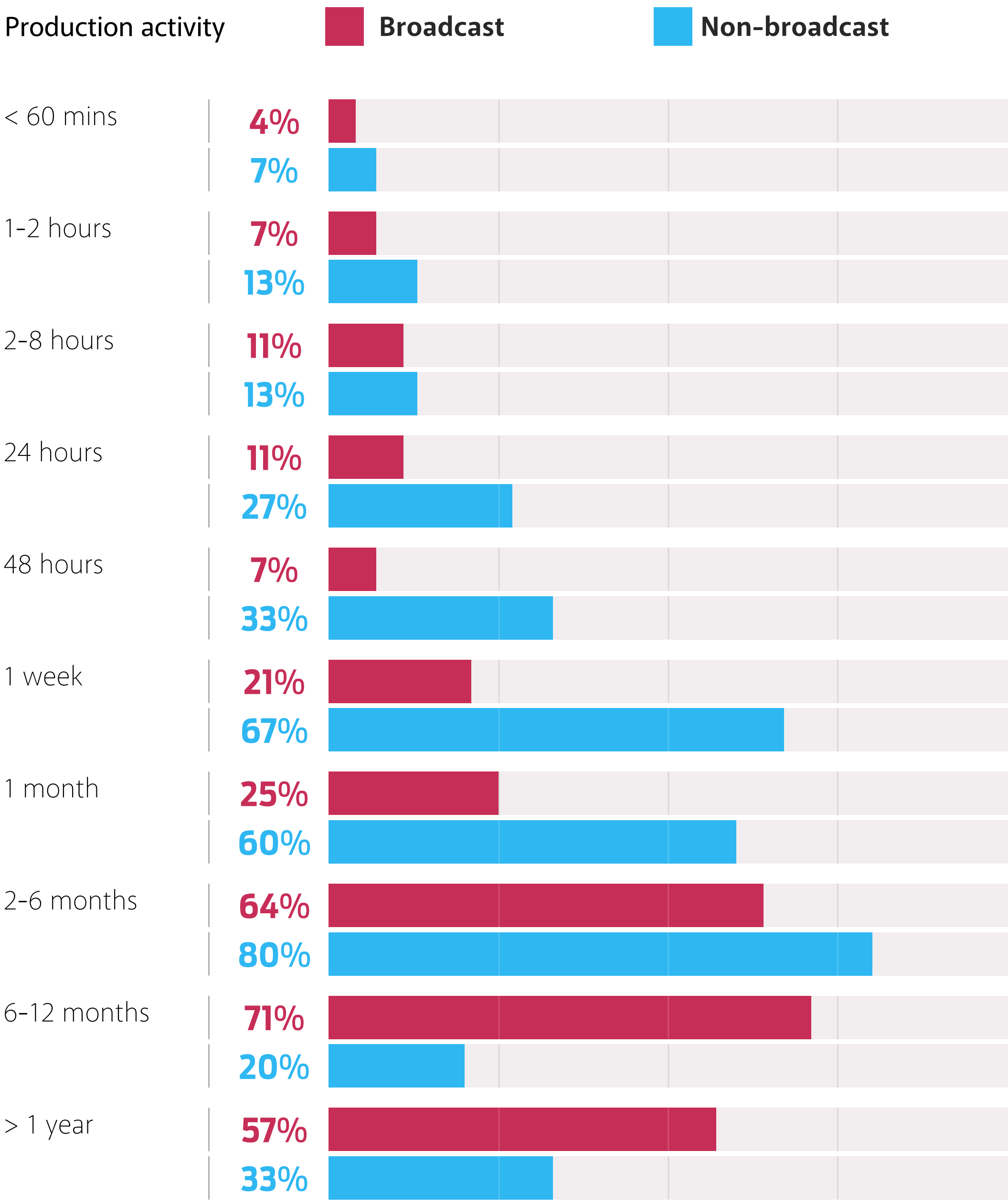
FIGURE 6:

Production timelines for broadcast and non-broadcast companies



The significance of project turnaround time will become more apparent when we look at the people employed by these different groups of companies, and the skills they have.

In both instances, however, and for different reasons, the production timelines of the different groups have a profound impact on how they organise their businesses.

3

THE FINDINGS: PART 3

People: Who Works in Production?

As media becomes increasingly 'productised', it might be anticipated that we would begin to see some changes in the workforce of production companies. We might expect to see more software developers, analysts, marketing directors, account managers, sales and business development, and so on. With the growth of short form and fast turnaround content, we might also expect to see more multiskilling and more in-house craft skills.

Was this the case with our sample? And were there any marked differences between broadcast and non-broadcast production companies?

THE SKILLS PROFILE OF BROADCAST AND NON-BROADCAST COMPANIES

The table on the next page shows the percentage of companies in broadcast and non-broadcast categories that employed particular skill sets as permanent, in-house staff.

KEY FINDING

Most production companies are very focused on the making of content rather than content as a product

Whether working primarily for broadcasters or not, it is clear that most production companies remain very focused on the activity of making content rather than the life cycle of content as a product. This emphasis is reflected in the in-house staff base, which tends still to be dominated by the established film production roles. A greater proportion of broadcast than non-broadcast companies tend to employ the full range of production personnel, from executives downwards. But this difference may be the function of two simple things:

1. Broadcast companies tend to be bigger, with more people and bigger projects to manage.
2. Broadcast companies tend to make those bigger projects over a longer period of time. Larger and longer productions tend to require more specialist roles.

FIGURE 7:

Skillsets among production company permanent staff

Percentage of companies that employ particular roles

3

Non-broadcast companies appear to be inherently more 'flat' in structure, with fewer executives and assistants, and more multiskilling. This could be because they have a more egalitarian culture than broadcast companies; or it could simply be that they tend to be smaller, so everyone has to muck in. But when we look at multiskilling in more detail (page 30, below) there is some evidence to suggest there may be a genuine cultural difference.

KEY FINDING

Non-broadcast companies have a flatter structure – whether this reflects culture or size is unclear

FLEXING THROUGH FREELANCERS

One striking difference between the broadcast and non-broadcast communities is the extent to which they scale up and down by employing freelancers.

Almost all companies operate with peaks and troughs to some degree. 96% of companies report that their "workforce numbers change depending on how many projects they have." Just 4% remain the same, regardless of activity.

56% report that their numbers change "dramatically", and of those, two-thirds are broadcast companies – with most of those, in turn, more than eight years old, and with a turnover above £10 m per year.

When it comes to companies who report only "slight" changes in the size of workforce, the picture is reversed, with two-thirds of these companies being non-broadcast.

If one paints a picture of a non-broadcast AvCo, it employs between 1 and 10 freelancers at any one time, to supplement between 1 and 10 permanent staff.

In the case of a broadcast AvCo, it employs 6 to 100 freelancers at any one time, to supplement between 6 and 50 permanent staff.

Put crudely, in the offices of a non-broadcast company you are likely to find one freelancer for every staff person. In the offices of a broadcast company that ratio is likely to be two freelancers for every staff person. The reason for this difference is almost certainly that broadcast companies generate large, individual filmmaking projects for a small number of clients, while non-broadcast companies are constantly serving numerous clients with smaller pieces of content.

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KEY FINDING

In non-broadcast companies the ratio of freelancers to staff is typically 1:1. But in broadcast companies it is typically 2:1

THE RANGE OF IN-HOUSE SKILLS

As the diversity of content increases, but the tendency for peaks and troughs in activity continue, it is difficult to predict whether production companies will tend to increase their range of in-house skills, or whether they might do the reverse: they could use the 'gig economy' to hire who they need, when they need them.

The staffing model that makes sense for most companies is to maintain a small staff, but a big contacts book.

KEY FINDING

The staffing model that makes sense for most companies is to maintain a small staff, but a big contacts book

The picture that emerges from our sample is one in which the core production craft roles of editor, camera operator and sound recordist are now commonly found in-house – and very slightly more strongly so in non-broadcast companies. Those companies may also employ coders and programmers; whereas broadcast production companies are more likely to employ engineers and technicians.

KEY FINDING

In non-broadcast companies you are more likely to find coders; in broadcast companies, engineers

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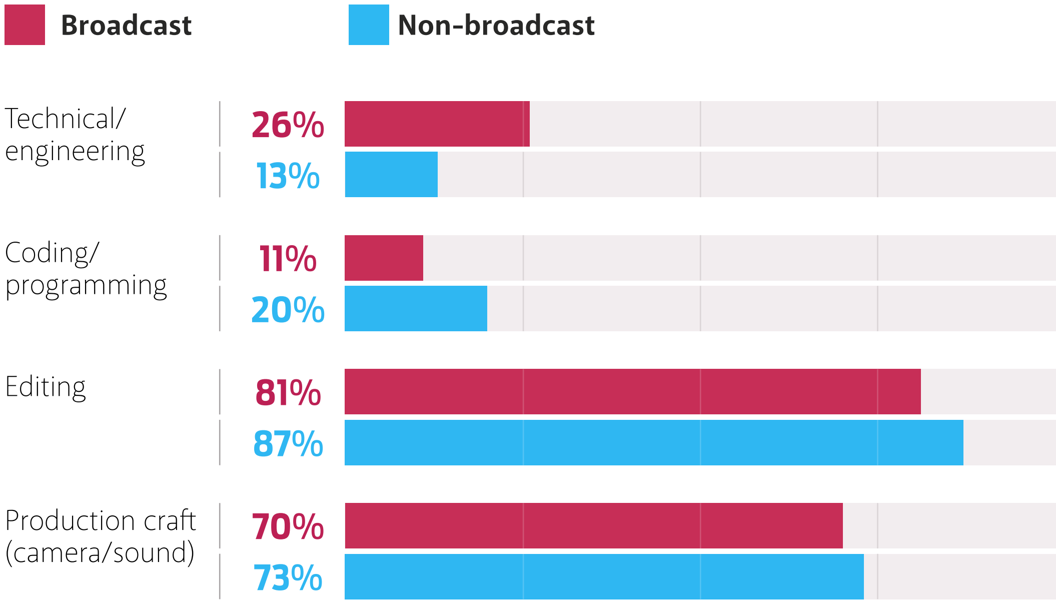
FIGURE 8:

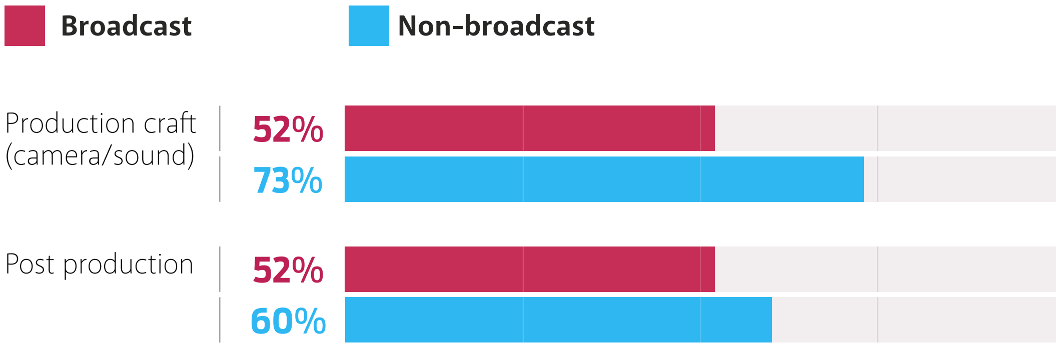
Percentage of companies employing technical and craft roles



Most companies – even if they have in-house craft expertise – still outsource some of their work. This probably reflects both the peaks and troughs in activity, and also the diversity of what they make. It may at first glance seem surprising that non-broadcast companies are more likely to outsource some of their production craft requirements (such as camera and sound). But once again this may be a function of their size: it may not take a very great increase in activity for them to find their in-house craft capability is overwhelmed.

FIGURE 9:

Percentage of companies that employ outsourced skills in production craft and post production



What is striking about these responses is that nearly half (48%) of broadcast companies are *not* outsourcing any of their craft skills.

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KEY FINDING

Almost half of broadcast companies keep all of their production craft and post production in-house

MULTISKILLING

Across all production companies, there is a general trend towards multiskilling.

67% of all production companies report that "employees and freelancers do have a set job role within the organisation but, occasionally, they are expected to be flexible and perform other job roles at the same time (multiskilling)."

The trend isn't extreme, however. There are very few companies where it can be said that everyone does a bit of everything. Just 5% (which is 3 companies) selected the response that "Employees and freelancers do not have a specific job role within the organisation: they are expected to be flexible and perform several job roles at the same time (multiskilling)."

It might be anticipated that these three companies would all be small; but that is not the case. And similarly, with those companies that are more rigid in their roles, there is no particular correlation with size. Of the 23% of companies that reported their "employees and freelancers each have a set job role within the organisation" 40% are in the £10 m bracket while 33% are in the less than £100,000 bracket.

Where there is a distinction is between companies that we have categorised as broadcast and those we have categorised as non-broadcast. Of the companies with a rigid working set-up, 33% are non-broadcast while 67% are broadcast. This suggests there may be some genuine cultural differences.

KEY FINDING

Two-thirds of the companies with a rigid working set up work in broadcast

More rigid working also reflects the age of the company. 75% of the companies that have a workforce where everyone has a "set job role" were founded in 2010 or earlier.

Bigger, older broadcast companies employ more specialists. This could be because of the scale of their projects. But it might also be because production individuals who have a greater range of skills are attracted to working in the non-broadcast area.

When looking at production skills overall, however, there is a clear message to suppliers and manufacturers: the demand for professional grade tools that can be used by non-specialists is enormous.

RECRUITMENT

As will be seen when we discuss the workplace tools used by our sample of companies, production professionals are no strangers to social networks. But that doesn't mean that social networks are used as a method of recruitment.

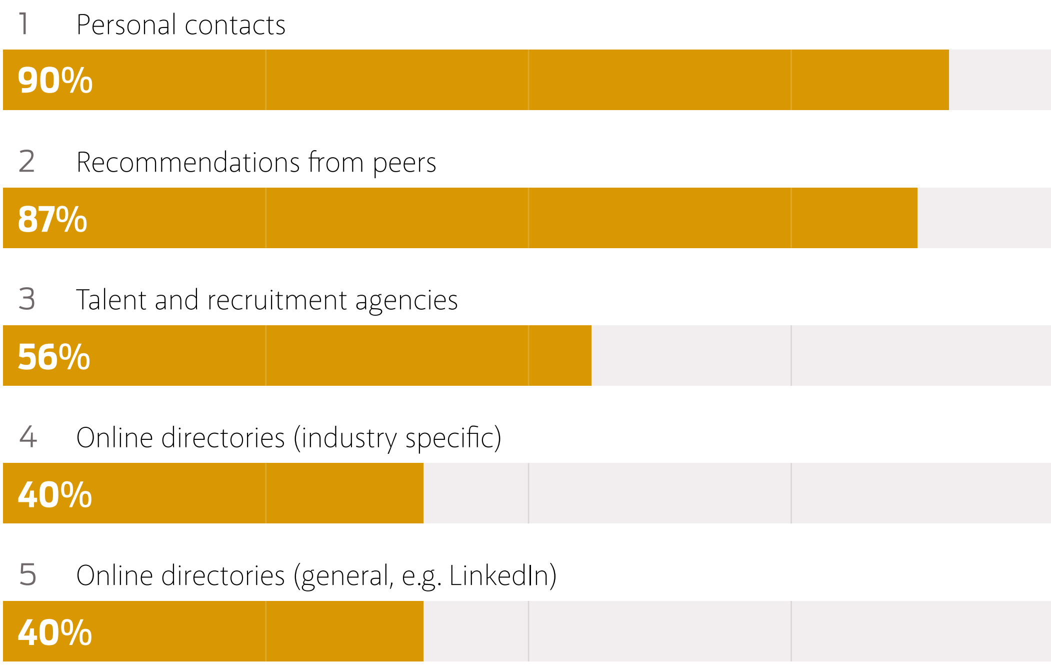
KEY FINDING

Production companies use social networks – but not when it comes to recruitment

FIGURE 10:

When recruiting, what methods do you use to find the right people for the job?

Top five most popular



3

If one was looking for evidence that careers in media are still very much about who you know, it can be found here. All kinds of production company report that contacts and recommendations are their favoured means of recruitment – by quite some distance.

In the DPP 2016 survey report on **new content creators** it was reported that while many new production companies relied on their black book of contacts, there was some evidence of a future in which online networks would be used to source specialist global talent, on demand.

KEY FINDING

There is no evidence online recruitment has caught fire. Even LinkedIn is used by only a minority of respondents

On the face of it, such capability appears the ideal and logical meeting point between flexible staffing, online networks and global talent. But two years on from our new content creators report, there is no evidence online recruitment has caught fire. Even the use of the LinkedIn network is surprisingly low.

What emerges from the data is a reminder, if one was needed, of the role of trust in the creative sector. It is difficult to overstate the importance of personal trust and established relationships in an industry in which high quality content has to be crafted under immense time, cost and logistical pressure.

KEY FINDING

It is difficult to overstate the importance of trust in an industry in which content is crafted under pressure

CUSTOMER MANAGEMENT

It might have been anticipated that the productisation of content would be reflected in the number of production companies now employing specialist sales individuals or systems.

3

This appears at first glance not to be the case – although it is difficult to assess without the benefit of comparable data over time. Just 19% of companies report that they use Customer Relationship Management (CRM) software; but it is very possible that five years ago this number would have been 0%.

But when the breakdown of that 19% of respondents – which corresponds to eleven companies – is explored more deeply, an interesting picture emerges. Ten of the eleven companies are non-broadcast.

Similarly, non-broadcast companies are more likely than broadcast companies to employ sales specialists on staff (see Figure 7 on page 26).

KEY FINDING

If productisation has arrived in production, it is among those that produce branded content

These differences almost certainly reflect the difference between companies that sell to corporate clients and those that sell to broadcasters and online platforms.

Almost all broadcast companies employ researchers and people who work in development. These will be the staff who, along with the executives, go and pitch to content commissioners. They are, in effect, the sales arm. They are unlikely, however, to have sales experience in the formal sense of the term. It is not typical to find researchers and content developers in a non-broadcast company; but it is quite likely you would find sales staff, trained in sales – and probably using Salesforce, or a similar CRM application.

In short, if productisation has arrived in production, it is among those that produce content for products.

4

THE FINDINGS: PART 4

The Workplace: Who Works Where?

LOCATION

The majority of companies that responded to our survey were based in the UK – and mostly in London.

FIGURE 11:

Location of survey respondents

This distribution can't of course be seen as a definitive statement on where UK production centres itself, but it strongly indicates that London remains the production hub for the UK.

Of the broadcast companies with a UK HQ, 64% were located within the M25 motorway – the geographical marker used within the UK to denote 'London-based'.

When looking at the full non-broadcast sample (rather than AvCo non-broadcast), the pull of London is almost identical to the broadcast group.

KEY FINDING

The typical production company has most of its employees in an open plan office, with a few colleagues based in remote locations

The typical production company, of any kind, has most of its employees in an open plan office, with its senior managers in offices of their own, and a few colleagues based in remote locations. The smaller the company, the less likely it is the bosses will get an office of their own, and the more likely it is that some of the staff will be located remotely.

As so often, there are some differences between broadcast and non-broadcast companies. But as the table below shows, the strongest difference is between broadcast companies in general and small non-broadcast companies, with turnover below £1m per year.

As the table shows, small non-broadcast companies are the most likely to have people working remotely – which may reflect the need to keep office overheads low.

FIGURE 12:

Office and remote working for broadcast, non-broadcast and small non-broadcast companies

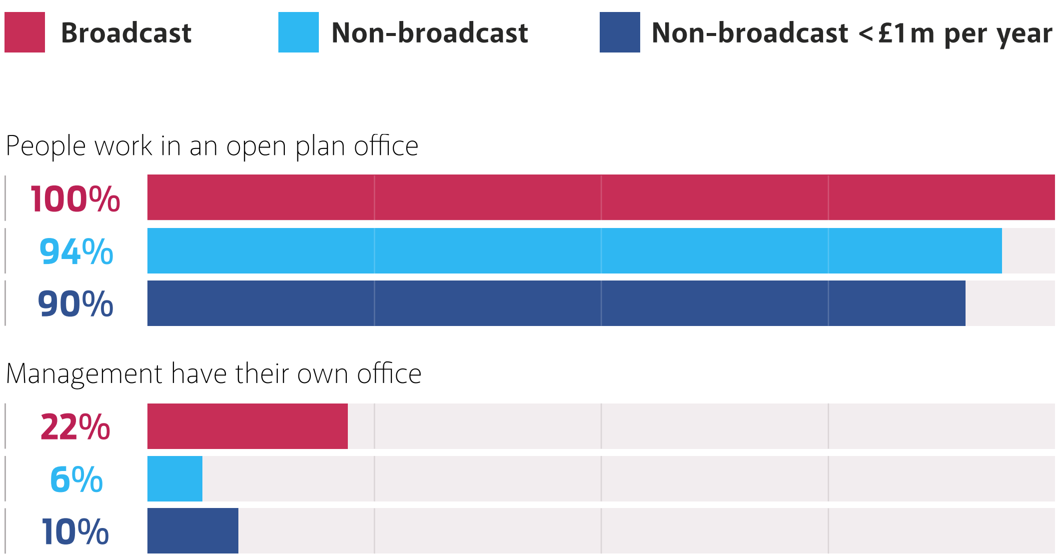
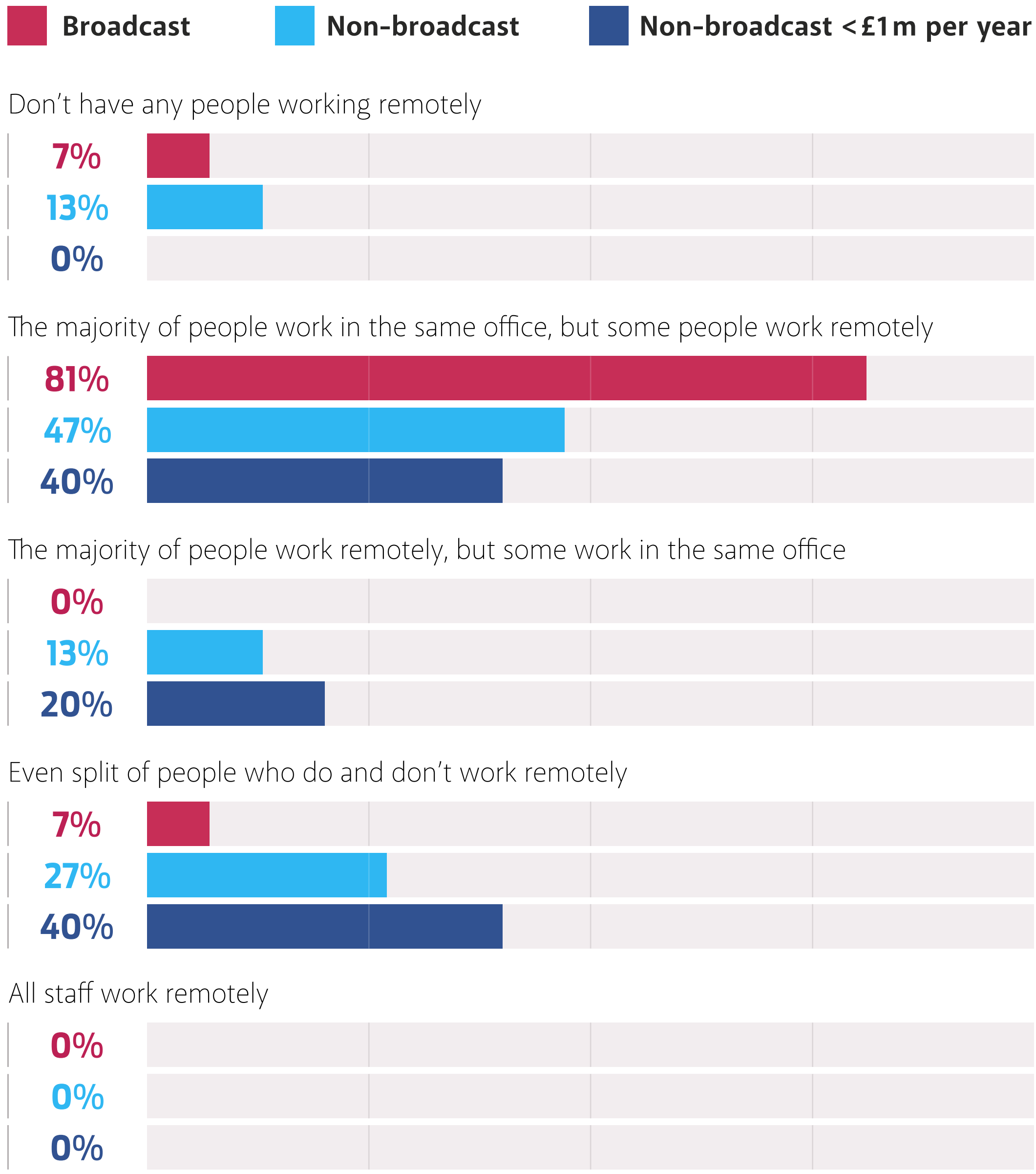


FIGURE 12 (CONTINUED):



In this instance, remote tends to mean elsewhere in the same country. When it comes to having people based abroad, this is likely to be equally the case for broadcast as non-broadcast companies. Of the 23 respondents that have people based abroad, 43% are non-broadcast and 57% are broadcast – which almost exactly reflects the proportion of each company type in our sample.

KEY FINDING

It is now commonplace for production companies to have people based in other countries

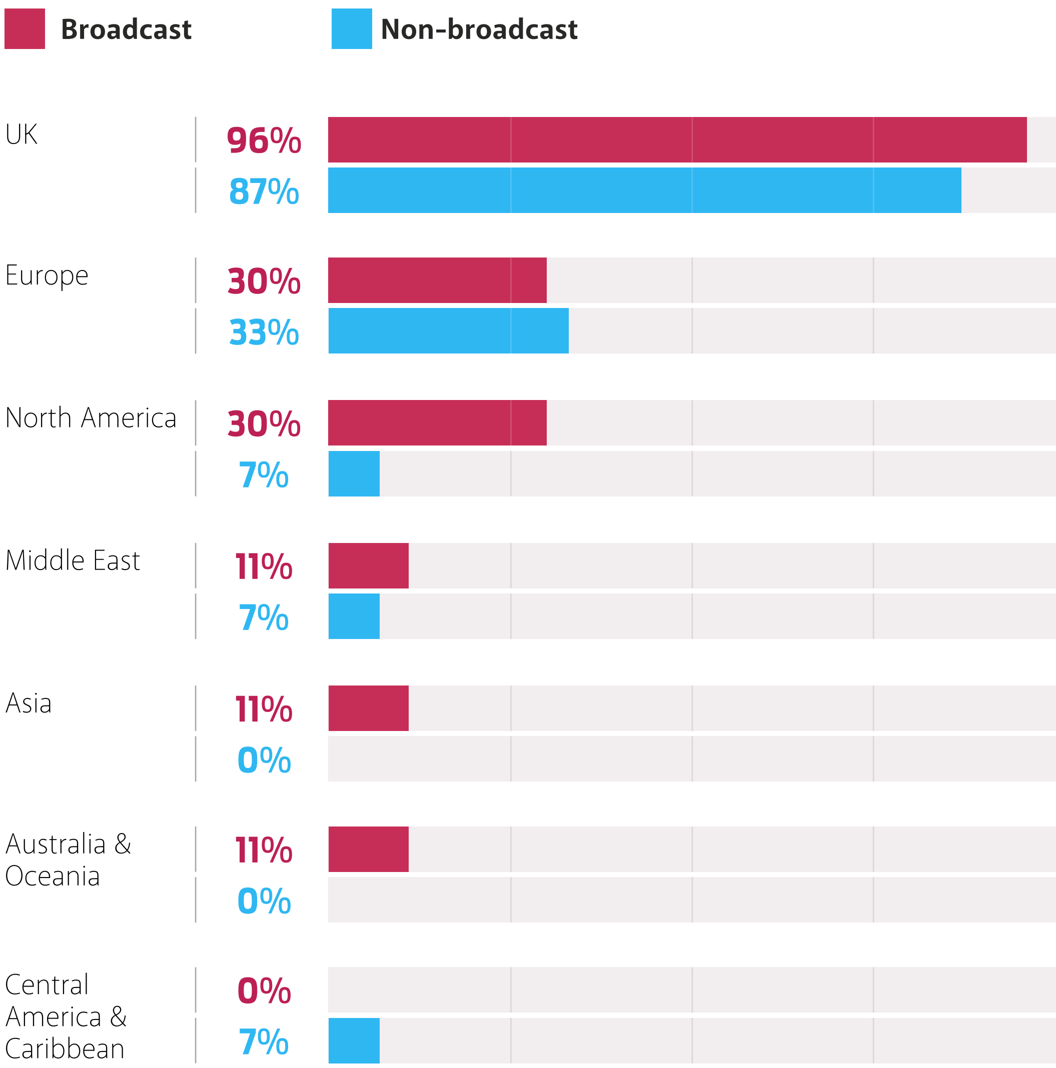
It now seems reasonable to say – for the UK at least – that it is commonplace for production companies to have employees based in other countries.

As the table below shows, where companies do have people working abroad, the spread of locations is wide.

FIGURE 13:

Location of staff that work remotely

Percentage of companies that have people working remotely in specific locations



5

THE FINDINGS: PART 5

Tools and Services: Who Uses What?

WORKPLACE COLLABORATION TOOLS

To what extent are production companies using the huge range of web-based communication and collaboration tools that are now available?

The answer, as can be seen in the table below, is that such tools are used extensively. But when one looks at the preferences of non-broadcast and broadcast companies, some interesting differences emerge.

Broadcast production companies are enthusiastic users of consumer communication tools: Skype, Facebook and WhatsApp are among their top five most popular applications. This may reflect how much time these companies spend trying to communicate with their production teams out in the field – often abroad. Once these communication tools are taken out of the equation – along with the almost ubiquitous video transfer service WeTransfer – two collaboration tools dominate: Microsoft Office 365 and Dropbox.

However, the move to commodity collaboration tools among this broadcast group is far from complete: nearly 40% of broadcast companies still use their own bespoke solution. It is likely these tools will have been created at considerable cost.

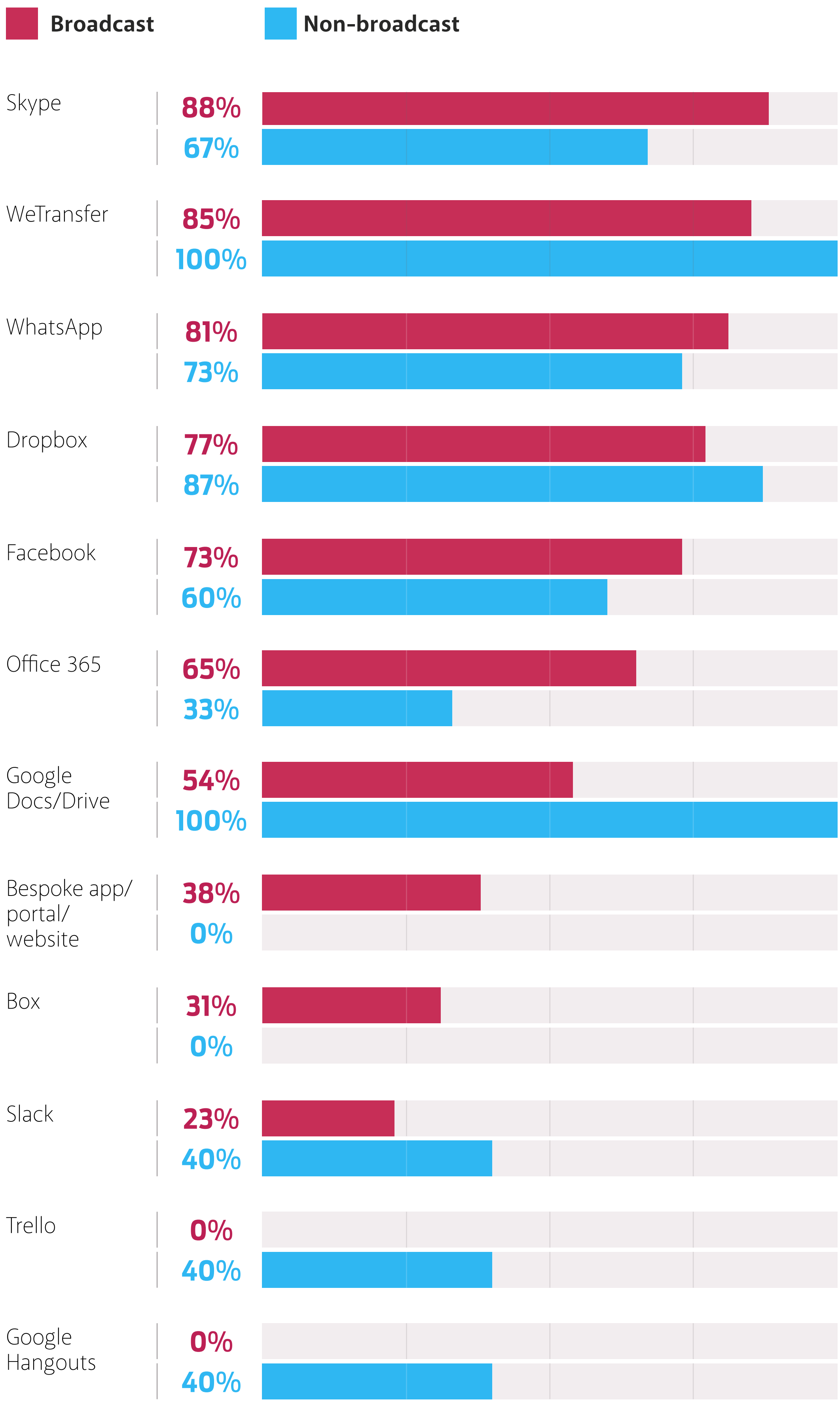
Among the non-broadcast companies Skype, WhatsApp and Facebook are also popular – but significantly less so. This group of companies are very strong users of Google tools – in fact every single one uses the Google G-Suite, which includes Google Docs and Google Drive. They are also even stronger users of Dropbox than their broadcast colleagues. Project collaboration tools Trello and Slack are quite popular.

KEY FINDING

Overall, it would appear that while all production companies are now using web-based workplace tools, the non-broadcast group are more intensive users

FIGURE 14:

Use of workplace collaboration tools



It is interesting to compare these findings for non-broadcast companies with interviews we conducted in 2016 with new content creators. In that survey we talked to 21 non-broadcast companies and found 62% used Google G-Suite, 48% used Dropbox, 52% used Slack and 29% used Trello. So although the companies in the current survey are less strong users of Slack, the use of Google and Dropbox is significantly greater.

Overall, it would appear that while all production companies are now using web-based workplace tools, the non-broadcast group are more intensive users. For the non-broadcast group, genuine collaboration tools are at least as important as communication tools. The non-broadcast group are also all prepared to make use of existing products: none of them have paid for bespoke solutions to be created on their behalf.

KEY FINDING

All non-broadcast companies are happy to use existing products; but some broadcast companies still procure bespoke solutions

The big question posed by these findings however is: while companies may be using digital tools, how many have truly become digital companies?

What does it mean to be a 'digital company'? A digital company would be paperless. It would use connected, shared tools for almost all its functions. It would make full use of a suite of collaboration tools – for documents, presentations, finance, invoicing, project planning, video conferencing and so on. It wouldn't simply use the email functionality of Office 365 or the Google suite.

Such a company would also have a very open philosophy, enabling different teams to access their colleagues' work. They wouldn't work in silos or be highly protective of their output. They are also likely to be non-hierarchical, with all people, whatever their job role, taking responsibility for using the tools in the same way. Executives would not need personal assistants to manage their online diary (though they might use a virtual assistant app); and they wouldn't demand that online documents be downloaded and sent to them.

It is impossible to know from these survey findings how many of our respondents are truly digital companies. There is sufficient circumstantial evidence to suggest that most are not; and the few that might be are likely to be making non-broadcast, branded content.

5

CONTENT COLLABORATION TOOLS

Many of our respondents didn't complete the survey question regarding content collaboration tools, which probably reflects the fact that post production continues to be a specialist, and somewhat separate, activity that takes place in a post production area of the production company, or in an external facility, or (and most likely) both. Certainly there is no indication from the survey that companies are post producing in dramatically different ways, with collaboration tools as integrated into everyday working as, say, Dropbox and Google G-suite.

KEY FINDING

There is little evidence content collaboration tools have yet been as integrated into everyday working as workplace collaboration tools

It should be noted that the question was about content collaboration tools – not professional post production tools – so where respondents did provide details, one would expect to see tools and services designed for multiple users to access simultaneously, sharing the same piece of content.

Certainly this interpretation of content collaboration tools was reflected where companies did provide answers. Adobe Creative Cloud is the most mentioned, with Forscene not far behind. Vimeo and Frame.io appear to be well used. Avid and Apple Final Cut are now seen by some not simply as professional edit systems but also as collaboration tools. And, interestingly, Dropbox, Box, Google Drive, Microsoft One Drive and Apple iCloud also appear in the list.

KEY FINDING

A huge range of content collaboration tools is beginning to be used

There is a long tail of other products receiving one or two mentions – and the list is revealing both of the diversity of web-based tools now available, and the gradual adoption of them: Affinity Photo, Aspera, BASE Media Cloud, Cinegy, Kollaborate, MediaSilo, Reach Engine, RIMMS, Setkeeper, Signiant, SyncOnSet, TeamViewer, WeTransfer, Wiredrive, Yamdu.

There are some differences between broadcast and non-broadcast respondents. In listing content collaboration tools, broadcast firms strongly reference Forscene, followed by Avid, Vimeo, Adobe, Box and Mediasilo. Non-broadcast firms do not have the same reliance on Forscene and Avid in this regard. They cite Adobe most frequently, followed by Frame.io, Vimeo, Wipster and Google Drive.

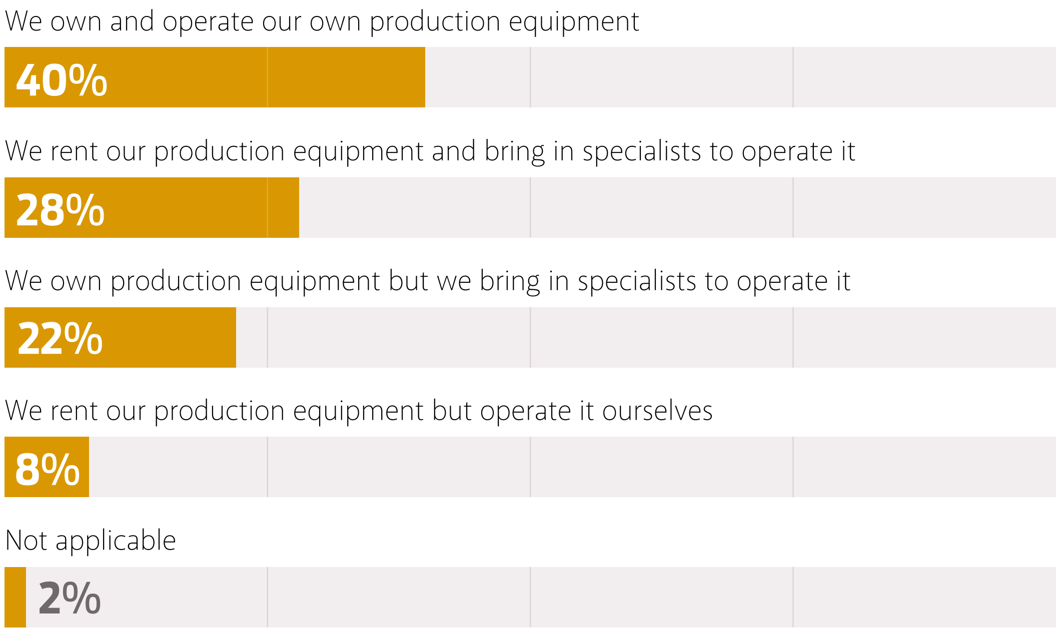
CRAFT PRODUCTION TOOLS

The most common model for the use of craft production tools, such as cameras and sound recording equipment, is for them to be owned by production companies themselves. Nearly two-thirds of all production companies either own and operate their own production equipment, or own their own equipment but hire others to use it.

This is a very high proportion when one considers that the vast majority of staff work in creative roles. It reflects the extent to which such equipment has been commoditised.

FIGURE 15:

Use of craft production equipment (e.g. cameras and sound)



KEY FINDING

Nearly two-thirds of production companies own their own production equipment – a reflection of how such equipment has been commoditised

The extent to which broadcast production companies own their own production equipment is surprisingly high. 48% of them report they own their own equipment, with half of that group also operating that equipment themselves. Just 28% of broadcast companies entirely look to the external market, by renting equipment and hiring people to operate it.

But these numbers are put into the shade by non-broadcast companies. 73% of these companies own their own equipment, with two-thirds of that group operating the equipment themselves. A mere 13% of non-broadcast companies entirely look to the external market.

POST PRODUCTION TOOLS

It is clear that broadcast companies maintain a high reliance upon external post production facilities. But such facilities must see relatively few non-broadcast projects.

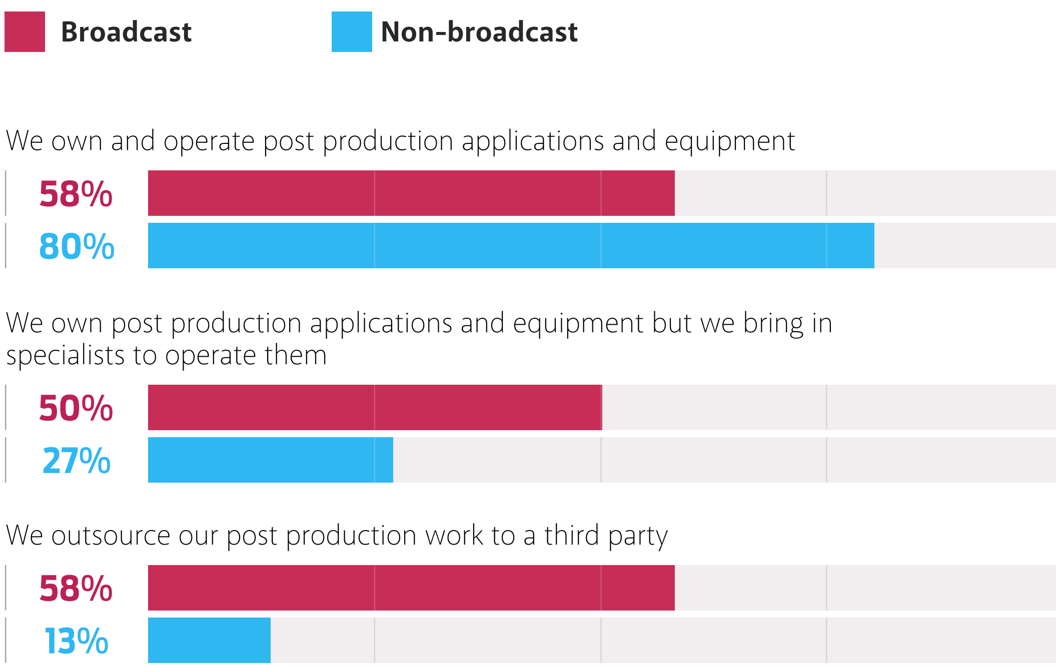
Some of this distinction in the post production activities of broadcast and non-broadcast companies will be because of the specialist finishing skills (such as colour grading and audio mixing) required for high-end content.

Whether non-broadcast companies generally achieve more, from a creative and technical point of view, within their in-house post production facilities than their broadcast counterparts remains moot.

FIGURE 16:

Ownership of post production equipment

Respondents could select more than one answer



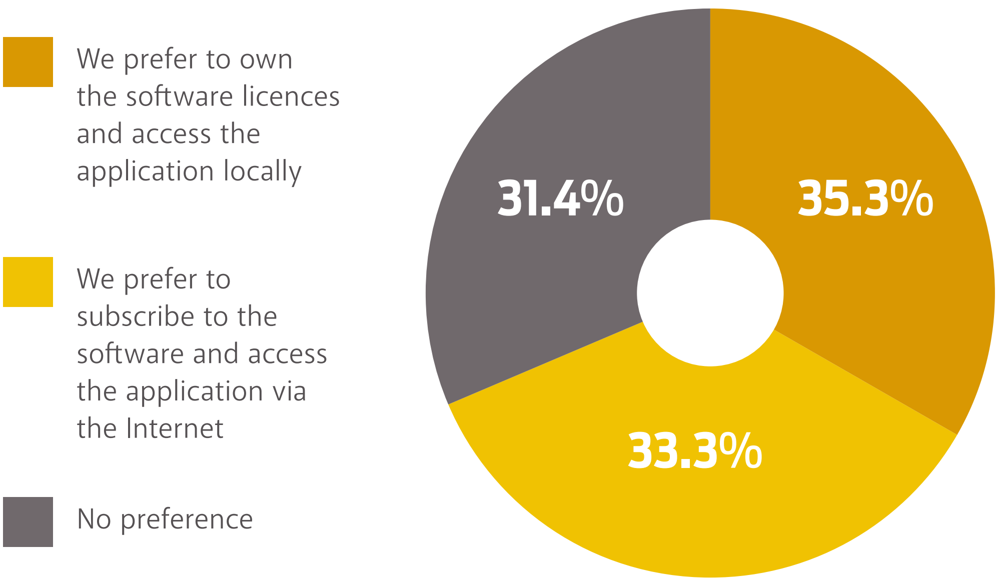
SOFTWARE AS A SERVICE

The wide array of web and cloud-based tools listed earlier might indicate that the world of production has now become familiar with the idea of subscription-based and pay-as-you-go IT – of paying for software as a service, switching it on and off as required, and scaling up and down as projects come and go. But if such a move is happening, it is doing so very gradually.

We asked the companies about their attitude to software applications. Do they prefer local install or web delivery? The answers were very evenly split.

FIGURE 17:

In general, what is your company's attitude to software applications?



This even split of preferences is to be found across the broadcast and non-broadcast communities: a third of both broadcast and non-broadcast firms actively prefer to subscribe to software and to access applications via the Internet.

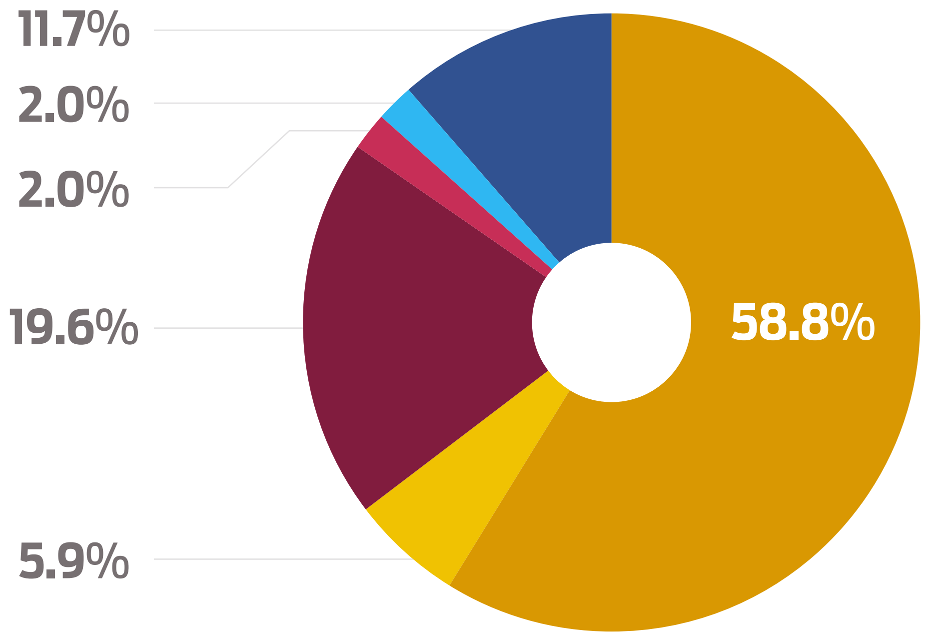
Interestingly, however, when it comes to what companies actually do rather than what they say they prefer, the answers are dramatically different.

We asked about how companies managed their IT, with the following results:

5

FIGURE 18:

Thinking about the computers and systems that are used by your company, which of the following statements is most applicable?



- We own our own computer hardware and servers, and systems are installed locally in our office
- We rent our computer hardware and servers, and systems are installed locally in our office
- We own our computer hardware and servers and systems are delivered via an online or cloud-based service
- We rent our computer hardware and servers, and systems are delivered via an online or cloud-based service
- We do not own or rent our computer hardware, we encourage employees to bring their own device (BYOD) and systems are delivered via an online or cloud-based service
- Other

Of the "other" answers, four said it was a mixture of all of the above.

5

KEY FINDING

Production companies are still owning their computer equipment and installing software locally – to an extent at odds with their use of commodity apps

Overall, production companies are still living in a world of owning their own computer equipment and installing software locally – to an extent that feels very at odds with their preparedness to use commodity apps for their production activity. This apparent paradox may reflect the different environments and behaviours that separate 'office work' from 'being in production.'

The paradox is far more pronounced among broadcast companies. 40% of non-broadcast firms have their software delivered via an online or cloud-based service; but only 15% of broadcast firms take this approach.

KEY FINDING

Only 15% of broadcast firms have their software delivered as a service

Very few companies – just 8% – rent their computer hardware. This probably reflects how cheap computer hardware has become. Perhaps more surprisingly, only one firm says it uses the BYOD (Bring Your Own Device) model.

6

THE FINDINGS: PART 6

Storage and Archive: What is Kept Where?

THE USE OF HARD DRIVES

Portable hard drives – also often referred to as external hard drives – are a famously unreliable device on which to store content over an extended period of time. Although relatively cheap and very convenient, they can fail without warning, especially if not used frequently.

Research suggests that 5% of all hard disk drives die within eighteen months. Such drives have moving parts that can break, and it is estimated that as many as 50% of drives will malfunction or be unreadable after six years.

Technologists have been issuing these kinds of cautions to production teams for many years. But the portable hard drive has remained a staple tool of production – not least because it remains the most practicable means of downloading and transporting rushes on location.

KEY FINDING

Technologists have been cautioning against the use of portable hard drives for years; but two-thirds of production companies still use them

Our survey confirmed the continued use of portable hard drives. They are used by 65% of all our production companies. 44% of our respondents also store content on computer hard drives, which carry risks similar to portable hard drives.

THE USE OF THE CLOUD

Only 38% of all production companies use the cloud for storage. This represents 19 firms. Of these 19, 11 also use portable hard drives. The eight that don't use portable hard drives supplement cloud storage with the use of computer hard drives, digital tape, Blu-Ray, and Network Attached Storage (NAS).

KEY FINDING

Fewer than 40% of production companies use cloud storage

In short, no one solely uses cloud. But frankly – given the challenges of connectivity when on location, and the need to download and backup content as quickly as possible – it would be remarkable if they did.

Perhaps more surprising is that fewer than four in ten production companies make use of cloud storage at all.

This reluctance to make use of the cloud may reflect continuing distrust among the creative community regarding the storage of audio visual content anywhere other than the trusted domains of the office or a post production company. If it does, then such distrust can not be said to be unique to the broadcast companies – the ones that could easily be portrayed as conservative when it comes to technology. In reality, a slightly higher proportion of the companies using cloud storage are broadcast than non-broadcast. These tend to be larger entities – and it may be the larger companies that can more easily see the business case for using the cloud. But does this need to be the case – and if not, who is at fault: the cloud providers or the production companies?

KEY FINDING

It appears to be the larger companies that can see a business model that favours use of the cloud. But does this need to be the case?

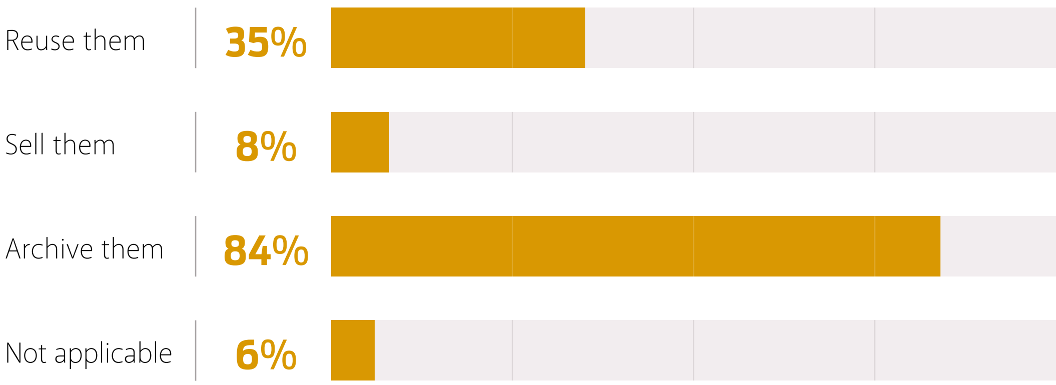
THE REUSE OF CONTENT

Companies were asked what they did with rushes after they had completed production.

As can be seen, almost everyone archives their rushes – but only around a third make further use of them, and less than a tenth make money from them.

FIGURE 19:

What do you do with your video rushes once you have created your content?



KEY FINDING

Almost every production company keeps its rushes; but only a third make further use of them

It should be noted that the responses don't say that 35% of rushes are reused, and 8% have value. Rather, they tell us the proportion of companies that reuse rushes (two-thirds don't) and the number who re-sell (over 90% don't).

This information does leave us with one of the great conundrums of production unanswered: why does almost every production company keep its rushes when so few make further use of them? Is it merely fear of deletion? Or is it because the cost and effort of reuse and resale is too great? But then, how come a third of companies do make further use of their rushes? Would more material be reused and sold if companies subscribed to cost effective, user-friendly cloud storage and resale services?

When it comes to reuse and sale of rushes, there is no particular difference between broadcast and non-broadcast companies, although both practices are slightly higher among broadcast companies. A much higher proportion of non-broadcast companies than broadcast ones regarded this question as not applicable to them. This difference may reflect the fact that so many non-broadcast companies make branded content – which won't have resale value (though it could have reuse value).

THE FINDINGS: PART 7

Connected Working: Is Online Working?

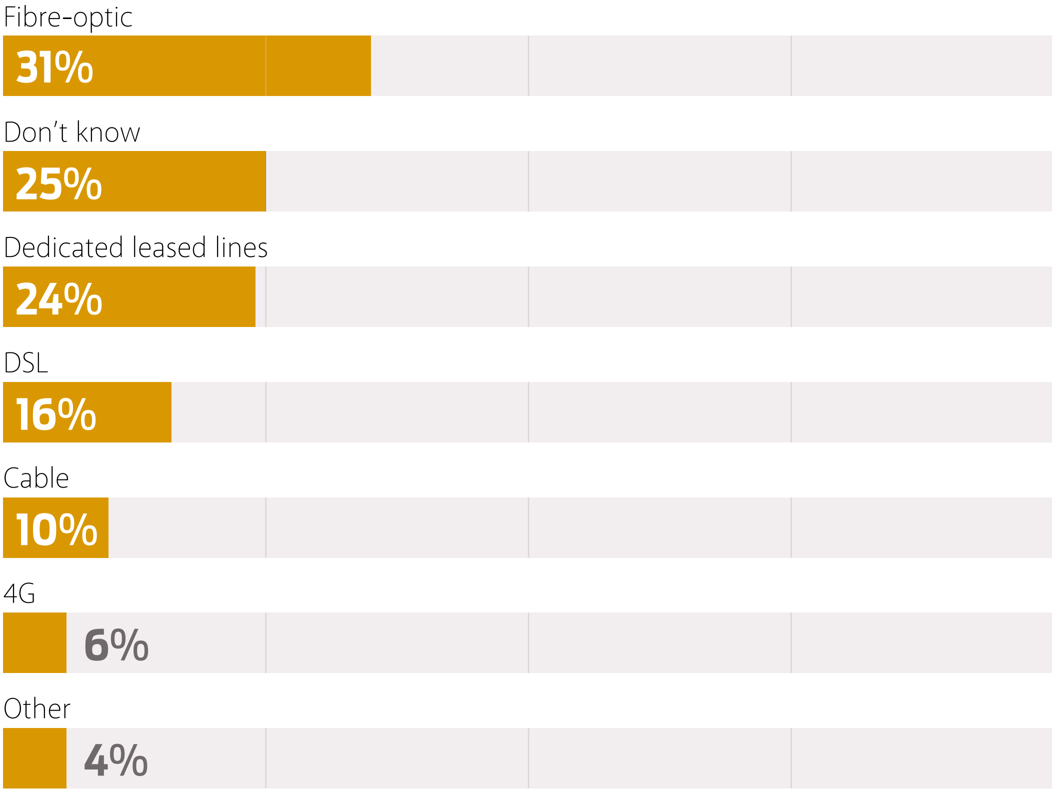
TYPES OF CONNECTIVITY

In 2016 the DPP conducted **a survey of connectivity** among 29 production companies. The survey found that half of the companies were still using consumer broadband for their office provision. Only four of the companies (14%) subscribed to a dedicated managed service

The findings of the Production Business 2018 survey suggest a stronger take up of dedicated connectivity, at around a quarter of all respondents (with the possibility some of the companies who gave 'don't know' responses might also have dedicated lines).

FIGURE 20:

Type of connectivity to the office



Some companies have more than on type of provision (hence the percentage figures totalling more than 100%). But relatively few companies are now relying on what might be termed 'domestic' connectivity, such as DSL, which typically tend to offer speeds below 10 Mbps. (It should be noted that four companies reported they had connectivity of less than 20 Mbps, and one of those reported it had less than 10 Mbps.)

7

KEY FINDING

Few production companies rely any longer on domestic broadband; and at least a quarter now have a dedicated managed service

SPEEDS OF CONNECTIVITY

Following the 2016 survey of how production use connectivity, the DPP published a guide in 2017 on **connectivity services suitable for production**. This guide explored the availability and characteristics of connectivity services appropriate to production companies.

The report noted that a production company would require connectivity of 100 Mbps or above to fully enjoy the benefits of cloud-based working.

The Production Business survey found that around 80% of companies have connectivity of at least 50 Mbps, but only 13 companies (around 20%) have connectivity of at least 100 Mbps. What is perhaps quite startling is that of these 13 only 3 report that they use cloud and web-based services and applications widely and see them as generally secure.

KEY FINDING

The production world is still struggling to be enthusiastic about cloud-based working

This finding may be the strongest indication of all that the world of production, old and new, broadcast and non-broadcast, big and small is still struggling to embrace cloud services and connected working with enthusiasm. Put another way, there is still a major opportunity for suppliers if confidence in the cloud can be built among producers.

THE COST OF CONNECTIVITY

In the DPP survey of connectivity services in 2017, it was concluded that an average UK media company would need to spend more than £6,000 per year (£500 per month) to subscribe to a high quality connectivity service. A spend of around £10,000 per year would be required for a high quality dedicated line that could deal with peaks in HD or UHD video traffic.

The survey of connectivity in production conducted the previous year – 2016 – had found that in reality production companies were spending well below this amount. 43% of the companies were still spending less than a £1,000 per year on connectivity, with only 11% spending £10,000 per year or more.

This 2018 Production Business survey found that spend on connectivity does now appear to be increasing. As the table below demonstrates, nearly 30% of companies are now spending over £500 per month (£6,000 per year).

FIGURE 21:

Monthly spend on connectivity

Nil	14.3%
Less than £50/month	17.1%
£51-£100/month	20.0%
£101-£500/month	20.0%
£501-£1,000/month	11.4%
More than £1,000/month	17.1%

On the other hand, even if one puts aside the companies who claim to pay nothing, nearly 60% of companies still spend less than £500 per month, and nearly 40% spend less than £100 per month – indicating that they do not have connectivity suitable for a media company.

KEY FINDING

60% of production companies do not have connectivity suitable for a media company

The 14% of companies who reported a spend of 'nil' are confusing – since no one could run any kind of company without an Internet connection. Further investigation suggests, however, that these companies are likely to have premises in which Internet provision is included in their office rental – and indeed may be enjoying very high connectivity speeds in those locations.

These kind of 'all inclusive' office deals will be particularly well tailored to small non-broadcast companies, and this is reflected in the breakdown of responses on connectivity spend into broadcast and non-broadcast. Broadcast companies tend to spend more, and this will largely reflect their greater scale.

The most popular cost groupings for AvCo broadcast are:

More than £1,000/month	43%
£101-£500/month	36%
Less than £50/month	14%

The most popular cost groupings for AvCo non-broadcast are:

£51-£100/month	31%
£101-£500/month	23%
Less than £50/month	23%
Nil	23%

TRUST IN CONNECTED SERVICES

All the indications from the data above are that, although the world of production is gradually adopting quality connectivity, the trend is happening slowly – and probably more slowly than many would expect.

KEY FINDING

The adoption of quality connectivity among production companies is happening more slowly than would be expected

There could be many reasons for such slow progress. The first could be the poor suitability of much connectivity provision for the unpredictable, project-led world of production. Many smaller companies would be far better placed to pay £100 one month and £900 the next, as their projects come and go, rather than £500 every month. For many companies, expenditure will be tightly connected to project budgets, and good business practice will be to minimise fixed overheads and long term contracts.

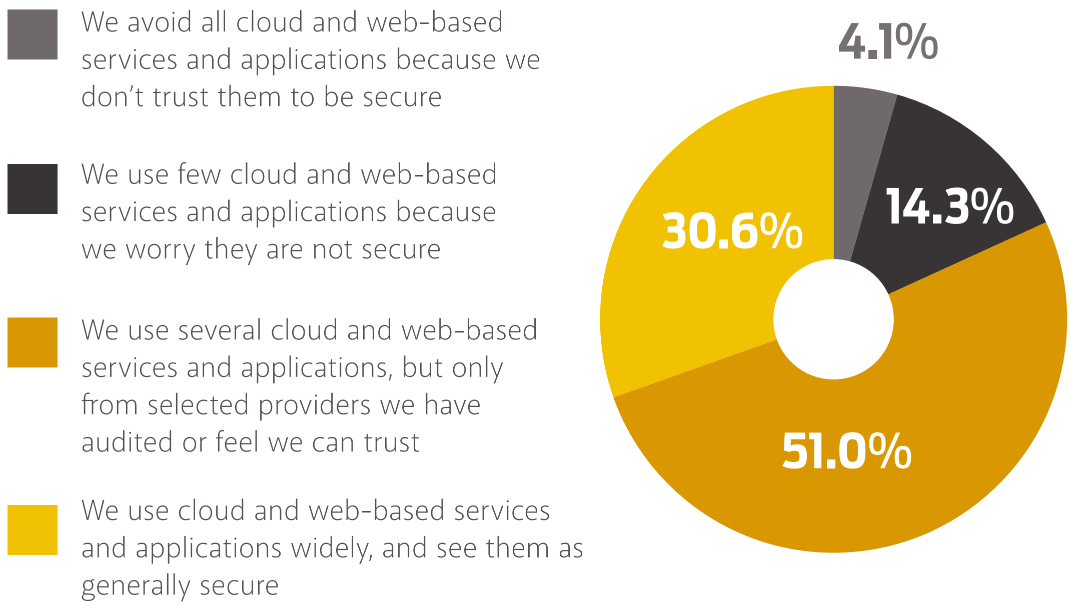
7

The second reason could be the quality and suitability of appropriate connected services. When the DPP recently undertook an examination of the maturity of **cloud services for media**, it was found that the production ecosystem was the one with the most weak links.

And the third could be fear of cyber crime. After all, for every cloud evangelist selling the benefits of cloud-based working, there is a security expert reminding producers that the moment they connect to the Internet they are at risk from cyber attack.

Having said all this, there is evidence in this survey to suggest that there are some companies that are living confidently and effectively in a very connected media business world.

One reason this assertion can be made is because of the responses to a question designed to get a measure of the degree of trust in cloud services. Companies were asked: 'when it comes to security, how do you feel about buying and using cloud and web-based services and applications?' These were their responses:



Around a fifth (18%) of all our responding companies either avoid cloud services entirely, or only use a few, because of their anxiety about security. Of these, slightly more fall into the broadcast category.

A further 51% express some anxiety, by selecting the response that they 'use several cloud and web-based services and applications, but only from selected providers we have audited or feel we can trust.'

This means that around a third of all respondents (31%) 'use cloud and web-based services and applications widely, and see them as generally secure'. But that group is dominated by the non-broadcast companies: they represent 80% of the respondents. This greater ease with cloud services is not about age: two-thirds of the companies that are comfortable with the cloud were formed before 2012.

KEY FINDING

Small, well-established non-broadcast companies are the ones who trust cloud services the most

So comfort with the cloud seems to be a function of non-broadcast content making; and also of something else: size. Almost all of the companies, 93%, who were confident about cloud services employ 20 people or fewer. It may be that they simply can't afford to think otherwise: cloud services are too convenient and cost effective for a small company to ignore. Or it could be that their confidence about connected working is precisely what enables them to run a small but profitable production company.

It would be tempting to assume this 'pro-cloud' group use the technology so that they can have a highly distributed work force. But this turns out not to be the case: just 13% of this group report that a majority of their people work remotely.

KEY FINDING

Big firms are big cloud users – but also the most anxious about security

Big firms, meanwhile, appear also to be big users of the cloud – but with greater caution than their diminutive counterparts. Three-quarters of large companies report that they do use cloud services but "only from selected providers we have audited or feel we can trust." Just 5% say they "use cloud and web-based services and applications widely, and see them as generally secure."

VULNERABILITY TO CYBER CRIME

Given such anxiety about security, one would expect to find production companies giving significant attention to protecting themselves from attack, and ensuring they have an effective disaster recovery plan in place.

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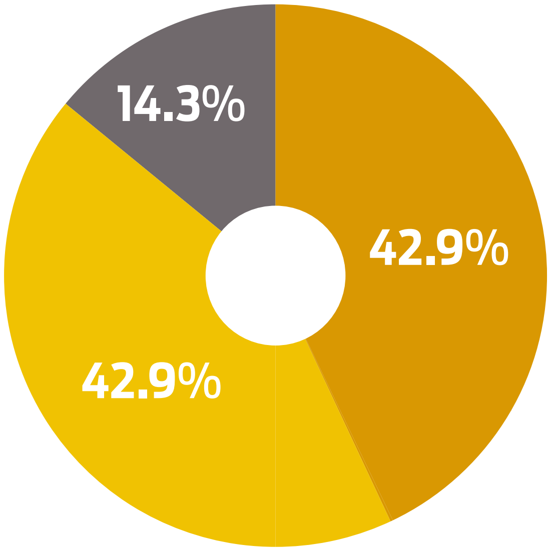
FIGURE 22:

In the event of a data disaster, how prepared are you?

(Data disaster is a terminal loss of data through natural factors (e.g. fire and flooding), human error or cyber attack.)



- We are very well prepared. We have well-understood and adhered to policies and procedures and our data is backed up in at least two completely separate geographical locations
- We are quite well prepared. We have some disaster recovery policies and procedures and our data is backed up locally within our organisation
- We are not very well prepared. We backup our data from time to time, but don't have well-understood and ahered to policies and procedures
- We are not at all prepared. We don't have well-understood and adhered to policies and procedures and we rarely, if ever, backup our data (0%)

Most companies, of all kinds, regard themselves as either quite or very well prepared for a security disaster. It's among the smaller companies where we find some doubts, with a quarter – all of them non-broadcast – who fear they "are not very well prepared."

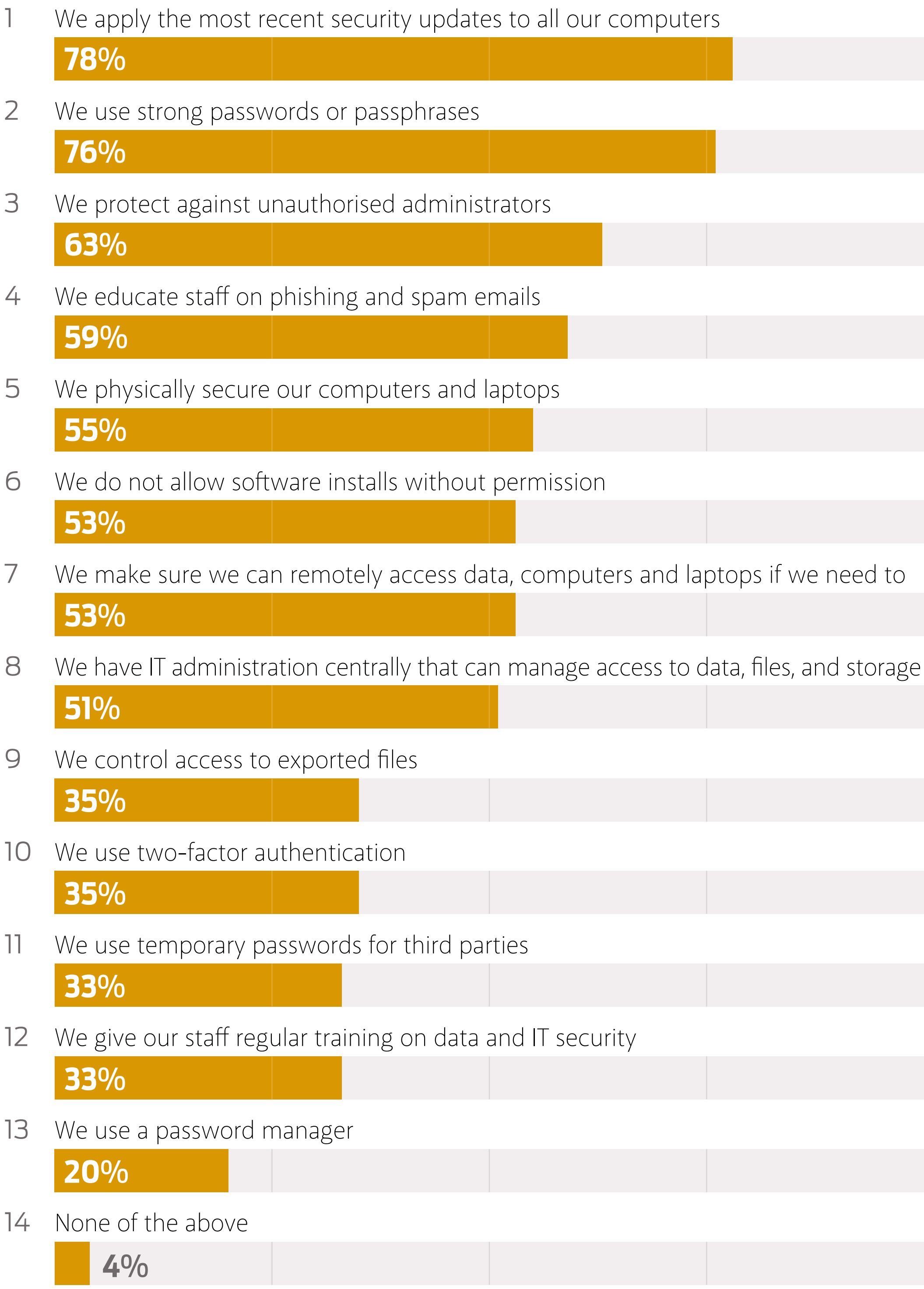
KEY FINDING

Most production companies regard themselves as well prepared for a security disaster

Respondents were also asked in more detail about the data security measures they take.

FIGURE 23:

Which of the following data security measures are commonplace at your company?



The full results invite both a half full and half empty reading. On the one hand many companies clearly use a wide range of appropriate measures. But equally a security professional would probably raise their eyebrows at how few companies adopt certain practices, especially around training, authentication and passwords. On the face of it the responses don't appear quite to match the confidence of the previous responses on preparedness for disaster.

KEY FINDING

Only a third of production companies give regular security training to their staff

The top responses on security measures are the same regardless of company type but there are big differences further down the list.

When it comes to software installs, 72% of broadcast firms "do not allow software installs without permission" compared to just 40% of non-broadcast. Similarly, 72% of broadcast firms "make sure we can remotely access data, computers and laptops if we need to" while 27% of non-broadcast do the same.

When it comes to regular training on data and IT security, the differences are stark again: broadcast 40% vs non-broadcast 13%.

Does all this suggest that non-broadcast firms are more relaxed about security? Not necessarily. Like much else in this report, broadcast companies, which tend to be bigger, are more likely to have the scale and facilities – and therefore need – for such caution. This is reinforced by the fact that 72% of broadcast firms "have IT administration centrally that can manage access to data, files, and storage." Just 20% of non-broadcast have that luxury.

KEY FINDING

Broadcast companies tend to have their own IT administration; non-broadcast companies are probably buying into the security offered by the global technology giants

If one imagines a small, non-broadcast production company, making high use of commodity applications from established global technology providers such as Google, Dropbox or Microsoft, they may rightly feel they are buying into the security expertise of such vendors. What then becomes important is that these producers use such apps appropriately.

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And it looks as if many do: one area where the non-broadcast companies are stronger than the broadcast ones is in two-factor authentication – something very much of the web-age. 24% of broadcast use two-factor authentication as a security measure while 33% of non-broadcast do likewise. It's a higher proportion – but the security professional would point out the glass is still two-thirds empty.

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THE FINDINGS: PART 8

Facing the future: Revenue or Efficiency?

The picture presented in this report has been a freeze frame of what production companies of all kinds are doing right now. But how do they see their future?

FUTURE SOURCES OF REVENUE

Broadcast and non-broadcast companies are set to become increasingly different in how they see their businesses.

When asked about future revenue, broadcast production companies reported that they saw video on demand platforms growing in significance – to the extent that those revenues will overtake secondary sales to become their second most important source of income. They also expect format sales to become just as important as secondary sales. But they still anticipate that broadcaster commissions will remain their most important source of business.

KEY FINDING

Despite the growing significance of video on demand, broadcast companies predict that broadcast commissions will remain their primary source of revenue in the future

Non-broadcast companies, on the other hand, see broadcaster commissions becoming less important, with commissions from video on demand platforms growing in significance. Corporate commissions will continue to be their most important source of revenue. Income gained from deals involving revenue and profit share will remain important, but public funding is seen to be in decline.

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KEY FINDING

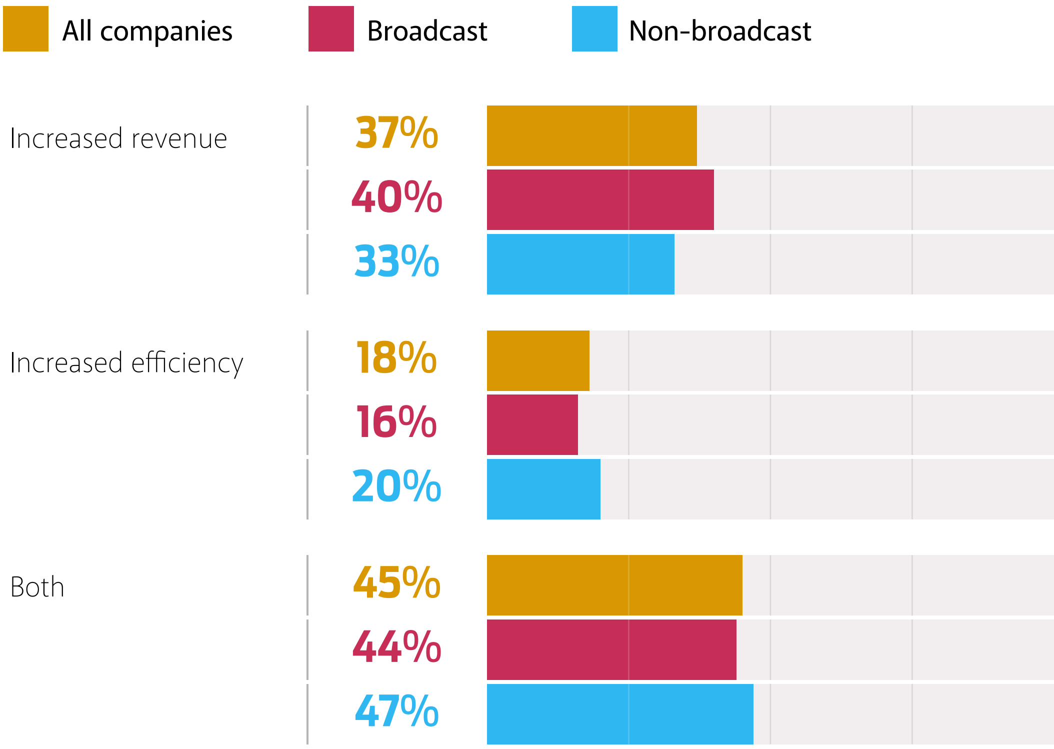
Despite the growing significance of video on demand, non-broadcast companies predict that corporate commissions will remain their primary source of revenue in the future

EFFICIENCY VS REVENUE

All companies were asked: "When it comes to making your business more profitable, which of the following do you think is the most important – increased revenue, increased efficiency, or both?"

It may have been a mistake to offer the safe answer of 'both', since almost half of companies took this option. But of those that chose between increased revenue and increased efficiency, twice as many selected revenue.

Most important for future profitability



Interestingly, this emphasis on revenue was particularly strong among broadcast companies.

Of course, since the answer 'both' includes an element of efficiency, one could conclude that 63% of all companies regard efficiency as important. But the suspicion from the findings above is that production companies are generally more focused on increased revenue than increased efficiency. This is entirely logical since growth is all about winning new work: doing nothing, but doing it efficiently, isn't a viable business model.

In a world where tariffs are being squeezed, and commissioners – whether broadcast, online or corporate – are seeking more for less, it could be said that all production companies are being obliged to be highly efficient: 'please make the same again, but for 5% less.' An efficiency that is imposed is very different from one that is created in order to maximise margin.

Perhaps significantly, two-thirds of the companies who consider efficiency the most important source of profitability in the future, were founded in 2010 or earlier. These may be the companies that are sufficiently well established to have a deep understanding of their business, and their opportunities for doing things differently.

KEY FINDING

Companies that prioritise efficiency tend to be ones that have control over the post production process

There are a couple of other telling characteristics of companies that prioritise efficiency. First, they tend not to make fast-turnaround content. Just 11% are engaged in making content that has a turnaround of 48 hours or less. Secondly, almost 90% of them employ in-house editors, and all of them own their own post production equipment. Two-thirds perform all their post production in-house.

What emerges is a picture of companies that feel they have some control over the production process, in terms of people, equipment and the duration of projects; and this may well be where they see the greatest opportunity for savings. The potential for appropriate and affordable cloud services to appeal to such companies is clear.

When it comes to companies that prioritise revenue however, a very clear picture emerges of newer companies that are seeking to establish themselves, and don't yet have full control over their own resources.

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KEY FINDING

Companies that prioritise revenue tend to be new, and many don’t have their own production or post production equipment

Of those placing an emphasis on revenue, 56% were founded in 2011 or afterwards. The vast majority (78%) employ fewer than ten people, and two-thirds have dramatic changes in their staff numbers, as projects come and go. The ownership of production equipment, at 44%, is not especially high, and only half have their own post production equipment. One doesn’t have to be a management consultant to see that the opportunity for efficiency among such companies is small.

One of the big questions posed by this research is whether production is an activity with such powerfully defining cultural characteristics that all production companies – never mind what size or what they make – have more in common than they have differences.

Or, alternatively, has content production now become so diverse that it is meaningless to talk of production as if it is a single business? Are the differences in how different companies work now so great that it is necessary to differentiate distinct production markets, each with its own characteristics?

In what follows the case is made for each position. Whichever proves the more powerful force will have significant implications for how content creation evolves in the next few years – and what tools, services, environments and business models will be needed for success.

The Defining Power Of Production Culture

IT'S A PROJECT WORLD

The responses to this survey do nothing to disprove the axiom that it's the project-based nature of content creation that is the single biggest determinant of how production companies work.

This survey does nothing to disprove the axiom that it's the project-based nature of content creation that is the single biggest determinant of how production companies work

It's the dream of every production company to win a 'rolling' commission, a retainer or a minimum output guarantee. Such a deal would enable them to plan, to optimise their resources across a number of projects, and to smooth out the peaks and troughs of activity that can make the life of even a successful production company feel oddly hand to mouth.

But the reality for most production companies – of all kinds – is that they win projects on a case by case basis. And the impact of this on how they run their businesses cannot be overstated. It makes it very difficult to commit to any fixed costs – even annual subscriptions. It is generally easier to manage the budget of each project in turn, like its own mini-company, than to consider the overall company as a single continuing business.

THE PARADOX OF CREATIVITY

So project working, by its nature, inhibits risk taking. And this aversion to risk compounds the paradox of creativity: creative people tend to be very conservative when it comes to change. For them, the certainty of delivery of their vision is everything. That's why creative individuals will often sacrifice efficiency for efficacy. If it works, don't mess with it.

> Creative people tend to be very conservative when it comes to change

So although there may be experimentation with particular creative tools – such as a new camera or rig – it can take a long time for major changes in working practices to take place.

This creative paradox is perfectly expressed in wariness about the cloud. When certainty is everything, who are you going to trust? A person or piece of kit that has never let you down? Or an invisible, intangible cloud service with an odd name, boasting indecipherable technology and offered by a company you've either never heard of or is better known for IT than media?

It isn't any wonder that those with the greatest comfort about cloud and connected services appear to be the ones that have identified cloud led working as a specific business opportunity.

EFFICIENCY: WHO NEEDS IT?

The content production community has always been poorly understood by those who have never worked within it.

> Suppliers make the mistake of thinking technology, workflows and efficiency are things that interest creative people. By and large, they don't

Suppliers, for example, often make the mistake of thinking technology, workflows and efficiency are things that interest creative people. By and large, they don't.

Historically, freelance camera crews and post production facilities have operated as a buffer between the creatives and the technology suppliers who think they can see opportunities to sell efficiency or innovation. Those crews and facilities mostly took the technology investment decisions themselves. The views of creatives about such matters where largely influenced by those that gathered and shaped their content for them.

> The commoditisation of production technology has done remarkably little to change the culture of production

With the commoditisation of so much production technology, production companies began to take greater control of the capture and shaping of their content: simply, they began to own more of the means of production. But this has done remarkably little to change the culture of production. Creative people are still focused on delivering to a commissioning brief, and on spending every last penny of their budget on making their output as good as possible.

Although the equipment used in making content may have been modernised dramatically over the last 20 years, and although the sheer productivity of production teams may have increased (largely driven by the Internet), the overall production process is still the same: plan, shoot, shape and deliver. And while modern technology has enabled fast turnaround content to be of much higher standard than ever before, the overall timeframes for making different types of output have not changed as much as many would imagine.

In short when it comes to efficiencies in the processes of production, there is not that much to go at.

> When it comes to efficiencies in the processes of production, there isn't much to go at

DOES INNOVATION BELONG AT THE BACK END?

It would not be unreasonable to conclude the greatest innovations around content will always take place after it has been made: in the management, delivery, consumption and reuse of finished content. After all, isn't the most significant innovation in media in the last decade the streaming of content to mobile devices? That's an innovation that has been transformative for the media industry – while changing the production process itself very little.

> The greatest innovations around content happen after it has been made

In fact it could be concluded that the best thing is to leave producers to work pretty much as they please. Who cares if any of their practices are 'inefficient' or 'old fashioned'? They are employed to create brilliant stories that consumers want, not to be efficient. They may choose to be innovative in how they use technology to tell stories; but there has also been plenty of storytelling innovation that has used familiar technology in its creation. No one ever won an Oscar, BAFTA or Emmy for efficiency.

The Diversity of Production Markets

THE BROADCAST/NON-BROADCAST DIVIDE

While this survey may confirm that content production has many common characteristics, it has also revealed marked differences between those companies that produce principally for broadcasters, and those that don't.

> This survey revealed marked differences between those companies that produce principally for broadcasters and those that don't

If asked to paint a picture, from this study, of the archetypal broadcast production company, it would look something like this. It would:

- Be more than five years old
- Make long form broadcast video
- See broadcaster commissions as the leading source of revenue both now and in the future
- Turnover more than £5m per year
- Spend more than six months making most of its projects
- Have executives working in their own offices, overseeing staff in set job roles
- Employ twice as many freelancers as permanent staff
- Develop and own the intellectual property for the content it makes
- Be wary of the web and cloud-based tools and services
- Own its own IT and manage it locally

Meanwhile its non-broadcast counterpart would look like this. It would:

- Be less than five years old
- Make short form promotional video content, and see this as the most important source of revenue both now and in the future
- Not only make content itself but also partner with other companies
- Own some of its own intellectual property, but also make content in service of someone else's intellectual property
- Spend less than two months making most of its projects
- Have a turnover below £2m per year
- Employ no more freelancers than permanent staff
- Work in a single open plan office
- Be a confident user of web and cloud-based tools and services
- Have super high speed connectivity

These are archetypes; and many companies sit in between. But they are useful in showing that, for all the production process has much in common never mind what is being made, the cultures of what could be called 'TV' and 'new content' are also distinctively different.

A NEW BRAND OF PRODUCTION

Historically there have been four distinct production cultures: film; tv; advertising; and corporate. The markets for each were very different – typified by the fact that post production facilities would often present different rate cards to TV and advertising production companies respectively.

But these dividing lines are changing. As the budgets for high end non-theatrical content increase, film production is beginning to blur into high end long form production (both for TV and online). There is still 'standard', modestly budgeted TV production. There is still high budget advertising production. But there is now a huge amount of branded or promotional content production – which might be advertising, brand communications, sponsored content for distribution on a range of platforms, or content for internal, corporate use.

This survey has not explicitly surfaced all these changes, but it does strongly hint at the emergence of one: the importance of the market for branded and promotional content.

> If a young film maker started their own company today they probably wouldn't make TV – or even content for an on demand channel

In short, if a young film maker was to start their own company today, it is very likely they would do so in order to make promotional content rather than TV or even content for an on demand channel.

Which Matters: Cultural Continuity or Market Change?

The big question is whether these difference in how companies work are merely the consequence of age, size and customer. With time, will successful non-broadcast companies grow, find a wider range of customers, and have more in common with broadcast companies? Indeed, will broadcast companies gradually spread into branded and promotional work and in so doing become more like non-broadcast ones?

> If the established production company models change it will be because the demands of consumers make it necessary

The fact is, when major change happens it is more commonly the result of external forces than internal ones. And if any of the established production company models does change significantly, it will probably be because the demands of consumers will make it necessary.

Perhaps the least talked about, but most significant, topic for the production business is how consumers will come to determine the nature of supply. No one saw how, in the space of just ten years, the market for short form content would grow to such an extent that a survey such as this would find it to be the most commonly made content type. No one foresaw the emergence of a whole raft of new content creating companies who would never need a commission from a broadcaster in order to be successful. No one foresaw how established means of content distribution would be by-passed by the emergence and success of online platforms.

These are all consumer led changes. Anyone who thinks major innovation in content creation will happen in the production process is looking in the wrong place. The innovation will happen in consumption – and it is how such innovations will in turn impact the production process that remains to be seen.

> Anyone who thinks major innovation in content creation will happen in the production process is looking in the wrong place

It has already been suggested that production companies can probably change remarkably little – with their historic cultural characteristics still intact – and still supply successfully into a transformed consumer market. But one can't help but suspect that, since new consumer trends are now emerging so rapidly, it may be the characteristics of the smaller, more agile non-broadcast companies that prove better adapted.

> As new consumer trends continue to emerge, it may be the characteristics of the smaller, more agile non-broadcast companies that prove better adapted

It will be interesting to see whether the cloud delivery of professional media production tools will become sufficiently commoditised that they will start to feel more like current workplace collaboration tools. That might be the technical innovation required to meet the constantly transforming demands of the consumer; and to fundamentally change how production works.

The Production Business 2018 Survey was produced by **Will Strauss**, with **Mark Harrison** and **Jayne de Ville**. Data analysis was by **Will Strauss**. This report was written by **Mark Harrison**. Design was by **Vlad Cohen**.

The DPP would like to thank the 57 production companies who were so generous with their time and information, and DPP Member company **Dropbox** who enabled both the research and this report.

About the DPP

The DPP is the media industry's business change network. Originally founded by UK Broadcasters the BBC, ITV and Channel 4, it is now a not-for-profit company with an international membership base drawn from the whole media supply chain – broadcasters and distributors to manufacturers and service providers, production to post production, trade bodies to educational institutions. The DPP harnesses the collective intelligence of that membership to generate insight, enable change and create market opportunity. For more information, or to enquire about membership, visit **www.digitalproductionpartnership.co.uk**.

About Dropbox

Dropbox is a leading global collaboration platform that's transforming the way people work together in the media, from start-up digital agencies to the world's biggest broadcasters. With more than 500 million registered users across more than 180 countries, our products are designed to help unleash the world's creative energy and establish a more enlightened way of working. Headquartered in San Francisco, CA, Dropbox has 12 offices around the world. For more information on media solutions from Dropbox, visit **www.dropbox.com**.