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Communications Media Trends Analysis¹

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The Impact of the Recession on Media Production

OVERVIEW

When we published *“Driving Success: The Media Managers Guide to Proving Value”* in 2008, we said that would be the end of our semi-annual trends reports. They were becoming repetitious: business was always good and getting better. How wrong we were! The first Dynamic Media Trends report was published in November, 2001, a crucial time if there ever was one. This edition is coming in the midst of another crisis that is having a revolutionary impact on media production. The term “Dynamic Media” never clicked, by the way.

Now we are in the worst, most far-reaching economic recession even I can remember. Economists are suggesting it has bottomed out: maybe yes, maybe no. Whenever it comes, recovery will be a long, slow haul. Some media producers will never recover. The economic reality or just fear of the unknowable future has tamped down investments in corporate media production and that lid is likely to stay on for some time.

When this all began we asked some in-house media managers what they were experiencing. One expressed concern about an imminent downsizing with these comments: *“Even if I survive, I'm learning the hard way that I need a plan B at all times.”* Shortly after that his position was eliminated as a result of a merger.

Another manager responded: *“We are going thru a really tough time here. Our stock price dropped over 60% in the past 2 days and we are under the leadership of a new “transformational” president.”* So far that manager and his department have survived.

Others expressed concern but felt they had achieved the critical success factor of proving their value to the enterprise. They felt vulnerable in the face of corporate downsizings, but also felt confident. One commented that the real value of a media department *“isn't creating pictures, it's critical support of the business and constantly developing new cost effective solutions.”* Another manager alluded to the perennial problem of orienting those “transformational” executives who not aware the company has a television studio, much less what to do with it. Ragan Communications just launched a workshop to teach communications executives how to use video to communicate – Duhhh!

Selective Casting/Internationally Speaking² casts professional talent for Web based media, video and events for corporate, government and non-profit projects. Until the end of February

¹ This paper is a joint research project of Selective Casting/Internationally Speaking and Media Strategies, Inc.

² By way of full disclosure, Selective Casting is owned by Carol Nadell, the author's wife.

2009, business was even better than 2008. However, by the end of March, new casting projects slowed to a meager trickle. Selective Casting’s clients weren’t getting the jobs. When jobs did come up for bid, producers (and casting directors) were lowering their fees to get or retain business. Another symptom was a trend toward hiring lower cost non-union talent for all kinds of media productions, including commercials and Web casts. The recession was having an impact all across the creative process.

Was this a New York phenomenon, or more widespread? Did it only effect independent producers and production companies or was it having an equal impact on in house media production departments? To find out we surveyed producers on our mailing lists, members of the Media Communications Association – International (MCA-I) and the Communications Media Management Association (CMMA) to fill in the blanks.

The response was exceptionally good, with 56% of the responses coming from corporate departments and 44% from production companies and independent producers.³ A lot of people had a lot of pain to share. As one producer wryly put it: *“Looking for ways to keep my gross income under the Obama Limit of \$250,000.”*

BUSINESS TRENDS

The most important question was how production business during the first quarter of 2009 compared with the same period for 2008.

<i>Changes in Business</i>	<i>In-House</i>	<i>Producer</i>	<i>Combined</i>
• The Same	19%	8%	14%
• More Projects, Larger Budgets	10%	10%	10%
• More Project, Smaller Budgets	25%	15%	20%
• Fewer Projects, Smaller Budgets	42%	55%	48%
• Fewer Project, Larger Budgets	0%	3%	1%
• No Significant Projects This Year	4%	10%	6%

There were notable increases in Web-based projects, including commercials, Webcasts and developing media for Social Networking sites for both Producers and In-House departments. More than 50% of the Producers a reported significant reduction in training, marketing and communications work for corporate clients, with 60% saying they did a lot fewer or no communications projects during that time.

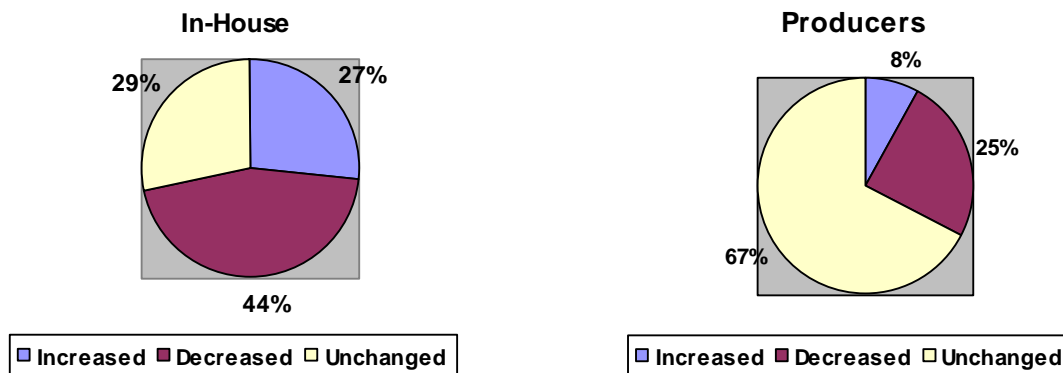
Not at all surprisingly, 54% reported a decrease in work for banking and finance clients. However, there were no offsetting increases in any of the 12 markets segments we listed. Education, Health and Medical Services and Non-Profit categories were evenly divided among increased or the same and decreased work.

Many respondents shared their thoughts on dealing with the economy on both a business and personal level, including some suggestions for managing the situation. A selection of those comments can be found at the end of this report.

³ For simplicity we will use “In-House” to identify internal media production departments and “Producer” to include freelancer and independent producers as well as commercial production companies.

STAFFING TRENDS

It was reassuring to find that only 31% of the combined survey respondents reported laying off staff during the period: we certainly expected the number to be much higher. As the following two charts show, the percentage of In-House departments increasing or maintaining the same staff levels was significantly more than those eliminating staff. Most of the producers surveyed are independent one person operations which would show no staff changes at all, but it interesting to see that 8% of production companies increased staff, though 25% eliminated permanent staff positions.



For Producers, staff decreases ranged from 1-4 with increases of 1, except for one company that added 8 full time employees. In-House staff increases were all one or two, except one company that increased its staff by 5. Staff decreases were in the range of 2-4, however, one department lost 13 staff positions. That sounds like a department closure to us. We personally know of eight media managers who have lost their positions over the past 18 months, though not all were as a result of economic issues. We only confirmation of one media department closing down entirely, though Merrill Lynch's might be on its way. CitiCorp's department has been downsized almost out of existence and their Smith Barney media group is being merged with that of Morgan Stanley along with the merger of the brokerage divisions.

There was bad news for freelancers with 53% of the in-house and 25% of the production companies reporting having reduced their reliance on freelancers. The 27% of in-house and 18% of the production companies that were using more freelancers were doing so to replace full time staff which 43% of the in-house and 25% of the producers had to do.

TECHNOLOGY

More than half the survey respondents said they were forced to reduce capital investments and 10% of both in-house and production companies said they were looking for less expensive work spaces. However, only 12% of the in-house and 8% of the production companies said they would purchase less expensive equipment than planned. On the other side of the coin, 4% of in-house and 5% of the producers reported buying more expensive equipment than planned.

A satellite company executive recently called to say was sorry we no longer maintaining the BTV network listing on our Web site. We began that listing in the mid 1990's to try and keep abreast of the companies that were using satellite networks for corporate communications. It was taken down in late 2008 as it had proven impossible to maintain with any degree of accuracy. A

satellite network is only one tool in what is now called “hybrid communications.” Hughes Network, for example, offers communications for their clients over satellite, DSL, fiber and any other technology or a mixture of all of them. The imperative now is to distribution technology integration.

However, satellite retains an important place in that hybrid network, particularly as smaller satellites are launched to reach more diverse and targeted audiences around the world that can’t be reached by other technologies.

Another manager mentioned the beginning of what has since become a full fledged trend, which is “user created video” and the increased use of social networking. “Big Video” has been vanishing, or is at least less popular. We heard of one Fortune 100 company directing that all video must look as if it had been shot by amateurs for YouTube postings – no matter what the cost!!! An article on creating successful viral video’s included the tip: “Don’t be afraid to spend money. A lot of Web videos that look ‘amateurish’ were produced with surprisingly big budgets by teams of professionals.”⁴

Forget DVCPRO, have you bought an HD Flip Video camera yet? For \$200 you can’t go wrong. It’s great for recording all kinds of things from location scouting to casting sessions or loaning them out, as ConEdison here in New York has done, so employees can create their own news stories. *Yousendit.com* has a great (and free) media upload tool for collaboration and getting client approvals with files too large to pass through corporate firewalls..

Firewalls and IT security are the major impediment to corporate use of Social Media to reach clients, the public and off-site employees. But that doesn’t keep corporate communicators from trying (and hoping). The only people really doing well in this business are the consultants advising corporate executives on ways to leverage Social Media to generate business – which no one seems yet to have accomplished (except the consultants, of course.) New Social Media applications for use inside firewalls are gaining traction.

MOVING ON

With every challenge comes an opportunity. We asked what tactics might be used to deal with the down economy. Our survey respondents either had implemented or planned to implement several activities that might help. Some planned to do all of them.

<i>Activity</i>	<i>In-House</i>	<i>Producers</i>
• Learn new technical skills	53%	76%
• Learn new management skills	71%	62%
• Join on-line networking groups	60%	92%
• Expand marketing efforts	80%	100%
• Form peer partnerships	76%	83%

We were surprised at the percentage of in-house media managers wanting to learn new technical skills. Perhaps they preparing for freelance work if downsizing hits them. We were also pleased to see that a majority of producers want to learn new management skills.

⁴ Rosen, Max, “Dialogue”, Videography, July 2009, p. 44.

Social Media networking is definitely a must-do for producers, though less so for in-house media groups. Perhaps it is a much “unable to do” because of firewall restrictions. Everyone needs to expand marketing efforts, though in-house departments have less opportunity to do so. However, 8% of the in-house groups were looking to pick up new outside rental or production business.

Fewer in-house media managers have the opportunity to form working partnerships, but they certainly can connect with their peers in other companies through CMMA or MCA-I. Internally they can partner with related departments. For producers it means teaming up with another producer, director, writer or videographer. Personally I have always preferred working with a partner – someone to brainstorm ideas and share successes as well as disappointments.

Most of the media managers and producers we have talked with since the survey are tentatively optimistic about the future. Talent casting for corporate projects, which went into a nosedive from March through June, jumped in July, but as of the first week in August has slacked off again. However, August is typically slower. How September goes will be the real test.

One third of both groups surveyed said they expected more work during the rest of the year. However half the respondents expected the current work levels to continue at present levels and 12% of the in-house and 20% of the outside producers expected less work in the last half of the year.

One manager summed it up saying: *“We have slowed down considerably but not totally. We are working on a few projects a week but not at the frantic pace earlier in the year. The projects that we have been getting are smaller projects that have been scaled back. There are some larger projects pending but waiting for an update on status. As we move into the summer, I'm anticipating a slower August., but around here that can change quickly.”*

The simple fact is all we can do is maintain or modify our strategic plans to at least point the way to managing in a down economy. The best advice for now is, as another manager put it: *“Just holding on for now.”*



We can't say this will be the last Trends Report and we continue to provide consulting services to the industry. Managers have found *Driving Success* to be a valuable tool in dealing with the economic issues and we'll continue to update that publication. We welcome any comments or suggestions as we look forward to an improving economy and continuing evidence of the strategic value of effective communications media.

SURVEY COMMENTS

In-House Comments:

- *Because I'm a staff producer and have a set hierarchy above me responsible for new business, I have little or no control over my workflow. I'm increasing my networking, preparing myself for a layoff. I have created a "layoff" document, which includes pre-written emails/letters to colleagues and business contacts so I can communicate immediately without a lot of emotion clouding my writing.*
- *Workload has stayed the same, but with lower budget and fewer people.*
- *Increased utilization by the business because their budgets don't allow them to go outside to vendors. That makes them wait on us and increases pressure on project completion, thus pressure on all parties involved with media projects. At the same time we hope and pray our company's sales stay up so that layoffs don't happen.*
- *From 04 - 08 we grew about 75%. Since the 4th Qtr in 08, our numbers have been down so far that we have to go back prior to 04, to see similar business levels*
- *If we were just doing video production we might not be here today. Speaker support and distant education are keeping the doors open. Glad we got into streaming when we did. No money for staff training unless you pay for it yourself*
- *Getting unclear message from mgmt. We're busy but need to lay off staff. Company needs to save money but want us to use more outside resources which will cost more. It's a case of 'Ready, Fire, Aim'.*

Producer Comments:

- *I was in this spot after 9/11 and had hoped not to be again. After the business recovered from 9/11 I had the 2 most profitable years my company had ever experienced and I am hopeful that it is possible to ride this out.*
- *My slump came before the curve; now business is pretty good. I'm not taking the recent uptick as a signal to relax, because I'm not so sure the worst is over.*
- *This is the first year I have not been awarded or in production on a project in the first quarter in 17 years. My only income has been from freelance work for other clients since May, 2008.*
- *Cutting back on non essential spending, holding off on new equipment purchases. Companies see corporate communications as an expense. They are holding back. I also see some of my clients reaching out to get cheaper labor.*
- *Companies are trying to do more themselves without using help from media professionals. If that means their employees have to work harder, so be it. Training and marketing efforts*

have been drastically curtailed across the industries. On a personal level I try to network more, attend as many free events as I can through the organizations I belong to as well as those I don't yet but who are looking to increase their visibility. I've also attended sales workshops to learn more about selling in a tough economy. In addition I've changed the focus of what I can offer, looked at skills I have but which I haven't marketed, as well as offering my services on a consultancy basis.

- *The individual has to be skilled in more areas that in the past were shared with other technical freelancers, i.e. core teams are shrinking and tasks spread among fewer people.*
- *This is the toughest year in 37 years of working in media-related industries. A lot of my friends and co-workers are on the street. and I've had to embrace a great number of new skills to fill in the blanks. I can see the light flickering at the end of the tunnel.*
- *We experienced the best first quarter sales since we established our business. We diversified our production capabilities over the past 3 years and offer services and equipment that are exclusive to our market. That investment is now paying off. Approximately 50 percent of our business is corporate production. The other 50 percent is broadcast production..*