

BROADCAST

Getting to grips with digital

- Published: 24 September 2008 15:07
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All3Media's acquisition of Illumina is the latest example of an indie embracing digital media. Maria Esposito reports on the challenges of going digital.

With the internet set to generate £42bn in ad revenue worldwide by 2010, the digital space is becoming ever harder to ignore. According to research agency ZenithOptimedia, tele-vision, though still the number one media source and revenue generator, will stagnate at around 3% of total media ad spend over the next three years while the online sector will jump from 9.3% in 2008 to 12.3% in 2010.

It's a trend not lost on the TV industry with many companies keen to exploit this growing digital marketplace. The question is how to go about it. Last week super-indie All3Media made its intentions clear with the acquisition of digital media agency Illumina.

All3Media is unequivocal about the pivotal role digital will play in its future fortunes. The company's chief executive, Steve Morrison, says that the group expects to see revenues from digital initiatives rise from 5% to 40% within three years.

All3Media's decision to buy a ready-made digital business rather than set up its own new media company from scratch is consistent with the super-indie's strategy of expansion by acquisition. It is not, however, a strategy that suits everyone. "Over the past five years the TV production business has learnt the value of intellectual property ownership," says Zad Rogers, creative director of RDF's new media arm, RDF Digital. "The problem with acquisitions is that most web businesses don't own any IP. They are guns-for-hire with no secondary value."

In view of this, Rogers, who set up RDF's digital arm 18 months ago and now oversees a 10-strong staff, maintains that indies are better off developing their own specialist skills in-house.

"The best thing to do is to grow the business organically so that you can own and exploit your own IP online," he says. However, few companies may be ready to make the jump into digital. "Digital revenues are still low so it takes a far-sighted chief executive to either acquire or invest in [creating] an in-house digital division."

One such production company to demonstrate such foresight was Endemol UK. The Big Brother producer acquired a 50% stake in interactive content agency Victoria Real in 2000. Although Endemol UK's director of interactive media, Peter Cowley, can see the logic in All3Media's purchase of Illumina, he does not expect many other indies to follow suit.

"It seems very sensible to bring digital skills into a big company like All3Media," says Cowley. "We have done it and so have Fremantle and RDF. The All3Media deal will not trigger a rash of

production companies buying digital companies. Most people already have [digital] expertise in-house already so there is not much of a need for it."

Instead Cowley believes the industry will see more partnerships developing between the TV and the digital sector. While this requires less investment, the stakes are still pretty high for everyone involved in cross-platform projects. According to Cowley, production companies and digital agencies both have widely different cultures and ways of working.

"There's a different skillset," says Cowley. "TV and agency culture are very different and only a few digital projects are of the massive scale of the TV business, which is highly scaleable."

Tim Morgan, chief executive of digital specialist Mint Digital, has seen this culture clash first hand having worked on the website for Channel 4 show Shipwrecked and the BBC archive site Buried Alive. "It's not straightforward integrating the two areas," he says. "The rights situation, budgets and timings are so different."

These differences commonly lead to imbalanced partnerships. "The risk is that the digital company will be expected to follow the lead of the TV company and be used as a back office function," says Morgan.

Matt Locke, the commissioning editor behind one of C4's latest multiplatform concepts, Battlefront (pictured), has also witnessed this fundamental clash between TV and digital. C4 spends the majority of the education department's £6m budget online. "The biggest challenge is the working culture," he says. "Getting an indie to understand development and lead-in times is hard. These are precisely worked out in the digital sector but a lot freer in the production sector."

To complicate things further, TV producers and digital agencies sometimes have little idea about the mechanics of each other's work. "You need to get both sides to understand what the other partner does otherwise you are storing up trouble for later," says Andrew Chitty, managing director of Illumina. "There is also a misconception that digital is just two students working in their bedrooms."

Chitty believes that Illumina, which turned over £4.3m for the year ended June 2008, won't face this misunderstanding because All3Media is a company which has already gone some way to building its digital strategy with the appointment of [digital media director] Andy Taylor.

However, not everyone is so lucky. "People go into relationships without thinking how it will work or whether it is long-term or on a project-by-project basis," says Chitty, who formed a partnership with TV indie Touch Productions last year.

To address these problems, Pact and innovation funding body Nesta recently unveiled guidelines for companies working on multiplatform projects. Looking at case studies including Touch and Illumina's joint-venture and an informal agreement between Mint Digital and indie Lambent Productions, the pair drew up three best practice "collaboration agreements" to formalise partnerships.

"There is broadly a recognition that the new media industry has grown up and should be taken seriously," says Pact senior policy executive Nick Underhill. "Also, until now, there haven't been legal frameworks in the past for a group of indies trying to deliver skills and services on a multiplatform project."

Underhill hopes the templates will help to eradicate what he calls the Catch-22 situation faced by partnerships in the past. "When a broadcaster commissioned a new media project, you were having to unpack the project and work out who owned what," he says.

"You need to do that at the start - at a point when you haven't worked out what you're doing yet. You are co-creating out of nothing. These one-page agreements should help people find their own way."

Paul Bennun, co-owner and director of cross-platform producer Somethin' Else, which has produced the Around Britain digital game for the BBC, sees these guidelines as a step in the right direction. "By themselves they are not a silver bullet because you've still got to get the development process right," he says. "But I welcome anything that makes the job of clarifying relationships easier."

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