

AICP: Annual Member Survey

Discerning Key Distinctions in Commercial Production

Delivered: June 19, 2015



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Introduction



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The 2014 Annual Member Survey was executed via an online survey from March 25th to April 27th, 2015 among the AICP Member group. The table below illustrates the sample sizes and descriptions of the groups included in the study.

Total	Company Size*		
N = 103 [^]	Small (Sales <\$5M)	Medium (Sales \$5M- \$19.99M)	Large (Sales \$20M+)
	N=59	N=19	N=25
	57%	18%	24%

Total	Main Location		
N = 103	LA	NY	Other
	N=59	N=18	N=26
	57%	17%	25%

The response rate for this year's Survey is consistent with recent years, at 30% of all** members. The following slides showcase a summary of 2014 member and industry findings.

*Company Size based on Gross Billings in 2014. ** Response rate for 2014 calculated based off 347 total members.

[^] While there were 103 unique responses to the survey, because of subsidiary relationships between some member companies, a total of 105 companies participated in this year's survey.



Methodological Considerations



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Below are items to keep in mind when reading the report and its findings.

- **Low Base Sizes:** We recommend caution in drawing any conclusions in data that has a base size of less than 50. While this data can be seen as directional, fluctuations could also be attributed to a minimal number of responses.
- **Top 2 Box:** This term refers to the top two answer options on a 5 or 10 point scale. The percentages are those who reported the decision was made frequently or always by each entity. Consequently, the percentages on slides with the Top 2 Box designation will not add up to 100%.
- **Extrapolations:** These are calculated by multiplying the means or medians of each company type (live action, computer generated, interactive media, combination) by the incidence of each company type within the sample. These ratios are then used to project the numbers to actual membership size.



Executive Summary



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Projects Overview

- In 2014, the average number of projects completed by AICP companies decreased marginally, with members producing 37 commercials compared to 39 in 2013.
- 29% of companies completed over 50 commercial projects during the year.

Production Expenditures

- Total production expenditures in 2014 increased by 14% to \$4.0 billion.
- Live action production accounts for nearly all expenditures (95%).

Shoot Days & Locations

- Member companies had an average of 74 live action shoot days in 2014, a 5% increase over the previous year and a 9 year high in this category.
- Production activity remained stable across most geographic regions, although the share of shoot days located in Illinois has almost doubled to 7% since 2010.
- Foreign shoot days increased slightly to 15% of all shoot days.
- Internationally, shoot days in Europe are most prominent, while shoot days in Vancouver have increased to 16% from 11% in the prior year.



Executive Summary



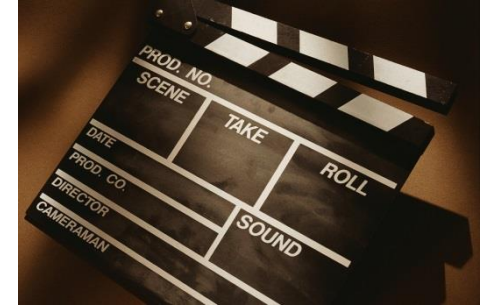
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Green Guidelines

- Most AICP member companies recycle plastic (90%) and paper (88%). The recycling of electronic (71%) and set materials (59%) continues to increase.
- Most members have established rules in the past year for using reusable water bottles and plates (49%) and turning off electronics when they are not being used (40%).
- One out of every four productions (24%) is now completed using AICP's green guidelines, up from just 13% in 2012. Costs and the nature of the project have replaced awareness as the primary reasons for members not following them.

Company Demographics

- A majority (54%) of member companies are headquartered in Los Angeles.
- 20% of member companies are certified as minority owned, with almost half of those designated as a Women-Owned Business Enterprise (WBE).



Projects Overview



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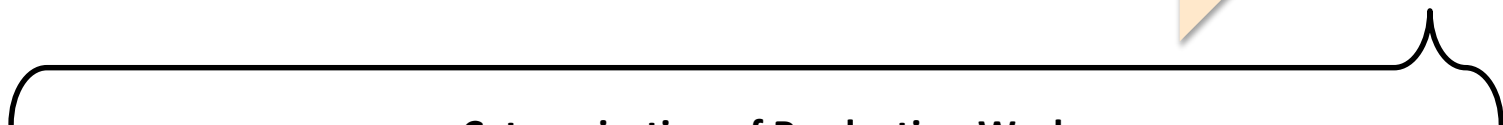
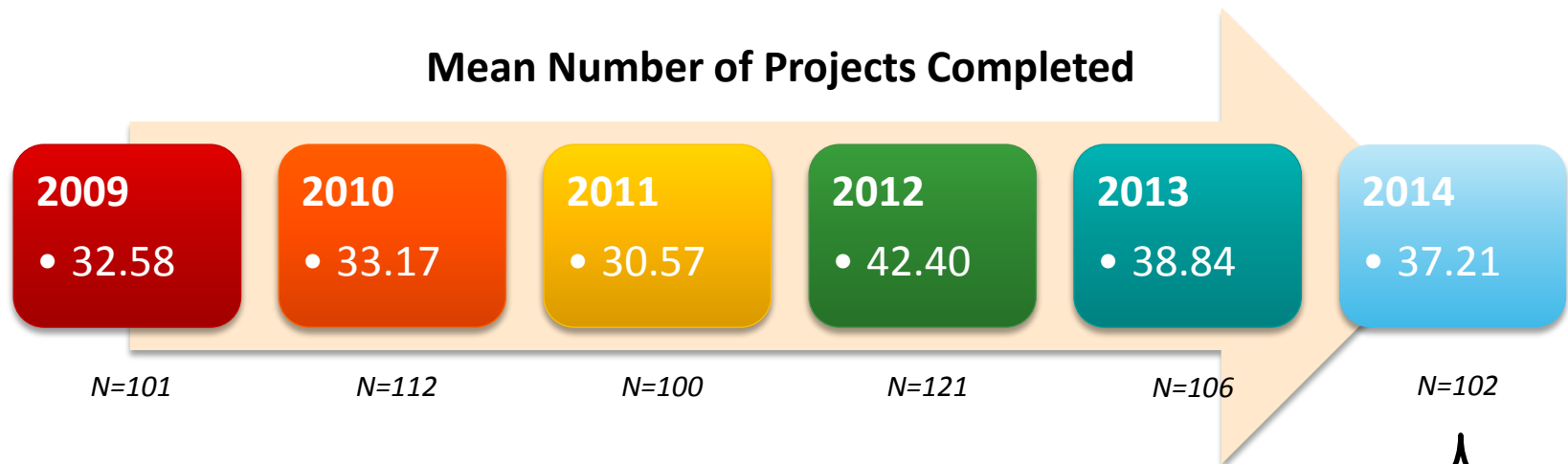


Average Number of Projects Trended



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The average number of projects decreased marginally to 37. After a significant increase in 2012, the average has dropped for the second year in a row.



■ Live action only ■ Computer-generated only ■ Interactive media only ■ Combination





Projects Completed Breakdown



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More than one-quarter (29%) of members completed 51+ commercials in 2014.

**Mean Number of
Projects Completed**

2009
• 32.58

2010
• 33.17

2011
• 30.57

2012
• 42.40

2013
• 38.84

2014
• 37.21

	2009	2010	2011	2012	2013	2014
<i>Base</i>	101	112	100	121	106	102
1-10 commercials	37%	29%	32%	29%	25%	30%
11-30 commercials	25%	33%	35%	31%	34%	23%
31-50 commercials	16%	20%	16%	15%	14%	19%
51-100 commercials	17%	13%	13%	17%	20%	21%
101+ commercials	6%	6%	4%	8%	7%	8%

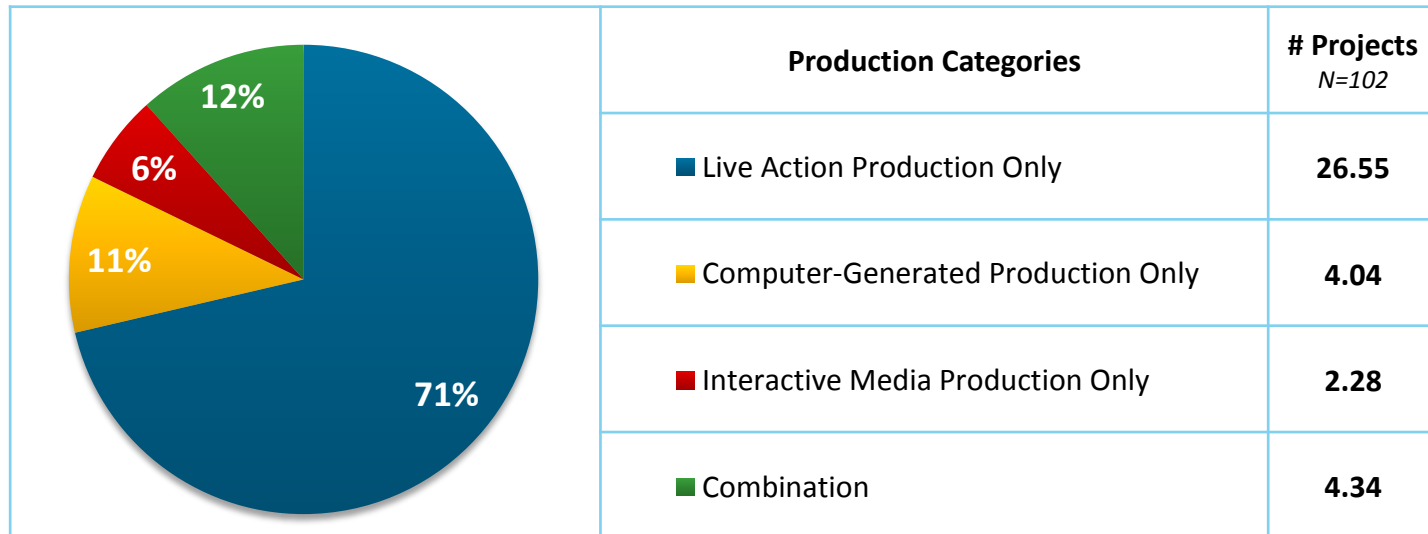


Projects Completed & Production Categories Trended



There is a significant increase in the number of projects that are a combination of live action, computer-generated and interactive media – increasing from 1.67 in 2013 to 4.34 projects in 2014.

**Mean Number of
Projects Completed in
Each Production Category**



PR2. How many projects in total did your company complete in 2014? Projects include live action, computer-generated, and interactive media production.

PR3. Of the [RESPONSE FROM PR2] projects your company completed in 2014, how many of the following types were completed by your company:

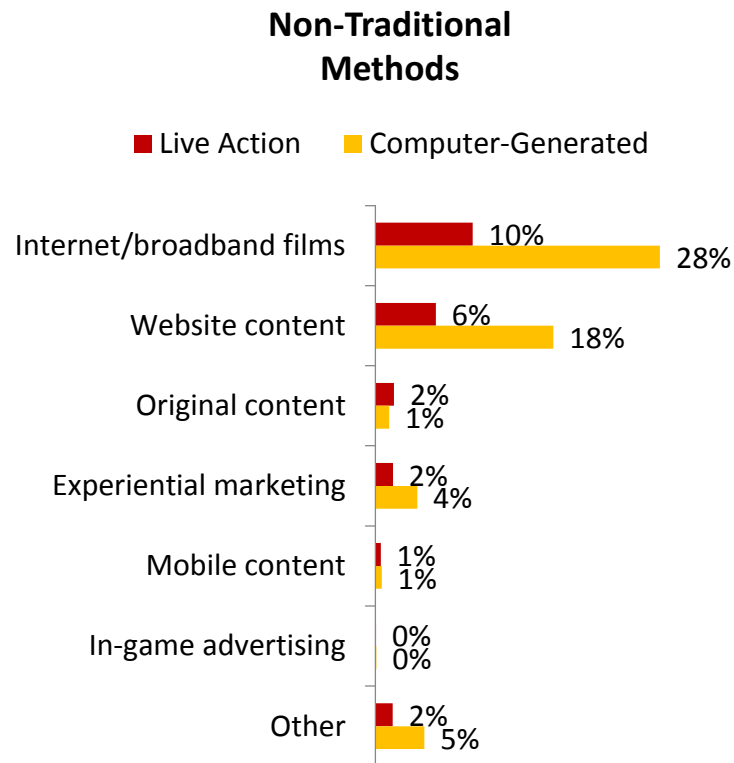
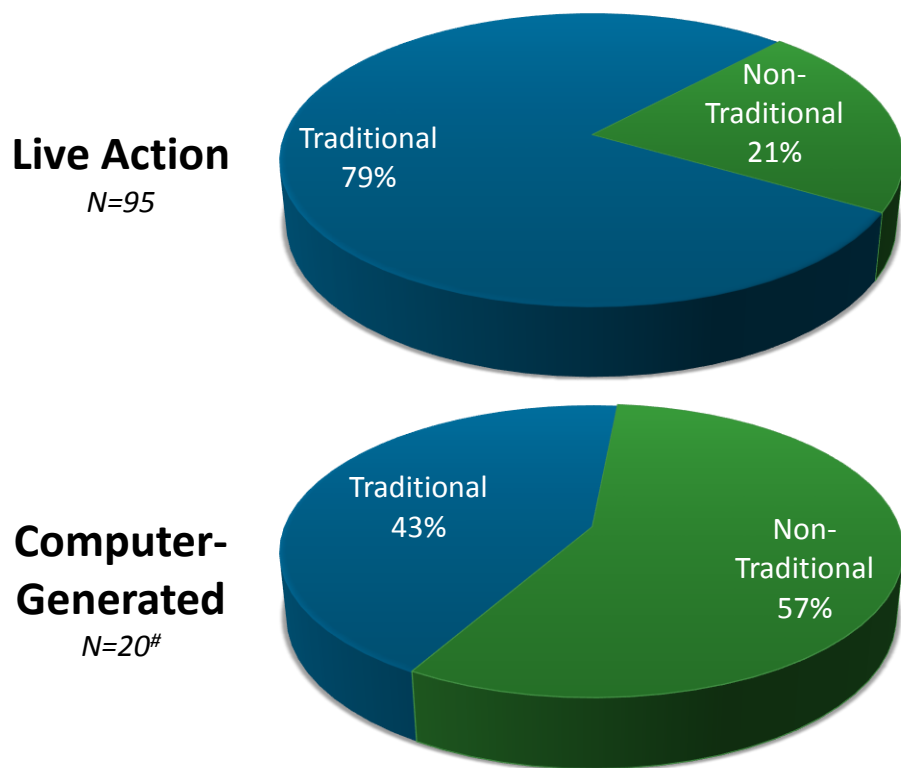


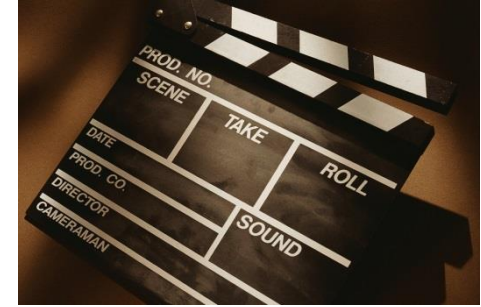
Live Action & Digital Distribution Breakdown



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Most Live Action production (79%) was intended for traditional distribution methods, continuing past trends. Internet films and website content are the most popular non-traditional distribution methods.





Production Expenditures



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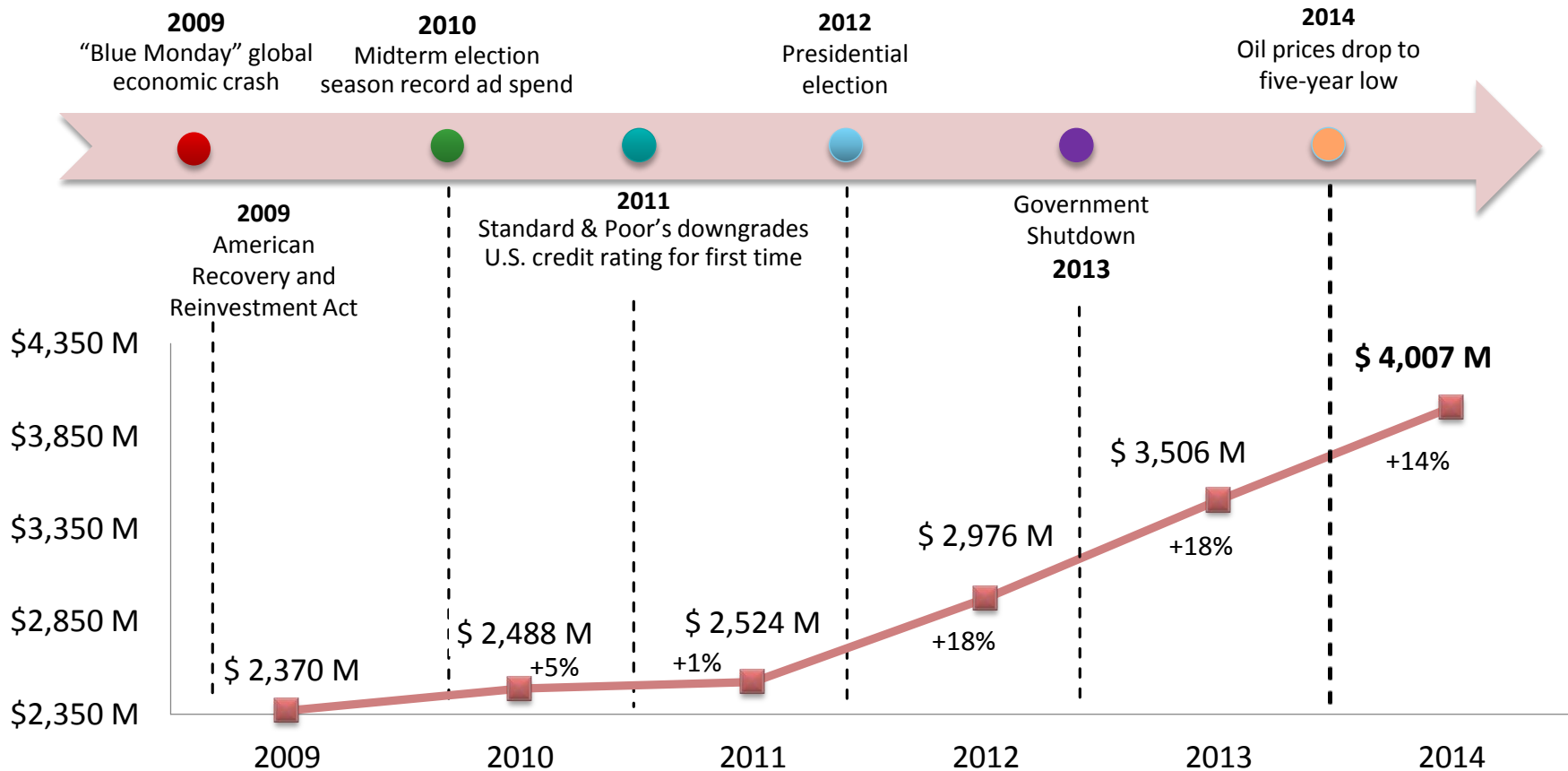




Direct Production Expenditures* Trended



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Other expenditures such as talent payments, music and post-production costs are not reflected in these direct production expenditures. Along with all other ancillary and associated costs, this results in a total economic impact of \$6 billion to the commercial production industry.

*Numbers are estimates extrapolated from the mean to actual member size. Any fluctuation is attributable to rounding.
E1. For the commercial or advertising-related projects completed by your company in 2014, what were the total production expenditures for your company?

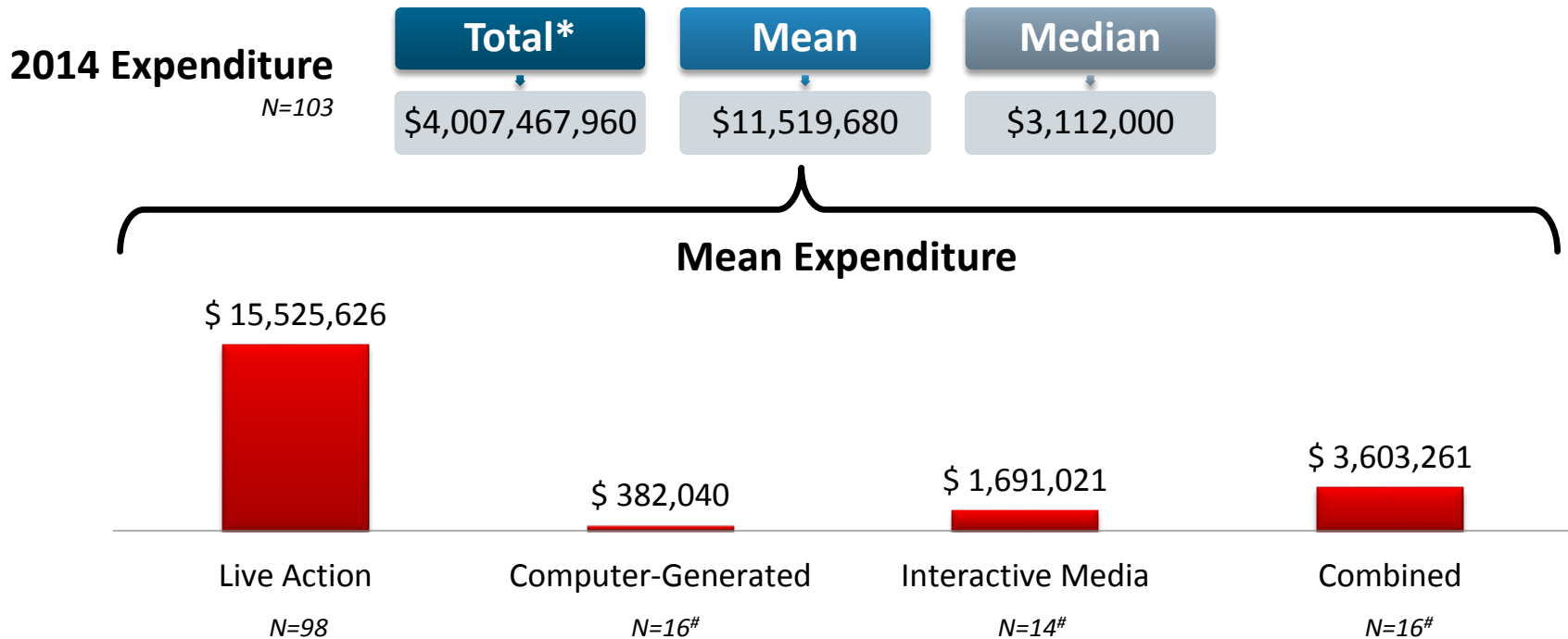


Expenditures by Production Type



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Live action production accounted for nearly all (95%) expenditures generated by members.



*Numbers are estimates extrapolated from the mean to actual member size. Any fluctuation is attributable to rounding.

[#]Caution: Low base size under N=50

E1. For the commercial or advertising-related projects completed by your company in 2014, what were the total production expenditures for your company?

E2. Of your total production expenditures of [PIPE IN RESPONSE FROM E1] in 2014, what amount of these expenditures was for:



Expenditures by Region Breakdown



The lion's share of expenditures were spent in California, followed by New York; together, they account for 67% of total* 2014 expenditures.

	Expenditures by Region	% of Total Expenditures
California	\$2,062,034,838	51%
New York/New England	\$632,290,368	16%
Illinois	\$142,819,134	4%
Florida	\$111,553,404	3%
Southeast Region**	\$151,980,555	4%
Southwest Region***	\$128,201,554	3%
Other U.S. Locations	\$369,279,639	9%
International	\$408,188,235	10%

*Numbers are estimates extrapolated from the mean to actual member size. Any fluctuation is attributable to rounding.

**The Southeast Region includes the states of Georgia, North & South Carolina, Alabama, Kentucky, Mississippi, Tennessee, Virginia, West Virginia

***The Southwest Region includes Texas, Louisiana, New Mexico, Arizona, Arkansas & Oklahoma

E3. Of the [PIPE IN RESPONSE FROM E1] you SPENT on production in 2014, including live action and non-administrative labor for computer-generated and interactive media production, what percentage did you SPEND in each of the following regions?



Digital and Work Days Trended



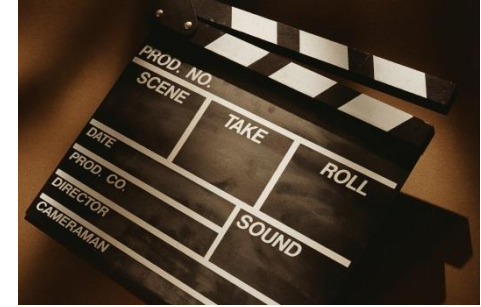
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Staff work days on computer-generated and interactive media projects rebounded 8% from a significant decrease in 2013. Freelance days are down for the third year.

	2008	2009	2010	2011	2012	2013	2014
<i>Base</i>	28 [#]	42 [#]	33 [#]	26 [#]	26 [#]	27 [#]	26 [#]
Staff	91	-10% 82	-4% 79	+33% 105	+44% 151	-22% 118	+8% 127
Freelance	67	-13% 58	+21% 70	+23% 86	+8% 93	-10% 84	-5% 79

E5. For your computer-generated and interactive media production projects completed in 2014, how many work days did your company have in each of the following categories:

#Caution: Low base size under N=50



Shoot Days & Locations



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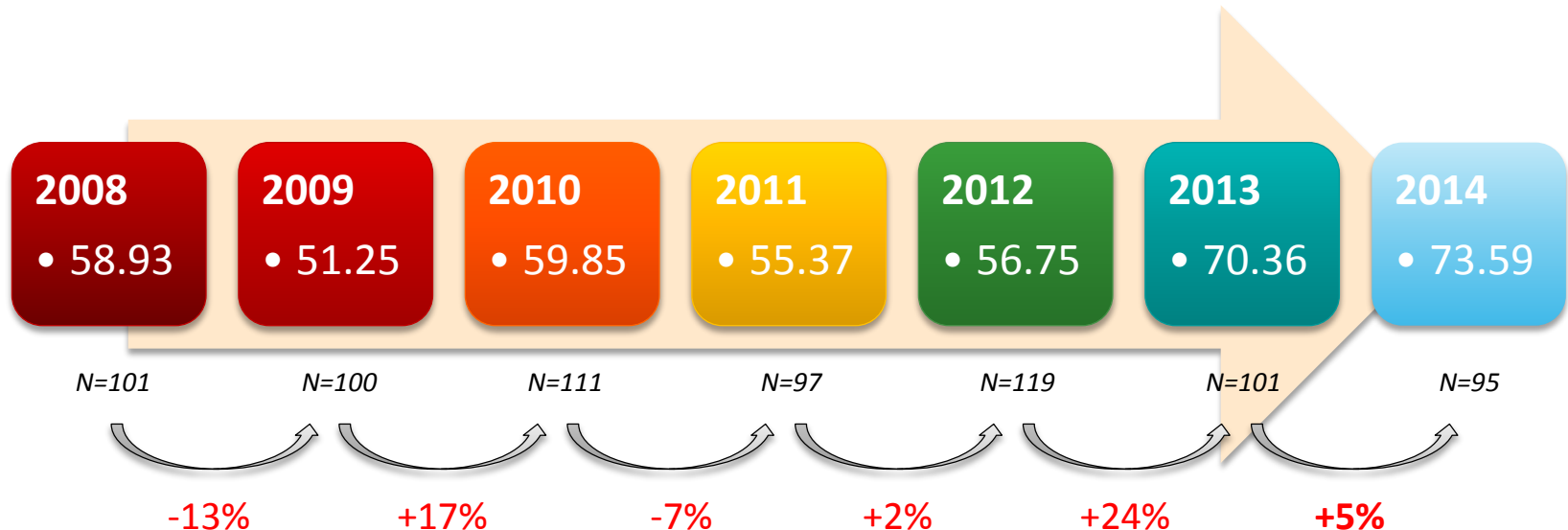
Shoot Days and Distribution Trended



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The average number of shoot days in 2014 increased by 5% to 74 days.

Live Action Shoot Days





Stage vs. On-Location Shoot Days Trended



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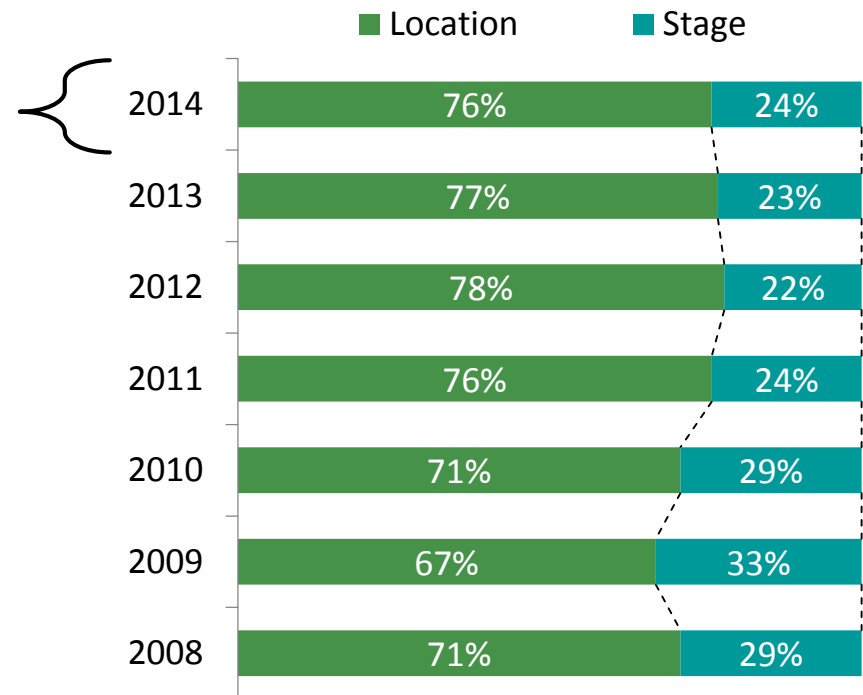
The proportion of shoot days has remained steady since 2011, with every 3 out of 4 shoot days taking place on-location.

**Live Action Shoot Days:
73.59**

**Location:
55.89**

**Stage:
17.70**

N=95



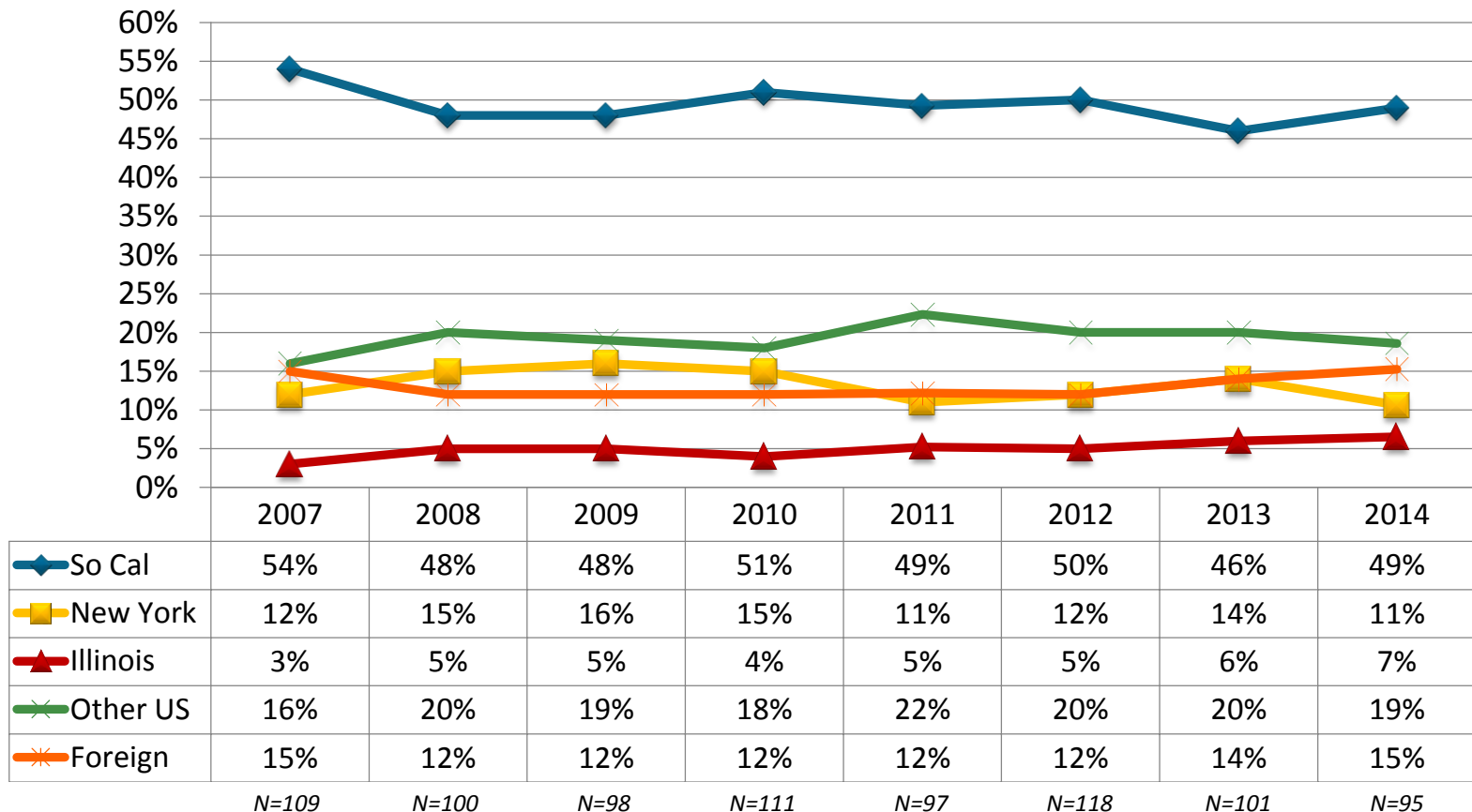


Shoot Days by Region Trended



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Production activity remained stable across most regions. Illinois continues to experience steady growth in recent years.



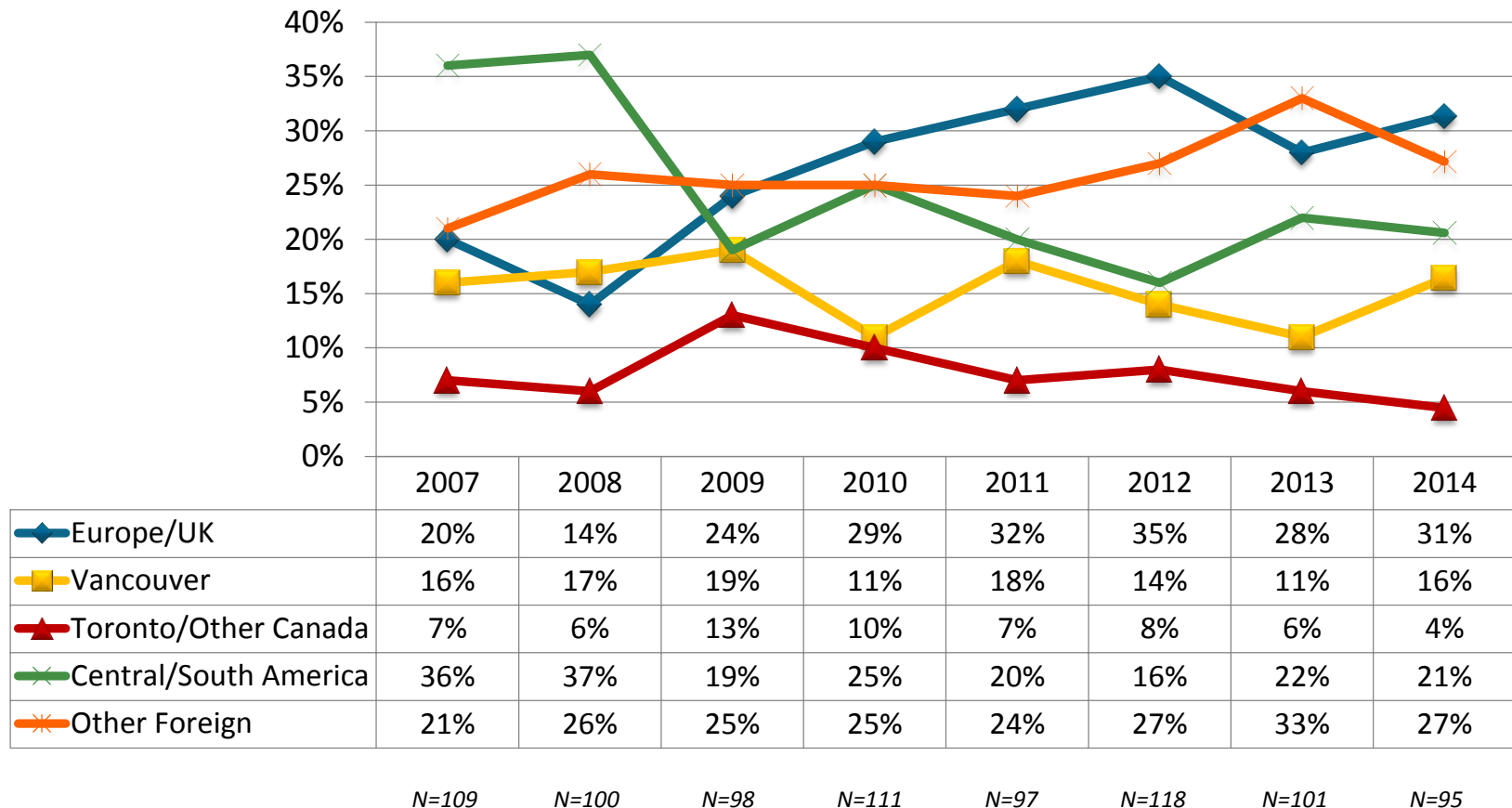


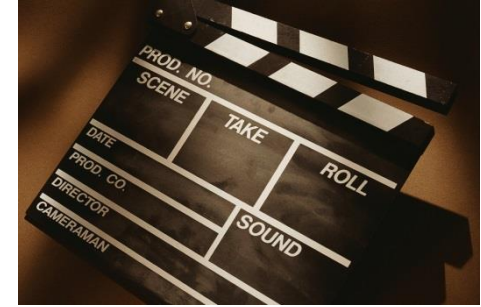
Shoot Days by International Locations Trended



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The ratio of foreign shoot days has marginally increased to 15% of ALL production activity since 2012. Outside of Vancouver, filming in Canada continues to decline.





Digital & Non-Traditional



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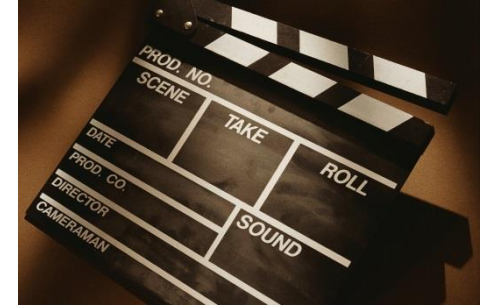
Digital Production Techniques Trended



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Graphic design and visual effects account for 2/3 of computer generated production.

	2009	2010	2011	2012	2013	2014
<i>Base</i>	42 [#]	33 [#]	26 [#]	40 [#]	18 [#]	20 [#]
Visual Effects	28%	24%	32%	28%	22%	32%
Animation	25%	22%	28%	24%	33%	27%
Graphic Design	32%	29%	18%	24%	23%	34%
Interactive Design	-	-	16%	-	-	-
Other	16%	26%	7%	24%	23%	7%



Green Guidelines



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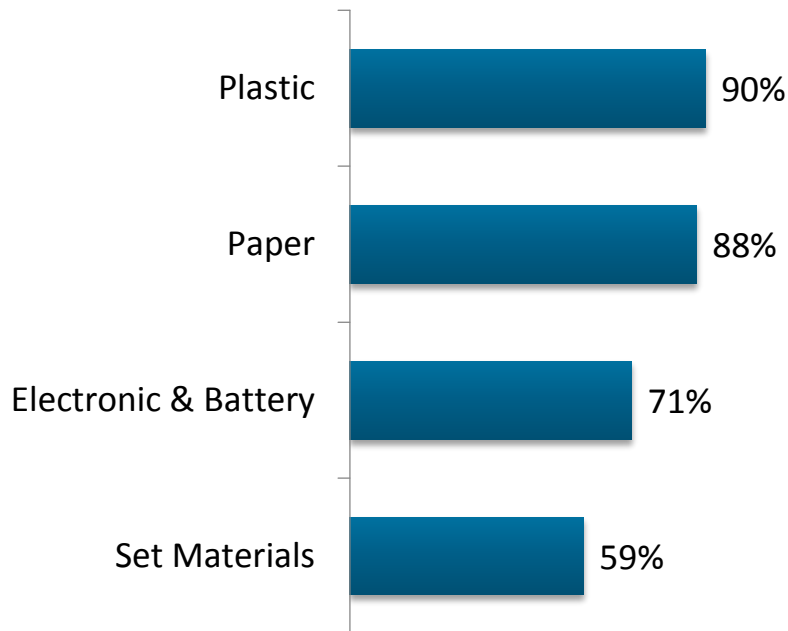
Recycling and Sustainability



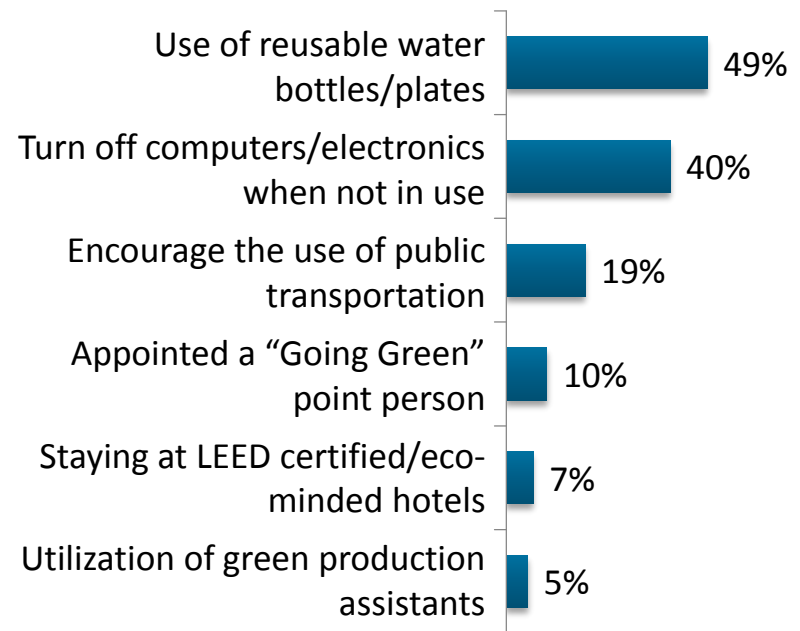
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Plastic and paper are the most recycled materials. The most commonly established rules include re-using water bottles/plates and turning off electronics.

Material Recycled



**Established Rules for Green Practices
(Top 2 Box)**



N=103

NOTE: Top 2 Box refers to the top two answer options on a 5 or 10 point scale. The percentages are those who always/usually established rules for the green practices. This question allows for totals to be greater than 100%

GI1. Does your company recycle any of the following in office/on set?

GI2. In the past year, how often has your company established rules for any of the following green practices?



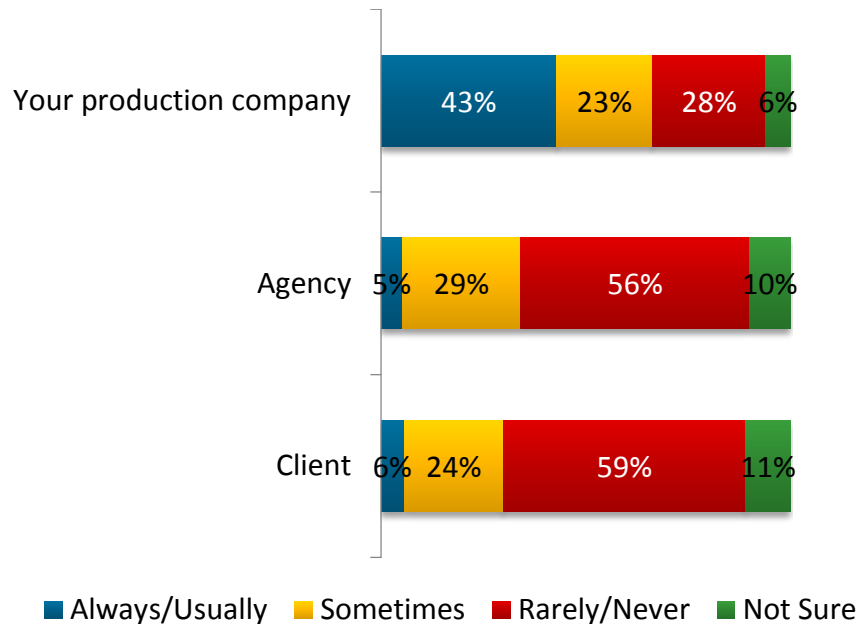
Green Guidelines and Costs



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Member companies are responsible for 93% of the costs for implementing green practices. Similar to 2013, green guidelines are factored into bids 18% of the time.

Request for Green Guidelines



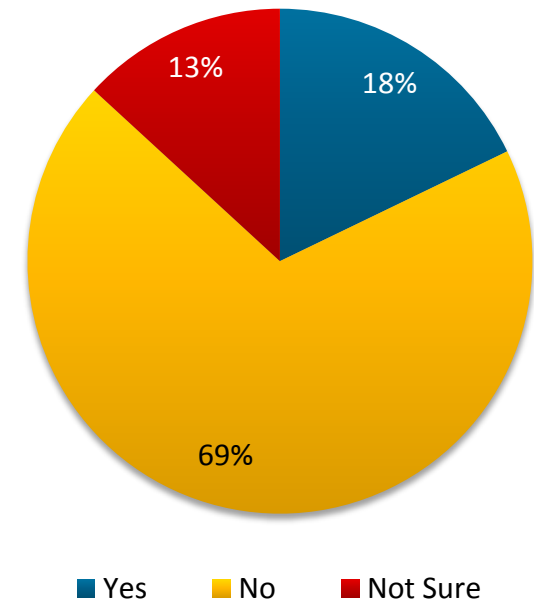
N=103

Responsible for ...



N=57

Are Green Guidelines Costs Factored into Bids?



N=73



Reasons for Not Following Guidelines



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Cost of implementation continues to emerge as the primary reason why AICP Green Guidelines were not followed on shoots in 2014. In previous years, low awareness was the number one reason and remains an obstacle to this day. One in four projects now utilize them.

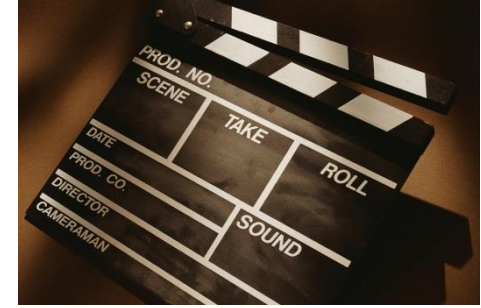
**Production NOT completed
using AICP Guidelines**



Reasons for not following guidelines	AICP Green Guidelines				Other Green Practices			
	2011	2012	2013	2014	2011	2012	2013	2014
<i>Base</i>	100	121	105	103	100	121	105	103
Too expensive to implement	9%	17%	25%	27%	16%	15%	25%	29%
Location/nature does not allow it	10%	16%	17%	21%	20%	20%	14%	21%
Contract procedures do not allow it	6%	5%	10%	4%	8%	7%	8%	11%
Not aware of the AICP Green Guidelines	41%	19%	20%	20%	-	-	-	-
None/Not sure	48%	60%	52%	46%	71%	73%	69%	59%

GI8. Which of the following best describes why AICP Green Guidelines (or similar Green practices) are not being followed on your shoots?

GI9. In 2014, what percentage of your production was completed using the AICP's Green Guidelines for production?



Company Demographics



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Employees



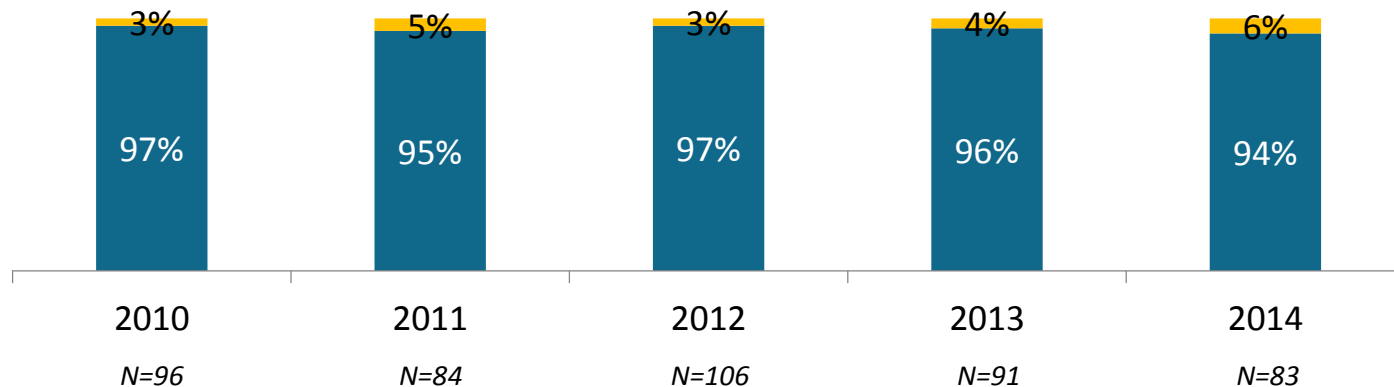
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The average number of employees on staff increased significantly by 10 in 2014. Most employees continue to work on a full time basis.

**Mean # of
Employees**



■ Part Time
■ Full Time



CD4. How many employees does your company currently have on staff?

CD5. Of the [PIPE IN RESPONSE FROM CD4] staff employees (not to be confused with freelance employees) who work at your company, how many are full time versus part time employees?



Employees



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Companies with sales over \$50 million significantly increased staff hiring in 2014.

**Employees on Staff:
22.23**

N=103

**Full-time:
94%**

N=83

**Part-time:
6%**

N=83

	< \$1M	\$1M-\$5M	\$5M-\$10M	\$10M-\$20M	\$20M-\$50M	\$50M+
<i>Base:</i>	24 [#]	34 [#]	16 [#]	3 [#]	16 [#]	10 [#]
Average Employees	2.85	15.11	16.47	8.00	15.19	102.87
<i>Base:</i>	12 [#]	26 [#]	16 [#]	3 [#]	16 [#]	10 [#]
Full Time	86%	89%	98%	100%	95%	96%
Part Time	14%	11%	2%	0%	5%	4%

CD4. How many employees does your company currently have on staff?

CD5. Of the [PIPE IN RESPONSE FROM CD4] staff employees (not to be confused with freelance employees) who work at your company, how many are full time versus part time employees?

Caution: Low base size under N=50

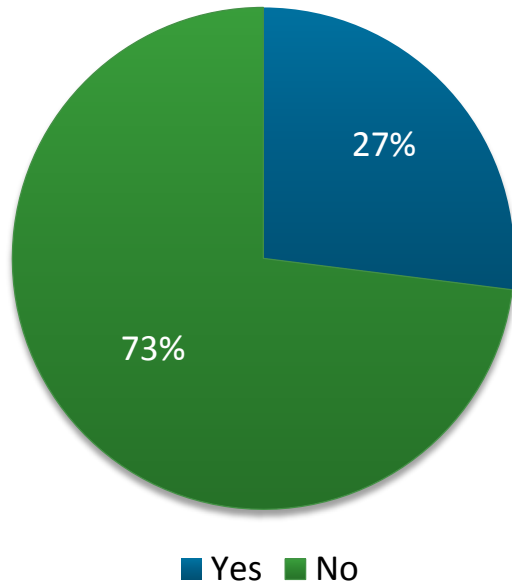


Diversity Initiatives

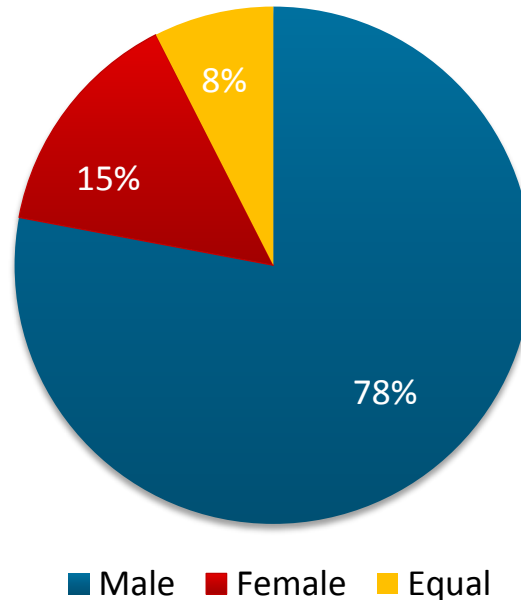


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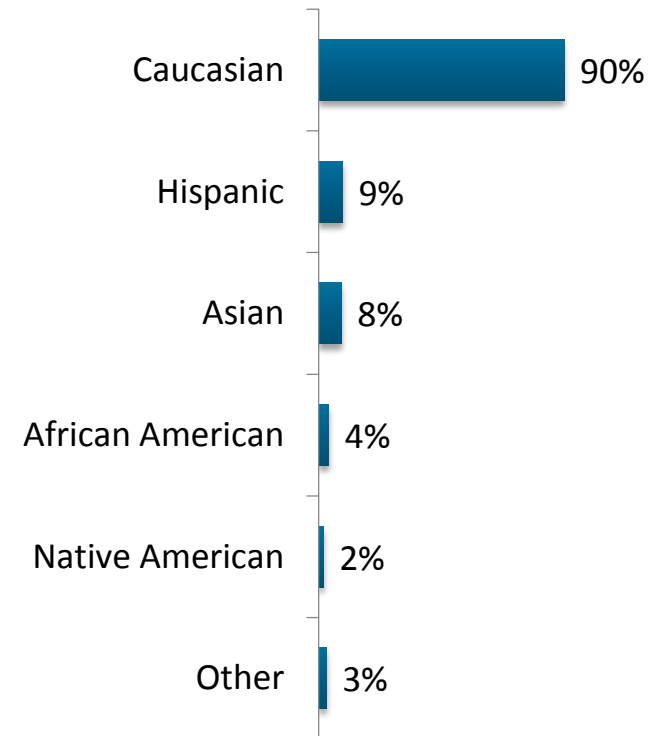
Has your company been engaged for work based on diversity initiatives?



Gender of the majority ownership



Ethnicity of the majority ownership



N=103



Diversity Initiatives



Twenty percent of member companies report being minority owned and participate in a wide array of government-sponsored programs on behalf of diversity initiatives.

Is your company certified as minority owned?

Yes

• 20%

No

• 80%

N=103

If so, please identify which programs your company currently has certification for:

	Base	21#
WOMEN-OWNED BUSINESS ENTERPRISE (WBE)		46%
MINORITY BUSINESS CONCERN (MBE)		34%
WOMEN-OWNED SMALL BUSINESS CONCERN (WBC)		24%
OTHER		15%

If your company is not certified, is it because:

	Base	82
Do not qualify		85%
Have not applied, but plan to		8%
Have elected not to apply		6%
Are in the application process		0%

CD8. Is your company certified by appropriate government agencies as minority owned?

CD9. If your company is not certified, is it because:

CD10. Please identify which programs your company currently has certification for:

#Caution: Low base size under N=50



Office Location



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Nearly three-fourths of member companies have offices in California.

Sales							
	Total	<\$1M	\$1M-\$5M	\$5M-\$10M	\$10M-\$20M	\$20M-\$50M	\$50M+
<i>Base</i>	103	24 [#]	34 [#]	16 [#]	3 [#]	16 [#]	10 [#]
California	73%	41%	70%	83%	100%	100%	87%
New York	38%	28%	21%	32%	33%	68%	75%
Florida	2%	4%	3%	0%	0%	0%	0%
Georgia	3%	0%	10%	0%	0%	0%	0%
Minnesota	2%	3%	4%	0%	0%	0%	0%
Illinois	5%	7%	5%	7%	0%	0%	13%
Texas	3%	7%	3%	5%	0%	0%	0%
London	11%	0%	9%	0%	0%	19%	42%
Other	13%	20%	22%	0%	0%	0%	13%



Headquarter Location



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A majority of member companies are headquartered in Los Angeles.

