

Digital studios mature by adopting 'old media' ways

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Nine studio executives sat in a glass-enclosed conference room in Beverly Hills, Calif., discussing potential snowy locales for filming later this year.

Utah was a viable option, advised the head of production. So, too, was upstate New York - in part because of tax credits. Over the course of the hourlong production meeting, the executives also received casting updates, discussed social media plans for one soon-to-debut series and mulled a festival screening strategy for another project.

Such a session would not have been out of place at any major studio. That it occurred at the offices of Vuguru, the digital studio founded in 2006 by former [Walt Disney](#) Co. Chief Executive Michael D. Eisner, is a sign that Web video is growing up.

"It's a little bit like when TV guys were no longer considered ghetto people, we could actually grow into being the movie business," said Eisner, who spent his early career at ABC television before running Paramount Pictures. "Slowly, the people who work in the digital space are no longer considered odd and strange. ... And advertisers think these guys may be the new breed."

Vuguru, the creator of such Web series as "Prom Queen," is doing more than adopting the rituals of Hollywood. The studio is applying familiar "old-media" [business models](#) to underwrite the cost of digital production. Vuguru strikes foreign distribution deals that can cover roughly half a

given project's budget, in a funding approach borrowed from the world of independent film. And it structures its original series like interlocking Lego bricks that can be snapped together or pulled apart for viewing on multiple platforms.

Take, for example, a scripted series like "The Booth at the End," which made its U.S. debut last week on online [video site](#) Hulu. It can be watched in two-minute vignettes on mobile phones (62 episodes in all), as five half-hour TV episodes or as a single full-length movie. This approach is designed to attract advertisers who are eager to follow audiences onto the Web and portable devices - but also be packaged in a familiar enough format to be placed on TV.

The potential for more ad revenue translates to healthier production budgets. The \$300,000 spent to create "The Booth" - in which a mysterious man sitting in a diner grants wishes while posing moral dilemmas for the requestors - shows how far digital video has come from its early, DIY phase. That's about one-sixth of what a network typically would spend on an hourlong TV drama.

"As the market matures, maybe we increase our budgets as it makes sense," said Vuguru President Larry Tanz. "It's all about being disciplined."

For the moment, Web-exclusive video is far from a moneymaker. One study of 250 new media titles made available on YouTube, Hulu, Netflix and other major digital platforms revealed that such entertainment attracted sizeable audiences - about 1.3 billion views. But the payback to producers was relatively paltry: a combined \$15 million paid by 13 major distributors last year.

"This is a tough business to make money in," said Arash Amel, the digital media researcher at IHS Screen Digest who conducted the study.

"Original new media brands are just voices shouting in the wilderness, without the support of a major media marketing campaign to make them stand out for the consumer."

That's why digital studios like Vuguru script and structure their new media series with old media in mind. Fox International Channels, News Corp.'s international multimedia business, acquired rights to "The Booth at the End," which it aired on its pay-TV channels, as well as on the Web.

"They're rolling it out online, putting it on TV; they're experimenting, cross-promoting," Tanz said.

Media companies are betting that these new platforms, including cellphones and tablets, eventually will become big business. Eisner predicts that digital distribution will one day be the first stop for new projects, in the same way cable channels HBO, AMC and FX now compete with networks.

"Digital distribution is so obviously the future," Eisner said, adding, "That is happening, but there's a long way to go."

The desire to find programming suitable for leaping from the smallest screen to the living room TV is part of what attracted an investment in Vuguru in October 2009 from Rogers Communications Inc. The Canadian company's vast media holdings span television and radio stations, Web properties, mobile phone service, cable TV and Internet access.

"Digital cuts across all our assets now," said Jason Tafler, chief digital officer for Rogers Cable. "The way you program and distribute that content has to change. We're really just following our audiences across all these devices. There's a lot of flexibility in the way Vuguru creates

content."

Because of Rogers Communications' reported multimillion-dollar investment, Eisner spun off Vuguru as a stand-alone company and began assembling an executive team with experience in film, television and new media.

Its president, Tanz, has a long list of digital credits, including serving as chief executive of LivePlanet Inc., an entertainment company founded by Matt Damon and Ben Affleck that created the Emmy-nominated TV series "Project Greenlight" for HBO.

Vuguru Chief Creative Officer Kristin Jones spent five years as senior vice president of production at Miramax Films, where she oversaw projects including Academy Award-nominated films "Gone Baby Gone" and "The Queen." She said Vuguru offers the same creative freedom of independent film.

"I joke with everybody - you know, there's no Internet jail," Jones said of her meetings with talent agents to discuss opportunities with Vuguru. "There's a lot of opportunity for people to take risks they could not necessarily take in TV or features."

To be sure, there are compromises: Vuguru seeks to match the quality of other TV shows - but must do so on a tight budget and on a compressed schedule.

Consider the accelerated pace of Vuguru's "The Millionaire Tour," a thriller with elements of Tom Cruise's 2004 cab driver hostage drama "Collateral" and Kevin Spacey's suspenseful 1995 crime mystery "The Usual Suspects." Jones said she read the script in February. The series started shooting in May. In the feature film world, such development could take 18 months or longer.

Dominic Monaghan, who has appeared in the "Lord of the Rings" trilogy and on the ABC TV series "Lost," said he was attracted to "The Millionaire Tour" because of the quality of the script as well as the opportunity to be in the vanguard of the changing media landscape.

"Right now, there is a slight novelty value ... to making a movie that is specifically made for an online release," Monaghan said. "But I think in the next five to 10 years, everyone will be doing it and this film will be recognized as one of the forerunners. And that's important to me."

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