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The effect of foreign entrants on the South African television
commercials production industry.

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Abstract

The purpose of this study is to ascertain the impact of foreign entrants on the South African commercials production industry during the period 1990-2007. This industry, previous to 1990, had only very limited exposure to the international commercial production industry and the opening of the industry to foreign entrants had a profound impact upon it. The study examines the impact of foreign entrants along three key axis namely: economic impact; impact on creativity; and the impact on technology standards and skills levels.

The study utilized a mixed research methodology, in which secondary data such as industry surveys, content analysis of industry directories and publications, awards tables etc, was triangulated with the responses from semi structured interviews conducted with a number of senior commercials industry members.

The key results of the study found that foreign entrants into the South African commercials production industry had both positive and negative impacts on the domestic production industry. The key finding being that the mean standards along all three axis had been raised by the foreign entrants to the industry. However, due to decreased variability the worst practices that existed in the industry have been removed, although the industry has also lost its best practices.

Declaration

I declare that this research project is my own work. It is submitted in partial fulfillment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I obtained the necessary authorisation and consent to carry out this research.

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1: Introduction to the Research Question

1.1 Introduction

South Africa and the Western Cape in particular has become one of the top commercial production destinations in the world. A study commissioned by the Cape Film Commission in 2006 found that over 400 commercials were produced in the Western Cape for foreign advertising agencies and production companies. This when coupled with the production of domestic commercials, generated over 850 million rand in direct revenues for the Western Cape economy alone. When multiplied with a multiplier of 1.3 it would mean that commercial production is responsible for over a billion rand to the Western Cape regional GDP (CPA, 2007).

The reason that South Africa is seen as a prime filming location for international television commercials is due to a number of factors including great and varied physical locations, good film infrastructure such as equipment rental companies, film processing laboratories etc, and good technical crews and talent. Additional factors drawing international film makers to SA include a favourable exchange rate, the fact that we are seasonally opposite to the major European film destinations (South Africa's summer coincides with the northern hemisphere winter, allowing advertising campaigns to be prepared in South Africa for the following European season), and that South Africa is in the same time zone as

central Europe, allowing filmmakers to film in SA without the disadvantages of having to cross a large number of time zones (Tuomi, 2006).

The South African film industry has been identified by the governments' Asgisa macro economic framework 2006-2014 as a priority industry (AsgiSA, 2008) and the impact of foreign filmmakers on the domestic industry merits some attention.

In addition South Africa used to be a regular winner on the international creative awards circuit (Cannes Lions, London Ad Awards, Clios, etc) but in recent years winnings have dropped off.

All players in the domestic film industry agree that the creation of the international service industry i.e. an industry which facilitates the production of international television commercials, has had an impact on the way television commercials are made domestically in South Africa. This study aims to examine three areas where there may have been an impact, these are; the economics of the commercial production industry, the impact of international access on creativity in the domestic production of television commercials and the use of new technologies within the commercial production industry.

This study will be limited to an examination of the commercials production industry, which with music videos is known as the "short form" component of the film production industry. Longer work such as feature films, television series and

documentaries are collectively known as long form work. There are a number of places where short and long form production overlap, for example many crew members work both on short and long form productions, and often the same types of equipment are used.

Generally South African commercial production is divided into two different types of production; domestic production which is the production of commercials for the domestic market, figure1 illustrates this portion of the industry's value chain.

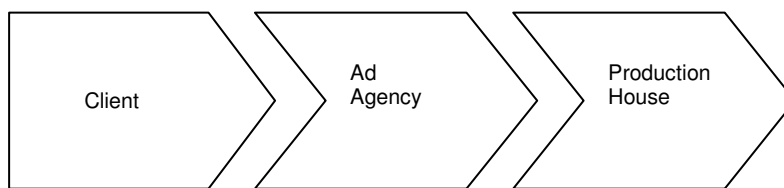


Figure 1. Domestic production value chain

The clients brief their advertising agency to create an advertisement to attain a certain marketing objective, once the advertising agency's creative concept has been approved by the client, the resulting commercial is produced by the commercial production company in conjunction with the advertising agency. The production house is expected to bring a certain amount of creativity into the execution of the script.

The other main type of production in South Africa is what is referred to as the international service industry, this industry services foreign production companies who wish to shoot in South Africa for any of a number of reasons

such as cost, locations, talent availability etc. The value chain, figure 2, for this portion of the industry, illustrates the nature of this type of production.



Figure 2. International service production value chain

The service company facilitates the production process for the foreign production house i.e. they supply crew, talent, equipment, location access, etc for the production. They do not supply creative input into the production process as this is the responsibility of the production house and not the service company. To illustrate the difference, should a South Africa commercial production company wish to shoot a commercial in Argentina they would use an Argentinean service company to facilitate the production.

There are major overlaps between the domestic production industry and the international service industry in South Africa, as both parts of the industry use the same crew, equipment and other production facilities and the main aim of this study is to measure the impact of the creation of the international service industry on the domestic production industry coupled with the opening up of the domestic industry to international influences.

An increasingly important developing aspect of the commercial production industry is the production of international advertisements by South African

directors. This can occur in two ways, in the first case South African directors are “loaned out” for a fee to an international production house. In the second instance South African production companies are approached by international advertising agencies to produce their commercials.

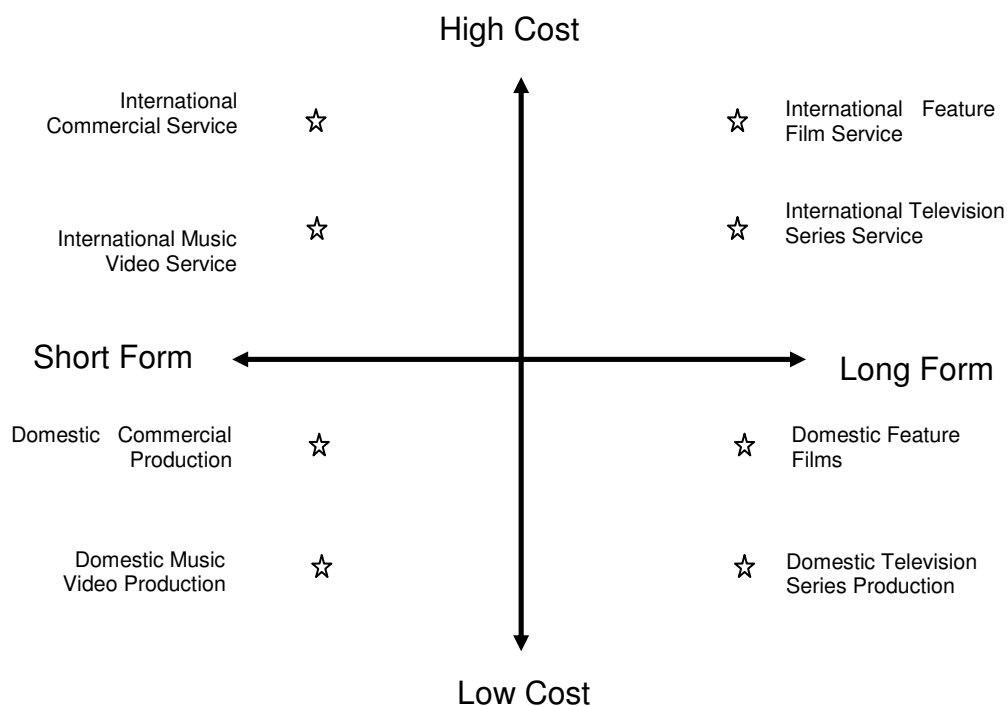


Figure 3. Form vs. cost matrix

It is important to note that each of these forms of production have different business models to which many attribute the problems in the domestic production industry. We will concentrate on the difference between the international service companies which work on a “cost plus” basis and the domestic commercial producers who operate on a fixed cost basis. Companies working on a cost plus basis supply all the requirements of the international production company and simply add on a mark up, normally in the 15 to 20

percent range. Companies working on a fixed cost basis, agree on a fixed cost to produce the finished commercial, any savings accrue to the production company however any overages have to be covered by the production company. The differences between these two approaches will have implications later in the study.

Even though there is considerable overlap between the short and long form industries as described above, in this study we will be concentrating on the left hand side of figure 3, the cost vs. form matrix, which is the production of television commercials for the foreign and domestic markets.

1.2 A Brief History of Film and Television in South Africa

South Africa has one of the oldest film industries in the world. The first motion pictures were exhibited in South Africa in the mid 1890s shortly after the medium's invention. By the end of the decade the first films of Johannesburg had been produced (Cultural observatory, 2008). The hostilities of the Anglo Boer War were covered by a number of film companies and cameramen. In 1910 the first cinemas opened in South Africa and the first South African feature film "The Great Kimberley Diamond Robbery" was produced by Springbok Films. This marked the South African film industry as one of the oldest in the world as cinemas and feature films only emerged in the United States in the period 1909 to 1912 (Mezias & Kuperman, 2000).

The Schlesinger corporation was formed which created South Africa's first film studios in Killarney in Johannesburg, and was the forerunner of the SABC. In 1923 the first film commercials were produced for screening in cinemas and in 1931 the first "talkie" commercial was produced, a spot for Joko Tea. William Boxer established Alexander Films, South Africa's first cinema advertising production company in 1938 (Cultural observatory, 2008).

In 1936 the SABC was formed by an Act of Parliament leading to the creation of national English and Afrikaans radio stations (SABC, 2008).

A vibrant film industry in South Africa developed during the war years and the late forties, under the watchful eye of the South African National Film Board. Some milestones included the first film with an all black cast, the first musical, and South Africa's first academy award nomination. The 1950's brought South Africa's first colour feature film and the creation of South Africa's first motion picture film laboratory, a joint venture between the now 50 year old Schlesinger Corporation and 20th Century of the USA. In addition the first film subsidies were introduced in order to assist the SA film industry (Cultural observatory, 2008).

In January 1976, South Africa introduced colour television, much later than the rest of the world after the ignominy of being one of the few developing countries which was unable to watch the Apollo moon landings in 1968. In 1978 the first television commercial was flighted, a spot for "Big T" steak burgers and the

television commercial production industry was formed. In 1982 two new channels were introduced to broadcast to the “non white” portions of the South African public, this opened up further scope for commercial production (SABC, 2008). In 1986 MNet, South Africa’s first independent subscription television service, started airing. However audiences were small and the channel had a limited 2 hour a day period called “Open time” which was free to air (MNET, 2008).

In the late eighties a film subsidy scheme was introduced which created a production frenzy and over 700 feature films were produced in South Africa between 1985 and 1990 (Blignaut and Botha, 1992). A large number of these feature films never even made it to the production phase and the majority of the films which were produced were of questionable quality (Blignaut and Botha, 1992, Tuomi, 2006).

1979	27
1980	32
1981	24
1982	18
1983	34
1984	84
1985	113
1986	63
1987	135
1988	170
1989	110
1990	111
1991	25

Table 1. Feature film production, 1979-1991

This scheme which cost the SA taxpayer over 400 million rand was discontinued in the early 1990s, causing the feature film production industry to collapse (Blignaut and Botha, 1992) as one can see in table 1. The tax scheme however did create the film infrastructure i.e. equipment and skilled crews which were later exploited by the creation of the international commercial service industry. In 1991 the Canne Lion Grand Prix winner for film commercials, a spot for Perrier mineral water was filmed in South Africa, which helped spark off interest in South Africa as a destination for the production of television commercials (Cannes Lion Archive, 2008).

In 1995 DSTV was formed, a subscription satellite bouquet of television channels further increasing scope for domestic commercial production (DSTV, 2008). This was followed by etv, in 1998, South Africa's first private free to air commercial television station (ETV, 2008).

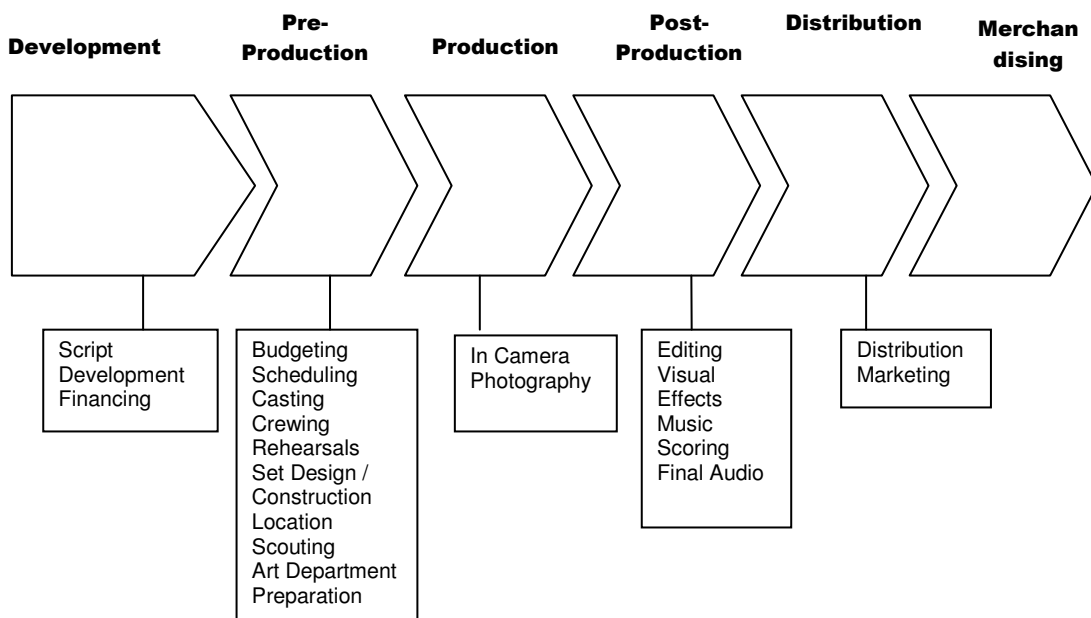
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By 2007 South African television audiences had expanded to approximately nine million television households in South Africa (OMD Media, 2005) there were 4 free to air television stations and licences had been awarded to a further 2 companies to challenge the DSTV monopoly on subscription television services. It was estimated that over 1200 commercials are produced for the domestic and international market annually (ScreenAfrica, 2008).

1.3 Purpose of Study

The purpose of this study is to ascertain the impact of the emergence of the international service industry and the new access the domestic television commercial production industry has had on international creative trends since the mid 1990s and on the domestic commercial production industry.

While South Africa has achieved at least parity with international best practice during the production phase of the feature filming value chain, the same cannot be said for the other links in the production value chain i.e. development, pre-production, distribution and merchandising. See fig 4 for the feature film value chain.



(Vang & Chaminade, 2007)

Figure 4. Feature film value chain

Commercial production has a slightly different value chain to feature films, as script and development are the advertising agencies responsibility, the three production phases the responsibility of the production company and the distribution phase are again the responsibility of the advertising agency. South African advertising production companies have had far greater international success than their feature film counterparts in generating a self sustaining viable industry and part of this study is to assess what impact the emergence of the international commercials service industry has had on the domestic production industry. To facilitate this we will be examining the economic impact of the emergence of the international service industry on the domestic production industry.

Blömstrom & Kokko (1998) maintain that the most important reason countries pursue Foreign Direct Investment is in order to acquire modern technology, which broadly interpreted includes product, process and distribution technology as well as management skills.

Thus one of the purposes of this study is to find out to what degree technological transfer has occurred between international commercial productions filmed in South Africa and the domestic industry. South Africa has maintained its position as a leading filming destination despite stiff competition from other emerging market locations such as Argentina, the Czech Republic and Vietnam. The reason given for this resilience is often said to be the quality of South Africa's technical crews and the standards of the domestic film

infrastructure. If this is the case then South Africa's film technology base must at least be keeping current with best practices in the international film community.

In the domestic commercials production industry there is a perception that creative standards have been slipping since the late 1990s. Part of the purpose of this study is therefore to find out if increased access to international creative trends has affected the creative standards of South African commercials.

The key aims of this study are to ascertain if the South African commercial production industry has benefited:

- economically, such as number and size of production companies, increased revenues, increased profits etc.
- Creatively from exposure to the international commercial market.
- by increased access to new technologies and the acquisition of the technical skills to exploit these new technologies.

2: Literature Review

2.1 Introduction

While there is ample literature on the SA film industry, this literature tends to focus on the feature film industry alone and does not cover the production of television commercials. The theory areas which have been identified as applicable to this study include a general review of theory around the film industry with particular attention to the South African film industry. The research question then leads us into a review of the linkages between the different types of film production such as feature film production, television commercial production, and television content production. In this regard the literature review will cover the concept of industrial clusters and in particular the concept of film clusters. It will then examine the theoretical effects of foreign direct investment on an industry, and introduce the concepts of spill-over and leakage in developing a domestic industry. Finally it will examine the theoretical concepts of learning in clusters.

2.2 Film Industry

Mezias and Kuperman (2000) in a study of the dynamics of the emergence of the American film industry note the importance of a likeminded community in the development of an emerging industry. This has relevance to the development of the international service industry as we shall see how a small group of likeminded individuals were instrumental in the development of the

international service industry in the Western Cape in the early 1990s. In addition this article emphasises the importance of existing structures on which emergent industries form. In the Meziar and Kuperman article the base on which the American film industry emerges from is that of vaudeville, in the South African international service industry that base is the domestic commercial production industry.

Storper and Christopherson (1987) point out how film production has moved from a vertically integrated business environment in the 1920s to the 1970s to one of “flexible specialization” in which specialist subcontractors are coordinated by the production company to create a unique product. This has led to the creation and agglomeration of film industry specialisations in certain geographic areas. This is a pre Porterian view on the creation of a film cluster and the drivers behind this type of industrial behaviour. This form of production has allowed the major Hollywood studios to reduce their capital and labour burdens and in a way facilitate the creation of “runaway” production, as the production process moves to the most cost effective local. “Runaway” production is the act of moving some or all of the film production offshore to take advantage of lower labour costs, the film industry equivalent of “offshoring”. The studios still however control the financing and distribution of the product, in effect giving them control of the feature film value chain. Christopherson (2005) continues that the major studios now have access to a world wide web of skilled technicians and production resources and that there is worldwide competition for film projects. While these articles are focused on the

feature film industry similar dynamics are apparent in the commercial production industry. “Runaway” commercial production is the basis of the international service industry as production has moved from the expensive “North” to the inexpensive “South” where labour and other production input costs are lower.

This has lead Lorenzen (2007) to suggest that in the last 50 years or so most film production companies are in effect system co-ordinators, co-ordinating the efforts of a large number of disparate specialist companies and individual freelance labourers. He argues that globalisation has lead to an increase in the amount of “runaway” production in which movie productions are increasingly being filmed in alternate film clusters due to competitive costing or aesthetic reasons such as a unique location or technical skill which is available at the location. The Western Cape international service cluster is an example of such a cluster focused initially on the production of television commercials for the European market.

Kaiser and Liecke (2007) have suggested that the relative success of the Munich feature film cluster is due to the fact that they have managed to find a successful niche market to operate in, i.e. family films and domestic comedies for the German language market. The success of the exploitation of this niche market has enabled the film cluster to produce a number of internationally recognised art house films. This study does point out the importance of Arri Media, one of the world’s leading motion picture camera manufacturers and of the role of independent film financiers, however it fails to look at the importance

of the Munich commercial production sector in the success of the cluster. We can however observe in the emergence of the Western Cape as an international commercial filming destination the importance of individual producers, international networks and how certain producers are able to leverage these networks for the benefit of their own businesses and the industry as a whole.

2.2.1 The South African Film Industry

While much has been written about film theory and the cultural aspects of film in South Africa (Rivers, 2007; Dovey, 2007; Bickford-Smith & Mendelsohn, 2003; Reynolds, 2003) little has been written about the business theory around the South African film production industry, although a number of surveys and statistical studies have been done in order to facilitate policy formulation (CFC, 2006; CPA, 2007/6/5; HSRC 2005).

Tuomi (2006) suggests there has been an overemphasis on the cultural aspects of film policy in the South African environment and not enough attention to the commercial aspects of the industry. She believes that due to the economic potential of the industry, government should be focusing their efforts on encouraging the production of successful commercial film ventures, film distribution and audience development.

Her study does emphasise the importance of the South African film industry as a business, but focuses on the feature film (long form) side of the industry and all but ignores the value of the commercial production and service industries. As

with most research into the South African industry the value of the television commercial production and international service industries are included in the statistical analysis, yet seem to warrant no further attention (Tuomi, 2006, HSRC, 2004). She does however acknowledge the importance of film technology transfers and the upgrading of the South African film skills base.

2.3 Cluster Theory

2.3.1 Clusters

The importance of geography and the existence of industry clusters is emphasised by Michael Porter (2000). He suggests that four forces operate on an industrial cluster, these forces are *Factor Conditions* such as natural and human resources, *Demand Conditions* such as sophisticated and demanding domestic customers and unusual domestic demand for specialised products, *Context for Firm Strategy and Rivalry* i.e. the degree of competition between the firm in a cluster and a domestic context which encourages investment in and the continual upgrading of a cluster, and finally the *Related and Supporting Industries* i.e. the existence of domestically capable suppliers and related industries. This model does suggest the importance of knowledge spillovers which occurs between firms in the same cluster and which will be examined in more detail later.

The importance of clusters in the idea that regional industrial groupings may be of vital importance to a nation's overall economic performance is further refined

by Michael Porter (2003) in his paper, *The Economic Performance of Regions*. This paper suggests that the fundamental unit of economic analysis should be regional as opposed to national, and that the more decentralised a nation's economy is, the more economically successful the country has been historically. In addition he suggests that the nature and relationship of the firms making up the cluster are more important than the nature of the cluster itself when trying to ascertain the reasons for a particular cluster's success.

A Porterian cluster analysis has been made of four domestic film industries i.e. the USA, Canada, Mainland China and Hong Kong. (Howse & McLarney, 2006) This study suggests that the four determinants of a cluster's success are not all present in all the reported clusters. However this study looks at film clusters in a national and not regional light and ignores the effects of globalisation on these domestic production industries. This study also ignores the importance of television commercial production in the reported upon industries. However the study does emphasise the importance of co-productions between firms in order to compete with the largely dominant Hollywood Studios.

2.3.2 Film Clusters

Network analysis is used as a basis for the analysis of a film cluster in Berlin by Stephan Krätke (2001) which emphasises the importance of certain companies in the creation and cohesion of a film cluster. This model does take all the players in the cluster into account, including the television commercial

production companies and the importance of the links the film cluster has with other production centres.

Coe (2002) suggests that if a film cluster wants to develop its own indigenous material it is dependent on the internal and external personal networks of a small number of key producers. This is due to the international competition for film finance and the internal competition for film resources such as equipment, skilled labour etc.

This theory is taken further in Vang and Chaminade's (2007) study of the Toronto film cluster. The study emphasises the importance of transnational linkages in the development of the Toronto film cluster, with particular importance placed on the linkages due to "runaway" Hollywood productions. This is of particular relevance to the South African film industry as a large proportion of productions shot in South Africa are "runaway" from Hollywood, the European Union and increasingly the Far East. The other key finding in their study is that Hollywood films "runaway" to Toronto purely on a cost basis and this is seen as a key reason for the Toronto cluster to not have developed a full service domestic feature film production industry. Technology spillovers have occurred in the production and post production parts of the feature film value chain but not across the entire value chain, meaning Toronto does not have the technological skills in feature film development, pre production, distribution and merchandising that it needs to develop domestic films (Vang & Chaminade, 2007).

Barnard and Tuomi (2008) illustrate how demand sophistication drives the standard of domestic film production, i.e. if the domestic film audience is relatively unsophisticated they will demand an unsophisticated and often low standard product. However, if the audience is sophisticated (through exposure to international products) they will demand a domestic product with the same levels of sophistication. We shall see how this type of scenario occurs once the South African commercials production industry comes into contact and is exposed to international commercial production norms and standards.

While these studies of film clusters are focussing on feature film production no research has been done into the emergence of television commercial clusters such as the Western Cape or Buenos Aires. However to a large extent their findings can be generalised to the commercials production industries in terms of the theory of spillovers.

2.3.3 Learning in Clusters

The special benefits of clustering in high technology industries are commented on by Caniëls & Romjin (2003) in a study of the Bangalore IT cluster. The physical clustering of high technology industries does appear to drive collective efficiencies through increasing technological spillovers due to increasingly effective social (informal) networks and an increase in human capital with an ability to absorb and diffuse technology spillovers. The emergence of the

international service industry and its dynamic nature can be theoretically explained through this theoretical lens.

Bathelt, Malmberg and Maskell (2004) argue that two forms of learning and knowledge creation take place in clusters: Domestic Buzz where simply by being part of a community learning takes place, and Pipelines, in which knowledge is imported to the cluster from outside parties. They argue that a stronger buzz and more pipelines present make for a more vibrant and successful cluster.

Steiner & Hartmann (2006) point out that learning can occur in cluster networks in a number of ways such as informal networks, one-man institutions, participative learning systems, formal learning systems and bureaucratic learning systems. The study suggests the importance of social networks, old boys' networks, and other informal networks in promoting learning in cluster industries especially in high technology clusters.

Conventions, conferences, exhibitions and in the case of the film industry awards shows constitute temporary clusters which can provide rich arenas for collective learning, however these temporary clusters cannot provide a substitute to the real advantages of industrial clusters (Maskell, Bathelt & Malmberg, 2006). Both of these articles suggest that the short nature of commercial production projects i.e. one to ten days, in which different mixes of

freelance technicians are used, facilitates the transfer of knowledge within the freelance technician community as a whole.

2.4 Foreign Direct Investment (FDI)

2.4.1 Leakage and Spillovers

The traditional model of foreign direct investment (FDI) knowledge transfers suggests that a one way knowledge pipe exists which firstly transfers knowledge from the multinational corporation's (MNC) home base to its domestic subsidiaries. Some of this knowledge "leaks" into the host economy, varying amounts of this knowledge is absorbed by the domestic firms, and finally the firms in the domestic economies productivity increases (Bell & Marin, 2004). This simplistic model has been refined to take into account such factors as the absorptive capacity of the domestic economy (Kokko, 1994), the size of the technology gap (Kokko, 1994) or the nature of the domestic economy and the type of knowledge transferred (Wang & Blömstrom, 1992). Bell & Marin (2004, 2005) suggest that the one way knowledge pipeline model is not adequate and that knowledge is a two way street between the MNC and the domestic affiliate with the creation of co-located technology nuclei. This gives us valuable insight into the transfer of knowledge within transnational corporations. However it does not address the issue of how industry knowledge transfers occur in a diffuse situation, such as between transnational industry clusters, and how this knowledge transfer can occur in the short duration projects that are prevalent in the television commercial production industry.

In a later study Blömstrom and Sjöholm (1999) conclude that although companies which have foreign ownership have higher levels of labour productivity than those without, the proportion of foreign ownership does not appear to be correlated to the degree of higher productivity.

Further research in this field suggests that the involvement of multinationals in a country's domestic industry can exert a positive effect on the development of indigenous firms in the industry (Görg & Strobl, 2002). The MNC's linkages with domestic suppliers provides the indigenous firm with access to resources which would have been absent without the push from the needs of the MNC's. This can provide us with a theoretical base to assess if there has been a growth in specialist suppliers to the domestic film industry which may have been absent without the needs of foreign television commercials filmed in SA.

The domestic environment has been seen to have either a positive or negative impact on the amount of benefit a company gains through technology inflows. The absorption of foreign technology is positively correlated to education levels and domestic investment in an industry, conversely import protection of an industry appears to be negatively correlated with technology inflows (Kokko & Blömstrom, 1995). While the South African commercials production industry was not a protected industry, the cultural boycott and South Africa's pariah status of the eighties and early 1990s meant that the domestic production industry was formed in a similar environment to a protected industry.

Vang and Chaminade (2008) emphasise the different nature of cultural industries with their emphasis on project-based transnational contracts as opposed to traditional long term FDI.

While it appears that the literature supports the ideas that FDI will result in technological spillovers and these spillovers are of a benefit to the recipient country, the nature and the degree of spillovers is contested.

3: Research Questions

This study is to find out if the South African domestic commercials production industry has benefited from the emergence of the international service industry. If the domestic industry has benefited from this process to what extent has it benefited and if it has not benefited, why not?

Research Question 1: How has the emergence of the international commercial service industry affected the economics of the South African domestic commercials production industry?

Research Question 2: How has the exposure of the South African to the international advertising industry impacted on the levels of creativity in the South African domestic production market?

Research Question 3: Has the filming of foreign television commercials in South Africa increased South African technological skills levels and the levels of domestically available technology?

4: Research Methodology

4.1 Research Methodology

This study used a mixed method design.

An analysis of secondary data such as industry surveys, media content analysis, trade data, media catalogues, industry directories etc. has been triangulated with Semi-structured interviews, this mixed methodology approach has allowed for the researcher to access the richness of interview data and reduce the effects of interviewer bias in both the interview process and in the analysis of the interview data (Paul, 1996).

4.2 Analysis of Archival Material

Archive material has been used in order to triangulate the findings of the interview process. In most cases this material will be descriptively analysed in order to verify the accuracy of the interview process (Paul, 1996). In addition the secondary data was used to add depth to this analysis of the South African commercial production industry.

The secondary data will be used to address each research question as documented below:

Research Question 1: Has the number and size of production companies increased due to the production of foreign productions?

- Industry surveys
- Analysis of industry directories
- Analysis of industry association minutes
- Analysis of trade publication

Industry surveys such as the following have been obtained for the study:

- CFC (Cape Film Commission) Industry Baseline Survey 2006
- CPA (Commercial Producers Association) Annual Industry Survey
2005/6/7

These have been statistically analysed using frequency tables and histograms to ascertain if there have been increases in the number of productions taking place, the value of these productions, and the number of participants i.e. production companies in the industry. In addition employment figures have been extrapolated from this data.

The following surveys were obtained from the Commercial Producers Association (CPA) a professional association of both domestic commercial production companies and international service production companies:

11 November 1999

07 October 2000

2001 Summary

20 August 2007

2006

2005

Certain data from the years 2004 and 1998 could be pulled from the existing reports. The first CPA report, the 1998 survey could not be located. During the period 2002-2003 no surveys were conducted. Due to the different number of respondents and the differing methodologies between the surveys of 1998-2001 and the later period of 2004-2007, it is difficult to make year on year comparisons, however some conclusions can be inferred from the data.

The CPA believes that these surveys represent approximately 90% of the commercial production industry (CPA Film Production Survey, 2001) however other observers believe this to be closer to 50% of the total industry. The data does however capture the major trends irrespective of the actual percentage. Due to the weakness of the CPA survey data and missing data the following inferences had to be made regarding the data:

- The number of respondents for 1998 was entered as 25, and for 2004 as 42, the following year's values.
- In 2001 the total number of productions was not reported and a value of 587 has been entered, this was calculated by dividing the reported number of shoot days by the average number of shoot days per commercial.

- Due to differing methodologies employed in the surveys between the period 1990-2001 and the period 2004-2007, the category International/SA of the 2004-2007 surveys has been combined with International productions.

All financial data has been converted to 2000AD Rands in order to allow like with like comparisons. Billing data extrapolated from the various surveys was analysed against historical exchange rates and business confidence data in order to find out if there is any correlation between these factors.

Business confidence data was obtained through the Bureau for Economic Research website (2008) and exchange rate data from the South African Reserve Bank website (2008).

Limelight a leading industry directory has been analysed through frequency tables to provide evidence of the growth in the number of production companies and which are focused on domestic production and the growth in those focused on serving overseas productions.

Media mentions in *ScreenAfrica*, the longest running film trade publication, have been analysed in order to ascertain the relative importance of the commercials production industry to the film industry as a whole.

Research Question 2: How has the exposure of the South African to the international advertising market impacted on the levels of creativity in the domestic production market?

- SA Cannes Lion winners 1990-2007

Yearly film winners have been scored and ranked against an average score in order to ascertain periods of creative excellence.

Research Question 3: Has the filming of foreign television commercials in South Africa increased South African technological skills levels and the levels of domestically available technology?

- Industry directories
- SA trade data

The study has used industry directories to mark the entrance and exit of foreign and domestic rental companies into the domestic market. This data has been combined with telephonic confirmations with the managers of these companies to ascertain the nature of ownership of the particular rental companies.

The number of production support companies has also been analysed in order to gain more insight into the nature of the commercials production industry.

In addition this source has been used to find out the nature of ownership of the key rental companies in the film arena.

Trade data has been used to map the import of motion picture equipment and motion picture film stock into the South African market, this indicating both the size of the industry at the time and the import of new motion picture equipment.

The trade data cannot be generalised to the commercials industry completely due to the following factors:

- The film stock figure includes film stock imported for feature film production and for printing of stock prints for the distribution of feature films.
- The motion picture equipment figure includes the import of cinema projectors. In addition cameras and associated equipment are used in both the television commercials industry's and the feature film industry's.

However trends do emerge from the data which can be generalised to the commercials production industry.

4.3 Interview Data

This study has utilised semi-structured face to face interviews with senior management in the film production industry. These are managers with a minimum of 10 years experience in the film industry as senior managers (producer or more senior, or the equivalents such as the general managers of post production companies and rental houses). The use of interviews has allowed the interviewer to establish a rapport with the interviewee and allowed

the interviewer to ask probing questions to increase the accuracy and meaningfulness of the data. (Paul, 1996) The interviews were semi structured i.e. all the interviewees have been asked the same open and closed ended questions to allow for easier analysis (See appendix 1 for interview guide). Closed ended questions have allowed for definite non equivocal finding to certain research questions and open ended questions which have allowed for more depth and richness to the research process.

4.3.1 Unit of Analysis

The Unit of Analysis has been the individual senior level film managers (managers with a minimum of 10 years experience in the film industry as managers as senior managers (producer or more senior, or the equivalents such as general managers).

4.3.2 Population

The population which has been studied were senior management in film production and related companies active in Gauteng and the Western Cape in the last calendar year.

4.3.3 Sampling

The sample has been an expert sample of senior film managers selected through the researcher's personal network. The sampling frame has been

limited to Gauteng and the Western Cape which are the cornerstones of the domestic production industry.

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Designation	Type of Company	Felt qualified to comment on Economics	Felt qualified to comment on Creative	Felt qualified to comment on Technology
Managing Director	Domestic Television Commercial (TVC) Production Service TVC Production International TVC Production	Yes	Yes	Yes
Executive Producer	Domestic TVC Production Service TVC Production International TVC Production	Yes	Yes	Yes
Executive Producer	Domestic TVC Production International TVC Production	Yes	Yes	Yes
Executive Producer	Domestic TVC Production	Yes	Yes	Yes
Managing Director	Domestic TVC Production Ex CPA Chairman	Yes	Yes	Yes
Executive Producer	Service TVC Production	Yes	Yes	Yes
Head of TV	Advertising Agency	Yes	Yes	No
Managing Director	Post Production and Visual Effects Company	Yes	No	Yes
General Manager	Post Production and Visual Effects Company Ex. Agency Head of TV	Yes	No	Yes
Managing Director	Post Production and Visual Effects Company	Yes	No	Yes
Commercials Director	Domestic TVC Production Established well known Service TVC production company	Yes	Yes	Yes
Head of Lighting	Rental Company	Yes	No	Yes
General Manager	Rental Company	Yes	No	Yes
Executive Officer	Industry Association	Yes	Yes	Yes
		14 (100%)	9 (64%)	13 (92%)

Table 2. Interview subjects summary

4.3.4 Procedure

Most interviews took place at the interviewee's place of work, and lasted approximately an hour. During the interviews the interviewer took field notes of the session, these notes were typed up with comments within 24 hours of the interview taking place.

4.3 5 Data Analysis

The data has been analysed in an iterative manner, i.e. as themes emerged from the secondary data, these themes became the basis of the interview guide, see Appendix 1. Using an analysis framework developed by Strauss (1987, in Dougherty, 2002), the data was subjected to three forms of coding:

Open Coding: the finding and labelling of themes in the data.

Axial Coding: the intense analysis of the data around each emergent theme.

Selective Coding: The coding of a few key elements linking the data to the emergent themes and the links between these themes and the existing theory base.

These themes are reported in the results section with supporting quotes.

This analysis in conjunction with the analysis of the secondary data allow for the development of key themes, which emerge from the data and are not constrained by an initial theoretical framework. The theory is seen to emerge from the data and while a theoretical framework is used in the initial formulation

of the research question, additional theory is sourced as themes emerge from the data. This process has allowed for the development of theory from the data and the data's relationship with existing theory. This attempts to create theory from the observation and interaction with the entire research problem in all its richness, and is a holistic research process, as opposed to a reductionist approach (Dougherty, 2002).

5: Results

The results will be analysed in order of the research questions, with an initial analysis of the secondary data supported by the information obtained from the interview process.

5.1 Research Question 1:

Has the number and size of production companies increased due to the local production of foreign commercials?

5.1.1 Analysis of Secondary Data

5.1.1.1 CPA Survey Data

Total Billing

While total billings for the industry are difficult to calculate due to the weakness of the survey data we can infer a number of conclusions. This data represents the industry's billings or revenues over the survey periods and while we do not have numbers for the entire industry we can examine how individual companies have performed on average.

	Respondents	Total Productions	Inflation Rate (CPI)	Inflation Index 2000 base	Total Billings	Real Billings	Real Billing per Shoot	% Growth	Real Billings per Respondent	% Growth
2007	30	797	7.1%	143.0	688,856,669	481,717,950	604,414	-13.0%	16,057,265	54.0%
2006	42	632	4.7%	134.0	586,302,473	437,539,159	692,309	-3.0%	10,417,599	1.0%
2005	42	605	3.4%	128.0	553,421,052	432,360,197	714,645	20.0%	10,294,290	36.0%
2004	42	536	1.4%	123.8	394,607,269	318,745,775	594,675		7,589,185	
2003			5.8%	122.1						
2002			9.2%	115.4						
2001	30	587	5.7%	105.7	439,541,814	415,838,991	708,871	11%	13,861,300	-13%
2000	21	525	5.4%	100.0	333,840,000	333,840,000	635,886	21.0%	15,897,143	3.0%
1999	25	734	5.2%	94.9	365,940,000	385,605,901	525,349	76.0%	15,424,236	31.0%
1998	25	989	6.9%	90.2	265,800,000	294,678,492	297,956		11,787,140	

Table 3. Total Billings

All eight surveys include this data, which has been converted to 2000 AD Rands in order to compare year on year figures. Due to the differing number of respondents in each survey, the Rand per shoot figure and Rand per respondent figures are analysed.

1998 to 2001

1. The billable value of television commercials (domestic and international combined) dramatically increased in this period, more than doubling between 1998 and 2001 from an average of R297 956 per commercial to an average of R708 871 per commercial in 2001.
2. This has led to a large increase in the total billable turnover of individual production companies during this period from R11 787 140 for the

average production company to R15 897 143. For the average company in 2000 however this drops off in 2001 to R13 861 300.

2004-2007

1. The billable value of combined domestic and international productions peaked in 2005 at an average of R714 645 per commercial and experienced a significant fall between 2005 and 2007 to R604 414 for the average commercial.
2. During this period production companies have shown significant rises in billable revenues from an average of R 7 589 185 to an average revenue of R16 057 265 due to a larger number of commercials being produced.

	Billable Value per Television Commercial		Total Company Billings per Company	
1998-2001	Large increase	↑	Large Increase	↑
2004-2007	Moderate decrease	↘	Large Increase	↑

Table 4. Total billings, summary

What is immediately apparent from table 3 is the massive growth in the cost of an average commercial shot in South Africa in the period 1998 to 2001. As the international players entered the South African market the cost of crew and equipment, two of the most significant input costs for a television commercial shot up.

Equipment costs rose dramatically as newer and more technologically advanced equipment became the norm on South African film sets. These costs are the same for both domestic and international productions e.g. a camera rental per day is the same for a domestic shoot as it is for an international shoot.

Due to the shortage in skilled production crew and the apparent “cheapness” of South African crew in comparison to their international counterparts, crew were able to secure large salary increases in this period, these increases applied to both international and domestic production companies.

The surging costs of this period coupled with a strengthening rand were the leading cause of the 2000 crash in the industry according to a number of interview respondents.

It appears there was a real decline in the cost of a television commercial during the 2002-2004 period which cannot be accounted for by the differing survey methodologies. This translates to an equivalent drop in revenues per respondent over the same period. This is evidence of the bust period in the industry production cycle, as revenues per shoot dropped (see previous section) and the number of shoots per respondent dropped, company revenues plummeted. Interviews confirmed that during this period there was a concentration in the industry as a large number of production companies and their suppliers went out of business or were bought out by competitors.

If these figures are generalised to the industry as a whole it appears that revenue rises in the early period, 1998-2001 and then drops off until 2004 when revenues begin to recover once more. It is only with the spectacular growth of 2007 that the industry begins to regain and surpass the revenues of the late 1990s. The latest period is marked by steady growth driven by strong domestic demand for television commercials and steady growth in the international production industry; we will examine each segment in turn.

International Billings

This data represents the industry's International billings or revenues over the survey periods. While we do not have numbers for the entire industry we can examine how individual companies have on average performed and gain some insight into emergent trends within the industry.



	Respondents	Productions International	productions per respondent	Inflation Rate (CPI)	Inflation Index 2000 base	International Billings	Real International Billings	Real International Billings per respondent	% Growth	Real International Billings per respondent	% Growth
2007	30	303	10.10	7.1%	143.0	387,415 915	270,920 220	738,202	-3%	9,030,674	44%
2006	42	266	6.33	4.7%	134.0	376,083 628	262,995 544	762,306	-3%	6,261,799	-9%
2005	42	227	5.40	3.4%	128.0	414,492 334	289,854 779	785,514	9%	6,901,304	7%
2004	42	173	4.12	1.4%	123.8	386,666 585	270,396 213	719,139		6,438,005	
2003				5.8%	122.10						
2002				9.2%	115.40						
2001	30			5.7%	105.70	271,406,292	189,794,610			6,326,487	7%
2000	21	207	9.86	5.4%	100.00	178,020,000	124,489,510	601,399	21%	5,928,072	20%
1999	25	249	9.96	5.2%	94.90	176,790,000	123,629,371	496,503	78%	4,945,175	30%
1998	25	340	13.60	6.9%	90.20	136,000,000	95,104,895	279,720		3,804,196	

Table 5. International billings

1997-2000

1. Massive growth in the billable value of an average international service commercial between 1998 and 1999 of 78%. During the period 1997 to 2000 the average billable value of an international service commercial doubled.
2. Companies showed strong growth in billings in this period from a base of R3 804 196 for the average in 1997 to a high of R6 326 487 in 2001, a 66% growth in 4 years.

2004-2007

1. The billable value of the average international service commercial stabilised in the 720 000 to 790 000 range in the 2004 to 2007 period.
2. The average international billings for a production houses remained static in the 6 to 7 million Rand range for the period 2004-2006 jumping up dramatically in 2007 to around the 9 million Rand mark.

Total International Billings

	Billable Value per International TVC		International Company Billings per Company	
1998-2001	Very large growth	↑	Large growth	↑
2004-2007	Flat	⇒	Stable, rapid growth 2007	↗

Table 6. International billings summary

The international service production industry seems to have avoided the boom bust cycles of the domestic industry. The cost of the average international service commercial surged in the late 1990s as South African costs rose due to high demand, the rising cost of South African equipment and crew and the rise in the exchange rate between the South African Rand and the Euro. The rising cost of international service commercials hid the fact that fewer international service commercials were being made during this period and on average companies revenues continued to grow.

What happened during the 2001 - 2003 period which is not revealed by the survey is the vast consolidation in the international service industry as a number of small players went out of business or were bought out as

revealed by a senior industry member. Fewer commercials were being made in South Africa by foreigners during this period due to rising costs, a perceived weak skills and technical base, a rising Rand and the emergence of Argentina as a destination for commercial productions. However South America lost its lustre after 2003/4 due to a very weak skills and technical base, rising costs and language issues. According to a number of the respondents involved in the international service industry there was a steady return of business to the Cape after 2004 supported by a coordinated international marketing effort by South African international service companies.

By 2007 international companies came to shoot in South Africa for a number of non cost factors unrelated to the exchange rate such as the high technical standards of the crew and equipment, the higher productivity of shooting in the same time zone as Europe, locations and weather etc according to a number of the interview respondents.

In addition from the mid 2000's South African directors have become a sought after commodity internationally, driving up revenues as South African companies shoot commercials for international clients and advertising agencies both in South Africa and abroad. These commercials are billed in Euro's and US Dollars and are based on worldwide production costs which are significantly higher than domestic South African costs.

In general, the international service industry boomed until 2001 and plateaued with company billings remaining static until 2007. However the billable value of individual productions does not experience the dramatic drop off in cost as domestic productions did over the same period, due to the fact that South African costs are more linked to international standards than domestic conditions.

Domestic Billings

	Respondents	Productions Domestic	productions per respondent	Inflation Rate (CPI)	Inflation Index 2000 base	Nominal Domestic Billings	Real Domestic Billings	Real Domestic Billings per shoot	% Growth	Real Domestic Billings per respondent	% Growth
2007	30	430	14.33	7.1%	143.0	301,440,754	210,797,730	490,227	-20%	7,026,591	49%
2006	42	324	7.71	4.7%	134.0	264,621,772	197,478,934	609,502	8%	4,701,879	12%
2005	42	312	7.43	3.4%	128.0	226,387,434	176,865,183	566,875	14%	4,211,076	23%
2004	42	290	6.90	1.4%	123.8	178,382,172	144,088,992	496,858		3,430,690	
2003				5.8%	122.1						
2002				9.2%	115.4						
2001	30			5.7%	105.7	168,152,336	159,084,518			5,302,817	
2000	21	318	15.14	5.4%	100.0	155,820,000	155,820,000	490,000	19%	7,420,000	-7%
1999	25	485	19.40	5.2%	94.9	189,150,000	199,315,068	410,958	85%	7,972,603	39%
1998	25	649	25.96	6.9%	90.2	129,800,000	143,902,439	221,729		5,756,097	

Table 7. Domestic billings

Six surveys include this data, which has been converted to 2000AD Rands in order to compare year on year figures. The data for 2004 and 1998 have been inferred. Due to the differing number of respondents in each survey, the Rand per shoot figure and Rand per respondent figures are analysed.

1998 to 2000

1. The billable value of an average domestic television commercial more than doubled from R221 729 to R490 000 between 1998 and 2000.
2. The billings of a commercial production company only grew at 30 percent over the same period, however there was a sharp drop off in domestic revenues per production company in 2001.

2004-2007

1. There was a steady growth in the billable value of an average television commercial until 2006 which dropped off sharply in 2007.
2. Production companies displayed steady growth in billable revenues over the same period including almost 50% growth in revenues in 2007.

3. Total Domestic Billings

	Billable Value per Domestic TVC		Domestic Company Billings per Company	
1998-2001	Very large increase	↑	Peaking in 1999 and then dropping sharply	↑↘
2004-2007	Steady growth with a sharp drop in 2007	↗	Steady large increases	↑

Table 8. Domestic billings summary

The first finding of interest is the marked decline in the number of domestic productions per production company from an average of over 25 in the early 1990s to around 7 for the mid 2000s. This is an indication of the fragmentation

that occurred in the industry during this period. New companies entered the market due to the attraction of good profits and very low barriers to entry. The rapid increase in the cost of commercials shielded the industry players from the effects of these new players in the late 1990s; however the industry slumped between 2001 and 2004 as the number of commercials being made in this period dried up. The industry has lately displayed steady growth due to strong steady domestic economic growth with company's revenues steadily rising.

Number of Productions

	Respondents	Total Productions	Productions per Respondent	Growth Rate	Productions Domestic	productions per Respondent	Growth Rate	Productions International	Productions per Respondent	Growth Rate
2007	30	797	26.57	77%	430	14.33	86%	367	12.23	49%
2006	42	632	15.05	4%	324	7.71	4%	345	8.21	-7%
2005	42	605	14.40	13%	312	7.43	8%	369	8.79	-2%
2004	42	536	12.76		290	6.90		376	8.95	
2003										
2002										
2001	30	587	19.55	-22%						
2000	21	525	25.00	-15%	318	15.14	-22%	207	9.86	-1%
1999	25	734	29.36	-26%	485	19.40	-25%	249	9.96	-27%
1998	25	989	39.56		649	25.96		340	13.60	

Table 9. Number of productions

1998 to 2001

1. The total number of productions per production company dropped significantly during the period 1998 to 2001 from an average of almost 40

productions per company to approximately 20 commercial productions per company.

2. The drop in production appears to be in the domestic market which drops from an average of almost 26 commercials per year to just over 15 commercials per year, as the international shoot per company remains relatively static at approximately 10 productions per year per respondent.

2004 to 2007

1. The industry appeared to be recovering in the period 2004 to 2007 as the total number of productions per company increased from a low of 12.76, with a large increase in production in 2007 to 26.57 which begins to approach the same numbers as those of the late 1990s.
2. The growth in the period 2004 to 2007 appear to be across the board and particularly evident in the growth of domestic commercials per respondent doubling from 6.9 to 14.33 commercials per year. The number of international commercials shot per production house remained steady around the 9 mark and had significant growth in 2007 to over 12.

The average number of productions per company dropped from 27 per year in the 1997 – 2001 to an average of 18.7 for the 2004-2007 period.

	Total Productions per Company		Domestic Productions per Company		International Productions per Company	
1998-2001	Sharp Decrease	↓	Sharp Decrease	↓	Steady	→
2004-2007	Steady Increase with a Spike 2007	↗	Steady Increase with a Spike 2007	↗	Steady Increase with a Spike 2007	↗

Table 10. Number of productions summary

What is of significant interest is the marked drop in productions per company from the earlier 1997 to 2000 period to the later 2004-2007 period. This indicates some fragmentation of the market. This fragmentation is far more evident in the domestic production industry than the international production industry. The industry has low barriers to entry, and the high profits made in the early to mid 1990s encouraged a vast number of new entrants into the industry until the industry implosion in the early 2000's. The owner of one of South Africa's largest commercial production companies states that the positive outcome of the bust period of 2000 to 2003 was that a number of weaker companies were washed out of the industry.

One can see that the variation in the domestic market is far more extreme than in the international service industry, with averages plunging far more than the international market and then responding in a far more positive manner than the internationals when the recovery phase occurs. In this manner the international production industry has served to moderate the effects of the cyclical nature of

the industry as a whole. While the international industry does appear to have its own cycle, these dips and peaks are not as extreme as the domestic industries.

Number of Shoot Days

	Respondents	Total Shoot Days	Shoot days per Commercial	% growth	Shoot days per respondent	% growth
2007	30	1,498.5	1.9	-6%	50.0	66%
2006	42	1,266.5	2.0	-1%	30.2	3%
2005	42	1,225.5	2.0	-18%	29.2	-7%
2004	42	1,320.5	2.5		31.4	
2003						
2002						
2001	30	1228.0	2.1		40.9	

Table 11. Number of shoot days per production

This detailed data is only available on the 2005 to 2007 surveys; the 2001 summary survey only has a total shoot day figure.

2004-2007

There has been a steady decline in the number of shoot days per commercial. The number of shoot days per respondent dropped from a high of 50 in 2001 to a steady 30 for 2004, 05, and 06. It has since rebounded to 50 shoot days per respondent.

Shoot days are an important indicator of activity in the commercial production industry. Producers and directors are paid on a per shoot day basis, and production teams are incentivised on a per shoot day basis. Technical crew such as grips, camera and lighting personnel, are generally only paid for shoot days. In addition large amounts of the cost of a commercial are based on a per shoot day rate such as camera, lighting and grips hire, location fees, crew catering etc.

As higher production costs have impacted the industry productions are contracting on a per day basis as producers attempt to do the same work in less shoot days. A senior interview respondent felt that South African producers' access to global production standards enabled them to plan and execute productions more effectively thus cutting down on the number of shoot days per commercial. This would indicate a rise in the productivity of the industry as a whole.

Employment

	Respondents	Population	Total Productions	Employ (Days)	Employment days per commercial	Employment days per respondent
2007	30	67	797	56,245	70.57	1,874.83
2006	42		632	44,601	70.57	1,061.92
2005	42	62	605	42,695	70.57	1,016.56
2004	42		536	37,826	70.57	900.62
2003						
2002						
2001	30	45	587	41,398	70.57	1,379.95
2000	21	49	525	37,050	70.57	1,764.27
1999	25	65	734	51,799	70.57	2,071.96
1998	25		989	69,795	70.57	2,791.78

Table 12. Employment (days)

Using the CPA 2007 figure of 70.57 work day per shoot we can calculate total person days total employment for the reported periods. (CPA Survey, 2007)

1998-2001

1. Employment per respondent dropped sharply over this period from 2 792 to 1 380.

2004-2007

2. Employment seems to recover from a very low base of 900 person days per respondent in 2004 to around 1875 in 2007.

Per company employment appears to be dropping. This seems to be in contradiction to interview respondents who feel employment is increasing in the industry and that productions have far larger crews than before. In general the statistics suggest that the employment numbers in the industry are fairly static.

International Exchange Rates and Business Confidence

	Rand / Dollar	Rand / Euro	BCI	Real Billings per Respondent	Real Domestic Billings per respondent	Real International Billings per respondent
2007	7.05	9.66	75	16 057 265	7 026 591	9 030 674
2006	6.78	8.54	84	10 417 599	4 701 879	6 261 799
2005	6.37	7.92	83	10 294 290	4 211 076	6 901 304
2004	6.45	8.01	76	7 589 185	3 430 690	6 438 005
2003	7.57	8.54	56			
2002	10.52	9.91	64			
2001	8.58	7.69	39	13 861 300	5 302 817	6 326 487
2000	6.94	6.39	37	15 897 143	7 420 000	5 928 072
1999	6.11	6.52	22	15 424 236	7 972 603	4 945 175
1998	5.54	6.24	18	11 787 140	5 756 098	3 804 196

Table 13. International exchange rates and business confidence

The yearly average Rand / Dollar and Rand / Euro exchange rates were correlated to total billings per respondent and no significant correlation was found between the industry's revenues and the exchange rates. The same lack of relationship was found between the exchange rates and the domestic revenues of the respondents. However a very strong correlation (89%) was

found between the Rand / Euro exchange rate and the international revenues of the industry. Similarly a strong correlation (47%) was found between the international billings and the Rand / Dollar exchange rate.

	Rand / Dollar	Rand / Euro	Business Confidence
Total Real Billing per respondent	28%	-14%	-50%
Domestic Real Billing per respondent	-3%	-32%	-61%
International Real Billing per respondent	47%	89%	73%

Table 14. International exchange rates and business confidence correlations

Of interest is the negative correlation between domestic billings and business confidence: as business confidence rises it is correlated to a drop in domestic production. This points to a rise in business confidence as the South African Rand exchange rate weakens. It appears that domestic advertisers back off on producing commercials during these periods of strong business confidence resulting in lower domestic production levels. However the same weak Rand is an opportunity for the international service industry and results in higher international service production levels. This shows how the international market moderates the effect of domestic business confidence on the entire production industry.

5.1.1.2 Analysis of Industry Directories

An analysis was carried out of the content of the industry directory *Limelite* for the period 1990-2007. Initially the number of production companies per edition is examined, however the directory does not differentiate between commercial production companies and those which produce television content and feature films. Subsequently an analysis is carried out on a number of key suppliers to the commercial production industry in order to examine the status of the industry.

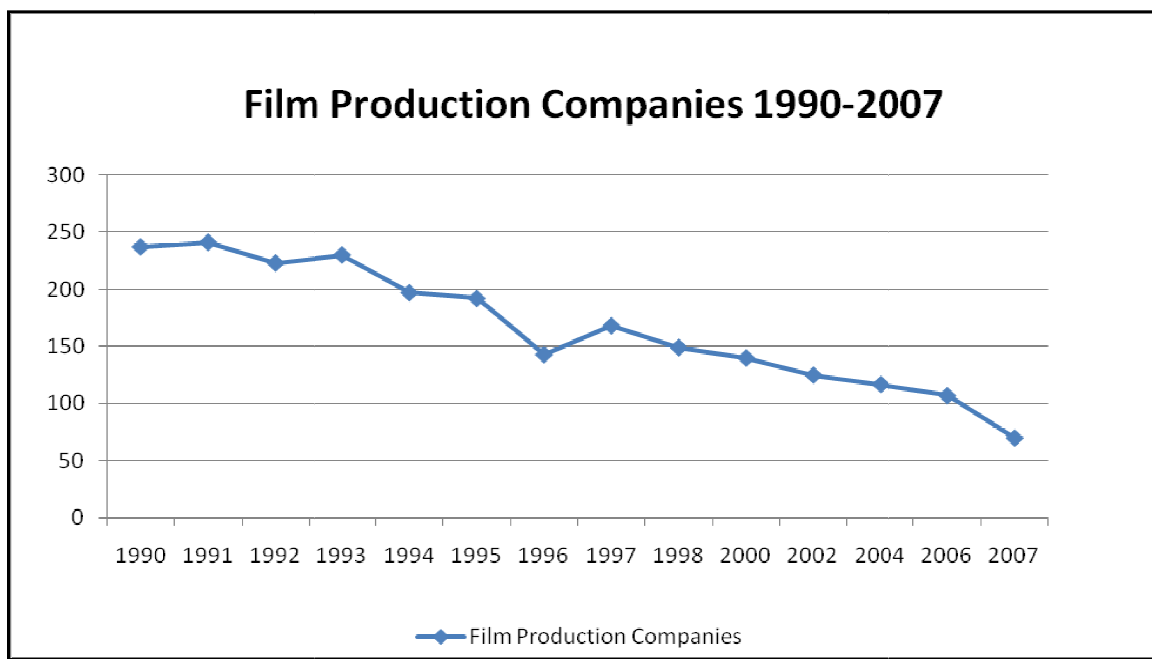


Figure 5. Number of Film production companies 1990-2007

From the graph above we can see a dramatic decline in the number of companies operating in the film and television industry and serves to confirm the observations of some of the respondents that there has been considerable

consolidation in the commercials production industry and in the film and television industries as a whole.

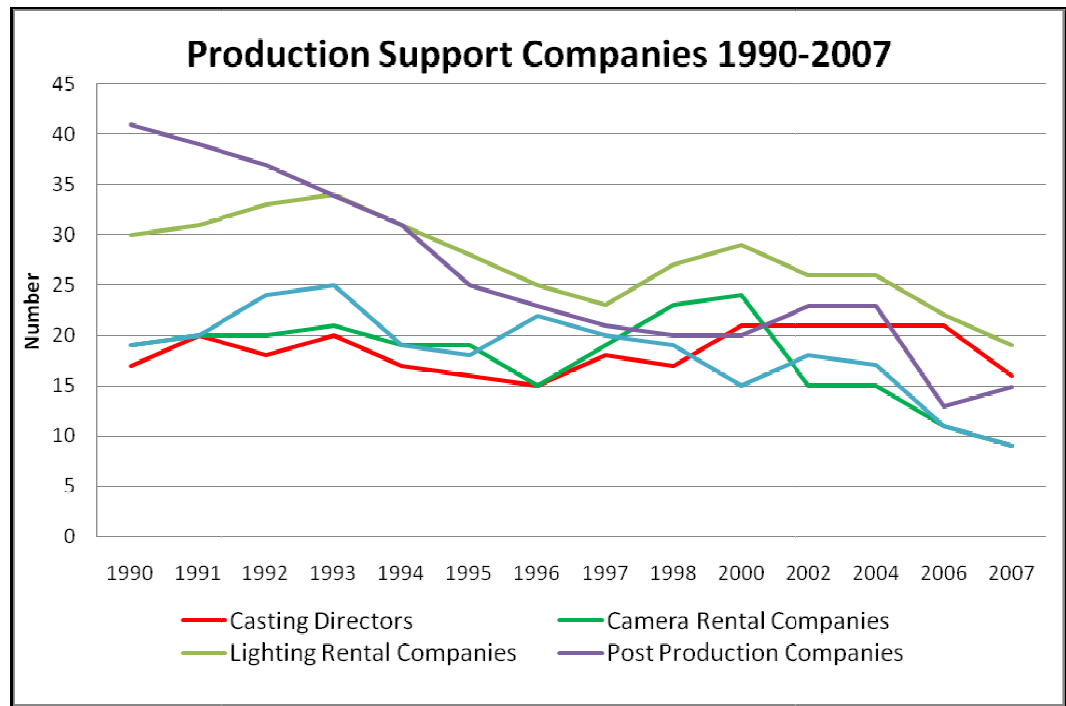


Figure 6. Production support companies 1990-2007

We can see the decline in all the support industries associated with commercial production over the period of the study. The only companies which remain relatively static are casting companies at around the 18-22 mark. Once again this emphasises the consolidation in the production industry and shows how the process described in the camera rental portion of the industry are carried throughout the film production industry.

Of particular interest is the decline in the number of film post production companies As film post production has moved into the digital realm the cost of

high end post production equipment has increased. Pre 1990, most post production was carried out in a linear, mechanical analogue manner, little had changed since the 1950's or 60's. The advent of non linear digital post production, and the exposure of South African filmmakers to this new technology, rendered a large number of South African post production companies obsolete. They disappeared as they did not have the available capital to purchase the new generation digital tools. International players are entering the South African market with Condor, a major Dutch post production company setting up shop in Cape Town, a similar process to what can be seen for camera rental companies.

5.1.1.3 Media Mentions – *ScreenAfrica*

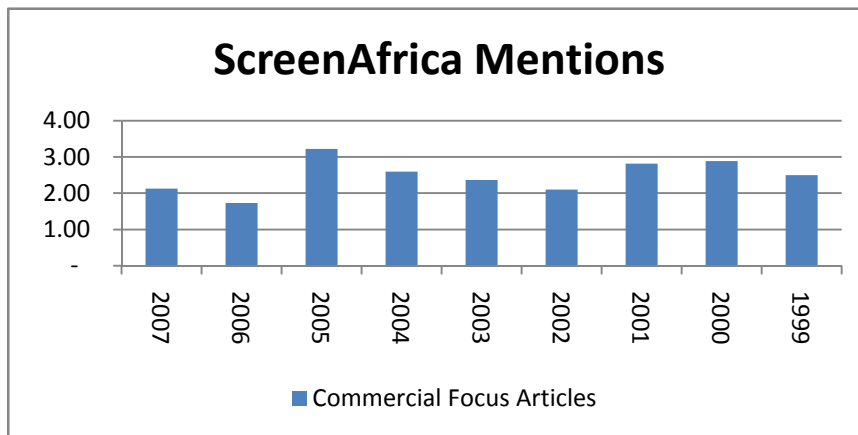


Figure 7. *ScreenAfrica* mentions

There has been no significant growth in the number of articles mentioning the commercials production industry in *ScreenAfrica* between 1997 and 2000. *ScreenAfrica* is one of the leading South African film and television production specialist publications.

While the number of articles remains static, they did introduce a feature page in each issue focusing on the commercials industry in 2000, this has on average 7.7 articles focused on commercials production and has been excluded from the count above. In addition there is a Cannes edition focused on the Cannes Lions commercial awards. This edition is used to showcase South Africa as a film destination to overseas commercial production companies and advertising agencies. This edition of the publication also advertises the talents of domestic commercial directors to the international advertising market. This edition comes

out once a year pre Cannes and is distributed free from the South African stand at the festival, this started in 1999. The articles for the Cannes edition are counted in the article count.

5.1.1.4 Summary of Secondary Data

The secondary data raises a number of important issues with regard to the emergence of the international service industry. The entire commercial production industry benefited from massive growth in the period from 1998 to 2002 when it suffered a crash. Since 2003 the industry has experienced steady growth. The massive growth of the late 1990's was driven by the international service industry. It appears that rising costs in the industry reduced the number of commercials being produced by the industry as a whole. The reduced number of shoot days per commercial points to a more productive use of resources by domestic and international service producers. The international service industry and domestic production industries seem counter cyclical with both being dependent on the Rand / Euro exchange rate and each moderating the effect of exchange fluctuations on the industry as a whole.

Industry directories suggest that the commercials production industry is contracting or experiencing significant consolidation, showing that the industry is under some form of financial pressure. Media data from *ScreenAfrica* suggests that the industry is becoming more formalised and of more importance to the greater production community.

5.1.2 Analysis of Qualitative Research

5.1.2.1 Introduction

A number of themes have emerged from the responses of the interview subjects. These themes and sub-themes are:

Industry Incomes and Costs

1. International service production has raised the industry income.
2. The international service industry has driven up the cost of domestic production.
3. The international service industry has raised the expectations and standards of domestic production.
4. Problems existing and emergent within the international service industry.

The production industry's 2002 crisis and its implications

1. The 2002 crisis period and its implications.
2. Business strategies used by domestic and international service companies in order to survive.

Cape Town as an international service destination

1. The Cape Town / Johannesburg split between international service and domestic production.

2. The emergence of new competitors to the Cape Town international service industry.
3. The key attractions of Cape Town as an international service destination.

Each of these themes will be analysed in turn. It is important to note that due to the spread of experiences of the interview respondents not all felt they were able to comment on certain aspects of the industry. For example the respondents who worked for equipment rental companies felt they could not comment on the impact of the international service industry on creative standards.

5.1.2.2 Industry Incomes and Costs

International service production has raised the industry Income

Most respondents agreed that the international service industry generated a large amount of income for the companies involved, with comments such as:

“It has brought in huge amounts of foreign exchange”

“Lead to industry growth”

“Huge monetary impact”

“Big growth in Cape Town in the late 90’s”

“It created the film industry in Cape Town”

“Billions of Rands came into the country”

All the respondents felt that on the whole the industry had financially benefitted from the emergence of the international service industry, with many emphasising the amount of foreign exchange the industry generated and its contribution to the growth of the industry as a whole.

The international service industry has driven up the cost of domestic production

All the respondents remarked how the international service industry has driven up the cost of domestic production, below are some of the comments:

“There was less slice of the pie for post production” (from a head of a post production facility)

“Service rise in costs were hidden by a weak rand”

“There was and still is severe pressure on domestic budgets”

“Domestic clients are questioning domestic production costs”

“Prices did go up a lot”

“Raised costs, because of what overseas clients demanded”

“Service chased up prices”

We shall see how the international service industry drove up the price of gear and the wages of technical crew towards global norms. South African producers had become accustomed to dictating wages and supplier costs in the closed local industry and once the industry was exposed to international costs these became the benchmark. In addition what were acceptable production practices

changed leading to larger, more expensive crews and larger, more technologically advanced and more expensive equipment.

The international service industry has raised the expectations and standards of domestic productions

The most common reason for this rise in cost is given as a rise in the expectations of what is acceptable on a film set, i.e. what equipment is acceptable, the number and standard of technical crew and the standard of the management of the production process. Most respondents believe these raised standards have had cost implications. Some comments recorded referring to expectations, standards and costs are:

“These prawns are not to my liking” (a crew member overheard commenting on the catering)”

“An Arri 3 no longer acceptable” (A type of film camera commonly used in the early 1990s on domestic productions but now seen to be obsolete)

“The technicians now want the newest gear”

‘Agencies want to let him have it if he needs it to do the job”

“Service has raised the level of professionalism in the South African industry but has pushed up costs”

“South Africa was a cottage industry”

“South Africa is now part of the world story”

“South Africa had to jack up service levels to keep the international work”

“Now the domestic guys wanted top end gear”

A number of respondents have noted how crews are much bigger now than they used to be, this is an additional reason for the increase in the cost of commercials both domestic and international.

“South African crews are being spoilt”

“There is a bring your mates mentality in Cape Town”

*“Cape Town crew get used to covering their a**es by requesting extra crew to deal with on the day requests by the director”*

“Crews used to be around 30 guys now it’s more like 50”

This illustrates how the international service industry became a key driver in forcing up domestic production costs over the study period.

Problems existing and emergent within the international service industry

The most common problems seen in the industry have already appeared in the ongoing struggle to contain costs. Some emergent problems seem to be appearing in the international service industry, local government rules and fees seem to be perceived as hurting the industry:

“Government more of a hindrance than a help”

“The industry needs political support or they will kill it”

“The rules change all the time”

The other emergent problem seems to be Cape Town’s overexposure as a location:

“Cape Town is shot to death”

“Some of these European producers have seen the same location 100 times”

This may be the reason some international service work is now coming to Johannesburg, i.e. new locations and what is perceived to be an easier city to shoot in. Johannesburg is perceived to have an easier regulatory environment towards the commercials production industry and there is less resistance to the industry by the general public who regard the film production industry as a nuisance industry.

5.1.2.3 The production industry’s 2002 crisis and its implications

The 2002 service crisis and its implications

A number of respondents referred to a major dip in the international service industry in the period 2002 to 2003, a time period when CPA data does not exist. The drop is not reflected in the survey data as international service revenues and billing seem stable between the early data 1997-2001 and 2004-2007. As is apparent from a number of respondents, this may be due to the fact that these were smaller more “fly by night operations” and unlikely to have been members of the CPA due to the association’s high subscription fees and internal standards. Some comments about this period include:

“The crisis increased professionalism and killed the rot”

“It was the best thing that could have happened to the international service industry”

“It washed out the weaker players”

And finally one producer described it as an *“industry coming of age”*

While most agreed the industry was more professional, a producer noted:

“There are still dodgy operators out there”

What almost half of the respondents noted was the ease of entry into the international service industry in the late 1990s:

*“Any a**ehole could open a production company”*

“The 1990s were like clubbing seals”

“Travel agents were setting up production companies”

“One season you were a runner, second season a production manager and by season three you had your own company”

The one advantage to this scenario was that by the 2000’s it is noted:

“The oversupply of service companies is keeping costs in check”

The disadvantage being;

*“The bad operators give the whole industry a k*k name”*

“These small guys cut corners in order to come in cheaper and then don’t deliver”

The reasons for the crash appear to be rocketing costs driven by high demand for technology and skilled crews. In the 1990s these cost increases had been hidden to foreign producers by the depreciation of the Rand against Euro / Pound but the sudden strengthening of the currency hit the industry hard.

A rental company owner describes the demand situation as:

“When someone wanted a camera package we had to see what was left on the shelf”

Another producer:

“There were limits to the Capes infrastructure, and costs just shot up”

The cost plus budgeting system in which the international service company makes its income from adding a mark up (10-15%) on all the services provided is also blamed for the rapid increase in costs.

“They were just greedy”

“Some guys just ripped the ring out of it”

“They brought it on themselves through greed”

“No one cared” (about customers rising costs)

“Greedy”

“They milked that poor old cow”

It was felt that international service production companies did not attempt to control costs as it was not in their interests to do so. The rising Rand costs of productions was hidden to the international customers by the falling Rand vs. Euro exchange rate. However once the currency strengthened in the period

2001-2003 this explosive rise in costs caught out the international service industry.

Business strategies used by domestic and international service companies in order to survive

There are 2 main business strategies in the production community. In the first case companies attempt to expand their director base for domestic companies or increase their geographic target markets for international service companies. The reasons for this expansion are articulated as follows for domestic companies:

“A large director base, results in a large marketing budget and therefore attracts more directors”

“Economies of scale as overheads are spread”

“A big stable (of directors) allows the companies to cover the range of boards (possible jobs)”

“Big name directors still get the big pressure / money/ jobs and support the ship”

“It allows directors to get picky about the work they choose as they are not compelled to shoot for the money”

This final comment also relates to the manner in which domestic companies are responding to the changing nature of creativity in the domestic industry, and will be discussed further in the section on research question two. The general consensus is that large companies can spread their overheads, including

marketing budgets, which means they get more opportunities to shoot because they have directors for a number of different advertisement genres. They can also be pickier about the commercials they produce as they are not under the same commercial pressures as the single director businesses.

The reason for international service companies to expand is in order to spread the overheads of a large international marketing budget, which is their major expense, as most of their staff are freelancers who only work the commercial production season (November – April). A number of commercial international service companies are branching out into feature film service in order to operate all year round. Examples implementing this strategy are Moonlighting and Reel Africa.

While some companies have moved into the multi director format, a large number of production companies have remained small. Some comments on this are:

“The small players have to run a tight ship”

“There are still loads of mom and pop shops out there”

“Some companies choose to stay small to survive by keeping overheads down”

As is common in the creative industries a number of businesses are lifestyle businesses and these players choose to remain small in order for the owners (often directors) to maintain control of the business and the commercials they

produce (Eikhof & Haunschild,2006). A number of international service companies have also chosen to niche market themselves to certain geographic areas. Some successful examples of this strategy are Navigator which does almost exclusively German work and Orange Films which concentrates on the United Kingdom.

5.1.2.4 Cape Town as an international service destination

The Cape Town / Johannesburg split between international service and domestic production

A majority of the respondents noted that the international service industry was limited to the Western Cape and Cape Town in particular. The general consensus was that the Capes entire film infrastructure was created around the international service industry. At the beginning of the international service boom in the Cape in the early 1990s it was pointed out that most of the crew and equipment for commercial production came down to the Cape Town from Johannesburg or overseas on a shoot by shoot basis. The industry in the Cape has now outstripped Johannesburg and houses most of the specialist suppliers needed by commercial producers, such as auto detailers, animal trainers, product and pack specialists. (This is confirmed by a count of specialist companies in 2007 edition of *The Whole Lot*, a commercials vendor directory which has 191 pages of entries for Gauteng and 322 pages of entries for the Western Cape.) Most of the interview respondents emphasised that domestic production is based in Johannesburg and International service production is

based in Cape Town. Domestic production seems to be Johannesburg based as the major advertising agencies and their clients are mostly based in the city.

The emergence of new competitors to the Cape Town international service industry

A common reference by the respondents was the emergence of other international service destinations which now compete with Cape Town, the most commonly mentioned country being Argentina:

“South America and Eastern Europe are competing with Cape Town for international work”

“Chile is the new player on the block”

“The South Americans know creative and it’s attracting the Europeans”

“Argentina, Prague, Vietnam and Cuba are all competition now”

“It used to be Spain and Eastern Europe but now it’s South America”

“We taught the Europeans how to travel; now they go everywhere”

The Western Cape had emerged as one of the first integrated “runaway” commercial production centres. As the success of the Cape was observed a number of other countries imitated the Cape’s marketing efforts in order to gain a portion of this production business. These emergent commercial centres seem to be have the same factors which made the Cape an attractive film destination in the first place i.e. favourable exchange rate, good weather, Southern Hemisphere, and an existing film infrastructure.

The key attractions of Cape Town as a international service destination

While most of the respondents emphasised that the main attraction of Cape Town as an international service destination was the favourable exchange rate and how cheap it is to film in the Cape as compared to Europe, some other interesting reasons were recorded:

“They just want to get away from the cold, have you been in Warsaw in the middle of winter?”

“Let’s face it; some of these guys just want a holiday in a cool location”

“I worked a shoot were the client just wanted to be in Cape Town, they had shipped 4 tons of product before they even had a script”

Some of the more serious reasons included the quality of South African crew which will be discussed in the technology section and the ease of travelling to South Africa and not crossing time zones:

“Australia is not an option, you can fly business class to Cape Town overnight and work the next day”

5.2 Research Question 2:

How has the exposure of the South African to the international advertising market impacted on the levels of creativity in the domestic production market?

5.2.1 Analysis of Secondary Data

Cannes Results 1990-2007

	Grand Prix	Grand P (SA)	Gold	Gold (SA)	Silver	Silver (SA)	Bronze	Bronze (SA)	Points	Short List	Short List (SA)	Entrants (SA)
2007	1	0	18	0	39	0	66	0	0	428	12	69
2006	1	0	17	0	56	0	76	3	3	369	11	103
2005	1	0	30	0	39	1	80	0	2	437	13	89
2004	1	0	34	0	38	0	60	0	0	420	11	146
2003	1	0	38	0	38	1	47	2	4	413	9	121
2002	1	0	20	0	31	0	48	1	1	313	10	NA
2001	4	0	36	0	24	0	29	0	0	453	12	NA
2000	5	0	42	0	36	1	48	1	3	356	11	NA
1999	1	0	33	1	34	1	51	1	6	252	10	NA
1998	3	0	30	1	47	1	66	2	7	336	8	NA
1997	2	0	25	0	35	1	51	1	3	NA	NA	NA
1996	1	0	29	0	35	1	44	1	3	NA	NA	NA
1995	0	0	11	0	25	1	52	1	3	NA	NA	NA
1994	1	0	26	1	43	0	60	2	5	NA	NA	NA
1993	2	0	32	0	44	0	50	0	0	NA	NA	NA
1992	1	0	46	2	36	1	74	0	8	NA	NA	NA
Ave			29	0.3	38	0.6	56	0.9	3.0	378	11	106

Points Gold 3
 Silver 2
 Bronze 1

Table 15. Cannes results, 1990-2007

South Africa made a massive impact on the world stage by winning 2 film golds at the 1992 Cannes advertising awards. Some respondents have credited this with the opening up of South Africa as a commercial production destination. The Cannes awards are the world premier showcase for advertising creativity. As one can see from table 15, South Africa was a consistent performer at the awards in the late 1990s, picking up a steady stream of silver and bronze Lions. However since 2000 South Africa's performance in the film category has been patchy. A number of reasons have been put forward for this drop in creative performance. One respondent felt that South African creatives used to work in a vacuum and therefore came up with fresh, new creative ideas. Since 2000 South African creatives have been exposed to international work through such channels as *Shots*, an international collection of the world's best adverts in the previous 2 months, and websites such as *e-creative search* and *YouTube* which has lead to an emulation of international trends and not the creation of new fresh ideas.

Other reasons which have been put forward are: the loss of senior creative talent to the international market; and an increasing pressure on advertising agencies from their clients to produce results driven advertising and not creative driven advertising. Another factor which some respondents say has contributed to the decline in creative award winners is the relatively small production budgets allocated by South African advertisers. We shall examine these reasons and others in the next section.

5.2.2 Analysis of Qualitative Research

A number of themes have emerged from the responses of the interview subjects. The key themes appear to be:

Budgets

1. Poor budgets have hurt creative executions.

Changing Relationships

1. The changing nature of the South African audiences.
2. The changing nature of the client, agency relationship.

Downside of Quality

1. The increased professionalism has hurt creativity.
2. South African production standards are still high.

Each of these themes will be dealt with in turn:

5.2.2.1 Budgets

Poor budgets have hurt creative executions

A large number of respondents felt that due to the rise in costs of commercial production our domestic productions could no longer compete on the world stage:

“Domestic money has not kept pace with rising costs”

“South African budgets are globally, unrealistic”

“We can’t afford the 15 000 USD directors”

“Our clients’ expectations are high but budgets are down”

“Clients have been burnt in the past and are not interested in big budget productions”

The feeling amongst the respondents is that as South African production costs have risen in response to exposure to the global commercial production industry, domestic production budgets have not kept pace. Due to the lack of financial resources domestic producers can no longer produce the high production value commercials which are likely to be creative award winners.

5.2.2.2 Changing Relationships

The change of emphasis in South African marketing from exclusively “white” markets to mixed audience campaigns has hurt creativity

“We are not selling to the same market anymore”

“The drop in creativity is due to the changing nature of the South African market”

“It’s all been pretty much dumbed down for the black market”

“Audience changes have lead to different creative standards”

“There has been an unacceptable response by advertisers to changes in the market”

These respondents felt that as the South African market has changed to a more multicultural one, creative standards have dropped. The explanations have been that clients perceive low LSM (Life Style Measurement) mainly black consumers as being unsophisticated and unable to comprehend “creative” advertising. A number of the respondents felt that this was more of a policy based on racism and ignorance than one based on any form of actual research.

The changing nature of the client, agency relationship

This emerged as the most common response to the question on the changing nature of creativity in television commercials in the study period. All of the respondents who felt qualified to answer the creativity question felt that the changing nature of the client agency relationship had harmed the creative processes in the television commercial production industry. Some of the responses were as follows:

*“Clients have agencies by the b**ls”*

“Agencies are running scared”

“Clients have become a nightmare”

*“In the 1990s agencies did what the f**k they liked, clients didn’t know any better”*

“Clients are becoming more risk averse”

“In the eighties the agencies were the king”

“Clients are becoming more businesslike”

“Clients used to be more receptive and trusted the creative process to the agency”

“They (clients) are all experts now”

It appears that the relationship between the clients and their advertising agencies has become more antagonistic and that the lack of trust between client and agency has had a knock on effect on the creative standard of television commercials. Respondents felt like clients would move agency if the agency did attempt to do risky, highly creative work. As clients have moved into a more powerful position in the client / agency relationship, many creatives seem to have taken a stance of simply giving the client what they want ,not doing highly creative work because they do not want to “rock the boat”.

An interesting response to this phenomenon has been the emergence of the “scam ad”, an advertisement produced simply for award purposes. A client who has no money for television advertising is asked for permission by the agency to produce and air a commercial for free on the condition that the agency is given free reign in the creative process. The advertisement is then produced and flighted at the expense of the advertising agency and production companies with the goal of winning creative awards. These advertisements are often only flighted once on television in order to make them eligible for the award shows. A senior producer remarked on the scam ad process:

“It worked for a while but now it just doesn’t fly”

While these ads no longer seem to be winning at the creative award shows this practice still seems common in the industry and is done in order to boost advertising agencies / production companies show reels (portfolios).

The increased professionalism has hurt creativity

A small number of respondents have remarked how increased professionalism has hurt the creative process. Some of the comments recorded are:

“Research is murdering the creative process”

“It’s a business now, not the crazy, ‘let’s have champagne for lunch’ industry it was, and it shows”

The majority of the respondents felt that increased professionalism in the industry, manifested by the increased use of market research, script testing, post production testing etc were all hurting the creative process. As clients display less trust in their agencies, they rely increasingly on consumer research to justify creative decisions.

South African production standards are still high

Many respondents felt that while South Africa was no longer winning a number of awards internationally, the production and creative standard of South African commercials is still high, some comments recorded include:

*“We still do really, really bl**dy good work”*

“We have the highest production values in South African media” meaning the production and creative standards of the commercial industry are the

highest amongst the domestic production industries such as feature film production, television production etc.

“Production and creative values in South African spots are still tops”

This suggests that while the statistical data is correct and South Africa is no longer a significant player in the creative awards show circuit, the general creative standard of South African commercials remains high.

One of the more interesting responses was that local creatives are immediately hired by international advertising agencies once they win a major international creative award, as the respondent said:

“They are just snapped up”

5.3 Research Question 3:

Has the filming of foreign television commercials in South Africa increased South African technological skills levels and the levels of domestically available technology?

5.3.1 Analysis of Secondary Data

5.3.1.1 Rental Industry Company Turnover

	Open	JHB	CT	Owner	
Camera Platform	2001	2001	NA	SA	
Panacam	2001	2004	2001	SA	To sell to Panavision end 2008
Panlux	1998	1998	1980's	US	
MCC	1980's	1980's	NA	SA	
Cinegate	2001	NA	2001	German	
Media Film	2000	2000	2000	German	

Table 16. Rental company turnover and ownership

Prior to the boom in the South African international service industry in the mid to late 1990s, there were only South African owned camera rental companies. As the boom in the international service industry took place, a number of international players moved into the domestic camera rental market. A number of South African companies have been bought out by foreign players and there has been consolidation between the remaining South African companies. The

net result of this activity is that non-South African owned companies are active in the Western Cape. MCC was the last active South African company which closed its Cape branch in 2004. International players in this part of the industry have the advantage of being able to draw equipment from Europe during the European winter to work in Cape Town. This enables them to get two seasons per year out of their rental equipment i.e. the South African summer and the European summer. In addition the large European players can bring replacement equipment on a just in time basis to replace or back up out of service equipment while South African companies have to purchase these backups when needed.

The upside of the entry of foreign companies into the South African market is that South African producers and technicians are now exposed to the newest technological innovations in film technology. South African international service companies can compete with the best in the world when it comes to technological service and available technology. Domestic commercials producers now have access to cutting edge technology and to technicians trained in the use of this technology. South African technicians have become so familiar with new technology that they are now in demand on the world production stage.

The downside to this exposure has been the increased competition in the rentals market that has lead to the closing of a number of South African players. Rental incomes which used to stay in South Africa now flow overseas. More

significantly South Africa no longer innovates in the field of film technology. In the early 90s a South African company called Filmair created a camera crane called the Giraffe. This has become one of the most commonly used location camera platforms in the world. Filmair was bought out by an English company called One8six and subsequently by Panavision. Production of the Giraffe crane has moved to Canada. In addition in the late 80s and early 90s South Africa produced its own generators and lighting stands. As the availability of imported “branded” items became available this practice has died out. International and domestic producers now demand the international brand equipment and South African made equipment is viewed as inferior or obsolete.

Now that South African technicians are being exposed to and demanded by the worldwide production industry, their daily rates are increasing and it is becoming more difficult for domestic companies to match these pay rates. This has led to domestic technicians having a dual pay structure in which they are paid less to work on South African domestic productions than they are paid for international work shot outside of South Africa. In the early 2000s attempts were made by certain senior crew such as Directors of Photography, Key Grips and Gaffers, to “dollarize” their rate, however this occurred as the international service industry was crashing and they were persuaded to keep their rates in SA Rands and maintain them at reasonable levels until production returned to Cape Town in approx 2005. It appears that foreign producers accept that SA crew be paid international rates outside of SA and domestic rates if the commercial is produced in South Africa. However there is some concern in the domestic

industry that if a dual rate that benefits the domestic production companies at the expense of foreign production companies comes into being there will be a backlash against doing business in South Africa.

5.3.1.2 Trade Data

Two import statistics were analysed, the value of unprocessed film stock imported into the country and the value of motion picture equipment imported into the country. (DTI, 2008).

The figures for the period 1990 to 2007 are examined in the study.

For both categories over the study period there has been a steady growth in the import of materials needed for film production as indicated by the steady rise in the trend lines. This indicates steady growth in the industry as a whole (feature films and commercials) over the study period.

Motion Picture Equipment Imports

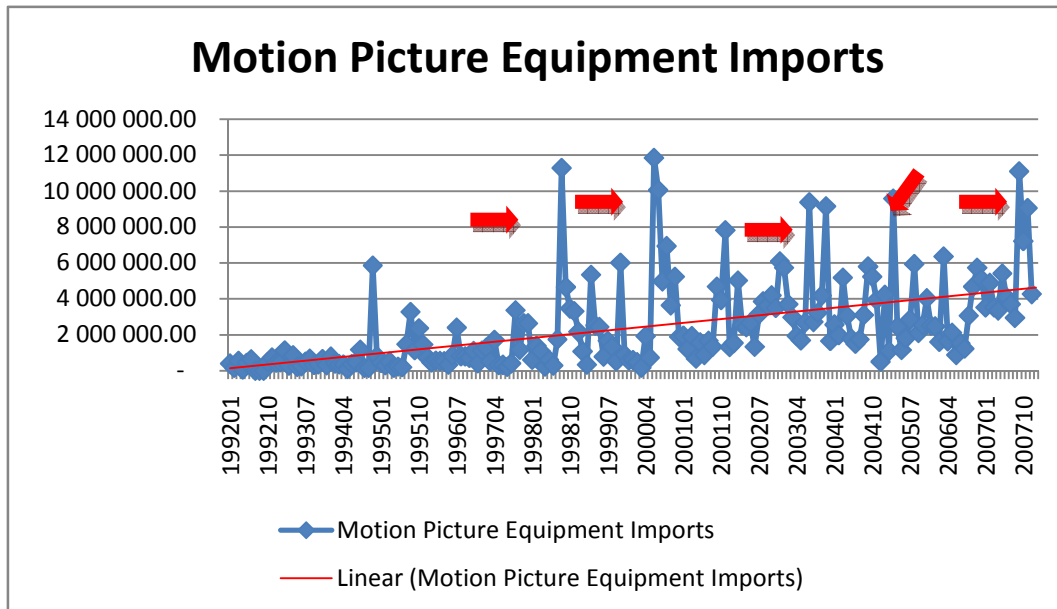


Figure 8. Motion picture equipment imports

There is a pattern of equipment purchasing spikes in September of a number of years especially 1994, 1998, 2000, 2003 and 2007 (see arrows on chart). The reason for this pattern is that it coincides with equipment rental companies importing equipment prior to the major shooting period in the Cape from November to April. In order not to have stock sitting unused on their shelves, rental houses would buy new equipment just prior to the start of the shooting season. Rental houses would need to buy any new equipment which comes out in the previous year in order to satisfy the demand by international commercial makers for the latest and most up to date technical equipment.

A senior manager at one of South Africa's leading camera and lighting rental houses has explained that once the domestic commercial makers and technical

crew see that this equipment is available in South Africa, it soon becomes the technical norm on domestic film sets. In this way even domestic productions, which have far smaller per-day budgets than their international counterparts, are produced using leading edge equipment. Prior to the advent of the international service industry South African commercials were produced on antiquated and often home grown equipment, this practice is no longer acceptable to either domestic technicians or international producers who insist on technologically advanced equipment, or as stated, ‘brand name’ equipment.

Film Stock Imports

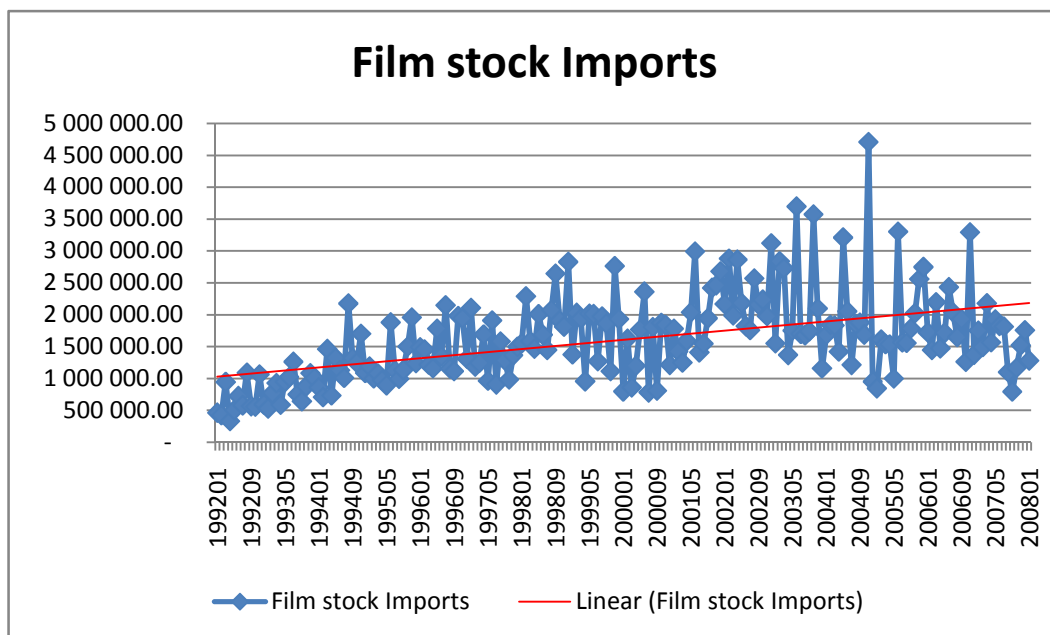


Figure 9. Film stock imports

The import of film stock provides evidence that there has been steady growth in the value of imported stock. This however may be due to the increase in the

number of commercials or feature films shot in South Africa over the study period. Major spikes on this graph would indicate a major motion picture in production.

An additional factor in play is that South African motion picture film stock is according to international service producers interviewed notoriously expensive, and a number of international commercial producers bring their film stock with them. During the early phase of the international service production industry film stock was imported into South Africa as international producers were sceptical of South Africa's ability to store and manage inventories of film stock which requires careful temperature, managed storage, and has a limited shelf life. As South Africa has become a more formal film destination, the quality of South African film stock distributors has been perceived to be "acceptable" by international producers.

In the last couple of years as the standard of digital video cameras has improved, there is a drift to replace film with High Definition video. This has occurred mainly in the lower end of the domestic market and by a leading producer's estimate 99% of international service commercials are still produced on 35mm film.

5.3.1.3 Summary of secondary data

The secondary data suggests that there has been an influx of international players into the South African film rentals market, and this influx has coincided with the emergence of the international service industry. However it seems that this trend has led to the demise of a number of wholly South African owned rental companies. Trade data suggests that the entire South African film industry has been growing steadily in the study period 1990-2007. In addition the trade data suggests that major equipment imports are driven by the international service industry with purchases of equipment coinciding with the start of the international service season in November.

5.3 Analysis of Qualitative Research

A number of themes have emerged from the responses of the interview subjects. The key themes appear to be:

- The improvement in the South African commercial industry's access to new technology.
- The improvement in the South African commercial industry's technical skills base.
- The reduction in technological innovation in South African commercial production.

We will deal with each theme in turn.

The improvement in the South African commercial industry's access to new technology

This was one of the most common responses to the question: "how has the South African commercials industry been impacted by the emergence of the international service industry?" Most of the respondents commented on the improvement to the South African film technical base. Some of the comments captured include:

"It has certainly made our labs better"

"South Africa now has to keep up with first world technological standards"

"South Africa is forced to provide world class technology to the foreign commercial producers"

“Everyone gets to use it” (In reference to new technology brought to the country for service work)

“More, and better international equipment has resulted in South Africa being more acceptable to foreign producers”

“Service money has allowed it to come to South Africa and it has stayed”

“South African crews now expect the top gear for domestic shoots”

“Domestic directors are now aware of new technology and want to use it when it gets to South Africa”

The overwhelming consensus is that the international service industry has had to import the latest first world film technology in order to remain competitive. This technology has largely remained in South Africa once it has been imported and the domestic commercials production industry now has access to this technology. As domestic creatives and technicians are exposed to this new technology they begin to demand these technological standards on all the work they do both international and domestic. Around this comes the issue of cost. This new technology is more expensive than existing technology and as this new technology becomes the de facto standard, it drives up the cost of production. As the new technology is often priced in US dollars or Euros, this raises the cost of production which is felt more by the domestic production industry.

The improvement in the South African commercial industry's technical skills base

As with response one i.e. that the international service industry had increased South African filmmakers access to first world technology, the majority of respondents remarked on how the skills levels of South African film technicians had improved due to their contact with their international counter parts along with access to first world equipment. Some of the responses were:

"We now have a much larger skills base"

"South African crews are top, they rate as the best in the world"

"The techs are falling over themselves to use the latest kit, they all want to be first to know how it works"

"The crew are the true pro's"

"South African crews are top notch and improving"

"They are so good they are getting poached for international work"

"South Africa has fantastic people"

"South African crews are used to working with the rock stars"

"Skills have improved as the technicians have worked on world class gear and with international technicians"

"The top end crew are very, very good"

Again the overwhelming consensus is that South African commercial production crews are world class and that their access to international technicians and world class gear through the international service industry, is a major contributor to this fact. These technicians work on both international service commercials

and domestic commercial productions thus the domestic industry has no doubt benefited from this increase in the standards of the technical skills base.

The reduction in technological innovation in South African commercial production

Many of the respondents felt that South African film makers were forced into technological innovation in the early 1990s due to the cultural and economic boycotts on the country. As one interviewee remarked:

“They didn’t want anything to do with us”.

Due to this situation domestic film makers were known to make do and invent technology as outside technology was not available to them. This forced innovation is now largely absent from the South African commercials production industry. As one respondent remarked:

“We invented stuff because we had to”

A number of respondents remarked on how this spirit of domestic technical innovation is now absent and domestically developed products are not acceptable in the industry. A manager in a major rental company remarked:

“The technicians want an international branded product, even if the domestic equivalent is as good and cheaper than the foreign equivalent, it’s like wearing the latest pair of jeans”

However there does seem to have been a positive spin off from this as South African technical crew are still seen as extremely creative. A “can do” attitude exists amongst them, which is apparently largely absent amongst international film technicians. This “can do” attitude is one of the reasons South Africa has become such a sought after film destination. As an international service producer put it:

“South African crew are ambitious, hard working and still have a can do attitude”.

The converse however as another producer puts it is that:

“We have a cowboy mentality and are always in crisis mode”

Summed together, the take out is that isolation forced the South African film technicians to innovate and develop certain products which, once the country was accepted into the international community, became industry standards. However once the country was internationally accepted and international technology became easily accessible, the need for this innovation disappeared. One of the consequences of this process is that South African technical crews are world renowned for their “can do” attitude.

6: Discussion of Results

- In this chapter we will discuss the results of the research process and synthesise these into a number of broader themes. It is clear from the results that the formation of the international service industry and sudden international access had a profound effect on the domestic television commercials industry. Next we will examine the industry responses to this change. The response occurred along a number of axis and we will examine the following:
 - Companies competitive strategies
 - The renewed acceptance of low tech / low cost strategies as an enabler
 - Dual cost structures
 - The increased mean performance and reduced variation in the performance applicable to the domestic production industry

6.1 Companies completeive strategies

Since the opening of the South African commercials market, South African domestic production companies, equipment rental companies and post production companies have followed two main competitive strategies: a mass strategy or a niche strategy. The choice of strategy affects the company's performance in all three of the areas studied. We will look at how these

strategies are implemented in different types of companies and then assess these strategies against the three key research topics.

	Niche	Mass
Domestic Production Companies	South African Focus Low Overhead High Quality Work Few Directors (1-2)	International Focus High Overhead Mixed Quality Work Multiple Directors (3-15)
Post Production Companies	South African Focus High Quality Work	International Focus Mixed Quality Work
Equipment Rental Companies	South African / Service Focus Domestic only Most commonly gear type specific	International Focus International Linkages Rent all Gear i.e. Camera, Grips and Lighting

Table 17. Competitive strategies

Domestic production companies following a niche strategy and are characterised by being South African focused, having a low fixed cost structure and a focus on high end creative work. This strategy allows them to focus their marketing domestically, targeting the few South African advertising agencies that produce a large number of television commercials. They develop strong domestic brands built around the personality of the director (often a founding partner in the business). They focus on keeping fixed costs down in order to generate maximum profits from a small pipeline of work. The successful followers of this strategy focus on high quality creative commercials where their director's reputation gives them a competitive advantage over other production

companies. These directors often only operate in a single genre of television commercial such as cars, kids, comedy etc. A good example of a production company following this strategy would be Plank. This company has a single well know director Peter Porhorsky and a single producer. They operate a small office and scale the company to accommodate whatever production needs are required at the time. They are limited to the amount of work they can produce in a single year as they only have the single production team and Peter works slowly as he refuses to compromise on the jobs in production by dividing his focus.

Domestic production companies following a mass strategy are characterised by being internationally focused, having a relatively high fixed cost basis and focusing on mixed quality South African and International work. They generally have large director bases which allow them to cover all the genres of television commercial. The large director base also allows their much larger overheads to be spread across the director base, thus getting additional economies of scale. Often they will shoot all domestic scripts which come their way if they feel they can shoot profitably, irrespective of creative quality, as they need to cover their large overheads. The focus however is on shooting highly creative quality domestic commercials in order to develop their stable of director's showreels (portfolios) which then enable their directors to produce highly profitable international work. They attempt to build a brand around the company and not around the personality of the individual directors in the company, and are active in extensive international marketing. A good example of this strategy would be

Velocity Africa. Their director stable runs at approximately 15 directors and they have large offices in Johannesburg and Cape Town. They spend extensively on domestic and international marketing. Their focus is in obtaining as much work as possible for their director base and covering all the main commercial genres. While they do a large amount of domestic work, they have realised that the international work is far more profitable.

Barriers to entry into the domestic production industry are low and many of the entrants into the industry (as with many creative industries) do not enter for entirely economic reasons. By following the niche strategy they are able to compete with the larger industry players and a large number of these companies are active in the industry. There are a number of successful and highly profitable mass companies in the industry, and it is the companies in the middle ground which appear to be unviable. These companies have high fixed cost bases but do not have the consistent revenue streams of the larger production houses. They are often dependent on a single director for the bulk of their revenues, According to a number of interview respondents, this often breeds resentment between the director and the company as the director may feel that they are carrying the entire organisation.

Post production companies seem to have adopted a similar set of competitive strategies, i.e. a niche versus mass approach. The niche players have set themselves up as “boutique” operations focusing on the South African market. They focus on high quality creative post production and have become quite

adept at using lower cost tools in order to create high quality product. (This is done at the expense of time.) An example of a niche player would be Sinister Studios. They have a single Flame (a visual effects proprietary system similar to Photoshop for moving pictures) and a few smaller machines. They concentrate on very high end visual effects and do only domestic South African work. They are known to be time-intensive, yet cheaper than their larger counterparts, and have a very good reputation in the post production sphere.

The mass post production type of companies, as with their production counterparts, have a mixed South African / International focus. They are much larger operations with a many expensive, high end post production tools. They attempt to post produce all the work coming their way in order to generate revenues to cover their high fixed cost base and again attempt to build a corporate showreel which will enable them to compete internationally. An example of a company following this strategy would be Blade Post Production. They have a telecine (a device for transferring film to video) in addition to five flame-type online edit suites. They are able to do the entire range of video post production including telecine, visual effects, audio post production and packaging and delivery of commercial material to stations. While they do a large amount of domestic work, their main objective is to enter the highly lucrative international post production market.

Rental companies have followed with the same two strategic approaches. The niche players are focused on the South African market and are South African

held companies. They focus on one or two of the main equipment types needed by the television commercial production industry (the types being camera, grips and lighting). An example of this type of company would be Pro Grip. This company only supplies specialist grips equipment and is totally South African owned. As grips specialists they are generally the first called, (even by the other rental companies), when specialist camera rigs are required.

A company following a mass strategy in the rentals field would be Media Film Services. This company is a joint South African and German venture with the German partner being Arri Media (a large German manufacturer of motion picture equipment). They supply the full range of motion picture equipment i.e. camera, grips and lighting from offices in Cape Town and Johannesburg.

6.1.1 Economic Impact

Firms following a niche strategy would almost always fall into the lifestyle category. In the television commercial production industry, as with most creative industries factors beyond economic reward such as lifestyle, peer recognition, travel etc, all draw entrants to the industry (Eikhof & Haunschild, 2006). These companies tend to remain small and within their comfort zone. The emergence of the international service industry has allowed these players some access to international markets, yet most choose to remain domestically focused in order to keep marketing costs down. The sharp increase in production costs brought

on by the emergence of the international service industry has resulted in these companies being highly cost focussed with very low fixed cost bases.

However, the larger players in the industry are driven by economics. The larger companies use their extensive director base to spread overheads, which allows them to market internationally and gain access to the highly lucrative international commercial production market. The larger companies have had to bear the brunt of the increases in production costs brought on by the emergence of the international service industry, and those with efficient internal processes have fared better than those with weak management structures.

A number of the larger domestic production companies have ventured into the international service arena with mixed success. It appears that the attributes for being a successful domestic producer i.e. good creative talent backed by solid production teams, is different to those required in the international service industry i.e. strong production teams backed with a hospitality mentality.

6.1.2 Creative Impact

The niche players have to focus on a single genre and build their brand around their director's ability to produce great work in that genre. This allows them access to the more creative scripts in their respective genre than the director from a mass company. As the better small companies have such low overheads, they are able to only produce the scripts that they feel would maintain their creative reputation within the advertising community. Due to their

low economic impact with their suppliers they are not often asked to do “scam ads” as these require a company which has the resources and relationships with suppliers, to produce the ad at no cost.

The larger companies will shoot most work that comes their way as long as it does not too badly affect the company’s creative reputation. Their key focus is the international market and the company reputation is more important than that of the individual directors. Some directors will be groomed for international work, being allowed to pick and choose what they will or will not shoot, while other directors will be expected to shoot all the scripts allocated to them. Often these large companies are expected to shoot “scam ads” for the advertising agencies they commonly work with, due to the fact that the larger production companies can call in favours with their suppliers, and they often have surplus resources which they can allocate to this practice.

6.1.3 Technological Impact

The smaller niche companies develop the specialist skills required in the commercial production industry. As the industry grows and matures the number of these specialists increases and production companies can access these skills locally, no longer having to import them from overseas. As a result the domestic industry now has access to a specialist skills base in the country which did not exist before the emergence of the international service industry.

Similarly the larger mass rental / post companies are developing links with their international counterparts allowing for the importation of the latest technology into the country which is then accessible by both international service and domestic production companies.

In summary, successful domestic production companies and their suppliers have followed two strategies in order to survive in an environment of rising production costs driven by the international service industry, and exposure to international production costs. Some have elected to follow a niche South African focused strategy, and others have decided to follow a mass International focused strategy. Both strategies allow the companies to simultaneously contain costs and produce work of high creative quality.

6.2. The renewed acceptance of low technology / low cost strategies as an enabler

As the cost of local commercials has risen due the impact of the international service industry, the domestic budgets allocated by clients to commercial productions have not kept pace. This has been cited as one of the major reasons for the relatively poor performance of South African adverts at international creative award shows. As a response to this leap in production costs there has been a renewed interest in producing high quality commercials using low technology or low cost strategies. Internationally most high quality

commercials are produced on 35mm film stock and post production is done through a high end online edit suite such as a Flame. In South Africa it is becoming acceptable to shoot high quality commercials on 16mm film or High Definition Video tape and to post produce them on a second level post production online edit suite such as a Flint.

Acquisition medium	Quality	Online Edit Suite	Speed	Internationally Acceptable	Domestically Acceptable
35mm Film	Best	Flame	Very fast	Yes	Yes
16mm Film		Flame		No	Yes
16mm Film		Flint		No	Yes
HD Video		Flint		No	Yes
HD Video		Final Cut Pro		No	On occasion
HDV Video	Worst	Final Cut Pro	Slow	No	No

Table 18. Industry acquisition and video finishing norms

South African producers have come to accept some of the losses in creative options and the faster post production process allowed by the top level combinations in order to more cost effectively produce high quality television commercials.

6.2.1 Economic Impact

As the cost of domestic production increased due to the emergence of the international service production industry, the industry has responded with the by

adopting technologies which would not be internationally acceptable but are “good enough” for the local market. This has allowed for the production of commercials which would have been economically unviable under the first world standards.

6.2.2 Creative Impact

Using this “good enough” approach, creative ideas which would have been financially unviable using first world standards can now be produced. While the drop in standards means these spots are unlikely to be international creative award winners, they can none the less showcase an advertising agency’s / director’s talents.

6.2.3 Technological Impact

The drive to produce high quality television commercials in a more cost effective manner has resulted in the appropriation of technology for purposes other than its original use. An example of this is the use of Final Cut Pro (FCP) as a grading system (the colour correcting of the final product). FCP was designed as an offline editing tool (a tool to create the running order of the commercial not the final polishing of the product). However it is now commonly used as a colour correcting tool for television commercials at a fraction of the cost of conventional colour correcting systems.

South African commercials are often produced on 16mm film stock, a film stock primarily used in television series or documentary production in developed countries. This stock is cheaper per roll than 35mm film stock, has a longer run time per roll i.e. 10 min per 400ft roll vs. 4.5min for 35mm stock, and the camera equipment is cheaper to hire. However, with careful planning, the final result, is often undistinguishable, by the non expert, from 35mm stock.

6.3. Dual cost structures

As the domestic industry becomes more exposed to the international service industry, some forms of a dual cost structure have emerged. Crew often have different rates for international service work and domestic work. Domestic producers have discounts and deals with suppliers which allow them to produce work cheaper than the international service companies. The best example of this would be a director's fees. An A grade director can demand fees of R25 000 per shoot day, but this same director would be charged out to an international advertising agency at a rate of between 10 000 to 15 000 Euros (the world standard). These world standard fees would make domestic commercial production unviable, and to charge domestic fees internationally would, as one producer put it:

"Make us look pretty Mickey Mouse"

6.3.1 Economic Impact

The dual cost structure has allowed for the continued production of domestic television commercials and the ability of the industry to maintain a certain number of domestic directors. To an extent the dual cost structure has shielded the domestic industry from the full impact of international production costs. Local suppliers to the commercials production industry can generate the full revenues available from the international commercials produced in the country and still earn marginal revenues from the domestic producers.

6.3.2 Creative Impact

The dual cost structure has allowed the domestic industry continued access to South Africa's top commercials directors who would be unaffordable if they charged their international rates locally. These directors with international exposure are South Africa's most talented directors. These directors are perceived as being able to execute larger commercials more creatively than those without international experience.

6.3.3 Technological Impact

Again this practice of dual costing has allowed increased access to international standards of crew and equipment at a rate that is acceptable to the South African industry. This facilitates the diffusion of skills and exposure to cutting edge technology throughout the domestic production industry. The South African production industry benefits through the affordable availability of crew

and technology which would not have been affordable without the dual cost structure. The system also allows for these resources to work through the winter period (April – October) when the international service industry is largely dormant.

6.4 The increased mean performance and reduced variation in the performance applicable to the domestic production industry

It is clear from the research that the emergence of the international service industry has benefited the domestic production industry in a number of ways including:

- Increased revenues to the industry as a whole
- An additional highly profitable market for South African production companies
- Increased awareness of international creative standards
- Increased access to internationally acceptable film technology
- An increase in the technological skills of the film technicians

However there have been some serious negative consequences from this increased contact with the international commercials production industry, these include:

- Local production costs rising to international levels

- Increased vulnerability of the international service industry to foreign exchange fluctuations
- A decrease in creative innovation
- A decrease in technical innovation
- A trend towards larger more expensive crews and gear packages

In spite of the secondary data, the interview responses indicate that the opening of the South African film industry has been to the benefit of the industry as a whole. Thus it can be summated that the mean standard in all of the three areas studied i.e. the economic benefits, creative and technical standards have all improved due to the emergence of the international service industry and the increased contact between the international commercial production industry and the domestic production industry. However there has been a decrease in the variance in the standards in all three areas studied.

To sum up what is observed: although standards have risen generally in all three areas examined in the study, and the worst practices that existed in the industry removed, the industry has also lost its best practices; we will examine each study area in turn.

6.4.1 Economic Impact

While the international service industry grew very rapidly in the period 1993-2001, the industry collapsed in 2002. It then experienced steady growth in the period 2002 to 2007. The statistical data suggests that international service

industry revenues are highly correlated to the Rand / Euro exchange rate. However the domestic industry is weakly correlated to local business confidence, which in turn is related to the Rand / Dollar exchange rate. The result of these relationships is that the two industries' international service and domestic production are counter cyclical, thus reducing variation in industry revenues.

6.4.2 Creative Impact

General consensuses from the interviews are that the general standard of South African television advertising is high. However the data suggests that South Africa is no longer capable of producing work which is of a calibre that can compete in international creative awards shows such as the Cannes Lions. It seems that increased contact with international creative standards has resulted in an increase in the general creative standard of South African television commercials at the expense of the production. As suggested by the interview respondents, it may be that as international marketing best practices, i.e. the use of market research, short term performance driven marketing teams, etc, are taken up by South African clients, South Africa's ability to produce creative award winning commercials is being damaged. However these international best practices may have protected the South African television viewer from the worst offerings that were put out in the past. The introduction of South Africa to international television commercial creative standards has raised the average creative quality of local commercials. However the rising costs of commercial production, driven by the international service industry, has

made it impossible for South African commercial makers to produce the big budget commercials which are the winning staples at the international creative award competitions.

6.4.3 Technological Impact

While the domestic production industry has benefited from increased access to cutting edge film technology and an increase in the technical skills set of the local film technicians, this has come at the cost of technical innovation within the industry. The South African commercials production industry is no longer required to be innovative in creating new technology, or finding alternate uses for existing technology, as existing technologies are now available on the international market to the South African commercial maker. The availability of foreign technology has lead to the declining acceptability of non-brand, locally produced equipment with a resultant rapid decline in domestic technological innovation.

Where technological innovation is taking place is in the adaptation of cheaper technologies, which would not be acceptable on the international market, to local high end productions allowing for the continued production of high end commercials at an affordable price.

These finding appear to in contradiction to the majority of theoretical finding which emphasis either the positive nature of FDI on the recipient countries technological capabilities (Bell & Marin, 2004), the ability of the recipient country

to absorb these new technologies (Kokko, 1994, Wang & Blömstrom, 1992) or the two nature of these technology flows (Bell & Marin, 2004, 2005) and not the destruction of the host countries innovative abilities.

7: Conclusion & Recommendations

7.1 Summary of findings

7.1.1 Economic impact of the emergence of the international service industry

The international service industry emerged in the mid to late 1990's and developed mainly in the Western Cape, an area which had previously been a film production backwater. The international service industry had experienced massive growth in the period 1990-2001 until it underwent a major crash in 2002. From 2002 to 2007 the international service industry experienced steady growth.

The emergence of the international service industry has had a profound impact on the domestic commercials production industry through the large import of foreign exchange into the commercials production industry. It has resulted in a massive jump in the cost of commercial production as South African costs are now related to international norms. The standard of domestic productions has been raised as exposure to international standards has filtered into the domestic production industry however, this has resulted in the higher costs for domestic production.

The countercyclical nature of the international service industry to the domestic production industry has reduced the variance in industry revenues. This additional stability in industry revenues has resulted in suppliers being able to maintain larger inventories, and greater numbers of freelance crew are able to maintain consistent employment within the industry.

A number of the larger domestic production companies have benefited from this contact with the international market by marketing their production services and creative services to this market.

7.1.2 Creative impact of the emergence of the international service industry

South Africa's exposure to international creative norms has resulted in the improvement of the average commercial offering. However it appears from the research that this rise in mean creative standard has been at the price of a reduced creative standard for South Africa's best commercials.

While a number of reasons for this have been put forward, the key reasons which seem to emerge are: the weakness of South African commercial budgets; the changing nature of agency / client relationships; the changing nature of the domestic television target markets; and increased adherence to global marketing "best practices".

7.1.3 Technological impact of the emergence of the international service industry

The emergence of the international service industry has resulted in a massive increase in the amount and standard of technology available to the domestic commercial producer. In addition to the increase in available technology the standards of the South African technical skills base has increased in the same period.

The downside of this access to international technology has been the decrease of domestic innovation in film technology and an increase in the cost of production as expensive international technology has replaced cheaper domestic technology.

7.2 Recommendations to managers

7.2.1 The choice of an appropriate competitive strategy

Managers of domestic production companies must be aware of their competitive strategy and the choices they have to make in this regard. In general, producers have to decide between a niche or a mass strategy, as the companies in the middle ground appear to struggle. While most executive producers would love the additional revenues that international work would generate, they have to understand that this type of work forces up overheads and a company needs to obtain a certain “critical mass” before this type of venture will become profitable.

7.2.2 Managers must be aware that international exposure is double edged

Managers must be aware that there are downsides to exposure in the international commercial production industry. These downsides included higher costs in order to maintain international standards; larger less flexible film crews; exposure to foreign competition; and a tougher competitive market domestically. In addition, domestic producers must be aware of the links between the Rand exchange rates and the industry cost structure. Apart from the obvious rises of imported input costs such as film stock and camera equipment, the depreciating Rand will make the country a more attractive international service destination. This leads to increases in demand for technical crew, thus driving up the cost of crew for the industry as a whole.

7.3 Recommendations to industry bodies

7.3.1 Must attempt to maintain the innovative spirit created during period of isolation

South African film crews have a well deserved international reputation for innovative thinking. This attitude stems from South Africa's earlier period of isolation when crew had to make do with the available equipment. It is important for the development of the industry that this "make do" mentality remains even though South African crews now have access to all forms of international film

technology. This 'can do' mentality is one of the key reasons South African film technicians are internationally sought after.

It is important that the industry bodies attempt to maintain crew costs in periods of Rand depreciation, as these increases continue to hurt both the domestic and service industries in periods of Rand strength.

7.3.2 Create and maintain more solid analytical data

One of the limits of this study is due to the limited statistical data available on the commercials production industry, and the fact that some of the existing statistical data is incomplete and somewhat unreliable. The maintenance of solid statistical studies would assist the industry in lobbying government and to confirm the importance of the industry to both the national and regional government, and to industry bodies such as the National Film and Video Foundation (NFVF) and the various local film commissions.

7.3.3 Engage with government to promote industry

The commercial production industry, and in particular the international service component, is an industry that emerged in the period 1990-2007 without major government intervention. However, as a number of interview respondents have indicated, it appears that the government has now become more of a hindrance to the production industry than a promoter. This has happened despite government recognising the importance of the film production industry as a whole in the Asgisa economic frame work (AsgiSA, 2008).

7.4 Recommendations for future research

It has become apparent that little research has been done on the commercial production industry or its relationship to the greater motion picture industry including feature film. From this study a number of areas which may be of interest to future researchers include:

- The relationship between the commercial production industries and the feature film production industries.
- The role of networks both domestically and internationally in the commercials production industry.
- What facilitates the creation of commercial production clusters such as the Western Cape and Buenos Aires, and what impact does the formation of these clusters have on these areas regional economies.

It is also clear that foreign direct investment in the commercials industry and interaction between the international commercials industry and the domestic commercials industry, has had both positive and negative impacts on the domestic industry. Further research could be conducted on other industries emerging from a closed environment (due to tariff protection or other circumstances) to see if these trends are followed.

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9: Appendices

Appendix 1

9.1.3 Interview Guide

I want to thank you for taking the time to meet with me today.

My name is Gregory Poisson and I would like to talk to you about your views about the foreign productions being shot in South Africa. Specifically, we are looking at the benefits to the SA film industry of foreign production shot here in South Africa.

The interview should take less than an hour. I will be taking some notes during the session and because I can't possibly write fast enough to get it all down I may ask you to repeat some of your responses.

All responses will be kept confidential. This means that your interview responses will only be shared with research team members and we will ensure that any information we include in our report does not identify you as the respondent. Remember, you don't have to talk about anything you don't want to and you may end the interview at any time.

Are there any questions about what I have just explained? Are you willing to participate in this interview?

1. Please can I get your name, organisation, and nature of your organisation, your position in the organisation and years in this position?
(This will be kept confidential)
2. How do you feel the emergence of the service industry has affected the economics of commercial production in South Africa?

3. Why do you think this is?
4. How do you feel South Africa's television commercials creative standards been affected by our contact with international commercial standards?
5. Why do you think this is?
6. How do feel technological standards and the standards of South African crews skills been affected by the emergence of the service industry?
7. Why do you think this is?
8. How do you recall the emergence of the service industry and how do think this has affected the local industry?
9. Why do you think this is?

Is there anything more you would like to add?

I'll be analyzing the information you and others gave me and submitting a draft report to the organization in one month. I'll be happy to send you a copy to review at that time, if you are interested.

Thank you for your time.

(Boyle and Neale, 2006)