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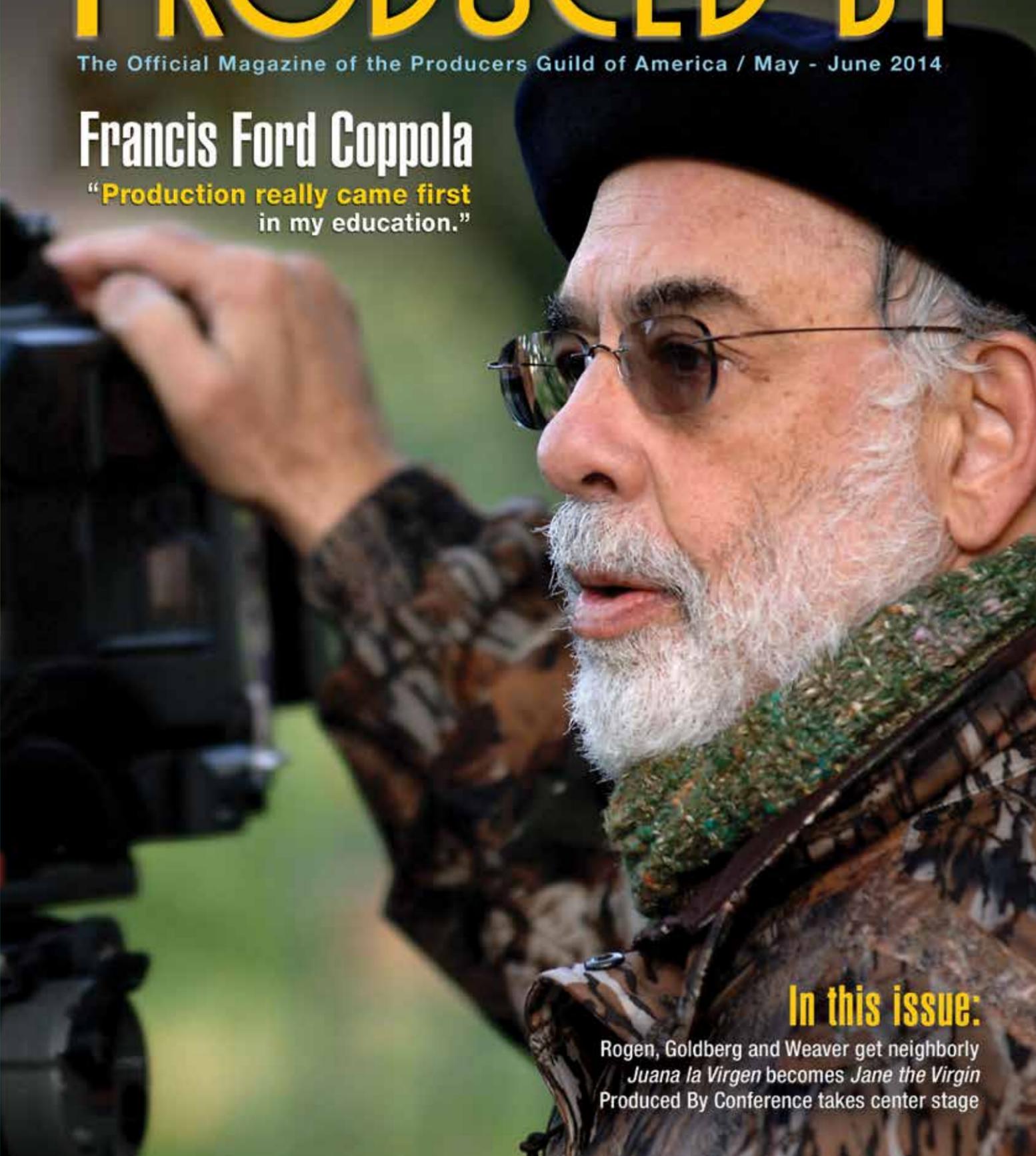
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The Official Magazine of the Producers Guild of America / May - June 2014

Francis Ford Coppola

"Production really came first in my education."



In this issue:

Rogen, Goldberg and Weaver get neighborly
Juana la Virgen becomes *Jane the Virgin*
Produced By Conference takes center stage



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Naked

Story to Revenue Using the Direct-to-Consumer Video

(Part 5 in a series)

by W. Vito Montone



Welcome back to “Naked: Story to Revenue Using the Direct-to-Consumer Video.”

For those of you (e.g., Produced By Conference-goers) who may be joining our show already in progress, my name is W. Vito Montone, and I produce local TV, theatre and broadband video. This is installment five in a series in which I have been chronicling my journey launching a new media franchise.

That franchise is founded on my collaboration with the talented Kim Castle, and is currently comprised of three properties: **kimTV**¹, **Aging Ungracefully**¹, and **“naked kim.”**¹

- **kimTV** is a lifestyle-centered YouTube channel with a weekly show (plus specials) where viewers can discover anti-aging resources, enjoy gluten- & sugar-free recipes, and learn tips for bringing the spa home, often with an ironic, cautionary-tale undertone.

- **Aging Ungracefully** is a three-season docu-reality series that candidly takes on one of the largest issues facing female baby boomers today. Each season is composed of twelve 24-minute episodes, which also can be delivered as eight-minute webisodes for broadband delivery. A full-length documentary is envisioned as well.

Both serve the demo of 35–55 women and focus on anti-aging/longevity.

- **“naked kim”** is a paid-subscription reality series viewed on an owned-and-operated website. Webisodes range from three to 20 minutes, covering Kim’s private diary, behind-the-scenes looks at kimTV and sessions with expert advisers. It is marketed to entrepreneurs and small business owners who want to use video to expand their reach. It took us into revenue within three months of launching kimTV and has logged more than 100 webisodes to date.

In the last installment, I shared how Kim’s illness nearly shut down development and production. After darkness, there is always light... right? Trying to avoid the darkness is a fool’s errand, and will just hold you in the dark, making it easy to fall victim to doubt. But just when you think you should stop, the light pours in.

And pour it has. There has been a flood of activity of late, fueled by both my own doggedness and an improvement in Kim’s constitution. But never underestimate the impact of clarity. It is the aqueduct in which good things flow.

Content Creation & Production Methodology

kimTV

Now, kimTV shows, audience development for the *Aging Ungracefully* series, Kim’s blog and social media all carry a unified message. All of the shows explore anti-aging/longevity through Kim’s humorous point of view. So a cooking segment is not just a recipe and preparation instructions — the ingredients used will be altered to improve life expectancy in a process we affectionately call “kimplification.” Product reviews, interviews, monologues and digital shorts will do the same.

The end goal of kimTV becoming a variety/talk show remains strong. I think of individual shows on the YouTube channel as segments in the variety/talk show. We are currently exploring creating a live streaming show that will have three or four segments within an hour-long show to use for a crowdfunding campaign. More on that shortly.

In my drive to learn more, I had the pleasure to speak Jim Louderback, GM of Discovery Digital. His insight was invaluable to me, and I hope for you as well.

Discovery Digital is 100% focused on programming that Jim calls “Web-native.” They do not create extensions of Discovery programming. Their shows are of and for the Web. Web-native programming, regardless of what you call it, uses the sight, sound and motion benefits of video, while it mirrors talk radio with deep dives into subjects and audience feedback. Web-native programming is not bound by a single format. The content changes quickly and is a true collaboration with the viewers, something broadcast or cable TV is not and never intended to be... even if there is contest voting.

Additionally, his view is similar to that of Ran Harnevo (whom I spoke to in installment four). There is a transparency that is unique, an intimacy that provides a sense of viewer “ownership” that creates a powerful relationship typically reserved for mass stardom. This rings true as so many YouTube Creators have developed massive followings without the use of typical mass media. And soon the money from advertisers and sponsors will follow that audience... never as fast as we’d like it to be, but it is happening. There are investor, venture capital and traditional media companies backing up that conviction with their money. Jim feels it will be five or so years... I hope it is faster!

While the entire conversation was encouraging, this following insight was the most so: The initial audience he’s seen for Web-native programming was 13–34, but now video consumption, fueled by smart devices, is beginning to mirror the Internet itself. In the United States, that consumption

is nearly balanced between the 18–29, 30–49 and 50–64 age groups, and balanced between men and women, according to the Pew Research Center.

With most of the programming on YouTube still aimed at 29 year olds and younger, the 35+ female demographic is particularly underserved. Women have tremendous spending power in America today — and it’s still growing. Market estimates of their total purchasing prowess varies, ranging anywhere from \$5 trillion to \$15 trillion annually. The scope of that spending is notably vast, as Fleishman-Hillard Inc. estimates that women will control two-thirds of the consumer wealth in the United States over the next decade.

This was music to my ears... reality to back up instinct.

I discovered that the opportunity to create programming for women 35–55 has become aligned with my own unspoken motivation. After years of her not dealing with the slow impact of aging and her faith in standard insurance-directed treatment plans, I lost my mother to a long battle with cancer. Secretly, I’ve been beyond pleased that Kim’s platform has evolved to focus on anti-aging/longevity... allowing me to fulfill a promise without putting my personal mission “on the nose.”

Aging Ungracefully

Season 1’s main through-line is Kim’s diagnosis and initial treatment and is nearly complete. I’m blending *Curb Your Enthusiasm*-style scripted improv with a documentary, so characters and additional scenes are being added. I’m sure those of you focused on development will have a term for it... I’m just flowing with it.

Aging Ungracefully’s three seasons will be:

- Season 1: The Journey Back to Feeling Human
- Season 2: Elimination of the Real and Hidden Issue
- Season 3: Longevity: Optimization to Reduce Your Effective Age

This story arc not only facilitates a deep dive into the issues for Web-native programming and the reality of Kim’s condition, it covers Kim’s personal interests as well. Minimizing the impact of age can be expressed via any of her communication outlets — social media, blogging, corporate speaking and the YouTube channel. We have been creating a few public speeches, both TED-talk style and keynote length, to support her message and for paid speaking opportunities, such as her appearance at the Santa Barbara Women’s Festivals this year.

I have been mapping the story form and character structure for Season 1 and casting is done. Interesting to note, I’ve added Dr. Natalie Petouhoff as an archetypal “Obi-Wan figure” to Kim. A leading analyst and executive adviser, Dr. Natalie holds a Ph.D. in Engineering from UCLA and is a highly sought-after TV & radio segment commentator, who possesses a deep passion for anti-aging. She advises Kim personally as a friend and as a researcher, and will appear in the series and serve as a story consultant for the project.

¹ *Aging Ungracefully*, “naked kim” and kimTV are trademarks of Castle Montone, Limited.

I was planning on a pre-sale strategy creating a sizzle from our existing footage. But crowdfunding has opened a new angle to evaluate. Perhaps I'll do both.

“naked kim”

As you might hope, “naked kim” is on the cusp of becoming self-sufficient, both in production and marketing. The new copywriter is repositioning “the offer” for better target resonance and expanding the product with bonuses to enhance sales. The goal is to turn it all over to marketing. I'm now considering a host to “cover” the happenings within the “naked kim” video releases, numbering more than 100 by now. This would enhance the programming experience for members within the private viewing area and span a new YouTube channel and social media to support marketing.

Audience Development

I now feel ready to push hard on both subscribers and views development, and move a strategy into action. Audience development or marketing is a holistic endeavor... a collection of seemingly disparate touch points that create a “center” that is perceived or created by the viewer. It requires a degree of restraint... often difficult, because you know the end game but you can't rush in too fast.

The touch points, each with revenue opportunities, can be activated using Kim's central message and will encourage the audience to form.

- Paid subscription for “naked kim” (leveraging her business-oriented audience and “super fans” as they emerge) - **in process**
- Advertising on the kimTV YouTube channel - **in process**
- Paid speaking for keynote or events - **in process**
- Affiliate income from both the kimTV YouTube channel and www.kimcastle.com website from reviews and mentions - **in process**
- Advertising on the www.kimcastle.com website - **next**
- Sponsorship/Brand Integration on the kimTV YouTube channel - **next**
- Sponsorship/Brand Integration for the *Aging Ungracefully* series - **next**
- Licensing of the *Aging Ungracefully* series - **next**
- Paid spokesperson - **next**

When all are active, we can invest in paid advertising knowing that conversion will be predictable since we have an “owned and operated” Web presence.

We will also use press release sites, media appearances, corporate speaking, blogs (hers and others), article sites and social media using Facebook, Twitter, Pinterest (the ones that work well in her demographic) to seed the message... plus aligning with a Multi-Channel Network (MCN).

In the last installation, we ended with something that offers a potent double benefit: Crowdfunding. This is where business and audience development merge.

Business Development

There are always ideas that are counter-intuitive.

As my preliminary research has suggested, crowdfunding succeeds when there is an authentic audience connection, transparent purpose, a clear “why and how” and the campaign is led by at least four community leaders. My continued research showed amazing success for cool ideas with loyal adopters, canceled shows with a devoted artistic leadership and fans, and talent and stories with an existing following.

But something I also found was startling.

Artists with large “Q” and successful creative projects with strong presences had crowdfunding projects that failed miserably. Why? They thought crowdfunding was just an ask for money. Outside of a few best-practice missteps, they had not developed their audience in such a way that the audience would in turn support them.

Ergo, crowdfunding can be used for audience development, and once developed, that audience will support your project. But be warned, there are two different parts of the puzzle: the campaign and the crowdfunding platform — don't mistake one for the other.

With a full-featured “owned and operated” e-commerce-enabled Web backend at our disposal, we technically do not need a crowdfunding platform to take money. But there are other significant logistical advantages — campaign communication automation, traffic and an audience with proven behavior of funding campaigns. The platforms' revenue split is well worth it.



I spoke with Emily Best, founder and CEO of Seed&Spark, which is a niche crowdfunding platform for filmmakers. She has had a 70% crowdfunding success rate for films, and shared these gems with me...

- You should fund other projects
- You must develop an email list you own
- Sell it. Don't ask for money — ask to “join us”
- Take steps to hit 30% of your goal in the first five days
- Use press releases, customized, high-quality promo materials and podcasts to encourage core backers
- Constrain yourself to 90 seconds on the offer video, focusing on the impact of your project with an engaging tease or cliffhanger
- No T-shirts; no mugs!

There are large number of platforms, but the top three crowdfunding platforms are Kickstarter, Indiegogo and RocketHub.

	Kickstarter	Indiegogo	RocketHub
Selective Process	Yes	No	No
Traffic	Highest	High	Lowest
Worldwide	No	Yes	Yes
All or Nothing Campaign	Yes	No	No
Keep What You Raise	No	Yes	Yes
Revenue Split	5%	4%/9% ²	4%/8% ²
Transaction Fees	3%-5%	3%	3%

²First amount is paid if you make or exceed your goal, second amount is paid if you do not.



According to Kate Taylor of *Forbes*, Kickstarter has become synonymous with crowdfunding since it is the most popular site to find creative projects.

As of March 3, 2014, Kickstarter passed \$1 BILLION in pledges by 6.0 million people. 1.8 million of them have backed more than one project and 202,000 people have backed 10 or more projects. Kickstarter keeps 5% of funds raised, plus 3%–5% transaction fees. Their all-or-nothing model builds urgency but leads to the loss of all funds if the goal isn't met.

They have name recognition and the highest site traffic, allowing for best project visibility. Some drawbacks are that they are very selective, with a “secret” approval process, and only allow projects based in the US and UK.



Indiegogo is a flexible crowdfunding site that is open and accessible option for campaigns worldwide. Indiegogo features two plans. On the all-or-nothing plan, 4% of the funds of successful projects go to Indiegogo. On the flexible funding plan, Indiegogo charges 4% if you reach your goal, 9% if you do not. Transaction fees for credit cards result in an additional 3% on both methods.

They have no application process, so all projects are accepted, but it does charge more if you don't reach your goal.

Freddie Wong chose Indiegogo instead of Kickstarter for his third and final *Video Game High School* season for three reasons. First, Indiegogo uses PayPal and with Freddie's large international following, PayPal is a priority. Second, you can embed your campaign on your own website, which served Freddie's goal of diversifying where his content is viewed. So if they came to Freddie's site to participate in funding, they would begin the habit of using his site versus YouTube for viewing. Finally, since this was Season 3, flexible funding made more sense and seemed a little more genuine in terms of representing what his project is. This is not a brand-new movie; Seasons 1 and 2 are on Netflix. Freddie didn't need this money to make Season 3 happen, but it sure made things easier. So, using Indiegogo worked just fine for him.



According to Kate, RocketHub offers a unique type of visibility through a recent partnership with A&E Project Start Up. It is similar to Indiegogo, just a bit less expensive — 4% for completed campaign or 8% for partial campaign, with 4% in transaction fees.

It is easy to navigate and offers an online “Success School” with tools for building better projects and businesses. Unfortunately, it is a significant step down in terms of traffic from Kickstarter and Indiegogo.



Clearing crowdfunding is not a lock. I think it will be like any creative endeavor, a better than 50% chance given a great plan and team. I'm happy to share that we have partnered Innova Global, the team behind the www.crowdfundingplanning.com family of sites. They'll provide digital marketing and Web services to develop and run our crowdfunding campaign which will fund the completion of Season 1 of *Aging Ungracefully*. We are working with David Khorram, founder of the largest global CrowdSourcing think tank and the architect of CrowdSourcing and Crowdfunding platform and engines.

In addition to the funds raised, the campaign's purpose is to expose Kim's message to millions and build a community populated with relevant parties using data mining, then build a targeted crowd email list and social media accounts to have them help drive the campaign. The process has just begun; more in the next installment.



I was quite excited to have one our "naked kim" experts, Kaleb Nation (yes, his real name), introduce me to Claude Shires, co-founder of TubeStart. TubeStart was founded in mid-2013 by Josef Holm and Claude to solve a problem that most video creators have in common with other independent content producers: lack of funding to improve the content of their projects due to limited revenue streams. Mainstream crowdfunding platforms offer a wide range of products and projects, while their startup is exclusively focused on serving YouTube channels. They also have a new type of campaign — In addition to fixed and flexible raises, they have added subscription support... I call it titling. So if your viewers really want to see you grow, they can pledge, say, \$2 per month on a continuing basis.

As they launched, they were accepting all campaigns, but now are curating so they can fulfill their goal of improving the quality of content. They are wisely avoiding the appearance of just taking money or panhandling, an orientation that has undone so many others. As Kim's channel leans toward premium and knowing that crowdfunding goes hand-in-hand with audience development, we are working together to create a newsworthy campaign and perks. As shared earlier, we

are considering a one-hour live show showing off the new sets and formats we will be adding to the channel, supporting multiple releases per week. Remember, I'm keeping my eye on the prize... a daily variety/talk show.

Multi-Channel Networks

While this is another long installment, I promised to cover Multi-Channel Networks or MCNs. And it is a good time to do so for a couple of reasons, particularly as they are evolving with breakneck speed. I'm sure you've noticed a lot of interesting news of late.

Google has some very smart folks. They have YouTube generating billions of dollars and use their technology prowess to build systems that self-propagate.

As there is no barrier to entry to create a YouTube channel, the clear majority of YouTube Creators are (I say this lovingly) amateurs, with limited skills in performance, production and business. For YouTube to be monetized, channels become partners to use advertising and YouTube shares the revenue with them. To grow revenue faster, they need pros to improve the content and build relationships with advertisers and sponsors... the folks with the money. But there is a scale problem... advertisers and sponsors will not search for and engage with individual channels except in rare cases.

How will YouTube bring revenue to themselves and their Creators more aggressively than their AdSense algorithm?

A layer between the Creators and the advertisers/sponsors was needed, a layer to serve both up and down stream. YouTube created the MCN layer. This new ecosystem, once trained and certified, can offer assistance such as products, programming, funding, cross-promotion, partner management, digital rights management, monetization/sales and/or audience development in exchange for a percentage of the ad revenue from the channel.

This new "pro" layer can aggregate channels together in any way that serves their business model and seek advertisers and sponsors to deliver highly targeted results for their brands. Brilliant.

Millions of dollars from angels, entertainment companies and VCs have flooded MCNs. Several have already been purchased this year: Maker Studios sold to Disney for \$500 million-plus performance bonuses and Big Frame was sold to DreamWorks through AwesomenessTV for \$15 million.



Maker Studios



Big Frame

MCNs raising millions and being bought and sold based on YouTube channels... why? Did you notice the full name of Maker? Maker... Studios.

STRATEGIC PARTNERS LEADING THE INDUSTRY

In an effort to provide studios a more efficient way to approach production, world-leading post production house Encore has teamed with Clairmont Camera and William F. White International. This strategic partnership will offer studios the ability to package grip/lighting, camera and post services, providing clients with financial savings and a one-stop shop for all their TV production needs!



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I sat down with Dan Weinstein, President and Founding Partner of the Collective Digital Studio (CDS). (There was that word again, studio.) I thought they were an MCN. Yes, he said, they are both... and more.

CDS was born out of The Collective, which is the current incarnation of The Firm, a music and talent management agency created by talent manager, entrepreneur and movie producer Michael Green.

As an MCN, they have aggregated about 300 or so channels, making the selections using their talent bias. Notables they signed include Freddie Wong of RocketJump Studios, Lucas Alan Cruikshank (known as "Fred") and Annoying Orange. They used deficit financing to co-own the IP and



move the programming into other platforms, like the live-action/animated series *The High Fructose Adventures of Annoying Orange* on Cartoon Network, and *Fred: The Movie*, *Fred 2: Night of the Living Fred*, and *Fred 3: Camp Fred*, and a series *Fred: The Show* all airing on Nickelodeon.

As any company of three employees who pass the exam can be certified as an MCN, you encounter a wide range of companies. Some are focused on talent, some on demographic niches, others just aggregating channels as a funding mechanism for their own initiatives, or have the purpose to develop content and produce. We've met with a wide range of MCNs for Kim.

Maker Studios was founded by YouTube Creators Lisa Donovan, Kassem Gharaibeh, Shay Carl Butler and Philip DeFranco, added professional management, raised tens of millions and is now the largest MCN with 55,000 channels.



Erin McPherson

Last year, the Head of Video for Yahoo!, Erin McPherson, moved to become the Chief Content Officer at Maker Studios.

"The Maker audience sits at the center of the transformation of media," she says. "I've got this amazing pool of 55,000 creators globally that serve as a giant piloting center." Maker operates on a number of levels with in-house studios, and technology, advertising, sponsorship and branded entertainment departments to create content, shows and its own channels as well as operate the RPM Network (Record, Promote, Monetize) which serves the channel creators with tools and data.

As we've heard from a number of other digital executives, she recognizes that you cannot market down to this new audience. While traditional media decides in a top-down fashion what shall be created and distributed, in the digital sphere, it's the emerging audience that's the actual source of what gets created. As McPherson describes, "It's not a 'push' system, it's a 'pull' system, opening to opportunities to serve viewer passions at massive scale." She describes her team at Maker as "next-gen casting agents." These "agents" will search for creators that meet audience demand, as well as for creators who might fit the profile of someone the company needs for a new video or series.



And do you want to hear something completely refreshing? It's true.

It had nothing to do with my connection with Erin. But one of Erin's team members that we met networking at the YouTube Space researched Kim and recruited her to join a Maker accelerator program. So after a few meetings and a tour, they really stood out as a company that could expand her YouTube presence. More than any other MCN we met, they seemed to align with her ability and desire to connect with sponsors to make branded entertainment. So, Kim has joined the Maker Studios family.

So... we're poised for a full assault on audience development... see you next time! 🍷

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