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The Official Magazine of the Producers Guild of America / September – October 2013

**Carol  
Mendelsohn**

*"By listening to the  
voice of the show,  
I knew what the show  
wanted to be."*

**In this issue:**

Lost at sea with Dodson and Gerb  
Stanley Kramer Centennial  
Reality check with 44 Blue

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Cover photo: Michele Paniz

# Naked

## Story to Revenue Using the Direct-to-Consumer Video

by W. Vito Montone



### The Death of Television May Be Just Five Years Away.

Is that shocking? I have a feeling it is not.

I think we all know television, as we've known it, is changing. After years of promises of the new digital landscape, we have entered an interesting "resist or die" *Twilight Zone* episode.

That headline above came from Jim Edwards at the *Business Insider*. He has reported that TV viewership has declined 50% since 2008. He also shared Morgan Stanley's Benjamin Swinburne's report stating that there has been a 50% collapse in broadcast TV audience ratings since 2002.

Facts are hard to deny, though we do try.

We've all experienced the impact of denying facts on set; the casualties can include budget, schedule, performance, quality or worse. And so we learn to listen. It's when change is slow or the impact is not immediate that things can sneak up behind us.

Welcome to the exclusive year-long series "Naked: Story to Revenue Using the Direct-to-Consumer Video," where I will share with you the ups and downs of creating a digital-age entertainment property (and its path to revenue) from scratch.

You may remember me from my previous articles in *Produced by*, "The Virtual Threshold" and "VIRTUAL Meets REALITY." The first, a documented view into the first-ever live 3D Virtual Star Trek Convention (Vir-Con), the second, a proselytization of digital convergence. While the 3D virtual convention platform as I envisioned it did not take off, the format did make possible deep person-to-person social connection based around a passion. Now, Facebook has surpassed 1 billion users, and social networks abound, connecting 2.41 billion of the world's inhabitants using the Internet. Practical convergence is here to stay, with the technical infrastructure making everything dreamed of possible.

I was amongst the very first signups of America Online. In fact, the rep nearly cried when I dropped AOL because

they were too slow to evolve. Since the early '80s, I have been obsessed with possibilities of "story" in a digital age.

My mind was abuzz with what was about to be enabled. From my modest home just outside Atlanta, GA, in Inman Park, I was developing treatments for story-based shows using the forecasted digital capabilities.

When I arrived in Hollywood, all the studios thought I was delusional.

In 1999, after being re-routed into children's interactive CD ROMs (remember them?) for Disney, I got my chance. It was a small glimmer of hope as the technology infrastructure was starting to show promise. The delusion was now seen as merely peculiar and hopeful.

I led a project for General Motors' Concept: Cure that won a Webby for daring to express a website in a new way. Websites up to that point were only text. We wrote and produced a character-driven, forked-story series of videos, then designed and programmed a 100% video website.

The lead character walked on "stage" (the website), back to the audience, speaking to a Greek chorus of characters, only to be surprised that the viewer (website visitor) was there. She took the viewer from video-to-video (page-to-page) accompanied by flash animations of cars with special designer features being auctioned for cancer research. It may seem modest today, but at the time, the project pushed the limits of every aspect of Web-based production.

Ever since, we've seen the delivery path to our viewers change with an ever-growing list of disruptors impacting our "business as usual." Last-mile connectivity, speeding bandwidth, advanced Internet browsers and video players, and computing power have all impacted delivery, production, distribution, and even financing.

As reported by Plunkett Research, traditional media is now losing shares while digital media is becoming the norm. Entertainment companies are being forced to evolve in order to deal with new technologies and new demands from consumers.

The "Third Screen" (smart devices) has been another major factor in entertainment and media, and may soon take over as the "First Screen." As 2013 began, there were 321 million wireless subscriptions (for cellphones, tablets and other devices) in the United States. Broadband Internet-connected U.S. homes and businesses totaled about 96 million, while digital cable subscribers in the United States sat at 46.7 million as of September 2012.

While our own industry spends multiple millions to distribute into the ever-expanding digital landscape (Hulu as the prime example), outsiders comfortable with higher risk are

capturing significant rewards, figuratively and literally.

To borrow from Kevin Spacey's moving and seminal James MacTaggart memorial lecture at the Edinburgh Television Festival, Netflix, like other digital distribution platforms, "have demonstrated what the music industry didn't learn: Give people what they want — when they want it — in the form they want it in."

"The camera doesn't know it's a film camera or a TV camera or a streaming camera. It's just a camera. I predict that in the next decade or two, any differentiation between these formats — these platforms — will fall away.

"Those who ignore either the increasing sophistication of storytelling or the constantly shifting sands of technological advancement will be left behind."

Amen.

Yes, he is flush with a two-season, no pilot "put," and a series with nine, count them, Emmy nods. Nevertheless, he is still right.

Can independent producers and creators directly and quickly benefit as well?

I'm going to find out as you watch.

The door to the TV club has been cracked open by the direct video digital landscape. One billion unique people are watching videos each month on YouTube alone. That is not counting other public and private video portals, such as Netflix, Amazon, Yahoo, AOL and others. According to Nielsen, YouTube reaches more U.S. adults ages 18–34 than any cable network. 57.5 M views per month are folks 35–64, which is the most rapidly growing segment. YouTube is not just your kid's platform anymore.

Even now, a common perception of YouTube is that it is all cats and "FAIL" videos. Yes, most of YouTube's content is not story-based, but that is rapidly changing. As viewers are comfortable now viewing anywhere, on any device, at any time, they want more. And "more" does not simply mean existing TV on a different device.

We might consider dismissing YouTube because most of the content is not "network" or for that matter, "cable" quality. I think we can all agree that those terms have grown more meaningless by the day. Budgets do not define relevance and marketability.

Production gear and workflows are not holding back creation. I saw an amazing viral video company use a \$600 iPhone-controlled helicopter and a GoPro Hero 3 HD to create a shot that rivals any crane or special effect. How many TV shows and movies have been shot with RED or Blackmagic cameras? *Saturday Night Live*, *House*, the rebooted *Marvel's The Avengers*, and *Seal Team Six: The Raid on Osama Bin*

**“ Even more powerfully, direct video allows the content owner to have a personal connection with the viewer. This manifests in four ways: views, subscriptions, comments and shares, creating a measurable index of viewer engagement. ”**

Laden are all reported to have used digital SLRs. I'm sure shots from digital phones have been used in much more than just the news.

Our smart devices, TVs, DVDs, A/V receivers, tablets and phones all bring content directly to the viewer, when and where they want it.

Talent notwithstanding (and it nearly always matters) the door to the club may actually be more open than we think. And I know, money will splay those doors even wider.

I have waited patiently for this day to come. History has taught us, if you embrace technological advancement and add the sophistication of storytelling, you can be heard and will be rewarded.

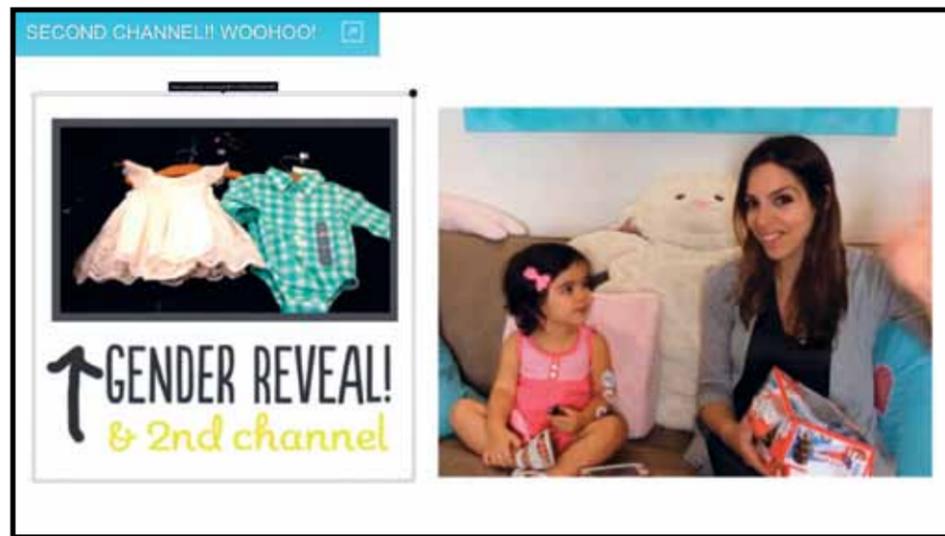
When I watch *House of Cards*, twice all the way through so far, it didn't matter when or where or, for that matter, on which device. I seamlessly moved in time and space, iPad to Smart TV to iPhone and back... I lived and breathed story, and loved it.

And when you embed your story with the viewers, something does come along with it. YouTube, Yahoo, AOL, Netflix, Amazon and others are starting to bring the money right to us as well, as Mr. Spacey and his collaborators proved on the grand scale.

Clearly it is time to tame the digital Wild West!

YouTube was forecasted to share \$1.2 billion with its partners in 2012, according to Citi's Mark Mahaney, and YouTube's traffic continues to grow. ComScore has it posting 20 percent growth, quarter after quarter.

Not only are there YouTubers earning seven figures just by telling stories that interest them on YouTube (more on that in future installments), they are also using it to generate business off YouTube as well.



YouTube personality Elle Walker

Here are just a few examples; there are many more:

**Elle Walker** is a young mom who loves to tell short stories with video, and she does so with her WhatsUpElle and What's Up MOMS? YouTube channels. Armed only with desire, an active imagination, a camera and some editing software, Elle was able to generate several brand deals, including one with Procter & Gamble's Tide. Since starting, she has nearly 25 million views and added more than 140,000 subscribers. With her brand of mom-based entertainment, she's blurring the lines between television and YouTube.

Have you heard of a little product called **Blendtec**? There is a good chance you've seen their "Will It Blend?" videos. As of March 21, 2013, this series of simple videos had collected nearly 300 million views on YouTube and more than 600,000 subscribers. Plus, the company enjoyed millions of dollars in free coverage, winning awards and making the media rounds from their simple and playful product demonstration videos. According to Blendtec founder Tom Dickson, it's had an amazing financial impact as well. Because of their videos, I ditched my Vitamix in favor of a Blendtec.

**Ray William Johnson** is a comedian who turned to YouTube to share his voice. His short on viral videos (which itself went viral) turned into more than 10 million subscribers and a whopping 2.4 billion views. He recently made the leap to the FX network with a deal to write a comedy inspired by his life. He also started a podcast which resembles the humble beginnings of Howard Stern radio, and is developing narrative projects for himself as well. Whether it's a television, a computer, or a cellphone, he'd be the first one to say it's the content (story) itself that matters most. He has a projected net worth of \$5 million... pretty for good starting with nothing but a video camera and a YouTube account.



Comedian Ray William Johnson

The top 50 YouTube channels (shows) alone have garnered more than 320 million subscribers and nearly 70 billion total views in its short life — respectably comparable to traditional TV.

Even more powerfully, direct video allows the content owner to have a personal connection with the viewer. This manifests in four ways: views, subscriptions, comments and shares, creating a measurable index of viewer engagement.

**Views.** In over-the-air or cable broadcasting there is no direct connection between the content owner and the viewer. There are rating systems projecting viewership in reach and share. Views is the closest in comparison, but views are not projected or extrapolated; they are real collected data.

**Subscriptions.** Imagine every viewer of your TV show can send you their phone number to indicate their dedication to the show and offer you a means, and permission, to call them to remind them to watch. That would be nice!

**Comments.** This is a real-time, continuous two-way, focus group. Only there is no intermediary interpretative analysis. Real viewers with direct comments in real time for every video (or episode).

**Shares.** Now that they're viewed, and perhaps subscribed and commented on, with a single click they can pick from 10 social networks through which to share the video (or episode) with everyone they know. TV must be envious of this built-in marketing.

Any TV series would kill for the level of engagement even one of the Top 100 YouTube channel enjoys.

Felicia Day observed in Chris Green's wonderful article in the July-August 2013 *Produced by*, "[Direct video watchers] expect an active connection... on an ongoing basis. You're committing to people."

While producers have always claimed to create for the audience, this is a different paradigm, a real two-way commitment. And with responsibility comes great power.

If we can embrace the audience, they will propel us where we want to go. Per Liz Lemon, "I want to go to there."

I've been told that there are many revenue avenues available. The list is as long as you would find in a mature industry:

crowdfunding for production costs, sponsorships like Microsoft did for *The Guild* or Elle Walker got from Procter & Gamble, the appearance and hosting fees that keep *iJustice* flying from coast-to-coast, on-demand custom merchandize without capital outlay only a click away, not to mention direct advertising and shared advertising from YouTube or selling private subscriptions like *The Young Turks (TYT)*. Even multichannel network agencies and collectives have popped up to help, many of them backed by millions in VC funds.

I will explore them all.

And I'm ready to go. I've chosen to work with beautiful and talented women who want to launch a lifestyle brand driven by entertainment and inspired by TV as we have known it.

I have produced **Kim Castle's** work on a CBS affiliate show I created, as well as in the theater and on speaking platforms. She has a modest Web presence driven by her previous passion, brand communications. She's referenced on more than 40,000 websites, has 5,000+ friends (with 2,000+ waiting) and 9,000+ fans on Facebook, and 3,500+ followers on Twitter. She has done industrials, regional and national television and commercials. And given her comedy background, I know it'll be fun!

In this series I will share the ups and downs, the data and the bullshit, pitfalls and opportunities in the digital landscape, the journey of guiding a talent to viewer-accepted content, and the creation of sellable-show format, leading to revenue as quickly as possible.

No telling where we will land by the July/August 2014 issue, but you will see it all.

The next installment will tackle a content development boot camp experience, revenue methodology and distribution strategy research, with excerpts from interviews with digital industry players. And of course, the opportunities or land mines that cross my path.

If you have questions or suggestions of what you think I should do or research for all our benefit, please let me know — vito.montone@whycom.com.

See you next issue! 🐾

Blendtec asks "Will It Blend?"



Hostess Kim Castle

