



DEDICATED TO INDEPENDENT
POST PRODUCTION

AN AICE POLICY STATEMENT

It's Time to Re-think Current Ad Industry Post Production Business Practices

Memorable and effective advertising is always the result of the collaboration between an inspired agency creative team which generates the concept, a talented director who designs and captures the story elements and a creative editor who crafts and shapes the final version of the story into a compelling and persuasive message for the marketer. As the final author, the editor and the post production team plays a critical role in the creation of successful advertising.

Most of the editorial and post production shops that make these vital contributions are small, privately-held companies which require reasonable profit margins and predictable cash flow to stay on the cutting edge of digital technology, new media and workflow innovation. If these rudimentary business needs are not met, it is impossible to create and maintain the forward-thinking technology platforms and up-to-date physical plants necessary to attract and retain top talent, the kind that consistently delivers effective, world-class creative solutions in this ever-changing digital world.

For the past five years, the post production industry has been under serious financial pressure to deliver the same quality work and level of service agencies and clients have been accustomed to, with significantly reduced budgets and shortened schedules. Among the challenges the industry faces:

- Constant downward pressure on prices;
- Routine requests for services beyond the scope of the initial engagement, without compensation;
- Sole focus on cost while viewing creative work as a commodity;
- The existence of agency in-house post production facilities which capture revenue that previously went to independent editorial shops;
- Requests for “dummy” bids against agency in-house editorial companies to satisfy

- client procurement policy guidelines with no intention of awarding the work to independent companies;
- Preferred vendor lists designed to extract additional price concessions in exchange for the possibility of a certain, but not guaranteed, volume of work;
 - Sequential Liability clauses which extend payment terms an additional 30 to 60 days or more;
 - Requests for confidential business information about post production suppliers, presented as the need to “understand their service providers better” yet seen as a way to replicate those business practices in-house.

The cumulative impact of these trends on the advertising production and post production industries is significant and of grave concern to AICE members and their colleagues.

In addition, large advertisers like Procter & Gamble, Mondelez, AB Inbev and Johnson & Johnson have either instituted or are considering plans to extend payment terms to their vendors from standard 30 and 60-day periods to as much as 120 days or more. The imposition of extended payment terms could cripple many post production companies, drive them out of business and deprive advertisers and their agencies of such valued and important resources as creative editorial houses, audio studios, color grading facilities, design shops, visual effects companies and finishing houses.

Faced with these economic circumstances, AICE recommends that its members consider taking the following actions:

- Hold completed deliverables and elements until full payment for services has been made;
- Charge clients more rigorously for work that is requested and performed beyond the scope of the original budget agreement;
- Demand a greater portion of the total payment upfront;
- Decline to bid on work for advertisers who have been identified by AICE and other industry organizations as employing excessively long payment terms.

AICE’s goal is to clarify and reinforce the importance and value of its member companies’ creative, technical and service contributions to the production process. Together with allied industry organizations, AICE will work to educate all parties on the impact these onerous

business terms and conditions have on privately-owned, entrepreneurial companies and the artists who create, produce and distribute advertising content.

Recent statements from industry partners expressing concern about both the impact of extended payment policies and the message they send about the value clients ascribe to their creative partners are encouraging. However, it is imperative that advertisers, agencies, production companies and the post production industry work together to develop a mutually beneficial solution to this increasingly untenable economic situation. This collaborative approach will ensure quality, competitiveness and fair business practices and standards for everyone involved in the creation, production and distribution of advertising content.