AICP: Annual Member Survey

Discerning Key Distinctions in Commercial Production

resolve™ MARKET RESEARCH

Introduction

Data and Analysis by
Resolve Market Research

The 2012 Annual Member Survey was executed via an online survey from April 5th, 2012 to May 8th, 2012 among the AICP Member group. The table below illustrates the sample sizes and descriptions of the groups included in the study.

Total	Company Size*		
	Small (Sales <$5m)	**Medium** (Sales $5m-$19.99m)	**Large** (Sales $20m+)
N = 100	n=63	n=19	n=18
	63%	19%	18%

Total	Main Location		
	LA	**NY**	**Other**
N = 100	n=49	n=23	n=28
	49%	23%	28%

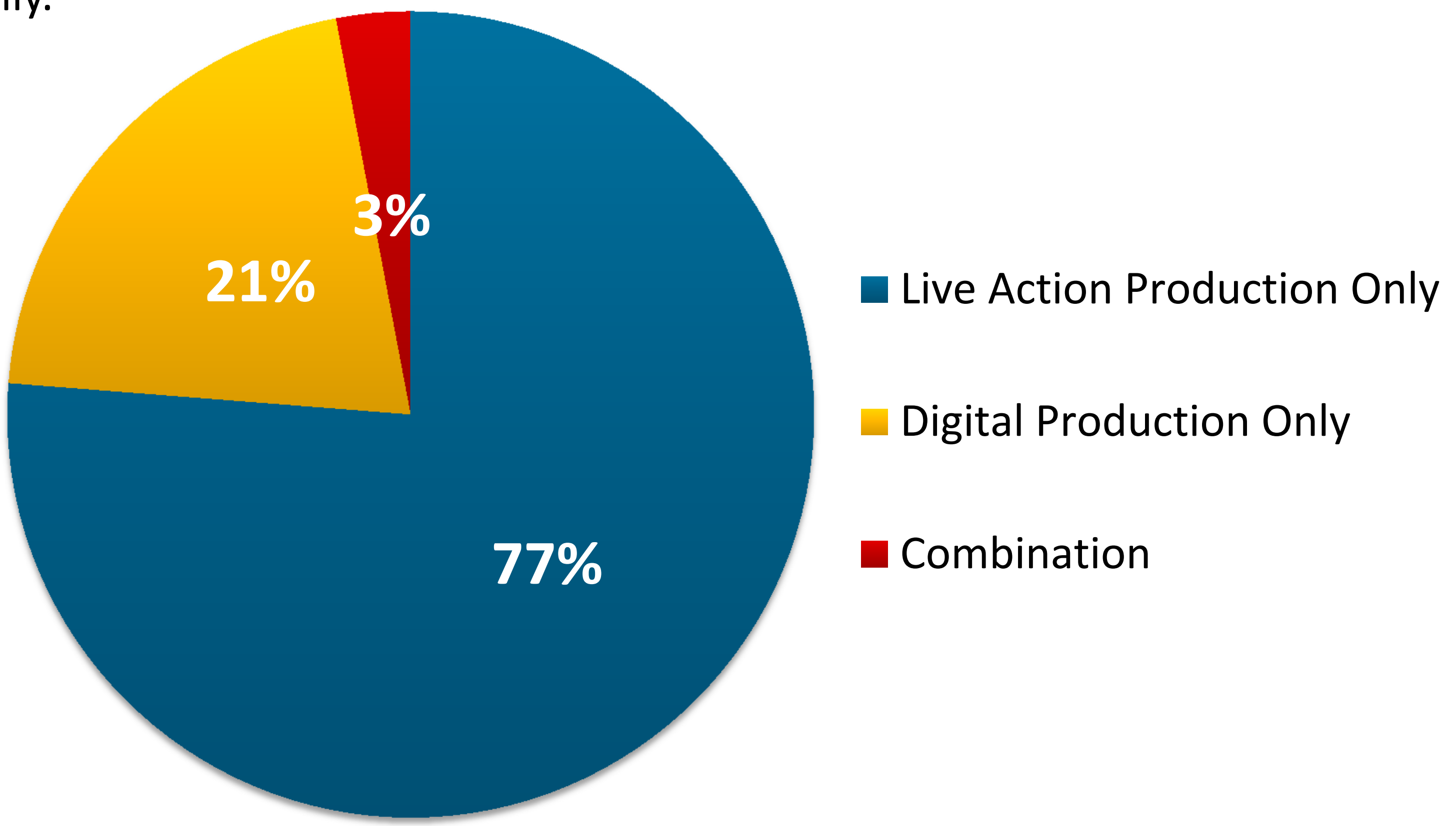
The following slides showcase a summary of 2011 member and industry findings from this year's study.

*Categorized using mean sales figures

Member Company Production Type Breakdown

Data and Analysis by
Resolve Market Research

More than three quarters of member companies focused solely on producing live action projects in 2011. Over one-fifth of the companies are only producing content digitally.



N=100

Q2_a: Of the projects your company completed in 2011, how many were completed using:

Executive Summary

Data and Analysis by
Resolve Market Research

Projects Overview

- For 2011, the total sales and total expenditures of AICP member companies rose by roughly 1%.
- In terms of number of projects, Small and Mid-sized companies felt the largest bump in 2011, with those producing 1-10 commercials seeing a 3% increase and those producing 11-30 commercials reporting an increase of 2%.
- Live action production continues to make up the vast majority of production at 77% of work (an increase of 2% from last year), while digital work also increased by 4 percentage points (from 17% to 21%). Combined work fell by 5% to account for less than 1% of projects on average.

Executive Summary

Data and Analysis by
Resolve Market Research

Production Expenditures

- In 2011, production expenditures remained steady at $2.52 Billion – a marginal 1% increase over 2010.
- Live action production produced $2.4 Billion in direct production expenditures.
- Digital production expenditures were similar to 2010 at around $120 Million.
- While traditional broadcast distribution continued to dominate Live Action production (92%), a significantly higher number of AICP member companies in 2011 used non-traditional distribution methods for their Digital production (20%, a 10 percentage point increase over last year).

Shoot Days & Locations

- There was a 7% decrease in the average number of shoot days for 2011 at 55.37 per company compared with 59.85 in 2010.
- Overall, 76% of all shoot days took place on location, with the remaining 24% being completed on stages.

Data and Analysis by
Resolve Market Research

Shoot Days & Locations (cont.)

- While overall industry productivity is up, production activity in California continues to experience a 5 percentage point market share loss since 2007 at around 49% and down 2 percentage points from last year.
- In 2011, 88% of all shoot days were domestic compared to 12% abroad.
- Internationally, shoot days in Vancouver increased by 34% to lead all international shoot destinations.
- Central- Eastern Europe experienced a 51% increase in shoot days and became the second-most filmed foreign location.

Tax Incentives

- When determining project locations, tax incentives continue to be a significant factor in 29% of all location decisions – up from 25% in 2010.

Executive Summary

Data and Analysis by
Resolve Market Research

Payments

- While on-time payments remained steady at 40%, there was a marginal increase in payments delayed by more than 60 days – up 6 percentage points to 10%.
- Most companies saw payments arriving within 15 days of the agreed payment date. However, digital firms most often received payments late, from 1 – 60 days 82% of the time
- Overall, agencies' top reason for paying late was that their clients had yet to pay the agency (83%).

Digital & Non-traditional

- Visual Effects and animation were the most used techniques with significant sources of activity at 32% and 28% respectively.
- After Effects remains the most popular in-house digital production tool, with 46% of member companies producing content digitally reporting using such tools.
- A total of 92% of the work is finished in High-Def format. Most of it (85%), originates in high-def digital format while the remaining 15% is converted from Film.

Executive Summary

Data and Analysis by
Resolve Market Research

Green Guidelines

- Most of the AICP member companies recycle Paper (91%) and Plastic (83%).
- Almost half of the member companies have established rules in the past year for using reusable water bottles and plates (49%) and turning off electronics when they are not being used (45%).

Company Demographics

- Of member companies, almost half (49%) are headquartered in Los Angeles with New York (23%) being the second most popular location.
- Diversity workplace initiatives have been engaged in by 26% of member companies.
- For 2011, 24% of AICP companies were majority owned by a female.
- Of note, 16% of member companies have been certified as minority owned, with 50% of that group designated as Women-Owned Business Enterprise (WBE).

Projects Overview

Average Number of Projects Trended

Data and Analysis by
Resolve Market Research

The average number of projects completed dropped 8% over last year and is the lowest since 2002 (data shown from 2007).

Mean Number of Projects Completed

2007	2008	2009	2010	2011
35.75	31.46	32.58	33.17	30.57
N=126	N=103	N=101	N=112	N=100

Self Categorization of Production Work

Q1. How many projects in total did your company complete in 2011? Projects include both traditional (broadcast) commercials and non-traditional (non-broadcast)
Q1a. How would you categorize the production work your company produces?

Projects Completed Breakdown

Data and Analysis by
Resolve Market Research

Companies completing more than 30 commercials dropped marginally this year.

Mean Number of Projects Completed

- 2008
  - 31.46
- 2009
  - 32.58
- 2010
  - 33.17
- 2011
  - 30.57

	2008	2009	2010	2011
Base	103	101	112	100
1-10 commercials	27%	37%	29%	32%
11-30 commercials	38%	25%	33%	35%
31-50 commercials	14%	16%	20%	16%
51-100 commercials	17%	17%	13%	13%
101+ commercials	4%	6%	6%	4%

Q1: How many projects in total did your company complete in 2011? Projects include both traditional (broadcast) commercials and non-traditional (non-broadcast).

Projects Completed & Production Categories Trended

Data and Analysis by Resolve Market Research

Live action projects share increased slightly this year while a shift is seen from combined projects to in-house digital production only.

Mean Number of Projects Completed in Each Production Category

- 2008
  - 31.46
- 2009
  - 32.58
- 2010
  - 33.17
- 2011
  - 30.57

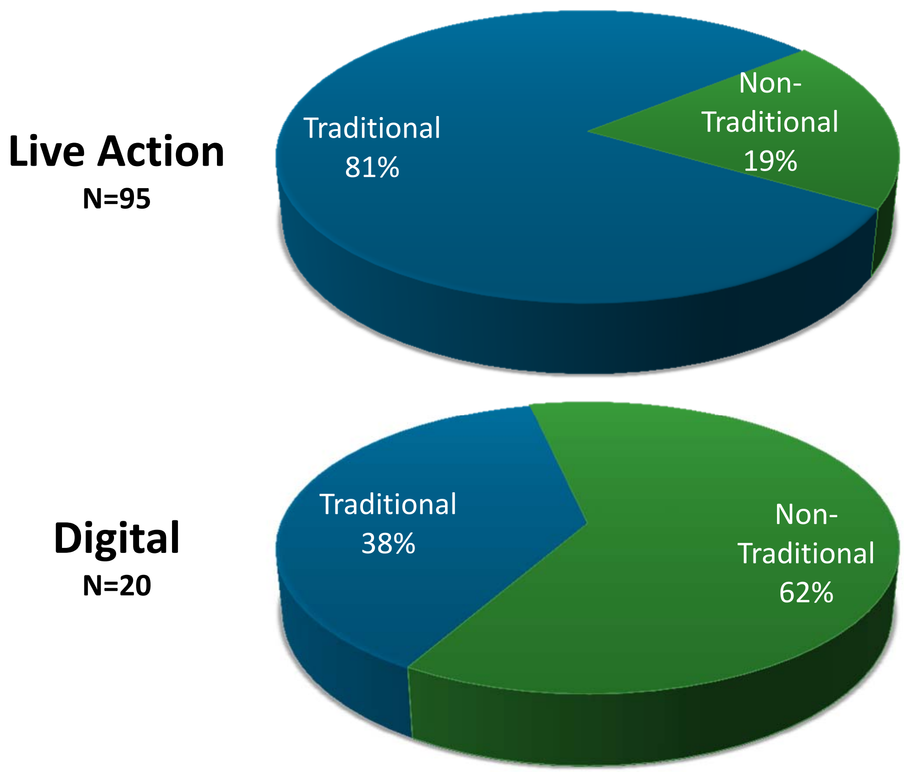
	2008	2009	2010	2011
Base	103	101	112	100
Live action production only	25.06	22.12	24.8	23.5
% of Total	**80%**	**68%**	**75%**	**77%**
In-house digital production only	4.01	7.23	5.63	6.27
% of Total	**13%**	**22%**	**17%**	**21%**
Both live action and in-house digital production	2.39	3.24	2.73	0.8
% of Total	**7%**	**10%**	**8%**	**3%**

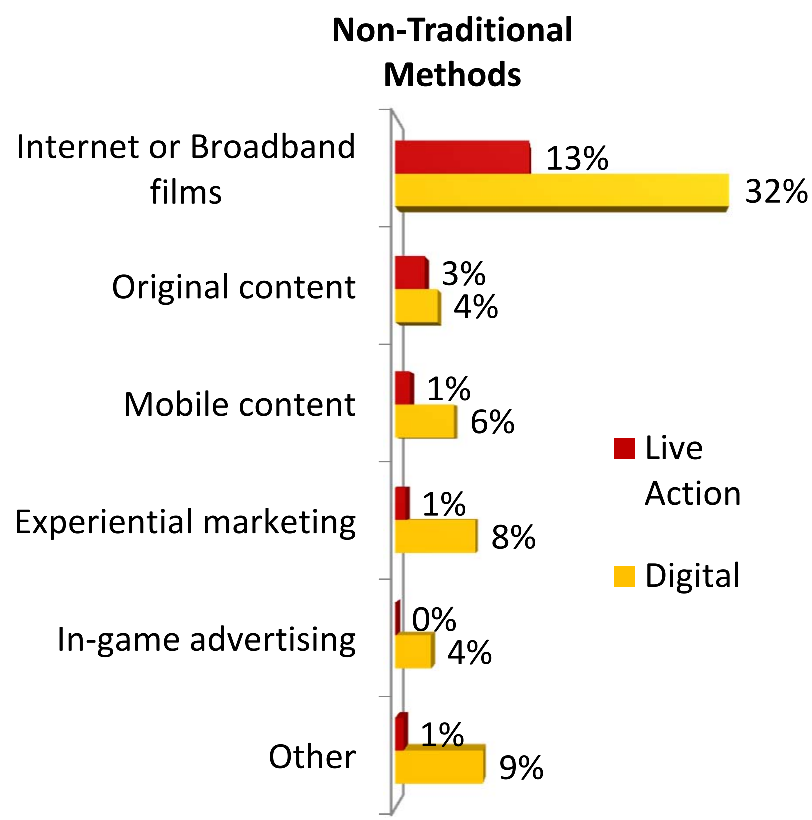
Q2_a: Of the projects your company completed in 2011, how many were completed using.

2011 Live Action & Digital Distribution Breakdown

Data and Analysis by Resolve Market Research

Traditional commercials are the primary distribution method for live action production. However, for digital production, non-traditional distribution is the most common method with internet films leading the way.



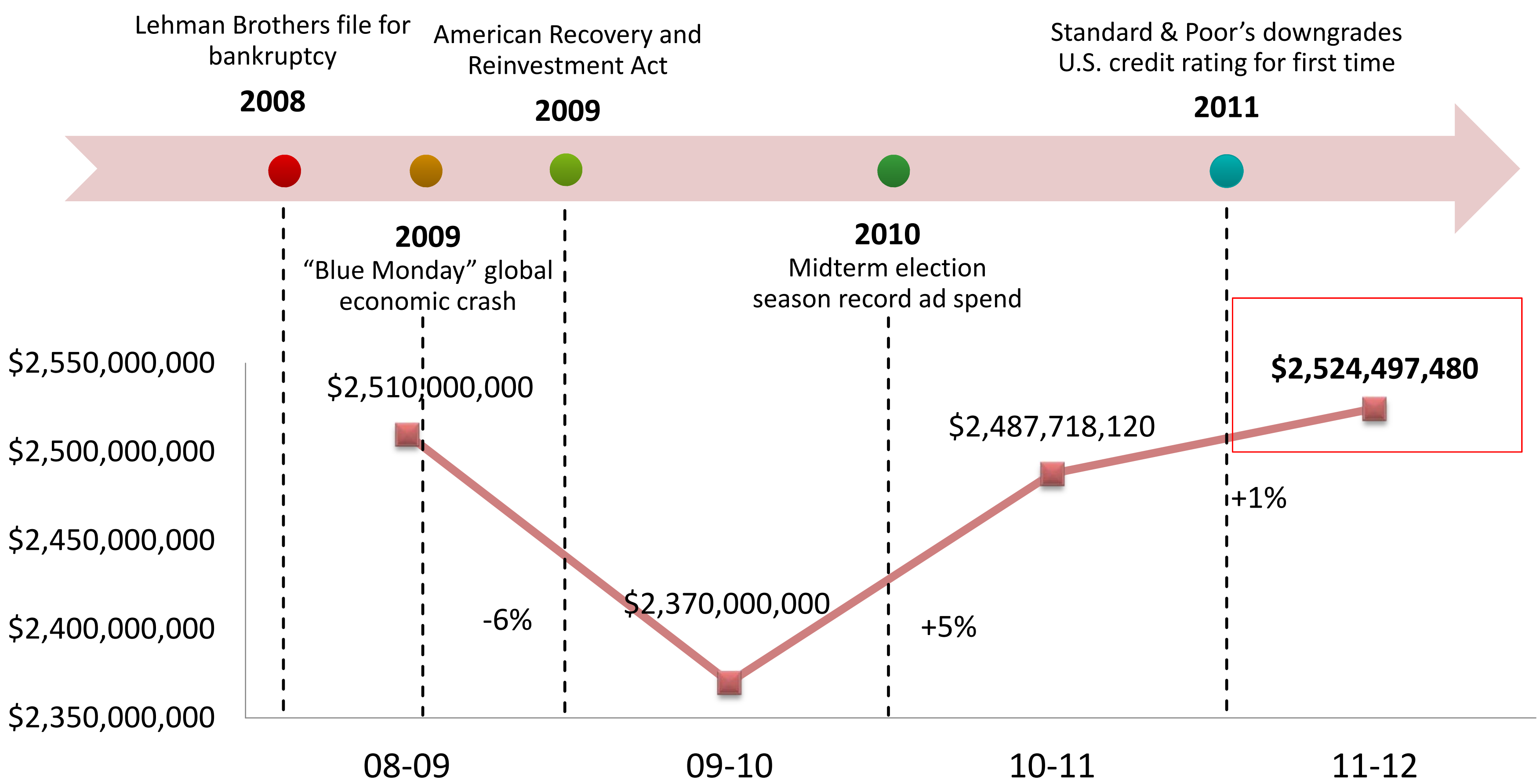


Q4B_a: What percentage of your live action and/or in-house digital projects was intended for the following primary distribution methods?

Production Expenditures

Direct Production Expenditures* Trended

Data and Analysis by Resolve Market Research



Other expenditures such as talent payments, music and post-production costs are not reflected in these direct production expenditures. Along with all other ancillary and associated costs, this results in a total economic impact of $5 billion to the commercial production industry.

Q12. For the commercial or advertising-related projects completed by your company in 2011, what were the total production expenditures for your company?

*Numbers are estimates extrapolated from the mean to actual member size. Any fluctuation is attributable to rounding.

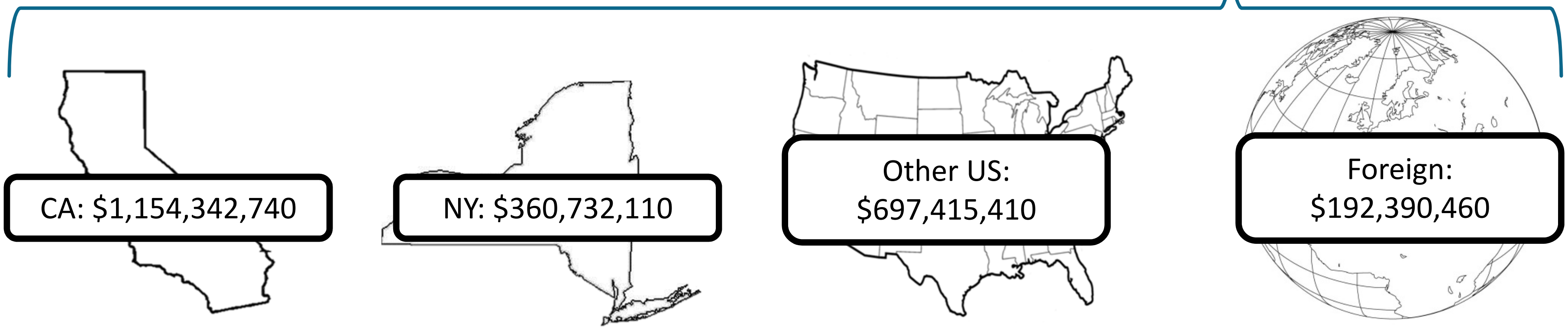
Expenditures by Region Breakdown

Data and Analysis by
Resolve Market Research

Domestic expenditures are on the rise despite requests to shoot internationally.

2008	2009	2010	2011
Domestic: 86% n=101	Domestic: 86% n=100	Domestic: 91% n=111	Domestic: 92% n=95
California: 39%	California: 42%	California: 50%	California: 48%
New York: 13%	New York: 15%	New York: 15%	New York: 15%
Other US: 34%	Other US: 29%	Other US: 26%	Other US: 29%
International: 14%	International: 14%	International: 9%	International: 8%

Approximate Total Live Action Expenditures by Region*

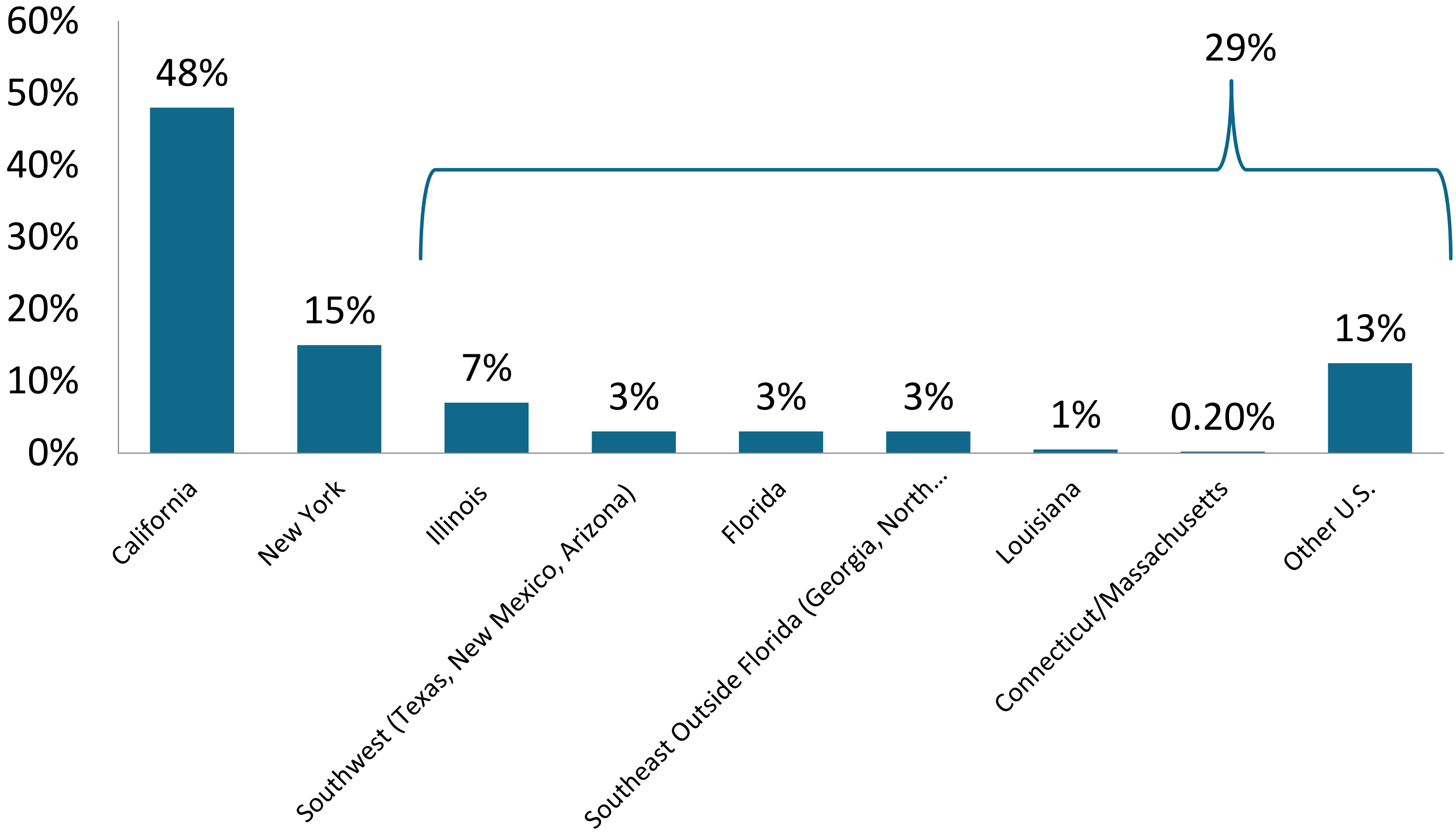


Q13A_a: Of the $ you SPENT on live action production in 2011, what percentage did you SPEND in each of the following regions?
*Numbers are estimates extrapolated from the mean to actual member size. Any fluctuation is attributable to rounding.

Domestic Expenditures by Region Outside of CA & NY Breakdown

Data and Analysis by
Resolve Market Research

Expenditures outside of California and New York rose by 4 percentage points from last year to 29%.



Digital Expenditures & Distribution Method

Data and Analysis by
Resolve Market Research

Members reported an average of just over $1.5 Million in digital expenditures per company in 2011. A ten percentage point increase (since 2010) can be seen in Non-traditional distribution methods.

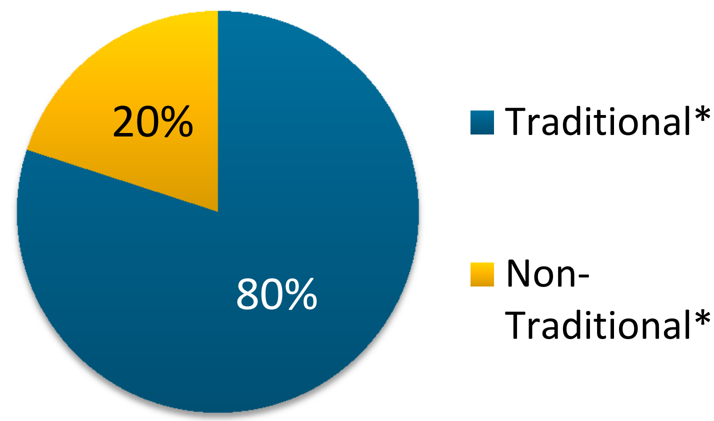
Mean Digital Expenditure

2011

- **$1,543,095**

n=24

Distribution Method



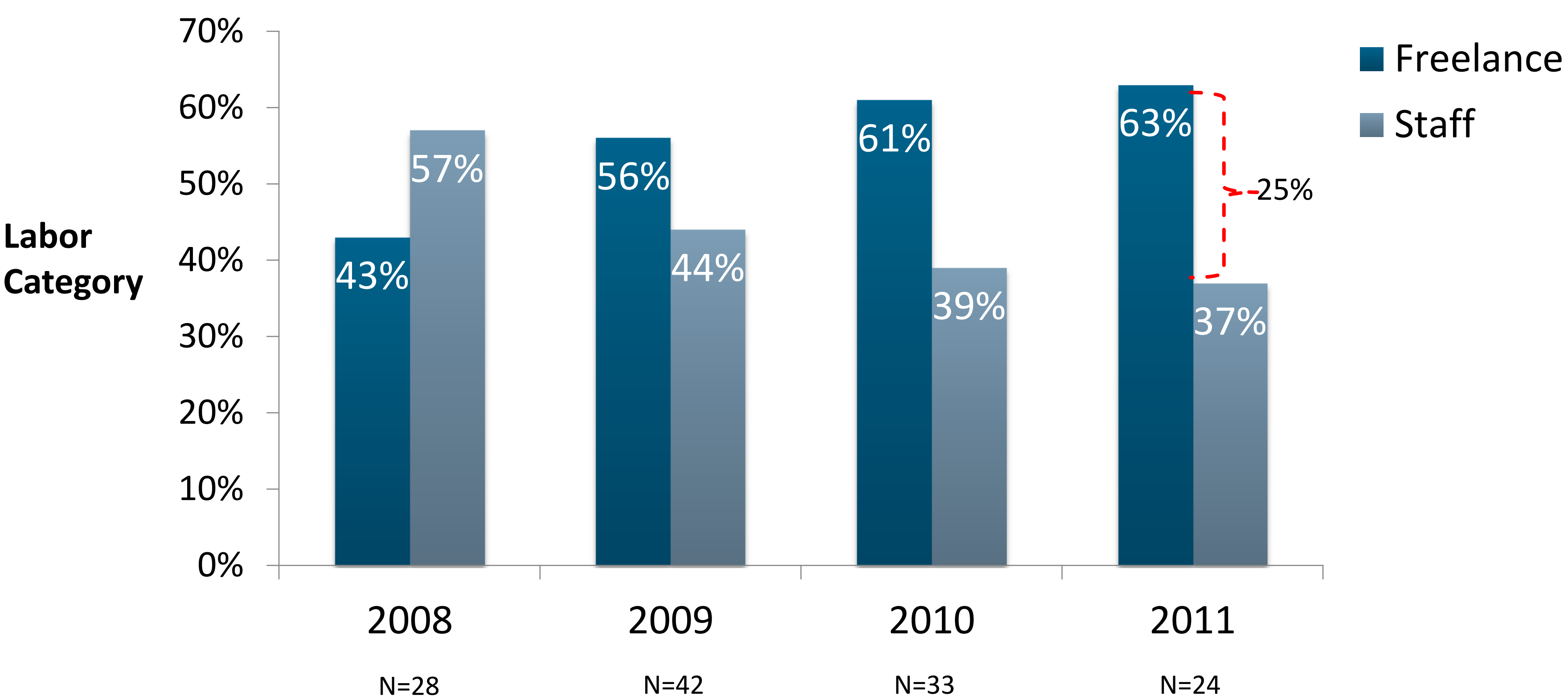
***Traditional commercials are commercials produced for distribution via the following media channels: broadcast television, cable television, or theatrical**
***Non-traditional advertising-related projects includes all those NOT distributed via traditional methods**

Q14: How much did you spend in total on non-administrative labor for in-house digital production in 2011 for the following?

Digital Expenditures and Labor Trended

Data and Analysis by Resolve Market Research

Expenditures on freelance crew continues to rise for the third straight year.

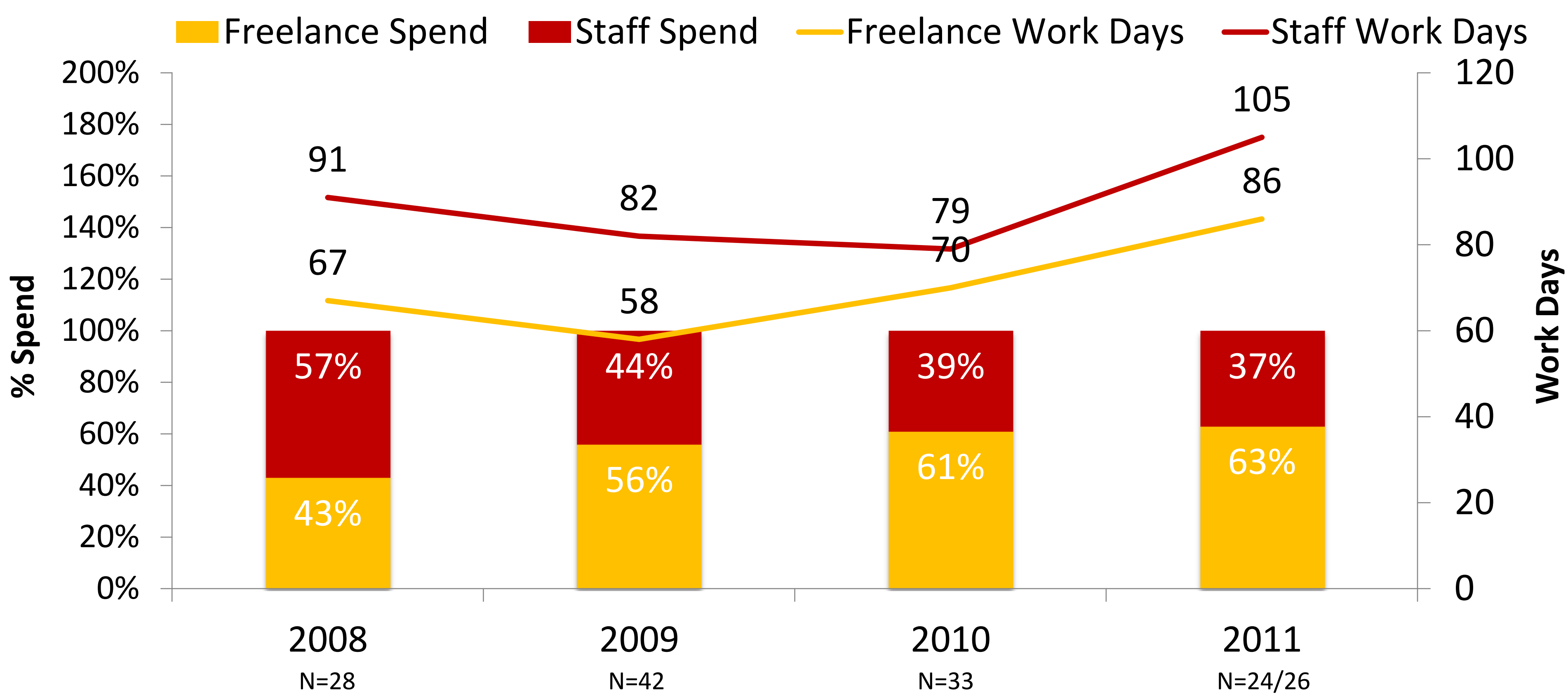


Q14: How much did you spend in total on non-administrative labor for in-house digital production in 2011 for the following?
Q15: Of the $ you spent on non-administrative labor for in-house digital production in 2011, what percentage was spent on each of the following labor categories?

Digital Expenditures and Labor Trended

Data and Analysis by
Resolve Market Research

While freelance spending is on the rise, staff work days are also increasing. Despite this significant increase in staff work days, money spent on staff continues to fall.



Q15: Of the total you spent on non-administrative labor for in-house digital production in 2011, what percentage was spent on each of the following labor categories?
Q16: For your in-house digital production projects completed in 2011, how many work days did your company have in each of the following categories:

Digital and Work Days Trended

Data and Analysis by
Resolve Market Research

For in-house digital production projects, staff work days increased by one-third this year and freelance work days continued their rise for the second straight year.

	2008		2009		2010		2011
Staff	91	-10%	82	-4%	79	+33%	**105**
Freelance	67	-13%	58	+21%	70	+23%	**86**
	N=28		N=42		N=33		N=26

Q16: For your in-house digital production projects completed in 2011, how many work days did your company have in each of the following categories:



Shoot Days & Locations

Shoot Days and Distribution Trended

Data and Analysis by
Resolve Market Research

Companies' average number of total shoot days decreased (-7%) from 2010.

	2008	2009	2010	2011
Traditional	52.23	45.34	52.41	49.38
Non-Traditional	6.7	5.91	7.44	5.99
Mean Total	58.93	51.25	59.85	55.37
	n=101	n=100	n=111	n=97

-13% +17% -7%

Q9: In 2011, approximately how many live action shoot days did your company have for the following projects?

Stage vs. On-Location Shoot Days Trended

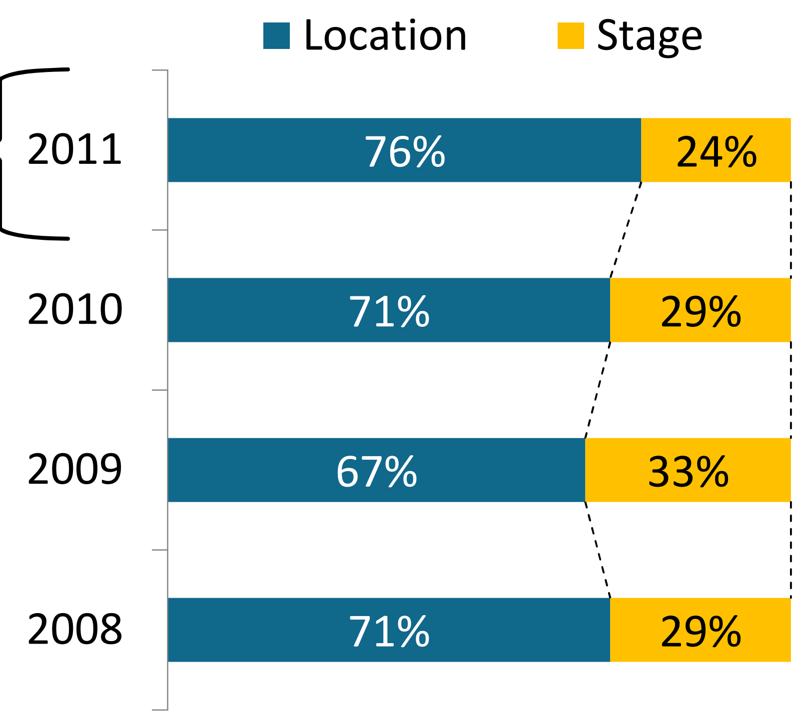
Data and Analysis by
Resolve Market Research

Of the total live action shoot days companies had for projects, over three-fourths were conducted on location.

Live Action Shoot Days: 55.37

Traditional: 49.38

Non-Traditional: 5.99



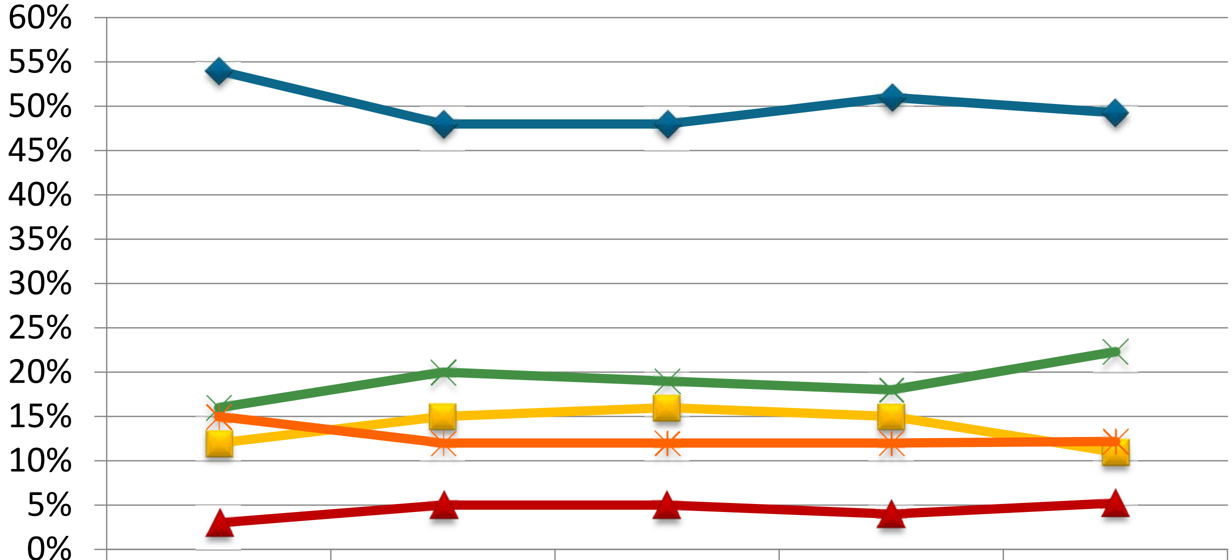
n=97

Q9: In 2011, approximately how many live action shoot days did your company have for the following projects?
Q10: Of the live action shoot days you completed in 2011, how many were conducted on location and how many were conducted on a stage?

Shoot Days by Region Trended

Data and Analysis by
Resolve Market Research

Production levels in California dropped 2% in 2011, continuing an overall 5% market loss trend since 2007. New York received 11% of all shoot days.



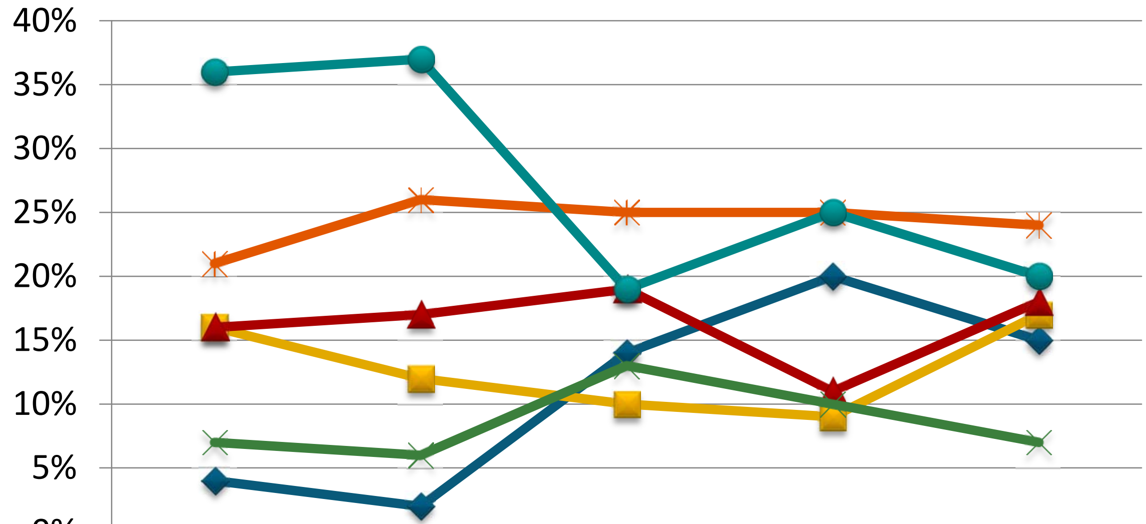
	2007	2008	2009	2010	2011
So Cal	54%	48%	48%	51%	49%
New York	12%	15%	16%	15%	11%
Illinois	3%	5%	5%	4%	5%
Other US	16%	20%	19%	18%	22%
Foreign	15%	12%	12%	12%	12%
	109	100	98	111	97

Q11A: Of your live action shoot days in 2011, how many were shot in each of the following regions?

Shoot Days by International Locations Trended

Data and Analysis by
Resolve Market Research

Shoot days in Vancouver increased significantly and dropped in Central / South America. Production activity in Central-Eastern Europe has returned to 2007 levels.



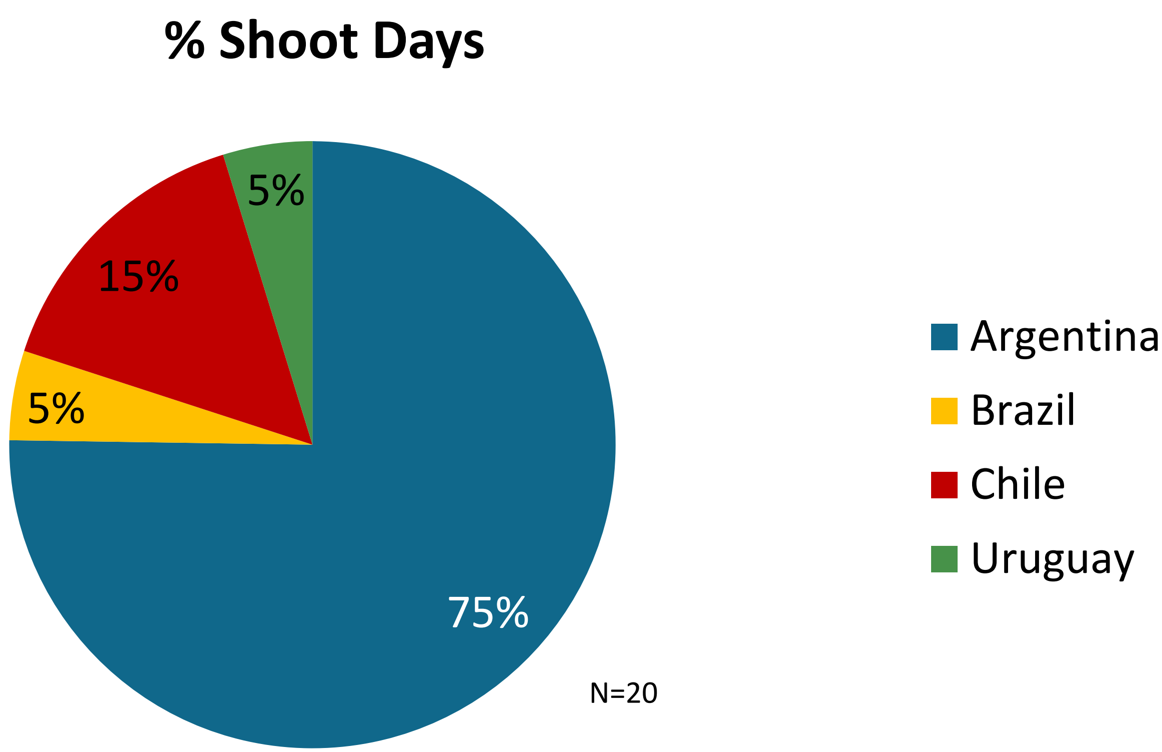
	2007	2008	2009	2010	2011
UK-Western Europe	4%	2%	14%	20%	15%
Central-Eastern Europe	16%	12%	10%	9%	17%
Vancouver	16%	17%	19%	11%	18%
Toronto/Other Canada	7%	6%	13%	10%	7%
Other Foreign	21%	26%	25%	25%	24%
Central/South America	36%	37%	19%	25%	20%
	109	100	98	111	97

Q11A: Of your live action shoot days in 2011, how many were shot in each of the following regions?

2011 South America Shoot Days and Spend Breakdown

Data and Analysis by Resolve Market Research

Argentina accounted for 75% of the shoot days in South America – significantly higher than all other countries.



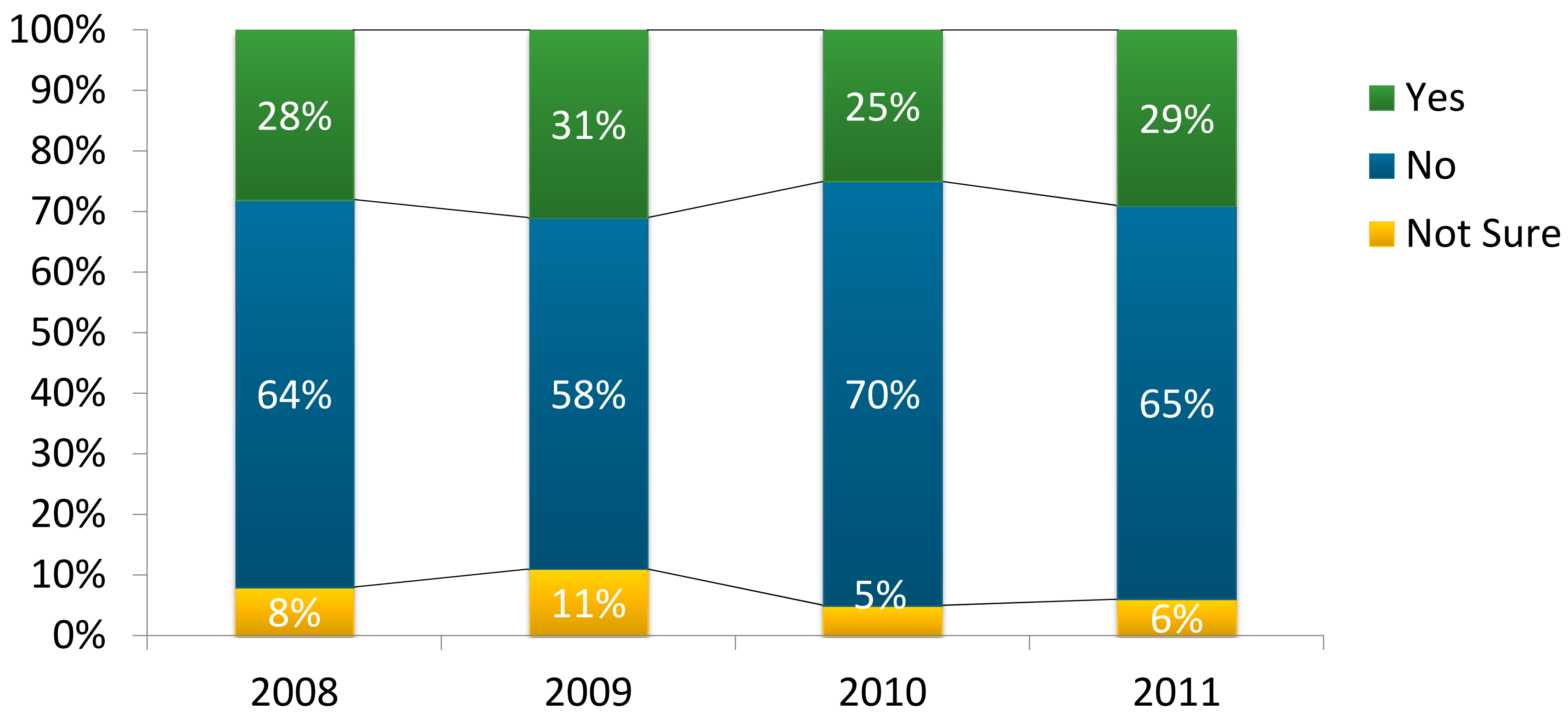
Q11A: Of your live action shoot days in 2011, how many were shot in each of the following regions?

Tax Incentives

Tax Incentives and Influence on Project Locations Trended

Data and Analysis by Resolve Market Research

There was a 4% rise seen in the impact of tax incentives on project locations.



N=103 N=101 N=112 N=100

Q18: In 2011, did you make any decisions about locations for your projects based on tax incentives?

Payments

Payments and Timing Trended

Data and Analysis by
Resolve Market Research

Member companies are seeing late payments arrive even later than previous years as 10% of payments are arriving 61 or more days late.

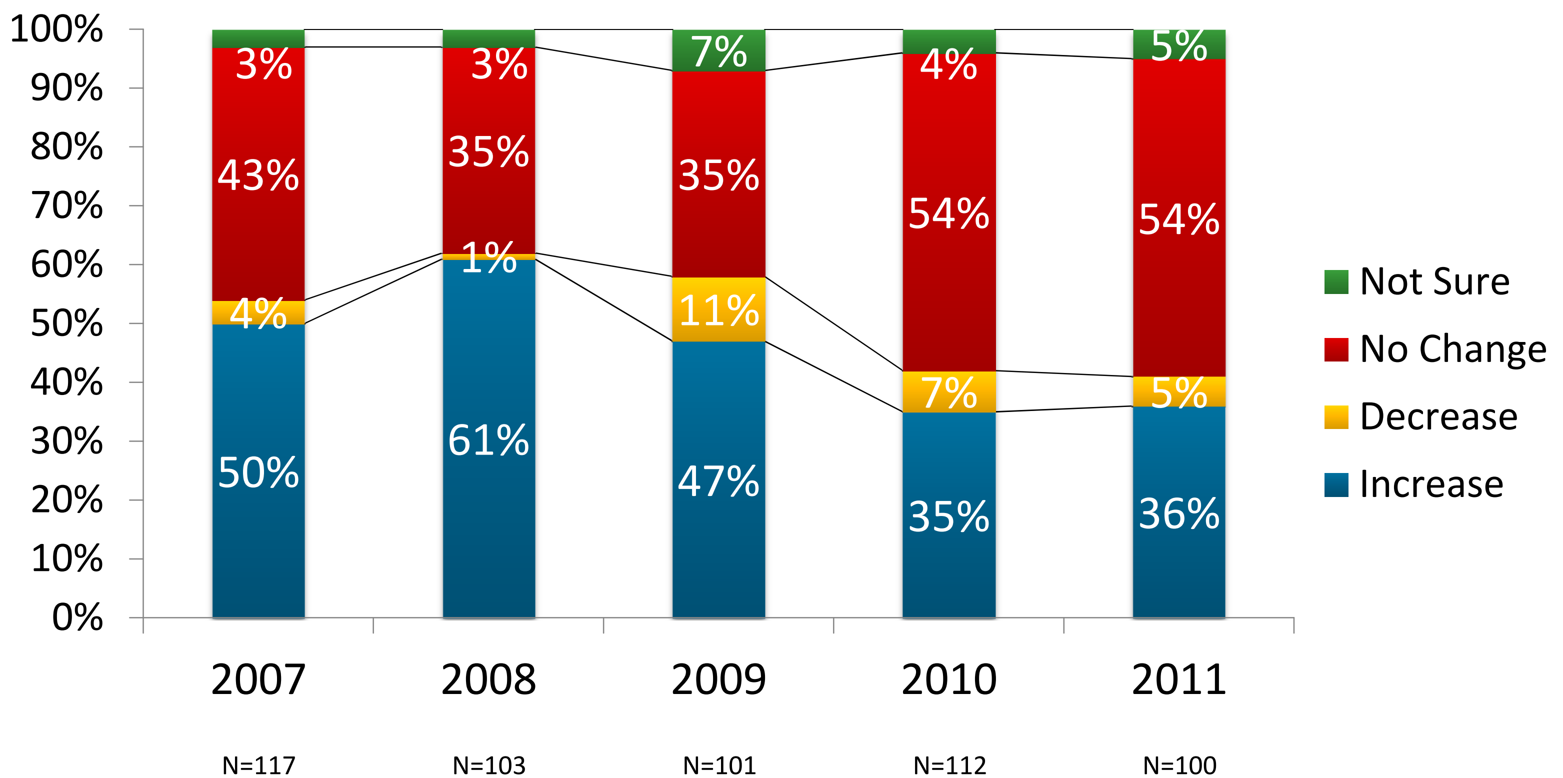
<table>
<tr><th></th><th>2007</th><th>2008</th><th>2009</th><th>2010</th><th>2011</th></tr>
<tr><td>Base</td><td>126</td><td>103</td><td>101</td><td>112</td><td>100</td></tr>
<tr><td>Prior to Due Date</td><td>6%</td><td>6%</td><td>6%</td><td>5%</td><td>8%</td></tr>
<tr><td>On Time</td><td>34%</td><td>34%</td><td>31%</td><td>41%</td><td>40%</td></tr>
<tr><td>1 -15 Days Late</td><td>18%</td><td>16%</td><td>21%</td><td>17%</td><td>15%</td></tr>
<tr><td>16-30 Days Late</td><td>16%</td><td>16%</td><td>18%</td><td>18%</td><td>12%</td></tr>
<tr><td>31-45 Days Late</td><td>12%</td><td>14%</td><td>13%</td><td>9%</td><td>8%</td></tr>
<tr><td>46-60 Days Late</td><td>8%</td><td>7%</td><td>7%</td><td>5%</td><td>6%</td></tr>
<tr><td>61-90 Days Late</td><td rowspan="3">7%</td><td rowspan="3">7%</td><td rowspan="3">4%</td><td rowspan="3">4%</td><td>6%</td></tr>
<tr><td>91-120 Days Late</td><td>2%</td></tr>
<tr><td>More than 120 Days Late</td><td>2%</td></tr>
<tr><td>No Payments</td><td>0%</td><td>0%</td><td>1%</td><td>0%</td><td>0%</td></tr>
</table>

Q24_a: A major issue in the commercial production industry has been timely payment of agreed-upon agency contracts. In 2011, approximately what percentage of final payments from your clients arrived during each of the following ranges of time? Please enter percentages that add up to 100 .

Payments and Change in Delays Trended

Data and Analysis by
Resolve Market Research

Majority of companies (54%) have not noticed any change over the last year in terms of payment delays. A third noticed an increase in delays.



Q25: Comparing your experience in 2011 to your experience so far in 2012, have you seen an increase, decrease, or no change in the number of payment delays from clients?

Payments and Top Reasons for Tardiness Trended

Data and Analysis by
Resolve Market Research

A delay with the client paying the advertising agency is the top reason member companies receive late payments.

	2008	2009	2010	2011
Base	103	101	112	**100**
Client hasn't paid agency yet	83%	82%	85%	**83%**
The agency billing-payment procedures do not allow it	10%	8%	6%	**9%**
Other	0%	1%	3%	**3%**
None/Not Sure	7%	9%	6%	**5%**

Q26: When trying to collect late payments, which of the following is the explanation you hear most frequently to explain why you have not been paid?

Digital & Non-Traditional

resolve™
MARKET RESEARCH

Digital Production Techniques Trended

Data and Analysis by
Resolve Market Research

Visual Effects and Animation now account for 60% of the in-house digital production reported by member companies. The use of Graphic Design techniques has dropped 9% since 2007. The newly added technique of Interactive Design accounted for 16% of in-house digital production.

	2007	2008	2009	2010	2011
Base	52	28	42	33	26
Visual Effects	29%	24%	28%	24%	32%
Animation	20%	26%	25%	22%	28%
Graphic Design	27%	21%	32%	29%	18%
Interactive Design	-	-	-	-	16%
Other	24%	29%	16%	26%	7%

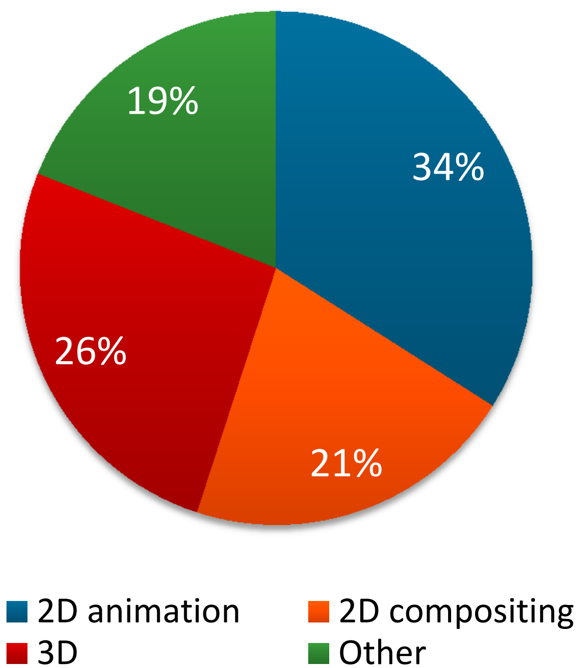
Q3a: In 2011, what percentage of your company's in-house digital production was accounted for by the following techniques? Please respond with percentages that add up to 100%.

Digital Production Tools Breakdown

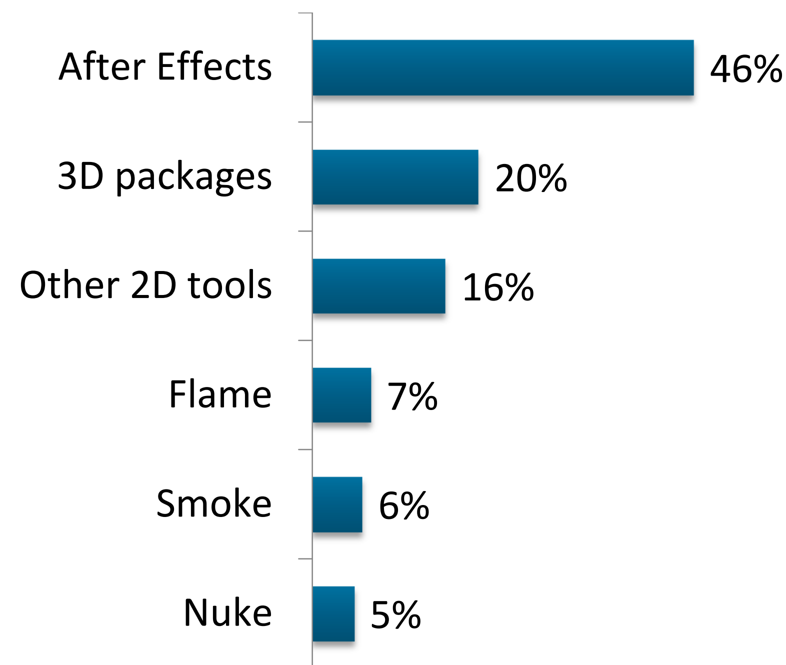
Data and Analysis by
Resolve Market Research

Almost half of in-house digital production involves using 'after effects'.

In-house Digital Production: 2D vs. 3D



In-house Digital Production: Tools / Packages



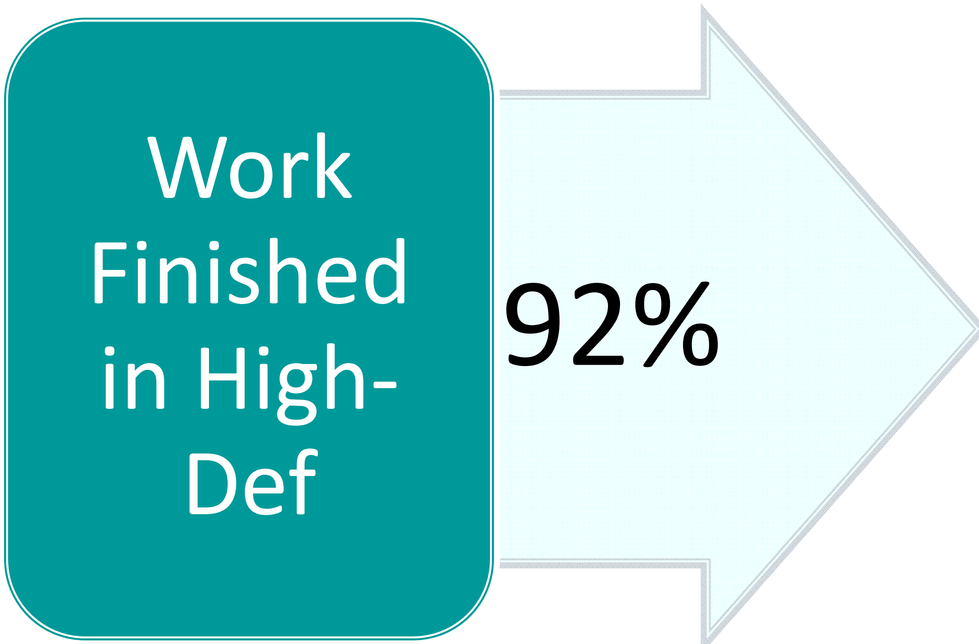
N=26

Q3b: What percentage of your in-house digital production is accounted for by 2D animation, 2D compositing and 3D?
Q3c: What percentage of your in-house digital production is accounted for by the following tools/packages:

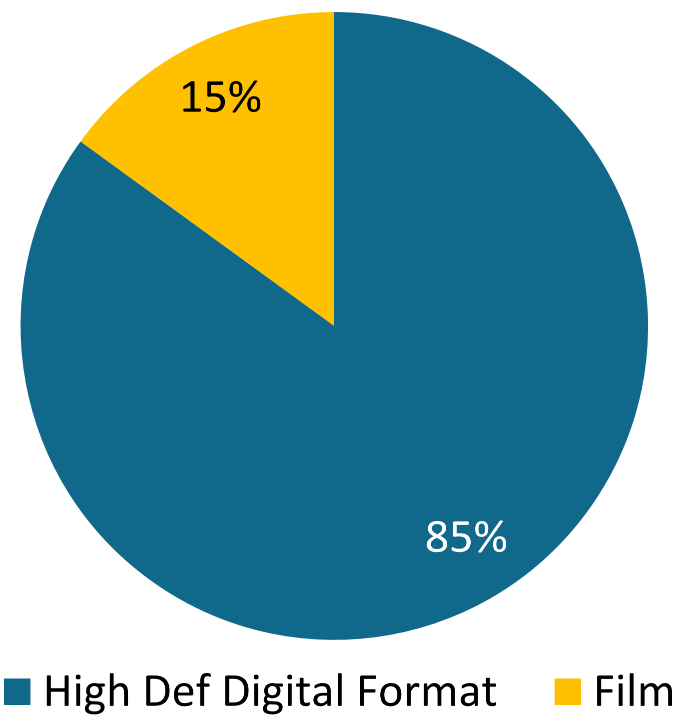
Digital and High-Def Work

Data and Analysis by
Resolve Market Research

Of the work finished in High-Def, 85% is shot in digital format – a significant increase over last year (+68%).



Original Format of High Def Work



Q4d: What percentage of your work is finished in High Def?
Q4e: Of your work that is finished in High Def, what percentage originates in a High Def digital format, and what percentage originates in film?

Digital and Production Facility Costs Trended

Data and Analysis by
Resolve Market Research

More than 40% AICP company digital labor costs can be attributed to production facilities in Los Angeles – a significant increase since 2008. Similar increases were seen in New York as well, but to a lesser extent.

	2008	2009	2010	2011
Base	28	42	33	26
Los Angeles County	27%	41%	48%	43%
New York City	15%	23%	24%	25%
Other U.S. locations	22%	10%	12%	21%
Connecticut/Massachusetts	0%	0%	0%	4%
Southwest (Texas, New Mexico, Arizona)	5%	0%	3%	4%
International locations	0%	1%	0%	1%
Southeast Outside Florida	9%	8%	6%	1%
Florida	2%	6%	1%	1%
New York State (Outside New York City)	1%	0%	0%	0%
Illinois	21%	9%	6%	0%
Southern California	0%	1%	0%	0%
Northern California	0%	0%	0%	0%
Louisiana	0%	0%	0%	0%

Q17: Of the total you spent on non-administrative labor for in-house digital production in 2011, what percentage was attributed to your production facilities located in the following regions?

ASSOCIATION OF INDEPENDENT COMMERCIAL PRODUCERS

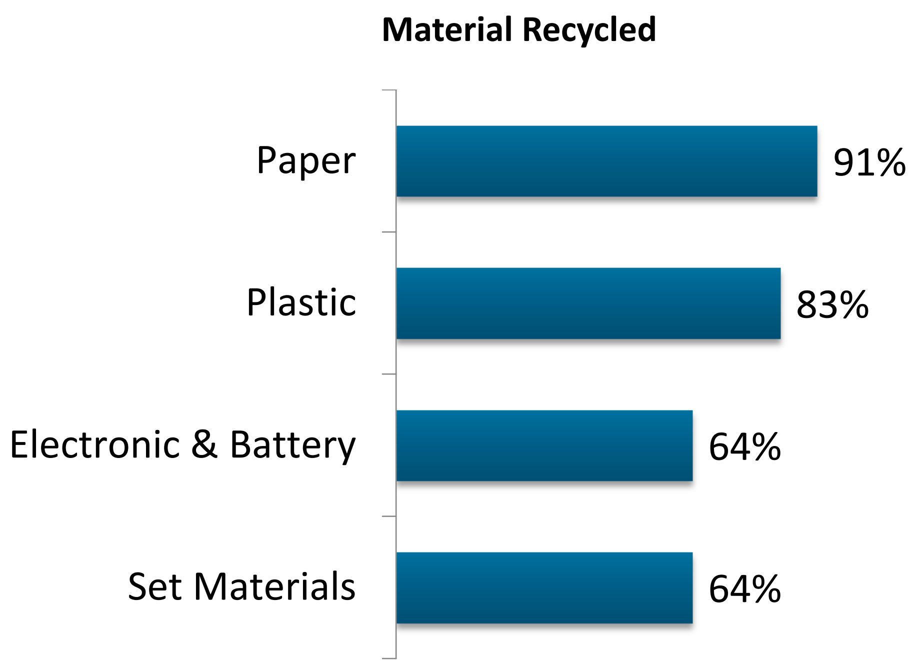
Green Guidelines

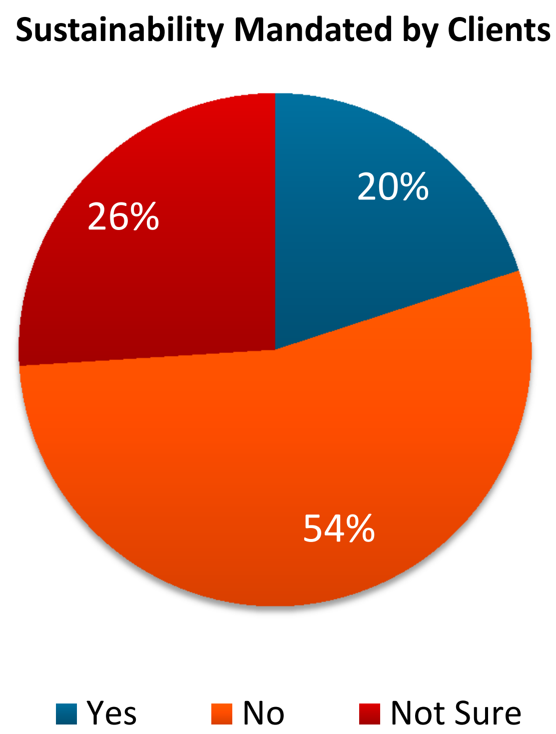
resolve™ MARKET RESEARCH

Recycling and Sustainability

Data and Analysis by
Resolve Market Research

Paper and Plastic are the most recycled materials. Currently, sustainability is mandated by only a fifth of clients.





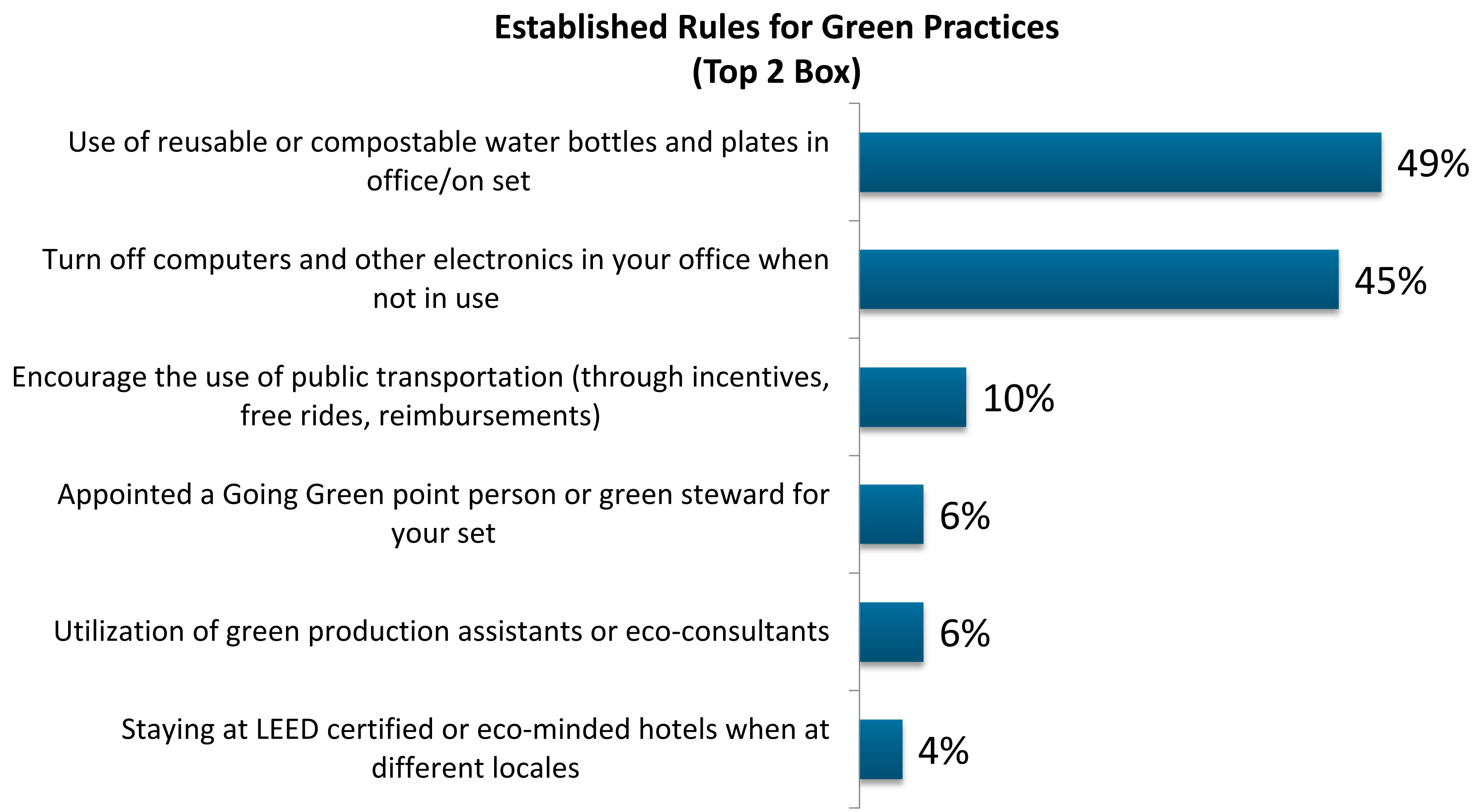
N=100

45a. Does your company recycle any of the following in office/on set?
45d. Do any of your clients mandate sustainability?

Rules for Green Practices

Data and Analysis by
Resolve Market Research

The majority of companies have rules established for using reusable bottles and plates as well as turning off electronics when not in use.



N=100

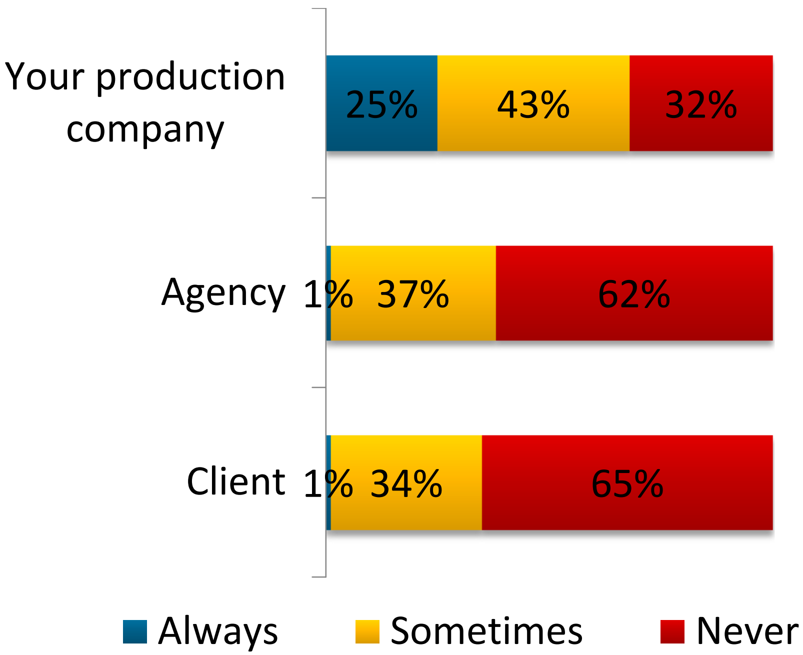
Q45C. In the past year how often has your company established rules for any of the following green practices?

Green Guidelines and Costs

Data and Analysis by
Resolve Market Research

Member companies are responsible for 91% of the costs for implementing green practices. They also request green guidelines more than agencies or clients.

Request for Green Guidelines



N=100

Responsible for …

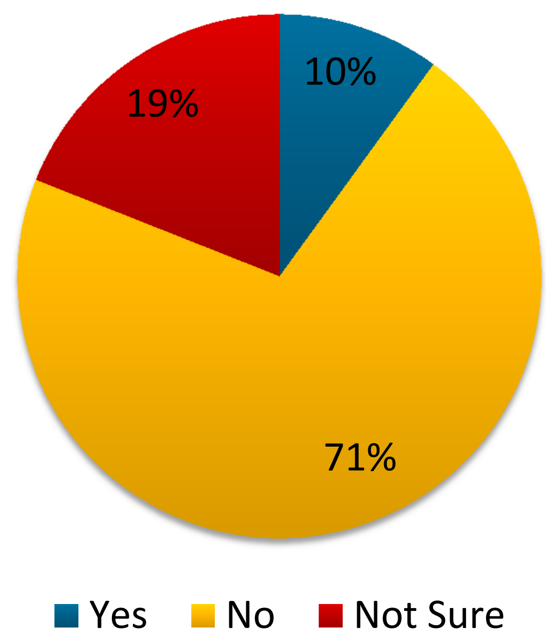
91% Costs

3% Costs

6% Costs

N=48

Are Green Guidelines Costs Factored into Bids?



N=73

Q46a: How often do the following entities request that productions follow a set of green guidelines? Q46b: What percentage of the costs for implementing green practices is each entity responsible for? Q46c: Are the related green guideline costs factored into bids?



Company Demographics

Employees

Data and Analysis by
Resolve Market Research

The average number of employees on staff has slightly decreased from 2010.

In comparing medians over the last two years, the average number of employees has slightly increased from 4.5 to 5.0.

Year	2010	2011
Employees on Staff	13.19 N=112	11.64 N=99
Full Time	97% N=96	95% N=84
Part Time	3% N=96	5% N=84

A significant shift is seen from employing full time employees to part time employees.

32% of employees in Medium-sized companies (by sales) are part timers.

Q50A: How many employees does your company currently have on staff?
Q50B: Of the employees who work at your company, how many are full time vs part time employees?

Employees

Data and Analysis by
Resolve Market Research

On average, companies have 12 employees on staff. This year saw a rise in part-time employees compared to last year.

Employees on Staff: 11.64

N=99

Full-time:

95%

N=84

Part-time:

5%

N=84

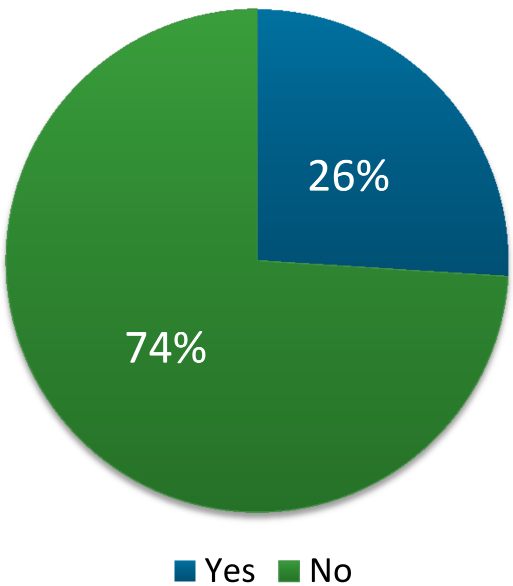
	< $1M	$1M-$5M	$5M-$10M	$10M-$20M	$20M-$50M	$50M+
Base:	25	38	6	12	15	3
Average Employees	3.88	6.29	8.50	20.58	20.27	71.33
Base:	13	35	6	12	15	3
Full Time	93%	93%	86%	97%	94%	100%
Part Time	7%	7%	14%	3%	6%	0%

Q50A: How many employees does your company currently have on staff?
Q50B: Of the employees who work at your company, how many are full time vs part time employees?

Diversity Initiatives

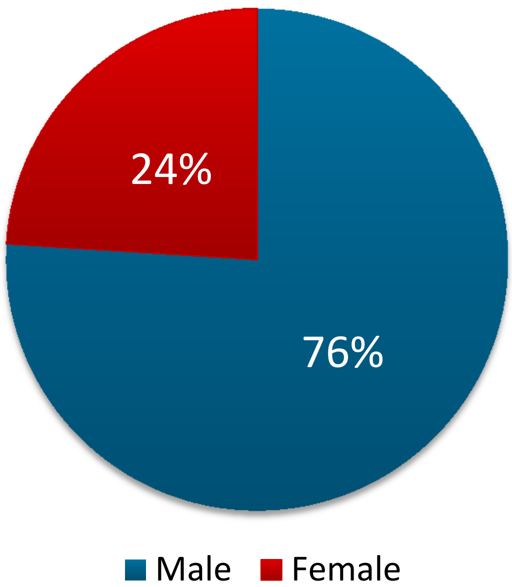
Data and Analysis by
Resolve Market Research

Has your company been engaged for work based on diversity initiatives?



N=100

Gender of the majority ownership



N=100

Q51: Has your company been engaged for work based on diversity initiatives?
Q52: Please indicate the gender and ethnicity of the majority ownership.

Diversity Initiatives

Data and Analysis by
Resolve Market Research

16% of member companies report being minority owned and participating in a wide array of government sponsored programs on behalf of diversity initiatives.

Is your company certified as minority owned?

Yes

- 16%

No

- 84%

N=100

If so, please identify which programs your company currently has certification for:

WOMEN-OWNED BUSINESS ENTERPRISE (WBE)	50%
MINORITY BUSINESS CONCERN (MBE)	31%
WOMEN-OWNED SMALL BUSINESS CONCERN (WBC)	31%
SMALL BUSINESS CONCERN (SBC/SBE)	6%

If your company is not certified, is it because:

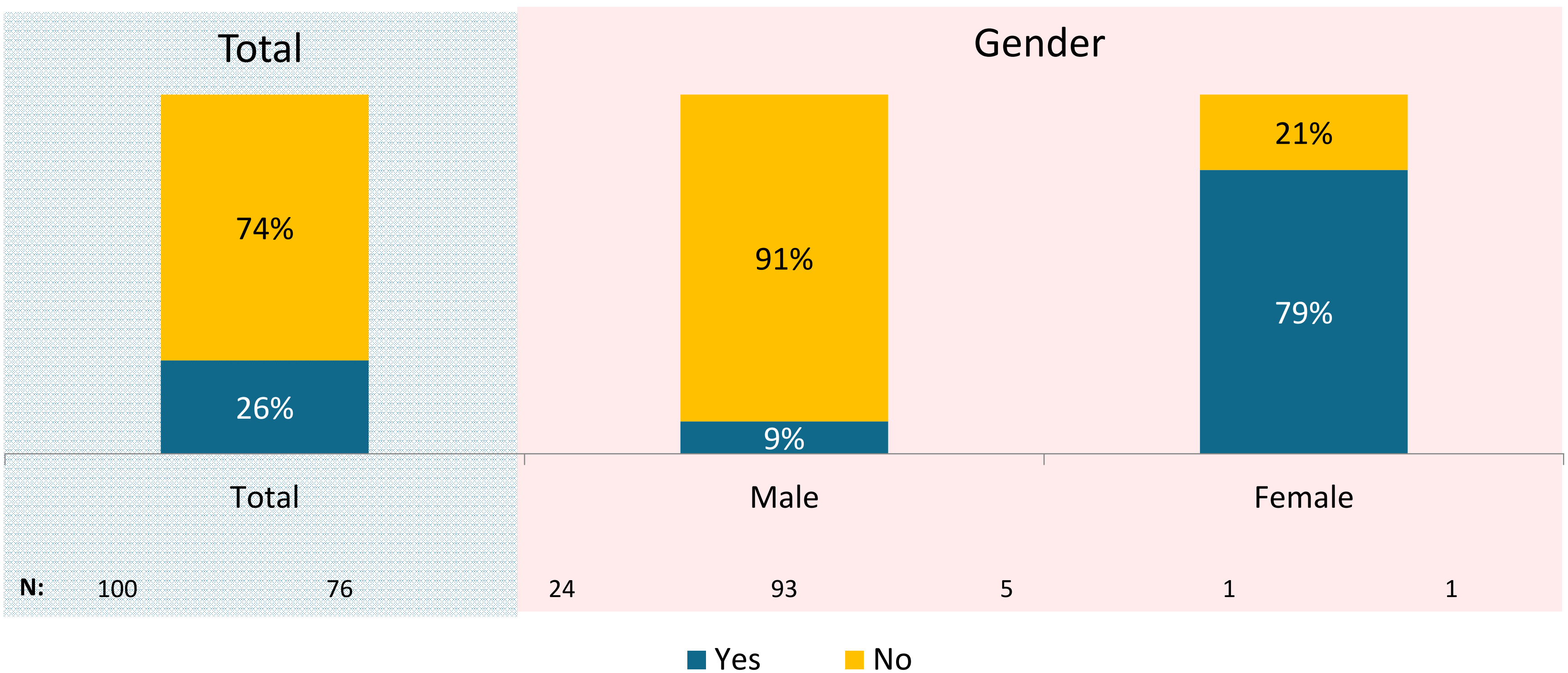
Have not applied, but plan to	8%
Have elected not to apply	8%
Are in the application process	3%
Do not qualify	81%

Q53A: Is your company certified by appropriate government agencies as minority owned?
Q53B: If your company is not certified, is it because:
Q53C: If so, please identify which programs your company currently has certification for:

Female Owned Business List

Data and Analysis by
Resolve Market Research

Females owned businesses have a high desire to be on AICP's publicly available self-identified owner list.



Q54: The AICP has created a publicly available list of member companies that self-identify as a minority or female-owned business, would you like to be noted on such a list?

Office Location

Data and Analysis by
Resolve Market Research

Large companies and those with high sales have offices in California and New York.

		Sales					
	Total	**<$1M**	**$1M-$5M**	**$5M-$10M**	**$10M-$20M**	**$20M-$50M**	**$50M+**
Base	100	25	38	6	13	15	3
California	62%	36%	53%	67%	85%	100%	100%
New York	38%	24%	26%	33%	62%	67%	67%
London	10%	0%	0%	17%	23%	33%	33%
Illinois	7%	12%	5%	33%	0%	0%	0%
Minnesota	3%	4%	5%	0%	0%	0%	0%
Texas	2%	4%	0%	0%	8%	0%	0%
Georgia	2%	0%	3%	0%	0%	7%	0%
Florida	1%	0%	3%	0%	0%	0%	0%
Other	23%	28%	24%	17%	23%	13%	33%

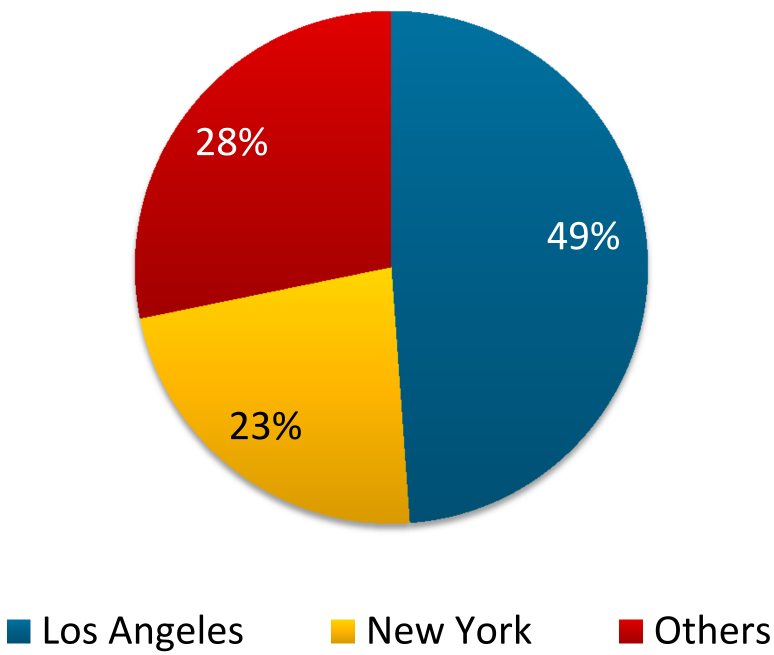
Q49: Which of the following locations do you have offices?

Headquarter Location

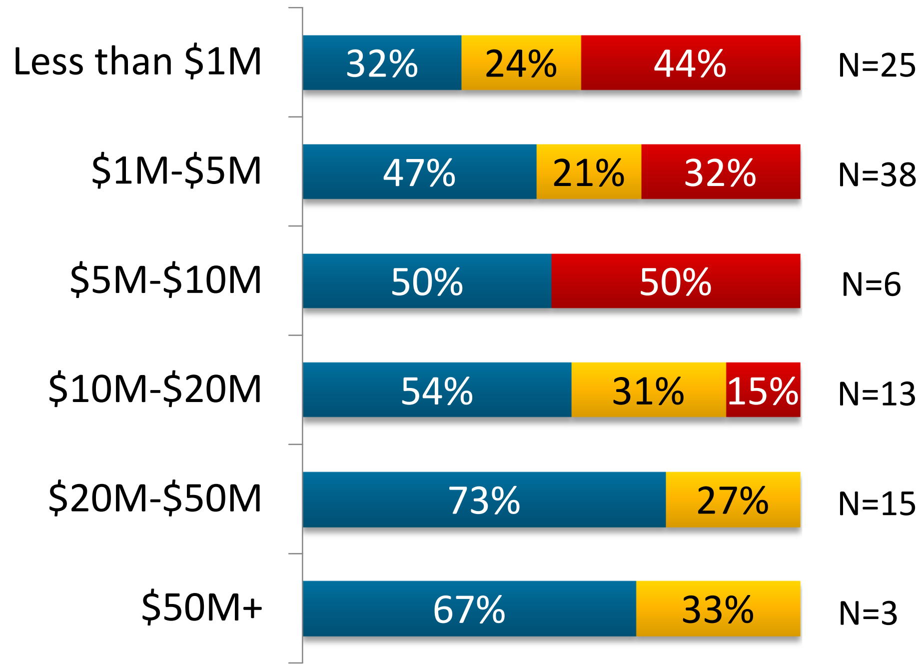
Data and Analysis by
Resolve Market Research

Almost half of the companies are headquartered in Los Angeles.

Total



Sales



N=100

Q47: What city and country is your company headquartered?