

THE PEOPLE'S REPUBLIC OF ANIMATION

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After finishing university, Eddie White, James Calvert and Hugh Nguyen decided to launch their own venture, The People's Republic of Animation (PRA), which specialises in creating animated content and characters for TV commercials, video games and films.

The trio had been creating animated films since the age of 14, and after partnering with friends Brodie McCrossin and Sam White they formed their own production company in 2003.

In five years, PRA has established itself as one of Australia's most promising animation studios with an expansive portfolio of award-winning work.

Recently, it won an AFI Award (Australian Film Institute) for Best Short Animation for their short, *The Cat Piano* (2009), which was one of 10 short animated films up for nomination at the 2010 Academy Awards.

In the following interview, producer and managing director Sam White explains PRA's strategy for growth.

How would you describe your business model?

We create fee-for-service animation work for advertising agencies and production companies, and since 2006 for video game developers. We use the same skills for all clients, which means we've diversified our revenue stream without having to change our business model.

We're also developing feature films as part of our long-term goal to build up our Intellectual Property, and we have three scripts in development. The ratio of fee-for-service work to IP development is probably 90:10, but this will shift as we get our films up and running.

How did you calculate the risks/returns of setting up your studio?

We had zero capital, so it took a couple of years of blood and sweat before we were able to give up part-time jobs to work full-time at PRA. We quickly realised we had to use our skills to make an income. I joined the company in its infancy to help raise funding from the Australian Film Commission (now Screen Australia), the South Australian Film Corporation (SAFC), and to find fee-for-service customers.

How did you secure your first clients?

We entered our work into festivals, awards and competitions to build our profile and generate publicity. We secured our first grant from the Australian Film Commission, even though we had a tiny portfolio of work. A lot of people complain about what the government's not doing right, but we've always aimed to make the most of what's out there in terms of grants and mentoring from Screen Australia, SAFC and organisations such as the Adelaide Film Festival, one of the few festivals in the world that actually commissions films.

Then it was about face-to-face marketing, getting to know potential clients and building up trust. When we got the chance to work for a new client, we would aim very high to please them. We still do. Word-of-mouth makes a big difference.

Your company has grown from 5 staff to more than 10 in 5 years. How have you managed that growth?

Having five Directors at the helm can be challenging, but all of the partners have found their own roles. Eddie White and Hugh Nguyen are responsible for developing our intellectual property; James Calvert and Brodie McCrossin are more hands-on in executing our animations for advertising agencies and games developers. As Managing Director I am involved in all areas of the company – except the creative ideas!

We have four full-time and one-part time employees, and a team of 5 to 10 contractors. We put a lot of time into our hiring and management process, especially after having learnt some hard lessons about not hiring or managing well. We have a high bar of internal quality when it comes to our work, which also drives people to perform and improve on each production.

How do you measure your company's performance?

Being nominated for awards is a major success indicator for us in terms of the actual craft of what we do. Financial indicators such as sales, profitability, and repeat business from our clients are of utmost importance to us as a commercial entity.

We have a monthly board meeting when we go through our accounts and forecasts. We strive to keep our fee-for-service work steady to assist us in developing scripts as part of our longer-term vision.

Is there anything you could have done differently?

If I had to start a company again from the ground up, I'd want to start with capital, I'd want to know exactly who my customers are, and I'd be very careful about choosing my business partners. We started in reverse by having five (originally 6) people who wanted to make animations as a company, and we worked hard to make the business work around our goals and talents. It's taken a little time to get the model right.

What trends are driving your business?

We think demand for video games will continue to increase steadily, and digital distribution will continue to transform the industry. Budgets for TV commercial productions are declining, however animation can offer a good value proposition as an alternative to live-action commercial production, so this is an area we hope to build on. We also hope to see bigger demand and budgets for digital platforms.

Why have you expanded into short films, mobile content and feature film developments?

Fee-for-service companies sit at the bottom of the value chain, beneath advertising agencies and video game developers, for example. When we launch our own feature films, we'll own part of the intellectual property and we'll build film brands that become franchises themselves and can be licensed to other formats such as video games and merchandising. This will provide a more secure revenue base for our company to build on.

How did you find the funds to create *The Cat Piano*?

'*The Cat Piano*' was a poem written by our Creative Director, Eddie White, who started developing it as a short film with our Art Director, Ari Gibson. Nick Cave liked the poem and agreed to come on board as narrator.

From there the project struggled to get produced around our paid work, so we decided to apply for funding. To be honest, I didn't want to make *The Cat Piano* when we did because there was no commercial return and it was quite soon after some of our other self-funded projects. But the BigPond Adelaide Film Festival and South Australian Film Corporation came on board, and the film has been a big success.

How are you expanding your business overseas?

In 2007 we made a short film called 'Sweet & Sour' with the Shanghai Animation Film Studio as a test project to see if we might work together on a larger scale. I'm sure we'll be working with Chinese and Indian companies in future.



What are the key challenges your business will face looking forward?

The next couple of years will be a turning point for us. Our biggest challenge will be getting our first feature film off the ground, which will change the game for us.

We're also looking for a production company to represent our advertising services in Sydney or Melbourne, as well as the United States and Europe.

We're balancing the urge to grow really fast with adding staff responsibly and growing steadily. Our first priority is our staff, then our clients – we will invest in the development of our own films without jeopardising anyone's jobs or salaries and will continue to deliver world-class service to our clients. Eventually, we'll set up a base in Sydney, Melbourne or the United States, but we'd like to secure some capital to fund our expansion.

AT A GLANCE

Name: The People's Republic of Animation

Location: Adelaide

Sector: Animation/ Production

Launch date: 2003

Directors: Eddie White, James Calvert, Hugh Nguyen, Sam White, Brodie McCrossin

Total staff: 10

Production services: TV commercials, video games, short films, feature films

Milestones: 2009 AFI Award for Best Short Animation; Inside Film Awards (Carnivore Reflux, 2006; The Cat Piano 2009); Sony Tropfest Finalist, 2006; Animation *CREATIVE* Hotshop of the Year 2009.