

## **Annex B. Organisational requirements for the PSP**

### **MTM London**

#### **B.1 Introduction – Ofcom’s views on the PSP’s operating model**

In its discussion document, Ofcom sets out its views on the potential operating model for the Public Service Publisher (hereafter, the PSP), in order to inform and encourage debate on “*how the PSP might deliver most effectively on its public service mission in the wider digital market*”.

Although Ofcom stresses that it is not seeking to “*pre-judge any operational decisions*”, the discussion document clearly sets out a vision for the PSP as a publicly-funded organisation focused on commissioning a diverse range of high reach and impact digital media projects that deliver the purposes and characteristics set out in Ofcom’s 2004-5 Review of Public Service Broadcasting and in the PSP discussion document. The new organisation will work with a “*heterogeneous chain*” of creative companies and partners across the public and private sectors to develop and deliver projects.

Ofcom suggests that the new organisation could have an annual budget of £50-100m from its inception, but stresses that the PSP should not seek to establish a significant in-house production resource or to set up its own distribution platform: “*Investment in technology platforms would be expensive and would draw the PSP away from its core remit to ensure the delivery of new forms of public service content*”.

#### **B.2 Organisational requirements for the PSP**

The PSP’s operating model must enable it to commission a wide range of public service projects in a complex, dynamic digital media market. This will involve taking account of three important requirements (described in more detail below):

1. Succeeding as a cross-platform commissioner of public service content
2. Delivering value-for-money as a publicly-funded organisation
3. Working with partners to deliver the PSP’s remit

#### **B.3 Succeeding as a cross-platform commissioner of public service content**

As a creative commissioning organisation with no significant in-house production capability, the PSP will be wholly dependent upon its suppliers and partners to develop, deliver and – in some cases – manage services that meet its remit and requirements.

The PSP will need to be able to select and work effectively with many different creative and technical suppliers, encouraging collaborations and helping to ensure that commissioned projects deliver on the purposes and characteristics of public service content.

Given these demands, the PSP will need to address three key issues to succeed as a creative commissioner of public service content: it will require extensive editorial, technical and creative commissioning skills, a clear strategy for supporting the supplier community, and a strong brand and supporting infrastructure to deliver reach and impact.

## *Succeeding as a creative and technical commissioner*

The PSP will be operating in fast-moving, dynamic markets in which the expectations and behaviours of consumers are changing rapidly. Digital media projects can be significantly more challenging to commission than television programmes, and many of the projects that the PSP seeks to commission will be ambitious, large-scale undertakings. Even smaller projects will be seeking high-reach and impact with their target audience and may require considerable commissioning support.

Unlike television commissioning, the PSP will be investing in covering both the upfront and ongoing operational costs of projects, giving them an opportunity to develop and evolve over time like new channels. Many PSP services may themselves commission content from other suppliers. Given its finite funding budget, it is likely that the PSP will need to develop an exit or succession strategy for each project, allowing it to free up investment for new projects.

To succeed as a creative commissioner of innovative public service content will require access to a wide range of skills and capabilities, including:

- A strong **editorial vision** and an understanding of the purposes and characteristics of public service content and services – the PSP will need to develop a co-ordinated commissioning strategy, avoiding duplication and, in some cases, choosing between different projects
- An in-depth **understanding of the audience** across the wider digital market and the ‘media neutral’ perspective and experience to work on cross-platform projects, using the right mix of media to deliver services with reach and impact
- The **creative commissioning skills** required to develop and commission a diverse range of ambitious, innovative projects from a broad set of creative suppliers and partners, selecting the best proposals and projects to deliver the PSP’s remit. This is likely to be an involved process – the PSP’s commissioners will need to manage a development slate of ideas and proposals, helping to **originate new ideas** which can be developed by producers and working closely with writers and producers to **develop and improve** proposals, wherever they have come from
- The **analytical capabilities** required to assess the business and service requirements of commissioned services, ensuring that projects deliver value for money and have been properly scoped and costed. For many projects, this will be challenging – the costs of new media projects are often difficult to anticipate and can vary significantly for a wide range of reasons
- The **editorial skills and abilities** to provide input, as required, into the development and production process. Clearly, many creative partners and suppliers will not require support – however, it is likely that the PSP will seek to work with a wide range of different creative partners with varying levels of experience, some of whom will require support – this might involve:
  - giving **creative feedback** throughout the process, potentially acting as a ‘sounding board’ for the delivery team commissioned by the PSP
  - providing **trouble-shooting support** and production advice on logistics, budgeting and other areas

- advising on the use of on- and off-screen talent and helping to **manage talent relationships**, as required
  - reviewing creative work and providing feedback to ensure that projects reflect the characteristics and purposes of public service content
  - providing **quality control** support, drawing upon an understanding of what works well with audiences across different platforms
  - monitoring existing commissions and long-running services to ensure that they remain relevant, ‘fresh’ and compelling
- The skills and abilities to deliver a flexible technical framework that empowers developers of content and functionality

### *Supporting the supplier community*

The PSP will be dependent upon a healthy, mixed ecology of producers, developers and creative partners to deliver a diverse range of high-quality original services that are innovative, experimental, educative, distinctive and diverse across all genres and programme areas.

Clearly, the production sector is developing rapidly and a growing number of companies are developing strong track-records in delivering cross-platform projects involving digital content.

However, cross-platform and digital content production is a specialist area requiring professional skills and training, experience and expertise. It is extremely difficult to deliver high-quality services – the churn rate of ideas is often high, execution can be difficult and many production teams are temporary, coming together only for the period of the project.

Although many production skills are transferable between genres and platforms, others are not. As a result, there are significant skills-related and experience-related barriers to mobility that limit the movement of strong creative companies between genres and platforms – very few companies have a strong track record of working successfully on many different projects across multiple platforms. In general, those that do tend to be larger, more commercial companies focused on high-value areas – they are often well-resourced, with in-house development teams and have often developed new capabilities by acquiring companies with specialist production expertise and experience in other genres. By contrast, many smaller companies have experience primarily in one genre or one platform and are still developing their skills and capabilities of working on other platforms.

As a result, the skills and capabilities required to develop innovative high-reach projects are often in short supply and are unevenly distributed across the production sector. Many of the projects commissioned by the PSP will be ambitious, requiring innovative partnerships between different companies. Although innovative projects can often emerge from collaborations between different suppliers, these types of partnerships can increase the complexity of delivering projects.

Given its ambitious remit, the PSP will need to work hard to nurture the base of suppliers who will be commissioned by the organisation, actively encouraging producers to work across different genres and platforms and bringing new approaches and perspectives to the market to deliver reach and impact.

This is likely to involve a significant investment of time and resource, identifying, nurturing and supporting talented individuals and companies.

The PSP's support for partners and suppliers could take a variety of forms, including:

- creating opportunities for companies to develop smaller-scale projects for the PSP and to try out new ideas and genres
- supporting the careers of talented production staff, matching talent with companies and projects, and supporting talented individuals
- helping to build partnerships and facilitating collaborations between production companies with differing areas of expertise
- matching creative companies with delivery partners to support commissioned projects
- using development funding, output deals and long-term contracts to provide small and medium-sized production companies with the security to develop new capabilities

In addition, the PSP will need to work across the UK's nations and regions, establishing a network of relationships with suppliers and partners across the UK, taking steps to avoid any London-bias. It will also need to work with a wide range of existing organisations involved in the development of the production sector, including (for example) Pact, SkillSet, Creative & Cultural Skills and RDAs.

#### *Developing a strong brand and infrastructure in order to deliver reach and impact*

In order to succeed the PSP will need to deliver reach and impact, building and maintaining audiences across the full range of its content offerings. Certainly, all large-scale commissioned projects should have their own marketing and distribution strategies to ensure that they reach the widest possible audiences. In particular, access to mass media linear channels to cross-promote PSP content should be an integral part of these strategies where appropriate.

As the BBC and other public service broadcasters have demonstrated, television – used appropriately – can play an important role in alerting consumers to the availability of new services, as well as encouraging participation and engagement with online services. The PSP must not become a new media 'silo', but should commission projects that use the right mix of media to deliver reach and impact.

In its discussion document, Ofcom suggests that the PSP's brand should serve as a 'facilitation' brand rather than a consumer brand, but also that the PSP should restrict its marketing role to helping to 'showcase' content. At a minimum, according to Ofcom seek to commission projects that this could involve establishing a PSP 'watermark' logo that would be associated with commissioned projects, allowing each project to develop its own standalone destination and 'master' brand. This might involve the PSP operating solely as a grant-making body, like the Big Lottery Fund or Arts Council, allowing commissioned projects to develop their own brands and marketing strategies within certain minimum guidelines.

However, our view is that it is likely that the PSP will need to do more than this to deliver successfully on its remit. A facilitation brand along the lines suggested by Ofcom is unlikely

to have the desired impact – for example, it is not clear that the logo that designates National Lottery funding for films, which might also be termed a facilitation brand, has any impact on cinema-goers' decisions. It is likely that a common destination site and consumer brand identity would be more effective in helping the PSP to build audiences and leverage traffic between commissioned projects and across channels.<sup>1</sup>

It is likely that the PSP will need to establish a strong brand if it is to be successful in promoting its offer to consumers, as a series of unrelated sites will struggle to achieve consistent cut-through in a crowded marketplace. The PSP brand will need its own distinctive identity, standing for something, and communicating a set of expectations and values to consumers. At a minimum, there should be a strongly-branded editorialised web site that links to all of the PSP's projects. The site will need to be more than simply a collection of URL links – it should take advantage of the latest web technologies to encourage participation and engagement with the projects commissioned by the PSP and to effectively promote the services it commissions. The PSP's site might also host content feeds from projects, RSS and Atom subscription services, email newsletter sign-ups and other services supporting the distribution of PSP projects. The PSP's site could be incorporated into an existing site operated by the organisation running the PSP, potentially providing access to an existing brand and existing audience and creating additional opportunities for cross-promotion.

It will also be important for projects commissioned by the PSP to meet certain standards, commensurable with the promise of the brand. This will help to create a loyal, engaged audience for commissioned projects, increasing reach and impact. Clearly, it will be important for the PSP to encourage innovation across the market. However, it might make sense to establish a set of common approaches to structuring, organising and labelling content to support navigation, usability, accessibility and discoverability. These approaches or standards – sometimes referred to as the information architecture of a service could contribute to a more coherent and consistent user experience between services. The lack of a common approach (or approaches) to information architecture would be likely to lead to significant variations in the discoverability, usability and accessibility of commissioned projects, reducing the quality of the consumer experience and potentially making it harder for PSP projects to achieve reach and impact. There is no reason why adopting a common approach should impede innovation, prevent individual projects from developing their own brand identities or limit the ability of the PSP to work with a wide range of distribution partners.

Given all of these challenges related to succeeding as a cross-platform commissioner, it is likely to take a considerable period of time to establish the new organisation and to ramp up to £50-100m of expenditure, suggesting that a staggered roll-out over several years might make more sense. Moreover, many of the skills and capabilities that the PSP will require are in relatively short supply in the UK market – this may make it challenging to establish the PSP without recruiting experienced commissioners and other personnel from existing public sector organisations, potentially weakening their abilities to deliver their own public service remits.

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<sup>1</sup> In this sense, the analogy with the 'Intel Inside' brand is informative. Intel's marketing established a powerful brand and communicated to PC buyers that the company's processors provided better performance and reliability. However, the heart of the 'Intel Inside' campaign was an incentive-based cooperative marketing programme available to PC manufacturers who used Intel's processors: the fund offered to cooperatively share advertising costs for PC print ads that included the Intel logo. The benefits were clear: "*Adding the Intel logo not only made the [PC manufacturer]'s advertising dollar stretch farther, but it also conveyed an assurance that their systems were powered by the latest technology*" (Source: Intel – *Intel Inside: Anatomy of a Brand Campaign* at [http://www.intel.com/pressroom/intel\\_inside.htm](http://www.intel.com/pressroom/intel_inside.htm)). In other words, Intel's brand was much more than just a facilitation brand – it helped to grow the overall PC market by increasing the industry's overall spend on advertising, and was targeted as much at PC manufacturers as at consumers.

## **B.4 Delivering value-for-money as a publicly-funded organisation**

As a publicly-funded organisation, the PSP would be under considerable pressure to commission projects that deliver value for money. To some extent, its ability to do this will depend upon its ability to adopt an operating model that minimises duplication and allows it to exploit economies of scale. At a minimum, this is likely to involve three key capabilities: a flexible technical infrastructure, strong service management and technical delivery skills, and business and administrative expertise.

### *A flexible technical infrastructure*

If the PSP were to operate solely as a grant-making body, it is unlikely that it would require any significant technical infrastructure or framework of its own. All projects funded by the PSP in this model would be commissioned, developed and hosted independently and externally. This appears to be the approach favoured by Ofcom, when it suggests that *“it is not envisaged that the PSP should be set up as a distribution platform in its own right”*.

However, this approach is likely to be unsatisfactory – it would significantly reduce the ability of the PSP to realise (potentially significant) economies of scope and scale between projects (e.g. in video streaming) and is likely to lead to duplication in investment between commissioned projects, which may build similar tools or applications. It would also increase the costs of delivering smaller projects. Ultimately, it would reduce the PSP’s content commissioning budget and limit its ability to deliver value for money.

At a minimum, a PSP seeking to publish under a consistent brand identity and information architecture is likely to require a comprehensive set of standards for site design and management. The PSP might also develop a service-oriented framework that balances the need for flexibility with the need for common applications and tools that deliver consistency and empower partners. This framework could range from a set of common templates to common tools and APIs for registration, search, messaging, content management and media streaming. There may also be opportunities to achieve significant economies of scale in hosting and streaming. A well-designed framework could empower rather than restrict developers, especially smaller companies, by providing access to tools and functionalities that might not otherwise be available. It could also allow smaller-scale projects to be delivered more cost-effectively.

This does not imply that all PSP projects must be developed, hosted or distributed from a single platform. The PSP should adopt a flexible approach to commissioning projects, using open standards, working with partners to maximise the reach and impact of projects through wide distribution, and assessing the best approach for commissioned projects on a case-by-case basis.

### *Strong service management and technical delivery skills*

Given the complexities of managing multi-party initiatives and new media projects and the ever-present danger of significant cost overruns in these types of projects, the PSP organisation will need strong service management and technical delivery skills. The nature of this resource will vary depending upon the volume and characteristics of the projects commissioned by the PSP. However, at a minimum, the PSP is likely to require:

- An in-depth understanding of the **technology environment and technical requirements** for service management and delivery
- The **technology skills** required to maintain any platforms, tools and environments developed by the PSP and to work effectively with suppliers and partners, many of whom may have limited experience
- The **(technical, non-technical) project management skills** required to support the successful delivery of projects by external companies and partners. Most medium- to large-scale projects are likely to require some dedicated internal resource within the PSP, even if the PSP adopts a 'hands off' operating model, to manage the risks associated with delivering publicly-funded projects and to support new and potentially less-experienced creative companies

The PSP will also need to cultivate these skills and capabilities within suppliers, where they do not already exist.

#### *Business and administrative expertise*

The PSP will be a publicly-funded organisation accountable for a large commissioning budget. In some cases, it may also seek additional funding for particular projects from other public and private sector organisations. It will be under considerable pressure to manage its costs carefully and to deliver value for money. As such, the PSP will require:

- Strong **financial management skills and – potentially – fund-raising capabilities**, with a reporting and audit function. These skills will be particularly important given the accountability standards around the expenditure of public monies
- A **business affairs, legal and regulatory team**, with an in-depth understanding of the various innovative rights arrangements and commercial models that might be involved in different projects, and of relevant legal, contractual and regulatory frameworks
- **Strong central operations**, including business support functions such as HR and IT, and a performance management framework to ensure that the PSP and its overheads are managed cost-effectively

It should also be possible to realise significant economies of scale if some or all of the PSP's business and administrative needs are incorporated into an existing organisation with expertise and assets in these areas.

## **B.5 Working with partners to deliver the PSP's remit**

A central requirement for the PSP will be the ability to develop and manage partnerships with a wide range of public and private sector organisations, many of whom will be involved in the development, delivery and distribution of projects. This is likely to include relationships with:

- public sector, creative institutions and 'third sector' organisations (e.g. Skillset, Creative & Cultural Skills, regional development agencies (RDAs), learning and skills councils (LSCs) and e-Skills)
- production companies
- digital content companies
- design and build agencies
- creative companies and marketing specialists
- technology companies
- distribution partners such as mobile operators, online portals and television broadcasters

The PSP will be strongly involved in helping to build consortia to deliver particular projects. These projects are likely to vary widely – they will have different target audiences, will make use of different media platforms, will have different durations and will involve different creative companies.

As a result, it is likely that the PSP will need to work with a wide range of partners to deliver different projects and to maximise reach and impact. For example, the PSP might collaborate primarily with the major social networks to deliver a project targeting 14-19 year olds, but might work primarily with mobile operators to achieve wide distribution for a multi-part short-form interactive drama. The PSP will need to maintain the flexibility to work with the widest possible range of partners – its operating model should facilitate this.

A crucial component of the PSP as a public service fund will be the requirement to make all of its content available as widely as possible on all platforms. This implies that the PSP should not be operated by a consortium involving distribution partners such as mobile operators or online networks – this might make it more difficult for the PSP to work with the widest possible range of partners to maximise the reach and impact of particular projects. Similarly, the PSP will probably not want to enter into exclusive distribution relationships – it should seek the widest possible distribution for any service. It is unlikely that a PSP management consortium involving a mobile operator or online portal would have a completely agnostic approach to including potential competitors in various PSP projects. As the PSP would also be expected to commission content from the widest range of suppliers to ensure plurality, this also means that it might be inappropriate for individual production companies to form part of the PSP consortium.

If it has a strong brand identity, the PSP should be well-positioned to establish sustainable distribution relationships with many of these organisations, co-developing projects with them and matching them to new projects when they emerge. The BBC's distribution relationship with YouTube illustrates how this might work.