

4. PRODUCTION OFFER

4.1. INTRODUCTION

A production offer from an independent Production Company consists of a production budget, a bid letter, a director's treatment, and a production back timing.

Each offer is based on the most recent version of the briefing created in the BCP Production Briefing Tool, completed by the designated individual from the Advertiser or their Communication Agency.

If no briefing is created in the BCP Production Briefing Tool, the offer from the independent Production Company cannot be considered final, and the Production Company reserves the right to finalize their offer after discussing specifications with the Advertiser or Communication Agency.

4.2. PRODUCTION BUDGET AND LUMP-SUM OFFERS

Production budgets made before the availability of the director's treatment are considered estimates based on the provided information, script, or storyboard from the Advertiser or its Communication Agency and may be subject to change.

If there are any changes to the briefing after it has been submitted to a Production Company, the company will be notified and given the option to incorporate these changes into their submitted offer. Updating the briefing in the BCP Production Briefing Tool will automatically notify the participating Production Companies.

The Production Company aims to adhere to the budget indication from the Advertiser, provided it is realistic. If the budget indication is not feasible, the Production Company will inform the Advertiser or Communication Agency as soon as possible.

It is important to note that at this stage, it is particularly challenging to provide an accurate quotation that covers all aspects of production. If additional location recce or research is required to make a precise offer, the Advertiser or its Communication Agency will cover the associated costs.

In the advertising industry, Production Companies create lump-sum offers that cover all complex production processes. Producers request and estimate third-party services as close to market conditions as possible to secure the order. These third-party services, which are temporary items for the producer, constitute the majority of the budget.

This approach provides several advantages:

- 1. Predictable Costs:** Clients know the total cost upfront, making budgeting easier and avoiding surprises.
- 2. Simplified Management:** Fixed offers eliminate the need for ongoing cost tracking and adjustments.
- 3. Efficiency Incentive:** Producers are motivated to save money since any savings increase their profit.
- 4. Clear Boundaries:** A fixed amount sets clear project expectations, reducing disputes over extra costs.

Advertisers prefer lump-sum offers for the financial stability and simplicity they offer. The spending of the lump-sum offer is entirely at the discretion of the production house and it's important to understand that it is not possible to negotiate costs downward after the agreement; the fixed amount is set to manage the creative process's inherent uncertainties. This understanding makes lump-sum offers the standard practice in the international industry.

Conversely, detailed production budgets break down every cost item separately, providing transparency on individual expenses and their prices.

The Production Company is free to select its subcontractors (suppliers and crew/personnel) to ensure that the Production Company and its director can make appropriate creative decisions to deliver the commercial or branded content at the highest quality, based on the agreed approach. The production budget and all associated cost items are accurate and market-conforming for all parties involved.



If a Communication Agency is involved, it will inform the independent Production Company in advance of any internal agency costs that need to be included in the production budget. These costs will be transparently listed in the budget.

All offers specify the period for which they are valid at a given price, with additional charges applicable for unforeseen circumstances. Any supplementary costs will be discussed with the Advertiser and/or Communication Agency beforehand.

A production offer is considered complete only when it includes a quotation for pre-production, production, and post-production. Post-production is a crucial and integral part of the production process, and BCP recommends that the independent Production Company includes all aspects of post-production in their quotation, including sound design, voice-overs, and music as well. This approach allows the Production Company and its director to oversee the entire process, ensures clear communication, and guarantees the quality of the outcome.

A production offer is considered final when based on the latest version of the briefing created in BCP Production Briefing Tool and the director's treatment.

4.3. UNDERSTANDING MARKUP

Background and transparency

Advertising film production has a long tradition of using detailed budgets with a separate markup. These budgets show the resources and services needed for the production, such as crew, talent, locations and equipment, alongside the markup added by the Production Company.

This is a transparent way of presenting an offer. It helps Advertisers and Communication Agencies understand how the budget is built, how creative choices affect costs and what is included in each proposal.

Purpose of the markup

A Production Company does more than book and pay suppliers. It brings together the people, knowledge and organisation needed to prepare and deliver the production.

The markup helps cover the costs of running the company that are not charged directly to individual projects. These include preparing pitches and budgets, developing new business, office costs, permanent support staff, administration and financial management. It also allows for the risks taken by the Production Company and the possibility of making a profit.

Production involves risk

Producing a commercial is not an exact science. Every project is different and combines creative work, people, equipment and practical challenges. Even with careful planning, the work may require more time or resources than expected.

Difficulties during filming, technical problems or more complex post-production work can affect the cost of delivering the agreed result.

Under the lump-sum offer described in Section 4.2, the Production Company agrees to deliver the specified work for an agreed price. It carries the risks assigned to it under the contract. Extra costs that fall within its responsibility can reduce or even remove the expected profit. Changes to the agreed work and risks covered by separate contract terms are dealt with according to those terms.

Markup is not net profit

The markup shown in a budget is therefore not the Production Company's net profit. It helps cover general business costs and production risks, as well as providing a financial return.

Markup is added to a cost base. Net profit is what remains after all relevant expenses have been paid. The markup in the original budget does not show how much profit the company will ultimately make.

4.4. RULES FOR EVALUATING OFFERS

Once the advertiser and/or its communication agency has received comparable competitive offers, the following rules apply:

- >> Each offer will be handled with strict confidentiality, and under no circumstances will details of any proposal be communicated to competitors.
- >> Each offer will be evaluated based on all relevant factors—not just the price—before deciding to award the production to a Production Company (e.g., director's treatment, number of shooting days, locations, talent, directors and Production Company's portfolio, etc.).
- >> If a Communication Agency is responsible for organizing the bid, the agency will present all offers to the Advertiser along with their recommendation of the independent Production Company and the associated director.

Before awarding the production, the Advertiser and/or the Communication Agency will ensure that the Production Company meets the professional standards and possesses the necessary resources to execute the production to the highest standard.

The final details of the collaboration are defined before production starts, ensuring the awarded Production Company receives written confirmation before any money is spent.

If none of the independent Production Companies meet the expectations regarding the director's treatment and/or production budget, a discussion will take place between the involved Production Companies and the Advertiser or its Communication Agency to identify a market-conform solution. This may include adjusting the production budget or revising the creative concept, either on the side of the Production Companies or by the Advertiser or its Communication Agency.

If the Advertiser or its Communication Agency has prior doubts about the production budget estimate, they may request a ballpark figure (rough price indication) from a few Production Companies before initiating the pitch.

