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Digital Drive
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 By Terry Murden and Kristy Dorsey

AS THE closing credits roll for Scotland Today on Wednesday night, the presenters and backroom staff will be left wondering who may be calling the shots in the newsroom in the months ahead.

The government will this week announce the preferred bidder to run Scottish Television news for the next two years and two consortia are head-to-head in the process to secure £8 million of government funding to subsidise the service.

Johnston Press, which owns The Scotsman Publications, has joined forces with D C Thomson, the Herald & Times Group and television producer Tinopolis to form the Scottish News Consortium.

It is competing with the incumbent STV which has teamed up with ITN and the German magazine and radio group Bauer Media which owns Radio Forth and Clyde. They have formed the Scottish News Network. The two consortia represent a new broom sweeping through the media and creative industries as the digital revolution takes hold and companies seek new ways of developing revenue streams.

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The digital media sector has ushered in a new generation of growth companies, sprinkled among the established big-hitters, who now represent an industry being backed by both the Westminster and Holyrood governments as a source of new jobs. With much at stake, it is the cross-media attractions that provide opportunities for all concerned as selling through one media becomes an increasingly difficult proposition.

The Department of Culture, Media and Sport will announce the winner of the Scottish television franchise on Thursday but the timetable for signing the contracts will be tight. There has to be a ten-day cooling off period and no contracts can be signed after a General Election is called, which is likely to be some time in early April.

The winner has to sign two contracts: one with the DCMS and the other with STV for the use and transfer of resources. There is speculation that Labour would want the DCMS contract signed quickly to try to scupper Conservative plans to scrap the process if the party comes to power.

There is some concern that the political party debate could obstruct the sector's development and an overwhelming need for media companies to find important sources of income as consumers develop a taste for alternative ways of accessing news and information. It also comes at a time when all commercial media are feeling increasingly threatened by the might and commercially neutral power of the BBC to move into this domain.

Ofcom initiated the regional news bid process after ITV expressed concern that it could no longer afford to finance it. There are pilots in two other regions: Wales and the Tyne-Tees/Border region, each qualifying for a £6m subsidy. Johnston Press is competing for the latter in a consortium that includes ITN, Bauer and Newsquest. It is up against Trinity Mirror. If the pilots prove successful the government has said it will roll out the process across the UK.

But the Conservative party has said it would scrap it and ITV, now under new management, has hinted it may want to reverse the plan. However, Scotland is not part of ITV plc and is likely to go ahead anyway.

For newspaper organisations the digital revolution represents an opportunity to broaden the news offering into broadcast and web applications. If the Scottish News Consortium was to succeed Scotland Today would be rebranded Scotland First and would be tied into a one-stop website that would have links to other brands within the consortium's portfolio as well as providing a wider advertising platform. In this multi-disciplinary environment, editorial staff working in print would be offered training in the use of cameras and possibly the opportunity to work on screen. Essentially, it would finally break down many of the barriers between technologies.

The digital media sector is now taking off in Scotland and was given a further lift last week when the television duo Phil Spencer and Kirstie Allsopp, the presenters of Channel 4's Location Location Location chose to locate their new business Raise The Roof in Glasgow.

They have been working out of the city for a number of years with locally based IWC, the company formed by the merger of Muriel Gray's Ideal World and Wark Clements, now part of RDF Media.

When Allsopp and Spencer decided to set up their own company to produce reality shows it didn't prove too difficult to stay put in Glasgow which is becoming a key hub in one of Scotland's growth sectors.

"Ten years ago we may have gone to London, but now some of the best companies and talent in the UK are flourishing on our doorstep," a spokesman for the company said. "Edit 123, Arc and M8 are brilliant post production houses, and Iso has a great design team. We know there is a breadth of talent available in Glasgow and we want to be part of what feels like a creative renaissance."

Glasgow is one of three points in the so-called "triangle" of Scottish digital media expertise that runs from the banks of the Clyde east into Edinburgh, then north up to Dundee and the surrounding Tayside area. Industry leaders are keen to further bolster what is already a high-growth sector in a bid to lead Scotland out of recession and into the forefront of the new economic age.

Latest figures from Scottish Enterprise estimate that some 42,000 people are employed across the country's digital media industries, which include companies working in design, advertising, mobile technology, interactive software, remote learning, gaming, the internet, broadcasting, film, video production, music and publishing. Scottish firms in these sectors had a combined annual turnover of nearly £3.2 billion in 2006.

Channel 4 director Stuart Cosgrove, who chairs the Scottish Government's digital industries advisory group, argues that the sector will continue to grow without intervention. However, he adds that failure to build upon Scotland's strengths in digital media would represent a lack of ambition.

"An aspiration we have always harboured as a culture has finally come of age," he says. "Creativity and technology are now more closely aligned, and that is an opportunity that Scotland cannot fail to exploit."

With that in mind, the Digital Media Industry Advisory Group headed by Cosgrove is arguing for a "step-change" in the industry's performance. It has set a massive target to double the Scottish sector's turnover to £6.5bn by 2012, well outpacing the overall industry's anticipated growth of 7 per cent per annum for the next couple of years.

Achieving this will require overcoming a number of obstacles, including the lack of large "champion" firms with global kudos. Such companies are not only able to leverage and maintain more value from what they produce, but also bestow credibility upon the broader sector, and help open up access to wider markets.

There are also questions centring upon the growth ambitions within many Scottish-based firms. Industry experts note that many digital media start-ups find it difficult to expand beyond 20 employees, though some of this is undoubtedly linked to a lack of readily available funding.

Though online games specialist Realtime Worlds enjoyed critical and financial success from the 2007 launch of its Crackdown title, the Dundee firm was forced to raise more than £48m in external funding to finance development of the forthcoming APB (All Points Bulletin) due out this spring. Most of that cash came from US investors.

It is a recurring theme within the industry. Greig Tosh, managing director of Edinburgh-based digital design agency CIVIC, says it was difficult for Scottish-based firms to fund their ambitions even prior to the latest economic downturn.

"One of the biggest challenges is investment," says Tosh, whose company was founded in the wake of the bursting dot.com bubble of 2001. Given the circumstances at the time of its launch, CIVIC has as a result grown organically to its current turnover of £1.5m and 25 staff.

"Specialist investors in Scotland who understand the sector are few and far between," Tosh adds.

There are other obstacles, such as the Scottish sector's weak presence in the distribution of digital content. The government's advisory board would also like to boost the number of digital media platforms owned or managed from Scotland, a move that would increase value, but will be difficult to execute.

Increasing the number of Scottish-controlled digital platforms – the delivery mechanisms for what is widely regarded as Scotland's top-notch content – is an aggressive target that will require substantial investment of cash and resources. CIVIC's Tosh reckons this "powerful" vision can be achieved, but only if the digital sector strengthens its contacts with the "traditional" IT and software firms represented by the likes of Scotland IS. "All the pieces are there, and it just needs some kind of glue to hold it all together," he says.

Polly Purvis, executive director of Scotland IS, agrees that the "edges are blurring" between the worlds of hardware and digital. Her own sector is awaiting the forthcoming publication of a five to ten-year strategy document being finalised by Scottish Enterprise, which Purvis expects to include elements of cross-collaboration between the organisations she represents and the new digital media upstarts.

"It is very important to try to connect up those pieces of the jigsaw," Purvis says. "There is a recognition of the need, and that if we can all come together as an industry, we can go out there and paint a bigger picture to the rest of the world."

Improved collaboration between smaller firms can in the medium-term help fill the gap left by a lack of international industry leaders, says Mairi Robertson, director of Glasgow-based New Media Partners (NMP). However, creating Scotland's own version of the next Google or Microsoft remains a key element as well. "It is important, but it is not the only answer," Robertson says. "It is a combination of the two."

NMP, a digital media and technology consultancy specialist, is one of two private organisations in charge of delivering the newly-launched Interactive Scotland strategy from Scottish Enterprise. Designed to stimulate growth, innovation and collaboration across the sector, Interactive Scotland will be the focal point at a gathering of the country's digital media gurus at The Hub in Glasgow's Digital Media Quarter later this week.

David Hartley, manager of the digital markets team at Scottish Enterprise, says the industry currently does not retain enough of the value from what it creates. Two keys to improving this will be to increase Scottish firms' control over the distribution of content, while also increasing focus upon how digital material is delivered across different technological platforms.

Taking greater ownership of this intellectual property will not be an easy transition. Though Scotland's well-established gaming sector has produced notable blockbusters such as the Grand Theft Auto franchise, individual companies have to date struggled to step to the forefront in this global market.

Hartley says moving up the value chain will not be easy for Scotland's digital media companies, but it "is definitely achievable". "It won't happen in one step, but we will see more and more success stories coming through," he predicts.

Anecdotal evidence suggests the new media industry has been holding its own through the recession, as the continuing migration to digital and relatively robust spending on entertainment has helped offset the downturn in corporate spending and advertising. One Scottish firm that has done particularly well is Mobiqu, the Livingston-based creators of systems to deliver concert tickets and airline boarding passes to consumers via their mobile phones.

Ronnie Forbes, founder and chief technology officer of Mobiqu, says his firm has traded "pretty strongly" throughout the economic downturn of the past couple of years. He attributes much of this to Mobiqu's client base, which includes concert and event vendors, sporting franchises, airlines and cinema chains in 45 countries across six continents.

"That helped us to ride out the downturn, because we are in so many sectors in so many different countries," Forbes says.

He reckons innovations connected with iPhone and the evolution of reliable high-speed mobile data has placed mobile technology on the crest of the next economic wave. As for what the future may hold in other sectors across the spectrum of digital media, the fast pace of innovation and change makes it harder to forecast.

"It is extremely difficult to predict the next big thing," NMP's Robertson says. "All I can say is that you have got to be ready to exploit it when it does come along."