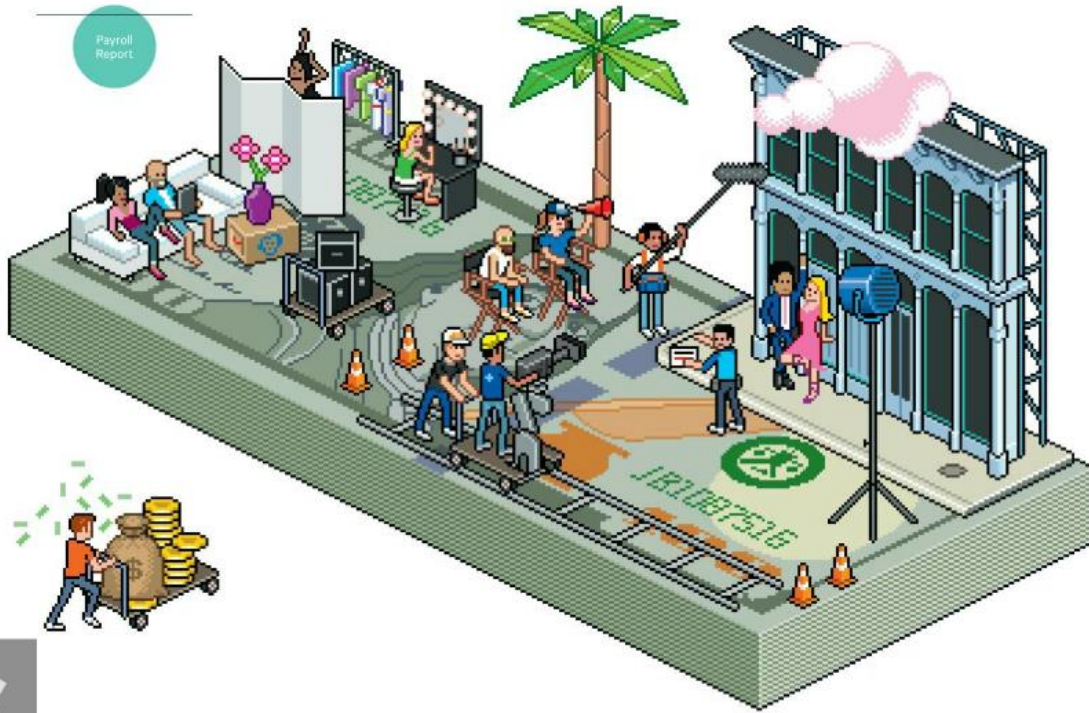


Backlot

Payroll
Report



The Check Is in the Email What took Hollywood's paymasters so long to go digital

By Ashley Cullins

Today's film studios are packed with enough technology to launch a SpaceX rocket. But off the lot, in the offices where Hollywood's checks are cut — the payroll-services companies that handle the salaries on most movie and TV productions — they're still filling out time sheets by hand on triplicate carbon paper. Or at least they were until very recently.

"The industry just wasn't ready for [digital]," says **Eric Belcher**, CEO of the Burbank-based Cast & Crew Entertainment payroll firm. "The unions weren't comfortable with it. The studios weren't comfortable with it. Change is hard for everybody."

This is particularly true, for some reason, in Hollywood, where despite the state-of-the-art equipment filling soundstages, a lot of

creatives find even fax machines intimidatingly high-tech. At least the accountants are trying to adapt, slowly turning themselves into 21st century cloud-dwelling operations. Last fall, after acquiring CAPS Payroll, Cast & Crew began rolling out its first online payroll system — as almost every payroll firm has been doing. "With the shift in generations and with technology becoming more pervasive, the time is definitely here," says Belcher. Indeed, he's already talking like a Silicon Valley tech head: "I really do think it's going to disrupt the industry quite a bit for the better."

It's certainly an industry that's due for disrupting — the ever increasing complexity of Hollywood finances is making it impossible to manage payroll without the help of

computing power. "There's no other business where 300 people get together for six weeks and spend \$100 million," says **Mike Rose**, chief strategy officer for Entertainment Partners, one of the biggest payroll firms in town. EP launched its Smart Studio online payroll platform last year, says Rose, in order to "automate the very front-line, manually intensive tasks."



Belcher

Adds **Barry Oberman**, president of Media Services, which also is upgrading to online payroll after doing it the old-fashioned way for 35 years, "The conversation when you're meeting people nowadays is less about payroll and more about technology — what tools can you provide to make the process easier?"

Of course, where there's automation, there's often job elimination, but so far that doesn't seem to be the case with payroll workers. On the contrary, says EP CEO **Mark Goldstein**, the new technology has freed up workers for other, less mundane jobs. "It's providing higher-value activities," he says. "It's focusing less on transactional types of actions and more on strategic decision-making." For example, he notes, an employee who used to spend the day at the copier watermarking documents could instead turn his or her attention to the more intensive task of monitoring compliance on tax-credit requirements. Progress!

Digital also is far more flexible, according to **John Finn**, CEO of New York-based Indiepay, which will be going paperless in the

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next 18 months. "If you want the grip's paychecks approved by the department head and then by the production manager and then by the accountant and then by the line producer, we can drag and drop the approvals around to make that happen," he says.

Another advantage: Millions of trees will be spared. The paperwork involved just for new hires on a film or TV production, for instance, used to be mountainous. Now, it all can be done with a few clicks on a keyboard. "The start paperwork is great," says Oberman. "You used to write your first name five times on a piece of paper. Now you'll only enter your information once."

And storing documents in the cloud — rather than on paper or in bankers' boxes stacked inside acres of warehouse space — could save entire forests. Plus, access to those digitized records is near-instantaneous (as opposed to the days, or even weeks, it can take to track down a paper stub). "You get more data in real time, and you can make better decisions," says Belcher. "Ultimately, it will help you save money and create efficiencies or give you a heads up if something doesn't look right."

Despite the infamous 2014 Sony hack, most payroll-service execs say they aren't too concerned about the security of digital information. Several of

the firms use Amazon's cloud service to store their data, which seems to reassure their clients.

"When you say 'Amazon,' that usually puts people at ease," says Finn. "Amazon has so much redundancy and security — even Netflix uses the Amazon cloud."

Still, for all the advantages, there are some digital holdouts. Though doing business digitally is comparable in cost to paper-based procedures, the upfront training is time-consuming. For clients, who are usually in a hurry to meet production deadlines, new procedures can be seen as a drag. "There's always a sense of urgency in Hollywood," says Oberman. "Telling a client, 'We're going to have to train your accountant,' often elicits a response like, 'I don't have time to learn it on this show. Maybe the next one.'"

Kristofer King, vice president of ABS Entertainment, which caters to independent filmmakers, says his firm is wary regarding today's technology. "We gave it a shot, and it didn't really work," he admits. In 2016, ABS tried rolling out an outside company's software program to its clients, but the learning curve was too steep. "We got pushback," he says. "It just wasn't working." Still, his company will try again, this time with software designed in-house. "Our goal would be to get some accounting and time card software in the test stages by the end of the year."



Goldstein

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Some clients are more adaptable to digital than others. Directors, for example, tend to be old-school. "They're still making call sheets on Microsoft Excel, making photocopies and handing them out on set," says Oberman. "Soon that will be sent via text. All these tools that are used in everyday life are slowly creeping into the entertainment industry."

Belcher believes the age of clients plays a big role in how enthusiastic they are about digital. "If you're training my son, who's 25, he's all about it," he says. "If you're training me, it takes longer. Even though I believe in it and I see the reason and the rationale behind it, it's more difficult for me to adapt."

In the end, though, even directors will have to step away from the Xerox machine and join the 21st century as more and more

of the paperwork goes digital. "If you're doing a shoot in the middle of nowhere in Alaska and you don't have cellphone service or Wi-Fi, you're forced to use paper at that point perhaps," says **Tim Hale**, chief talent officer at Extreme Reach (formerly PES Payroll), which will be 90 percent digital in the next two years. "Frankly, I can't really think of a downside." Within five years, he predicts, people will be questioning why paper was ever invented in the first place.

"This is going to be a very interesting thing to watch," says Goldstein. "It doesn't happen often in industries to completely revolutionize the way people work. Payroll tomorrow is going to look a lot different than it does today." **TRM**



Rose



DIRECT DEPOSIT: PENNIES FROM HEAVEN

Any actor who has ever had to look a bank teller in the eye while cashing a residual check for 30 cents should be cheering the news: SAG-AFTRA has signed a multiyear deal with a new company called Exactuals that will standardize the data regarding those teeny residual payments and allow them to be automatically deposited electronically. The union announced its approval of the service in February, and since then, payroll heavyweight Entertainment Partners has invested \$8 million in the new software startup.

Exactuals CEO **Mike Hurst** says he's so sure the industry will adopt the auto-residual deposit practice that Hollywood can take it to the bank — or not, actually. "It's all about getting rid of the millions and millions of tiny payment checks," he says. "The model we built saves studios a tremendous amount of time and money."

The program is in beta testing and could be live as soon as this summer. Hurst expects more than half of Hollywood residuals will be paid by direct deposit within 18 months of the launch. "When we roll out with SAG-AFTRA this year, we'll have the biggest union in the space and the biggest payer in the space [EP] signed up for direct deposit," he says. "So it'll be a big shift in how people are paid."

Hurst wouldn't comment on the status of negotiations with the other guilds but says that "all parties in the industry are well educated and up to speed on our progress." —A.C.