

Overseas 'Action!'

Exports of Matthews' production equipment have grown along with foreign moviemaking.

By FRANCISCO VARA-ORTA Staff Reporter

RUNAWAY production has been a real threat to Hollywood, as cheaper costs and incentives lure films and TV shoots – and all their related jobs – to other states and countries.

But at least one below-the-line business is adapting to the trend, as well as the organic growth of foreign film industries, by pursuing a classic "If you can't beat 'em, join 'em" approach.

This Week:
GROWTH

Matthews Studio Equipment, a Burbank manufacturer of specialized hardware and lighting control devices, has pursued exports aggressively over the last decade and now sells its products in more than 60 countries.

In fact, the business has been so successful that this year it was just one of 15 companies nationwide and the only in California to receive an Exporter of the Year award from the U.S. Department of Commerce.

"You couldn't visit a studio in Hollywood or in the world and you could not find some Matthews equipment," said Herbert Hughes, specialized equipment manager of USC's School of Cinematic Arts and former head of lighting at Disney Studios. "They have been around so long that people trust them, and their products last a long time."

The 39-year-old company is just one of about a half-dozen worldwide that make specialized lighting and dolly equipment used in motion picture, television, photographic and theatrical productions.

The global recession cut Matthews' business by one-third last year, but its imports were only off by 15 percent. As a result, the company exports account for 43 percent of its sales in 2008, its highest percentage ever.

The company's decidedly low-tech equipment has benefited from huge advances in technology, which has raised the quality and lowered the costs of cameras. That in turn has helped develop the independent film genre as well as government-sponsored foreign film industries – both sources of sales.

"It definitely helps to be in what the world considers to be the heart of the entire filmmaking industry, but Hollywood is everywhere now," said Robert Kulesh, the company's vice president of sales and marketing who oversees exports. "We had to go global to stay strong and that seems to be the way of the future with globalization."

Take one

Matthews was founded in 1970 selling mainly textiles for movie sets. At the time, local studios were still manufacturing lighting- and camera-related equipment in-house.

But as studios started outsourcing some in-house production to save costs, Matthews hired machine operators, including Ed Phillips, who could engineer the equipment.

Phillips, now the company's owner and chief executive, helped design the company's most recognizable product: a three-legged adjustable C Stand that holds light reflectors and hit the market in 1974. The stand goes for about \$170, with about 6,000 sold annually in various sizes.

"It's still the same price and popular, because it's something that all productions need to manipulate the light," said Phillips, who noted that hundreds of the stands were used, for example, on the Oscar-winning film



RINGO H.W. CHIU/LABJ

On the Set: Ed Phillips, Matthews Studio Equipment chief executive, at the company's Burbank office.

"Slumdog Millionaire."

After seeing the potential of making hardware for film sets as movie studios outsourced, Phillips bought out Matthews with a partner in 1978 and started expanding the company. In 1989, the company went public and traded on NASDAQ.

However, Phillips, who just sat on the board at the time, became disenchanted with how Matthews began leasing out its equipment, something he viewed as unfair to the company's longtime dealers. So in 1998, Phillips decided to purchase the manufacturing division. The parent company ended up dissolving the following year with Phillips' entity keeping the Matthews name.

Today, Matthews' 150-page annual catalog listing 1,400 products, from a \$5 metal clamp to a \$15,000 motorized lighting stand. The company is headquartered in a 60,000-square-foot facility in Burbank where employees design, machine and ship the equipment.

"Only three things are not done here: no painting, no foundry work and no plating," said Phillips, while walking amid boxes of products sealed and ready for shipping. "We do everything else in-house from the idea to the shipping."

Like other Hollywood companies, the recession has been tough on Matthews, which laid off 30 employees and cut one day of production in response to slower sales. But the company is doing better than many because of

Matthews Studio Equipment

FOUNDED: 1970

HEADQUARTERS: Burbank

CORE BUSINESS: Designer and manufacturer of lighting and camera hardware used in studios and location film shoots

EMPLOYEES: 72 (down from 100 in 2008)

GOAL: Continue to grow exports, open European sales office and design new products to support filmmaking innovation

THE NUMBERS: Recession cut total sales 35 percent in fiscal year 2009, but export business was down only 15 percent

its foreign sales.

Matthews once had only a minor percentage of business abroad, but Phillips said that when he took over the company again he saw globalization as an opportunity to expand the export business.

Focus on Asia

He asked Kulesh, who was doing marketing at the time, to focus on Asia because Kulesh had worked for 27 years as a photographer for advertising and editorial publications, and traveled extensively around the world.

Kulesh started attending trade shows in

countries such as Japan and credits the shows for getting the company business from foreign film companies and studios.

"We normally walk away with a few new customers each time and get to see what's happening on the other sides of the film industry by networking there," he said.

Kulesh said the company both uses dealers in foreign countries as well as direct sales to major studios abroad to build the export business, which has now expanded to Europe, Latin America and elsewhere.

Matthews' "Exporter of the Year" award in the Electrical/Electronics category was announced in Commercial News USA, the official export promotion magazine of the Department of Commerce. The competition judges were impressed with how much of the company's revenue was generated from international sales.

"The success of Matthews Studio Equipment shows how American companies can benefit from exporting," said Gregory Sandler, publisher of the export magazine.

Matthews had hoped to open an office in Europe within the next two years but has shelved those plans with the global downturn.

"The film industry is not recession-proof, but it is growing in many places where a decade ago it was quite small," Phillips said. "We may have to hold back on a few plans but people still want to go to the movies, so as long as they do, we hope to be in business."