Hollywood and the Digital Future

Elizabeth Daley
Tokyo
January 22, 2001
The Digital Future
Opportunities & Concerns

* Digital Distribution
* New Markets

* New products & services
* New Business Models
What is Hollywood?

• To understand the relationship of Hollywood to digital technology one must understand the structure of Hollywood
• Hollywood is not a monolith; not a single company or business or place
• It is a chain of many people/entities all involved in the creation and distribution of entertainment product
Companies/People that Comprise Hollywood

- Studios
- Networks and Cable Companies
- Independent Production Companies
- Independent Producers, Artists, and Craftspeople
- Unions and Guilds
- Representatives -- Agents, Lawyers, Managers
- Production/Equipment Houses and Service Providers
- Theatre Owners
Studios
Disney, Fox, Paramount, Sony, Warner Bros, Universal, Dreamworks, MGM

- Finance
- Market
- Distribute

- Maintain libraries
- Provide Some Production Facilities
- Create ancillary entertainment outlets such as theme parks
The Content Suppliers

Production Companies
Imagine Entertainment, (Ron Howard & Brian Grazer), Image Movers (Robert Zemeckis), Amblin (Steven Spielberg)

Independent Producers
Larry Turman, (The Graduate, American History X) David Brown (Chocolat), Saul Zaentz (The English Patient), John Wells ("ER" and "The West Wing")
Content Creators

- Sell to studios, independent distributors, networks and cable and now the Internet
- Own % of the intellectual property
- May, depending on their power, have influence on marketing and distribution
- Large production companies will bring smaller companies and individual producers, writers and directors under their umbrella
Marketing & Distribution

Product goes to the best outlet
  *for the exploitation and increased value of the copyright regardless of the source of creation
  *in the order most likely to produce the greatest profits

Marketing and distribution plans take into account merchandise and after markets

Typical release pattern (1) theatrical, (2) television--network/cable (3) home/airline
Representation

Agents, Managers, and Lawyers

(The William Morris Agency, Creative Artists Agency, International Creative Management, etc.)

* Bring talent (packages) to projects
* Negotiate fees and ownership
* May help to structure major deals, acquisitions and mergers
Unions and Guilds

- Directors Guild of America, Writers Guild of America, Screen Actors Guild, Recording Artists, etc.

- Members have contracted rights for residuals that effect copyright exploitation in the distribution chain
The Digital Future
Issues and Questions

Opportunities
* Digital Distribution
  Quality
  Security
  Expanded Markets
  Cost Saving
* New products
  – Entertainment on demand
  – On-line gaming
  – Shopping

Concerns
* Branding
* Business models to address “peer-to-peer” exchange
  ex. Napster-like models
* Fragmented markets
  ex. Multiple outlets
Primary Question
What Does the Consumer Want?

Second Question
What Does the Consumer Want Badly Enough to Pay for It?

Third Question
How Can It Be Delivered to the Consumer for a Profit?
Some Assumptions

1. Consumers buy services not technology
2. Hollywood is always focused on the consumer
3. Hollywood wants a delivery system that is fast, secure, high resolution, interactive, and cheap to bring services to consumers
4. For both Hollywood and the consumer the primary question is what can I get for how much?
• The company that provides maximum access to consumers for the lowest price will win and be the most attractive partner
• Successful companies will keep their focus on the services that consumers want and how to deliver them
• There will be multiple delivery systems
• Fiber will be a commodity
• Partnerships will be key and there will be unusual ones
USC Cinema
Goals for Coming Decade

• Understand the implications of the new tools for the creation of media in all outlets
• Explore new applications of media and the new business models that will impact its distribution
• Recognize the global impact of our work and its importance to the well being of people everywhere
• Help to define the new networked global environment for content creators and consumers