CRN/CFP Bi-Annual Conference

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June 29, 2005

New Technologies: TV Kills Film Business
US Consumer Entertainment Expenditures

($ In Billions)

Introduction of Television (1955)

Color TV

SOURCE: VERONIS SUHLER, KAGAN WORLD MEDIA, MPAA
New Technologies

- DVD
- Interactive Games
- Wireless
- PVRs (Personal Video Recorders)
- PMPs (Personal Media Players)
- Broadband

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DVD
DVD Has Been The Latest Technology To Drive Growth For The Industry

**Value To Consumers**
- Better Product
  - Audio
  - Visual
- Different Product
  - Multiple Endings
  - Director’s Cut
  - Behind-The-Scenes
  - Games

**Value To Studios**
- New consumers, new markets
- Lower manufacturing costs
- Better inventory control
- Improved content protection

Source: Digital Entertainment Group, Adams Media Research, Kagan World Media, WHV
**DVD Has Changed Film Business**

- **DVD is driving industry growth and changing how films are made….**
  - Production Budgets
  - Genres
  - Filming

  **....and marketed.**
  - Shorter windows
  - Higher retail advertising

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**Worldwide Industry Theatrical Revenue Sources 2004**

- Video/DVD: 27%
- Theatrical: 51%
- Television: 22%

*Source: Kagan*

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**DVD Is Changing Television Business**

- Capitalizing on Hit Series
- Building Awareness of Emerging Hits
- Mining the Library

- **Friends**
- **Smallville**
- **Gilmore Girls**
... At Declining Retail Prices To Consumers

Standard DVD Consumer Sales – U.S. (Millions of Units)/
Avg. Retail Price – U.S.

Source: Kagan and WHV
Interactive Games Business is Growing Significantly….

Interactive Games Revenue
Hardware & Software

Source: Price Waterhouse Coopers – Global Entertainment and Media Outlook

2004-2008
CAGR 23%

$24.6 $28.4 $36.1 $46.9 $55.6


...And Converging With The Film Business

• Converging Technology
• Converging Consumer Base
• Day and Date Release of Film & Games
• Linkages Between Stories
• Cross-Promotion
Broadband Adoption Will Create New Opportunities and Challenges

**Opportunities**
- New ways to distribute content
- New forms of content
- New ways to market to consumers

**Challenges**
- Increased piracy

Source: Adams Media Research 2004
Broadband And Improved Compression Technologies Will Increase Piracy Risk

<table>
<thead>
<tr>
<th>Narrowband Connections</th>
<th>Song Download Time (Minutes)</th>
<th>Apx. Movie Download Time (Hours)</th>
</tr>
</thead>
<tbody>
<tr>
<td>56 Kb Dial-Up</td>
<td>20 Min.</td>
<td>27 Hours</td>
</tr>
<tr>
<td>64 Kb ISDN</td>
<td>18 Min.</td>
<td>19 Hours</td>
</tr>
<tr>
<td>384 Kb DSL/Cable</td>
<td>23 Hours</td>
<td>16 Hours</td>
</tr>
<tr>
<td>768 Kb DSL/Cable</td>
<td>4 Hours</td>
<td>3 Hours</td>
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<tr>
<td>&lt; 1 Min.</td>
<td>2 Hours</td>
<td>1.4 Hours</td>
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</tbody>
</table>

Broadband Penetration In The U.S. Will Approach 50% In 2008

Source: Broadband penetration forecast derived from Forrester

The Music Industry Did Not Respond To The Competition

MUSIC INDUSTRY

Music Company
Dictated Selection

CD
High Quality
Easy To Buy
$14.67
Legal

NAPSTER

Consumer
Determined Selection

Song
High Quality
Easier To Download
Free
Perceived To Be Legal
PIRACY
Coordinated, Comprehensive Strategy

Business Initiatives
Technology
Public Policy & Education
Legal

Film Industry is Providing Compelling And Improved Products...

HD-DVD
• High-Definition Video And Improved Audio
• Home Theatre Experience
• Improved Anti-Piracy Technology

Movielink
• Download convenience
• Portability
Using Technology To Fight Piracy

Protection of New Film Releases

• Specially-edited versions created for early distribution
• Dedicated vault facilities
• Print encoding
• On-site security at screenings
• 24/7 internet monitoring and reporting

Educating Young Consumers About Piracy

As part of its ongoing effort to educate audiences about the value of protecting copyrighted works and how they can help fight against piracy in the digital age, the members of the Motion Picture Association of America (MPAA) have created Respectcopyrights.org.

Here, you will learn more about copyrights and the

ENJOY THE MOVIES

DID YOU KNOW?

Warner Bros. Television’s “ER” has received more Emmy nominations than any other drama in television history... Good for Full Ten!