



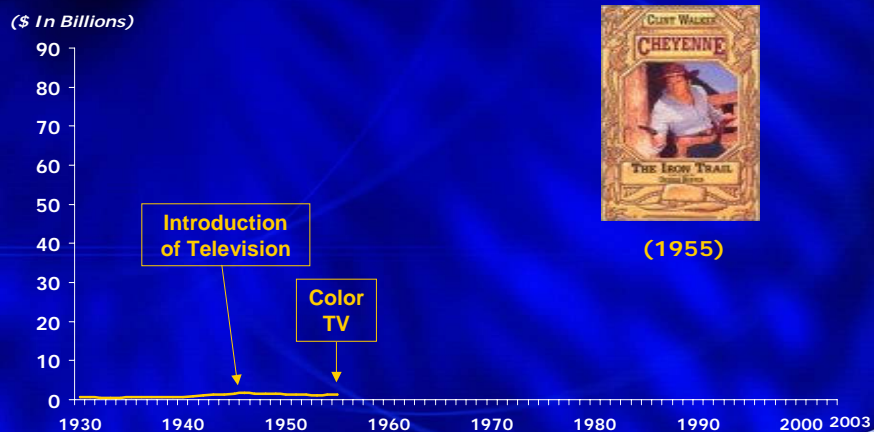
CRN/CFP Bi-Annual Conference

Christopher J. Cookson
Chief Technology Officer
Warner Bros.

Cambridge University
Computer Laboratory
June 29, 2005

New Technologies: TV Kills Film Business

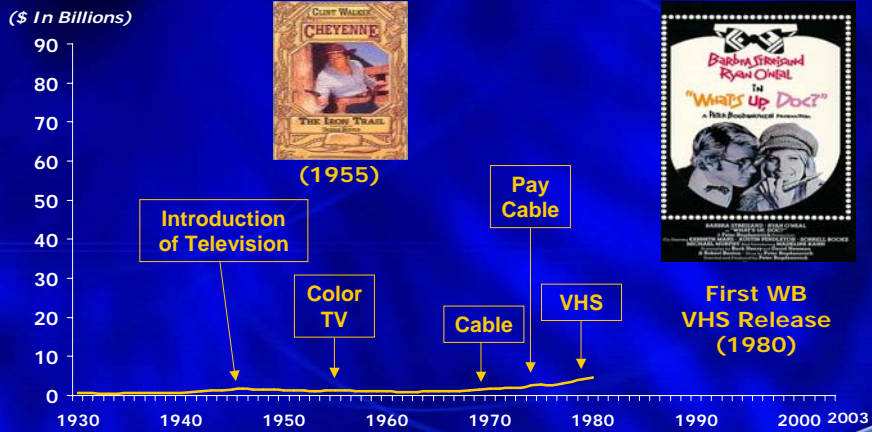
US Consumer Entertainment Expenditures



SOURCE: VERONIS SUHLER, KAGAN WORLD MEDIA, MPAA

New Technologies: VCR Kills Film Business

US Consumer Entertainment Expenditures

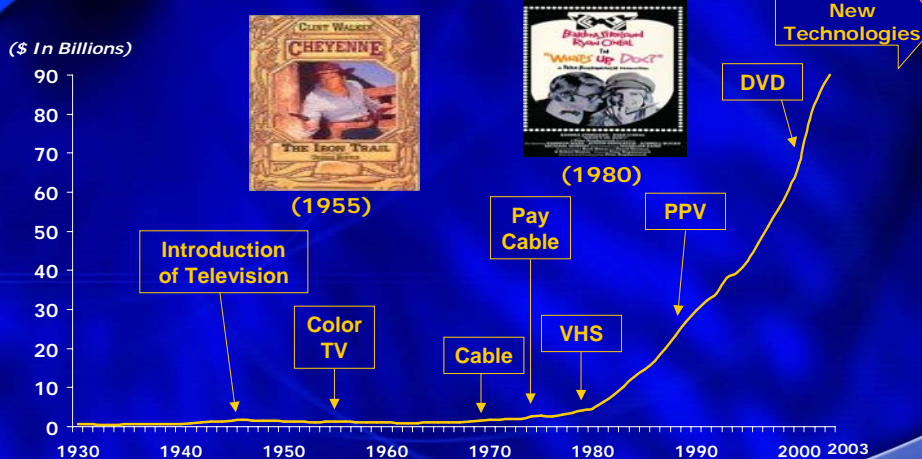


SOURCE: VERONIS SUHLER, KAGAN WORLD MEDIA, MPAA

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New Technologies

US Consumer Entertainment Expenditures



SOURCE: VERONIS SUHLER, KAGAN WORLD MEDIA, MPAA

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New Technologies

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

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DVD

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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

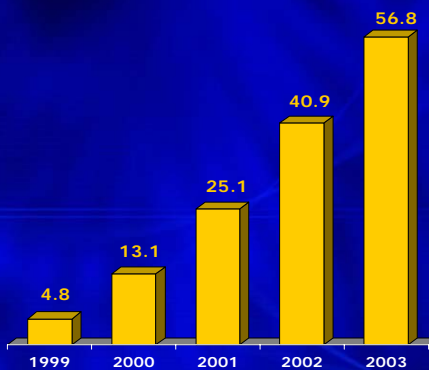
Value To Studios

- New consumers, new markets
- Lower manufacturing costs
- Better inventory control
- Improved content protection

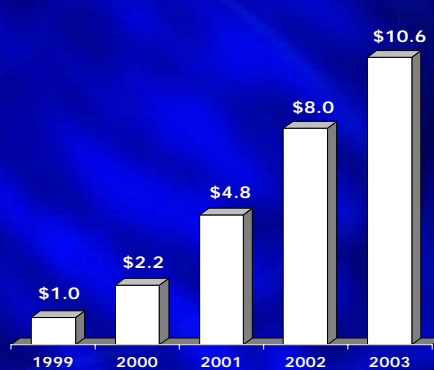
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DVD Has Been The Latest Technology To Drive Growth For The Industry

U.S. DVD Hardware Penetration
Households in Millions



U.S. DVD Consumer Spend
Sell-Thru - \$ Billions

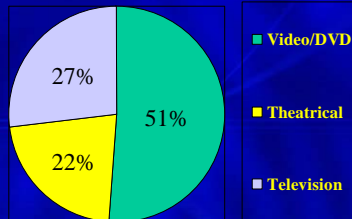


Source: Digital Entertainment Group, Adams Media Research, Kagan World Media, WHV

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DVD Has Changed Film Business

Worldwide Industry
Theatrical Revenue Sources
2004



Source: Kagan

- **DVD is driving industry growth and changing how films are made....**

- Production Budgets
- Genres
- Filming

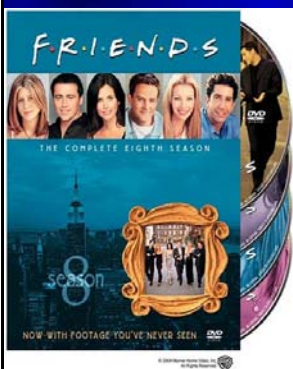
....and marketed.

- Shorter windows
- Higher retail advertising

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DVD Is Changing Television Business

Capitalizing on
Hit Series



Building Awareness
of Emerging Hits



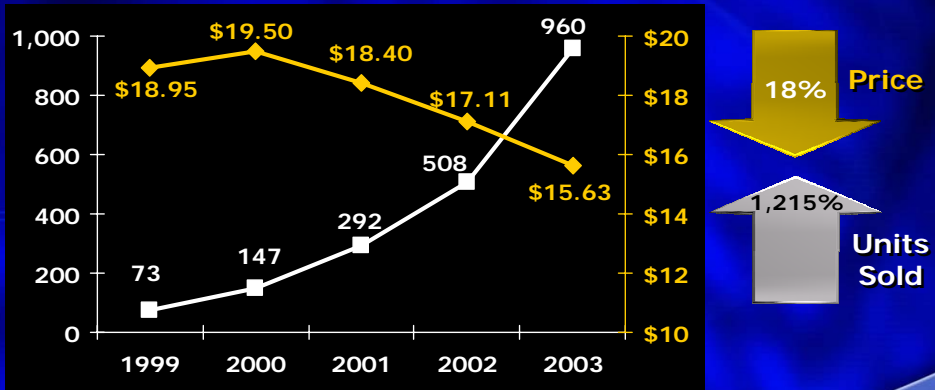
Mining the
Library



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... At Declining Retail Prices To Consumers

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



Source: Kagan and WHV

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Interactive Games

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Interactive Games Business is Growing Significantly....

Interactive Games Revenue Hardware & Software



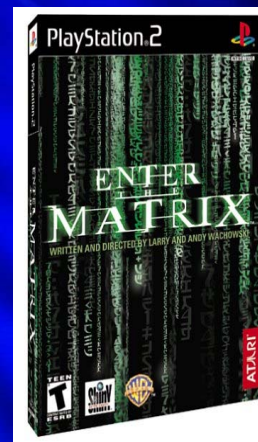
Source: Price Waterhouse Coopers – Global Entertainment and Media Outlook

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...And Converging With The Film Business



- Converging Technology
- Converging Consumer Base
- Day and Date Release of Film & Games
- Linkages Between Stories
- Cross-Promotion

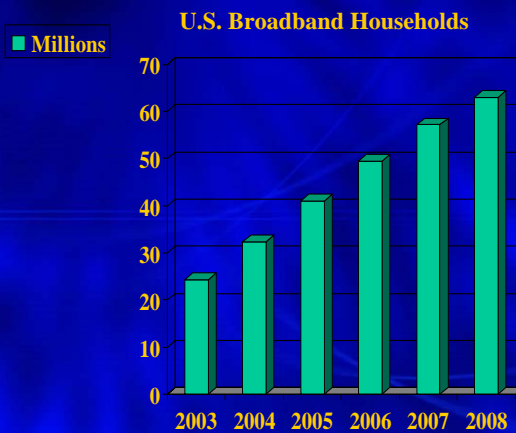


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Broadband

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Broadband Adoption Will Create New Opportunities and Challenges



Opportunities

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

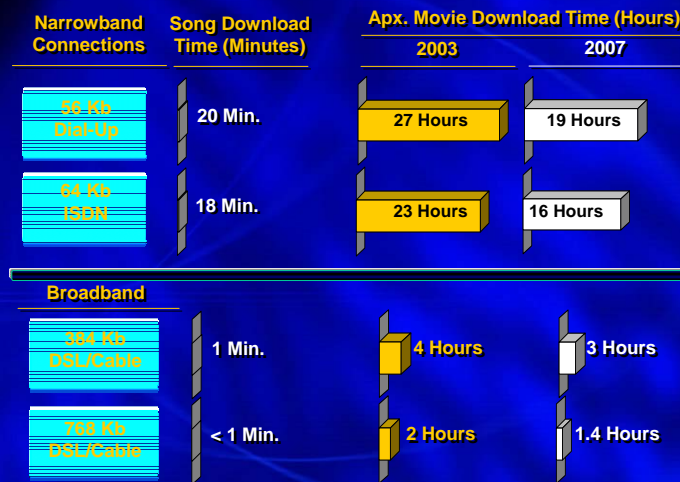
Challenges

- Increased piracy

Source: Adams Media Research 2004

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Broadband And Improved Compression Technologies Will Increase Piracy Risk



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

Source: Broadband penetration forecast derived from Forrester

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The Music Industry Did Not Respond To The Competition

MUSIC INDUSTRY



Music Company
Dictated Selection

CD

High Quality
Easy To Buy
\$14.67
Legal

VS.

NAPSTER



Consumer
Determined Selection

Song

High Quality
Easier To Download
Free
Perceived To Be Legal

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PIRACY

Coordinated, Comprehensive Strategy

Business Initiatives

Technology

Public Policy & Education

Legal

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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

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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

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Educating Young Consumers About Piracy

RESPECT COPYRIGHTS.ORG

WHAT IS COPYRIGHT? | WHY SHOULD I CARE? | TALK TO YOUR KIDS | ENJOY THE MOVIES | MUSIC GAMES & MORE

LEARN ABOUT COPYRIGHTS WITH

Junior Achievement

VISIT TALK TO YOUR KIDS

HEAR FROM THE ARTISTS

SET PAINTER
LENGTH: 1:06

CLICK TO DOWNLOAD

“WHAT IS RESPECTCOPYRIGHTS.ORG?”

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](#), Inc. (MPAA) have created [Respectcopyrights.org](#).

Here, you will learn more about copyrights and the

ENJOY THE MOVIES

DOWNLOAD | BUY OR RENT | BUY TICKETS

DID YOU KNOW?

Warner Bros. Television's "ER" has received more Emmy nominations than any other drama in television history...

CLICK FOR FULL TEXT

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