HOLLYWOOD & TECHNOLOGY

Maintaining competitive advantage in a market dominated by the rise of downloads, the fall of DVD ownership, and pressured margins internationally.

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March 14, 2013

INTRODUCTION

Hollywood executives today face a host of challenges that go far beyond whether an audience will fall in love with their movie or television series. Web 2.0 has democratized content production overall, and this includes video production. Savvy filmmakers are no longer at the mercy of big studio greenlighting processes, and can opt instead to fund through Kickstarter, and then leverage distribution channels like Facebook, YouTube and Vimeo to get their content seen.

Additionally, content consumers also have a host of options including streaming video from Netflix, rentals from Red Box and less savory sources such as DVD and streaming video of pirated content. Couple these challenges with the rise of mobile and tablet usage and content consumers now have unprecedented power to not only control revenue generation for studios, but also the public relations message through social media.

While lead times for film releases are still measured in months and years, the success of a film is measured in weeks, and sometimes hours depending on how quickly positive, or negative, buzz propagates across social media. The migration to digital film production within the studios, along with the power of mobile and social media in the consumer landscape, means CIOs are challenged to devise creative strategies more focused toward responsive technology delivery and less toward keeping the lights on.

This case study discusses some of the technology concerns media production CIOs must contend with when preparing their organization to respond to these

market forces.

TRENDS

In a recent article from The Economist (2013), “Split Screens: A tale of two Tinsletowns,” the authors highlight several key trends impacting Hollywood revenues, which we discuss in this section. First, the movie business in general is more risky than the television business since film release lacks the stable revenues from cable providers and advertising to offset production costs. Per episode, television becomes less costly to produce and, therefore, less risky if a series does not perform as well as expected. While many believed the move to digital production would lower costs, it has actually increased costs. The consequence of reducing costs related to purchasing physical film is that more content is being generated on set, which then has to later be edited.

Second, from 2000 to 2011, the industry has seen a decline from 30% to 10% in terms of consumers who say they attend the movies at least once a month. Home video purchasing has also declined 36% since its high in 2004, and this is despite steady content consumption rates overall.

Third, the authors note that production costs are rising at a faster rate than margins from growth markets. Even though box-office receipts are growing at two and a half times as fast as they are in the United States, the terms per territory provide half the margin movie studios can collect domestically.

The authors note that Hollywood’s response has been a mix of cost cutting, and revenue generation by, ideally, pursuing more predictable genres and categories. First, the studios have cut costs by paying lead talent less per film, and also by cutting back the number of films they produce by 14 to 54 percent. Selecting first time directors over seasoned directors also allows studios to reduce costs since they can pay less experienced directors a lower rate. Second, the studios have leveraged the more stable television business to prop up studio revenues overall. They have also focused more on certain content categories including sequels, and movies that feature well known characters. By tapping into the high demand for streaming videos, studios can also count on revenues from agreements with streaming video providers like Netflix.

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At the root of these issues is technology, which means CIOs are in a positive, albeit challenging, position to offer solutions that can increase a studio’s dynamic capabilities and responsiveness to market trends.

Maintaining control over the messaging is critical. This does not mean studios should silence decent, but rather encourage social conversations about their content and then be able to respond quickly to negative buzz. This requires analytics and highly responsive data stores that can quickly highlight trends from multiple social content streams.

Building custom software from the ground up no longer offers the advantage it

once did (Bhatt et. al., 2010). However, not having the right technology in place to manage digital distribution and social buzz can leave studios vulnerable not only to other major studios, but also smaller content producers. In the interest of being responsive, CIOs should consider third-party solutions like Adobe Social for social media analytics, and SAP for Media for broadcast management (Adobe, 2013; SAP, 2013). Since social moves so quickly, this is one area where CIOs may want to prioritize speed over accuracy and quality (Davenport et. al, 2011).

Another key implementation is workflow management from production to distribution (Amit et. al., 2012). This can also include DRM watermarking. Even though DRM watermarking is more reactive, it can still be useful in highlighting piracy trends that can chip away at revenue, and then devise campaigns that incentive consumers to visit theaters or on-demand providers as opposed to piracy outlets. Digitizing the full workflows for script acquisition, greenlighting and production management can assist studios in further lowering the cost of production, and the subsequent risk if the film does not meet targets upon release. This ensures that studios can increase their level of dynamic capabilities and hence, their ability to respond to market forces (Esterby-Smith et. al., 2009).

The workflow should also incorporate management of rights to ensure that content can be fully optimized in digital release. Digitizing current content can provide studio executives with analytics about where they are not fully leveraging all distribution channels for potentially high value content in vaults.

CIOs should be monitoring trends in the consumer products landscape for all device types from game consoles to feature phones. Are there potential partnerships they can leverage with device manufacturers? What peripheral consequences could arise from a new tablet or mobile device that is multimedia focused (Ofek et. al., 2010), or targeted towards a highly engaged mobile demographic like African-Americans or Hispanic-Americans (Brenner, 2013)? How could the leapfrogging trend for technology adoption in emerging markets impact content consumption from studio servers, or analytics regarding content popularity and future distribution decisions?

CIOs must consider the fact that consumers tend to be more engaged on mobile versus desktop (Tilton, 2012). For emerging markets, this is even more critical where consumers are skipping laptop adoption and engaging with the Internet on smartphones. This has implications for distribution of trailers, as well as full length movies. Managing shorter windows or even simultaneous releases of film content means CIOs will need to consider embedding responsive design paradigms into the software development process and infrastructure strategy to adequately manage increasing mobile page views, and also the shorter development cycles for creating supporting web properties.

In conclusion, media production CIOs will be challenged in this new digital landscape to ensure that technology is supporting a theory of the business that aligns with

market forces as the ways in which revenue is captured, and content is consumed, continue to evolve (Drucker, 2005). By focusing on responsive design, real-time analytics and flexible infrastructure, CIOs can enable production studios to be more nimble and respond to changes in the market faster than they have historically.

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