

DVDs and moving bits: the distribution revolution
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A lot of attention has been given to DVDs of late. This year alone has seen no shortage of new product and press about the DVD phenomena. DVDs are difficult to ignore, because sales and rentals have accounted for the biggest portion of the revenue pie for the film and television industries for a number of years now.

While the pace at which the DVD has come to dominate the market warrants that attention, the recent news about large-scale returns for DVDs of *Shrek 2* and *The Incredibles* point out the weaknesses inherent in the DVD, if not any media. In fact, too much focus on DVD returns risks losing sight of the larger revolution taking place in the production and distribution of movies and television programming.

At the risk of stating the obvious, DVDs are merely one aspect of an industry shift to digital. With all content broken down into bits, that content can be captured (digital cameras), manipulated (editing and computers), packaged and delivered (distribution) with greater ease and speed than ever before. The possibilities this raises are radical. The changes wrought by the DVD only hint at these possibilities.

Consider 2929 Entertainment's plan to release its films to theaters, DVD and pay-TV simultaneously. With the gradual shrinking of the theatrical-to-video release window, it was only a matter of time before day-and-date release strategies would spread. 2929 owns a theatre chain (Landmark), two pay-TV channels (HDNet and HDNet Movies) and has a distribution arm. Headed by Mark Cuban (owner of the Dallas Mavericks) and Todd Wagner, even they would admit that the risks of their strategy are diminished by such vertical integration.

What made 2929's approach shocking was its announcement that director Steven Soderbergh was onboard to make as many as six films for such unified release. This is the same Soderbergh who directs Julia Roberts and Brad Pitt on a regular basis. He is also a director with considerable indie clout. The first film Soderbergh has proposed directing for the 2929 deal is low budget (\$2 million to \$3 million), with no stars in the cast.

Understandably, some theatre owners have become nervous with shrinking release windows and talk of day-and-date releases. It holds the potential of reducing their returns at a time when their industry in North America is still stinging from bankruptcies, consolidation and diminishing audiences. A number of theatre chains have refused to run 2929 films, but with the success of its documentary "*Enron: The Smartest Guys in the Room*," some of the resistance has fallen.

The digital revolution has also resulted in a flood of new talent and projects being produced. The amount of content available for distribution has never been greater. Even with the increase in available distribution channels, distributors still have a lot of work to do to reach an audience. Film and television audiences have been fracturing for years. With the rising costs of marketing and competition from other entertainment choices available to consumers, multiple release windows no longer make sense for a growing number of projects. What available marketing

monies exist have to be used wisely. In fact, there's an argument that release windows lead to piracy, as consumers become impatient with having to wait for the window in which they can enjoy a movie or TV show. To counteract such claims, some Hollywood distributors are releasing their movies on DVD in China at the same time as they are released in theatres in North America to discourage unauthorized DVD copies from being made and sold.

Many producers and distributors are bypassing the theatrical - and, yes, even television - release phases altogether, distributing their films on DVD alone. A few independent producers have taken to distributing their films solely through web-based ordering models that use viral marketing campaigns to attract attention. Such efforts seek to take full advantage of new means of dissemination made possible by a shift to digital content and networks. There are lessons to be learned from their efforts.

Niche audience projects are a great example of the possibilities inherent in digital distribution. For example, if a producer is contemplating making a film about a rock band that was popular in the 1970s, that producer can research fan sites for the band, approach some of those sites in order to let them know that the film is in development and gradually build a "buzz" about the project. Some innovative documentary producers have raised funding for their films in this way, setting up a website where customers can pre-order the film on DVD, with the money then being used to help finance the project. The information gathered from such transactions is invaluable and can result in a built-in audience for future projects.

However, before setting up that website and sending out that first e-mail blast, producers and distributors should be aware of the legal risks involved in such strategies. The days when the Internet was an unregulated free-for-all zone are falling behind. There are contract, consumer protection, marketing, privacy and anti-spam rules, and which of these apply often depends not only on where a distributor is based, but also on where that distributor is focusing its efforts.

Leasing an e-mail list that is not tailored and sending an e-mail blast using that list is risky behavior. Canada's privacy laws are probably some of the most developed in the world at the moment, while the United States has implemented anti-spam rules to diminish the effects of misleading commercial messages sent by e-mail. Developing such an e-mail list (from a website for a project and market research) is likely the wiser approach in the long run, but is not without its complications. This is because rules exist that require providing proper notice of the purpose(s) for which you are gathering such information, giving individuals the right to change that information and providing them with the option not to receive, or to cease receiving further messages. A written privacy policy is a must when pursuing such online strategies.

As the digital revolution continues, the new strategies available to distributors may seem mind boggling. With change comes confusion - and opportunities begging to be tapped.

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