



## Five people leading the industry into the future

Nov 26, 2007

As the entertainment business continues to undergo dramatic changes, the only thing that seems certain is that nobody really knows how things will all shake out. Despite the uncertainty, there are a few trailblazers who recognize the change as an opportunity. And whether they are marketing in virtual worlds or finding creative ways to drive audiences to theaters, these innovators are the ones who are writing the book on the future of the business. We asked a few of them to share their insight on finding opportunity in an uncertain industry and the changes that lie ahead.



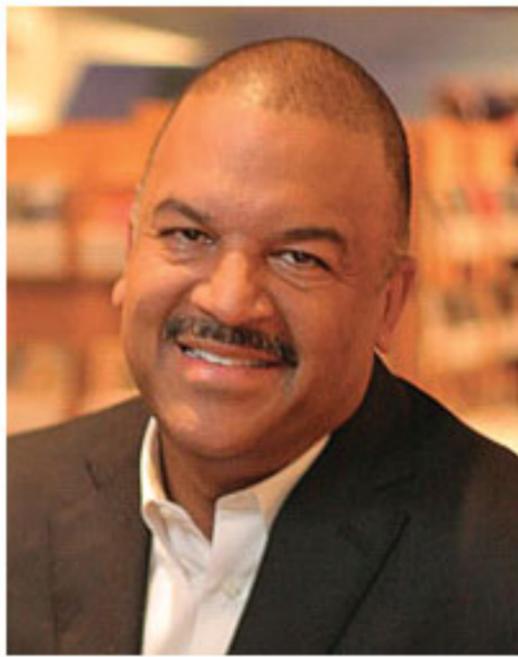
**THE MAVERICK:** Raaja Kanwar,  
co-chairman, UFO Moviez

**WHY:** Kanwar not only pioneered the concept of digital cinemas in India, but in the process has built UFO into the world's largest digital-cinema chain.

**INNOVATIVE APPROACH:** With about 10,000 screens, India is one of the world's most underscreened markets despite being home to the world's biggest film industry. UFO saw an opportunity to revitalize cinemas battling piracy and high costs by offering them price-sensitive digital-cinema systems. As Kanwar explains, "Film distribution was plagued with rising print costs and hence staggered releases, massive leakages causing rampant piracy, outdated projection systems (and) limited paying ability by struggling cinemas which did not have tech-savvy operators. We considered all these factors to create our rental-based solution. UFO now has more than 1,000 installations across 590 cities, and so far, 425 movies in 14 languages aggregating 450,000 screenings have been released on the UFO platform. We are adding about 50 theaters every month. In January 2007, London-based venture capital firm 3i invested \$22 million in the company."

**LESSON LEARNED:** "We learned from the shortcomings of digital cinema ventures by our predecessors. In India, digital cinema technology has to be rugged enough to take care of erratic and unstable electric supply and dusty environments while being very price-sensitive. And we chose satellite versus hard disc delivery. The investments are all front-loaded on UFO, and the theaters are charged on a pay-per-show basis. All servicing and maintenance -- including projector bulb replacement -- is on UFO. A 192-bit encryption guards content against piracy, while satellite delivery addresses logistical issues. Also, we positioned ourselves as pure play service providers without disturbing the existing value chain or dislodging any of the entities from the business."

**THE ROAD AHEAD:** "UFO aims to be at 2,000 theaters by 2008's end and roll out overseas in the United Arab Emirates, Europe and Southeast Asia. Once a critical mass is established, we will go in for backward and forward integration. We will be creating a first-of-its-kind production and postproduction facility especially for digitally shot films (DDD releases). The Indian film industry has been growing at over 15% per annum, but we are yet to come up with a movie which will reach out to beyond the Indian diaspora. I feel we are still on the learning curve and hope that India becomes a major creative hot spot by the end of the decade."



**WI-FI WONDER: Ken Lombard, president, Starbucks Entertainment**

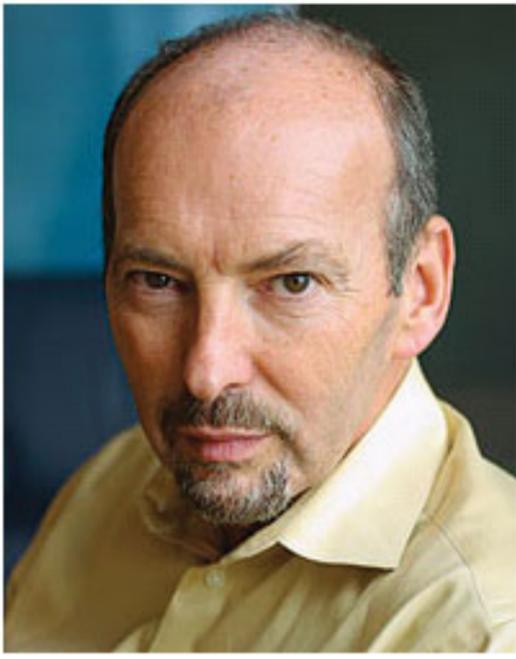
**WHY:** In 2006, he took the reins of the newly created division focused on the company's efforts to bring rich, full-bodied music, literature and films to sophisticated coffee drinkers around the world.

**INNOVATIVE APPROACH:** At a time when once-mighty brick-and-mortar music retailers like Tower Records are going the way of the T. rex, the coffee franchise giant created a secondary revenue stream by selling CDs alongside Frappuccinos. Now, through Starbucks Entertainment, it has not only launched its own Hear Music label (its first signing was some guy named Paul McCartney), it's also branched out into marketing select movies (2006's "Akeelah and the Bee") and books (Mitch Albom's "For One More Day"). In September 2007, it formed a partnership with Apple that enables customers at participating Starbucks to wirelessly browse and buy and download music from the iTunes Wi-Fi Music Store onto their computers or iPod Touch and iPhone devices. "We felt like we were walking into the perfect storm," Lombard explains. "We saw a very significant shift in the way music was merchandised and the delivery systems offered to the consumer. Radio also had a pretty major shift that was going on there. In all cases, it was providing less of a world-class experience for the consumer. What we were able to do is come up with a strategy that allows us to provide music and artists with an affinity to showcase their work in front of our customers in a way that's already part of their daily routine. We feel that we're very unique in the ability to provide that type of approach, not only to the music consumer and the Starbucks customer, but to artists."

**THE ROAD AHEAD:** "We want to continue to look at opportunities that present themselves, while staying committed to executing our strategy in a way that will allow us to stay true to the core of who we are. And that is that we're a coffee company. We want to make sure our customers don't have to be concerned about walking into their favorite Starbucks and feeling like we've converted it into a music store or a DVD store."

-- Profile by Todd Longwell

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**THE GAMER: Peter Moore, president, EA Sports**

**WHY:** Moore is leading the charge to move EA Sports beyond video games and into a consumer lifestyle brand comparable to ESPN.

**INNOVATIVE APPROACH:** Moore spent much of his career working for underdogs, first at Reebok during its battles with Nike and later at Sega and Microsoft as they took on Sony and its monster PlayStation brand in the video game space. Now with EA (Electronic Arts) Sports, Moore finds himself on top, guiding one of the biggest entertainment brands in the world, and he's eager to see how far he can take it. "We'll continue to make world-class games as we've done for many years," he says. "But like ESPN or Nike, we now want to touch consumers in different ways and, quite frankly, create new revenue streams for our company as a result." EA Sports already has a huge advantage in that people around the globe can quickly recite their signature "It's in the game" tagline. But Moore feels that video games in general have a big advantage over other entertainment mediums, and this bodes well for both the industry and his company going forward. "Consumers today have grown up with a controller in their hand since they were 5 years old, and they love the idea that they can take a game where they want to go and not where some director or producer wants to take them in a movie. That gives us the optimism that we can somehow corral that and move that into different areas and take that consumer along with us."

**LESSON LEARNED:** "Of all the entertainment mediums, nowhere do you find the passion and emotion that people have for their game franchise and consoles that video game consumers have," Moore says.

**THE ROAD AHEAD:** "We just had a watershed moment in entertainment in that fewer people wanted to go to movie theaters because they were at home playing 'Halo 3,'" Moore says, adding that he expects the trend to continue. "I think video games are where technology and entertainment are colliding -- right at the high-definition living room -- and it is up to EA and EA sports to take advantage of that," he says.

-- Profile by David Ward

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**THE SHOWMAN: Tim Richards, CEO, Vue Entertainment**

**WHY:** Richards is steering the U.K. and Ireland exhibition chain Vue Entertainment into an all-singing and all-dancing digital age with an aggressive build and buy strategy and a passion for 3-D cinema.

**INNOVATIVE APPROACH:** Richards is luring customers back to theaters by changing the way they experience the cinema. Furnishing his state-of-the-art theaters with beanbags and sofas is one example of his innovative thinking. And while he believes that movies are still king of the cinema, Richards has been a pioneer of alternative content, hosting concerts, sporting events and interactive game tournaments. "One of the benefits of having 60 sites in the country is our ability to try new things," says Richards. "Sometimes it works and sometimes it doesn't, but one thing for sure is that you are always learning. One of the greatest sources of complaints related to queues (for tickets). We pumped \$12.3 million into a new operating system for our till points, so now people can buy tickets from all over the cinema -- with their beer or popcorn or ice cream or wherever they are in the foyer -- to reduce queues. We're trying to encourage as many people as possible to go to our Web site to book, and we're about to begin testing a whole bunch of other initiatives, including printing tickets at home and reading MMS messaging with a bar-code system. On the piracy side, which is front and center of our concerns, we have invested a huge amount in investigating a new technology called "cam scam" to try to cut down on filming in our theaters."

**LESSON LEARNED:** "As an industry -- up until the last couple of years -- we have been guilty of being complacent in the face of ever-increasing competition on people's leisure time and the rise in quality of home entertainment devices. We have to provide a really exciting, dynamic environment, and we have to continuously reinvent ourselves with the customer in mind."

**THE ROAD AHEAD:** "Digital cinema is the future of our industry full stop. And 3-D cinema goes hand in hand with digital. It is so exciting and there are so many talented directors and producers backing 3-D that it has got to work. 2009 will be the year when 3-D hits the ground running. We are firmly focused on rolling out digital projector technology across our entire circuit. It has to be a universal transformation from 35mm film to digital, because that will be when everyone feels the cost benefits."

-- Profile by Stuart Kemp

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**THE DRIVER: Reuben Steiger, founder and CEO, Millions of Us**

**WHY:** Steiger is one of the driving forces enabling major brands and entertainment properties to understand and harness the power of Second Life and other virtual worlds.

**INNOVATIVE APPROACH:** As one of the early employees at Linden Lab, creators of Second Life, Steiger was one of the first marketers to grasp the exciting potential of virtual worlds. "When I joined the company, there were 10,000 users on Second Life," he says. "When I left in March 2006, there were 350,000." Seeing the opportunity, Steiger quickly founded Millions of Us, realizing that major brands would soon be looking for ways to connect with these virtual communities. "The big problem is that the people in these communities are very hard to reach with traditional advertising," he says. "So we focus our entire business on getting brands into online social environments in ways that aren't interruptive." Thanks to the success of a recent promotion with the CW series "Gossip Girl" in Second Life, Steiger is finding many entertainment executives are now eager to learn all they can about how virtual worlds can extend their content and create new revenue streams. "We're getting a lot better at eliminating that blank stare within the first five minutes," he says with a laugh. "And the way we do that is to get them to imagine if the universe could become part of a television show or a movie -- because that's what virtual worlds enable."

**LESSON LEARNED:** "The most important thing I've learned is to take small steps and focus on delivering programs that are successful," Steiger says. "This stuff isn't going to happen overnight, so even if you see something 10 steps ahead, you need to take those 10 steps individually and not get too far out on the cutting edge."

**THE ROAD AHEAD:** Fuelled by a recent investment from global advertising giant Omnicom, Millions of Us is branching out beyond virtual worlds and is now looking to bring major brands into social networking sites such as Facebook. "Somewhere in the not-to-distant future, there's going to be a junction point between social networking and virtual worlds," Steiger says. "And that's going to present large-scale opportunities for entertainment brands and properties, both in terms of promotions and in terms of content creation and integration between traditional properties and virtual communities."

-- Profile by David Ward

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