

Media Industry Disruption: An Opportunity for Greater Inclusion

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OFC Global Media Panel

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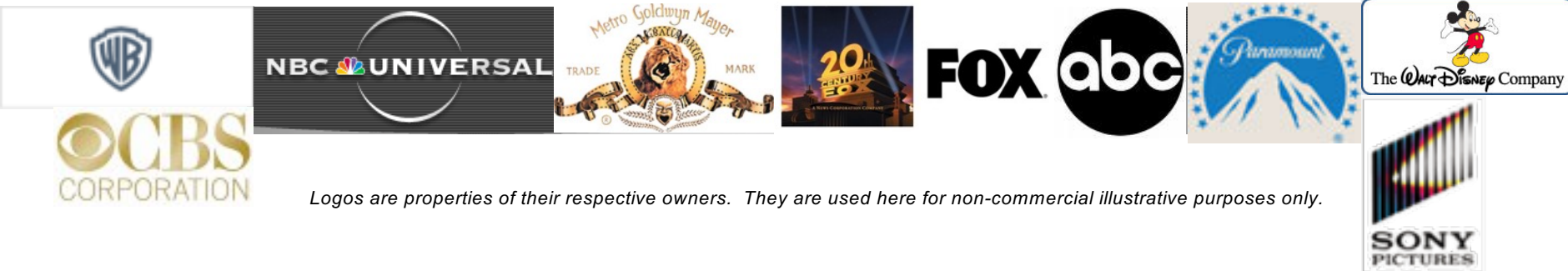
Econ 101

Factors of Production

- **Land**
- **Labor**
- **Capital**

In Media & Entertainment, “Land” traditionally meant:

- Studio lots
- Government licenses
- Captive distribution channels



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In Media & Entertainment, “Labor” traditionally meant:

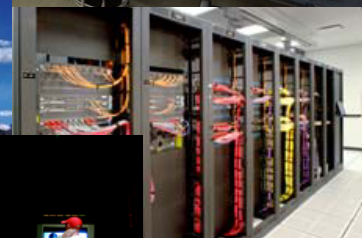
- Expensive specialists
- Union or Guild contracts
- Linear production process



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In Media & Entertainment, “Capital” meant:

- **Expensive infrastructure and equipment owned by studios and broadcast networks are barriers to entry.**

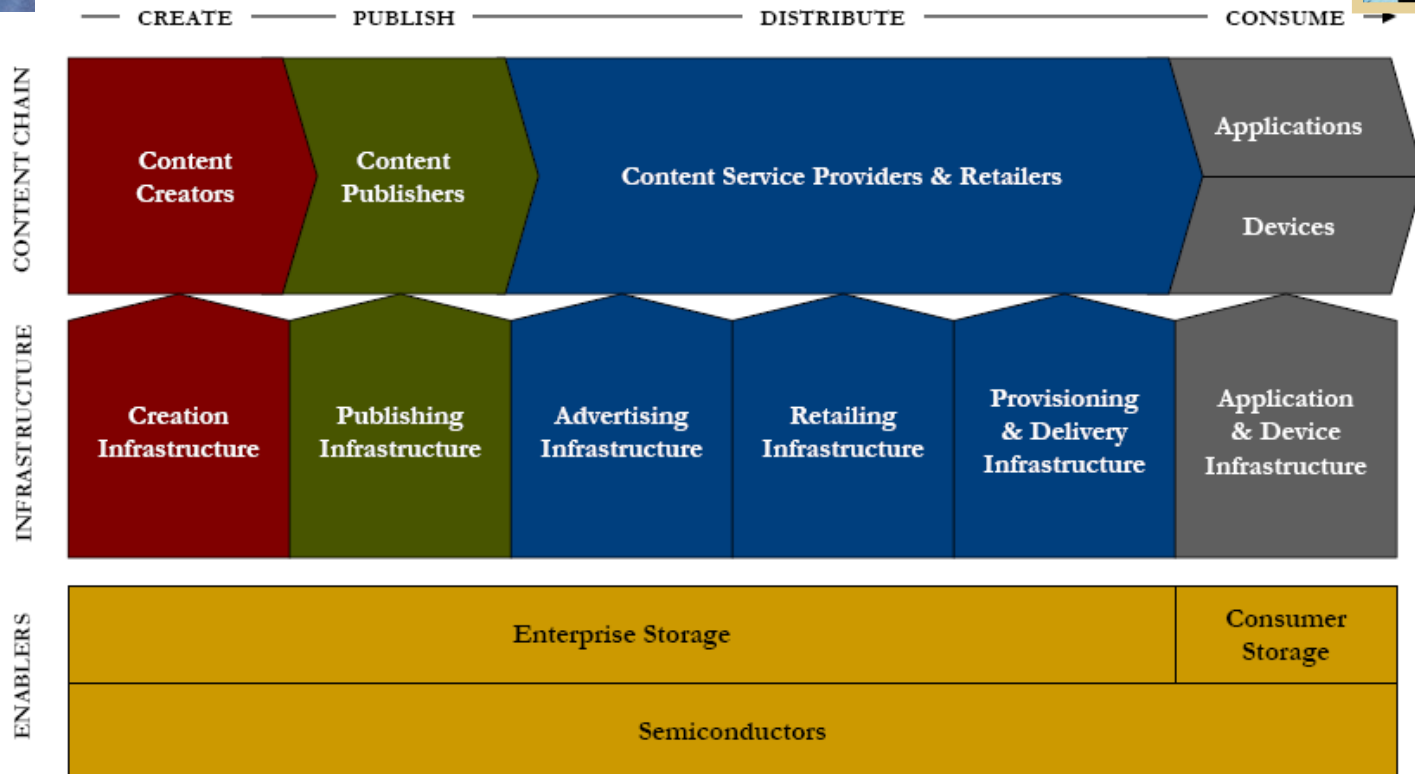
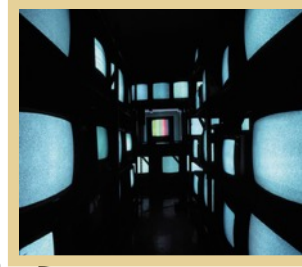


Typical M&E Value Chain



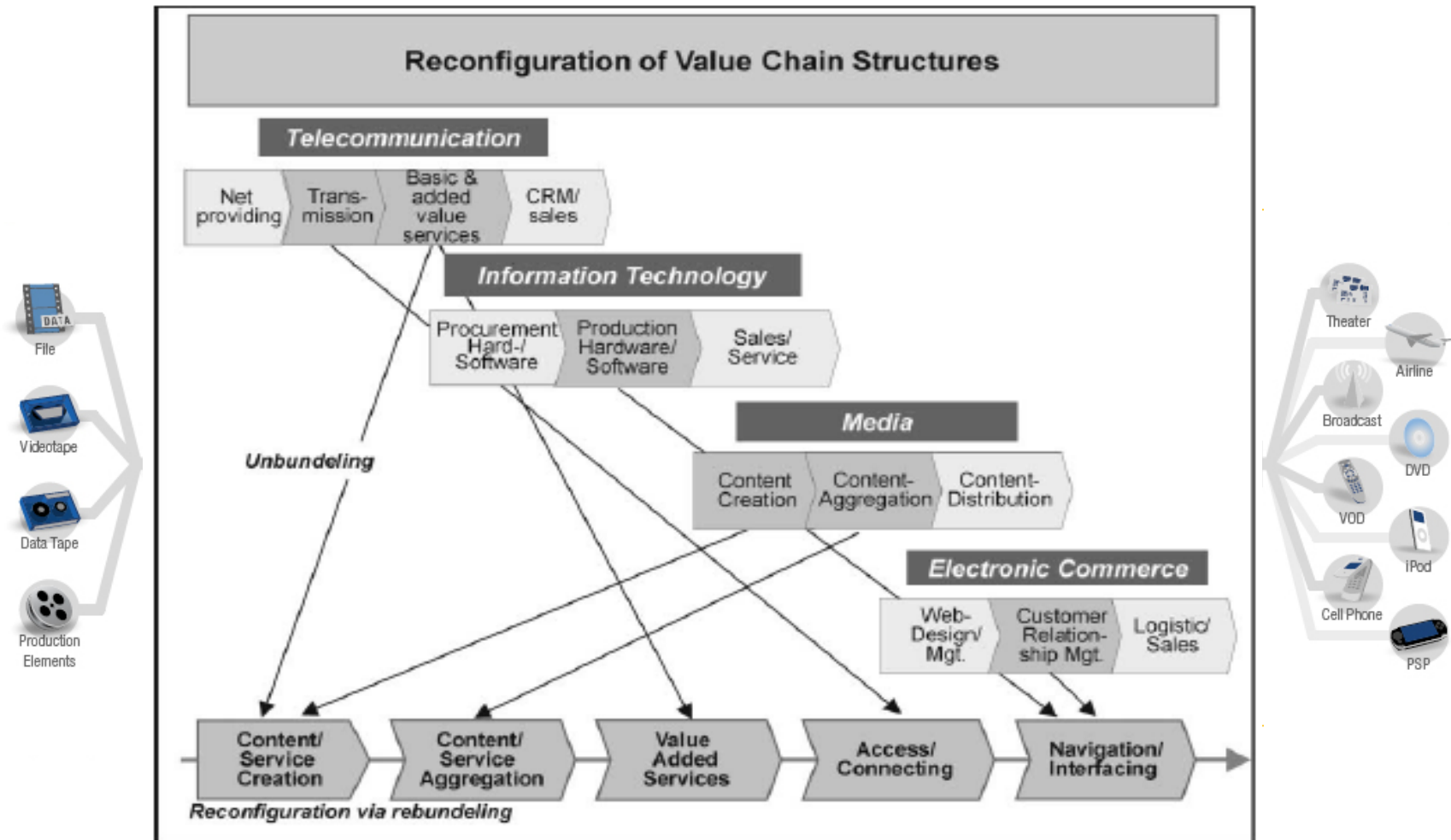
Image Courtesy of Panavision

Image Courtesy of PricewaterhouseCoopers



Source: Rutberg & Company Digital Media Sector Framework

Convergence of Value Chains for Over a Decade



Source: *Reconfiguration of Value Chains in Converging Media and Communications Markets*. *Journal of Long Range Planning*, © 2001 Elsevier Science Ltd.

Author: Professor Dr Bernd W. Wirtz, Director of the Euro Lab of Electronic Commerce and Internet Economics, Private University of Witten/Herdecke, Germany.

Disruptions Enabled by Technological Change

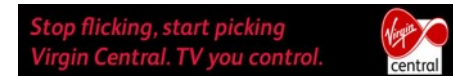
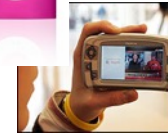
- Digital palette for storytelling – People, Places and Things
- IT and Telco infrastructure -- Pay by use



Disruption -- The Consumer is in Control

Any content source...

- When I want it
- Wherever I am
- On any device
- In the language that I want
- On my pricing terms
- ...and the ability to share it with my friends, anywhere in the world.



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Econ 101: Factors of Production - Still Valid?

In today's Media & Entertainment,
“Land” means:

- **Smaller spaces, virtual sets, shots on-location, and user-generated content.**
- **Government licenses not required for IPTV, iTunes, PodCasts, YouTube, etc.**
- **Open distribution channels via the web and wireless**

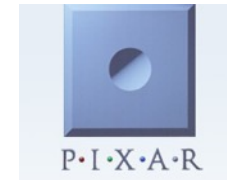


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Econ 101: Factors of Production - Still Valid?

In today's Media & Entertainment,
“Labor” means:

- **Broader selection of multi-skilled digital artists and editors**
- **Union or Guild contracts may not be necessary**
- **Iterative production process requiring less people**



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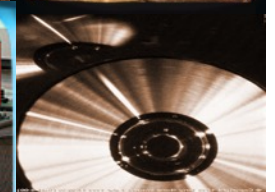
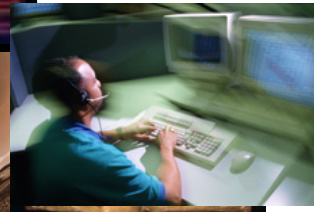
Econ 101: Factors of Production - Still Valid?

**In today's Media & Entertainment,
“Capital” means:**

- **Inexpensive computer-based equipment owned by individuals and small production companies**
- **“Pay as you Go” communications and storage infrastructure**



Sources: PwC E&M Corner,
Hollywood Reporter, Pixar,
Ascent Media,
PricewaterhouseCoopers.



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Disruptions for Some = Opportunities for Others



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History Channel C:\Documents and Settings\bwhite\My Documents\My Music\iTunes\iTunes Music\TV Shows\Engineering an Empire\02 Egypt.m4v

CNN C:\Documents and Settings\bwhite\My Documents\My Music\iTunes\iTunes Music\TV Shows\Black In America\01 Black In America - Preview.m4v

NBC C:\Documents and Settings\bwhite\My Documents\My Music\iTunes\iTunes Music\Podcasts\NBC Meet the Press (video)\NBC Meet the Press (video) - 10-19-2.m4v



<http://www.youtube.com/watch?v=ANKzX8ZYI7Y>

<http://my.barackobama.com/page/community/post/stateupdates/aGx3Kc>

Veoh: Open. Personalized. Free. TV.

Corey Tyler's Sitcom <http://www.veoh.com/videos/e175141z4MvY59g>

Disruptions = Opportunity, But there are Issues to Consider



- **Complexity of Business Models**
 - Advertising
 - Subscription
 - Purchase
 - Rental
 - Sampling
 - Resale
- **Global Rights Management**
- **Global Censorship Differences**
- **Privacy of the Consumer/Viewer/Listener**
- **Personalized Niches or Mass Market?**
- **Sustainability in a World of Low Barriers to Entry**
- **Value of the Brand**

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