

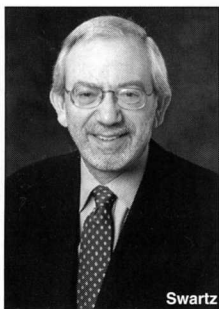
MOVIES...AND MORE

D-Cinema Rollout Delivers Programming Opportunities Beyond the Feature Presentation

by Annlee Ellingson

With the acceleration of digital cinema deployment backed by Christie/AIX, Technicolor Digital Cinema and, most recently, National CineMedia, 2006 is shaping up to be the year that the industry will finally see a significant domestic rollout of the projection technology. The primary driver for the installation of such high-end projectors, servers and broadband connectivity is, of course, the screening of feature films as well as trailers plugging such product. But, as the national footprint of d-cinema expands, new possibilities for the cineplex arise.

"Exhibitors now have an opportunity to take advantage of this new digital infrastructure [that] is going to be coming into their theatres," says Charles Swartz, executive director and CEO of the Entertainment Technology Center



Swartz

at the University of Southern California. "As [deployment] ramps up, these opportunities come into focus a little more."

It was with this in mind that the ETC organized "Other Digital Stuff: Expanding the In-Theatre Experience," a day-long event taking place the Friday before ShoWest at the Digital Cinema Laboratory in Hollywood. Coined by NATO president John Fithian for a digital cinema confab at NAB in 2003, ODS, or alternative content, "refers to any entertainment product capable of digital exhibition in cinemas other than feature films," says Fithian, who helped plan and will participate in the event. Such product might include live content such as sports events, music concerts or videoconferences; preshow programming and advertising; and 3-D stereoscopic material—all of which will be discussed at the ETC conference.

Naturally, exhibitors, distributors and equipment suppliers are all invited, but among the aims of the event is to introduce ODS content providers into the mix. Sports leagues, management companies, broadcasters, record labels, concert promoters, brand advertisers and ad agencies have all been targeted to attend.

"All these array of people who own those rights, they need to be shown that there is a business opportunity" on the 50-foot screen and 5.1 audio of the cinema, Swartz says. "They need to be persuaded that it will look good, that audiences will come, and that there's a business there."

Live Content

Among the benefits of digital cinema pitched to exhibitors since the innovation first started to appear on the agendas of industry gatherings has been the ability to leverage cinemas for the presentation of entertainment programming other than feature films. Although perhaps initially met with some skepticism that such a strategy could significantly contribute to the bottom line, content such as live sporting events and music concerts will play a crucial role as movie theatres begin to transform into entertainment complexes—a trend the industry is embracing more and more as competition for consumers' entertainment dollars grows exponentially.

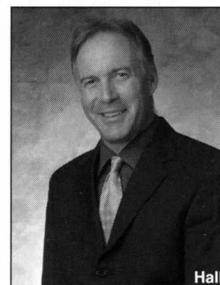
"Alternative content in cinemas has already proven itself profitable in some circumstances, even with lower-grade digital projection systems," Fithian says. "D-cinema will only expand the opportunities for alternative content to increase exhibitor revenue."

Meanwhile, perhaps counterintuitively, studios also could benefit from sharing distribution channels with content other than feature films. "In addition to being a leading film company, we're a diversified media and entertainment business," says Bob Lambert, senior VP worldwide media technology and development for the Walt Disney Co. and another planner/participant in the ODS day. "Our market is to cater to the types of entertainment, news and sports [that] the public wants to see, on a variety of screens, large and small. We're aware that funding and utilization of these new systems will likely generate new opportunities for exhibitors, distributors and—most importantly—theatregoers... To the extent that appealing entertainment and flexibility of options help drive the transition to digital, which holds a number of advantages for the whole ecosystem, we believe a 'rising tide lifts all boats.'"

Still, the question remains how other distribution channels—such as broadcast television—will react to sharing such content with a new outlet.

"We need to convince the TV community that we are a marketing partner that can add audience by using the theatre as an additional platform," says ODS panelist Kurt Hall, president and CEO of National CineMedia, an early leader in the exploration of alternative content opportunities via its e-cinema Digital Content Network. "We are not a competitor who is taking away net rating points because someone came to our event rather than watching it at home. In the future, as the theatre audience grows, we can also start to have the in-theatre presentation rated and added to the TV ratings, as long as the same ad package is playing."

Moreover, adds Fithian, "Roughly 6,000 cinemas in the U.S. Roughly 200 million television sets. You do the math on the bigger industry. And besides, the advent of television seriously decreased cinema admissions as a matter of history. A little extra business for the cinema now only seems fair."



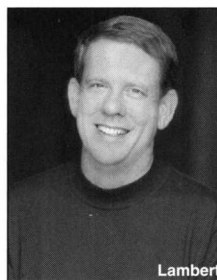
Hall

Preshow

Taking a lot of flack over the past few months as the industry has debated the perceived decline in ticket sales in 2005 has been preshow programming and advertising.

"[The preshow] is here now and is a significant revenue source to exhibitors," Swartz says. "At the same time, the challenge is, I think it's fair to say, the preshow is not a favorite part of the cinema experience as far as audiences are concerned."

In addition, some studios are wary of having their feature product preceded by promotions. "We feel some types of preshow fit certain film product better than others," Lambert says. "We do not, for instance, encourage rolling stock ads in the footage leading up to a Walt Disney Pictures theatrical feature, feeling it detracts from the overall enjoyment of the feature."



Lambert

Exhibition representatives take issue with the perception that preshow programming is unpopular. "Numerous audience acceptance studies have been conducted, and research indicates that the acceptance is much higher than the media would have you believe," Hall says. "In fact, the majority of patrons much prefer seeing a preshow rather than a blank screen when they arrive at theatres early."

Yet it's universally recognized that the preshow must consist of compelling content to retain the favor of consumers. Swartz suggests developing advertising campaigns with storylines, similar to BMW's eight-part short film series dubbed "The Hire," and exploiting digital cinema's ability to customize ads for the demographic profile of an audience in a particular auditorium.

"We have encouraged the screen advertising providers to mix up the commercial mes-

sages with other entertaining product such as behind-the-scenes pieces from moviemaking," NATO's Fithian says. "The leading providers are responding and doing just that. We also seek commercials that are new and fresh and don't appear like recycled television ads."

"We have to make the content more relevant (read: entertainment-oriented!) [and] original (read: not seen before on TV) and conclude the preshow at the advertised show time," adds NCM's Hall.

Digital 3-D

Finally, new opportunities for the cinema have emerged in just the past few months with the 84-screen release of Disney's "Chicken Little" in digital 3-D. Neither Fithian nor Hall, in public speeches and press interviews, has conveyed a belief that 3-D will catalyze the widespread rollout of digital cinema. The technology is, however, a value-added experience that further differentiates moviegoing from what home entertainment systems can provide.

In Lambert's view, the "Little" release falls squarely under the heading ODS. "'Chicken Little' in 3-D was an example of 'other digital stuff'—a nonconventional feature presentation which simply would not have been practical to deliver or nearly as dramatic in a conventional film deployment."

Meanwhile, "there are a number of opportunities that are not yet being taken advantage of and that go beyond the movie itself," Swartz says, citing trailers and cinema advertising as having as-yet untapped potential for exploiting 3-D. In addition, "there is this area of lobby displays. The technology is moving to where it's going to be possible to put flat-panel TV monitors in the lobby that actually can show 3-D without glasses."

With digital cinema coming soon to a theatre near you, ETC's conference on Other Digital Stuff offers the opportunity to explore all the technology has to offer beyond the feature presentation. ■■■■■

OTHER DIGITAL STUFF: Expanding the In-Theatre Experience



ETC®
Entertainment
Technology Center

Digital Cinema Laboratory
Hollywood, Calif.
March 10, 2006

Other Digital Stuff (ODS) is the first-ever conference dedicated to in-theatre content beyond motion pictures, exploring the new forms of entertainment and advertising enabled by digital technologies—preshow, real-time sports and music, 3-D trailers and displays and more—and how they can be shaped for greater audience appeal. Clips and demonstrations of the latest innovations will be complemented by an examination of technology and bottom-line issues:

- What kinds of ODS content will appeal to audiences?
- How can ODS facilitate the digital cinema rollout?
- What technical hurdles need to be solved?
- Who will be the distributors of ODS content?
- What are the bottom-line benefits to exhibitors?

KEY SPEAKERS AND MODERATORS

John Fithian, President, National Association of Theatre Owners

Kurt Hall, President and CEO, National CineMedia

Bob Lambert, Senior Vice President, Worldwide Technology Strategy, The Walt Disney Co.

SESSION TOPICS

The Digital Cinema Rollout: A Progress Report

Other Digital Stuff depends on the rollout of digital cinema systems in theatres. What progress has been made since the DCI specification was finalized in 2005?

Speakers: John Fithian, NATO
Kurt Hall, NCM
major studio representative
Chuck Goldwater, President and COO, Christie/AIX
Joe Berchtold, President, Technicolor Digital Cinema

Live Content: The Power of the 50-Foot Screen and 5.1 Audio

Sports, music concerts and B2B videoconferences.
Speakers: music concert representative
Evan Saxon, D&E Entertainment
network and sports league representatives
independent distribution representative
others TBA

3-D Stereoscopic Digital Cinema

Trailers, preshow ads and lobby displays.
Speakers: Josh Greer, CEO, Real D

Lunch

Lobby signage, including autostereoscopic displays.

Innovations in the Preshow I

Ad customization—targeting a specific demographic and new forms of content.
Speakers: Matthew Kearney, President and CEO, Screenvision
Patrick von Sychowski, Director Business Development, Unique Digital

Innovations in the Preshow II

Interactivity, games and solving the mobile phone dilemma.

ELIGIBLE INDUSTRY MEMBERS ATTEND AT NO COST
For more information or to register, log on to www.etccenter.org/ods