Interview with Kelly Summers Carsey-Wolf Center at UC Santa Barbara

12-15 minutes

In May 2012, Kelly Summers, former VP of Global Business Development and New Media Strategy at Disney, sat down with MIP for an interview. In the excerpts below, Summers draws on her experience at Disney to discuss the challenges of windowing strategies in the digital era and addresses questions about digital delivery's potential to devalue content.

Kelly Summers currently manages her own consulting firm, Bella Rafe Media, where she advises start-ups on digital distribution strategies and digital product development. In her previous role at Disney, she led content commercialization for new media distribution platforms, created new product concepts, incubated new ventures, and oversaw technology commercialization efforts. Summers began her career working with entrepreneurs in start-up environments and first explored digital media distribution in 1997 when seeking to commercialize price discovery technology and develop online transaction markets. After business school, Summers joined The Walt Disney Company and by 2006, had closed Hollywood's first iTunes movie deal bringing the Disney family of brands to the popular digital platform.

Kelly Summers also participated in our event Net Worth: Media Distribution in the Digital Era. You can watch her roundtable discussion here.

Windows

Tuesday, May 29, 2012

Can you talk to us about windowing? How has Disney experimented with windowing?

Disney accelerated the release date of the *Alice in Wonderland* DVD. You may have read about the drama that ensued and threatened boycott as a result of this experiment. It was a stressful period but an important test. I think the key takeaway for anyone wishing to test windowing is to back the proposal with research and do it in collaboration with distribution partners. In other words, no surprises.

Going forward, you may see more tests like this, particularly in television but also for some hard-to-market films, experiments like placing advance screenings online before the show or movie premieres in traditional channels.

One of the things that Disney tried to do was organize so that all distribution works together in one place. Most studios basically have one division running theatrical, another division running home video, and another running TV and Internet distribution with everyone working in silos, operating and making decisions for that are best for their own unit. Disney was the first to formally structure its studio to look at distribution holistically and manage product from theatrical on through the entire windowing scheme.

Who were the people that needed to be brought into line in order for that to actually work? What are the various tensions may arise in doing something like that?

With any massive restructuring it's important that there is total alignment and buy-in at the senior management level, and in my view, that the tactical elements of change – things like collaboration and new process – be part of everyone's performance measures. The reward structure needs to be aligned with new expectations. Tension can arise when a group that was rewarded on it's own P&L [profit and loss] performance is now expected to share process with another team that is measured differently or is not well versed in the vertical and therefore can't contribute meaningfully, and slows process. The gears start to grind.

But it starts at the top, and if the leaders of these organizations are not fully on board, then politics take center stage and you don't get the results you're looking for. At the time of the Disney studio restructuring, the then-current leadership aimed to have the sales teams essentially merge.

Those distinctions went away?

Well yes, in theory.

How can they go away? They seem endemic to the system. [Laughter]

Exactly. Each distribution organization managed not just three different channels, but three very different industries – exhibition, retail and television. These are very different industries with their own sets of norms. So, it's not simple or easy and a lot of work went into figuring out how this gets done. But prior to the change, these folks weren't sitting around a table together having a conversation about how to maximize returns across all windows, and the change was meant to address that. It appears the thinking at Disney has evolved since then, as the home entertainment sales organization has moved out of the studio and into the consumer products division. The newer idea is to gain more efficiency by having all of Disney's retail business managed in one place.

Have you seen this at any other studios?

It seems every studio is trying to get the organization right and so we continue to see various combinations of restructuring every few months or so.

One of the biggest areas of tension is the one around release windows. What are the time frames for each release window?

Domestically, theatrical runs anywhere from three to six months, and then DVD follows anywhere between three to six months depending on the strength of the title. DVD release dates would be the same as the electronic sell-through date. Then there is the Video on Demand (VOD) date, which is increasingly day-and- date with DVD and EST. Pay One follows about 18 months after that and runs its course, which can be anywhere from 18 to

24 months. Then you go into a network window, which is about seven years, where you sell the film across all the various networks. Then you go to the Pay Two window, which also runs from 18 to 24 months, and then you are into the library VOD business, which is when a film goes into a library about seven to 10 years after its initial theatrical release. International markets have their own windowing schemes that reflect how the business has evolved in their markets.

It's helpful for people to have a grip on these time frames because they are always shifting and changing.

It hasn't always been very transparent, but digital and new media certainly make the concept of windows more visible. Traditionally, consumers didn't know about these windows or talk about them because when you were buying or accessing a movie, generally you were separated from it by place and time. Buy it at Wal-Mart. Watch VOD on your Comcast box. Rent it at Blockbuster.

With digital, not only is the time converging but the places are converging too. To buy a movie you had to go to a physical retailer; now, to rent something digitally you have your cable box, but you can also buy it from iTunes and VUDU, all of them sitting right next to each other on the same day. So when a studio follows the traditional windowing scheme, it might be saying to consumers, "It's only for rent and not for sale," but people wonder why that sparks a conversation about windows and wondering what these studios are doing. It doesn't make any sense to most consumers, but the economics make a lot of sense for the motion picture studios.

Along these lines, how do these changes affect the moratorium strategy that worked so well in the past for Disney?

That's a great question. At Disney we often discussed what the role of the moratorium strategy should be in a digital world. If we weren't making it available, then the pirates would do it for us. I can't say with any specificity what is happening with the moratorium strategy other than there is an awareness of exactly what you are talking about and whether it's still relevant. How do you take the concept of the Disney vault and sort of age it up and modernize it?

Digital Value

Tuesday, May 29, 2012

During the Net Worth conference at UCSB you expressed concern about digital devaluing content. What do you mean by that?

It touches on the product development issues that arise when the product evolves, but doesn't necessarily get better. When DVD was in its heyday, people would run out to shop for the latest DVD, read the back to find out about the bonus features, buy it, bring it home and watch it – it was an event and all so exciting. That didn't exist in the VHS days. From a product experience standpoint, there was a big leap between VHS and DVD.

Online digital arrived around the same time as Blu-Ray and so the next step in the evolution of home entertainment product was split among more options. Some consumers liked HD and went for Blu-Ray. Others thought that immediacy was more valuable and so watching SD online was preferred. As consumer preferences shifted, we saw the industry struggle to establish Blu-Ray as the DVD replacement. There wasn't and still isn't the same "gotta have it" factor that we saw when DVD replaced VHS, even though Blu-Ray has the best audio and visual quality elements of any option.

With each successive technology, the experience got better. But with digital, it didn't. Digital was worse than DVD. The quality on the Internet was awful at the time, thanks to a combination of things – what hardware a consumer might have, which digital rights libraries were installed, what the encoding bit rates were, and other variables like the speed of a consumer's connection. These were all things that as product owners we weren't controlling, so the experience actually got worse. On top of that, the platforms delivering content didn't want to spend a lot of money to push high quality files. We've come a long way now, but that wasn't the case at the time.

So the consumer is looking at this digital thing going, "Why is this costing so much? It's not even as good as what I have, I can't take it anywhere, it's not working on my device," etc. So, that played a large part in devaluing digital. Add to that piracy: If you can get it free, why pay anything? Certainly DVD piracy exists. But I think for the average family, people were not out buying pirated DVDs. They just aren't as accessible as websites hosting illegal content. And the pirate websites looked so legitimate that kids were using them and not even realizing the sites were illegal, and the parents were looking at them and saying, "Oh, it looks legit." Families weren't going to a shady street corner to a guy selling stuff out of a trunk. They're online and it appears reputable. So now you have a zero price point for piracy compared to a $15 or $20 price point for legitimate digital, but consumers can't tell the difference between them. That plays a part in digital devaluing content too.

The convergence of VOD and the sell-through business so that they actually collide in time and place was also new. "Over here at the local Wal-Mart, the movie is $15, and over on my cable box it's $3.99." You do the math and find you can watch it four times before you have to buy it. Let's just say all of those things play a role in bringing down the overall value. With each successive technology we want a better consumer experience and to grow the overall business, but digital hasn't always enabled that.

Then there are aggregators. Aggregators devalued it too.

Well, some are better than others. I mean if you look back at the traditional Video on Demand business and the traditional TV distribution services like the Comcasts of the world, not a lot of work goes into the interface and the consumer experience. Those platforms actually tend to be – and research has shown this – one of the least favored. People hate their cable companies and they especially hate their cable bill and they will parse the cable bill and call in to complain in a way they won't with any other bill. Keeping that cable bill down is something that everybody is focused on. Yet cable's business model is basically to garner as many subscribers as they can and market all the different packages and grow that bill at the end of the month. It's not a transactional business; it's a subscription business. When you are a subscriber and you are in a subscription business your focus isn't on the kinds of things that transactional businesses would be focused on, which is consumer experience, marketing around the event, driving sales volume, etc. It's not about selling a video on demand; that's a much smaller part of the their overall business. But then you bring in the digital guys, iTunes and VUDU with these glorious user interfaces, the big cover art, and branded platforms that are much easier to navigate, and there is no comparison. Platforms like Netflix and iTunes have so much positive brand recognition with consumers, which is very different from the traditional Multichannel Video Programming Distributor (MVPD). From a distribution standpoint, the majority of the business still lies with traditional players, not with the new digital, but that's where the consumer's experience is superior.

Read the complete transcript of our conversation with Kelly Summers in *Distribution Revolution: Conversations about the Digital Future of Film and Television*.