

Interview with Thomas Gewecke

Carsey-Wolf Center at UC Santa Barbara

9-11 minutes

As the first Chief Digital Officer for Warner Bros. Entertainment and Executive Vice President of Strategy and Business Development, Thomas Gewecke is the point man for one of the most challenging aspects of the studio's business strategy: how to position the company for success as digital distribution threatens to cannibalize Hollywood's traditional business models. Gewecke now coordinates all of the studio's various digital and global business strategies. If that weren't enough, he also oversees WB Home Entertainment's Direct-to-Consumer, Business Development, and Flixster groups. He is not a man with a lot of spare time.

We interviewed Gewecke soon after Kevin Tsujihara took over as CEO and right before he was promoted to his new post as Chief Digital Officer. In the excerpt below, he discusses the value of digital ownership.

Future of Digital Ownership

Considering the availability of subscription VOD options, why would anyone own digital video? What's the value of

the ownership proposition in this kind of environment?

Well, it's really interesting. This is one of the most commonly asked questions, and we think it's really based on a misperception of where consumers are from a media ownership-desire standpoint. Look at the business of digital media in general, for example at music, where for a very long time the overwhelmingly successful commercial experience was a digital download and ownership one. While new services like Spotify have increased the significant share of subscription, in most marketplaces ownership is still overwhelmingly the largest consumption choice, both from a unit and a revenue standpoint. If you look at digital books, where there certainly are book rental models – Amazon has one, for example – the fact is that ownership of e-books has been the primary mode of commercial transaction for consumers. People want to own music and they want to own books. If you think about things like photos, there really isn't a rental construct in photos, but if you imagine how consumers think emotionally about photos, they very much feel that ownership over that kind of personal product is really important.

There has been a rental option in the home entertainment space in movies for decades, starting with VHS. Renting is one of the business models in the film environment, but we think consumers really, really do want to own their favorite movie and TV content. There are all sorts of benefits from a distribution standpoint. For example, in many cases we make ownership content available earlier than we make rental content, although different studios have different strategies. From a consumer

standpoint, we think that the reason there has been more growth in digital rental than digital ownership in the last three or four years is not because consumers don't want to own, it's because the product of digital rental has been innovating much more rapidly than the product of digital ownership (although I think that has been changing in the past year and a half because of the new strategies and models that are in place). Video on demand has been in the marketplace for a longer time. There have been more new retailers launching with new and different approaches to the interface and transactional model for video on demand. There has been a growth in the physical rental category over the last three or four years driven by a dramatic reduction in price in the form of the new model that Redbox started when it introduced its kiosk-based network.

What we've seen when we've gone out and done lots and lots of research on consumer attitudes toward digital ownership is that it's not any inherent issue around ownership; it's that consumers want to feel like they're a) getting the right product for the right price, so they have a good value and a good deal, and b) when it comes to movies in particular, where movies are more expensive today than television shows and the consumer experience of the movie is that they're making a meaningful time commitment to have what is intended to be an in depth, important, central entertainment experience, it's very important that the quality of the product and experience be exactly what the consumer wants.

So over the past year and a half as we have added things like HD and enhanced HD quality, as we have begun to create

earlier windows for EST, the industry has been experimenting with price in various places. You've seen a variety of price points, there are more and more retailers that have much, much larger libraries available than was the case a few years ago, there has been tremendous growth in the number of ways in which you can get a digital-owned movie to the television screen, and that's been very, very important, because the longer the piece of content is, the more important it is for the consumer to be able to get it to the television screen. The more they're putting it on a large screen, the more important the HD and enhanced HD quality of the content is and so forth. So as we have made the product better and more available and much more accessible on the television through connected TVs, connected game consoles and a variety of other things – airplay on iTunes, things like that – the marketplace has grown steadily.

The other thing that has been really important is to get much more clear about what it means to own something digitally, particularly given the file size of movies and television shows. If you download an entire season of a TV show in HD, you may be putting 50 gigabytes of content on a hard drive. And a movie can easily be three or four gigabytes or more. And even for consumers with very large hard drives, that can still be a very meaningful amount of storage space when you start to buy a lot of content. So cloud storage and the ability to access content from the cloud across devices was really a core prerequisite for making digital ownership of movie and television content work for consumers.

The challenge for cloud ownership is that consumers have lots

of questions about what it means to own something in the cloud and lots of questions about the distinction between the physical, tangible possession of something and virtual, cloud-based possession of something, and that's partly because the new technology and the new commercial phenomenon, but partly also because those are clearly distinct things. We have spent a lot of time over the last year and a half working with consumers and doing research to try make sure that we can define what cloud ownership means in a way that will really help make consumers feel as though what they are buying when they buy from the cloud is a permanent guarantee, an always there, always available product that they own in the same way that they own something when they hold it physically in their hands.

Do you foresee a future in which one of the features might include shareability for those digitally owned files?

Yes. Think of your own experience. What's the difference between holding a DVD in your hand and holding a digital copy of a movie in the cloud? One of the answers is that with a physical DVD, I can take it over to a friend's house, I can give it somebody, I can sell it to somebody. Those are all things that we have historically not let consumers do with digital files in order to deal with the fact that a digital copy can be made millions of times and it's not the same as a physical copy where if you give it to somebody, it's not in your possession anymore.

So we are looking into some very interesting ways at partnering with companies like Facebook, but also building into the standard industry definitions of what digital ownership is, concepts like sharing and possibly even in the future exploring

how you might create secondary marketplaces for digital content. It's important that you create the right type of environment for those kinds of transactions. It's important that you have, for example, strong identity of the type you have through a Google Plus or a Facebook, so that the consumer is able to authenticate who they are and their ownership of the content that they are working with. It's certainly possible in today's digital, social networks to imagine a model where you log into, for example, Facebook, you authenticate that you own a collection of movies by logging into the UltraViolet cloud, and then you then have the right to share your movies with your friends but with some reasonable rules. Maybe when you lend a movie to a friend you don't have it anymore until they give it back to you. Or maybe it's a broader, more generalized sharing right than that where you can share with a certain number of people at any given time. But we think those are very important and interesting consumer benefits that you can bring to the marketplace and they would be a great tangible way of catching the idea of digital ownership in a way that would make it a compelling and appealing product.

[Read the complete transcript of our conversation with Thomas Gewecke in *Distribution Revolution: Conversations about the Digital Future of Film and Television.*](#)