



Intermission

List at least three ways that movies are distributed.



Time Out

A new service being offered by AT&T blends TV and the Web to provide movies to home subscribers.

The service, Homezone, integrates AT&T's high-speed Internet service and DISH Network Satellite service using a single set-top device. Movies can be viewed via satellite or downloaded from the Internet to the TV for viewing anytime.

MAKING MUSIC



Music and entertainment are distributed in many styles and formats throughout the world to suit a variety of tastes. Some people like classical music CDs, while others prefer rock-and-roll downloads.

Marketing the King

In 2006, a sitting U.S. President visited Graceland for the first time in history. Graceland is the estate of the late entertainer Elvis Presley, deemed "The King of Rock and Roll." To make the visit even more remarkable, President George W. Bush accompanied Prime Minister Junichiro Koizumi of Japan. Koizumi, a huge Elvis fan, lived out a dream when he was given a personal tour of the estate. The tour was broadcast worldwide.

Popular U.S. entertainers, such as Elvis, have frequently enjoyed worldwide fame and marketability. The appeal of an icon offers a variety of opportunities to distribute music and related products globally.

From Vinyl to iPod



In Elvis's glory days, music was distributed via live performances or in a recorded format including record albums of 12-inch grooved vinyl disk that were played on phonographs. The format of recorded music quickly evolved from 12-inch vinyl to audiotape and then to compact disc (CD). The most recent trend in music formats is *digital files* that can be played on personal computers or portable media players, such as iPods. The portable media players offer the advantage of storing thousands of songs on a small portable device. The popularity of Apple Computer's iPod has created revolutionary changes in the way music is distributed.

The early models of digital devices such as iPods required users to sacrifice high quality for the quantity of music that could be stored. The compression of the digitally stored music files caused a reduction in sound quality when

Marketing Myths

Most movie sequels are expected to sell fewer tickets than the original film, even if the original was a blockbuster hit. The sequel is generally assumed to follow the same formula of the original and to lack the excitement and intensity of experiencing it the first time. Exceptions to that myth include the *Lord of the Rings* sequels, *Toy Story 2*, *The Matrix Reloaded*, and *Pirates of the Caribbean: Dead Man's Chest*. Each of these sequels outperformed the originals in worldwide box office sales. *The Matrix Reloaded* outsold *The Matrix* by over 60 percent. The

Pirates sequel broke all box office records, grossing \$135.7 million in ticket sales during its opening weekend alone.

Think Critically

1. Why would a movie producer take a risk and film a sequel?
2. How do you think distribution of a sequel influences ticket sales?



compared to music stored on a CD and played on a surround-sound audio system. A quality digital recording can take up ten times as much space on a storage device as a compressed version and costs more.

Jumping on the Bandwagon



Apple reportedly sold more than 50 million iPods in its first four years on the market.

The high volume of sales indicated that consumers desired quantity and portability. Apple provides music for the iPod on its online iTunes Music Store, where music and videos can be downloaded inexpensively and stored in quantity on an iPod.

To avoid being left out of the ever-changing music business, producers of high-end electronic stereo systems jumped on the digital bandwagon. Bose and other companies known for their quality speakers began offering docking stations. A **docking station** enables iPods to be connected to speakers that project the music throughout a room, rather than being limited to the individual earbuds of the iPod. Apple is developing other products that will play music and videos stored on personal computers and cellular phones.



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What changes in music distribution did portable digital music players bring?

Intermission





Technology and Distribution Media

Goals

- Describe the convergence of sports and entertainment media.
- Explain the changes brought about by digitalizing music.

Terms

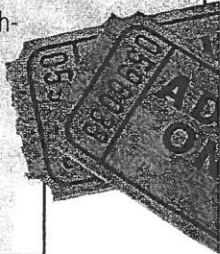
- podcast
- vertical integration
- MP3

Opening Act

A number of colleges and universities offer students free online music through legal music download services, such as Napster. Colleges have established agreements with online music providers for the inexpensive or free service in part to combat the extensive illegal downloading by students. So much illegal music was being downloaded that, at times, university computer networks were choked, and the recording industry was filing lawsuits against the illegal music swappers. The legal downloading services allowed Vanderbilt University in Nashville, Tennessee, to recover \$75,000 a year in network costs by freeing up the clogged network equipment.

The music downloading services are paid for in part by donations and school fees, or the students are offered a discounted price for the service of about \$2 per month for unlimited downloads. The normal cost is about \$10 per month. Not all students like the service, partly because the files are not compatible with iPods.

Work with a group. Discuss how technology has changed the distribution of music. Why is illegal downloading of music a concern to musicians and the music industry?



MEDIA MERGE



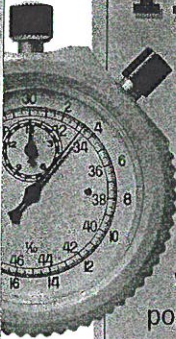
The lines between the various information, communication, and entertainment media are becoming more and more blurred. Entertainment companies have branched into multiple ventures, creating cross-promotional opportunities. Many companies are integrating new technologies with the old, delivering the best of all worlds in one seamless package.

Cable Mania



In the early days of television in the United States, there were three national networks—ABC, NBC, and CBS. Now there are hundreds of networks broadcasting through cable and satellite systems. Television networks are finding ways to make programs available as podcasts. A **podcast** is a way of distributing multimedia files over the Internet for playback on computers, iPods, cell phones, and other mobile devices. The word “podcast” was formed by combining two words—Apple’s “iPod” and “broadcasting.”

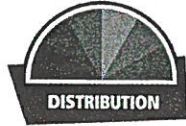
Time Out



In 2006, a heated battle over control of the Internet was taken to the U.S. Congress. The term "net neutral" was coined by supporters who want to keep the Internet free from control by network providers that want to charge fees to content providers for speedy access. Consumer advocates believe that Internet users should control what content they view—not network providers.

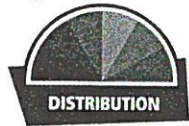
According to the National Cable and Telecommunications Association, of the 110.6 million U.S. households with televisions, more than 59 percent of them were cable subscribers in 2006. Cable television programs at stations throughout the country are picked up by a master antenna and delivered to homes via cables. As other technologies improve, cable TV will need to make changes to keep its lead over other distribution methods.

Digital Delirium

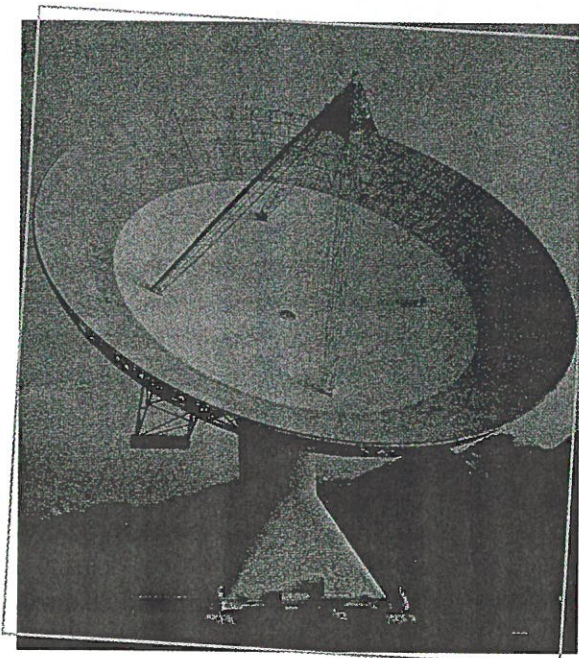


Strategy Analytics is a global research and consulting firm for the information, communication, and entertainment industries. It estimates that by 2008, 29 million U.S. homes will have high-definition television (HDTV). HDTV offers digital sound and digital video transmissions that are twice as sharp as standard television. The Federal Communications Commission (FCC) has issued a mandate that all television transmissions must convert from analog to digital format by February 2009. For the transition, stations have been given a free channel on which to transmit the digital signal while maintaining the analog signal on their original channel. After the complete conversion to digital, the stations will give up their analog channels. The analog channels will then be used for other purposes. When analog transmissions stop, consumers will still be able to use their analog television sets, but will need a set-top converter box.

Space-Based Radio



Radio is also moving to digital formats. It is transmitted digitally from space via satellites. Currently, there are only three satellite-based radio broadcasters—WorldSpace Sirius, and XM. WorldSpace serves Europe, Africa, and Asia and is scheduled to eventually service Central and South America. Sirius and XM serve the United States. Satellite radio systems have three components: satellites that orbit the earth, ground stations that transmit signals to the satellites, and radio receivers that unscramble the signals for the listeners.



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Satellite radio provides to its subscribers what they want to hear, when and wherever they want to hear it. A U.S. subscriber of satellite radio can tune to one radio station and drive from coast to coast without losing the station. Subscribers are offered over 100 channels that offer a wide range of music and news, sports, talk, variety, and comedy shows. Some of the channels broadcast commercial free. Upscale automobiles are expected to include satellite radio as a standard feature in the future.

MEGA DISTRIBUTION



Broadcast webs (not related to the World Wide Web) are groups (called affiliations) of television networks, production studios, and related entertainment businesses that produce shows or provide services for other members in the group. This kind of business structure, in which one company controls several different areas of the same industry, is known as **vertical integration**. Vertical integration is a change from previous distribution systems in which the networks aired shows developed by independent producers.

The Walt Disney Corporation is an example of a vertically integrated media company. While Disney's original business was motion picture production, the company has ventured into many types of sports and entertainment businesses. In addition to the movie studios, Disney owns record labels, theatrical production companies, animation studios, television networks, theme parks, and resorts.



One of Disney's goals is to create cross-promotional opportunities. For example, Disney can advertise on the Internet and, in turn, allow the Internet provider to advertise on its television network. Most media companies generate profits through the sale of advertising, but Disney also earns income from movie ticket sales, cable TV, and direct selling. Disney has the ability to market both advertising and entertainment to the world.

Name two advantages of satellite radio over traditional radio.



DIGITAL PLATFORMS



The advance of technology and the speed of change it brings make it difficult for sports and entertainment distributors to focus on a single channel of distribution. Consumers are a fickle group and are often moving on to the newest technology before the marketers have figured out how to incorporate it into their business model.

The Internet Music Revolution

Music marketers lost site of what customers wanted when they failed to provide easy access to quantities of portable legal music at the right price. The major music distributors—EMI, Universal, Warner, and Sony/BMG—attributed loss of music sales to extensive illegal copying of music. *File-sharing*—making files available for others to download—and *CD piracy*—unauthorized copying—was targeted by the music industry as wreaking havoc on the sale of products distributed through legal channels. The U.S. \$13.3-billion-a-year music industry took a strong stand and filed lawsuits against illegal online music swappers. The Recording Industry

Association of America (RIAA) uses software to trace the unique identification number that identifies a computer online. Once the RIAA finds a user with a large collection of copyright-protected, illegally obtained music, a subpoena can be issued and a lawsuit filed against the computer owner. The problem might have been prevented if the music industry had not been so slow to react to the potential of the Internet as a channel of distribution for music.

While major music producers and distributors missed the onset of the Internet music revolution, Apple Computer embraced customers' desires and provided inexpensive music in an easy-access format. From the Apple online music store iTunes, customers can purchase their choice of over 3 million songs for 99 cents each, an album for \$9.99, and a video for \$1.99. Downloads from iTunes are only playable on Apple's iPod players.

Portable players from other companies use different software formats, including MP3. MP3 (MPEG-1 Audio Layer 3) is a digital audio encoding and compression format designed to greatly reduce the amount of data required to represent audio. It is used to download music as small digital files. It uses a *lossy* method to compress the music and then decompress it in a way that may be slightly different from the original, but not enough to noticeably affect the quality. eMusic is an online music service that offers a selection of music in MP3 format that has no encryption or copy protection. Major recording labels require that their music catalogs be offered in encrypted formats that prevent illegal copying, thus limiting what is legally available in MP3 format.

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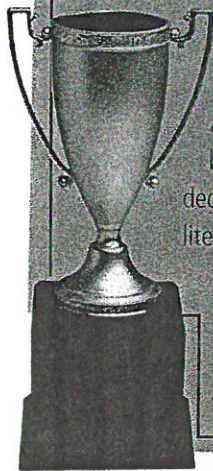


Why is there only a limited amount of music available in the MP3 format?

Take a Bow **Alvaro Saar Rios**

When playwright Alvaro Saar Rios was growing up in Houston, he had never heard of or met a Hispanic writer. He thought all writers were dead white men. Rios recalls being in the car with his family when he was 8 years old and his father tuned in the radio. "Why does Dad always have to listen to Mexican music?" he asked. "I don't like it." His brother told him, "Because he's Mexican, and you're Mexican, too." Rios answered, "What? No way!"

Rios, at age 30, is the author of four children's plays that have been produced and two full-length adult plays. *A Trip Through the Mind of a Crazy Mexican* is his comedic play showing the human side of being born of Mexican heritage in the United States. He holds a bachelor's degree in English from the University of Houston. He is active in the Latino literary scene with several additional works underway.



Think Critically

What channel of distribution is typically used for a play? What other channels could Rios consider to distribute his work to a wider audience?