

6 studios seek to lift barriers to online sales of films and TV shows

January 7 2011, By Ben Fritz

With fresh data showing that Hollywood's crucial home entertainment market shrank yet again in 2010, six of Hollywood's biggest studios are rolling out plans for boosting online sales of movies and TV shows.

The technology, called Ultraviolet, was unveiled this week at the [Consumer Electronics Show](#) in Las Vegas after four years of development. It will be launched in early summer and allow customers to download videos on multiple devices and share them with up to six family members or friends.

Backing the initiative are [Warner Bros.](#), Paramount Pictures, Sony Pictures, [20th Century Fox](#), Universal Pictures and Lionsgate. Walt Disney Studios is not part of the consortium because it is moving ahead with its own similar plan, called KeyChest.

Industry research has shown that the inability to play video downloaded from the Internet on more than one device and share it has hampered growth in digital distribution. Hollywood hopes that lifting those barriers will accelerate online sales of movies and TV shows, reduce [piracy](#) and allow the home entertainment market to grow again after five consecutive years of decline.

Indeed, the Ultraviolet announcement came just as new data released Thursday by industry trade organization Digital Entertainment Group showed that total revenue from DVD, high-definition Blu-ray discs and digital sales and rentals of movies and [television shows](#) in the U.S.

declined 3 percent to \$18.8 billion in 2010.

While the numbers were down, they nonetheless marked an improvement over 2009, when [home entertainment](#) revenue fell 7.6 percent - the steepest decline in a decade. Experts have attributed the drops in part to the [economic downturn](#) and also to consumers' decreasing interest in collecting DVDs.

"Because the economy improved, the market is fading less quickly," said Tom Adams, principal analyst at IHS Screen Digest. "But the structural issue of people buying fewer movies remains."

Sales and rentals of Blu-ray discs were up a hefty 53 percent last year, and digital downloads and streaming grew by 19 percent. But neither was enough to make up for the 11 percent drop in revenue from DVDs to \$14 billion.

The overall decline masked worse news, however, as rental revenue grew 2 percent to \$7.8 billion but sales dropped 7 percent to \$11 billion. Studios have long preferred that consumers buy movies, because purchases create larger profits than rentals.

Ultraviolet was created to address that issue as the industry transitions to digital distribution.

"The most highly skilled users are already downloading content, making copies and watching on any device they want," said Mitch Singer, chief technology officer of [Sony Pictures](#) and a key executive behind Ultraviolet. "We're trying to build a business model around that behavior and convince consumers to go back to collecting movies."

When Ultraviolet launches in the middle of this year, there will not yet be many devices compatible with its file-transfer technology. But Singer

said that by late 2011, many phones, video-game consoles, tablets and computers would get software upgrades to make them work with it. In 2012, devices with built-in Ultraviolet will start to be sold.

Forty-six technology companies and retailers - including Best Buy Co., Comcast Corp., Samsung Electronics Co. and Toshiba Corp. - are backing the technology, along with the studios.

But one key player - Apple Inc. - is not among them. The electronics giant has not agreed to open its popular iPhone, iPad or iPod to the technology. Complicating a potential partnership is the fact that Apple Chief Executive Steve Jobs is the largest individual shareholder in KeyChest-backer Disney.

Singer said he's optimistic that Apple will open up to Ultraviolet, noting that the company has allowed access to Netflix's video-streaming service on its devices.

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