

CAN WE EDUCATE THE DOWNLOAD-FOR-FREE GENERATION?

"The film market in Scandinavia is worth more than 1 billion Euros a year"



Warner Bros predicts that downloaded films will make up 10% of the total film market in the Scandinavian countries by 2010. But it will require a major educational campaign to get young people to pay for films when the illegal market today could be as big as the legal one.

"Even though the Scandinavian market for the digital distribution of film for download is amongst the most advanced in the world, and is only exceeded by Holland, Belgium and the US, Warner Bros' analysis shows that downloaded films will still only make up some 10% of the total film market by 2010," says Lars Håkansson, Managing Director for Warner Bros in Scandinavia.

Warner Bros were the pioneers with Video On Demand two years ago in Scandinavia. A year ago, the company started EST with Film2Home which was the first commercial film-loading site in Scandinavia, today providing over 1000 titles.

"We are a long way down the road with the download of film here in Scandinavia because of the development of broadband. In general, there has been considerable progress within Entertainment. The film market in Scandinavia is worth around 7.8 billion kroner a year, so 10% of that is still a significant amount," observes Lars Håkansson.

He also points out that, by 2010, there will be HDTV and further development of broadband, which will both enhance the quality and allow for a bandwidth that can handle the load and give a reasonable download time.

PHYSICAL FILM WILL DOMINATE

"Most people will still want a physical product, which they can put on the shelf. Film is an identification object, just like books, and people want to show their libraries on the shelves, so the physical product has a long life yet," stresses Lars Håkansson.

He also makes the point that the physical product has and will continue to have other qualities than a downloaded film.

Warner Bros believes that the keys to stimulating more interest lie in offering as many titles as possible, ensuring availability shortly after cinema release at a reasonable price. Currently, that would mean a price of €21.2-18.5 per film for the customer for a new title, €13.2 for a film from the back catalogue and €2.6-6.7 for rental. EST will be launched at the same time as physical DVDs in Scandinavia.

The music industry is far more advanced in terms of experience, and the film industry aims to learn from their mistakes. For example, the price of music has been far too high.

"The average DVD cost around €14.7 today, four years ago the average price was over €27. New releases are still around €27, but the catalogue can be down as low as €6.27. We have to have a more aggressive price policy on our EST pricing, which needs to be 20-30% cheaper than physical films," emphasises Lars Håkansson.

According to Lars, it is vital that the other major US film-companies make a range of their titles available and create greater choice in the digital repertoire if development of digital distribution is to be speeded up.

He says, "We do not have a dialogue currently with our competitors, but we do invite our customers to get in touch with them in order to give the online market a push forward."

AN ENORMOUS ILLEGAL MARKET

The illegal market in downloaded film is very much up and running. This enormous market presents both a threat and an opportunity for the legal market.

"The expansion of the illegal market shows first of all that a market exists," points out Lars Håkansson.

He refers to the fact that, in Sweden alone, between one and two million films are downloaded each month.

"We do not yet have figures for the other Scandinavian countries but the problem is expected to be just as great. It is, of course, difficult to compete with free films," says Lars Håkansson.

He points out that illegal download represents a particularly hard blow for local filmmakers because, for example, Danish film is primarily sold in Denmark.

"It is necessary to use DRM on the film market, which one cannot compare with the music market. The two different media have an entirely different life cycle. With music, the artist can put their own work on the Net and make money from live performances," says Lars Håkansson and he rejects the idea this can be compared to film, which first is shown at the cinema. This is partly because the pirate copy is often available on the street in Scandinavia before the official copy arrives, relative to the American market. The rental version also requires a DRM, which can reduce the time of usage.

Lars Håkansson also stresses that DRM needs to be made more user-friendly and secure, but also that the customer needs to be able to make copies.

"It is obvious that if a hard disk breaks, so the purchaser should get a new copy, and that person should also be able to make a copy, which can be played, for example, on a mobile. Our aim is to ensure that everyone pays for their downloaded film. First and foremost, it is vital to make it possible to download film and make it as easy as it is to do it illegally," says Lars Håkansson.

THE DOWNLOAD-FOR-FREE GENERATION NEED TO BE EDUCATED

But technology and a wider choice of titles will not accomplish this by themselves.

"We need to educate this generation in a more positive way rather than demanding punishment and prosecuting them for downloading. In this area, we are working with our competitors to put out information and education to young people with more positive messages. It is the 10-20 operations in Scandinavia's illegal release group who need to be prosecuted," insists Lars Håkansson.