

UltraViolet

The Cloud's silver lining

The message on the pack is unequivocal: "Buy physical media bearing the UltraViolet brand and you automatically own a digital copy that you can access anytime, anywhere and on any device." BOB AUGER, President of Newmérique, says the industry must learn lessons from history if it wants to succeed.

It is a bold promise and one that most people would buy into, yet consumer awareness of the online digital locker service in Europe is low, although it has been available for more than 18 months.

At this point, I should acknowledge that I was less than enthusiastic about UltraViolet in my contribution to last year's DVD and Beyond, "The Installation Game." When I signed up for an UltraViolet locker in January 2012, I resented the fact that I became an involuntary beta tester in the process. I was expecting to look at the finished UltraViolet interface through the eyes of a consumer, but at that time, it had some very rough edges.

The process was complicated and confusing, there were new video codecs to install, the DRM required a range of system updates and error messages proliferated. Among my favourites was "Oops! We've encountered an issue streaming this title. Try again later, or visit our FAQs to troubleshoot," from Flixster and "We will be back up and running again before long, so please try again soon." Probably my least favourite message was "Oh boy, 404 error, page not found! Hopefully you'll be able to find what you are looking for by using the menu at the top of this page."

When things go wrong with UltraViolet the error messages can be more frustrating than the sound of a damaged VHS cassette trying to load. "Low (or no) bandwidth," "incorrect version," "your system needs updating," "try a different device..." the list can appear endless.

However, as I re-read last year's piece, I recognised the parallels between the unveiling of UltraViolet and the "soft launch" of DVD in 1998. The realisation dawned that to take a cheap shot at UltraViolet in its early days was to repeat the calumnies of 15 years before. Those *fin de siècle* newspaper commentators who couldn't imagine anything better than a videocassette were to be proved wrong, but it took more than a matter of

months to get the DVD message across. I resolved to take a fresh look at UltraViolet and to consider what lies beyond DVD and Blu-ray.

ABI Research predicts in excess of 65 million UltraViolet users over the next five years and says there are currently more than 13 million in North America, with a further 2 million elsewhere in the world. It is an interesting forecast, but to put the imminent arrival of UltraViolet in context, we should first look at the early days of DVD.

The excitement began in September 1996, with the initial European DVD Forum event in Brussels. Trailed as "A better CD-i," the reality of DVD was a great improvement on the low bit-rate MPEG-1 video of Compact Disc interactive. The razzmatazz that surrounded DVD at CES in Las Vegas in January 1997 made the rapid replacement of VHS seem a foregone conclusion and attendees hurried home to persuade venture capitalists to invest in the format. Unfortunately, financiers, the press and public were not so convinced.



By 1998, when VHS retail volume in the UK reached 100 million for the first time, DVD sold just 200,000 units at around £17 each, generating a retail market worth £3 million (BVA figures). The backers of authoring houses started to lose confidence as banks and financial advisors said the format was dead in the water.

It wasn't until five years later in 2002 that retail DVD volume exceeded that of VHS. In that year, DVD sold 90 million while VHS sales were down by 15% at 79 million units. By May the following year, DVD was outselling VHS by a factor of nearly 2-to-1. Looking at those numbers many years later reveals just how difficult it is to change the tide of public opinion.

As it approaches its first million registrations, UltraViolet in the UK is not doing too badly by the measure of the DVD launch. Few would argue that VHS deserved to survive the arrival of DVD, but the flywheel of the installed base kept the videocassette alive for much longer than should have been the case. Online video delivery has been an undoubted success, yet there are still arguments about the long-term prospects for UltraViolet.

When there was a one-billion pound market for VHS in the UK, consumers did not worry about the life of the format. Whether they were rented from Blockbuster or purchased from Woolworth, VHS cassettes played until the oxide fell off, the mechanism jammed or the end of the tape unwound.

Despite that relative fragility, the act of pushing a black box into a slot, to be rewarded a few seconds later with *The Magic of Hollywood*, was an important part of childhood for a whole generation. As parents, we felt a sense of ownership for those tapes and talked of keeping them for the grandchildren to watch, yet within five years, it was hard to find a workin VHS player or a cassette that would load into it.

The durability of DVD has reinforced the concept of "ownership" and consumers judge UltraViolet against that expectation. Discs acquired 15 years ago will still play perfectly in Blu-ray drives, at a quality that is as good today as when it was first encoded. However, even ownership has limitations. Standard definition video looks unimpressive alongside present-day HD, so the boxset of *Lord of the Rings* on DVD sits on the shelf while the owner >>

watches the same content on high definition Pay-TV or buys it again on Blu-ray. The Blu-ray version may look better than satellite, but how will it compare when 4K is widely available? On the other hand, is 8K set to be the quality reference?

Domestic screens have gone from standard to high definition in under ten years and are now poised to move up to Ultra-HD over the next decade. A European satellite operator announced recently that it would transmit all its 20 channels in HD. Some smartphones even offer better than 1080-line resolution. Audio has taken a similar path, from CD to High Fidelity Pure Audio and no doubt, beyond. As we saw with VHS, DVD and even with Blu-ray, the advance in technology eventually means that both the hardware and the media are unable to cope with the latest audiovisual standards and that triggers consumer adoption of new devices.

As content moves from theatrical release to bundled bargain offer, we should all be grateful for the ability to sell the same content in a new package. It pays our salary and keeps the production industry alive. Now Blu-ray with UltraViolet is set to follow the same pattern, but this time the digital nature of the UltraViolet locker means that the files can be upgraded – for a fee – to the very latest wrap-around 3D Ultra-HD format, whenever it is available. It's owned, but upgradeable.

The successful evolution from the physical Blu-ray disc to digital content stored in an online locker depends not on what the industry makes possible for UltraViolet, but on the consumer perception of the benefits it actually delivers, today and in the future.

The wording on a typical redemption certificate provides an example. "By buying this Blu-ray you now own an UltraViolet and Digital Copy of this title. You can share it with friends and family and watch anytime, anywhere." A simple and unambiguous statement, but can the industry deliver what is promised? Placing a copy in "the cloud" cre-

ates the expectation that it will remain there, even if the original physical media no longer exists.

Ownership is a key concept that packaged media has conferred on entertainment content and that is why we must convince customers that they continue to own what is in their digital locker. People still own treasured DVDs that they enjoy at up-scaled standard definition in their Blu-ray player. If the original publisher has disappeared, the discs retain the potential to provide entertainment, even if they are subsequently passed on to charity shops for others to own and enjoy.

Yet, for reasons that are probably founded in the legal department, the backers of UltraViolet have yet to commit to ownership beyond one year. It is reasonable for the small print to say that video may not play on some devices, that bonus content is not included and that the publisher is not responsible for downloaded files. What is not acceptable is to imply that the service is guaranteed only for the first year. That is not ownership, it is rental.

Surely, it is reasonable to ask that the backers of UltraViolet take on the contingent liability that would arise if the operator of one locker should cease business. After all, the benefits of new customer acquisition can be set against the cost of rescuing users of a failed locker service.

The prospect of acquiring many thousands of potential customers (possibly millions) should go a long way to offsetting the additional costs that could arise in the event of the collapse of one retail outlet. The data regarding the number of times that users are likely to access the titles that they own, as well as the continuing fall in the cost per gigabyte of content delivery are all part of the equation. Such a commitment could not be completely open-



ended, but ownership is meaningless for the consumer if their entire collection might disappear overnight from their digital locker.

Leaving the question of ownership to one side, a lot has been learned since early 2012 and recent data from the US reveals that customer satisfaction is increasing. Once people have more than five titles in their

digital locker, they begin to recognise its advantages and use it to a much greater extent. The disc-to-digital service provided by Walmart in the US and CinemaNow in Canada, among others, has encouraged people to register for an UltraViolet account. They can add existing DVD titles to the online locker for a nominal sum and upgrade later to HD for around \$5 (£3.15/€3.70) and in the process, they gain the option to share, download and play existing titles on multiple devices.

Home disc-to-digital is on the horizon, as Cinram CEO Steve Brown explained, "You buy a Blu-ray disc, take it home, put it in the connected Blu-ray player and up pops a menu option that says 'Play feature and add a UV copy to my online account' There are no codes to enter, no complicated technology to understand and you don't even have to access it straight away, you can fill in the details later."

That is the sort of thinking required to bring UltraViolet to the attention of the mainstream. As long as there are no error messages...■



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ULTRAVIOLET™

- Downloads, streaming, and physical media are all part of UltraViolet – 'three legs of the stool' for consumers.
- UV is not a destination or standalone system, but accessed where consumers find and use content today.
- Consumers use 'remember/link' to be automatically logged into UV when using retailers and streaming providers.
- Retailers who sell UV rights are required to provide buyers with at least three downloads and streaming service at no extra charge above the content purchase price for the first year after purchase.
- Companies are not obligated to provide downloads or streaming for content they did not sell, but multiple business models exist to do so – we see market moving toward relatively widespread 'honoring' of UV rights.
- A Retailer/LASP always shows user's whole collection (unless user chooses to filter); for titles that the displaying Retailer/LASP won't or

can't fulfill, the user is directed back to www.UVVU.com for access to the original Retailer.

- Common File Format (CFF) is for downloads – it lets files behave like an interoperable product that can be used on any UV logoed player (move or copy files among registered devices, no additional download needed).
- Many devices can become UV download-compatible via software update (e.g., PCs/Macs, game consoles, smartphones and tablets); consumers don't need to buy a new device to use UV downloads.
- CFF and UV download-compatible players are not required for streaming access; so existing streaming services can add UV with minimal change (and non-CFF 'legacy' downloads are part of the mix, too).
- Companies do not need to join DECE to license UV and deploy it in the market.

Source: DECE, LLC 2013