

iDISTRIBUTE

AUSTRALIAN CONSUMERS ARE NOT JUST AT THE END OF THE FOOD CHAIN, THEY'RE PART OF IT - iTUNES READY OR NOT, AS **BEN COOPER** REPORTS.

IN MID-JANUARY AT MACWORLD, Apple launched iTunes Movie Rentals that allows users to download movies direct to their Mac or PC and the new Apple TV. The deal was struck with all the Hollywood majors – Paramount, Universal, Walt Disney, Warner Bros, Sony Pictures, Metro-Goldwyn-Mayer, Lionsgate, New Line and News Corp's Fox. Three weeks later, it announced that this would not be immediately available to Australia.

As is typical with Apple's iTunes-related inventory, it takes a while to filter through – the music store launched in Australia almost a year after it did so in the US and Europe, and we still don't get all the features and content delivered elsewhere. And although we'll have to wait a while to experience the iTunes rental service, we shouldn't be quick to forget what a milestone this is for film distribution, or the considerable activity in Australia – current and potential – for new forms of digital distribution.

The charismatic and determined Apple CEO Steve Jobs seems to have convinced the major studios that he could provide a safe and solid distribution channel, and it would seem he has. Having downloaded a film, consumers have 30 days to watch it. From the first play of the movie, a consumer has 24 hours until it expires – at that point the file simply disappears, which is a hot debate online right now, but not one we're going to get into.

Apple spokesperson Fiona Martin is aware of the waiting masses. 'There is potential,' she agrees, 'But it's very country-specific. With any content, we need to get the rights agreed for each territory we're going into. Those agreements take time.'

Local distributors point out that data costs



in this country are prohibiting digital from being a fully-fledged film distribution channel, for now. 'Digital distribution is promising to be an important distribution channel,' says Paul Muller, MD of Paramount Home Entertainment, 'however, due to Australia's sub-optimal broadband connections – speed and cost – in comparison with other mature markets, we believe that the short-term financial impact on the film industry will be relatively small. At this stage, we believe there is a great opportunity to learn and test different business models, and through our Digital Entertainment team in LA we evaluate and negotiate participation in Australian businesses that are keen to enter the digital distribution space.'

The sales director of Village Roadshow TV, Greg Sneddon, agrees, noting that Telstra's infrastructure has a lot to do with the rollout of viable digital distribution. Quite simply, he says, the pipes aren't good enough and the charges for data are prohibitive.

Meanwhile, with the Apple TV set-top box – or, as Jobs aptly calls it, 'DVD player for the

internet' – Apple is setting itself up to be a desktop video store. It wants to do for movies what it's already done for music. And given that the rental and sales of DVDs in the US totalled \$23.4bn in 2007, why wouldn't it want a piece of the action?

Apple has a good place from which to start. The iTunes Music Store, which is available in 22 countries, celebrated in February last year with the news that it had legally delivered

one billion songs – in less than three years. In April last year Apple celebrated the 100 millionth iPod sold. Not to mention the iPhone, which sold four million units in just over six months.

Hardware plays an important role here. With Apple TV, which connects direct to your TV, and the fact that the downloaded movie file can then be transferred to your iPod (only the most recent) or iPhone for viewing on the move, Apple supplies not only the means but also the mode, and reaping the gains at every point. The phrase being bandied about is the 'iTunes Ecosystem'.

What it won't do is allow people to share. Of course the studios don't want this anyway, but web communities do. The internet, by its very nature, is hyper-linked, the so-called second coming Web 2.0 has been successful due to the architecture of applications around the social needs of users. Our journey online day to day is based upon finding, filtering and forwarding content. A key human behaviour is to share experiences, be it a brilliant song, an amazing film or a hilarious clip.

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One only has to look at the file-sharing activity among the Bit Torrent community to see that people want media on their terms. The Pirate Bay, the largest Bit Torrent tracker, recently announced it had broken the one million mark with torrents and was serving to more than 10 million peers. Another figure quoted by Media Defender suggests there are more than 300 million file sharing users. Either way, there's a lot.

Bit Torrent communities (though admittedly not all) do seem to be tidying up their act. Once a place for porn and perhaps substandard content, they are now indexes of quality media, more often than not policed by the communities themselves. Some, UKNova.com for example, won't include TV show torrents that are for sale elsewhere and focus on the non-available. **Bittorrent.com**, which you must pay for, has partnered and licensed content for TV shows, films and games, from the likes of


20th Century Fox, MTV and Warner Bros. They've also released a software development kit (SDK) that will help electronics manufacturers develop for the technology – an iPod competitor?

To further stamp home the potential of the file-sharing communities a once sworn enemy, Media Defender, has turned about-face. Rather than network bomb the communities with decoy media files (which frustrates users as they download dud files), it now offers Peer-to-Peer marketing and distribution. In Media Defenders' own words, 'by inserting promotional material into the decoy files, whether it's music or film, and then planting those files prominently on file-sharing sites, record labels and other marketers can turn what is now an anti-piracy tool into an advertising medium.'

Content topped and tailed with advertising? That seems a little like TV.

A number of Bit Torrent trackers are facing legal action and potentially face being shut down. Ultimately trackers are a signpost to your audience – what they like, where they are and so on. Bit torrent is a decentralised technology; by killing off the signpost the sharing doesn't stop.

Apple provides a closed model for distribution but what the likes of Bit Torrent and even YouTube indicate is that the majority wants an open one. This year we'll see more and more innovation in wireless gadgets that become a network in their own right, distribution gadget-to-gadget or, more clearly, person-to-person. If anything we'll become hyper-linked nodes distributing content to one another.

Ultimately Australia isn't going to wait for *Shrek 3* or the new series of *Lost* if it's out there somewhere in the world. Whether it's through iTunes rentals or another distribution service, users will ultimately find a way to get their media. What we need to realise is that they're not at the end of the distribution channel but in fact the beginning, and find ways to repackaging our content so they become advocates of it. 

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