

## **Cartoon Digital**

### *Meet the Key Players of the Digital Industry*

### **Murcia (22<sup>nd</sup> to 24<sup>th</sup> April 2008)**

From 22<sup>nd</sup> to 24<sup>th</sup> April 2008 and thanks to the support of the MEDIA Programme of the European Union and the Comunidad Autónoma de Murcia, Cartoon organised CARTOON DIGITAL, the first Master of the year, bringing together more than 120 animation professionals in Murcia, South-East of Spain.

The theme “**Meet the Key Players of the Digital Industry**” provided the opportunity to address topics that are arising great interest, hopes and questions among animation professionals. All the branches of the animation sector will be affected by the digital revolution, from writing, to production and financing, encompassing distribution through Internet and mobile devices.

In his opening speech on the alternative distribution of contents, **Javier Vacas**, General Director of Asset Media Consulting recalled that animation producers play a very active role in the digital distribution of content. They prove to be more adaptable, technically savvy and pro-active than other genre producers. Internet is increasingly seen as an entertainment tool by its users. VOD is developing quite rapidly and podcasting is gaining a higher profile. The emergence of these new viewing trends will have a profound effect on the television sector and the production of television programmes. Internet popularity leads to an audience drop for traditional and commercial broadcasters, particularly because it causes audience fragmentation and increases also competition between broadcasters on the Internet. In people’s minds, VOD on the web is associated with a more personalised consumption mode and with on-demand television. Because of the current problems with piracy on the web, the VOD model assumes that the financing of programmes, and thus of services provided, will be via advertisers.

VOD via internet is not the only fast growing market for entertainment and animation products. **Jacob Møller**, a pioneer in the mobile entertainment market, presented the company Killoo, a successful publisher of mobiles games in Europe. Killoo has been developing mobile content since 2001, when the first black-and-white devices that supported Java™ technology appeared on the market. It is now distributing its games to more than 80 direct distribution channels (from operators, to media channels and aggregators). Most popular content types are: Ringtones, wallpapers and themes, then videos, then video games and lastly applications. According to a recent market research, the worldwide market for mobile games will grow from \$3.1 billion in 2006 to \$10.5 billion in 2009, a compound annual growth rate of 50.2%. Average annual market growth rates at approximately 15% up to 2011. Killoo’s revenue model is pay-per-download and revenue share. The average pay-out per download for content varies from EUR 1.00 - 1.50 for games, to EUR 0.35 - 0.45 for videos. Although a profitable business, producers must nevertheless prepare themselves for long

billing cycles before they can see a return on investment (up to 9-12 months). The business model that could prevail is ad-funded programmes.

Together with the small start-ups, big players are entering the market, like the French giant Vivendi, a global media and communication company. Vivendi Mobile Entertainment is a new independent venture, 100% subsidiary of Vivendi. Under its brand name zaOza, the new paying multimedia portal has just been launched in France to be followed by other European countries. ZaOza intends to be the first, fully convergent and seamless worldwide digital Entertainment outlet offering a vast array of programmes (community sharing, downloading...) both on PC and mobile phones. Focus is where the business is (PC and mobile) and where the consumer is. According to **Anne-Carole Nourisson**, VP Licensing of VME, the slow decline of the telcos "walled gardens" opens room for mobile B2C (direct-to-consumer model), with true user's experience and quality driven content. Anne-Carole who is looking for animation shorts recalled that the push for mobile entertainment transactions will be driven by the launch of Telcos' data consumption flat fees in the coming months.

A round table on mobile television was chaired by **Christian Davin** (Alphanim), with **Jacob Møller** (Kiloo), **Jean-Emmanuel Casalta** (NPA Conseil) and **Bruno Bucher** (Mobile Television Schweiz). A few statements were made at the outset: Mobile television is not television on the mobile. The penetration of mobile phones has reached its highest point and content will be needed to fuel the new mobile channels. Spectrum will soon be allocated on DVB-H standard in most European countries. For the moment phone companies such as 3, Orange, T-Mobile and Vodafone have for several years offered third-generation (3G) services (in Italy, the UK) which include web and video, such as news and sports clips streamed to the handset. Mobile users can access streamed video loops or clips of selected programming. These "snackable" video services are fairly popular though not exactly mass market yet. Usage spikes after lunch, during commuting time and late at night, possibly due to the pub effect. Sport is the biggest category, and people already watch live football games on mobile. Asia is the leading market, with currently more than 15 million subscribers to mobile TV. In Asia the majority of broadcast networks are offered free-to-air. Italy has 850,000 paying subscribers, and France has more than half a million subscribers to Unicast services. To really take off, mobile channels need specific and enough interactive programmes. Animation will represent key features. There was a general consensus in affirming that in the short term network operators don't stand to make much profit from offering mobile TV services, yet they must offer them to remain competitive. Operators who do not offer mobile TV will simply lose their subscribers to other operators or other media devices, such as the in-car devices so popular in Asia. The lion's share of the income from offering mobile TV services will be shared between the handset manufacturers, software companies, content creators and network owners.

The increase of video offer will need powerful video search engines on the web. **Marco Nadotti**, Director of Content Acquisition at Blinkx presented their video analysis software which is able to find and qualify online video (speech and audio recognition). Marco presented the evolution of the consumption habits, demonstrating how traditional TV is moving online and how consumers demand more video content online. Some 90 million users surf the Internet while watching TV. At the same time Network TV advertisement spending declined 7.2% in 2007 while online video advertisements will reach US\$4.3 billion by 2011. Thanks to broadband adoption, US online video audience will reach US\$183 million by 2011. To cater for consumers' needs, Blinkx has created the world's largest, most powerful video search engine, where 18,000,000 hours of video are indexed coming from more than 270 media partners, many of which are themselves search engines such as Lycos. It also offers new revenue streams and increased brand exposure for content partners.

The emergence of WEB 2.0, mobile and IPTV have completely changed the media mix and the way advertising campaigns are carried out. **María Jesús Molero**, Director of Planning at Universal McCann explained how TV advertising is losing its effectiveness and profitability. According to María Jesús, consumers are imposing new game rules based on more interactivity with the brands. Advertisers need to learn how to integrate their products into the consumer's life. The market has been changing in the last few years more than ever. In Spain, the Audience Ranking of Media shows that from 2000 to 2007 advertisement in Internet jumped from the 6<sup>th</sup> to the 3<sup>rd</sup> place. The decline in TV selling power can be explained by several factors: cost inflation, possibility for the viewers to block advertisements with their remote control, loss in the attention to ads due to multitasking, loss in their effectiveness due to saturation. However changes in media consumption patterns are not reflected yet in the advertising investment. Spending in TV and press is still much more important compared to the time the consumer is spending watching TV or reading newspapers. Internet will profoundly affect the practice of marketing, providing a gold mine of information closer to markets, clients, retailers, competitors and products. Websites in the world reached 118 millions in 2007.

Internet users are predominantly male, although the gap between men and women is narrowing. Net users belong to the middle and middle-upper class, between 25 – 44 years old. The expansion of the advertisement possibilities in the Internet has been further developed thanks to the introduction of the WEB 2.0 interface. The WEB 2.0 is a new Internet concept which has given way for a more participative and open web, where the possibility to generate content and interact with others is enhanced. In her opinion, future marketing campaigns will need to target the 3 media (WEB 2.0, mobile and IPTV).

**Axel Dauchez**, CEO of MoonScoop presented Kabillion, the free VOD platform launched in the US in 2006. This free, ad-supported broadband platform is the first European multi-platform kids' network to be shown on Comcast cable. The

success is huge and is due to the high penetration of digital cable in the US, reaching 40 M households. Kabillion is already seen by 1 M households and offers a unique mix of a state-of-the-art community site enhanced with top quality content. Thanks to its participative concept, in the first quarter of 2008 the growth has been exponential: + 202% page-views, +68% visits and + 59% in time spent watching the programmes. In Axel's opinion, in an interactive environment kids are demanding a full cross content platform. Kabillion answers these expectations offering a variety of entertainment possibilities – videos, games, texts, contests – in a very integrated way. Building its content offer, Kabillion shows big European and American brands such as Spiderman, GI Joe, Transformers. Another MoonsScoop's digital venture in Europe this time is Taffy Kids. A new media channel that portrays news, events, games and kids' content. Its aim is to exist on as many digital platforms and in as many countries as possible. Already in Malaysia as a linear channel on DVB-H, Taffy Kids is expanding on IPTV platforms, making the most of the set-top box capabilities.

The IPTV phenomenon has been analysed in a panel discussion with **Nicolás Lecocq** (Telefónica), **Marc Goodchild** (BBC Children's), **Carter Pilcher** (Shorts International) and **Stuart Collingwood** (Sling Media).

According to the speakers, some predictions on IPTV developments have proven wrong and others right. Many commentators and analysts expected IPTV to take off much earlier than it has. IPTV is a real success in France, where between one-third and one-half of households are equipped with an IPTV-capable box. Early IPTV services were very much pay-TV propositions, despite being bundled with broadband. Now, with the cost of set-top boxes coming down, operators can afford to be a little more generous in equipping customers, requiring them to pay little or no monthly fees for use of the service. A new set-top box was presented by **Stuart Collingwood**. The Slingbox turns any Internet-connected PC or laptop, Mac, or smartphone into a home television. That means you can watch TV (using your home connection) virtually anywhere in the world. This sort of business model in particular was something which was not considered initially, but it has led to vastly different outcomes to those imagined five years ago. **Nicolás Lecocq** from Telefónica presented the Imagenio portal which offers over 70 channels including more than 1,000 hours of TV series, documentaries, concerts, video clips and news, including some English-language channels such as CNN and BBC. **Carter Pilcher** presented Shorts International, a full-service short film entertainment company representing over 3000 films to over 120 international broadcasters across every platform and every medium. The Company's catalogue includes award winning, celebrity driven premium titles from film festivals around the world as well as the American Film Institute (AFI), USC, the Hypnotic catalogue. This catalogue allowed Short International to develop an IPTV strategy with several cable operators in Europe and the US.

When discussing online distribution, nobody can ignore illegal downloading, also known as piracy. **Michel Gomez** from the French ARP (Society of Authors,

Directors and Producers), said that piracy is a major concern as it affects content owners and distributors' revenues alike. Piracy hampers the growth of legitimate digital distribution and therefore creates a disincentive to develop digital distribution. Piracy does not per se prevent most content owners to licence their content for online distribution. Michel Gomez pointed out that authors and stakeholders are concerned by disparate and «weak» legal tools to fight/deter piracy in some EU countries. According to the ARP, Governments could enforce laws that would allow for the possibility to gradually block the access to the web for illegal users after a certain number of warnings are sent. Together with the legal answer, there is the need to develop legal offer.

A new kind of television usage has been presented by **Tim Rottach**, Joost's Director of Content Strategy and Acquisition. Joost which has been developed by the 2 founders of Skype, is a free TV on the web. You can choose to watch it alone or share with friends. Joost is packed with internet tools such as instant messaging and channel chat, allowing people to share their TV experience. It's a secure platform for content owners that respect their rights, while protecting and enhancing their brands. Joost has been conceived to be a flexible way for advertisers to reach the audience. As Tim pointed out, feature length video on the Internet has been long on promise and short on delivery for some time. Full screen commercial content delivered online has simply not been compelling for the viewer and has been far too costly for the content owners. Joost allows content owners to reach audiences of any size at any time where the viewer can 'lean back' to enjoy an interactive video experience. At the same time Joost enables brand marketers to efficiently deliver precisely targeted and measurable advertisements.

**Isabelle Denis**, Director of Mediatoon Interactive (owned by Dupuis Audiovisuel) presented the different strategies her groupe had been deploying in the last three years to be present on the new digital platforms, building an experience on each platform with the major players in the industry. This multiplatform approach means that Mediatoon Interactive works for Online, IPTV, Mobile and Consoles interfaces. The multiplatform approach is inevitable when looking at the evolution of consumption habits. In 2007 Internet users were 389 million in Asia, 313 million in Europe and 232 million in the US. IPTV subscribers were 3.3 million in Europe and they are expected to be 26 million in 2010. Another trend is that mobile owners are getting younger and younger. 82% of children aged between 12-15 years old own a mobile, they are 49% in the age bracket of 8-11 and 33% in the age bracket of 5-9 and they love digital media. The 16-24 age group spends an average of 2:50 hours a week on Internet (21 minutes more than the adults) and watches 7 hours less television than the adults. The value of the Internet market for audiovisual products was 8 millions in 2006 and 29 millions in 2007. Mediatoon estimates that the market will grow to 500 M EUR in 2010, which will represent more or less 3,264,000 of programmes viewed, out of which 10-15% will be kids programmes. Based on this analysis, Mediatoon

learned how to adapt existing material or create new original interactive contents.

The introduction of the interactivity in the animation programmes is also the pillar of BBC's Internet policy. As Head of Interactive and On-demand Production at BBC's Children's **Marc Goodchild** pointed out that Interactive finally gets a seat at the table as in 2007 a new strategy has been introduced. BBC created a TV-on-the-web "brigade" committed to create low-level programme support for all TV shows. But BBC acknowledged the need to develop web-only products too. A few breakthrough web enhancements really showed the power of cross-platform initiatives. Pioneering projects started to break through demonstrating that the web was more than a new distribution platform for TV. According to Marc BBC introduced the 360 degree concept: a commitment to the 'holy grail' of cross-platform working.

The Cartoon Master was also the opportunity to present the latest developments of virtual worlds and online gaming. **Frédéric Brunet**, Game Designer and Production Manager at Ankama, presented the manga-inspired MMRPG Dofus, currently played by 7 million people and its sequel Wakfu so successful that France 3 is commissioning an animated series. In the final session **Gonzalo Frasca**, CEO of Powerful Robot Games, analysed the boundaries between animation and videogames. 'Big Fat Awesome Party' designed and produced for Cartoon Network, gathered over 13 million player accounts a year after its launch. Another video game, September 12<sup>th</sup>, has been played by over half a million persons so far. "The amount of attention that September 12<sup>th</sup> gathered, both online and by major international media, took us by total surprise", commented Frasca. "September 12th keeps generating strong reactions. That means that yes, I still get hate mail, but I also get emails from teachers who say that they use the game to encourage debate among their students. If games can be powerful enough to make players think about the world they live in, then I could not ask for more..." he concluded.