



2G Digital

Managing Innovation

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Innovation Problem Stated by 2G Digital

2G Digital

- Media fulfillment company that converts films from physical formats to digital files for distribution via internet download/streaming by Electronic Sell-Thru (EST) companies like Apple iTunes, Netflix, Google, Amazon etc.

Films,
videotape,
digital files etc.



Internet
distribution
friendly format

Problem Statement

- Limited quantity of local films available in new, international EST markets (e.g. Brazil)
- HYPOTHESIS Independent film makers and small studios lacked the ability to “capture” digital content
- Opportunity to move from an “order-taker” to a “media-wholesaler” that finds, acquires, collects, and resells international independent film maker content

Order-Taker



Media-Wholesaler

Challenge

- 2G Digital developed mEYEcon kiosks to remotely capture content at the provider’s premise
- Three possible kiosk deployment models
 - Exclusive EST partner – Capture content exclusively for iTunes
 - Media Wholesaler – Independent entity
 - Hybrid – Capture requested titles but reserve the rights to additional extracted content

mEYEcon Kiosk



Local on-site
capture of
media content

Determine the most feasible implementation model for the mEYEcon kiosks

Problem Design Space Across Supply Chain



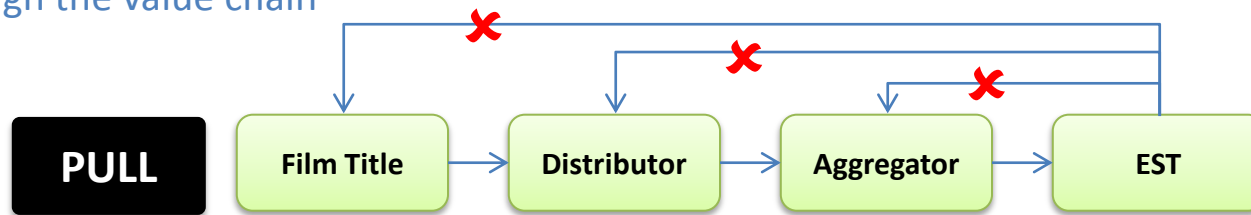
Rights	<ul style="list-style-type: none"> • Method to pick the best distributor and get best deal terms 	<ul style="list-style-type: none"> • Reduce complexity of managing international distribution & screening rights 	<ul style="list-style-type: none"> • Single source to identify distribution rights per territory
Capture (Digitization)	<ul style="list-style-type: none"> • Keep master copy on location (<i>only one master copy</i>) • Cost effective extraction (post-production processing/encoding) 	<ul style="list-style-type: none"> • Standardized method for cross-platform format conversion 	<ul style="list-style-type: none"> • Adherence to proprietary format requirements
Quality	<ul style="list-style-type: none"> • Cost effective hardware for filming 	<ul style="list-style-type: none"> • Enhance film quality to meet EST standards • Internationalization of meta-data 	<ul style="list-style-type: none"> • Technical quality that surpasses minimum specifications
Demand / Publicity	<ul style="list-style-type: none"> • Maximize publicity & advertising potential • Target appropriate 'artistic' audience 	<ul style="list-style-type: none"> • Maximize potential audience to amortize marketing, encoding, and QC expenses 	<ul style="list-style-type: none"> • Ensure there is sufficient level of end-user demand for inclusion in store

Info Asymmetry / Lack of Transparency

Color coding: 2G kiosk solution 2G core competence today

Problem Statement(s)

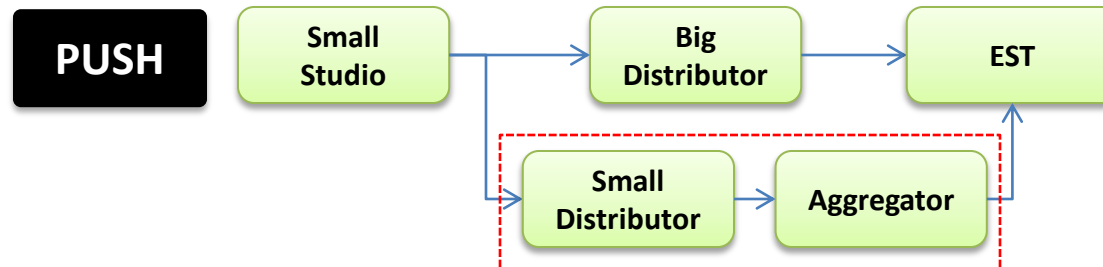
- 1 EST does not have sufficient transparency in a new region to effectively “pull” content through the value chain



EST determines the film titles it wants and has those titles converted to its format on-demand

- Limited visibility into the highly demanded independent titles in a new region
- Limited knowledge of distributor relationships in the region
- Limited number of established aggregators set up to service ESTs

- 2 Large number of intermediaries throughout the value chain reduces the transparency of each transaction, which lessens the desirability for small studios to “push” content to an EST



Studios determine which films to attempt to publish to an EST

- Unclear financial impact
- Unclear potential for successful completion or demand leading to lack of motivation
- Loss of Information & control of identity across each transfer

Solution Alternatives

PULL

Enabling ESTs to make content acquisition decisions

Crowd-sourcing List

Determine list of potential high demand films

Artist Portfolio

Identity creation & self-branding of film maker

Online Screening Platform

Enable distributors to watch and bid for movies

Traditional Aggregator

Full aggregator role in international markets

Analytics Aggregation

Real-time data analysis of EST user behavior

On Ground Research

Experts formulating the list of 'good' films

PUSH

Increasing film makers' motivation to submit content to ESTs

Service Exchange

Providing an end to end road map to upload content on EST

Upload platform

Online aggregator of independent film content

Probability of Acceptance

Qualification score for acceptance by EST

Visibility Gamification

Promotion tool leveraged by online partnerships

Branding EST

Rebranding EST to make it more appealing to artsy film makers

Rights Bidding Platform

Exclusive rights bidding to increase film maker participation

Equipment Rental (Kiosk)

High quality digital equipment rental/leasing

Solution Criteria



Users

- Transparency 25%
- Information Completeness 18%
- Information Accuracy 15%
- Information Speed 15%
- Convenience 10%
- Profitability for Partners 8%
- Alignment to Community Ideology 5%
- Outreach/Participation 4%



2G Digital

- Scalability/Replication 30%
 - Legal Implications 20%
 - Barriers to Entry 15%
 - Complexity in Technology 12%
 - Defensibility 10%
 - Control over Solution 8%
 - Alignment with Competency 5%
-

Solution Alternatives Ranked

PULL

Enabling ESTs to make content acquisition decisions

Crowd-sourcing List

Analytics Aggregation

Artist Portfolio

Online Screening Platform

Traditional Aggregator

On Ground Research

Ranking based on criteria (bottom to top)



PUSH

Increasing film makers' motivation to submit content to ESTs

Visibility Gamification

Service Exchange

Upload Platform

Probability of Acceptance

Renting Equipment (Kiosk)

Rights Bidding Platform

Branding EST

Description of Top Solutions

PUSH

Increasing film makers' motivation to submit content to ESTs

Visibility Gamification

- Generate rankings based on number of films accepted by ESTs
- Popularity scores published via standalone website and integrated as “badges” on Facebook

Service Exchange Platform

- Provide film makers with a “map” of tasks necessary to submit film to EST
- Match vendors to necessary tasks
- Vendors submit competitive bids and film maker chooses best quote

PULL

Enabling ESTs to make content acquisition decisions

Analytics Aggregation across ESTs and Partners

- Aggregate usage data across ESTs to provide overall industry trend reports
- Partner with industry sites (e.g. IMDB and Rotten Tomatoes) to indicate user demand
- Partner with Google to provide analysis of region film search traffic

Crowd-Sourcing Platform for high demand films

- Generate list of all movies made in a certain region
- Users curate content by “applauding” best films (based on desire to see or after seeing a film festival screening)
- Financial justification for film maker to submit film to EST

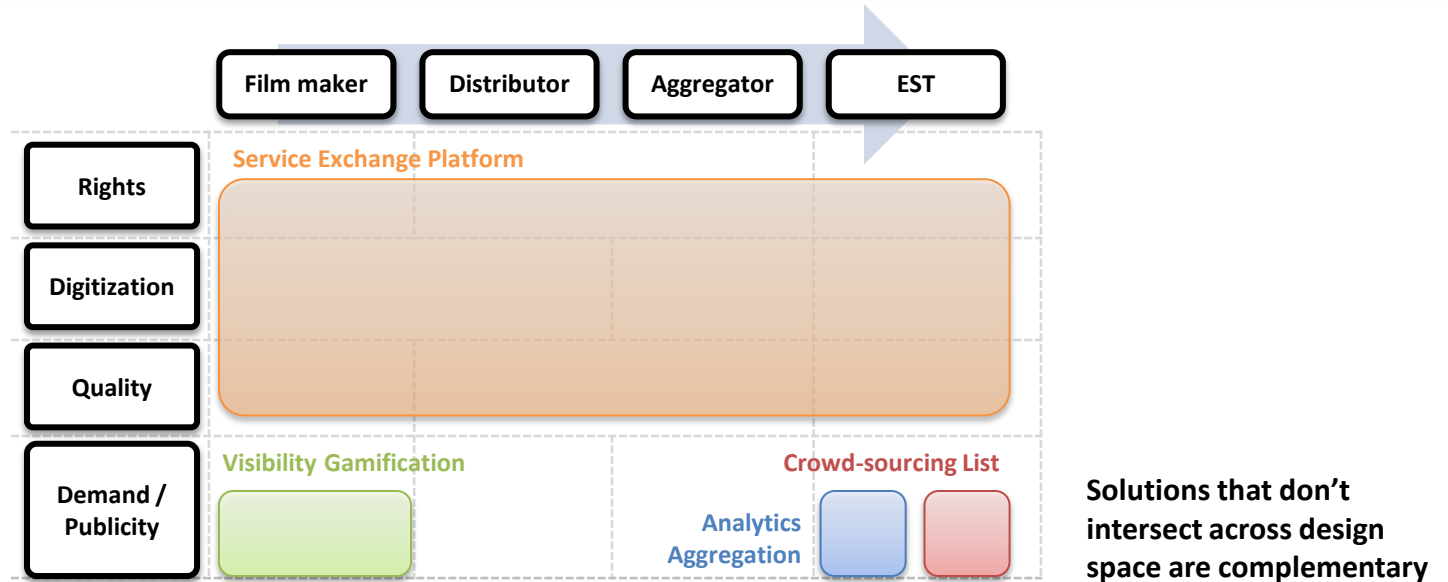
[TOPCODER]

redbeacon

Localytics

threadless
Nude No More

Top Solutions Across Problem Design Space

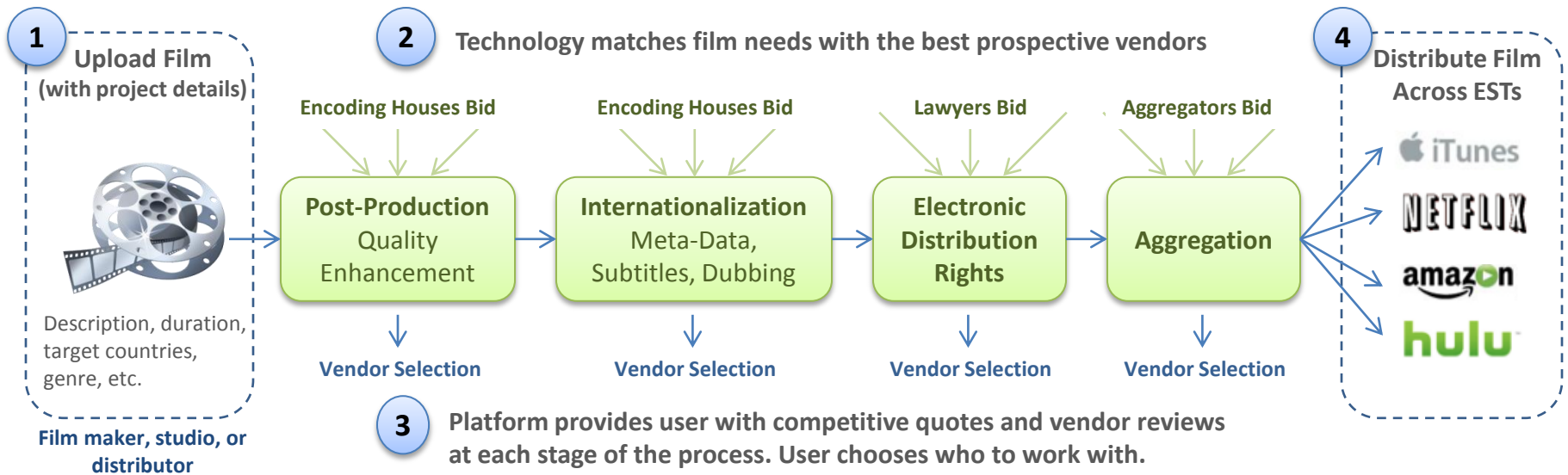


Solution Goals

PUSH		PULL	
<p>Visibility Gamification</p> <ul style="list-style-type: none"> • Authoritative source for who makes best content • Solves motivation problem through the carrot of "fame" 	<p>Service Exchange Platform</p> <ul style="list-style-type: none"> • Control the process of electronic distribution • Increases transparency throughout value chain 	<p>Analytics Aggregation across ESTs and Partners</p> <ul style="list-style-type: none"> • Provide predictive, highly accurate data on actual observed behavior • Gives EST real-time analytics and audience information 	<p>Crowd-Sourcing Platform for high demand films</p> <ul style="list-style-type: none"> • Leverage intrinsic and pro-social motivation of niche film maker community • Gives EST a constantly up-to-date list of highest demand films

Final Solution Concept

Service Exchange Platform to facilitate/broker the end-to-end electronic sell-thru process



Benefits to Film Maker

- Transparency throughout supply chain
- Easy vendor discovery and selection
- Minimize financial impact - competitive, market-based pricing
- Single party interaction, rather than individual sourcing

Motivation to “push” content to EST

Benefits to 2G Digital

- Leverage existing relationships with independent distributors and ESTs
- Easy geographic replication & scalability
- Ability to control platform processes and governance structure
- 2G format lock-in

Control of end-to-end submission process

Benefits to EST

- Increased pool of films from which to select
- Improved compliance to EST requirements

Increased content availability

Questions



Video Streaming Market in Brazil

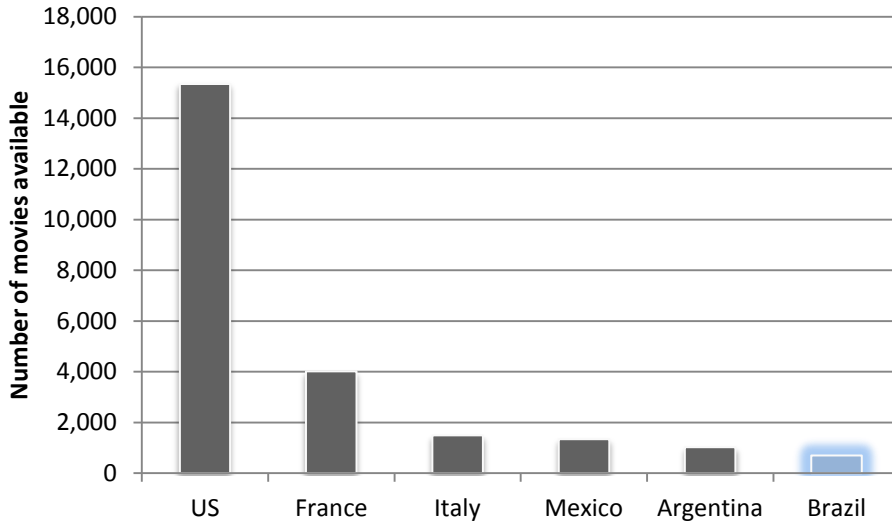


	Netflix	NetMovies.com.br	Saraiva	terratv video store	muu.br
Cost	R\$14.99 per month	R\$9.99 per month	Rental: Free-R\$6.90 Buy: R\$3.90-34.90	Rent: R\$3.90-6.90 Buy: R\$12.90-39.90 Monthly: R\$19.90	Free to subscribers
Size of Collection	Undisclosed size of collection. Movies are repeated in multiple genres to increase size of collection	4,000 films Largest collection of streaming rentals in Brazil, but recent films are rare	1,071 titles to rent Emphasis on action (172), comedy (155), and children (153)	3,000 titles Includes movies, series, and shows	53 films
Quality	HD movies available Quality automatically adjusted based on user's connection	Resolution comparable to DVD. Possible to adjust the quality of each film (low, medium, high, auto)	Not possible to adjust resolution manually	Comparable to DVD quality Bandwidth does not support HD movies	Lower than standard definition TV
Ease of Use	Not possible to adjust the size or subtitle color	Cannot change appearance of subtitles	Requires installation of client software	Multiple options for size and colors of subtitle	Support for subtitles
Supported Platforms	Web browsers Playstation 2 and 3 Wii	Web browsers Flash-compatible devices (Andorid)	Windows and Mac	Web browsers iPhone	Web browsers Flash-compatible devices (Andorid)

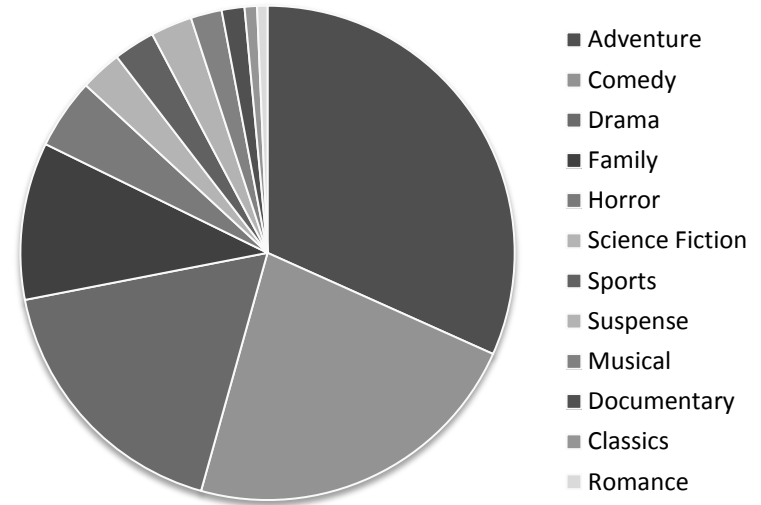
#1 user complaint is lack of content
Limited local content and subtitle support

iTunes Market Comparison

Size of iTunes Movie Library by Geography



Breakdown by Genre of iTunes Movie Library (Brazil)



Genre	% of iTunes Library ¹	Web "Interest" Trend ²	Web "Interest" %
Adventure	32%	↑	6%
Comedy	23%	↓	(16)%
Drama	18%	↓	(5)%
Family	10%	↑	39%
Horror	5%	↓	(5)%
Science Fiction	3%	↓	(30)%

Genre	% of iTunes Library ¹	Web "Interest" Trend ²	Web "Interest" %
Sports	3%		
Suspense	3%	↓	(16)%
Musical	2%	↓	(13)%
Documentary	2%	↑	27%
Classics	1%	↓	(9)%
Romance	1%	↑	11%

Market entry demographics for Brazil

 **Weak market entry potential**
(Over-represented, low interest)

 **Strong market entry potential**
(Under-represented, high interest)

¹ Data based on breakdown of current film availability in Brazil iTunes Store

² Data based on Google Web Search Insights for Brazilian region over last 2 years