

Rovi: fingers on all links of the digital chain



"We are in the business of enabling our customers to do more with their content to the extent that Rovi's expanding range of solutions and technologies can provide them benefits," says TONY KNIGHT, Rovi's Senior Product Manager, in a wide-ranging interview with DVD Intelligence Publisher, JEAN-LUC RENAUD.

What is the long-term strategy that underlined Rovi's acquisition of Sonic last year?

Look at the landscape. The entertainment business is clearly going through a period of transition. It is moving towards digital content delivery increasingly driven by meta-data systems. We are really committed to being part of the future of digital entertainment.

And that means we have to have the right tools, strike the right partnerships, elaborate the right solutions. Every acquisition we have made over the past two to three years has brought us closer to being a leading provider of technologies for the connected home entertainment platform.

Any observer of Rovi cannot fail to see that, starting three years ago, we have been forging ahead in a particular direction. We have acquired several companies and Sonic is certainly part of the mix.

With packaged media revenues steadily falling, there is a view that it's time to move out of it altogether. But, you seem to be taking a more holistic, all-encompassing strategy, correct?

Packaged media is still a strong part of the home entertainment experience. It currently

accounts for about 60-70% of the home entertainment revenue industry-wide. That is not to say that it is not going to change, but who can be sure how the market is being reshaped?

Is the 30% share of online content delivery consumption going to turn into 60%, when and what this experience is going to look like? I do not know many people who are absolutely certain of what the standard is going to be in two or three years.

But, we have some pretty good ideas. We understand what technological components make up the solutions. Ultimately, consumers drive the value chain and the consumption model. We are confident the pieces we have in our company make us uniquely qualified to be a leader, providing solutions to our customers, so they can build value propositions to their customers, who are ultimately the end-users.

Given the strong Sonic brand in the 3D BD authoring market, how are you going to keep the high-value profile of this side of the business under the Rovi brand?

That's a good question. We are in the process of integration. At this stage, I can however, reaffirm that, as with all other

acquisitions we made, the Sonic components are vital to our business. The details of what their names are is for the future. The bottom line is that the integration of Sonic technologies and the great team they bring in will make us an even stronger company than we were six months ago.

You are now in a position to tell your traditional authoring packaged media clients that they can make their content available across a range of platform?

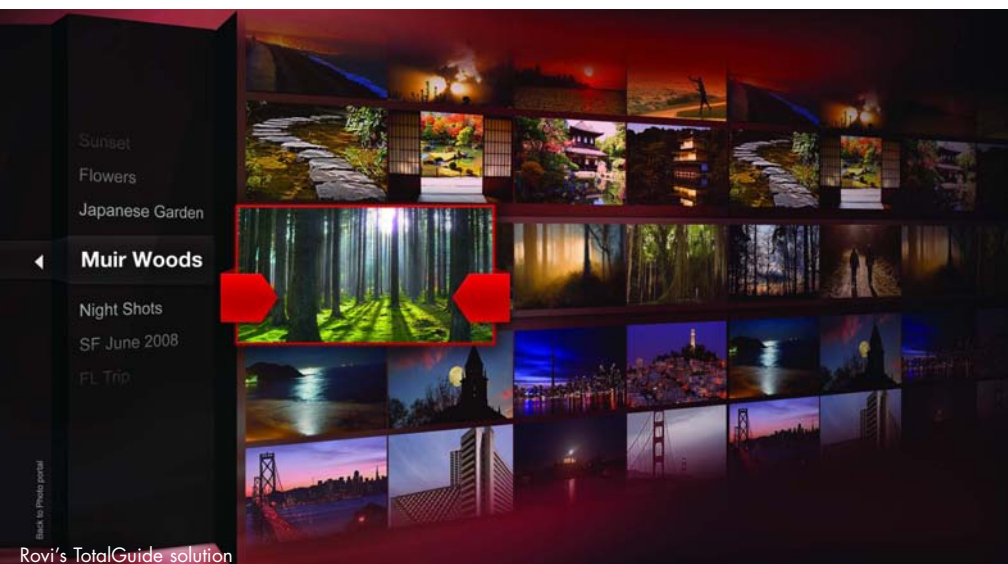
We are in the business of enabling our customers to do more with their content to the extent that Rovi's other solutions and technologies can also provide benefit. That's a two-way street: Some Rovi customers, unaware of Sonic, may benefit from Sonic technologies and vice versa. There is not a lot of overlap between our products. They are tangentially compatible and, in many cases, our customers benefit from the combined relationship.

What happened in the last 12 months regarding new products and services Rovi is offering so people understand better which sectors of the market you now occupy?

Look at what's going on in home entertainment now. We talked about physical media and where it is heading and the various rates of decline in certain regions. What is a home entertainment experience going to be like in two or three years? And what are the pieces to put in place now to bring the tools, the technologies and the solutions to lead that content development and allow our customers to extend into new markets? That is something we have been working on, not in the past 12 months, but for the past two or three years. And that's something we will continue working on in the future.

Where do you see Rovi in 2, 5 years?

I see Rovi as being a key provider of solutions that businesses can use. We are



fundamentally an ingredient company in a lot of ways. When you taste a really good loaf of bread, you don't necessarily ask yourself whether it's because of better salt or better flour. It's the combination of ingredients that make the product better.

Likewise, a consumer may not know that the content they consume and the way they consume it was made better because Rovi was inside it. Our customers already know that for a fact. Rovi has been traditionally a B2B company, so we have essentially provided ingredients our customers put into their products to make them better, easier to find. That is the role we see ourselves playing in the future.

Let's take the example of Mr Smith who wants to acquire content. What is Rovi going to do for him in concrete terms? What are the facilitating tools you bring to him as an end-user to make his experience satisfying?

Maybe Mr. Smith acquired a lot of DVDs in the past and now he has decided he is not going to buy as many discs, or maybe his usage pattern has changed a little bit. Maybe 10 years ago he did not have any mobile device capable of playing music content. Now he has one and feels empowered to listen to or view his content on a number of devices in different settings.

Usage patterns have changed radically in the past couple of years. Now, you and your family may have a dozen devices, whether it's a home theater system, a tablet, a notebook or a mobile device. When you buy a piece of content wouldn't it be nice if you could play it on all of them?

Perhaps you buy a



piece of content and members of your family would like to see it as well, and it would not matter if you were linked geographically. Maybe you watched a movie and your son who is in college would like to see it as well. You tell him it is stored in a rights locker and he can access and watch this movie as well. That is something inconceivable a few years ago. Now that's reality.

It is not the case that people are buying or consuming content less. Actually, they consume more, but in different ways and we are committed to providing the tools and technologies that allow people to identify the content, to locate it, to understand where they can get it, to acquire it and to be able to view it on a plethora of devices.

You are a stakeholder in the UltraViolet consortium, aren't you?

The original Rovi (Macrovision at the time) was a member of UltraViolet. Sonic, the company we acquired, was a founding member of the consortium. We think it enables a lot of the usage models that will likely be common in a few years. As the world is going through a transition of physical media to digital media, UltraViolet is the way that consumers are going to own content in a digital world. Through Sonic, Rovi has been one of the key stakeholders in providing technologies for enabling people to own and watch video, so we think that UltraViolet is a natural extension of our existing businesses.

Given that Apple is not in the consortium and operates a competing eco-system, can UltraViolet successful without them?

We have to look at it from a different point of view. Consumers decide the winners. Solutions that provide the best customer experience and add the most value are where the dollars go. Very early in the game, Apple did a remarkable job of totally integrating iTunes stores with various devices. That provided great value. It does not mean that every device manufacturer or solution provider that did not join such an eco-system should shut their doors and go away. Competition provides an

opportunity to make it even better, to provide a more compelling experience. Apple offers a great

solution, but UltraViolet works with all the other companies' devices, and that constitutes a huge market. If UltraViolet delivers on its promise of becoming the *de facto* rights locker for consumers, we wouldn't be surprised to see Apple join the consortium.

Are you confident that all the UltraViolet pieces are now in place and that the proposition is ready to be sold to the customer as a seamless process?



We have reached this stage from the point of view of completing the specifications, defining how things are supposed to work. What we are doing now is ramping up UV-capable devices and service providers.

UltraViolet has succeeded in defining the first version of the specs, and there will be more versions in the future. It is up to the business models and implementations of all the members to ensure a flawless consumer experience. Some 60 companies are members of the consortium and everyone has a stake in making sure the best-of-breed solution is deployed in the best conditions. You want to offer an experience consumers want to come back to.

Fundamentally, we live in a period of change, but also a period of risk. Part of the risk is grounded in customer behaviors, which may change towards models that may not be the best for the industry. So, I think there is an opportunity now to get it right, to create a good customer experience in a way that drives value.

Rovi is proposing consumer electronics to incorporate their programme guide software into their devices. What is the state of play right now?

Rovi provides guidance technology in hundreds of millions of households worldwide. Chances are, whenever you hit the guide button on the remote, Rovi either provided the data for the guide or some components connected to that. That's one part of the equation, one part of the business we are in.

Two years ago, that business was very important to us. That is not any less important now. In fact, it's probably more important today in a lot of ways now that consumers face an ever-larger spectrum of choices as to how they are looking for content. Being able to guide consumers to the content they would like, but also to content that friends recommend to them, is a very important part of the whole entertainment eco-system in which we are a key player.

Macrovision was seen as a company supplying anti-copy tools. Now Rovi positions itself as a >>

**Blu-ray
3D**

WITH 15 YEARS' EXPERIENCE IN
COMPRESSION & AUTHORIZING,
i-FRAME HAS PRODUCED
COUNTLESS TITLES TO DATE

FOR BLU-RAY PRODUCTIONS AT A
SURPRISINGLY GOOD PRICE,
CONTACT i-FRAME



Consumer Lifestyle Demonstration Blu-ray 3D Disc
Original 3D content demonstrating Full HD 1080p 3D
2011 / 2012



PHILIPS
sense and simplicity

"OUR PARTNERSHIP WITH i-FRAME
- A REAL CENTER OF COMPETENCE
FOR BLU-RAY DISCS - ENSURES OUR
HIGH-END PRODUCTIONS ARE ALSO
DELIVERED THAT WAY"

QUIRJIN DE WIDT
CEO OF NORVELL JEFFERSON

Norvell Jefferson

IN-HOUSE SERVICES INCLUDE

3D VIDEO & AUDIO ENCODING
3D BLU-RAY & DVD AUTHORIZING
STANDARDS CONVERSION
POST-PRODUCTION
GRAPHICS CONCEPT & DESIGN
SUBTITLING



D I G I T A L S O L U T I O N S

i-FRAME, INSULINDELAAN 35
1217 HK HILVERSUM THE NETHERLANDS
+313 5678 5678

INFO@IFRAME.COM WWW.IFRAME.COM

>> company that supplies enabling tools. How to you operate this transition? How to you move from the stick to the carrot, so to speak?

We are now an ingredient company, as I said earlier. When Macrovision was founded, it provided a very important ingredient to the entertainment industry, a technology that increased the content creators' confidence that their films would not be easily pirated. Our original anti-copy technology used on VHS and DVDs provided the entertainment industry with the confidence to build a business selling content directly to consumers.

But entertainment evolves; it does not stay with the same model for very long. And to our credit, our executive team saw these changes coming, invested in areas that are growing and are part of the next-generation home entertainment experience. I don't think you can necessarily focus on one area too long with the expectation that business is never going to change.

Content protection is still an important part of our business because the industry wants to make sure that the content now made available via an ever-growing range of delivery options is protected. Now, the same industry wants the consumer to find this content, to interact with it, to move it from device to device. Rovi is certainly going to be one of the leaders able to provide the tools and the technologies to enable that to occur.

Is it also the case that this move to an enabling role of the company is recognition that you can protect content only up to a point? So, instead of concentrate all your firepower repairing the ramparts, you might as well propose a more constructive approach toward a positive experience. Doesn't the attractiveness of the enabling strategy reduce the need to focus on protection from piracy?

As far as piracy is concerned, I think that people who are determined and committed to not pay for a piece of content will always find the means to do so. That does not mean that you should not put a lock on your door. Like everything in life there needs to be a balance. It cannot be so easy to copy content so the average person can do it easily. That's where we provided the most value as we offered a barrier by which casual consumers would find it difficult to copy content and would rather choose a more favourable alternative to acquire it.

The flip side of that equation is to make the content available in ways that may deter piracy. I think content holders are looking at those models and we are committed to providing solutions that will help them throughout the spectrum of options - content protection, guidance technology or meta-data.

A USP of packaged media over digital delivery is that it's a tangible gift-giving proposition. Up to 30% of discs sold in the pre-Christmas period are for gifts. Will the gifting of entertainment content become a thing of the past in the digital sphere?

Fundamentally, I believe entertainment is about a shared experience, regardless of the size, shape or mode of delivery. In an increasingly digital world, I think it will be much more likely that you will either give a gift card, which may be tied to a monetary value.

Will something like an iTunes card become more of a collector's item in itself, like the album sleeves for the vinyl LP and the more recent collector's editions and box sets of the DVD/Blu-ray world? In my opinion, this is not likely. I think the card is merely a means to an end. The content may not live on that piece of media, but it might represent a token that can be placed in my rights locker that can be consumed on nearly any device the recipient may own.

BIOGRAPHY

TONY KNIGHT, Senior Product Manager at Rovi, is an 18-year veteran in the multimedia industry and has worked in diverse roles ranging from software engineer to product manager. Prior to Rovi, Tony served as Senior Product Manager for Adobe's Director MX 2004 product. He worked at Apple Computer as Product Manager for DVD Studio Pro. Contact: www.rovicorp.com

GERMANY
FRANCE
NETHERLANDS
UNITED KINGDOM



CDA – Competence in optical media^{+more}

CDA is one of Europe's largest independent manufacturers of optical storage media and has many years of international experience in the production of CDs, DVDs and in tailor-made solutions. Numerous customers from industry, retail, software and home entertainment put their trust in CDA's service, flexibility and reliability.

Inhouse services

| Glassmastering | DVD & CD replication | Offset & Silk screen printing technology | Special customized packaging | Printing facility for paper parts | Logistics & distribution services | Warehousing | Flash and USB duplication |

Product innovations

| HD-Print | Relief printing | RFID-Disc | Anti-scratch-laquer | Braille-CD | Holo-Disc | Vision-Imbossing® |



ImPressing Solutions