

TB TELEVISION BUSINESS INTERNATIONAL

JANUARY 1995 Milia Issue

Hollywired

The New Media Majors



THE BEAUTY OF JAPAN
Tea Ceremony

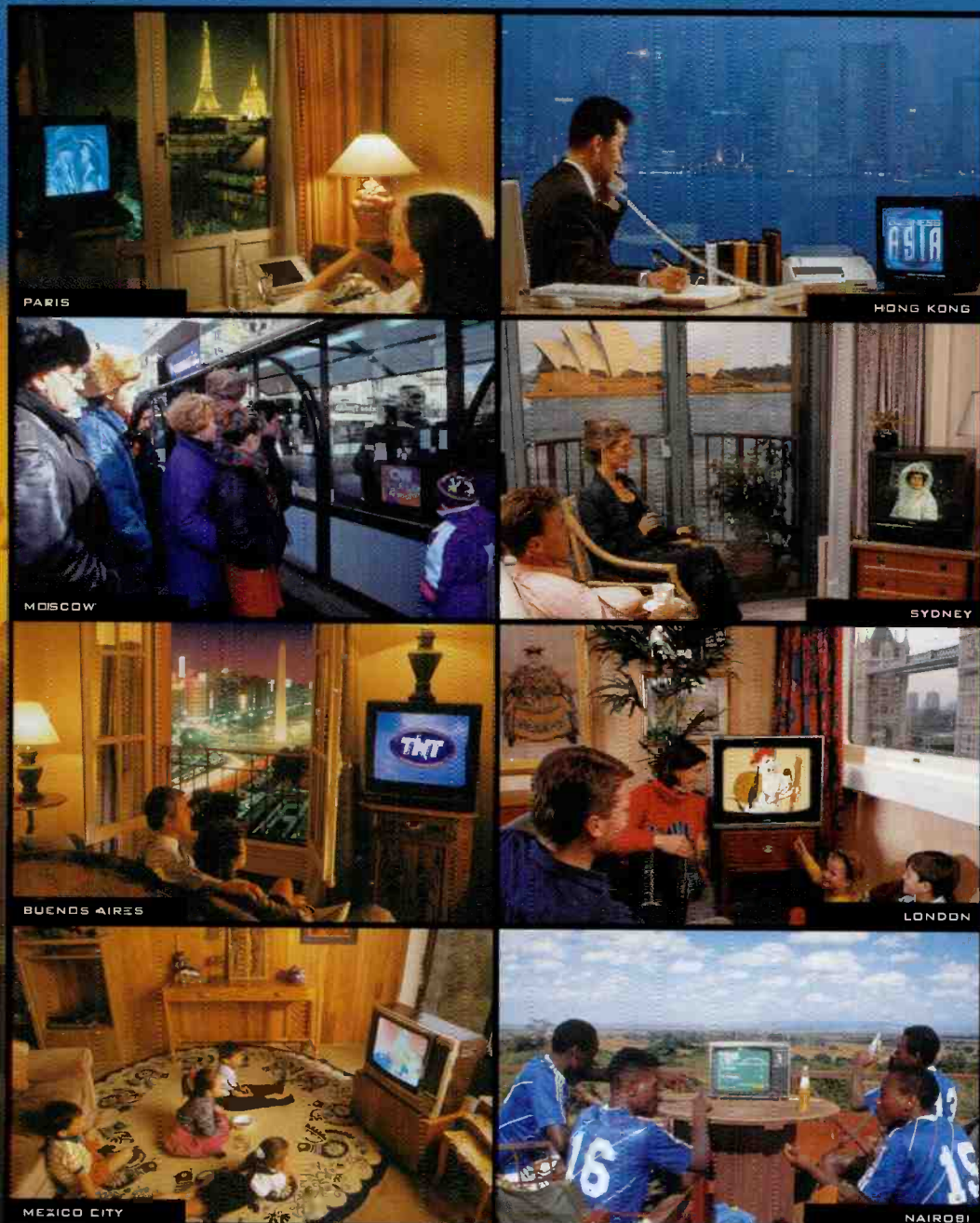
Tea has been an integral element in Japanese gastronomy, daily life and ceremony since the Middle Ages. Zen Buddhist monks, meditating throughout the night, would be served tea in a silent and formal ritual. The highly stylistic performance of serving and drinking tea that has become the Tea Ceremony of today, 'chan-no-yu' is derived from this Buddhist practice. Developed in the late sixteenth century, chan-no-yu was intended to cleanse the soul through drawing close to and becoming one with nature. Although many schools of tea ceremony have since been created, they all remain faithful to this basic principle.

HELP BACK MAIN EXIT

Platform Battle: TV vs PC

Mip Asia Diary

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EDITORS NOTE

Questions to Ask

As I write this, Gerry Levin has spent the day in Orlando throwing the switch on his Full Service Network. I wasn't on hand, but assume there was a look of vast relief on the faces of Time Warner executives as the flood of interactive entertainment spilled into living rooms of the lucky few in Disney World's backyard. A year ago FSN was supposed to launch in four months, not 12. A friend who works inside Levin's Empire of Synergy joked on the phone today that he could imagine Levin sitting in the first subscribing family's home and asking which stories they want to hear on the "interactive news," then reading the ones selected, live and in person. Such have been the software and hardware problems in getting the revolutionary system on line.

This revolution, like any in business, is about profit. That is the certain motivator for the Midem Organization, which this year stages its second Milia multimedia market. The event's second edition will be more of a test than the first Milia, which, I got the feeling, most people were happy to pay for as long as someone simply promised they'd leave Cannes less confused than when they got there. Year two is for results. As you wander the Palais, give a listen. Are people asking the same questions and giving the same answers as last year? Does anyone sound like they know what kind of deal they are at Milia to do? Is *anyone* doing any deals? What you're hearing will tell you whether they'll be much to listen to next year.

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MONITOR

NETHERLANDS

RTL4 And Veronica: Better Together

**Public system to face single
commercial TV rival**

Veronica and Endemol Entertainment are expected to merge their planned Dutch broadcast ventures with CLT and VNU, the major shareholders in commercial station RTL4.

The deal had not been signed when TBI went to press, but it is understood that the plan is for a joint holding company with CLT and Veronica each holding a 26% stake, VNU 25% and Endemol 23%. A statement issued by VNU said that the Dutch publishing group and Luxembourg-based CLT were also considering taking an equity stake in Endemol. The holding company will manage a total of four television networks: RTL4 and RTL5, Veronica 1, a general entertainment channel due to launch on September 1, and Veronica 2, a music channel targeted at young people which will launch in the last quarter of the year.

News that the parties had reopened negotiations emerged in the first week of December. Public broadcaster Tros, which was discussing the possibility of leaving the system in partnership with RTL4, broke off talks and opted to remain within the system. The new media law set a deadline of January 15 for public broadcasters to decide whether to stay within the system or go private, and guarantees that for the next five years the pubcasters will continue to operate three tv and five radio channels.

A deal negotiated between a panel representing the public broadcasters and Veronica/Endemol, which included an output deal, joint bidding for sports rights and access

to tv program information, also appeared to be off.

"We are seriously talking to RTL with the wish of all the parties involved to reach an agreement," John De Mol told TBI last month. "We have told the public broadcasters that although we are into that discussion we still feel that some parts of our agreement can be of use."

De Mol confirmed that Endemol was also in discussions with U.S. network ABC, though he said they were "at a very premature stage." The discussions involved a possible exchange of formats owned by Endemol, which is Europe's biggest independent, and the U.S. network, "among other things."

It is expected that VNU and CLT will acquire 20-25% of Endemol and 20% of Veronica's tv listings magazine, which with 1.2 million subscribers is the biggest in the Netherlands.

Despite the threat posed by a new and more powerful commercial rival (and the possibility of a third new network operated by the U.S.-backed Scandinavian Broadcast System, due to launch before Veronica 1), some of the public broadcasters welcomed the collapse of "the deal." Tros and Vara both opposed the deal on the grounds that it was inappropriate for the public broadcasters to buy programs from a competitor. "The pubcasters hesitated for too long and showed too many different feelings about the deal," said Joop van der Reijden, chairman of Veronica.

However, the broadcasters are divided on how best to compete. Tros, the most populist of the pubcasters along with Veronica, wants to continue to offer mass-audience fare, while others, such as former NOS president Erik Jurgens, want the pubcasters to abandon the chase for market share and concentrate on making quality programs. Most expect the market share of the pubcasters to fall from its present level of 50% to around 30%.

So far it is uncertain whether the government will allow the merger to go ahead. Although politicians have shown little inclination to support the public system with more funds, members of the ruling coalition government suggested the merger between Holland's biggest commercial broadcaster, biggest independent producer and near-monopoly magazine publisher (VNU) represent an undesirable concentration of power.



De Mol: all parties want an agreement

by Dick Versteeg — HILVERSUM

ITALY

Fininvest Sell Off: But When?

Sale of tv interests demanded as Berlusconi seeks re-election

Only one thing seems clear following the collapse of Silvio Berlusconi's government on December 22. If the media tycoon continues to pursue his political career, the disposal of his television interests is no longer a question of if, but of when.

Appointed prime minister in May, Berlusconi had announced that he would float or sell his Fininvest television activities, thereby removing an obvious conflict of interest between his political role and his virtual monopoly of commercial tv in Italy.

Although Berlusconi had made the pledge at frequent intervals during his brief reign, this time, observers took him seriously. Berlusconi's position had seriously weakened. Not only was his government near collapse, but Milan's anti-trust judges hauled him in for a day-long interrogation about alleged bribery of government officials by Fininvest executives. Finally, and most significantly, the Constitutional Court ruled that the 1990 Broadcasting Act which effectively secured the dominance of Fininvest in Italian television was unconstitutional.

The Act, passed in 1990 by a government close to Berlusconi, allowed a single individual to own three national tv channels. The opposition, Berlusconi's competitors, and most observers claimed the law was custom-made for the media



Berlusconi: more to life than being a media mogul

tycoon, because it allowed him to retain his three channels and a market share of around 45%. A redrafted broadcasting and anti-trust law is expected to be presented to Parliament in 1995.

However, selling or even floating one or more of the Fininvest group's channels – Italia Uno, Rete Quattro and Canale Cinque – will not be easy.

First of all, the new law will have to be debated and approved by Parliament. Secondly, new national plans for the distribution of frequencies will have to be made by the minister of telecommunications. Third, the financial markets will have to overcome their current chaos. And fourth, Fininvest will have to create a new holding company to control the units it will sell or float on the stock markets.

Given the present political instability, all of these things will take a long time. Despite his forced resignation as prime minister, Berlusconi was unwilling to give up politics at the end of last year. His determined fight to remain in office and his call for an early election showed that he had no desire to revert to being simply a media tycoon. And even without the ruling of the constitutional court, it is clear that Berlusconi would have had to forego his dominant position in Italian tv and allow for the long-awaited possibility of a "third poll."

by Cecilia Zecchinelli — MILAN

AUSTRALIA

All-Sports Channel Added To TCI Package

Battle for pay-tv supremacy draws in three major players

After numerous delays and much policy confusion, Australians are finally signing up for their first subscription tv channel featuring 24-hour sports. The Premier Sports Network, a joint venture between Australis Media Ltd and Prime International, will hit the screens on Australia Day, January 26. The major shareholder in both Premier companies is U.S. cable giant TCI.

Premier faces a tough start-up. It must compete with the summer holiday schedules of the commercial networks which are overflowing with live cricket and tennis. Further, the Government has mandated an extensive anti-siphoning list that ensures the networks have the first chance to buy rights to the most popular national and international sports events.

Australis plans to roll out more channels during the first quarter using almost all available microwave (MDS) frequencies in major cities and

UPLINK RULES RELAXED

The Hong Kong government will waive its own laws to encourage foreign-owned satellite tv broadcasters to uplink from Hong Kong in a bid to stop more operators moving to Singapore. Recreation and culture branch secretary James So You-cho said the government could choose to ignore the 49% cap on foreign ownership of an uplinking license if it believed the application had merit. But there were no plans to abolish the law that obliges Hong Kong-based interests to control 51% of each license. The 49% rule has been widely blamed for the decision of HBO, MTV and ESPN to base their regional production and uplinking facilities in Singapore. To date broadcasters uplinking from the British Crown Colony have been forced to use the colony's exclusive telephone operator Hong Kong Telecom's uplinking facilities, or those of local company Li Ka-shing-owned HutchVision. However, despite the relative easing of the territory's restrictions, any application for an uplinking license will have to go before the Chinese because it will straddle the 1997 handover.

ASTRA 1D LINE-UP

Six channels aimed at the German market are due to start transmitting from the fourth Astra satellite, which came into operation on January 1. They include the Disney/CLT family channel Super RTL and four channels linked with the Kirch group: Kabelkanal, a previously cable-exclusive channel, Kabel Plus, shopping service H.O.T. (Home Order Television) and a new thematic channel due for launch in spring 1995. Arte, the culture channel broadcast in French and German, moves from the Eutelsat satellite, as does the pan-European NBC Super Channel. CLT has booked another berth for a Dutch general entertainment channel. Astra operator SES said all of the remaining capacity on the satellite was committed. Other clients are believed to include BSkyB for three transponders.

towns as well as using its national satellite license. Continental Century, the other four-channel satellite licensee, will piggyback on the Australis MDS system and market itself under the same Galaxy banner.

Galaxy's two movie channels, plus a general entertainment channel, are to be provided through a five-way partnership comprising Australis, Paramount, Sony, MCA/Universal and TCI International. As part of this supply deal, Australis has issued the studios with options to acquire 10% of its convertible notes within 27 months. Encore Media, a TCI affiliate, will initially manage these three channels.

Continental Century's four Galaxy channels will be supplied in partnership with the European cable company, United International Holdings (UIH). A Continental spokesman, however, was unwilling to provide either program details or start-up dates.

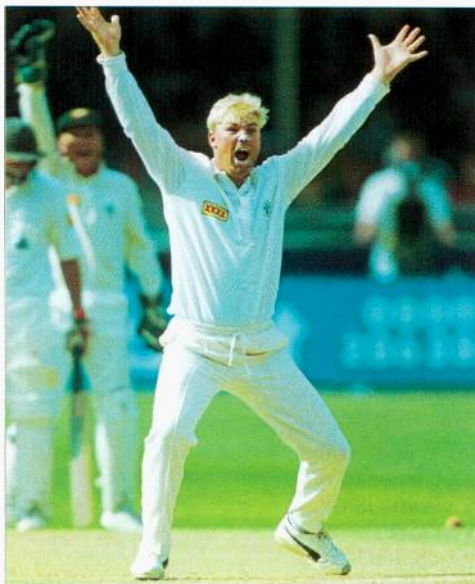
To help fund satellite and MDS reception equipment as well as programming, Australis is looking to the U.S. A draft prospectus lodged with the Securities Exchange Commission in December indicates that it plans a \$200 million (U.S.) note issue as well as a further \$600 million in bank debt.

According to the prospectus, the Australis agreements with U.S. program supplier/partners are expected to cost about \$200 million over three years. "The company expects that it will have significant operating losses and significant negative cashflow from operating activities and investing activities in each fiscal year through to at least fiscal 1988," says the document.

As Australis forges ahead, the high profile cable tv plans of Telstra/News Corp, and the Optus Vision consortium remain uncertain. News and Telstra were still negotiating the terms and conditions of their partnership in late December while Optus Vision was looking shaky following the departure of Network Seven (which is 25% owned by News and Telstra.)

The key to Optus Vision lies with the powerful boss of Network Nine, Kerry Packer, who has decided to withdraw from investing in the parent company, Optus Communications. The question at press time was whether Packer would stay with Optus Vision, whose other member is Continental Cablevision.

Most observers agree that the Australian market of six million homes cannot possibly sustain three rival pay-tv gateway operators: Australis/TCI, Murdoch/Telstra and Packer/Optus/Continental Cablevision.



Owzat?

SPAIN

Tele 5 Chief Goes As Sale Talks Stall

Fininvest moves in own manager to handle sale of Spanish station

Telecinco, the private tv network, has parted company with its founding chief executive after negotiations to sell an 84% stake in the channel ground to a halt.

The stalling of negotiations with, among others, Mexico's Televisa group, coupled with Televisa's mounting losses and falling ratings, sparked a row between Valerio Lazarov and the station's Italian owners, who were previously believed to have control of only 25% of the channel.

At the last moment Lazarov tearfully pulled back from severing all links with the network and accepted the offer of staying on as an advisor. Maurizio Carlotti, a Fininvest executive, has meanwhile been sent to manage both Publiespana, Telecinco's sales house, and Telecinco itself, until a Spaniard is appointed as the new operational chief.

Another twist has been the arrival of Kirch's Jan Mojto on the Telecinco board, which also includes Franco Tato of Fininvest and Miguel Duran, president of Telecinco. Mojto seemed to commit Kirch to a more active, long-term involvement in Telecinco. He said Kirch considered its investment "a strategic, industrial asset and not just a financial investment."

Jordi Garcia Candau, director-general of the pubcaster RTVE blamed Antena 3's spending spree, which helped it overtake TVE1 in the ratings for the first time, as a catalyst for the crisis in the sector. Under the new plan TVE will limit its demand for advertising revenue to a third of the Pts210 billion (\$1 billion) cake forecast for 1995.

Antena 3 has been juggling its finances, trying to plug the gap left by its expensive campaign. On the final day of the period set by the collapsed Banesto bank for the sale of its 25% direct stake in the network, president Antonio Asensio was able to bring together enough buyers to avert disaster.

The whole operation, which includes the paying off of Antena 3's debt with Banesto, and the buying back of its 12.5% stake in Grupo Zeta, Asensio's multimedia, group, is put at Ptas34 billion (\$257 million). Among the buyers are two film producers, Arnon Milchan and Jose Frade, who will respectively own 10% and 5%. The rest of the shares are held by Bankers Trust and some Spanish savings banks.

by Liz Fell — SYDNEY

by Justin Webster — BARCELONA



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Cultural Exchanges

MipAsia went off with a clarion of network launches and program sales pitches. Tim Westcott reports on four days of excited anticipation and, inevitably, frustration

They spoke in a variety of strange languages. They practised rituals and customs ranging from the charming to the horrifying. To an outsider, they were inscrutable. But the anglo-saxons, the Latins and the continental Europeans who descended on Hong Kong at the end of November last year were all there with one aim in mind: opening the floodgates on millions and millions of dollars of new Asian business.

Many who were called – whether by the marketing expertise of Reed Midem, the breathtaking vital statistics of the Asian countries, or simply the lure of the east – were disappointed. Some were even saying, well before the end of the market, that they would not be coming again. But any judgement about whether the first Mip Asia was worth what was for most a long-haul flight and a heavy expense has to be informed by two things: the Asian market is so immense that no business with international pretensions can possibly ignore it; and that despite those numbers, there is still a long way to go before the Asian market delivers its potential for distributors.

No sex, no violence and no news

There was much talk of the need to understand the cultural differences and sensitivities of the Asian market. The day before Mip opened, Robert Chua delivered the keynote speech at the NIMA International conference. Chua, a Singaporean-born Hong Kong tv producer, plugged his Mandarin-language satellite

channel, China Entertainment Television, which made its “soft launch” on the first day of Mip and will switch on a full service 100 days later. CETV promises a recipe of “no sex, no violence and no news.” To western ears, it sounds like a recipe for no viewers; but CETV, for which Chua claimed to have over \$1 million of upfront advertising commitments, will “appeal to traditional Asian values” as far afield as South Korea and the Philippines, as well as on the Chinese mainland. Chua, who has been doing business with Chinese broadcasters since the late 1970s, warned against taking advice from “instant experts” on China who think they understand the place on the basis of a couple of visits and some research.

Culturally sensitive or not, Fung Shing Kwong, general manager of Hong Kong's TVB, said that it was “useless and unnecessary” to stop the invasion of foreign satellite channels in Asia. TVB's license requires it to broadcast Chinese and English-language channels, but its Chinese service has 10-20 times the audience of its English channel after 30 years.

Networks connect

A host of mainly U.S.-owned networks have established themselves in Asia, and they maintain that the basis exists for a basic and pay cable business. Cable connections are growing in markets like Taiwan, the Philippines and Hong Kong, while in China, publicly-owned regional



broadcasters are launching cable stations. Unlike in some European territories, cable operators do not expect to be paid by broadcasters.

The Discovery Channel is approaching two million paying subscribers in Asia. Greg Moyer, president and chief operating officer, said it would be introducing language soundtracks in Indonesia, Malaysia and Thailand and added that it was actively seeking co-production partners in the region.

ESPN announced a deal to distribute a Hindi-language service in partnership with the Modi group, and the Walt Dis-



ney Company said it would launch a Mandarin-language service in Taiwan.

Wharf Cable in Hong Kong added to its array of channels with the announcement of a pay-per-view service carrying product from MGM/UA, Walt Disney and New Line.

HBO Asia announced the formation of a strategic alliance with Sony and MCA/Universal in which the two studios will join HBO, Warner Bros and Paramount in its parent company.

The U.S. channels do not have the field to themselves. Australian Television, the pan-Asian service operated by the

ABC, signed a deal with Guangdong Cable Television in China's Guangzhou province. Selected programs and sponsors messages will be rebroadcast on the network, which is expected to have three million subscribers in three years.

Buyers cautious

All in all, there seemed to be more cable launches than high-profile program deals. The Cannes-style queues at the registration desk had thinned out by Thursday evening. The organizers say there were more than 3,000 attendees from 59 countries at the event. There were 695 buyers from Asia-Pacific countries, 72% of whom had never been to Mip-tv or Mipcom. Most of the "westerners" were at Mip to sell (there were very few exceptions, such as an executive from the BBC looking to buy Indian programs for its minority domestic service). There was a lot of talk about the large Chinese delegation, but not much obvious interest from western buyers in buying Chinese programs.

All space in the hall was sold out to the 378 exhibitors, though a few more booths could probably have been crammed in if the aisles were narrowed. The high ceiling and lack of traffic on the floor added up to a much more restrained atmosphere that at the Palais des Festivals.

A way ahead

Monolith KK, a Japanese-based company which is launching a production slate of feature films and tv miniseries and setting up an Asian distribution network was formally launched at Mip Asia. Monolith is already working on three projects with UK independent Portman: *Keaton*, based on the adventures of a Japanese comic-strip sleuth, and two miniseries in development with U.S. networks. Monolith is also developing drama series with a German pubcaster and France's Télé Images.

International drama miniseries are an unexpected category of programming for Japanese producers to be involved in, and Hiroyuki Ikeda, one of Monolith's directors, confirmed that Japanese viewers prefer domestic product or Hollywood blockbusters to this genre. There is at present little prospect of Monolith's tv product finding space on the major networks in its home market. But the launch of digital channels at the end of the decade will, Ikeda expected, create a demand for more programs – including international co-productions.

Monolith's distribution network will be supervised from Singapore by manag-

ing director Jennifer Lim. She said that because of the paucity of license fees, Monolith will be aiming to set up a syndication operation which will enable it to capitalize on the strong growth rate of advertising revenues.

Major problems

Paramount and Walt Disney, though they had people at the market, did not take stand space. Other studios, eyeing the wide open spaces of the exhibition hall on the last morning, said their sales at the market had not even covered the expense of setting up stands and flying in staff. "We've already told (Reed Miden president) Xavier (Roy) we're not coming back," said Greg Robertson of Warner Bros. "I'd like to say something different, but there's no benefit. We could have spent the money on PR." Others – including MGM/UA, MCA and Worldvision – were reserving their judgement. Besides the slow business, Mip Asia came at the end of a busy year, and could be one market too many. People agreed it makes sense to travel to their buyers in Asia rather than expecting them to make the journey to Cannes. Some proposed replacing Mip-TV in May with Mip Asia.

Gary Marenzi of MGM/UA argued that the majors have regional offices in Sydney and make three or four sales trips to clients in the region a year. It was the smaller companies which can't afford that sales effort that benefited from the market. Distributors such as Unapix, Southern Star and Marathon, said they were busy – with deals closed and contacts made. Saban, which announced three more co-productions with Chinese partners for next year, was also busy, but Stan Golden, president of Saban International, was disappointed by the lack of Chinese and Japanese buyers. "There were expectations that the Chinese would be heavily represented. But the core group of broadcasters that make up the Chinese networks were not here."

Another day another dollar

Days after the show ended, the dates for next year's Mip Asia were fixed. Despite the gripes over the cost of setting up stands and getting booths serviced and boxes moved within the exhibition center, it is hard to imagine the second Mip Asia not going ahead. But the pile-up of international markets, the expected growth of regional shows and the location of the market in a city with an uncertain future have all clouded the picture. And the flood is still nothing more than a trickle. **TE**

Hollywired...



Myst: last years CD-Rom hit was developed not by a studio but by two brothers in a remote farmhouse

Or call it Siliwood. The ingredients for this hybrid industry are Silicon Valley game coding and Hollywood storytelling; the product, CD-Rom titles worth a billion dollars in retail sales this year. Barbara Bliss Osborn looks at Hollywired's major players

After Virgin Interactive Entertainment released three successful CD-Rom titles based on Disney movies, The Walt Disney Company at long last formed its own interactive division in December. Just days after Disney's announcement, Capital Cities/ABC unveiled its first move, a joint venture with videogame developer Electronic Arts to launch two products based on ABC's children's programs. The first

ABC-EA titles will be available next Christmas.

Americans spent over half a billion dollars on CD-Rom titles in 1994 and will spend twice that in 1995, according to Link Resources. But as the Disney and CapCities' announcements indicate, America's major entertainment players have been slow to tackle the new technology. Initial studio and network reluctance to invest allowed in upstarts; companies like

Broderbund, which has been working in the trenches for nearly 15 years to develop serious market muscle. Broderbund's sales for fiscal year 1994 totalled \$112 million.

Given the snail's speed of the majors, it's not surprising that most titles continue to be developed by computer nerds in garages who then sell their work to larger distributors. Broderbund's enormously successful CD-Rom *Myst* was

put together by two brothers working out of a ramshackle office in the remote and rolling farm land of southeastern Washington state. 7th Guest, Virgin's top-selling CD-Rom, was also developed by a small shop.

Similarly, adventurous music-based titles like Peter Gabriel's *Xplore* and Todd Rundgren's *No World Order* were developed as individual artistic efforts with no record company input.

Whether a CD-Rom is developed in a garage or in one of the studios' new think tanks, much of what's available is, in industry parlance, "shovelware," uninspired recycling of pre-existing games, movies, and books. But 1994 was the year of the first truly impressive made-for-CD-Rom titles, games/adventures like *Myst*, *7th Guest* and LucasArts' *Rebel Assault*. These titles are the first Hollywired box office blockbusters, combining as they do imaginative story telling with interactive CD-Rom technology. No shovel was used in their creation. But Hollywired is a state of mind, rather than a geographic location. It represents a willingness to use the full range of techniques available to both the auteur and the bit-head to create titles that are more than games yet different from movies. The following are the companies that now stand as Hollywired's majors.

Be warned: the list is subjective, since status as a major in Siliwood can be conferred with one hot title and lost in a digital instant.

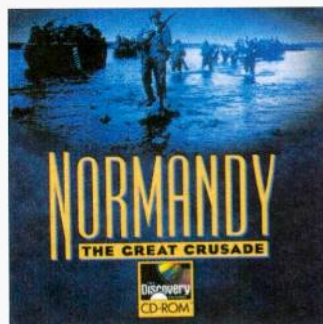
**Broderbund Software
Novato, California**

Broderbund, which was started in 1980 by Doug and Gary Carlston, is one of the premiere edutainment publishers. In 1994, the company's surprise hit was *Myst*, a non-linear game in which users solve puzzles by exploring an extraordinary 3-D island. *Myst* won a dozen awards last year, and along with *Rebel Assault* and *7th Guest*, was one of 1994's top-sellers.

Broderbund first made its name publishing children's titles. Its first release was *Where In The World Is Carmen Sandiego?* which became a PBS and then a Fox television series. Later it introduced what became known as the Living Books. That series now numbers eight titles, including *Just Grandma and Me* and the most recent releases, *Arthur's Birthday* and *Harry and the*

Haunted House. With all the Living Books, children can choose either to have the book read aloud or the "let me play" option, in which the story pauses after each page is read so kids can explore objects on the page by clicking on the screen. Each object responds with an unexpected sound effect or musical phrase. Broderbund entered an agreement with Random House in January of 1994 that made Living Books a separate company 50% owned by Broderbund.

Broderbund is a prolific publisher. The company introduced 68 new products in fiscal 1994. Like several successful U.S. multimedia companies, Broderbund is beginning to expand its international operations. The company plans to set up a UK office in 1995 that will allow it to distribute directly to Europe and increase production of local titles.



**Discovery
Communications
Bethesda, Maryland**

In December, Discovery Communications established a separate multimedia operating unit that, according to chairman and CEO John Hendricks, will work towards "translating the Discovery experience" to CD-Rom and other platforms.

Creation of the unit only confirmed what the company had already been up to all year. In 1994, Discovery published five CD-Rom titles, including the first release and best-seller *In The Company of Whales*, as well as *Normandy:*

The Great Crusade and *Professor Iris*, a children's title adapted from the new Learning Channel program block *Read, Set, Learn*. These first titles were based on Discovery editorial programming, but the editorial content was significantly enlarged.

Discovery Multimedia plans to release 12 titles in 1995. Product will focus on family, reference and children's titles, and Discovery plans to debut a new line of "real world adventure games." One of them will be based on *Connections²*, a Learning Channel series hosted by James Burke. In 1995, the company will also release the first product to originate as a CD-Rom and then "migrate" to television. Tom Porter, the new publisher and general manager of Discovery Multimedia, said that the spin-off tv program *Wings Over Europe* "melds a linear tv show with original graphics and data elements."

Like Broderbund, Discovery is taking the overseas market serious. Distribution to date has been limited to English-language territories, but plans call for expansion into Germany and Japan.

**Jasmine Multimedia
Van Nuys, California**

Working with Geffen Records, Jasmine Multimedia released the first CD-Rom issued by a major record label. It includes three Geffen music videos by Aerosmith, Peter Gabriel and Guns 'n' Roses, as well as seven other popular recording artists. The title *Vid Grid* has been called "a rock 'n' roll Rubik's Cube" because the screen is broken up into a matrix of nine squares and the purpose of the game is to get good at it, you can increase the number of squares to 16, 25 or 36.

Jasmine president Jay Samit said that the company is looking to develop a franchise based on the *Vid Grid* software engine. Already the

company has plans for its first spin-off, *Kid Vid Grid*, which will feature ten Hanna Barbera cartoons for unscrambling.

Samit began Jasmine Multimedia in 1981; the company has produced over 40 CD-Rom titles since. Many of those titles have utilized Jasmine's enormous stock footage library, which includes more than two million stills, 40,000 hours of video and thousands of music selections. The title *Morph Movies*, for instance, offers interviews with morph artists and 100 images from the library ready for morphing by the user.



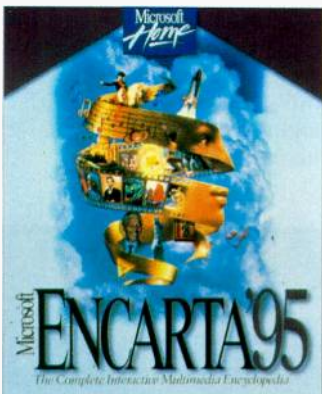
**LucasArts Entertainment
Company
San Rafael, California**

Since 1982, LucasArts, owned by Star Wars creator George Lucas, has been exploiting its Star Wars franchise, first with games and later with CD-Rom titles. Until last year, CD-Roms like *Indiana Jones* and the *Fate of Atlantis* and *Day of the Tentacle* were essentially enhanced versions of the company's cartridge games.

Its first made-for-CD-Rom was released late in 1993 and proved to be one of the CD-Rom market's bestsellers. *Star Wars: Rebel Assault* sold 100,000 copies in its first week on store shelves and by the end of 1994 sold one million copies worldwide. The CD-Rom game includes 3-D graphics, full screen video, digitized *Star Wars* movie

footage and John Williams' much-admired score. It casts the player as the Rebel Alliance newcomer Rookie One, who must survive three training missions.

In the first quarter of 1995, LucasArts will issue two new PC platform CD-Rom titles: *Dark Forces*, a 3-D action game set in the Star Wars universe, and *Full Throttle*, an adrenalin-pumping adventure game.



**Microsoft Corp.
Redmond, Washington**

Software giant Microsoft's involvement in CD-Rom publishing revolves around reference titles. The company's encyclopaedia, *Encarta*, first released in March 1993, is the equivalent of a 20-volume encyclopaedia with 26,000 entries, 100 minutes of video and animation, an atlas and a time line.

In the encyclopaedia-on-CD market, *Encarta* faces competition from Compton's *New Media* and *Grolier's*, but *Encarta's* advantage is its organization; it is designed to make it easy for users to follow-up on related topics, not surprising given the company that made the disc. It has won several awards, including the *Children's Software Revue's* 1994 All Star Award.

Microsoft's Home Products Division has also published numerous other reference titles, including *Microsoft Cinemania*, an interactive movie guide; *Art Gallery*, an interactive guide to the collection at London's National Gallery of

Art; and *Microsoft Bookshelf*, which includes reference works such as the *American Heritage Dictionary*, *Bartlett's Familiar Quotations*, *The Concise Columbia Encyclopaedia*, and *The World Almanac*. The company has also released a series of music titles on Mozart, Stravinsky, and Beethoven's Ninth Symphony, as well as two sports titles, *Microsoft's Complete Baseball* and *Multimedia Golf*.

**Spectrum HoloByte
Alameda, California**

Spectrum HoloByte is one of the world's largest publishers of PC entertainment software. The company is best known for its blockbuster puzzle game, *Tetris*, one of the most successful computer games ever since its release in 1988.

In part due to the superior quality of CD-Rom technology, the cartridge-based games business is expected to take a hit in the next few years, and Spectrum HoloByte has turned its attention to CD-Rom. In an attempt to turn *Tetris* into a franchise, the company translated the game



into *Falcon Gold* and the compilation CD, *Tetris Gold*. Spectrum has also released *Iron Helix*, a cinematic sci-fi adventure in which players pilot a robot probe in an effort to stop a doomsday weapon.

The company has an exclusive license with Paramount Pictures for games based on *Star Trek: The Next Generation*. However, the initial release of the first title,

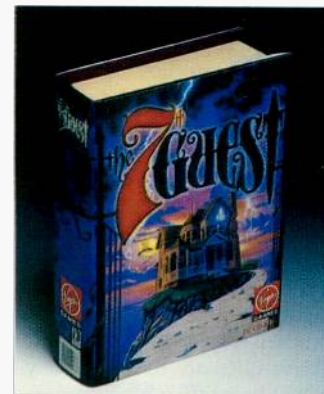
Star Trek: The Next Generation: A Final Unity, had to be postponed until some time early this year. The game is expected to be a simulated storytelling adventure that takes place on board the *Starship Enterprise*. The eight lead actors on the tv series will provide the voices.

Since its merger with European game company MicroProse and its acquisition of the Japanese videogame company Bullet-Proof Software in 1993, Spectrum HoloByte's resources have been global. MicroProse now provides the company with overseas distribution and development, while Bullet-Proof handles the company's business in the Far East.

**Virgin Interactive
Entertainment
Irvine, California**

Virgin Interactive Entertainment's most recent hit, *7th Guest*, has sold over one million copies. The game received awards in the U.S. and in Britain. An interactive horror movie, *7th Guest* combines live action characters with high-resolution 3-D backgrounds and special effects. In fact, the CD-Rom contains so much information that it had to be marketed on two discs. Last fall, VIE announced a sequel, *The 11th Hour*, which is being developed by Trilobyte, the same boutique that developed *7th Guest*. The sequel will be released in the first quarter of 1995.

Virgin published 31 new titles last year. In total, the company has released 90 entertainment CD-Roms, three of them – *Aladdin*, *The Lion King* and *The Jungle Book* – in partnership with The Walt Disney Company. Now that Disney has established its own interactive unit, the future of Virgin's partnership with Disney is uncertain as



the previous titles were developed on a title-by-title basis.

VIE is an operating unit of Spelling Entertainment. Blockbuster holds a 55% interest in the company.

**The Voyager Company
New York, N.Y.**

Voyager's marketing slogan – "bring your brain" – is reflected in the company's broad catalog of hard-thinking product. Typical of Voyager's library is a CD-Rom based on a film called *Poetry in Motion*. The title juxtaposes performance videos of 22 contemporary poets, including Allen Ginsberg, Ntozake Shange and William Burroughs, with texts of their poems and taped interviews.

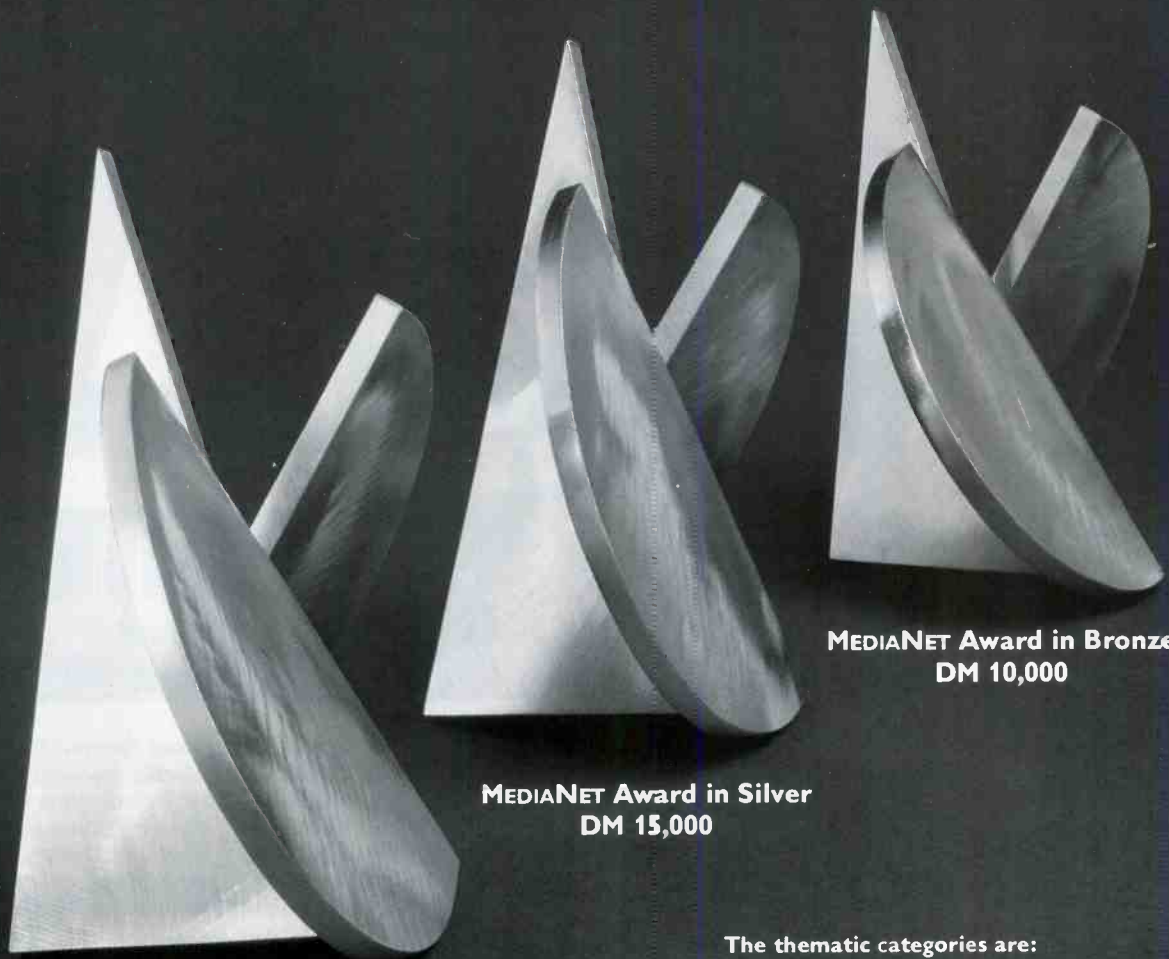
A pioneer in the development of interactive multimedia, Voyager was founded in 1984. The company has also published "coffee table" CD-Roms like *Pedro Meyer's I Photograph To Remember*, the original children's cartoon *Circus!*, a CD-Rom version of Art Spiegelman's Pulitzer-prize winning book *The Complete Maus*, and a tongue-in-cheek look at *People* magazine. Users of *People: 20 Years of Pop Culture* can witness how celebrities like Michael Jackson and Elizabeth Taylor have "morphed" over two decades and check out "star maps" that illustrate the connections linking different celebs romantically, artistically and financially. Voyager has even published a CD-Rom anthology of its own 40 CD-Rom titles called *Voyager Presents*. [E]

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MARKET NEWS

● First Information Group (FIG), formerly part of the Chrysalis Group, is launching FlagTower, its electronic publishing brand, as well as previewing the first six titles to carry the FlagTower name. The UK company plans to release a total of 16 FlagTower reference titles aimed at the family and educational markets this year. The first six CD-Rom FlagTower titles due for release mid-1995, which include four of the company's Visions of War series, are: The Great War, the Second World War, The Great Generals, The Space Race, The History of Medicine and the War in the Pacific.

● The Belgian company Image Creation, a subsidiary of Studio L'Equipe and specialists in the post-production audiovisual media (film, video, laser discs, CD-I, Video-CD, CD-Rom) will be showcasing its latest titles at Milia '95. Current productions on the slate include Le Connoisseur, a CD-I entertainment discovery program about wine; Bruxelles CD, a CD-Rom featuring a unique trip through Brussels through the drawings of François Schulten and the CD-I adventure game King of Fjords.

● World Cup Football from 1930 to 1994 is just one of the products on the slate of Interactif Delta Production (IDP) this Milia market. Other titles of IDP include the educational CD-I Reading Skills; Interactive Catalogue CD-I, Kitchen Designing for Mobalpa; and the CD Rom Multimedia dictionary of modern and contemporary art.

● French publishing house Flammarion will be exhibiting two new titles: a CD-I on astronomy co-produced with Interactive Delta Production and the Dictionnaire de géopolitique, a CD-Rom comprising

Encouraging New Media Developments



THIS year's Milia event promises to be bigger and busier than the first Milia last year. At the time of going to press there were 450 exhibiting companies from 25 countries, including first-time exhibiting countries Ireland, Israel, New Zealand, Poland and the Ukraine; and the number was still rising with a 60% increase in the number of German and U.S. companies in attendance.

In addition, there has been a noticeable increase in the number of Asia Pacific Region companies at this year's event with Japan Multimedia Software, NHK Educational Corp, Asia CD and the Australian Interactive Multimedia Industry Association just a few of

the companies taking part.

As well as being a platform for established companies which looking to showcase their latest products, Milia '95 aims to encourage the new generation of creative talent through the New Talent Pavilion for all multimedia post-grad students, and the older generation through the Milia Awards (Milia d'Or) for existing and commercialized new media titles in 1994.

Milia'95 is also the forum for the the first ever International Multimedia Awards with 15 categories covering all genres of multimedia software. Categories include Best International Product, Best Visuals, Technological Innovation and Sport. The Interna-

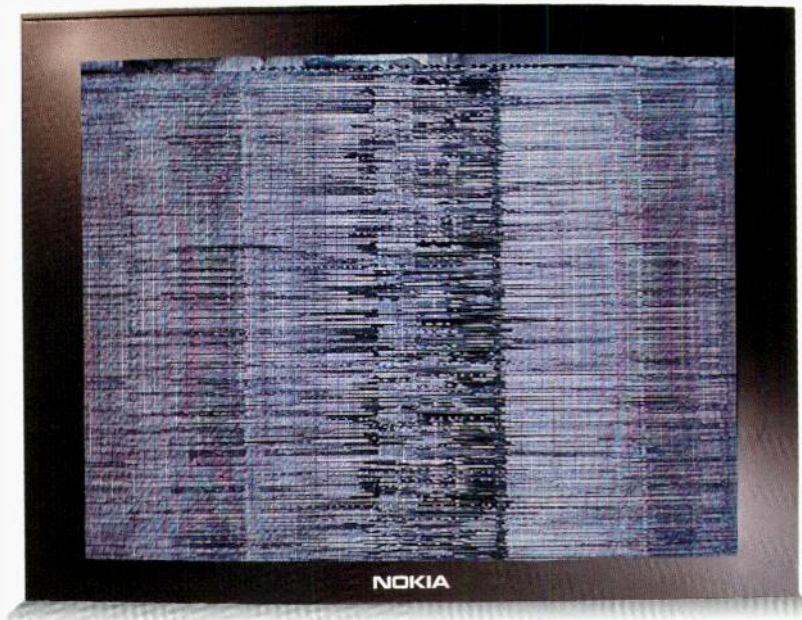
tional Emmas (European Multimedia Awards) are supported by companies and institutions including Microsoft, Pioneer Electronics, The European Commission, The IMA (Interactive Multimedia Association) and Philips Interactive.

The International Emma Awards are managed by Emma International Limited on behalf of an industry steering committee comprising multimedia experts from all sectors of the entertainment industry.

Members of the committee include the representatives of Olivetti, Pearson and The Voyager Company, as well as television producers and software manufacturers.

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● The International Creative Digital Image Company (ICDI) will be exhibiting its range of CD-I, Video CD, CD-Rom and PC products. Titles in production from ICDI include a second CD-I about Pompeii and a new title co-produced with Sofidoc and Philips on the history of stockings. In addition ICDI is preparing about 15 consumer film and concert titles on Video CD for an as yet unnamed distribution company for French-speaking countries.

● Apple Computer Inc's presence at Milia will include a complete development studio and demonstrations of its Quick Time Virtual Reality and Interactive Television systems as well as on-line service eWorld. The Apple representation at the market will include Satjiv Chahil, the Californian company's leading expert on new media.

● The Media Investment Club, boasting a budget of \$5 million and a list of partners which includes Canal Plus, Matra Hachette Multimedia, Philips Consumer Electronics BV and BBC TV, is participating as an exhibitor at Milia. The Club, which was set up at the initiative of the European Union's Media Program, provides up to 15% of the total budget of multimedia and new technology products. The Club has already helped to finance 24 projects.

● Finland's Saraxa Group, specialized in the production and distribution of Multimedia TV, will be showcasing two interactive CD-I formats with applications for tv advertising and gameshows. TOSS (Telephone Operated Spots System) has already been used by Coca-cola and Telecom to make interactive advertising and programming.

● DK Multimedia, part of children's book publishers Dorling Kindersley, has launched five entertainment titles on CD-Rom - The Way Things Work, The Ultimate Human Body, My First Incredible Amazing Dictionary, Incredible Cross Sections, Stowaway and The Eyewitness Encyclopedia of Science.

● Vgs, a multimedia publishing house based in Cologne, will be attending Milia '95 to purchase

Spreading The Word

INGENIUS, the joint venture company formed by news agency Reuters and Liberty Media Corporation, the programming subsidiary of cable operator TCI, is launching its interactive current affairs education program called *What On Earth* internationally.

What On Earth has already launched in the U.S. as part of Liberty's Cable In The Classroom service and features Reuters text, still picture video and graphics coverage of news stories from around the world delivered to computer screens via cable network lines.

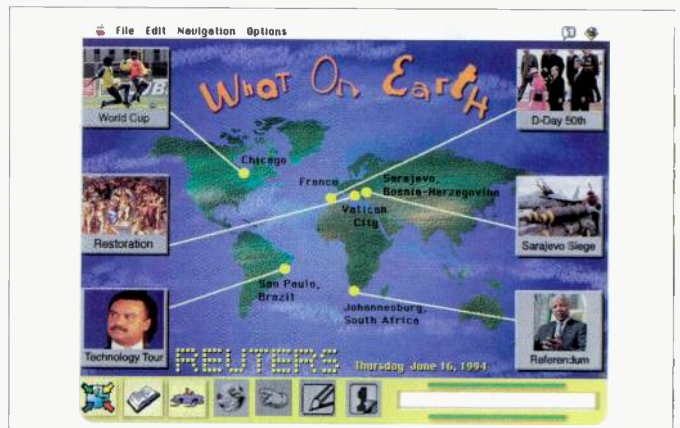
If successful, *What On Earth* could spawn a number of similar services. Reuters is already eyeing Europe for potential follow-ups and is talking to a number of interested parties about possible deals.

Besides its representation via InGenius, Reuters is exhibiting in its own right, both as a content holder wishing to sell distribution

rights to interested players, and as a potential co-producer with a particular interest in the field of education.

The use of multimedia for

and a Reuters live news service, all of which could be given an extra dimension if married with the right technology.



educational purposes is a logical progression for a company such as Reuters which has huge reservoirs of material at its disposal. Reuters has a video library dating from 1896; the dial up on-line archive, Photobase; a graphics service for newspapers;

In the UK and Europe, Reuters has launched Reuters Financial Television for foreign exchange dealers. RFT, which will be available next year, delivers live coverage and analysis of market-moving news events direct to dealers' computer screens.

Time Warner Takes Local Tracks

CREATED in June 1994, Time Warner Interactive is the amalgamation of Time Warner Interactive Group in Burbank, Atari Games and Tengen Europe. At Milia the European and U.S. operations will share a stand.

TWI will be showcasing three products at Milia: Rise of the Robots, Thumbelina and Peter and the Wolf.

Meanwhile, in the U.S., TWI has just announced a three-CD series called The Official NFL Superbowl Commemorative Edition, "which is in the shops now but will not be at Milia," says Kevin Johnston, head of marketing programs.

TWI will also be looking to secure distribution deals at

Milia, and is particularly looking to create localized versions of product by laying down different language soundtracks.

"We're at Milia to learn about the industry and what others are doing there," said Tony Adams, managing director of TWI Europe. "We are talking to many companies in the U.S. and Europe about how we move forward."

3DO, the main rival to CD-I, is a technology that TWI is also particularly keen to develop. TWI owns 15%

of the 3DO company which was founded by Trip Hawkins and is currently producing three original games with them which will be announced in the New Year or at Milia, says Adams.



New Unit Doubles Discovery Output

DISCOVERY Multimedia, the interactive publishing unit of Discovery Publications Inc (the parent company of the Discovery Channel and the Learning Channel) has created a new business unit to consolidate the Discovery brand in the multimedia software market.

Under the direction of Thomas Porter, publisher and general manager, Discovery Multimedia will publish at least 12 CD-Rom titles in 1995, more than doubling its 1994 output. Focusing on three product categories for 1995 – family reference, children's and real world adventure games – Discovery Multimedia's product slate includes its first full screen, full-motion-

video MPEG product and its first adventure game.

Capitalizing on the opportunities worldwide, the division is to launch sales initiatives in Europe, Asia and Latin America and aims to harness the creative skills of software designers. So far the division has worked with names such as Crawford Communications, T/Maker, Human Code and Luminaria. As a publisher, Discovery Multimedia is looking for high-quality potential affiliate partners, said Porter.

Discovery currently has five multimedia titles including *In the Company of Whales*, *Beyond Planet Earth* and *Normandy: The Great Crusade*. In January 1995 Discovery will

release its sixth CD-Rom, *Wings Over Europe*, and later will release four new titles – *Ocean Planet*, *Professor Iris' Fun Field Trip*, *Seaside Adventure*, *Nile Passage to Egypt*, and an interactive game based on the *Connections* series which will be available in both Windows and Mac platforms.

Discovery's product slate for 1995 also includes the re-release of its award-winning CD-Rom *In the Company of Whales*, which will be released in two upgraded versions: for Mac and full-screen, full motion for MPEG. Sigma Designs, an MPEG technology specialist, will produce the CD-Rom for Discovery Multimedia.

All Park Figures

GERMAN-based multimedia company Pixelpark and its sister companies On-line Park and Music Park, formed in 1991, will be displaying CD-based and online services aimed at the youth market. On-line Park will be previewing Wildpark, an online music, film and entertainment service due to launch this spring in Germany. Moritz Wuttke,

managing director of On-line Park, says it will contain music information from all major international record companies, as well as a teaser service for films, provided by film studios and video suppliers, and possibly television information and listings. Top of the pile of Music Park products is U96, a CD-Rom with interactive sound-studio

and game elements. Pixelpark itself has a number of projects in development including *Doro Backstage*, a science fiction adventure game featuring German rock star Doro Pesch, *Please do not Disturb*, a sex-edutainment title for teenagers, and *Malraux*, a virtual museum CD-Rom which should be available in October 1995.

3T Increases TV Deals

UK-BASED multimedia publishing and development company 3T Productions is at Milia to demonstrate a range of new entertainment and education titles, and to seek partners interested in developing multimedia projects.

"At Milia we will be looking to team up with television companies, book publishers, game manufacturers and other rights holders interested in developing titles which can be enhanced by the use of different media," said 3T's Sheila Rogers.

Multimedia projects in development by 3T include *Disappearing World*, based on Granada Television's vast archive of anthropological film, and *On Safari with Survival*, which uses wildlife footage from the Anglia Television series.

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multimedia rights for the German-speaking market as well as market its own products worldwide. On the Milia slate are CD-Roms on perfumes and the wild west.

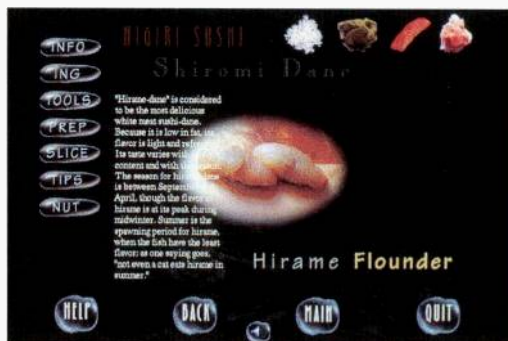
● Nathan Editions from France will be showcasing its range of CD-Roms for families and children. Mon Premier Dictionnaire is an interactive dictionary with more than a thousand words for 3 to 6 year olds. Other product from Nathan Editions include Comment ça marche, an interactive exploration of the world of machinery, inventions and techniques based on the work of David Macaulay.

● French company Infogrames Multimedia will be showcasing its range of CD-I and CD-Rom product. On the slate are Chaos Control, the CD-I/CD-Rom science fiction arcade game set in 2017; and Marco Polo, the CD-I/CD-Rom adventure game featuring economic simulation through the Marco Polo era. Product in development includes a CD-Rom adventure game based on the Lovecraft book, Prisoner of Ice, and Napoleon, an encyclopaedic product based on the life of the emperor, available on CD-Rom for PC or Macintosh.

● Simon & Schuster, the publishing company now owned by Viacom Inc, is at Milia to promote its multimedia arm Simon & Schuster Interactive. The division was formed in 1994 to exploit the parent company's library of intellectual properties and to create original multimedia products. Viacom New Media, along with Viacom Interactive Services, is part of Viacom Interactive Media. The company's software publishing unit Viacom New Media develops, produces, publishes, markets and distributes interactive software across all platforms in the multimedia marketplace.

● Encyclopedia publisher Larousse has started developing multimedia versions of its titles including monolingual and bilingual dictionaries, educational books, spellcheckers and wordgames. Forthcoming CD-Rom titles include a French dictionary and educational offerings Le Corps Human and Encyclopédie des Sciences.

Arôme Whets The Appetite



FOR its Milia debut, Israeli company Arôme Interactive, will be showcasing its range of multimedia gourmet CD-

Roms. Arôme is concentrating on three products at this event: Sushi, The Four Seasons of Gourmet French Cusines and The Art of Making Great Pastries.

Since launching in 1993, Arôme has put in the groundwork to develop ideas and gain an understanding of the

interactive market. The first Arôme products only hit the shops in mid-September but the company has already secured distribution in the UK, U.S., France and Germany.

There are further products on the slate which will be unveiled at a later date, said marketing co-ordinator Joshua Dickman. "Within a year we hope to have up to six new products... and we are in the process of trying to establish co-operation with other firms in the culinary world."

Turner Pictures Roll On To CD

TURNER Interactive heads for Milia "not only to secure distribution of product," according to vice-president Bonnie Lewis, "but also to license content. We are looking at overseas developers with a mind to seeing who we can work with."

Lewis, who is responsible for the worldwide licensing of all copyrighted Turner properties used in interactive media, reports to Michael Reagan, executive vice president and publisher of Turner Publishing Inc.

While the Turner Interactive brand is keen to work with affiliate companies and to incorporate them into Turner Interactive where possible,

Lewis is keen to stress that the company will not open its doors or its development plans to anyone: "We are only working with the best companies; our mandate is quality," she said.

Two new CD-Roms based on recent Turner feature films, *Gettysburg* and *The Pagemaster*, will be on show at Milia. *Gettysburg*, which hits the shops in the U.S. on March 16 to coincide with the home video release of the film, was developed in collaboration with Swfte International Ltd, which makes a computer game based on the civil war battle. The CD-Rom based game combines the elements of Swfte's game

with video and sound from the film, Turner Pictures' first theatrical release.

The CD-Rom adventure animated game, *The Pagemaster*, is based on the Turner/20th Century Fox animated and live action feature film. In keeping with the animated sequencies seen in the film, the multimedia version displays 3D animation in an innovative combination of storytelling and game play.

The European distribution partner for the game has yet to be announced although the job is done by Turner Home Entertainment in the U.S.

Six new multimedia products are in development for 1995, said Lewis.

UK Move Up To GT Publishing

GT Interactive Software, part of New York producer/distributor Good Times, is setting up an office in the UK during the first quarter of 1995 to publish its own products and seek strategic partners throughout Europe.

In the U.S., GTIS is a leading distributor of computer software to large retailers as well as being the exclusive

software vendor to all Wal-Mart stores. Additionally, GTIS sells to computer stores, music stores, video stores, toy stores, electronic stores, and warehouse clubs.

In the future, GTIS sees itself evolving into publishing significant product on a worldwide basis focusing on entertainment and education and, said Ron Chaimowitz,

president of GTIS, will be announcing a number of major agreements at Milia.

GTIS is working with development companies in both Europe and the U.S. The next step, says Chaimowitz, "is to buy more electronic rights and work with major publishers to develop interactive products from books, film and the entertainment field."

MAI Channels Program Skills

MAI New Media is a new division of the UK-based Mai group, a financial services to media organisation whose interests include ITV franchises Meridian and Anglia. Ajay Chowdhury, managing director of the division, said it was set up "to explore opportunities for the MAI group in the field of emerging technologies and to help the group

better exploit its program and software skills in various new multimedia areas."

The two components of the new division, Anglia Multimedia and Televirtual, will each take a Milia stand.

Anglia Multimedia produces CD-Roms and is among the leaders in the provision of educational software and CD-Roms to schools in the UK.

The CD-Rom disks have broadcast quality MPEG video, audio and animation and run on IBM, Macintosh and Acorn Archimedes.

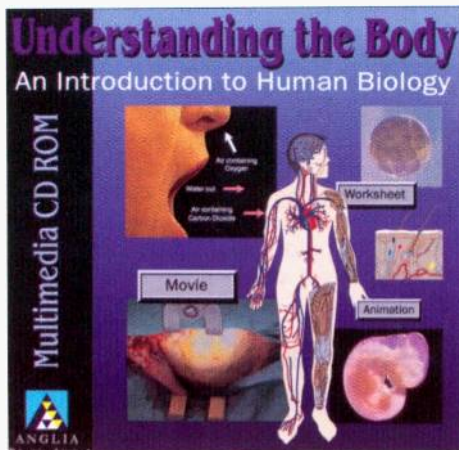
Currently there are 13 CD-Roms available including *The Human Body*, in conjunction with Encyclopedia Britannica, and *Castles*, in association with English

Heritage. The plan is to produce 15-18 CD-Roms a year with around half being focused on educational topics and half on edutainment topics. Forthcoming disks include a series of disks on 20th century history, co-produced with an undisclosed partner in the U.S.

Televirtual has the exclusive license to sell the Vactor (Virtual Actor) technology developed by U.S. company Simgraphics in the UK.

Vactor generates characters or objects whose movements are controlled by actors in 'real time' wearing specially designed devices for their face, hands and body, allowing them to control the movements of computer generated characters and objects.

Televirtual has successfully sold it to the BBC and ITV respectively in the form of the children's virtual presenters, Ratz and Codsby.



Vektor In On Earthfile

WORLDWIDE Television News (WTN) and UK-based multimedia production and distribution company Vektor are collaborating on the production and distribution of four CD-Roms.

The titles, to be called *Earth's Natural Resources*, *Renewable Earth*, *Life On Earth* and *The Elements*, are being developed around the news agency's edutainment series *Earthfile*.

According to Ian Robertson, Vektor's managing director, each title will be about 70 minutes long and will incorporate 30 minutes of full motion video. Distribution rights will be handled by WTN in the UK and IBM for the rest of the world (IBM holds 10% of Vektor). With extensive multimedia production facilities for both CD-Roms and CD-Is, Vektor has collaborated on several joint

ventures with programmers including one with the BBC and Philips for a CD-I version of children's tv character Muzzy. The company is currently in discussions with ITV franchisee Granada and will be looking for other software opportunities at Milia.

For WTN, *Earthfile* marks its first foray into multimedia production, but it is a business opportunity WTN is anxious to explore further.

The Facts Of Life From Giunti

THE Italian company Giunti Multimedia hopes to showcase all its productions for CD-Rom, CD-I, CD-32 and CD-TV at this year's show. Giunti is one of the main players in the multimedia market and has worked on

projects with Philips PIME (UK), Philips Italy, Grolier Hachette, Intermediactif EMME, Sprint and International Publishing Ltd. Giunti has benefited from a number of development grants from various EC media programs. Edu-

sex – a sex education CD-Rom which is available in five languages – is a project carried out under a cost-sharing contract with the European Union within the framework of the Impact 2 multimedia program.

- There are 90 schools or universities in Europe offering training in multimedia. The Media Investment Club has, with Reed Midem, compiled a list of all of them with addresses, telephone numbers, entrance requirements, dates and prices. A brochure in French and English published by the French ministry of culture will be handed out to visitors to Milia.

- The Institut National de l'Audio-visuel (INA), France's national television and radio archive, will be presenting a range of new titles at Milia in CD-Rom, PC and Mac formats. They include *The Body*, the first title in the Imagina collection specialising in computer graphics and virtual reality and *Once upon a time in the fifties*, the first offering in the Mémoire du siècle collection.

- Content Company Inc is a U.S. multimedia development company which will be presenting its award-winning Titanic CD-I and accompanying CD-Rom *Exploring the Titanic*. Titles in development include a series of interactive historical titles aimed at high school students on subjects including the last Russian Tsar and European art thefts.

- Pozzoli CD, an Italian company specialising in catalogs, has developed a guide to its own activities for CD-I and hybrid Mac platforms. It is developing a photo CD version for publication in the spring. Pozzoli specialises in premastering, mastering and duplication, graphics and packaging.

- Dumont Buchverlag is presenting its German-language guide to Venice, Venedig, a CD-Rom published in December. Venedig includes video sequences, photographs, music, original sounds and maps. A guide to Paris is in production for 1995. Dumont also has video footage from both titles on offer as well as films on European art, the evolution of the planet and industrial design.

- Film company CPV Interactive, a specialist in adult entertainment, is looking for international distribution for its range of CD-Rom, CD-I and CD Video titles. Titles in production for 1995 include two interactive games *The Erogenous Zone* and *Interactive Sex Therapy*.

Screen Wars

Will personal computers or television sets be the multimedia platform of the future? At least one thing is certain, according to two new reports: specialized platforms won't be.

Jean-Luc Renaud reports

Discussion on multimedia revolves around two hot issues. On the one hand, the respective growth prospects of the CD-Rom and CD-I markets. Essentially, that debate boils down to whether the bulk of multimedia activities will focus on the desktop computer or the living-room tv set. On the other hand, there is a debate regarding the extent to which the CD-based packaged multimedia market (CD-Rom, CD-I, 3DO) will be eroded by networked multimedia (advanced pay-per-view and video on demand).

Pundits belonging to the so-called "convergence" school posit that computers and tv sets are somehow melting into each other. Indeed, many of them are actually writing off television receivers as we know them today. As always, the matter is more complex.

Two studies shed interesting light on this question. SRI International, which just completed a 900-page syndicated research report, concludes that "despite similar predictions of hardware convergence, neither the television nor the computer will soon replace the other. Although the internal components of each platform may migrate toward the other, consumers will continue to use television sets and computers for different purposes."

Computers will be the privileged support for packaged multimedia whereas the tv set – perhaps more "intelligent" than today's models – will be the primary terminal for networked multimedia such as APPV and ultimately VOD. Networked multimedia will dilute demand for CD-based packaged media.

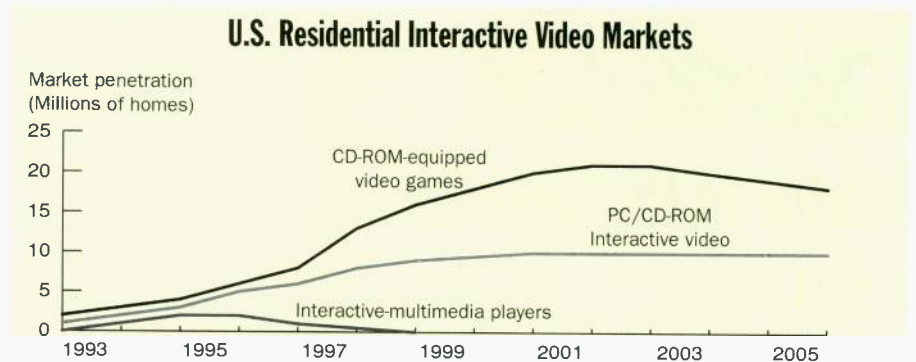
IT market research company Inteco, which conducted a large-scale interview program, suggests, like SRI, that the computer will be the undisputed center of virtually all multimedia activities. But unlike SRI, Inteco believes that networked multimedia will make only limited inroads.

"Applications such as video-on-

demand, on-line information services and home shopping interest consumers and could bring in additional revenues, but by themselves are unlikely to prompt people into subscribing in the first place," argues Inteco. "The clear message of the research is that those services that people will be most ready to pay hard cash for are likely to be those centred on the PC."

"The delivery of entertainment and information via packaged media that

comparison with computer monitors) limit their capabilities compared to those of low-priced multimedia PCs. Finally, according to SRI, in trying to compete with videocassette recorders and laser-disc players as video playback platforms, they struggle in both quality and cost. IMP vendors might respond to these points by saying that they add value by supporting all these functions in one box. SRI would respond that they do so at the cost of doing none of the tasks



Source: SRI International

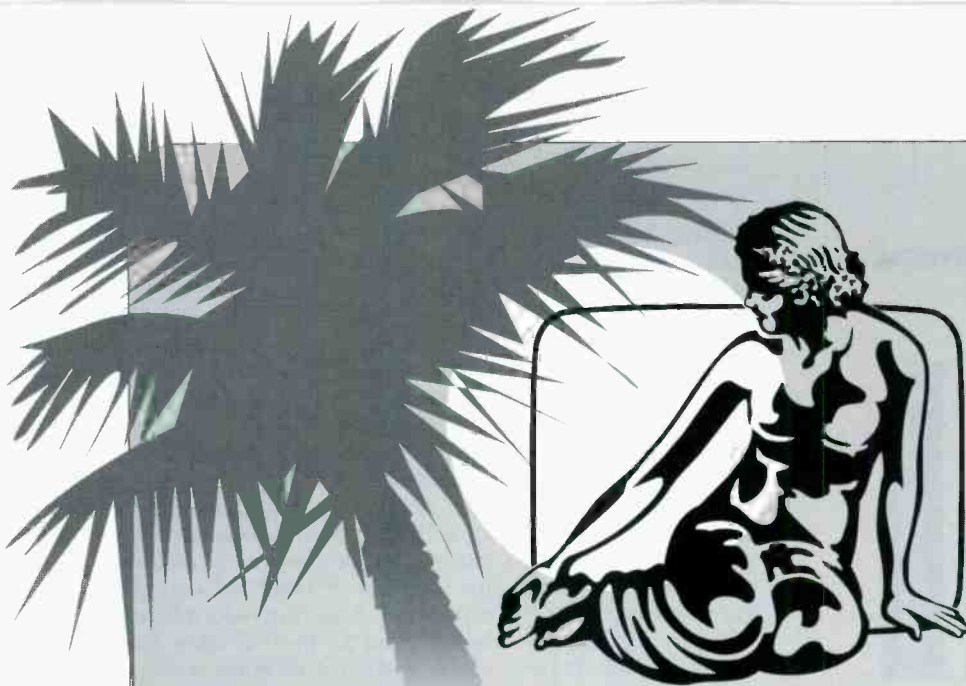
incorporate digital video content promises to be one of the most successful markets for new digital technology," contends SRI, but adds that "attempts to establish a robust market for multipurpose interactive multimedia players (IMPs) will meet with limited success at best."

Current IMP products represent, in SRI's view, transitory technologies that will not drive large markets. At the low end of the market as potential substitutes for video game machines, they provide neither the fast-action response of Nintendo's and Sega's cartridge-based platforms, nor a competitive price.

As potential high-end information/education/entertainment machines, their lack of keyboard input and their use of television receivers (which display text and intricate graphics poorly in com-

particularly well in comparison with other options that often already exist in consumer's homes. SRI does not see that a single platform type will be able to serve all customer needs effectively.

Recently, many IMP vendors have lowered their prices and repositioned their products more as video game machines. Their hope is that once such machines are in the home as video game platforms, non-game-playing members of the family will begin to use them to view informational and entertainment titles. SRI says, however, that the potential success of such marketing strategy remains questionable. Text-centric information titles are not well-suited to television-based platforms, which are optimized for bright, fast-moving images. Furthermore, SRI says, game machines are frequently located away from where the family



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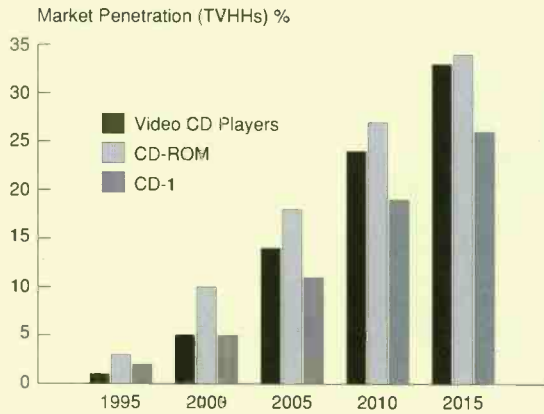
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CD-Based Multimedia Systems Forecast



Source: International Institute of Communication
Based on sample of 40 experts in 12 countries

would normally watch movies, decreasing the likelihood of crossover usage. SRI notes that new entertainment video formats for IMPs have so far failed to offer sufficient advantages over established analog devices to attract large numbers of consumers.

SRI sees the current VideoCD standard as a transitory step toward a new, better-

technical standpoint next-generation disc and player introductions are possible in 1995. SRI contends that industry politics are likely to slow market entrance.

The concurrent emergence of digital VCRs and VOD services will inevitably dilute demand for CD-like video technologies. Significant markets for next-generation optical-disc-based video hard-

ware and software are therefore unlikely before 1997. Thus, argues SRI, although VideoCD will attain a modest amount of success during the next three years, it will not reach the critical mass in consumer markets necessary to elevate it to the level of CD audio or VHS video. If the Inteco research is good news for the PC industry – and given that Inteco’s clients are mostly computer companies, one cannot help thinking that Inteco tells them what they want to hear – it paints a different picture of the prospects for suppliers of other technologies. The market for Sega/Nintendo drives will at best flatten as the PC takes over and moves toward a situation where, in the year 2000, nearly 50% of all households are expected to own at least one. Inteco analysts put a large question-mark against the prospect for CD consoles and CD-I and 3DO technologies. On the other hand, “the prospects facing CD-Rom are even brighter, if anything, than an optimistic industry predicts,” writes Inteco. It contends that the scope for telcos to offset the erosion of revenue from the new competitors with VOD is very limited in the foreseeable future.

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In the near term, SRI predicts that the CD-Rom-based video games will be the largest single consumer market for digital video products. By end 1997, the U.S. installed base of CD-Rom-equipped video game players will grow to more than 12 million units, and annual sales of video game software titles will exceed 45 million units. But here SRI parts company with Inteco. In the 1999-10-2002 time frame, this growth will begin to flatten, says SRI, as the novelty of CD-Rom video games wanes and the new wave of networked video games becomes popular.

The video information market – served primarily by CD-Rom-equipped home PCs – will also provide good market opportunities. By the end of 1997, a 25% average annual growth rate in sales of home CD-Rom drives will increase the residential installed base in the United States to more than 7.5 million units. By 2000, however, SRI believes that networked information VOD services will supply computer users with titles that previously were available only on CD-Rom discs. This competition will flatten sales growth for CD-Rom hardware and software. Overall, SRI believes that networked services and dedicated digital video platforms will come to dominate specific applications, whereas IMPs will be unable to achieve the critical mass necessary for a sustainable market position. On that point at least, SRI and Inteco are in agreement. [E]

Forecast of CD-Rom penetration worldwide

PC-based CD-Rom penetration

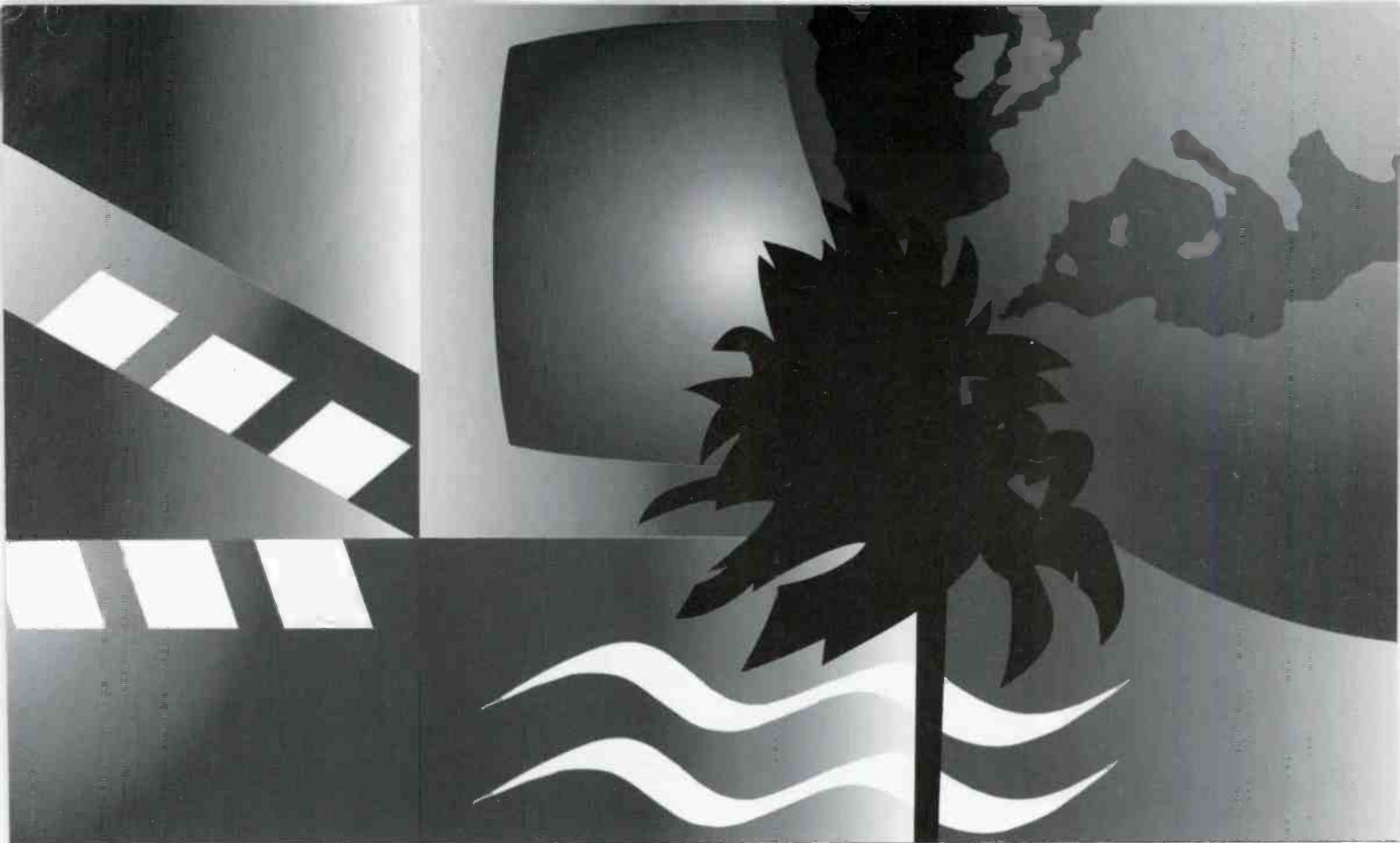
Year	1993	1994	1995	1996
Installed base of desktop PCs (m)	103.2	121.6	137.6	156.2
Installed base of CD Rom drives (m)	8.8	23.6	40.5	57.1
Desktop PCs with CD Rom drives	8.5	19.4	29.4	36.6

Source: Dataquest

Global shipments of CD-Rom drives (000s)

Year	1993	1994	1995	1996	1997
CD Rom drives	11,074.8	19,892.6	29,323.0	38,366.0	48,798.0
Read/write drives < 1 GByte	457.1	588.0	772.7	1,044.6	1,562.2
Read/write drives > 1 GByte	7.1	7.9	14.0	32.4	65.6
All drives	11,539.0	20,488.5	30,109.7	39,443.0	50,425.8

Source: 1994 Disk/Trend Report



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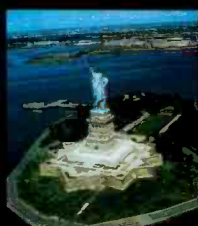
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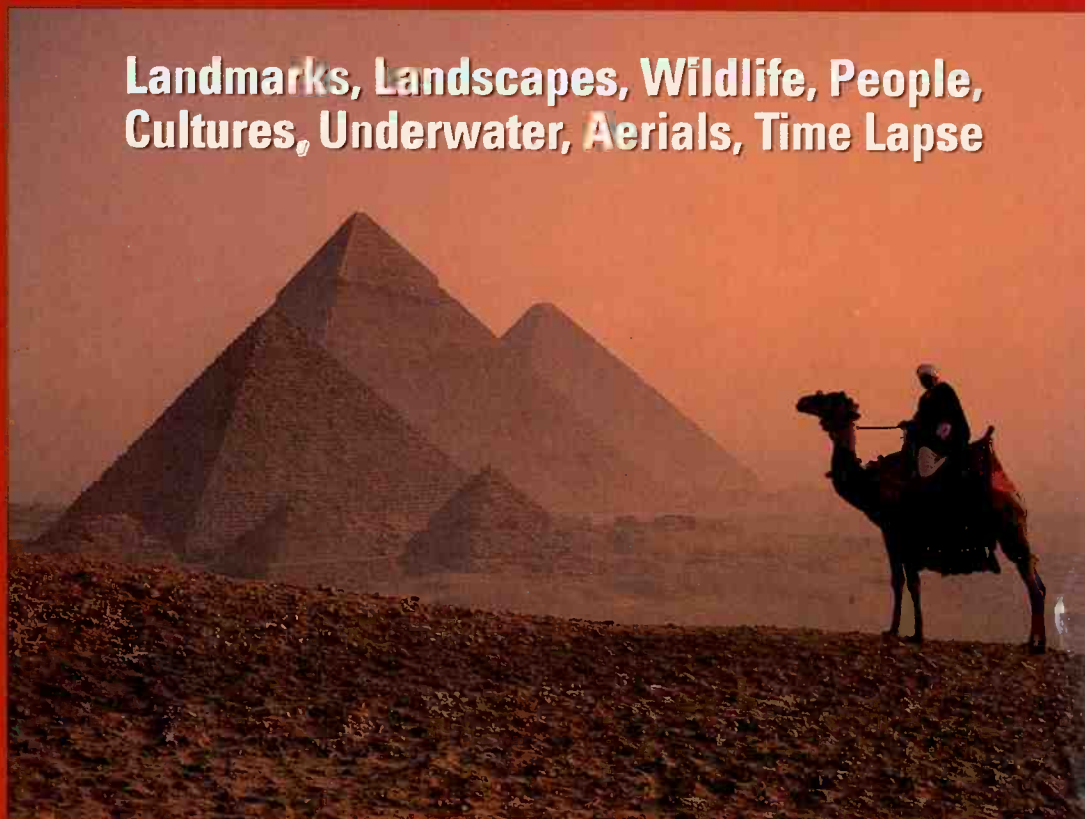
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