



WELCOME!

Spring is here and even with the state of the economy in such turmoil, things are moving forward in Home Theatre Land. The question I pose to you is, "Does history repeat itself?" This month's archived article is an interview from Issue 26, December 1997, with Martin Greenwald, President and CEO—at the time—of Image Entertainment. (According to the company's Web site, 25 years after founding Image, Martin decided that it was time to "hang up my cleats," and David Borshell took over as President on April 1, 2008.) While some of Martin's prognostications did come true ("...in the year 2003 I will be looking at High Definition Television..."), many did not ("I think DVD is a niche business that has the potential to be a little bit larger than LaserDisc.") The topics broached have many parallels with today's times, as Blu-ray Disc™ attempts to overtake DVD (and try replacing "Divx" in the article with "digital downloads" for another interesting parallel). What do you think? Are we seeing the birth of a new format emerge in a similar light or is this new ground? Send an e-mail to danny@widescreenreview with your vision of the future. We're all interested to hear what you have to say.



Gary Reber
Editor-In-Chief, *Widescreen Review*

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Issue 131, May 2008 of *Widescreen Review*:

- "2008 International CES Part II: Video" By Mike Marks
- "2008 International CES Video Technology Trends" By Alen Koebel
- "Epson PowerLite™ Pro Cinema 1080UB 3LCD Video Projector" By Bill Cushman
- "Sony STR-DA5300ES A/V Receiver" By John Kotches
- "Panamax M5400-PM Power Conditioner" By Doug Blackburn
- "One HD Optical Disc Format...Be Careful For What You Wish" By Joe Kane
- "Where Has All The Knowledge Gone?" By Noel Lee
- "THX® Video Calibration Training & Certification" By Doug Blackburn
- "Walter Lassally's Classic Film: A Taste Of Honey" By Bob Fisher
- Plus the new department "Connecting Dots..." By Amir Majidimehr, "Your Letters," "One Installer's Opinion" and over 40 Blu-ray Disc, HD DVD, and DVD picture and sound quality reviews and more...

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Recent News

Here are some of the recent headlines that have made it to the News section of WidescreenReview.com, which is now updated daily, as our Web staff finds worthy home theatre-related stories and press releases. Visit WidescreenReview.com throughout the day to find out what's going on in the world of Home Theatre.

Blockbuster Bids On Circuit City (Video Business)

"Blockbuster said early today that it made an offer for at least \$6 a share for Circuit City in February and that the No. 2 electronics retailer hadn't fulfilled a request for due diligence necessary to make the bid "definitive.'..."

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DTS-HD Master Audio™ Now Available For PlayStation®3 Computer Entertainment System

DTS, Inc., a digital audio technology company dedicated to delivering the ultimate entertainment experience, has announced that its DTS-HD Master Audio™ technology is now available for the PlayStation®3 (PS3™) computer entertainment system. DTS-HD Master Audio is capable of delivering audio that is bit-for-bit identical to the studio master at super high variable bit rates (up to 24.5 Mbps on Blu-ray™ Discs)..."

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HDTV To Reach 44 Million Homes By End Of 2008 —Report (CNN Money)

"High-definition television will be seen in 44 million homes around the world by the end of 2008, a research firm says, with HD homes rising to nearly 180 million by 2012.

According to a new forecast from London-based Informa Telecoms & Media, about 4 percent of worldwide households will actively watch HD programming by the end of this year, up from 2 percent at the end of 2007..."

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CEA Standards Committee Makes Smart Antennas Smarter

"The Consumer Electronics Association's (CEA)® Antennas Committee announced revisions to CEA-774-A, TV Receiving Antenna Performance Presentation and Measurement. This standard defines methods for testing antennas used to receive free over-the-air TV signals. This update adds testing of "smart antenna," for antennas that, when used with compatible TV receivers, automatically steer themselves for optimum reception..."

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Disney says Pixar films will be released in 3-D (Today's Zaman)

"The Walt Disney Co. said its Pixar animation studio is committing to 3-D and will release all of its movies in the format beginning with "Up" next year.

Chief Creative Officer John Lasseter made the announcement in New York at a presentation of Disney's upcoming lineup of animated movies through 2012..."

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Philips Takes Decisive Steps To Improve Profitability Of Its Television Business

"Royal Philips Electronics and Funai Electric Co Ltd of Japan today announced their intention to enter into a brand licensing agreement under which Funai will assume responsibility for the sourcing, distribution, marketing, and sales of all Philips' consumer television activities in the United States and Canada. The five-year minimum agreement takes effect September 1, 2008 and stipulates Philips will receive royalty payments in exchange for Funai's right to exclusively use the Philips and Magnavox brand names for its consumer television offerings in North America during this period..."

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Coming Soon... To A Retailer Near You

Tricia Spears



Klipsch Palladium P-39F

The new flagship **Palladium™ P-39F** floorstanding loudspeakers from **Klipsch®** are a 3.5-way, Tapered Array design and feature a new, proprietary horn-loaded tweeter assembly, an inverted dome midrange, and three high-output woofers. Housed in their own acoustically tuned, sealed enclosures, the P-39F's midrange employs a 4.5-inch inverted aluminum diaphragm driver powered by three high-temperature neodymium magnets, allowing them to operate from 500 Hz to 3 kHz. The P-39F's three low-frequency drivers employ 9-inch hybrid cone woofers. Every P-39F comes as a "matching" left and right loudspeaker pair, and they are available now for \$15,000 a pair.

Klipsch®

800 KLIPSCH

www.klipsch.com

Samsung Electronics®

Series 4 plasma HDTVs are the first 3-D-ready, flat panel HDTVs on the market. Using an advanced software algorithm to eliminate dither noise and false contour lines to reproduce clear images, the Series 4 is available in 42-inch (**PN42A450P**)

and 50-inch sizes (**PN50A450P**). The **Series 5** full 1080p HDTVs come equipped with three HDMI 1.3 inputs and a USB 2.0 port, making it a true plug-and-play set. The Series 5 is available in 50-inch (**PN50A550P**) and 58-inch (**PN58A550P**) sizes. Both the Series 4 and the Series 5 televisions come in a lustrous, piano-black exterior and feature the FilterBright™ anti-glare technology.

Samsung Electronics

www.samsung.com



Samsung Series 4 Plasma

The new **Monster™ ScreenClean™** anti-microbial cleaning cloths are enhanced with AEGIS Micro Shield Technology to polish screens and control potentially harmful bacteria. Capable of cleaning any display screen surface of dust, fingerprints, and dirt, screens are left thoroughly clean and streak-free. The three new ScreenClean products come in travel-sized bottles. And to keep things not only clean, but also green, the new portable products are packaged in fully recyclable packaging and are available for \$9.95 each.

Monster™

415 840 2000

www.monstercable.com

The \$10,999.99 65-inch **LC-65SE94U**, \$4,199.99 52-inch **LC-52SE94U**, and \$3,199.99 46-inch **LC-46SE94U** are part of **Sharp's** new "Special Edition" Full 1080p AQUOS SE94 LCD television line. Offering Sharp's advanced version of true 16:9 1080p resolution Advanced Super View Panel, the SE94 series features AQUOS Net capability—a service that gives customers instant access to customized Web-based content and real-time customer support. The "Cornerstone" slim-line design combines a new textured finish with corner accents and detachable bottom loudspeakers. With a dynamic contrast ratio of 27,000:1, 120 Hz frame-rate conversion, and an "industry-leading" 4 ms response time, the SE94 series includes a number of 1080p-compatible inputs, including three HDMI and two component video inputs.

Sharp Electronics

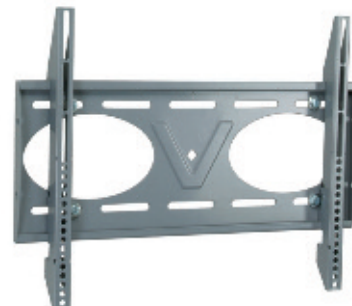
www.sharppusa.com



Sharp LC65SE94U

Premier Mounts has introduced its Victory Mounts family of flat panel television mounting solutions in a price range from \$30 to \$150.

Included in the line is the **Universal Flat Mount**, which consists of two models and is ideal for mounting displays for eye-level viewing less than 1-inch from the wall. The **XUF-2637** holds televisions from 26 inches to 42 inches, and the **XUF-3760** holds 37-inch to 63-inch TVs. The two



Premier Mounts XUF-2637

Universal Tilt Mount models—XUT-2637 for 26-inch to 42-inch TVs, and **XUT-3760** for 37-inch to 63-inch TVs—are designed for mounting displays above eye-level, three inches from the wall. The mount has a maximum tilt range of 15 degrees up or down. The **LCD Swingout Arm** is designed for up to 30-inch displays. Allowing consumers to pull displays up to 10 inches away from the wall and retract to less than four inches in depth, the mount has a maximum tilt range of 20 degrees and can be swung left or right 180 degrees. The **LCD Tilt Mount** has a maximum tilt range of 20 degrees up or down and holds 13-inch to 30-inch LCD panels. Holding displays less than four inches from the wall, the mount is a great solution for many difficult display placements. And the **LCD Flat Wall Mount** is designed to fit LCD displays up to 30 inches. The space-saving design holds the display two inches from the wall and comes in an easy snap-in design with a built-in cable-management system. All of the mounts in the Victory line are easy to use and install with no special skills or tools required.

Premier Mounts

800 368 9700

www.premiermounts.com

Runco has added the **VX-22i** to its Video Xtreme™ line of 1080p DLP™ projectors. The video controller/processor has been combined into the projector, and Runco's acclaimed DHD controller with HDMI connectivity has been integrated into the projector chassis. With a native resolution of 1920 x 1080 and the utilization of three 16:9 SuperOnyx™ DMDs™ and Runco's award-winning Vivix II™ video processing, the VX-22i utilizes the same footprint and versatile feature set as the best-selling VX-22d. The 1080p three-chip VX-22i DLP projector has been engineered with Imaging Science Foundation calibration and can be bought for \$39,995. The projector is also available with Runco's award-winning CineWide™ and CineWide with AutoScope™ technology and the company's most advanced McKinley anamorphic optics for \$54,995. This option reproduces 2.35:1 CinemaScope™ movies with unparalleled accuracy and full vertical screen image height, eliminating black bars.



Runco VX-22i

Runco 800 237 8626 www.runco.com

Paradigm® Electronics is pleased to introduce their DSP Series Subwoofers. The proprietary Digital Signal Processing design employs sophisticated mathematical algorithms to "shape" frequency response. The forward-firing driver with a CAP™ (Carbon/Aramid-Fiber Polypropylene) cone combines high stiffness and low mass with excellent internal damping properties. Computer optimized ceramic/ferrite magnet structures reduce inductive distortion, and the advanced suspension design promotes extended cone excursion. Computer-optimized heatsinks and the proprietary AVS™ (Airflow Ventilation System) aid in increased power handling and further reduces distortion. The high-velocity, low-noise dual-port design incorporates critically flared openings to reduce turbulence distortion, and the front-ported design accommodates installation flexibility. The 10-inch **DSP-3100** has 600 watts dynamic peak and 200 watts RMS power handling, the 12-inch **DSP-3200** has 900 watts dynamic peak and 300 watts RMS, and the 14-inch **DSP-3400** offers 900 watts dynamic peak and 300 watts RMS. All models are available in Cherry, Rosent, and Black Ash.



Paradigm DSP-3100

Paradigm® Electronics 905 696 2842 www.paradigm.com



MartinLogan Spire

The new **Spire™** hybrid electrostatic floorstanding loudspeakers from **MartinLogan®** will be available in May 2008 for \$8,500 a pair. Each Spire includes a PoweredForce 10-inch aluminum cone woofer and 200-watt high-resolution amplifier for usable bass extension down to 29 Hz. A simple turn of a 35 Hz equalization knob allows precision low-end calibration to optimize loudspeaker/room integration. Housed in a radical, ultra-rigid, extruded aluminum and composite AirFrame™, Spire's CLS™ (Curvilinear Line Source) XStat™ transducer builds upon the legacy of MartinLogan's electrostatic heritage with advanced Vacuum Bonding and MicroPerf stat panels, providing high levels of efficiency and precision. Featuring an advanced proprietary Vojtko™ crossover topology derived from the company's

flagship Summit™ loudspeaker, MartinLogan electronic specialists hand build each Spire crossover. The Spire loudspeakers are available in Black Ash, Dark Cherry, Natural Cherry, Maple, Birds Eye Maple, Wenge, and Rotary Cut Bubinga, as well as additional finishes through the MartinLogan Custom Shop (<http://configurator.martinlogan.com>).

Martin Logan® 785 749 0133 www.martinlogan.com



Yamaha YHT-790

Yamaha has introduced its latest line of Home-Theater-in-a-Box (HTIB) systems, providing consumers with the ability to play back content from Sirius and XM Satellite Radio, as well as iPods®, Bluetooth enabled phones, computers, and PDAs with optional Yamaha direct-connect accessories. All of the HTIBs feature SCENE modes to instantly access any entertainment source and surround sound experience at the touch of a button via a set of four customizable SCENE buttons on the front panel of the receivers. It also includes a Compressed Music Enhancer that improves the sound quality of compressed music from any audio source. All systems feature an HDMI interface with two inputs and one output and Yamaha's advanced CINEMA DSP, which provides a choice of eight realistic-sounding surround programs. The top-of-the-line **YHT-790** (\$850) with a high-gloss piano finish complements flat panel LCD or plasma monitors with its five "flat-design" loudspeakers and a slim subwoofer. The **YHT-690** (\$650) features a DVD player that enables HDMI 1080i/720p upscaling and high-definition JPEG picture playback at their native resolution via HDMI 1080i or 720p video signals. These two models feature the company's proprietary Yamaha Parametric Room Acoustic Optimizer (YPAO) technology and Optimizer Microphone that simplifies the home theatre set up process by automatically assessing and adjusting to room acoustics via a parametric equalizer. The **YHT-590** also features the same "flat-design" loudspeakers and slim subwoofer as the YHT-790 and is available for \$550, and Yamaha's **YHT-390** sells for \$400.

Yamaha Electronics 714 522 9105 www.yamaha.com/hometheater

The Studio Scoop

Rumors, Reports, & Ramblings

Stacey Pendry

April's DVD Giveaway: *The 11th Hour*

Be sure to enter our contest for Leonardo DiCaprio's documentary on global warming—the deadline for submissions is April 25. Just click the cover to enter.

Congratulations to all of our *I Am Legend* March DVD contest winners.

Disney/Miramax

Two years after the \$7.4 billion merger between Disney and Pixar, a detailed peek into the animated releases scheduled over the next four years was announced by John Lasseter, Chief Creative Officer for the studios, in a conference in New York this week.

The lineup includes a Pixar release every summer for the next four years, and a Disney release during the holiday season every year, sans 2011, when Pixar will release two titles, and Disney will take a hiatus.

All the announced titles will be released in digital 3-D except for Disney's 2009 offering, titled *The Princess And The Frog*.

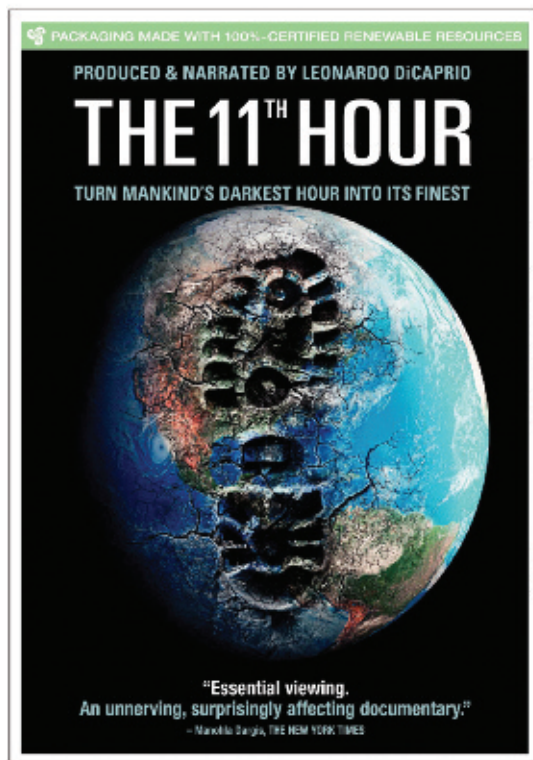
Also announced by Larry The Cable Guy, was the 3-D sequel to Pixar's *Cars*, which is set to be released the summer of 2012.

Disney has picked up the rights to writer Jared Stern's script entitled *Self-Guided* for mid- to high-six figures. Stern previously worked as a scribe on Disney animation studio's *Toy Story 3*.

The story centers on a man who is transported back to his high school as a guidance counselor to give advice to his younger self.

Bruce Willis is set to star in Disney's upcoming sci-fi thriller, *The Surrogates*, based on the graphic novel by Robert Venditti and Brett Weldele. Radha Mitchell and Rosamund Pike have signed on to star opposite Willis.

The story is set in the near future, where humans live in isolation and interact vicariously through surrogate robots, who are better looking versions of themselves.



Universal

Sacha Baron Cohen is up to his old tricks again. The *Borat* star has signed a deal with Universal for his next project, in which he will play the lead character, *Bruno*—a gay Austrian journalist.

The studio, which paid a reported \$42 million for the rights, is eyeing an October release. It may be no coincidence that a suspicious news report about a film crew running amok in the Wichita, Kansas airport surfaced just after the deal was brokered.

The local newspapers and the *Associated Press* seemed fooled by the escapade, soberly reporting a camera crew, which had permission to film in the terminal based upon a European man visiting, began dancing about in tight shorts, kissing, and fighting in the lobby.

Sounds familiar. On the run up to *Borat*, newspapers reported a Kazakh journalist mangling the national anthem so badly he was booed out of a Virginia Rodeo, which of course, turned out to be one of the funnier scenes in *Borat*.

So far, courts have dismissed the many lawsuits brought against Baron Cohen by naïve Americans who were featured in the pranks in *Borat*. Universal is banking that the same will hold true for *Bruno*.

George Clooney and The Writer's Guild of America have parted ways, sort of. Clooney has gone "Financial Core" over a credits dispute for the Universal release, *Leatherheads*. Going Fi-core means he is still technically a member of the WGA but has very limited rights within the guild. Fi-core members still pay dues and are covered by health and pension plans but are not able to cast their votes on WGA matters.

Jonathan Mostow is directing, with the screenplay being written by Michael Ferris and John Brancato. Filming is due to start this April on location in Boston.

Miramax has acquired the rights to the redo of the Giuseppe Tornatore film *Stanno tutti bene*, which will be entitled *Everybody's Fine*.

Kirk Jones, who wrote the original, is set to direct the remake. Hollywood heavy-hitters Robert De Niro, Drew Barrymore, and Kate Beckinsale have signed on to star in the flick.

De Niro will play a widower who realizes that his deceased wife was the only connection he had to their children. In an attempt to re-connect with his now grown children, he takes each on a road trip, discovering there is a lot to be learned about their less-than-perfect lives.

Filming is set to begin later this month in Connecticut.



Once one elects to go Fi-cor, the decision is final and irreversible.

WGA decided in a 2-1 credit arbitration that only Writers Duncan Brantley and Rick Reilly deserved screen credit for *Leatherheads*, excluding Clooney.

Brantley and Reilly originally penned the script nearly 17 years ago, where it languished in the studio's vaults. Clooney got a green light for the decades-old project after he personally gave the script a major overhaul, turning it from a drama into a screwball comedy. Clooney contends that he wrote all but two of the film's scenes.

"When your own union doesn't back what you've done, the only honorable thing to do is not to participate." Clooney stressed he made no attempt to exclude Brantley and Reilly from first-position writing credits.

George says he would have quit the guild altogether, but that would have prevented him from participating on any and all WGA-covered productions.

Working Title partners Tim Bevan and Eric Fellner have once again extended their relationship with *Shaun Of The Dead* and

Hot Fuzz Director Edgar Wright, signing him to make two more films that are to be distributed by Universal.

The first project slated is *Baby Driver*, an unconventional spin on the action/crime genre, set in the U.S. in which Wright will both direct and pen the script.

The second film is entitled *The World's End*, which will reunite Wright with his co-writing partner and *Shaun Of The Dead* and *Hot Fuzz* star, Simon Pegg. Pegg is also set to star in the film. The duo said this project would complete a trilogy of homages to their favorite film genres.

Pegg is currently starring in David Schwimmer's directorial debut, *Run Fatboy Run* and in the upcoming Paramount film *Star Trek*, as the ship's doctor, Scotty.

20th Century Fox

Mel Gibson's attorneys have asked the courts to seal the financial records for *The Passion Of The Christ*, in a bid to keep the film's box office receipts from the public's prying eyes in the wake of a lawsuit filed by Benedict Fitzgerald, who shared screenwriting

credits with Gibson on the film.

Fitzgerald claimed in his lawsuit that Gibson misled him into accepting a pittance for writing the script by representing the film's budget to fall between \$4 million to \$7 million. Fitzgerald maintains that he agreed to "a salary substantially less than what he would have taken had he known the true budget of the film." The lawsuit claims fraud, breach of contract, and unjust enrichment, and Fitzgerald is seeking undisclosed damages.

Gibson's legal team is trying to dismiss some of Fitzgerald's claims, including fraud, which would allow Fitzgerald to seek punitive damages if the claim is proven.

Candice Bergen has signed to star alongside Kate Hudson and Anne Hathaway in the upcoming Fox romantic comedy *Bride Wars*.

The plot revolves around two best friends, Hathaway and Hudson, who become pitted against one another when their wedding dates clash. Both friends are left to compete for wedding guests and venues. Candice will play the role of Marion St. Claire, queen of the wedding planners.

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Hudson is set to produce, along with Karen McCullah and Alan Riche. Shooting begins this month in Boston.

Alvin And The Chipmunks leapt off retailer's shelves when the computer animated/live action flick became available on DVD and Blu-ray™ on April 1st.

Fox sold 2.6 million copies in a single day, distinguishing the title as the fastest-selling DVD of the year. The "Munks out-paced box office gold such as *I Am Legend* and *Enchanted*—not bad for a gang of 50-year-old rodents.

Fox has thrown all but the kitchen sink in to promote the release by supporting it with a "Get Munk'd" mall tour. The stage show is averaging around 2,500 fans for each concert.

Fox has purchased the rights for Alan McElroy's action thriller, *Man And Wife* for a reported mid-six figures.

The international espionage flick centers on a professional hit man, who is forced to pretend he is an ordinary husband, and the wife who learns to love him.

McElroy's credits include thrillers, *Resident Evil* and *Spawn*.

Paramount

Beginning on May 1st, Steven Spielberg has the opportunity to bargain with other studios about taking his services away from

Although Paramount execs contend they will retain legal rights to dozens of DreamWorks development titles, even if Steven does make a move away from the studio, others suggest that Spielberg could make it difficult to see the unfinished projects brought to fruition.

Paramount believes they still have a shot at retaining the iconic director, as they feel they have more than addressed the issues of money and respect that had reportedly left Spielberg unhappy with the studio.

It is emphasized by all the companies who have interests in a Spielberg deal that he has not even thought in earnest about a departure from Paramount, as he is currently involved in postproduction on *Indiana Jones And The Kingdom Of The Crystal Skull*, which is scheduled to be released on May 22.

MGM

MGM dug deep into their pockets to purchase the rights to the 1979 Robert Ludlum novel, *Matarese Circle*, for a reported \$3 million. This is the first major deal brokered since Mary Parent took over as head of the studio's worldwide motion picture group. Parent was formerly vice chairman at Universal during the production of the Jason Bourne franchise.

Another seven-figures are to be paid to scribes Michael Brandt and Derek Haas, who collaborated on the script for *3:10 To*

Valkyrie, starring Tom Cruise, has suffered another release setback. The United Artist production was set to open on October 3rd but has been pushed further back and will reportedly now be released on February 13, 2009.

This is the second delay in releasing the WWII action/drama, which was originally due to hit the theatres June 27th. The newest date will knock the film out of the time window for awards-season consideration, but will slot into a more lucrative time slot for higher box office receipts, during the long President's Day weekend. Other contenders for the extended holiday weekend's share of takings are Disney's *Confessions Of A Shopaholic*, New Line's *Friday The 13th*, and Sony's *Pink Panther 2*.

Sony

Sony has firmed up its release schedule for early 2009, changing a number of dates for some key big-screen offerings.

The animated feature *Cloudy With A Chance Of Meatballs* has been moved from its announced opening date of March 27, 2008 to a yet-to-be-determined future 2009 date. The March scheduled release would have pitted *Meatballs* against the DreamWorks 3-D toon, *Monsters vs. Aliens*.

Pink Panther 2 moved from a February 12 opening date, back one week to the 6th, the same timeframe *Pink Panther* originally debuted.

Several opening dates were announced for upcoming releases: a Katherine Heigl/ Gerard Butler romantic comedy tentatively entitled *The Ugly Truth* is set to open on April 4 and *Underworld 3* is set for a January 23 release. The Screen Gems flick *Not Easily Broken* will begin its theatrical run on January 9.

Screen Gems, a subsidiary of Columbia Tri-Star, is set to develop an updated urban remake of Jane

Austen's *Emma*. The hip-hop musical re-imagining of the classic novel will likely be re-dubbed as *Emme*, with Chris Bender and J.C. Spink producing via their Benderspink banner.

Screen Gems has scored box-office gold with such teen-friendly genre films as *Stomp The Yard* and the classic *You Got Served*, with upcoming releases in the same thread to include *Prom Night*, *Lakeview Terrace*, and *Obsessed*. **WSR**



Paramount and making his creative home elsewhere.

The ramifications of a team-Spielberg defection to a rival studio are massive, to say the least. Both DreamWorks Chief Stacey Snider and Chairman David Geffen would be free to seek deals outside of Paramount under a "key man" clause in their current contracts. Another 100 or so employees would not be free to depart the studio but would no longer be considered part of the DreamWorks team.

Yuma. It is reported by Haas and Brandt's WMA reps that the duo were asking \$2.5 million for the writing job, but other sources claim only \$1.25 million will be paid to the screenwriters. The writing pair's leverage for bumping up the studio's offer was greatly diminished when ICM, who represents Ludlum's estate, quickly signed the deal with MGM, prior to having the writer's deals worked out.

The Business Of DVD

GARY REBER

Martin Greenwald is the Chairman and CEO of Image Entertainment Inc., the leading LaserDisc distributor of titles from Buena Vista Picture Distribution, FoxVideo, Hollywood Pictures, Orion Home Video, Touchstone Pictures, The Walt Disney Company, Warner Home Video, The Voyager Company and Image Entertainment. Mr. Greenwald is at the forefront of the LaserDisc and

MARTIN
GREENWALD

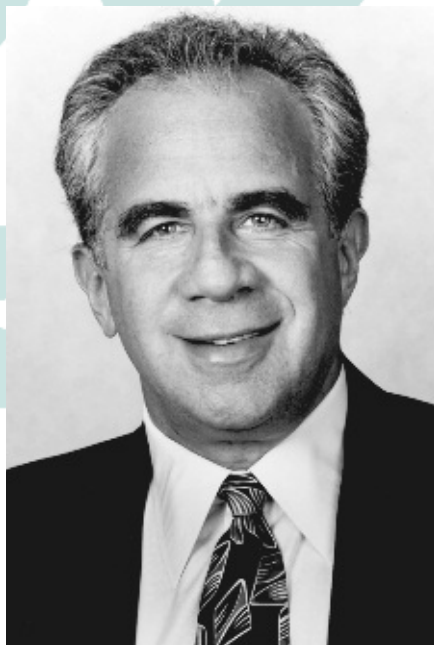
DVD optical disc platforms. He founded Image Entertainment in 1975. Editor and Publisher Gary Reber visited with Mr. Greenwald during the

Video Software Dealers Association (VSDA) Convention in Las Vegas to discuss the state and future course of the DVD, Divx, and LaserDisc platforms.

The conversation provides insights into the positioning of the Laser Disc platform related to developing optical disc technologies, and the future of DVD and LaserDisc as the engines driving home theatre equipment and entertainment.

Gary Reber, Widescreen Review: Marty, I want to get your viewpoint on the state of the LaserDisc business and the impact that DVD is having. What are your thoughts?

Mr. Martin Greenwald: The state of the LaserDisc business is, to a great degree, a direct result of the DVD business. Our feeling is that the retail environment is filling a large pipeline, or at least an adequate pipeline for DVD product, so we're seeing a lot of initial purchases. The real issues become, what products are selling through and at what rate. If we believe that there have been about 100,000 DVD players sold to retailers and about 60,000 sold to consumers, then there are 40,000 machines sitting on shelves. My guess is, each consumer who purchased a player has probably purchased ten discs, which is about 600,000 units actually sold. The space that retailers are giving up in order to accommodate DVD has been LaserDisc space. I don't think that they've taken a cut at their video tape business yet. They see LaserDisc as much more expend-



Martin W. Greenwald
President/CEO Image Entertainment, Inc.

able. I don't think they are prepared to begin to pull the plug on videotapes. I think to that degree LaserDisc has suffered. What we are seeing is that retailers are under-ordering LaserDisc product because of the limited shelf space they are dedicating to the format. They are therefore reordering product at a much quicker pace. To further expand on that, the mail order and Internet customers that we have are doing extremely well. Their business is actually up. It's real easy to find product on the Internet and in mail order. If we assume that retailers are defining this market, the business looks like it's down. If we assume the consumers are defining the business, then it is probably flat.

WSR Reber: On the figures that seem to be contradictory, *Video Business* reports about every two weeks on *Video Scan* sell-through numbers for DVD. Sales to date have been basically somewhere between nine to ten thousand units per week. That translates total unit sales of all DVD titles to 125,000 total DVD units sold to consum-

ers. Using a factor of ten per DVD player, we're talking about 12,000 to 15,000 machines consumers have purchased. What is your assessment of these numbers?

Greenwald: I think that the data is probably not great data. Whether it's my data or their data, I don't think that there is a mechanism in place to track this in any kind of sophisticated way. If *Video Business* is correct, and *Video Scan* is correct, and we assume that consumers own five units per machine—which I think is at the low end of reality) that would equate to about 25,000 players. I would have to assume that it has to be more than that. If the number were 25,000 players in the four months since launch sold to consumers, then this is an unmitigated failure and somebody should say that and bail as quickly as possible.

I don't think that number is accurate. My sense is that there have been about 50,000 to 60,000 machines purchased, which is still a very thought provoking number when you consider that the early adopters are the ones that are going to run out and buy a player. If the number is correct, you're then looking at about two and a half percent of the LaserDisc population. This is not a number defining the potential of the early adopter. If it were only LaserDisc people who were the early adopters, two and a half percent is really not a statistic to brag about.

The issue is going to be how much software is available this fall. Software has to be available to sell hardware, it isn't hardware that sells software. When you look at that and recognize that some of the studios may not be in by the end of this year and the effect is a drop hardware sales, my sense is there will not be a 1998. Retailers cannot afford to hold on to this format. I don't believe the hardware manufacturers are willing to let retailers ride without making them pay for that hardware. If that happens, we'll see the same experience that happened in Tokyo. DVD started as a house on fire, there was limited software available and today it's difficult to find DVD in Tokyo. Whether that's good, bad or indifferent, my understanding is that once retailers lose their excitement or

infatuation with a piece of hardware, they generally don't come back to it.

Gary, as you know, sitting and waiting in the wings is digital videotape, which should be coming out by the end of this year. Digital videotape has a very compelling story to tell. It's recordable, it's digital, you can record programming off your satellite, and it's backward compatible; it will play your entire library of videotapes. And, the very fact that it's videotape, gives it a much, much larger constituency. Obviously, I believe optical is great. DVD is really great and I think that the ability to have movies on DVD and ultimately with DTS encoded sound on DVD is really terrific. We have a tendency to psyche each other out because we're inter-married in our business; writers, software people, hardware people and studios. We all have a tendency to think we are the demographic for the rest of the world. We're not. We have created the perception of a demand that retailers have bought into, but have we created demand that consumers will buy? We need to forget about "ordered up" market research, it's bullshit. It's skewed. I have rarely seen research done on a topic of this sensitivity with a great deal of credibility.

WSR Reber: Speaking of advertising, in the *Los Angeles Times*, initially at launch there were eight page, four page, two page supplements by the majors like Circuit City, Best Buy, etc. But since launch the ads trickled down to today when there's virtually nothing on DVD being advertised in the Los Angeles Metropolitan area that I'm aware of. If there is, it's a single item, one player plug. Not even is software advertised to any extent. That's having a serious impact and that's an issue I want you to address.

Greenwald: DVD is wonderful for the studios, and Warner is absolutely correct: it gives the studios an opportunity to roll over their catalog one more time. The problem I have with DVD is that it's not revolutionary it's evolutionary. It's all part of the landscape containing lots of different software. DVD players represent another player in a store. It will take its place alongside videotape players and MiniDisc players and LaserDisc players and afford consumers an opportunity to pick and choose with the goal to customize their home theatre environment. It doesn't mean that everyone is going to get rid of everything and buy a DVD player. If intelligent people attempt to promote this concept, they try to promote self interest and it just doesn't work that way.

Fortunately or unfortunately, videotape will be the standard format for the next ten

years. The only thing that is going to change the way people look at motion pictures will take place in the next century when we start seeing high definition programming. That could be compelling enough to get people to mix technology with their content. Everything else is like trying to put 120 octane gasoline in an '87 Dodge. High octane is terrific but the Dodge will only run so fast. The Dodge is your NTSC television and it will only run at 525 lines. Period. You've got to change the engine in the Dodge and the engine in your home theatre set up, and it's high definition digital television. It's the promise of this new engine that could pull all other technology.

WSR Reber: At a board meeting with the Optical Video Disc Association, I asked about the state of the LaserDisc technology. Is it going to advance? Is it going to challenge DVD and take itself to the next level—the best that it can be—and the answer was no. What that means to me is that there's going to be no further development on LaserDisc technology as such, other than how it's embodied in the DVD. How is that going to impact the LaserDisc community?

Greenwald: Gary, I think the reason that you are not seeing any change is that LaserDisc is an analog based technology. An analog format with digital sound. Because of this, the only advances you are going to see in LaserDisc is going to be in sound not in video.

Our experience with the DTS® Digital Surround rollout, probably twenty some odd titles, has been great. People are loving DTS. It's non-compressed sound and I think that's where LaserDisc can change. I think that as soon as consumers say okay, LaserDisc should change and make the video portion digital, then all it will be is a DVD, just a bigger DVD.

Gary, you and I both know that the growth in technology for the last 25 years has not been in video, it's been in audio. Audio is where all the changes have taken place. I don't consider widescreen a video change, it's another aspect ratio. High definition is a video change that has not yet arrived. We're still looking at the same NTSC that we've been looking at since World War II. I think most LaserDisc consumers are driven by the sound quality of a LaserDisc. When they enhance their system, they're enhancing their sound system...that's what's driving them. Ultimately that's what's going to drive them on DVD as well. Is the picture better on DVD than on LaserDisc? Arguably either one of them is better at any given moment for any given title. They are both far superior to videotape and yet video-

tape is the mountain that everyone is trying to climb. There are too many videotape titles out there. They're sold everywhere, from gasoline stations to drug stores. That's where it's at and that's what the consumers want. It's a struggle for us to get a piece of that business. Everyone agrees that LaserDisc is a niche business, and I think DVD is a niche business that has the potential to be a little bit larger than LaserDisc. It may in fact end up merely replacing the LaserDisc. When you look at DVD, it's a miniature LaserDisc. That's exactly what it is—a LaserDisc. So when people say...

WSR Reber: It's a component format.

Greenwald: Exactly, but that's all it is. It's a component format. It's the next step up. It gets a little bit closer to digital television sets, which are cool, but it's another LaserDisc and may replace two million players with three million players, and that's only because of studio and hardware support—hype far greater than LaserDisc ever had.

WSR Reber: What that implies is that Warner and its affiliated studios have to see it through and there's no indication that they are going to see this thing through into 1998. Is there? Really, I mean, they can pull the plug at any point.

Greenwald: I don't think they'll pull the plug, because I don't think that issuing a statement of defeat and surrender is indicated. Warner Brother and the other studios have a great need to change what the software looks like. It's how you refresh your library. I would love to do that. I'd love to resell the same content in a new presentation. I'm not so sure, though, that the consumers want to go and buy a new presentation. I don't believe that Warner's going to throw the towel in. Warner has a lot on the line in making DVD a success. And, Gary, we support them in their efforts. I think that DVD's going to be a business that will ultimately be incremental to the current LaserDisc business. Although it really is laughable to say, at this stage in the game, that this is an incremental business. Give me a break, DVD is 180 days old, it's 60,000 machines and people are saying it's incremental to videotape? We'll know in a year or two if its incremental. We're not going to know this year if its incremental because your not going to have enough statistics to know. And, if the business is incremental, the studios will have an obligation to continue serving the software. This is where Image Entertainment comes in as a great provider of niche software. It's what we understand.

WSR Reber: So from Image's point of view, for the time being, the studios are keeping this business to themselves with

their own distribution. You're saying that once they realize that the best this is going to be is a niche they're going to have a third party administer that part of the business just like they have a third party administer their LaserDisc business right now. So it basically comes back around to Image distributing the DVD titles to service that niche market.

Greenwald: I think it is really important that they keep trying new technologies. I think that ultimately there is going to be a change and it's going to be slow. It doesn't have anything to do with what the studios do, it has to do with technology.

If I am sitting here in the year 2003, I will be looking at High Definition Television, and by the year 2015, I probably will be looking at Holographic Television. The comparison that video people use to set up the economic model for DVD is that as people went from audio cassette to Compact Disc they will be going from videotape to video disc. This is flawed. Audio is different than video. Audio is a "techy" phenomena. People that are technology driven are audio people. They are not television people. Audio is portable, CD's are portable, video is not portable. Audio is listened to over and over and over and over again. If you're a fanatic you'll watch a movie three times, but you won't take it in your car and you won't take it on your boat and you won't watch it on an airplane. Once you've watched the movie, will you watch that movie again the next day? You will, however, listen to an audio disc the next day. CD's are different than video, than DVD. That's been a key part of what was missing in the market research that was done for DVD. I believe the conclusions of the studies were incorrect. That's my opinion and I'm sure there are others.

WSR Reber: What impact do you see with the Warner Group announcement for expanding their DVD rollout nationally and also on top of that the announcement here at the show that Universal Home Video now has decided to support DVD and release titles as well, though on a limited basis?

Greenwald: You are going to get me into trouble. First of all, I think that Warner Brothers has to go national. It's time. The issue to be addressed will be Warner's 100 percent sales return policy. It will be interesting to see how aggressive the buyers are that are out there, when they know that they can only return a portion of the 100 percent they buy. Warner ultimately had to make that decision. You couldn't open up the world and say "I'll ship it to you and if you don't like it ship it all back to me." It's going to be interesting to see how and if that decision

affects levels of sales. As far as Universal is concerned, it's good to see Universal come into the business. It appears that Universal has gone into the business with fully windowed product. I believe all the products that they've announced have already gone from rental, to sell through, to discounted sell through. What Universal is doing makes sense. Universal is feeling out the marketplace, seeing who the buyers are and attempting to understand the dynamics of this new market. I applaud them. I think they are doing it right and that if this business is going to be a business, it can't be just a new release business. Libraries are not new releases. Universal has put one foot in the water and, based upon the evidence they gather over the next year, they will be able to change their marketing plan in line with that evidence. If it works for them they will release new releases and if it doesn't work for them they'll try another plan, but they're taking a cautious approach and I think that if and when Paramount, Fox and Disney come in they will also take a cautious approach.

WSR Reber: I was surprised to see that Universal is releasing in full screen rather than widescreen format for their initial DVD releases. At least most of the titles seem to be oriented towards the full screen mass market display capability.

Greenwald: I believe that their business plan is based on the premise that DVD is not necessarily a format to take over LaserDisc. It's a format to ultimately take over videotape and videotape is pan-and-scan. LaserDisc is widescreen. Do you really have a victory if it replaces LaserDisc? Do you spend 500,000,000 dollars marketing a product to replace LaserDisc? At that point, the name of the game is Who Cares? You know the plan is to replace videotape. Videotape is pan-and-scan and I would assume that's what they're looking at. They haven't shared their strategy with me. "If this thing is going to replace videotape, then we're giving the people what they want, because videotape people don't like widescreen." They don't get it, they don't want it, they think their television set is screwed up.

WSR Reber: Yet there's a clear marketing movement to introduce many titles in a widescreen VHS format now?

Greenwald: This is indicative of a maturing videotape marketplace. I think that the home video gurus are looking for new opportunities in videotape. It's what we've done in LaserDisc. We go back and re-master titles in widescreen or Dolby Digital or DTS Digital Surround. There is the opportunity to do the same

in videotape. I think that's a great play. It's the evolving look of videotape. Offering people an opportunity to choose whatever they want to see. When digital videotape comes out, studios will release digital sound versions of their catalogue and they will do very well. They'll be releasing digital videotape and they'll be releasing DVD and they'll be releasing LaserDisc and they'll be releasing God knows how many other different formats. The name of the game is to get the consumer to upgrade their programming. And that, Gary, is a very difficult task. The real conversion, the start of home entertainment all over again, will take place with a real change in technology. The revolution.

WSR Reber: What impact on the DVD rollout and consumer do you see for Digital Video Express or Divx as a non-compatible DVD format?

Greenwald: I'm okay with Divx. Firstly, detractors or supporters aside, it serves a purpose. The consumer will wait to rent DVD programming, and, although somewhat complicated, Divx gives the consumer that opportunity. Secondly, from the studio's perspective, Divx is as close to pirate proof as a software gets. And that is very appealing. The question to be finally answered will involve the consumer's appetite for the product. Open architecture advocates feel that Divx is confusing to the market place and hurts the rollout of DVD. That may be so, however the consumer will ultimately decide if Divx should exist. If Divx is a hit, every studio will be involved. Whatever the consumer decides, Image is a distributor with a very cost effective and efficient system in place and we look forward to having the opportunity to sell Divx product when it comes to market. And, I believe, dealers could carry both open architecture DVD and Divx.

Divx is by no means the Armageddon scenario for the 5-inch disc. At Image we are currently scheduled to release over 50 DVD titles per quarter and, when appropriate, I will add Divx to our roster. Bottom line...Divx is here and it's not going away. Either figure out how to work this new technology or suffocate with your head in the sand. Ultimately, the consumer will decide; they always do.

WSR Reber: Thank you Marty for an insightful perspective into the world of DVD. ■■■