

# **MediaTainment**

# **FINANCE**

## Issue No. 2

**For Decision-Makers and Strategists  
Who Value Creativity and Appreciate the Value  
Creativity Brings to Business**

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**In this edition:** News of major developments in the creative sectors - from the film industry to copyright issues via music, out-of-home entertainment and the world of fashion.

**AUSTRALIA:** The continent might be small in size, but it talks and delivers big in media and entertainment...page 14

**MUSION:** Holograms of Madonna and Will-i-am, created by a media-technology company you have never heard of, are not illusions. Prepare to be dazzled...page 24

**GOOGLE:** A technology company? A media company? An entertainment company? Or going schizophrenic?...page 32

**THE BILLION DOLLAR BLAST:** Which investor is betting big on culture in this fun fantasy format?...page 38

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## Content June 2011

### NEWS

Page3: Film

Page4: Television

Page5: Out-Of-Home

Page6: Music

Page7: Books/Print

Page8: Ads & Marketing

Page9: Sport

Page10: Games

Page11: Fashion/Luxury

Page12: Photography/Art

Page13: Copyright

### REPORT

Page14: Country Profile –  
AUSTRALIA

### FEATURES

Page24: The Q&A Sessions  
- MUSION

Page32: Creative Corporate  
- GOOGLE

Page33: MTF DIARY  
- listing of international conferences and events

Page38: Billion Dollar Blast

Back Page: ABOUT MTF

# FILM

## **SFX giant Digital Domain seeks \$115m**

**US-based Digital Domain Media Group**, the Oscar-winning computer animation and special-effects production house, plans to raise US\$115m via stock-exchange flotation.

Although Digital Domain's work can be seen in a host of blockbuster movies, such as Titanic, The Curious Case of Benjamin Button, the Transformers franchise, and the new X-Man: First Class, its income is totally dependent on other producers' hits. With improved cash flow, Digital Domain hopes to finance its own films. It is co-producing Ender's Game, based on Orson Scott Card's cult sci-fi novel, with Summit Entertainment. It also wants to stay ahead of the competition expected from rivals in emerging markets such as China and India. State funding of an estimated US\$100m has already helped the company, which is building a 130,000-square-foot animation studio in Florida and launching the Digital Domain Institute with Florida State University's College of Motion Picture Arts.

\***Meanwhile, Global Eagle Acquisition Corp**, formed by SBS Broadcasting founder Harry Sloan, and former CBS and Sony Pictures top executive Jeff Sagansky, has raised US\$190m via Nasdaq.

### **Avatar director heads Top 40 earnings in VF's Hollywood**

**Hollywood's Top 40 ranking** in Vanity Fair magazine saw the US film industry's 10 highest-earning creative stars collect a total income of US\$772.5m in 2010. The top 10 were James Cameron (US\$257m); Johnny Depp (US\$100m); Steven Spielberg (US\$80m); Christopher Nolan (US\$71.5m); Leonardo DiCaprio (US\$62m); Tim Burton (US\$53m); Adam Sandler (US\$50m); Todd Phillips (US\$34m); Taylor Lautner (US\$33.5m); Robert Downey Jr. (US\$31.5m). Cameron earned most of his from the 3D blockbuster Avatar.

### **Sino-Russian venture creates \$50m fund for movies**

**Sistema Mass-Media (SMM)**, the Russian media conglomerate, and China's Huawei have launched a US\$50m film fund to finance movies and other related media. The fund, unveiled at this year's Cannes Film Festival, will also be used to bolster the ties between the two super emerging economies' film sectors. Its board of trustees and expert committee include Russia's Ministry of Culture, and China's Shanghai Media & Entertainment Group. The fund will support about 10 film projects in its first year.

### **Peel Holdings gets a shot at UK studio Pinewood Shepperton**

**Shareholders at Pinewood Shepperton**, the UK's biggest film studio, appear to have accepted the £96m takeover offer from UK property conglomerate Peel Holdings.

Peel Holdings, whose assets include Liverpool John Lennon Airport, already has a 29.8% stake in the studio famous for filming the James Bond hits, the Harry Potter franchises and Pirates of the Caribbean movies.

The UK's Office of Fair Trading is to investigate Peels' bid to ensure it does not breach competition rules.

### **Barclays feeds £119m into UK production house The Mill**

**Barclays Private Equity** has paid £119m for a majority stake in The Mill, the UK-based international post-production house that produces special effects for film, TV and advertising.

The seller was US private equity firm Carlyle Group.

The Mill, which also has offices in the US and Singapore, won an Oscar for its special-effects work on Gladiator, the 2000 movie starring Russell Crowe. The funds will finance growth ambitions, including a move to larger premises in Los Angeles.

# TELEVISION

## China media companies amass millions

**China-based Phoenix New Media**, which buys and distributes content for the multi-media (online, mobile and TV) platform called ifeng.com, raised an estimated US\$140m on the New York Stock Exchange in May.

A subsidiary of Hong Kong broadcaster Phoenix Television, Phoenix New Media will use the cash to extend ifeng.com, including its new aggregated-news video service.

Last year, it reported revenues of US\$80m but US\$25m in losses, according to Reuters.

\* **Meanwhile, state-owned China International TV Corporation** has joined the Ministry of Finance and other companies to launch a China Culture Industry Investment Fund to boost the country's creative sectors, including TV, film and book publishing.

They will contribute an initial US\$900m to the fund, with hopes to raise US\$30bn by attracting private investors ultimately.

### Hearst/Burnett joint venture get a reality TV cheque

**Hearst Corporation**, famous for publishing international print magazines such as Esquire, Marie Claire and Cosmopolitan, and for its stakes in TV networks like ESPN and History, is going into content production for multi-media platforms.

It has formed a 50-50 joint venture with Mark Burnett, producer of hit reality-TV shows like Survivor and The Apprentice.

Burnett's job is to develop new programme concepts for the joint venture and TV versions of Hearst's global print brands.

### National Geog and Touch go dizzy with content concept

**National Geographic Ventures International** and UK documentary maker Touch Productions have formed a joint venture called Dizzy Earth to create new concepts of content for digital multi-media distribution.

The new content will be developed from their existing programmes. The joint venture will also be used to redefine what it means to create content for today's varied digital platforms. The content will be linked to branded entertainment, design, live events, licensing and marketing, as well as traditional TV.

### CNN travels with Nokia on new phone maps agreement

**International news network CNN** has agreed to apply the mapping technologies on Nokia mobile phones to news stories delivered to handsets. This means subscribers to CNN's mobile news service will have access to Nokia's 3D maps and location-based technologies to enrich the news storytelling.

The deal will also see Nokia phone users have the free CNN App for Nokia to access CNN News, which they will be able to share and even contribute to, if they happen to be in the vicinity of an international news event.

### Permira names its £750m price tag for All3Media

**Private Equity Firm Permira** is reportedly seeking £750m for All3Media, the UK creator of programmes such as international hit dramas Midsomer Murders and UK reality-TV favourite The Only Way is Essex. Proceeds of the sale will be used for global growth.

Permira's original acquisition of All3Media, whose other shareholders include the management, valued the company at £320m. If Permira does not get the required price, All3Media is reported to be considering an IPO or sale to a US media conglomerate.

# OUT-OF-HOME

## Merlin takes €15m sea magic to Rome

**UK-based Merlin Entertainments**, Europe's leading visitor-attraction operator and the world's second largest after the Walt Disney Company, is to develop a €15m Sea Life aquarium in Rome. It is scheduled to open in 2012. Located at the Acquario di Roma lakeside, it will feature more than 30 displays of marine life, including sharks, starfish and seahorses, a 4D theatre, and a walk-through underwater tunnel inside a massive tropical ocean tank. The shareholders of Merlin, which operates a host of theme parks and attractions with 41 million visitors globally, are investment firms Blackstone (US), Kirkbi (Denmark), and CVC Capital Partners. \***Meanwhile**, Blackstone has sold its 50% stake in **Universal Orlando theme park** in the US to Comcast, NBCUniversal's owner, for US\$1.025bn. \***Germany-based Europa-Park**, Europe's biggest resort theme park, is to open Bell Rock, a four-star themed hotel designed by architect firm Rudolf Neumeier GmbH & Co KG, next year. \***The UK's Drayton Manor** Theme Park has installed a £2.5m junior roller coaster called Ben 10 – Ultimate Mission, based on the Cartoon Network TV series.

### Warner Music goes live with Italian concert promoter Vivo

**Warner Music Italy**, part of the recently sold multinational major label Warner Music Group (see page 6), has acquired Vivo, the Milan-based concerts-promotion company.

The move sees Warner extend the 360-degrees strategy, where music labels hope to generate extra revenues from investing in its artists' live performances and related business, into Italy.

Vivo will also collaborate with F&P, a joint venture WM Italy formed with entrepreneur Ferdinando Salzano to offer multi-platform services to Warner acts.

### Kylie Minogue's musical life in songs sung on stage

**Australian pop star** Kylie Minogue and her creative director William Baker have confirmed that a musical based on the singer's life is in the pipeline.

The show, expected to launch in London's West End theatre-land, will feature her hits during a career of 20-plus years.

Minogue, who has sold more than 60 million copies of her albums, is currently in the middle of her Aphrodite global tour, which is scheduled to end in Cape Town in July .

### Iceland's new Harpa music hall opens to a warm welcome

**The once financially troubled** Harpa Concert Hall and Conference Centre, the new home to the Icelandic Opera and Iceland Symphony Orchestra, is opened for business in May. It is Iceland's first dedicated music hall.

The £150m 258,000-square-foot venue in Reykjavik with its 1,800-capacity main hall was scheduled to be financed by private investors until the Iceland economy crashed in 2008. Now backed by public funds, the venue was designed by Denmark's Henning Larsen Architects and artist Olafur Eliasson.

### Brazil dazzles with a line-up of new culture centres

**Brazil is laying** the foundations for a host of museums and arts venues, The Art Newspaper says. They include the US\$42m Museu da Imagem e do Som (for images and sound) by Copacabana Beach; an Ipanema-based bossa nova music museum; the US\$300m Cicade da Musica; the US\$27m Museu de Arte do Rio; and the US\$78m Museum of Tomorrow designed by architect Santiago Calatrava. They join venues being built for the 2014 FIFA World Cup and the 2016 Summer Olympic Games.

# MUSIC

## Cooking Vinyl label breaks VC ice

**UK venture capital firm IceBreaker** has established its commitment to the recorded-music business via a multi-million dollar funding agreement with Cooking Vinyl Group, the European independent music company. IceBreaker's investment offers Cooking Vinyl extra resources for developing new repertoire by discovering and signing up new acts.

The music company aims to invest about US\$1m each in up to 10 recording deals over the next 12 months. The group's label Cooking Vinyl Records will handle the recording, while sister company Essential Music & Marketing helps with the distribution, marketing, and promotion strategy. Copyright remains with the artists and Cooking Vinyl licenses their rights.

IceBreaker, which has already invested in the production and/or distribution of 150 individual albums, previously worked with Cooking Vinyl to sign up Marilyn Manson, the US rock and goth singer last year. But that was a one-off deal. Its success prompted Icebreaker to set up a more extensive deal with Cooking Vinyl.

### Industry mogul snaps up Warner Music Group

**Warner Music Group** (WMG), the world's third biggest recorded-music company, has been sold to Access Industries for US\$3.3bn in cash. Access Industries belongs to Russian-American mogul Leonard Blavatnik. The deal is scheduled to be finalised later this year.

The money is expected to come from Access' own funds, UBS Investment and Credit Suisse. WMG's previous owner comprised private investors led by Edgar Bronfman Jr, current CEO/chairman. WMG rival EMI Music is also up for sale.

### Music Mastermind gains \$10m+ for music composition tech

**Music Mastermind**, the US company technology company that enables songwriters to create, publish and distribute their music, has raised US\$10.8m in its second round of funding. The investors include Intel Capital and Liberty Global.

The venture is the brainchild of Matt Serletic (former Virgin Records chairman, producers and owner of Emblem Music Group) and Wall Street trader Bo Bazylevsky.

### Investors write \$3.7m cheque for Italy's MusiXmatch lyrics

**MusiXmatch**, the Italian digital-media company planning to build the world's largest database of copyrighted song lyrics, has secured US\$3.7m in Series A funding. The investors are led by the family-owned Francesco Micheli Associates. Localised in 18 languages, MusiXmatch has more than 5 million lyric titles from international music publishing houses such as BMG, Sony/ATV and Universal Music Publishing Group.

### Interscope music company spins hip hop joint venture

**Epidemic Music**, the new independent label owned by US duo hip-hop producers Cool & Dre, has formed a joint venture with Interscope Records.

The agreement will see Interscope promote, market and distribute recordings by Epidemic acts such as singer/songwriter K-Rose and rap act Don Trip.

The deal gives Epidemic access to the vast resources of Universal Music Group, Interscope's parent.

# BOOKS/PRINT

## Self-publisher cuts bigger books deal

**Self-publishing can pay off.** Ask British author Nick Alexander. UK publisher Corvus has acquired the world English-language rights to seven titles of his works. The titles are 50 Reasons to Say "Goodbye"; Good Thing, Bad Thing; Sleight of Hand; Better than Easy; Sottopassaggio and, his latest, (The Case of) The Missing Boy and its sequel.

Corvus is scheduled to print digital editions of the titles in August. Paperback versions will be available from April 2012. South of France-based Alexander, whose agent Adrian Weston brokered the deal with Corvus, has been publishing his own books in paperback and digital formats via his company BIGfib Books. They are sold online via Amazon and at gay retail outlets.

The Corvus deal aims to introduce his books, including his first for the commercial women's market, to a mainstream audience.

### UK's Bloomsbury establishes digital books imprint

The UK's Bloomsbury Publishing has launched Bloomsbury Reader, a new global digital imprint. Operating from London and New York, the new unit will publish only digital editions of out-of-print titles that have English-language rights still belonging to the authors or the authors' estate.

Bloomsbury will handle all ancillary services, including the marketing, design and distribution. About 500 titles, from authors such as Alan Clark, Monica Dickens, Edith Sitwell and VS Pritchett, will be available from September.

### BBC selects Exponent as preferred magazines buyer

**BBC Worldwide (BBCW)**, the commercial arm of the UK public broadcaster, has selected private-equity company Exponent as the preferred bidder for the BBC consumer magazines, which are for sale for a reported £100m. The print magazines' leading titles include Radio Times, the national TV programme guide, and Top Gear, the print edition of the hit TV series on motor vehicles. The portfolio sells 85 million copies annually but the sale has reportedly discouraged some buyers as BBCW still wants to be involved in its operations.

### Simon & Schuster extends global reach into India

**International publisher Simon & Schuster** is to launch a new localised division in India. Simon & Schuster India, which opens for business in New Delhi in August, will be an affiliate of the UK office.

It will focus on English-language books but the titles selected for publication will be marketed with the Indian culture and lifestyle in mind. The company says local authors will also be considered for publication, if they meet the S&S criteria. The pricing will be in the rupee currency.

### Myriad Editions competes for first-time graphic novelists

UK book publisher Myriad Editions is launching a competition to find a first-time graphic novel author. The deadline for submissions is 1 October 2011. The winner will be announced next January with plans to publish the work in 2012 or 2013. Myriad recently received a £60,000 grant from the Arts Council England.

**\*Advertising group WPP** has linked up with media-friendly investors, including merchant bank Raine Group, to support Vice Media, the independent publisher of irreverent online magazine Vice.

# ADS & MARKETING

## Publicis stones rivals for \$575m Rosetta

**Global advertising group Publicis** continues its preoccupation with digital agencies with its agreement to pay US\$575m for Rosetta, one of the world's leading interactive advertising agencies. Known for its expertise in healthcare, pharmaceutical, technology, travel and telecommunications marketing, Rosetta is headquartered in Princeton, New Jersey, with offices in other major US cities and Toronto. Its offerings include its trademarked Personality-based marketing, which centres on more than 500 segmentations based on populations and geography.

Although it is still not clear what France-based Publicis plans to do with Rosetta, it has been spending large sums buying up a portfolio of digital agencies, including US-based Digitas, Brazilian digital agency AG2, the global venture Razorfish and the UK's Kitcatt Nohr, which has merged with Digitas UK. Publicis has pledged to make digital marketing account for 35% of its revenues in the next few years. It was 28% in 2010.

### French creativity agency BETC strides English Channel to UK

**BETC Euro RSCG**, the French creative ad agency, has opened an office in London. It is its first overseas office in its 17-year history. Although BETC has major international brands, such as fast-food giant McDonald's and luxury brand LVMH among its clients, its business has been mostly French-centric but very successful. The London launch aims to extend that success globally, with plans for offices in the US and Brazil in the pipeline.

\***Meanwhile, agency group WPP** has bought majority stakes in two Brazilian digital agencies: Gringo and F.biz.

### APA report gives insight into producing ads in India

**London-based Advertising Producers Association (APA)** has launched a campaign to boost its members' business in India (**see MTF Issue 1**).

Called the Mumbai London Advertising Forum, the campaign's report includes KPMG predictions that ad expenditure in India will grow to INR(Indian rupee)426bn by 2014 from INR220.3bn in 2009.

The report tells producers that the average local advertising budgets range from £70,000 to £150,000. But the APA did come across campaign budgets of more than £350,000.

### WTA sends strong global message to women's tennis fans

**The Women's Tennis Association (WTA)** has launched a multi-million dollar global ad campaign to attract a new generation of fans for the women's game.

Created by international ad agency Goodby, Silverstein & partners and covering 80 countries, the two-year campaign features 38 existing tennis stars and emerging talent.

It centres on the slogan "Strong is Beautiful" and uses traditional TV, print media and digital platforms to portray women's tennis as packed with athleticism, grace and courage.

### F1 star Sebastian Vettel leads Infiniti's luxury car ambitions

**Japanese luxury car brand Infiniti** (part of the Nissan group) has appointed Sebastian Vettel, the 2010 Formula 1 Grand Prix world champion, to be its global brand ambassador.

The contract means Vettel, F1's youngest ever winner, will be the face of Infiniti during the Grand Prix races. Vettel drives Infiniti-made cars for F1's Red Bull racing team (**see MTF Issue 1**), which has extended his contract until 2014.

# SPORT

## News Corp chases potential F1 sale

**Media group News Corp** has rocked the sports industry with an alleged bid for the hitherto un-touchable Formula One Grand Prix motor-racing tournament. According to the Formula Money report, F1 annual revenue will grow to US\$3.25bn in 2016 from US\$1.59bn in 2010. To buy F1 from private-equity firm CVC Capital Partners, the current owner, reports indicate that News Corp has formed a consortium that includes Mexican media mogul Carlos Sim, the Agnelli dynasty's investment arm Exor in Italy, and boutique merchant bank Raine Group. But Bernie Ecclestone, the entrepreneur/manager of the races and their media rights, said the event is not for sale. He is more concerned about the Concorde Agreement, CVC's contract with the F1 teams, which expires in 2012.

**Sport acquisitions fever** spread this spring with a consortium led by US entrepreneur Thomas DiBenedetto buying AS Roma football club for €70m; Dubai-based Royal Emirates Group acquiring Spanish football team Getafe for €90m; and US sports tycoon Stan Kroenke taking over English Premier League football club Arsenal FC, which is valued at £731m.

### **FIFA hikes (the still small) women's World Cup cash prize**

**The FIFA Women's** World Cup football tournament taking place 26 June-17 July in Germany will generate estimated revenues of €50m from ticket sales and sponsorship, experts say. FIFA said the sponsorship had sold out by March 2010. The sponsors include German brand owners insurance group Allianz, Commerz Bank, Deutsche Post, communications giant Deutsche Telekom, and retail conglomerate REWE. The prize money, which increased to US\$7.6m from US\$6.4m, is still minuscule compared with the FIFA 2010 men's World Cup's US\$420m.

### **Russia gains ground as host to major global sports events**

**Russia's position** as host to major international sports events grew this year. In addition to Moscow winning the bid to hold the prestigious 2018 FIFA World Cup football tournament, the country is staging the 2014 Winter Olympic Games in Sochi and the 2016 IIHF World Ice Hockey Championship in Moscow and St Petersburg. During 8-14 September this year, Moscow will be home to the Modern Pentathlon Senior World Championships. And the ISU World Figure Skating Championships (25 April-1 May) was reassigned to Moscow after the earthquake forced Japan to pull out.

### **ESPN's X Games speeds into a new global sports brand**

**The X Games**, the action and extreme sports championships hosted by Walt Disney Company's TV network ESPN, is to be extended to include an annual global version. From 2013, the X Games will be held in six cities worldwide for three years.

Two participating cities will be in the US, one in France, plus three others chosen from a bidding process. Launched in 1995, the X Games have been mostly US-centric, with smaller editions held in European and Asian countries.

### **2012 Olympics Games finalises Torch Relay route**

**The 2012 London Summer** Olympic Games' Torch Relay route was unveiled earlier this year. About 8,000 torch bearers will make the 8,000-mile journey, which will kick off in Greece and arrive at Land's End, south-west of England, on 18 May 2011.

From there, it will move across the country to northern Scotland. It is scheduled to arrive at London's Olympic Park 70 days later for the Opening Ceremony.

# GAMES

## Bigpoint scores \$350m big ones

**Bigpoint, the Germany-based** international online-games developer, has secured US\$350m from investment firms Summit Partners and TA Associates. The funds, which will help boost global growth and create more games, give Summit Partners and TA Associates a majority stake in Bigpoint.

The acquisition comes after Comcast Interactive Capital's Peacock Equity Fund decided to sell its share in Bigpoint after three years. GE (General Electric) and European private-equity company GMT Communications Partners, who are also shareholders, are reducing their stakes.

Bigpoint, which has more than 190 million registered users worldwide, will indirectly maintain a relationship with Comcast's Peacock Equity Fund.

Comcast, the US cable-TV giant, recently acquired 51% of Hollywood TV studio NBCUniversal (NBCU); GE owns the remaining 49%. Bigpoint has the license to produce the games versions of hit NBCU movies and TV series such as Battlestar Galactica and The Mummy.

## Question looms over Zynga—to float or not to float

**Zynga, the US-based** international social-games publisher, is rumoured to be seeking stock-exchange flotation, which is expected to give the company an estimated valuation of US\$10bn. Zynga (**see MTF Issue 1**) declined to comment.

Should the flotation go ahead, it would make the Facebook-distributed games maker the US' second biggest after Electronic Arts. Zynga's ascendancy has soared this year after branding agreements with Lady Gaga and Hollywood studio DreamWorks Animation. A Vanity Fair feature spread did no harm either.

## Turner Broadcasting new stake powers gamer TeePee

**Pan-regional TV service Turner** Broadcasting Europe has acquired a stake in TeePee Games, the social-games aggregator.

The money from Turner, which transmits TV channels such as Cartoon Network and Adult Swim, will be used to develop TeePee Games' search-and-discovery engine.

This will help players find the thousands of games available on social-media networks, smartphones and online. Turner hopes the partnership will give it access to games content that would appeal to its networks' young audience.

## Tiny Speck to grow with \$10.7m investment

**Canada-based Tiny Speck**, the massively multiplayer online-game (MMPOG) start-up, has raised US\$10.7m from venture-capital firms Andreessen Horowitz and Accel Partners for its second round of funding.

The cash will be used to develop Glitch, an MMPOG game currently in the Beta format, and its associated technology.

Tiny Speck is the brainchild of Stewart Butterfield, co-founder of photo-sharing website Flickr, which was acquired by Yahoo! in 2005 for an undisclosed sum.

## BlackBerry/NFQ energise Fuse Powered with \$2m finance

**BlackBerry Partners Fund** and NFQ Ventures have led the US\$2m seed funding for Fuse Powered, the Canada-based mobile-games publisher famous for such movie-themed games titles like Dawn of the Dead and Jaws HD. The funds will enable Fuse to accelerate its growth ambitions.

\***Meanwhile, Shanghai-based** games developer UltiZen Games has bought Japanese rival Red Entertainment Corp for an undisclosed sum.

# FASHION/LUXURY

## Jimmy Choo's £500m steps into Labelux

**Labelux Group**, the holding company owned by Germany's Reimann family, has agreed to buy Jimmy Choo Limited, the luxury women's footwear manufacturer/retailer, for a reported £500m. The seller is private equity firm TowerBrook Capital Partners.

The 17% owned by entrepreneur Tamara Mellon, Jimmy Choo's co-founder and chief creative officer, has been valued at £85m. In addition to the designer shoes loved by celebrities and the affluent, the brand includes handbags, scarves, men's shoes and a new fragrance range.

Labelux, which already owns other luxury brands including Switzerland's Bally shoes, is expected to expand the Jimmy Choo brand in Asia and create new product lines.

Mellon, currently the UK government's "global trade envoy", invested a £150,000 loan for a 50% share in Jimmy Choo in 1996. TowerBrook acquired it for £185m in 2007.

### **Burberry expands into China with digital extravaganza**

**British luxury-fashion** group Burberry has opened a new 12,500-square-foot flagship megastore in Beijing's Sparkle Roll Plaza. The new store's launch was accompanied by a digital-display extravaganza.

This included live music and hologram catwalk models created by in-house chief creative director Christopher Bailey and UK company Musion (see page 24).

Burberry plans to have 100 stores in China in the next few years.

### **Gaultier and Puig form fragrant Franco-Spanish alliance**

**Spanish perfume** house Grupo Puig has bought 60% of French design label Jean Paul Gaultier. The acquisition includes the 45% owned by French luxury-goods company Hermès for a reported €16m.

Jean Paul Gaultier himself retains a minority share and stays creative and image director. Puig, with presence in 21 countries and products in 130 markets worldwide, already owns luxury fragrances such as Nina Ricci.

### **Piper plays minority investment tune at Celtic Sheepskin**

**UK private equity** firm Piper has snapped up a minority stake in family firm Celtic Sheepskin, which is based in Cornwall. Celtic Sheepskin specialises in manufacturing "ethically sourced" natural-fibre and woollen clothes and soft furnishings and sells them online and via mail order.

It is reported to have grown 20% annually in the last decade. The plan is to use the new investment for expansion. Piper's investment properties include the Pied-A-Terre shoe retailer and luxury rug store The Rug Company.

### **Forbes ranks \$110m income for top 10 supermodels**

**Supermodels Gisele** Bundchen from Brazil, Germany's Heidi Klum and the UK's Kate Moss swept the catwalk as the three highest earning female models in the year to May 2011, according to media group Forbes.

Their rankings indicated that Bundchen earned US\$45m, followed by the US\$20m for Klum and Moss' US\$13.5m. In all, the Top 10 models garnered US\$112m, a 30% jump from the previous year.

# PHOTOGRAPHY/ART

## Russia launches \$467m photo portfolio

**Sobranie.Photoeffect**, Russia's first major art-investment fund, has launched on Moscow stock exchange MICEX. Valued at US\$467m, the photography-focused fund was set up by Agana, the asset-management company. The portfolio comprises 290,000+ original prints gathered from Russian private collections. They are mostly original prints of 19<sup>th</sup> and 20<sup>th</sup>-century photographers such as France's Henri Cartier-Bresson, Joseph-Philibert Girault de Prangey, Italian paparazzo Tazio Secchi-arioli, and various works from the Soviet Union and Tsarist Russia.

Agana expects investors to make returns of at least 14%. The fund plans to sell up to 10% of the photographs annually for 15 years before issuing dividends. A minimum of US\$16,700 must be invested by each individual to participate. Analysis by Reuters indicates that, although Russia holds at least 20% of the world's photography collection, the market is still underdeveloped, leaving room for potential growth in value.

### Tosca Fund shuts art fund to sell £3m photo investments

The UK-based **Tosca Photography Fund** is now closed to new investments. And its assets of rare 20<sup>th</sup>-century photography are to be sold off at galleries and art fairs by November.

Valued at £3.3m, the fund was launched in 2007 via the Toscafund Asset Management hedge fund.

It comprises a collection of about 5,600 photographs, including works by eminent 20<sup>th</sup>-century photographers such as Russian Constructivist and Productivist artist Alexander Rodchenko and Eve Arnold, who is famous for her iconoclastic Marilyn Monroe images.

### Charitable Lloyd Webber gifts £31.5m art proceeds

**Andrew Lloyd Webber**, the UK theatre impresario and composer, is to use the £31.5m proceeds from the auction of a Picasso painting to support arts and cultural charities.

Lloyd Webber bought Picasso's *Portrait of Angel Fernandez de Soto* for £19m in 1995. It has since been the subject of a lawsuit amid accusations that it had once been sold illegally under the Nazi regime.

However, the Lloyd Webber Art Foundation won the dispute.

### Swiss art group MCH expands into Hong Kong

The **MCH Group**, the Swiss art-exhibition marketer famous for the Art Basel and Art Basel Miami Beach fairs, has added the Hong Kong International Art Fair (Art HK) to its portfolio of exhibitions.

The group's MCH Swiss Exhibition subsidiary is buying 60% of Asian Art Fairs Limited, Art HK's organiser.

The goal is to rebrand Art HK under Art Basel, which is to be positioned as a global art event in Europe, North America and, now, Asia.

### US 'organic' artist takes park case to Supreme Court

**US artist Chapman Kelley** plans to defend the rights of artists using "organic material" such as plants at the US Supreme Court. The move comes after the Chicago federal appeals court threw out his claim for damages against Chicago Park District.

Kelley claims the park district destroyed his *Wildflower Works*, which are created with a public park.

But the appeals court said, unlike photography and paintings, what was effectively a garden was not protected by the US' 1990 Visual Artists Rights Act.

# COPYRIGHT

## UK report promotes Digital Exchange

**The Digital Copyright Exchange** proposed in the Hargreaves Report commissioned by Prime Minister David Cameron confirms the UK's leading role in stimulating the global copyright debate. The online Exchange is one of many recommendations in the report - Digital Opportunity: A Review of Intellectual Property and Growth published in May.

It suggests that the exchange could enable any registered work to be cleared in a one-stop shop. The current complex system means users of copyrighted music must obtain permission of every rights owner involved in that work before they can use it.

The Exchange concept is already controversial. Some believe it could create a two-tier system with small rights owners losing out. Meanwhile, the European Commission has published another report called A Single Market for Intellectual Property Rights, which aims to harmonise copyright laws in the European Union's 27 states and was the topic of heated debates at the recent CISAC World Copyright Summit in Brussels.

### Bratz maker wins case against Barbie maker Mattel

**US toy maker Mattel**, Barbie Doll's owner, has been ordered by a US court to pay rival MGA US\$88.5m in damages in the Bratz-Doll design-infringement lawsuit. The ruling follows accusations that Mattel stole trade secrets to hurt the business of MGA, owner of the US\$1bn Bratz-dolls brand. s

MGA's case was a counterclaim to another suit that began in 2004, when Mattel sued MGA for infringing its copyright.

### Broadcast copyright victory for Ukraine rights owners

**Four commercial TV** channels in the Ukraine have agreed to pay royalties for music usage for the first time, following tireless lobbying by the local collecting society UACRR and CISAC, the authors societies' international umbrella organisation.

The four TV networks are Novy Kanal, STB, ICTV and TV-Radio Company Ukraine.

Meanwhile, state broadcaster National TV and Radio Company of Ukraine still refuses to pay any royalties.

### White Zombie/rock acts sue Universal to revive royalties

**Heavy-rock acts Rob Zombie**, White Zombie, Dave Mason and British rock band Whitesnake have filed a US "class-action" suit against Universal Music Group for unpaid royalties. They allege that they are owed monies from the digital sales of recordings signed before the industry started using digital distribution. They argue that digital recordings should be treated as licensed works, which pay more than CD recordings.

### Copyright developments in US, Netherlands and NZ

**MTF News In Brief:** \***LimeWire**, the defunct peer-to-peer file-sharing music service and its ex-CEO Mark Gorton have agreed to pay US\$105m in an out-of-court settlement following a copyright-abuse lawsuit brought by the major record labels.

\***The Dutch** government is to amend the copyright law, which will ban unauthorised music and movie downloads.

\***New Zealand's** Copyright (New Technologies) Amendment Bill has been passed and scheduled to come into effect in September.

# REPORT

# A Country Profile

# Australia

## The wizardry of Oz creative businesses flies high

**The Australian media** and entertainment sectors were hurt by the global recession of 2008. However, a revival in fortunes during 2010 indicates business is still healthy.

It is difficult to say whether the positive growth will continue throughout 2011 and next year, according to a report by accountancy giant PricewaterhouseCoopers (PwC). Called Outlook and updated in February 2011, the PwC report examines the advertising spend in various media and entertainment categories.

Filmed entertainment saw ad spend grow to A\$104m in 2010 from A\$89m in 2009. It is forecast to reach A\$117m by 2014. Ad expenditure on free-to-air television in Australia jumped to A\$3.68bn in 2010 from A\$3.15bn in 2009 and is forecast to increase to A\$4.2bn in 2014. Revenues from online advertising soared to A\$2.27bn in 2010 from A\$1.89bn the year before and will rise to a predicted A\$3.85bn over the next four years.

### Total ad spend forecast

In total, when ad spend on newspapers, consumer magazines, out-of-home entertainment, radio and subscription TV are added to the above, PwC calculates that the core ad spend in Australia increased to A\$12.4bn in 2010, a 13.7% growth from 2009, and predicts an average 6.1% year-by-year growth to A\$14.7bn in 2014. The report's authors note that "history (and regression analysis) tells us that advertising will remain a markedly cyclical industry and that strong upticks are nearly always followed by a flattening and return to more business-as-usual revenues".

The Nielsen Company also advises caution. In its 2010 Top Media Advertisers in Australia report, it states: "The levels of growth across most of 2010 have certainly slowed in 2011."

ZenithOptimedia foresees Australia dropping from 9<sup>th</sup> place in its Top 10 ad markets, with expenditure of US\$9.7bn in 2010, to 10<sup>th</sup> place in 2013, when ad spend will grow to AS\$11.17bn. In 2013, the emerging super economies of China, Brazil and Russia are expected to affect the rankings of major Western economies in ZenithOptimedia's forecast.

### Buoyant investors bet on media

The year 2010 was a good one for investment in Australia media companies. Lachlan Murdoch (son of News Corp's Rupert Murdoch), James Packer (son of the late media mogul Kerry Packer) and mining magnate Gina Rinehart bought stakes in Network Ten Holdings, which operates the advertising-financed free-to-air TV network of the same name.

Lachlan Murdoch became Ten's CEO, Packer bought his share via his privately held Consolidated Press Holdings, and Rinehart, named Australia's richest person in 2011 by Forbes Asia and BRW Rich 200, bought her stake via mining group Hancock Prospecting. Ten Network's other major shareholder is WIN Corporation.

Rinehart also snapped up 4% of Fairfax Media, one of the country's largest media groups with interests in print media, digital media and radio.

In the same year, US global advertising powerhouse Omnicom took a controlling stake in Clemenger Group, one of Australia's largest marketing agencies, for A\$150m. And UK-based media-buying agency Aegis Group took over the once fiercely independent Mitchell Communication Group for A\$363m.

Earlier this year, media entrepreneur David Kirk bought a 10% stake in SMI Media Index, a national media-measurement company co-founded by journalist Jane Schulze that has ambitions to become a global venture.

### Mediatainment overview

Although comparatively small in size, in terms of geographical topography and population, Australia as an economy has always punched above its weight. For example, there were the recent devastating natural disasters such as the recent floods in Queensland and Victoria. The state of Australia's creative businesses on the world's stage is affected by a strong Australian dollar. This has made the country's exports expensive compared with overseas rivals. Yet, the country has maintained a business-as-usual resilience.

# REPORT

Within the creative sectors, Australia is constantly ranked in the top 10 of the world's music, advertising, film, TV and digital sectors.

Since the country is physically too small to absorb the growth of local talent, it has developed a knack for exporting significant numbers of its creative stars. Award-winning and highly acclaimed Hollywood stars originating from Australia include Cate Blanchett, Nicole Kidman, Eric Bana, Toni Colette, Hugh Jackman, Geoffrey Rush, Rachel Griffiths, Bryan Brown, Guy Pearce and Anthony LaPaglia.

That export of talent is not a recent phenomenon either. Several fans of Australian-born or raised Hollywood megastars of the past such as Errol Flynn, Peter Finch, and Rod Taylor never knew about their Australian connections.

Australian movie directors who have influenced the concept of commercial filmmaking globally include Baz Luhrmann (*Strictly Ballroom*, *Australia*, and *Moulin Rouge!*), Jane Campion, Bruce Beresford, Rachel Ward, Chris Noonan (*Babe*; *Miss Potter*), and the reliable Peter Weir (*The Cars That Ate Paris*, *Picnic At Hanging Rock*, and *The Way Back*).

Music acts from Australia, ranging from rock artists INXS, AC/DC, Nick Cave, Men At Work, The Go-Between to pop stars Olivia Newton John, Helen Reddy, and Kylie Minogue, are global brand names. In classical music, the late legendary soprano Dame Joan Sutherland and guitarist John Williams are international household names. Creative Australians have also been influential in the world of literature (Miles Franklin, Thomas Keneally, Clive James and Colleen McCullough).

Furthermore, Rupert Murdoch's ambitions for global dominance in the media industries has seen him successfully become a market leader in his native Australia, his adopted US, as well as influential on continental Europe and the Middle East.

## **The Australian NBN connection**

Over the years, Australia's federal governments have introduced initiatives to encourage developments in the media sector. Possibly the most ambitious initiative to date must be the National Broadband Network (NBN).

Funded by the government via an enterprise called NBN Co, the NBN aims to give more than 90% of Australian premises access to high-speed Internet connection and mega-fast downloads. Some media reports indicate downloads will be 60 times faster than the speeds currently available, especially with services in the rural regions. Costing more than A\$35bn to build, it has been described as "the single largest infrastructure investment" in

Australian history. As an open-access fibre network, the NBN will be available to the customers of telecommunications companies which agree to link up their own system into the network.

The first NBN connections on mainland Australia took place in May 2011 in Armidale, a city in New South Wales. Internet service provider iiNet hosted that connection.

Even though future plans include its privatisation, NBN's cost to taxpayers has triggered criticism. Although construction began in 2009, by mid-June this year, there were only an estimated 500 customers throughout the country. With several connections being used on a trial basis initially, there are fears that the roll-out might be too slow to be commercially viable.

Secondly, telecommunications market leader Telstra needs to sell a significant portion of its original infrastructure to NBN Co. Telstra needs its shareholders' approval for this move.

Thirdly, detractors warn that the NBN might not fulfil its ultimate ambitions. The 2010 federal election led to the formation of a minority Labor government following the country's first hung parliament in decades. This means existing plans for the NBN could be dismantled if the opposition comes into power during the next national election in 2013.

Despite these uncertainties, supporters point out that, in the 21<sup>st</sup>-century's digital era, Australia will not be the only country seeking to install a national high-speed telecommunications network. To stay competitive, Australian citizens and businesses will need the NBN sooner or later. It is certainly expected to give Australia a firm footing in the rapidly growing global demand for IPTV (Internet-delivered) TV services.

## **Other government media initiatives**

The current federal government has embarked on a series of schemes that aim to support the country's media businesses in the face of fierce international competition.

Stephen Conroy, the government's minister for broadband, communications and the digital economy, last year agreed to give the country's national TV broadcasters rebates from taxpayers' licence fees. The move, designed to encourage the broadcasters to invest in Australian programming instead of cheaper foreign content, should give the local commercial TV networks about A\$165m combined this year. For the country's special-effects (SFX) production sector, the government has broadened incentives designed to boost business. It has raised the tax rebate for related SFX expenditure to 30% from 15%.

# REPORT

Known as the PDV (post, digital and visual effects) Production Offset, the production company receives the rebate when its expenditure on a project exceeds A\$500,000. The move is designed to attract more blockbuster international hit movies such as the Harry Potter franchises and the new Hollywood superhero film Green Lantern, which went to Australia for post-production special effects.

There is also the Producer Offset tax rebate, for Australian-produced feature films, TV movies or series, plus low-budget documentaries. It applies to Australian productions that take place inside and outside the country. The government gave Screen Australia (which offers financial support to the audio-visual media sector) A\$13m to subsidise the industry throughout next four years.

In its bid to participate in the global battle against Internet crime, including digital copyright infringement and piracy, the Australian government is proposing to accede to the Council of Europe's Convention on Cyber-crime. It is a global treaty that enables signatory countries to give each other's law enforcement authorities access to incriminating computer data, emails and telephone conversations.

## **The television business**

Despite the intense focus on the mammoth NBN digital network, digital media is still eclipsed by traditional media in Australia.

The country can lay claim to having one of the world's most competitive free-to-air TV markets. The Australian Broadcasting Corporation (ABC), the state-funded public broadcaster, receives an annual budget of more than A\$1bn.

Like its UK counterpart the BBC, ABC invests significant amounts in TV programme production, TV broadcasting, radio, online and mobile services, plus a commercial unit.

ABC operates four non-commercial television channels, comprising the original ABC1 plus digital-only networks ABC2, ABC3, and ABC News 24. The satellite-delivered advertising-funded Australia Network is ABC's international service to more than 40 countries in Asia-Pacific and India. Most of ABC's TV programmes are produced in-house, by independent production companies, through co-productions or acquired. ABC operates Radio Australia, an international service, four national radio networks and 46 local stations. In 2007, ABC Innovation was launched to ensure that online and mobile digital services were incorporated in all its programming divisions.

ABC Commercial is responsible for generating profit from the broadcaster's various branded products and services, including its programmes to overseas broadcasters. Its literature unit ABC Books recently launched an eBooks service, which will be distributed by HarperCollins Publishers Australia.

To help nurture newcomers in the production sector, ABC's arts and entertainment division has joined forces with the Adelaide Film Festival to launch the A\$400,000 Hive Production Fund. It aims to assist aspiring producers of innovative arts films and screen creativity.

The application deadline for those seeking funding is 29 July, and the successful applicants will see their works screened at the Adelaide Film Festival and on ABC TV in 2013.

## **Aggressively switched-on TV market**

ABC and its commercial rivals have launched free-to-air digital terrestrial TV networks in response to the planned digital switch-off (DSO) in 2013. DSO will see most developed broadcast markets switch off their traditional analogue TV signals and replace them with digital versions. Digital signals enable broadcasters to launch up to 10 channels within the bandwidth that one analogue channel currently occupies.

Australia's new digital channels, including ABC2, ABC3, Network Ten's channel eleven, 7mate from Seven and Nine's GEM, are available on the national Freeview platform. By the end of 2011, more than 70% of Australian homes will have access to digital TV channels. The digital terrestrial channels will be accompanied by a A\$375 government-financed digital satellite TV platform that will offer even more channels during the next decade.

Still going strong amid these changes are Australia's three main commercial TV services: Seven Network, Nine Network and Network Ten. They have been the subjects of feverish investment activity during the last year.

As well as the shares bought in Network Ten by Lachlan Murdoch, James Packer and Gina Rinehart (see above), Nine Network's parent company Nine Entertainment Company is seeking a listing on the Australian Securities Exchange. The flotation is predicted to go ahead this year or next, depending on the state of the global economy.

When it does so, Nine Entertainment (previously known as Publishing and Broadcasting Limited) hopes to raise A\$2bn to help refinance debts due in 2013.

...Continues on page 18

# REPORT

## AUSTRALIA—FACTS & FIGURES

**POPULATION:** 22.6 million

**GDP PER CAPITA:** A\$52,830

**INTERNET USERS:** 17 million

**MOBILE PHONE SUBSCRIBERS:** 25 million

**FIXED-LINE TELEPHONE PREMISES:** 9 million

**VALUE OF MUSIC INDUSTRY (2010):** A\$428m

**AD SPEND (2010):** US\$9.7bn

**CURRENCY EXCHANGE RATE:**

A\$100 = £64.9; US\$105.3; €73.4

### ORGANISATIONS TO KNOW:

**Australian Film Institute**

Australian Chamber of Commerce and Industry

**Screen Australia**

CASBAA (Asia-Pacific cable & satellite TV)

**Australian Communications and Media Authority**

Australian Recording Industry Association

**Australian Mobile Telecommunications Association**

Media Entertainment & Arts Alliance

**Australian Copyright Council**

Australian Writers' Guild

**Australian Amusement, Leisure and Recreation Association**

Gaming Developers' Association of Australia

**Source:** The Economist; IFPI; BuddeComm; Internet World Stats; ZenithOptimedia; Australian Bureau of Statistics

# REPORT

Nine Entertainment's majority shareholder, private equity firm CVC Asia Pacific, would like to claw back most of the A\$5.5bn it paid for its stake in 2006. Nine Entertainment's other assets include its ACP magazines publishing subsidiary and a host of media websites under its Nine Digital division. ACP's consumer and business titles include The Australian Women's Weekly (the country's biggest circulation consumer magazine), the Australian edition of FHM and Rolling Stone, Top Gear, Cosmopolitan, Harper's Bazaar and Grazia.

In April this year, Seven Network's owner Seven Media Group was bought by West Australian Newspaper Holdings for A\$1.98bn (more than A\$4bn when debts are included) to create Seven West Media, now considered the country's biggest media owner.

Led by chairman Kerry Stokes, a high-profile entrepreneur, Seven West Media also owns Pacific Magazine (includes Men's Health, Family Circle and InStyle), a host of regional newspapers, a 50% stake in web portal Yahoo!7, and one-third of Sky News Australia, a cable-and-satellite news TV channel.

At regional level, leading regional-TV broadcaster Southern Cross Media is expanding its portfolio with the A\$700m takeover bid for Austereo, the regional-radio broadcaster that reaches nearly 5 million Australians a week.

## **The pay-TV face-off**

Australia's cable and satellite pay-TV penetration is currently in just over 2 million homes. Yet, it is one of the country's most competitive sectors. Lachlan Murdoch and James Packer have gained direct and indirect influence on Australia's pay-TV market via their interests in Consolidated Media Holdings (CMH). CMH co-owns Foxtel, the pay-TV giant, with Rupert Murdoch's News Corp and telecommunications group Telstra.

Foxtel has made an A\$1.9bn offer to acquire Austar United Communications, the subscription-TV and telecommunications group that is majority owned by US group Liberty Global. The planned merger is said to be in response to the rapidly growing pay-TV sector.

New entrants via IPTV platforms, such as Fetch TV, are planning to snatch market share. Internet service providers are equally mulling the possibility of delivering video content directly to their subscribers. Additionally, Hulu, the successful advertising and subscription-funded streamed video-on-demand service, is reported to be launching an Australian version.

Foxtel shareholder Telstra offers its own pay-TV platform via its T-Box set-top box service, while Foxtel has been broadening its reach by offering TV channels via Xbox LIVE, the online version of Microsoft's Xbox 360 console video game.

Foxtel rival Optus TV, part of the Singapore's SingTel Optus venture, is not taking kindly to the Foxtel-Austar merger and has already complained to the competition authorities about it.

## **Good old-fashioned print**

Falling circulation has not stopped newspapers from being valuable assets to Australia's media owners. Fairfax Media, which operates in Australia and New Zealand, owns the influential The Age (in Melbourne), Sydney Morning Herald, and the business title Australian Financial Review, and a portfolio of rural and agriculture trade magazines in the US. Mining tycoon Gina Rinehart's recent move to acquire shares in Fairfax hints at newspapers' continuing value to Australian investors.

Fairfax battles for readership against newspapers published by News Corp's News Limited. News Limited's titles include The Australian, which is distributed nationally; New South Wales' Daily Telegraph and Sunday Telegraph; and Western Australia's Sunday Times. Fairfax, News Limited, and Seven West Media jointly own the leading national news agency Australian Associated Press.

## **Another Wizard of Oz in movieland**

Australia is recognised as the country that screened the world's first official full-length feature film – The Story of the Kelly Gang – in 1906. Two of the world's most prestigious film festivals take place in the country. The 60th Melbourne International Film Festival, one of the world's oldest, takes place from 22 July to 7 August this year. This year's Sydney Film Festival took place during 8-19 June.

The Australian filmed-entertainment industry has produced a long list of talented international stars behind and in front of the camera. On the Australian soil itself are two competing movie studios.

Sydney-based Fox Studios Australia is a division of the Hollywood original owned by News Corp. Hit movies made at Fox Studios include The Matrix, the Star Wars prequels, and Superman Returns. And Village Roadshow Studios is part of the Village Roadshow Limited entertainment group, which has a long-standing relationship with Hollywood's Warner Bros studio. Located in the Queensland state, the assets of Village Roadshow Limited include

# REPORT

film production (examples are the recent 3D underwater adventure *Sanctum* and the 2009 hit *Daybreakers*); theme parks (including attractions in Australia and the US); a record label (Concord Music Group); a movie-distribution business; and a cinema chain in Australia and the US.

Like several Western economies, revenues from Australia's box-office receipts originate most from Hollywood movies. According to Screen Australia, US-released movies accounted for 83% of the A\$1.1bn box-office receipts in 2010. The number of Australian-produced films accounted for 9% of the total in the same year, and 4.5% of total box-office receipts. The country has also seen the number of movies originating from neighbouring Asian countries grow; they accounted for 23% of 2010 total releases.

Unsurprisingly, the country's two biggest movie distributors that year have strong Hollywood associations. Village Roadshow/Warner Bros represented 24% of the market share, followed by Fox Studios Australia, Paramount Pictures and the Walt Disney Company.

But, in terms of local box-office revenues, the Top 10 Australian movies of all time (until 2009) are also global hits. Starting from the highest earner, they are *Crocodile Dundee* (1986); *Australia* (2008); *Babe* (1995); *Happy Feet* (2006); *Moulin Rouge!* (2001); *Crocodile Dundee 2* (1988); *Strictly Ballroom* (1992); *The Dish* (2000); *The Man From Snowy River* (1982); *The Adventures of Priscilla Queen of the Desert* (1994).

Australian citizens remain avid consumers of cinema entertainment. The number of cinema screens has jumped to 1,994 in 2010 from 892 in 1980. Additionally, the penetration of the new digital screens is gradually increasing – to 452 last year from 27 just four years before. And the 92.4 million cinema tickets sold in 2010 represents a 2% increase from the previous year. With the average ticket price growing to A\$12.26 last year (from A\$9.94 in 2009), cinema attendance in Australia continues to look healthy despite the recent recession.

## **The land of good sports**

The Australian climate falls between the equatorial and the temperate on the mainland. This enables the country to hold a host of popular sport events, creating a land of avid sport fans.

Australian rules football, governed by the Australian Football League (AFL), is more than a national pastime. Australians' love for the game is virtually non-negotiable.

More than 6 million spectators watched AFL matches in 2010, with 100,000-plus fans present at the final. This year's final takes place in October.

In terms of popularity, the AFL is followed by the National Rugby League's State of Origin series. This centres on the best of three games between the two toughest rivals: the Maroons (from Queensland) and the Blues (from New South Wales).

The other major events on the Australian sport calendar include the Australian Tennis Open in January, one of the world's four Grand Slams; the Melbourne edition of the Formula 1 Grand Prix tournament; the Bledisloe Cup (Rugby Union matches between Australia and New Zealand); the Australian marathons; the triathlon series; and the Ironman and Ironwoman stamina contests.

The Ashes, however, must be among the most highlighted Australian events on the international map. The cricket clash between Australia and England started in the 1882/1883 season. Since then, it has been a battle of the wits, wicket and willow to see which of the two nations (the mother country or its commonwealth territory) is the better team. To date, Australia rules with 123 wins compared with England's 100 wins, although England is the current trophy holder.

## **Lust for media sports rights**

Australia's extensive sports heritage has made the TV rights for sports events a highly contested asset among the nation's TV broadcasters. The Australian newspaper reports that Nine Network is determined to grab the rights to the 2014 Winter Olympic Games in Sochi, Russia, plus the 2016 Summer Games in Rio de Janeiro for a possible A\$1.86bn combined. This is despite the fact that Nine seeks stock-exchange listing to clear its debts.

Seven West Media is said to be negotiating to share the AFL's 2102-2016 broadcast rights, for which it paid \$475m in cash, with rival networks Nine and Ten. The unpredictable advertising market reportedly prompted this move on Seven's part. The AFL total contract, including the online rights sold to Telstra and Foxtel's pay-TV rights, is worth A\$1.253bn. That is quite a jump compared with the total A\$780m paid for the rights for the 2007-2011 seasons.

## **The music could be sweeter**

Although ranked the sixth biggest music market worldwide by IFPI, the international trade organisation, sales of Australia's physically distributed music on CDs have plummeted in recent years.

# REPORT

Hurt by fans' increasing preference for listening to music via digital platforms such as streamed and download websites, and MP3 players, Australian record labels have been hurt by drastically falling sales. Online piracy has exacerbated matters as well.

But the damage is no different from the decline in other major music markets worldwide.

Figures from the ARIA (Australian Recording Industry Association) show that revenues from music sales fell 12.4% in 2010 to A\$428m (US\$392.7m). Revenues from physical sales (CDs, videos, vinyl) slumped to US\$267m from US\$350.6m, while revenues from digital sales (including downloadable singles and albums, subscription services, mobile and mastertones) rose to US\$106.6m from US\$80.8m.

In terms of physical media (CDs, music videos and vinyl), the number of units sold last year dropped to 27.2 million from 34 million in 2009. However, units in digital sales (single tracks, digital albums) rose to 52.6 million from 36.8 million during the same period.

As in most music markets today, the rise in digital sales still has not caught up with the rate of physical sales' decline.

## **The songs remain strong**

ARIA says the number of Australian acts in 2010's national Top 100 albums rose to 30 from 26 in 2009. The best-selling Australian act was the brother-and-sister duo Angus and Julia Stone with their album *Down the Way* (EMI Australia), which was ranked 7<sup>th</sup>.

The four major multi-national labels (Sony Music, Universal Music, EMI Music and Warner) cornered the top 10 best-selling albums in 2010. Among the local leading independent labels are Liberation Music, ABC Music, Dew Process, Hillsong Music Australia and Ministry of Sound Australia..

Independent labels are represented by the Australian Independent Record Labels Association (AIR). Winners of the 2010 AIR Awards included The John Butler Trio (Jarrah Records), Dan Sultan (MGM Distribution), Cloud Control (Ivy League Records) and Midnight Juggernauts (Siberia).

Revenues from performing rights (the use of music in public areas) remain relatively strong. This is a situation that the Phonographic Performance Company of Australia (PPCA), which collects royalties for labels and artists when their music is used by broadcasters and public venues, would like to maintain. It wants to do so by demanding that commercial radio stations increase the royalties they pay. Currently, the laws states commercial stations must pay a maximum of 1% of its gross

annual revenue. This, according to the PPCA, yields its members A\$4m a year from 273 commercial stations. The PPCA argues that the amount is insufficient and has appealed to the Australian High Court to settle the matter.

## **Outdoors/outback live entertainment**

The clement climate that has made Australia an ideal venue for major sports events is equally suited for its host of outdoor entertainment ventures. Australia is home to more than 100 open-air festivals. Most of them are specific to the nation's different states such as WOMADelaide, but others such as the Big Day Out are nationally focused. The Big Day Out tours the country with shows held on the Gold Coast, in Sydney, Melbourne, Adelaide and Perth. An additional set also takes place in Auckland, New Zealand.

The UK-originated V Festival is rumoured to be making a comeback next year after two years' absence. Other festivals of note are the Tamworth Country Music Festival, Splendour in the Grass, Soundwave, and the Melbourne International Jazz Festival.

## **Themed attractions**

The same outdoor-friendly climate conditions have made Australia a hit theme-park destination. The market leader among the theme-park operators is Village Roadshow, which has built the majority of its operations along the Gold Coast coastline. Its most popular theme-park and water-park destinations are the Warner Bros Movie World (which is designed around famous Warner Bros brands like the Looney Tunes characters, Scooby Doo and Batman), Sea World, and the Wet 'n' Wild Waterworld.

New on Village Roadshow's books is the planned Wet 'n' Wild Sydney, which is scheduled to open in either 2013 or 2014. Costing A\$80m to construct, it is located on a 25-hectare site in Western Sydney on land leased from New South Wales' state government. Targeted at tourists, families, and teenagers, it predicts about 927,000 visitors in the first eight months after launch. Village Roadshow is confident the new theme park will contribute A\$500m in turnover to the Western Sydney economy in the first 10 years.

Less than a year after announcing its plans for Wet 'n' Wild Sydney, Village Roadshow announced in March that it had agreed to sell some of its Australian and New Zealand attractions, including Sydney Wildlife World, Sydney Tower, and Sydney Aquarium, to UK-based Merlin Entertainments (see page 5) for A\$115m. Merlin, one of the world's biggest theme-park and visitor-attraction operators,

# REPORT

is well-respected for its track record in managing marine-life attractions such as its Sea Life aquarium brand. Merlin, which also manages the Madame Tussauds wax museums worldwide, is planning to launch a Sydney edition next year.

The country's largest individual theme park is the 210-acre Dreamworld. Opened in 1981, it is operated by New South Wales-based Ardent Leisure and is located in Queensland. Among its more than 30 attractions are four rollercoasters and two water rides (a significant number at one destination). This month (June) Ardent is adding another attraction, a circular ride called Shockwave that spins 360 riders at 34 miles per hour and is designed to look like a deep-sea recovery vessel.

Dreamworld also happens to be famous for hosting the Australia Big Brother House, where participants in the pioneering reality-TV show lived under the minute scrutiny of a hidden camera 24 hours a day.

The Australian attractions market is renowned for its designers, such as the Sanderson Group. Sanderson's portfolio includes the design for Warner Bros Movie World, Disney Sea in Tokyo, and Dreamland's White Water World. It recently clinched the A\$140m contract to design a movie-themed attraction at Happyland, the planned A\$2bn destination resort at Ho Chi Minh City in Vietnam. Happyland is scheduled to be completed in 2014.

## Games played to win

The Gaming Developers' Association of Australia (GDAA) estimates that Australian video-games fans will spend A\$5.8bn on digital games between 2011 and 2015 based on research carried by Queensland University of Technology. The GDAA recently requested subsidies from the government to enable the national games-development business to compete effectively with its overseas counterpart. The subsidies will enable Australian games developers and publishers to have the resources to cope with international demand for their skills.

Leading Australian game developers include Sydney-based Team Bondi, which created the current LA Noire hit for the PlayStation 3 and Xbox 360 consoles. LA Noire is the first video game to be shown at the Tribeca Film Festival in the US. Melbourne-based Big Ant Studios created the AFL Live game, which was published by Sydney's Tru Blu Entertainment for the PlayStation 3 and Xbox 360 this year. Wicked Witch Software, of Melbourne, developed AFL (Wii) this year as well.

If aided by the type of government grants awarded to the film and TV industries, the

GDAA argues, the games sector would be able to attract overseas games creators who are currently discouraged by Australia's strong local currency.

That situation, however, has not dissuaded US games giant EA (Electronic Arts) from agreeing to purchase Firemint, the Melbourne-based mobile-games publisher famous for such games-app titles as Flight Control, Real Racing and Agent Squeek. Flight Control and Real Racing are available on Apple's iPad and iPhone.

## For books, read misery

Most of the major international book-publishing houses have a presence in Australia. They include Penguin Books, Random House, MacMillan Publishers and News Corp subsidiary HarperCollins. Local independent publishers include Allen & Unwin, formerly a UK enterprise.

Print-book sales have suffered as digital leisure and entertainment compete for readers' attention and disposable income. While the digitally distributed eBook sector and online retail are developing, the fate of traditional print books remains uncertain. Publishers struggle to decide whether to focus their strategy on the established business, or divert their investments into the new digital medium.

As mentioned above, HarperCollins Australia has just agreed to handle the distribution of a series of eBook titles being published by ABC Books, part of the public-service broadcaster ABC.

However, such digital activities come at the same time that the biggest book seller RED-Group Retail, which owns Borders Australia (originally part of the financially troubled US-based Borders Group) and its sister store Angus & Robertson, is closing down or selling several outlets.

REDGroup Retail, recently placed under voluntary administration, is part of the Australian and New Zealand businesses that UK-based WH Smith sold to private-equity firm Pacific Equity Partners in 2004.

## Haute Couture glows, but cash is needed

The Sydney-based Rosemount Australian Fashion Week (RAFW) might not have the same high global profile as its counterparts in London, Paris, Milan and New York, but it is still considered a major event to watch.

In fact, when the image of a Hindu goddess was displayed on a bikini that was part of a swimwear collection displayed at the RAFW in May, it caused a furore in India where protesters set fire to the Australian flag.

# REPORT

This year is the event's 16<sup>th</sup> anniversary, and the catwalk featured the works of several Australian designers such as Therese Rawsthorne, Karla Spetic, Korean-born Yeojin Bae, Lisa Ho, Alex Perry, plus the duo Pamela Easton and Lydia Pearson.

The event's founder Simon Lock was awarded a laureate by RAFE in recognition for his contribution to Australia's haute-couture business. The fashion sector is worth an estimated A\$14bn in revenues, according to ABC. He sold the original RAFE business to New York-based IMG (International Management Group), which also operates major fashion shows in Berlin and New York, in 2005.

## Luxury retailers expand

It is difficult to assess the fate of Australia's fashion industry. An emerging designer can become a star overnight and take the industry by storm. When success arrives, however, how are these newcomers to survive in the long term when a combination of high cotton prices and the strong Australia currency has made fashion in Australia an expensive business to operate? Consequently, some of the country's most talented designers have been seeking investors with deep pockets. They need to do so if they are to cope with the demand their expertise tends to generate.

**The Gaming Developers' Association of Australia (GDAA) estimates that Australian video-games fans will spend A\$5.8bn on digital games between 2011 and 2015**

But a certain amount of optimism persists as Australia's geographic location means it is near the rapidly growing Asian economies that have triggered a growing demand for luxury products.

This could help explain why the big fashion houses are investing in large retail outlets in Sydney's CBD (Central Business District). UK luxury giant Burberry is opening an 820-square-foot flagship store there. Gucci and Prada are among other luxury-brand fashion retailers that plan to set up new shops there.

## Copyright

Any market with an economy that relies on creative works is vulnerable to copyright theft. The Australian Content Industry Group commissioned a study via research firm Sphere Analysis, which concluded that 4.7 million Australians accessed content illegally in 2010. This cost the creative industry A\$900m.

It also calculated that the number of unauthorised content users could grow to 6.5 million by 2016, costing the sector A\$5.2bn.

The news comes shortly after the Australian Federation Against Copyright Theft (AFACT) lost a major court case against iiNet, the country's second biggest Internet service provider. AFACT had accused iiNet of effectively encouraging copyright abuse among its customers as it allegedly made no effort to block serial pirates.

**Australia's haute-couture business is worth an estimated A\$14bn in revenues, according to industry reports.**

AFACT, which represents US and local movie studios, including Village Roadshow, and TV networks, has also issued figures that indicate movie piracy alone cost the sector nearly A\$1.4bn last year.

Losing the iiNet lawsuit was a bitter blow to AFACT, which however has been told it need pay only 60% of iiNet's legal costs (as opposed to the full reported A\$3.8m).

In response to iiNet's victory, Australia's Internet Industry Association has decided to formulate its first-ever industry copyright code to advise its members of Internet service providers about their rights and what they are legally obliged to do.

Considering that content owners' 2005 landmark victory against KaZaA, the illegal file-sharing service provider, took place in Australia, it is fair to assume that the country's relevant organisations will continue their relentless anti-piracy battles to protect the works of all creators. *CTF*

**For more news on copyright issues  
Turn to page 13**

# REPORT

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# FEATURE

## MUSION: THE Q&A SESSIONS

**James Rock, at UK hologram media group, discusses Madonna, Burberry, opera, a 19th-century ghost and creating original content**

- **His job:** As a director of the board, James Rock forms one part of a triumvirate, including founder Uwe Maass and Ian O'Connell, that jointly owns and operates London-based Musion Systems, the media-and-entertainment hologram developer.
- **He joined** Musion as UK licensee in 2002.
- **Previously:** Was working in the traditional events-lighting business in Dubai when he had his "road to Damascus" moment on seeing his first hologram of a living person. It was being transmitted by Musion, which was founded by Maass in Germany in 1996.

Rock handles the content and marketing of Musion's holograms with the technology that has impressed stars such as Madonna, The Black Eyed Peas' Will-i-am and X Factor's creator and music impresario Simon Cowell.

Among its different applications, the platform can make 3D holograms of stage entertainers look like real people. This holographic 'illusion' can interact with and talk to real people on stage and venue audiences in real time. It is used in concerts, fashion shows and marketing campaigns. Clients have included high-profile celebrities, captains of industry, and corporations (**page 31**).

Musion's technology is centred on a 21<sup>st</sup>-century HD version of Pepper's Ghost, the 19<sup>th</sup>-century optical illusion used in magic tricks, theatres, and theme-park haunted houses.

Using a heavy glass plate and lighting, the original Pepper's Ghost could make objects appear and disappear. Instead of the unwieldy, inflexible and potentially dangerous plate glass of the original,

Musion's version deploys a clear, flame retardant foil, which is supplied on a roll.

This gives Rock the benefit of being able to create large, crisp and solid believable Musion 3D images, something that has not been possible before now.

Musion can make entertainers be in two different venues at the same time. Its application can also be the closest audiences will get to seeing a person being beamed up from somewhere else into another room, as on the cult sci-fi TV series Star Trek.

In addition to working with other creative industries, the company is producing original content. Currently, 80% of its business is overseas. It seeks investment to expand at home and abroad.

**MTF: What inspired the Musion concept?**

**Rock:** While working in Dubai at a different company, my Arab clients (in the audio-visual lighting business) kept demanding something that had never been done before. So we would try and re-invent lighting shows.

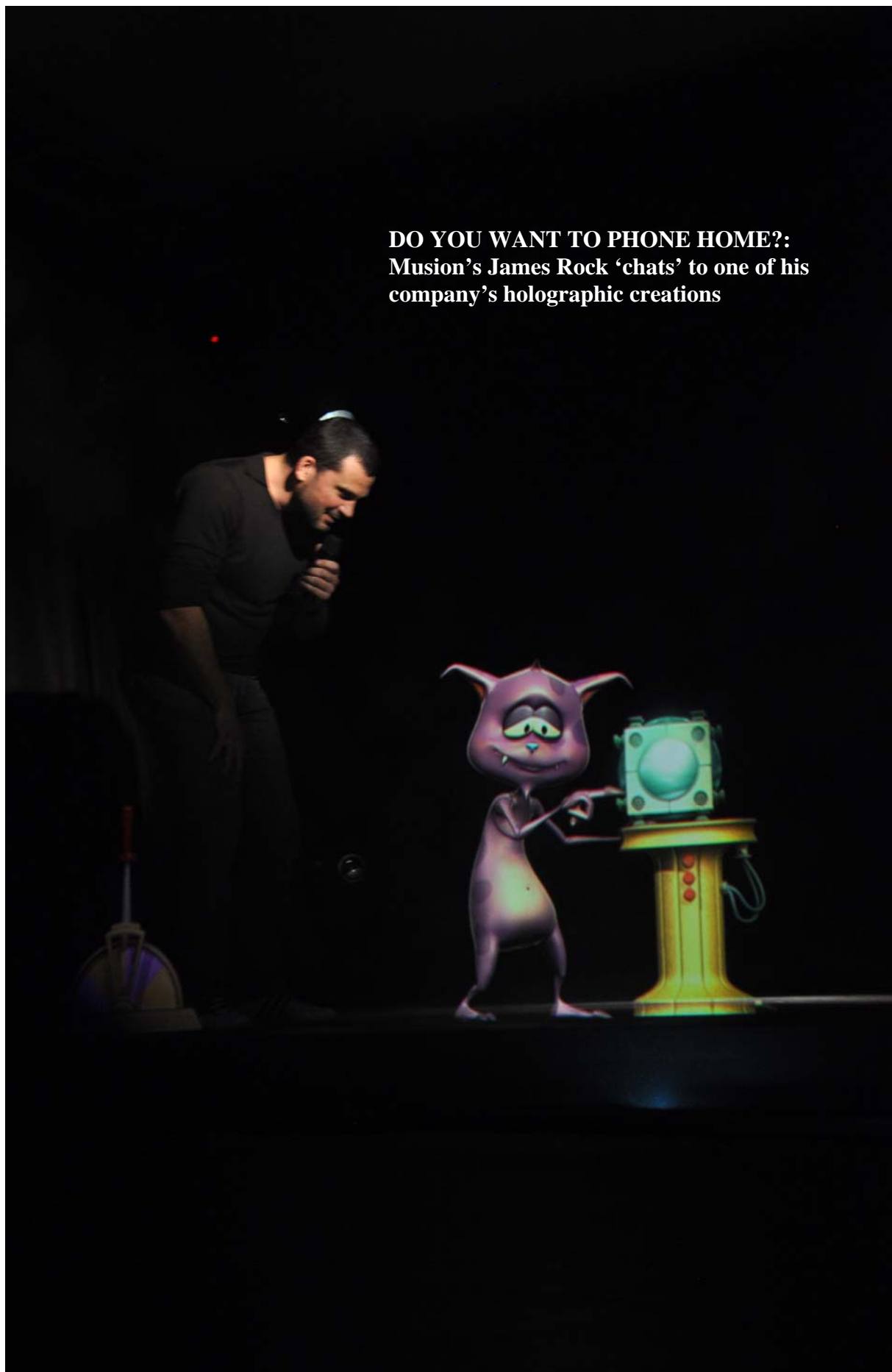
A colleague told me about Musion, which happened to be in Dubai in 2002. I met up with them and became rooted to the spot when I saw them make a girl appear and disappear in a hotel ballroom. I realised, there and then, that was truly different. That's how I met Uwe, Musion's original founder, who had patented a system based on Pepper's Ghost (see above).

**MTF: What was the first serious commercial application for you?**

**Rock:** I had been working with BMW Middle East, which wanted something spectacular to launch its 7 Series across the Middle East. ....**continues on P.28**

# FEATURE

**DO YOU WANT TO PHONE HOME?:**  
Musion's James Rock 'chats' to one of his  
company's holographic creations

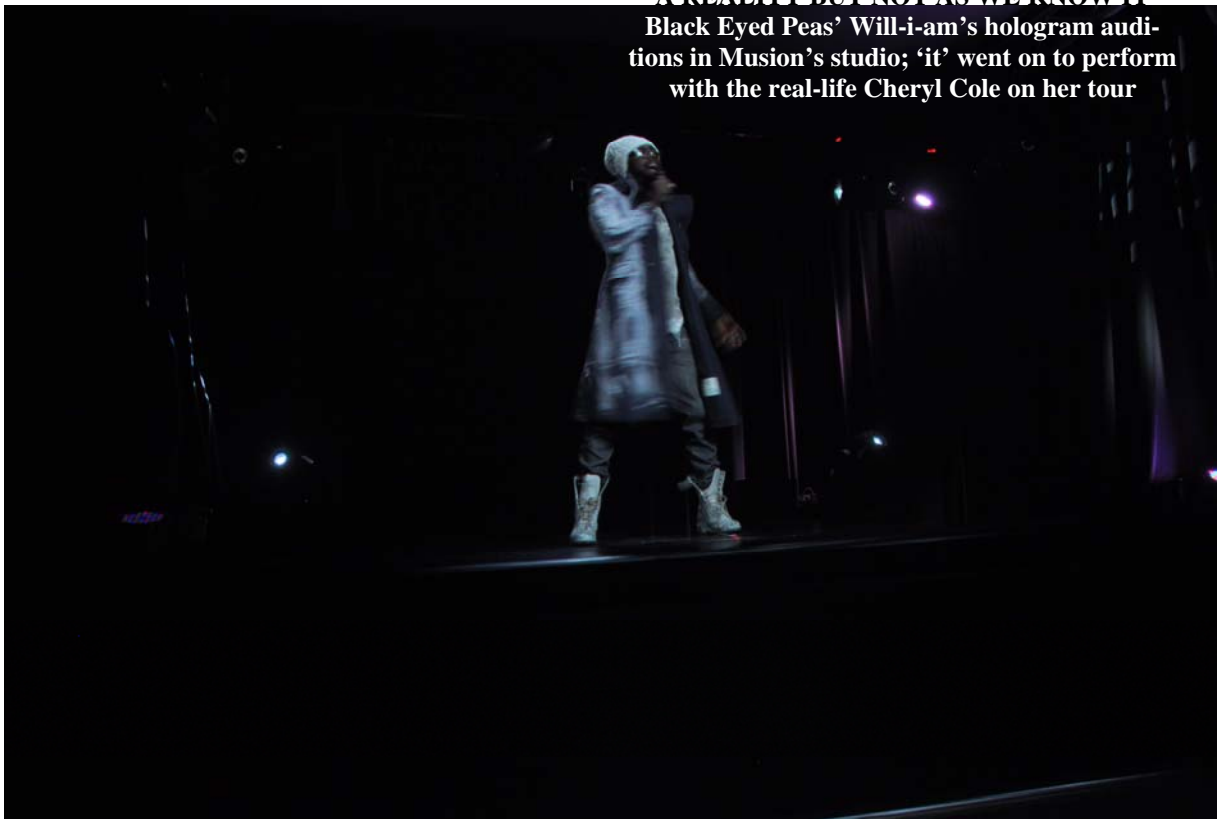


# FEATURE



**WHICH TWO PEAS ARE IN THE POD?**  
The Black Eyed Peas quartet performs at France's NRJ Awards in January; but only two of them are real

**A REALITY BUT NOT AS WE KNOW IT**  
Black Eyed Peas' Will-i-am's hologram auditions in Musion's studio; 'it' went on to perform with the real-life Cheryl Cole on her tour



# FEATURE

**THERE IS ONE REAL DANCING QUEEN:**  
A fan (second from left) dances with Avatars  
of ABBA



**ME AND MY SHADOW**  
(left) The hologram of a  
singer is filmed in real  
time



**GHOSTS IN A MACHINE:**  
Ethereal possibilities with  
Musion technology

# FEATURE

Uwe and I got the job done.

By the 1990s, the audio-visual sector was moving to HD, which had brighter video projectors. With that, we enhanced the Pepper's Ghost technology further. I returned from Dubai to be Musion's UK licensee.

Also, instead of the glass plate used in the original Pepper's Ghost, which was restricted to 3 metres x 3 metres image, we used an optically clear foil that could be as high as 4 metres and, theoretically, several kilometres long.

The roll of foil is easily transported and installed in rooms and venues that could not have been used otherwise. Transporting heavy and huge sheets of glass around simply was not practical.

**MTF: What made you and your partners believe you would succeed?**

**Rock:** We believed in the technology's intellectual property. As far as we know, we were the only company in the world specialising in that. We made a decision to be self-funded, which meant we could test the water and market the service ourselves.

It looked as if it had the potential to be profitable, if used effectively. There is a degree of novelty to it, but it is also a blank canvas. You are only as good as the content you put on there and we have made it our mission to do things that really surprise people.

A big coup was having a 3D hologram of Madonna and (animation band) Gorillaz perform at the 2006 Grammy Music Awards.

**MTF: What other creative developments did you have to offer?**

**Rock:** Up until 2008 the holograms were pre-recorded. We've now got our Telepresence technology, where the hologram has a conversation in real time with a real-life person on stage. The life-like holograms of a music act can be in three to 10 different places at the same time and perform live across

continents. Meanwhile, the real artist need be in only one place.

**MTF: That sounds like a logistical and costly nightmare.**

**Rock:** In terms of operational cost, what we charge would be bundled together with the cost of using Musion-enabled venues across the world, as we would need to go out to the 10 different venues with crews to set up our system. But it can be done.

We did a job for (global recruitment and human-resources group) Randstad last year on its 50<sup>th</sup> anniversary. We did 26 events around the world simultaneously, although that content was pre-recorded.

In terms of cost to clients, there is an economy of scale, and our costs reflect that. Also, the discounts are viable for us (in terms of margins).

We want to develop repeat business and offer generous licence discounts from the second job onwards. A typical one-off licence comes in at around £25,000 per 6 metres wide foil but you are immediately into a 20% discount for the next four and 30% after that.

We have also developed small, stand-alone units that rent for £13,500 per week as a lower entry system.

**MTF: Your clients range from corporate to creative artists; what were the challenges persuading them to participate in this new technology?**

**Rock:** If there has been any scepticism about Musion, it has been among established theatrical set designers. Because the (original) Pepper's Ghost technology has been around for 140 years, they felt they knew it. And, granted, there were limitations to that Pepper's Ghost; it does not have crisp clear images of Musion. There have also been concerns about sightlines but we have solved that by producing our larger 8-metre foil.

Once we get in front of the doubters, most change their minds very quickly. One example is Patrick Woodroffe, the lighting designer for Sarah Brightman's shows, whose production team wanted to use us on her tour.

# FEATURE

We did the test and he was happy that it did not affect what he did. He even felt it gave him the chance to do new things.

**MTF: What are the challenges in finding investors – for a concept where technology and content creativity are interdependent?**

**Rock:** We've been self-funded from the start and therefore debt-free. But we have now reached the stage where we feel we cannot grow quickly enough organically and want to accelerate that growth path. The quickest way to do so is to raise money. We're considering angel funding for the first round, followed up by more established venture-capital institutions for the second round.

We've appointed an interim CEO Bill Hassebrock who is helping us move away from being just entrepreneurial to becoming more established.

**MTF: Examples of other Musion technology applications?**

**Rock:** While our technology looks like 3D, it is in fact 2D-projection technology. The viewer is made to think it is 3D, but 3D technologies can work alongside Musion, if required. For example, take augmented reality, the visual-recognition system that makes users feel they have an actual product in their hands. With these technologies, Musion can create a visual that feels as if a product is situated right next to them on stage. The audience will see 3D content track and move with the performer in real time.

**MTF: Do you have ideas of future applications that Musion might develop: such as a theatrical play?**

**Rock:** In April, we did our first opera in Italy. It is called Telesio and was created by Franco Battiato, the Italian composer/filmmaker. It had virtual performers mixing with real singers on the stage. Just before that, we had been in Beijing with (design-label giant) Burberry. Now, we're in Las Vegas with Celine Dion

using the (largest ever) Musion foil 28 metres x 8 metres in size.

**MTF: Creators say the ability to tell a story is crucial to engaging audiences. Does Musion have that skill?**

**Rock:** We're trying to develop (concepts), such as recording the performances of artists, comedians and other types of performers so that we can license out those recordings in the future.

It generates revenue for the artist or talent, who does not need to be physically present at every performance to earn income. Of course, it will not replace the experience of seeing an (real-life) act at a live show, but bringing back (to hologram life) the young Frank Sinatra at Simon Cowell's 50<sup>th</sup> birthday was magical.

Once something like that has been produced, we can keep using it and share the revenues with the image rights holders. That is extra money they would not otherwise make without Musion's patented system, just as we can't make money without their (copyright) consent.

In the meantime, Musion is working with (unsigned) talent and acts to create our own original content.

**MTF: Considering the fears caused by Internet piracy, what are the copyright issues for Musion?**

**Rock:** There are some barriers to entry when attempting to reproduce a professional Musion show. Some have said they can do what we do, which has led to patent litigation.

In terms of piracy, you cannot plagiarise what we do for performers, because you cannot replicate what audiences are seeing with their own eyes. You cannot even record it with a camcorder, the way movies in the cinema are, or press (illegal) copies the way you can with DVDs. *MTF*

# FEATURE

Musion Systems' Milestones -The Timeline	
1998:	Musion's first patent is the Eyeliner System, the high-resolution imagery that makes holographic objects look real
2002:	James Rock meets Uwe Maass, Musion's original founder and inventor of its hologram technology, in Dubai
2002:	Musion's first major corporate client: BMW Middle East for the 7 Series car
2003:	Rock becomes Musion's UK licensee
2004:	First Eyeliner client – General Motors needs to exhibit its only Vauxhall Astra for car dealers at the European launch in Valencia, Spain
2005:	James Rock ceases to be a licensee and Rock, Uwe Maass and Ian O'Connell become equal partners in Musion
September 2005:	First high-profile celebrity client Richard Branson, a hologram version of whom launches a new digital-music download service at Virgin Megastore's Oxford Street branch in London
October 2005:	Gorillaz, the virtual alternative rock/hip-hop band led by Damon Albarn and Jamie Hewlett, performs as holograms on stage at the MTV Europe Music Awards with US hip-hop act De La Soul. The spectacle was produced by London-based Passion Pictures for EMI
February 2006:	A hologram version of Madonna performs with virtual rock band Gorillaz at the US Grammy Awards
October 2009:	Musion 'resurrects' the young Frank Sinatra to perform at Simon Cowell's 50 <sup>th</sup> birthday
January 2010:	The Black Eyed Peas has the audience at France's NRJ Music Awards guessing which two members of the band are illusions and which two are real. Fergie and Taboo's images disintegrate on to the stage, leaving the real Will-i-am impressed and relieved that the concept worked without a hitch
April 2011:	Musion's first opera Telesio by Italy's Franco Battiato at the Rendado Theatre in the southern Italy city of Cosenza
April 2011:	Musion's holograms of catwalk models are part of Burberry's spectacular extravaganza in Beijing, where the fashion-design giant was opening its biggest retail outlet
May 2011:	Celine Dion performs with holograms of herself and other singing stars using the ground-breaking 8 metres x 12 meters Musion plastic foil installed in Caesar's Palace, Las Vegas

# FEATURE

## Musion Systems' Technology Media-and-Entertainment Clients and Users Past and Present

ABBAWORLD Exhibition	Adidas
BT	Bacardi
Black Eyed Peas	Burberry
Cadbury's World	Candy & Candy
Celine Dion	Cisco
Diesel	Fiat
Ford	Girls Aloud
Gorillaz	Janet Jackson
Live Earth/Al Gore	Madonna
Nokia	Prince Charles, The Prince of Wales
Reebok/Lewis Hamilton	Rostelecom
Samsung	Sarah Brightman
Simon Cowell	Sinatra Estate
Telstra	Tokio Hotel
Virgin Retail/Richard Branson	Vodafone
Yota	

# FEATURE

# THE CREATIVE CORPORATE

# PROFILE

## Google, United States/Global

**Google Inc., the US** Internet search-engine pioneer, must be the biggest contemporary influence on how the world consumes media today. Its technology enables anyone, from business magnates to school students, to navigate the Internet's global platform for information on almost any topic. That same system generates income by using "algorithms" to place relevant advertisements next to the search results.

Just 12 years after it was founded by Stanford University graduates Larry Page and Sergey Brin, Google has become one of history's most powerful brands. However, over the years, this technology-focused group has invested billions of dollars in the global media-and-entertainment business.

Page, who is the current CEO, Brin and executive chairman Eric Schmidt are spreading their evangelism to make technology, media and entertainment accessible to all.

Nevertheless, are they operating a media-engineering organisation or is their ultimate goal centred on media and entertainment?

### **Google and global contemporary culture**

Today, Google permeates people's everyday lives and "Google" is no longer just the name of the company. It is part of modern culture. It is used as a verb in the everyday English language (as in "to Google" someone).

Heads of states ask the company's top executives for their opinion of the Internet's global impact on business and social lives. Those same executives are regularly asked to account for their technology's ability to access individuals' personal information and control that information for Google's commercial ambitions.

### **Google the money machine**

Google Inc is among that rare species of dot-com companies that successfully monetised its technology. Quoted on the US' Nasdaq stock exchange, the corporation with headquarters in Mountain View, California, earned revenues

of US\$29.3bn in the 2010 fiscal year and reported net profits of US\$8.5bn.

In the first quarter of 2011 ending 31 March, revenues jumped 27% to US\$8.6bn compared with the same period in 2010. International revenues outside the US accounted for 53% of the first quarter's total. The UK alone brought in US\$969m, representing 11% of the total in the same first quarter.

The company has more than 26,000 full-time employees worldwide and experts estimate it would have a value of US\$171bn were it sold in 2011.

Google generates most of its income from advertising served online by its AdSense technology. The AdSense system places ads, in the form of text, images or videos, next to relevant search results that Google users have requested. The ads could appear on Google's own websites or the websites of third parties that have agreed to be part of the AdSense programme.

The advertisers pay a premium every time their ads are placed next to search results featuring specifically relevant keywords or phrases. There is also the 'cost-per-click' charge every time an online user clicks on an ad that takes them to the advertiser's website.

Revenues from ads placed by AdSense on Google's 180+ websites reached US\$2.43bn during 2011's first quarter, representing 28% of the total revenue yielded during those three months.

### **Google the technology company**

Google's founders and executives believe the world could become a better place if information and media are organised efficiently and made easily accessible to everyone. Since 2001, Google has built a portfolio of more than 100 technology products designed to make its advertising, search, data storage and content distribution systems work seamlessly together.

...Continues on page 34

# MTF Diary

## ***Cannes: Cannes Lions International Festival of Creativity***

19-25 June 2011

@: Palais des Festivals

Organised by: EMAP

About: Gathering of international advertising leaders and creatives

Details: [www.canneslions.com](http://www.canneslions.com)

## ***London: Music 4.5-The Death of Collective Licensing?***

22 June 2011

@: eOffice, Central London

Organised by: 2Pears7-9 December 2011

About: Music entrepreneurs, investors

Details: [www.music4point5.com/collective.html](http://www.music4point5.com/collective.html)

## ***Pilton (UK): Glastonbury Festival***

22-26 June 2011

@: Worthy Farm, Pilton, Somerset

Organised by: Michael Eavis; Glastonbury Festivals Ltd

About: U2, Coldplay, Beyonce at Europe's biggest music fest

Details: [www.glastonburyfestivals.co.uk](http://www.glastonburyfestivals.co.uk)

## ***Berlin: MLOVE ConFestival***

29 June-2 July 2011

@: Castle Beesenstedt, Saxony-Anhalt

Organised by: Mlove; Harald Neidhardt

About: Conference on mobile media, technology, entertainment, brands

Details: [www.mlove.com](http://www.mlove.com)

## ***London: Music 4.5-Brand Discovery***

7 July 2011

@: Central London

Organised by: 2Pears

About: Music entrepreneurs meet tech start-ups, artists, managers

Details: <http://www.music4point5.com/brand.html>

## ***Venice: Venice International Film Festival***

31 August-10 September 2011

@: Ca' Giustinian, Venice

Organised by: La Biennale Di Venezia

About: International Film Festival; Al Pacino is Filmmaker 2011

Details: [www.labiennale.org](http://www.labiennale.org)

## ***New York City: Delivering Alpha***

14 September 2011

@: The Pierre

Organised by: CNBC; Institutional Investor

About: Global investment conference

Details: [www.delivering-alpha.com](http://www.delivering-alpha.com)

## ***Milan: Fashion Week (Women's Wear)***

21-27 September 2011

@: Various in Milan

Organised by: Camera Nazionale della Moda Italiana

About: The latest from Gucci, Prada, D&G, Versace, Armani et al

Details: [www.cameramoda.it](http://www.cameramoda.it)

## ***Cannes: MIPCOM 2011***

3-6 October 2011

@: Palais des Festivals

Organised by: Reed-MIDEM

About: Cutting-edge debates about future of entertainment

Details: [www.mipworld.com](http://www.mipworld.com)

## ***London: Internet Week Europe 2011***

7-11 November 2011

@: various venues

Organised by: international academy of digital arts and sciences

About: Annual gathering of tech and media leaders

Details: [www.internetweekeurope.com](http://www.internetweekeurope.com)

## ***Paris: LeWeb'11***

7-9 December 2011

@: Eurosites Les Docks

Organised by: Loic and Geraldine Le Meur

About: European entrepreneurs, investors

Details: [www.leweb.net](http://www.leweb.net)

## ***Groningen: Eurosonic Noorderslag***

11-14 January 2012

@: Groningen, The Netherlands

Organised by: Eurosonic Noorderslag; Buma Cultuur

About: European music conference and festival showcase

Details: [www.eurosonic-noorderslag.nl](http://www.eurosonic-noorderslag.nl)

## ***Utah (US): Sundance Film Festival***

19-29 January 2012

@: Park City, Utah State

Organised by: Sundance Institute

About: Indie filmmakers' premier gathering

Details: [www.sundance.org](http://www.sundance.org)

## ***London: 2012 Summer Olympic Games***

27 July-12 August 2012

@: Olympic Park and various venues

Organised by: LOCOG

About: The world's greatest sporting event

Details: [www.london2012.com](http://www.london2012.com)

# FEATURE

**Google ...continues from page 30** In addition to its own inventions, Google has spent between US\$1bn and US\$2bn (and that's a conservative estimate) buying other technologies in the past three years alone.

## **Android is alive**

Having dominated the Internet search-engine sector for fixed desktop computers, Google needed to make inroads in the rapidly growing mobile-computer sector. Thanks to the advances made in broadband Internet's reach, the number of Internet-enabled mobile devices (laptops, smartphones, and computer tablets such as Apple's iPad) is equally soaring.

According to ABI Research, the number of subscriptions for mobile broadband-enabled devices will reach 1 billion units by the end of this year. This will allow consumers and businesses to consume a variety of online data and content, from text, images to TV programmes and 3D videos, on virtually any mobile handset and device. ABI Research concludes that revenues from mobile broadband will reach US\$36bn by 2016. Google will want a piece of that action.

To that end, it bought the Android mobile operating system (OS) in 2005 to challenge mobile-phone makers like Apple and RIM, which produce the Internet-enabled iPhone and BlackBerry mobile handsets respectively, and Nokia.

Android OS is developed with open-source technology. This allows third parties to contribute to its improvement via an open platform. By the beginning of this year, industry observers were declaring Android the best-selling platform for smartphones globally. And 350,000 Android phones are activated daily.

To support the technology, Google has launched an online store called Android Market to sell Android-compatible mobile apps created by third parties. Users can browse the 'market' to download free and paid-for apps to mobile computers or phones to play games, apply widgets, listen to music and read maps, among other uses. There are now 294,000-plus different apps on Android devices that have been downloaded more than 3 billion times (although that is still a fraction of the 10 billion+ apps downloaded via rival Apple's App Store).

## **Google's Chrome browser**

The Chrome browser enables the company to challenge computer giants Microsoft and Apple, whose respective browsers are Internet

Explorer (IE) and Safari. Browsers are instrumental to a digital product's reach as they enable people to 'read' the digits of zeroes and ones that make up a website's text, pictures and videos. Developed in-house by Google and released just three years ago in 2008, Chrome already accounts for more than 12% of the world's browser users, compared with the more established IE's 43%+, and Safari's 6%+.

## **Other Google technology products**

Google's use of software application can be seen in **Google Maps**, which are digital maps featuring high-resolution satellite images and pictures of various urban areas around the world.

Google Maps is part of **Google Earth**, a virtual 3D image of the planet that is available in nearly 40 languages. Combining 3D technology, aerial photography and satellite images, Google enables users to gain a bird's eye and panoramic views of most parts of the world. Underpinning the images on Google Earth is the **Street View** technology, which can give close-ups of street scenery. It is installed in cameras attached to specially adapted vehicles that range from cars to bicycles, tricycles and even snowmobiles. The mobile cameras are driven along to capture 360-degree shots of streets around the world.

## **Advertising technology**

To stay one step ahead of competitors with the expertise of placing advertisements next to online search results, Google purchased mobile advertising platform AdMob in 2009 for US\$750m. It currently serves more than 40 billion display, banner and text ads on mobile devices every month.

In 2008, Google also paid US\$3.1bn for DoubleClick, the online advertising platform that serves ads on websites and analyses their performance. A host of global brand owners, such as Coca-Cola, L'Oreal, Nike and local advertisers use DoubleClick and AdMob.

## **Social media Holy Grail**

Unable to settle on only its search-engine's dominance only, Google has been investing in social media. On June 1, **Google** executive chairman Eric Schmidt admitted, at a California conference, that the company "screwed up" in

# FEATURE

not recognising the potential challenge posed by social-media network Facebook. Facebook has more than 600 million registered users and is expected to surpass Google as the world's most powerful Internet influence eventually. Facebook has reportedly rejected offers of close collaborations with Google.

This explains why Google has been making tentative inroads into its own social-media projects, starting with the launch of its ad-financed email service Gmail in 2004. Gmail is the foundation for Google Buzz, a social-media network launched last year. Other online applications such as Google Sidewiki, Google Hot Trends, Google SearchWiki and Google Wave are efforts designed to encourage Google users and their friends to connect and share their experiences within the Google hub.

## **Controversy courts technology**

Every time consumers use a search engine or social-media network, their online search activities are recorded and kept on colossal databases managed by the service provider.

Google's critics, from regulators to consumer advocates, are constantly demanding to know what exactly does a company, with more than US\$36bn in cash, plan to do with the billions of personal data it collects. Chinese hackers' recent attack of high-profile Gmail account holders puts Google's privacy policies under the spotlight yet again.

Google maintains that it keeps users' personal data for up to 18 months and after that they are then turned into anonymous data for research only. In March, however, it was forced to make a pledge to the US Federal Trade Commission to improve measures to protect its websites' users.

## **Google enters the TV living room**

By all accounts, television continues to be the most powerful medium in terms of how people are informed and entertained, despite the Internet's greater reach.

Considering that television, as a household appliance, first became established from the 1930s, one wonders whether the launch of Google TV in October 2010 was regressive or an ingenious step towards being part of the future in media and entertainment. Google TV is a connected TV platform, which is the current rage among consumer-electronic goods manufacturers. Its interactive technology enables

enables viewers to watch traditional broadcast programmes and access content from the Internet on the same TV set.

Connected TV will be one of a myriad of devices, including mobile phones, video-games consoles, and even kitchen appliances, which will be Internet-enabled. According to Hans Vestberg, CEO of electronics giant Ericsson, there will be 50 billion connected electronic devices globally by 2020. Google TV, which is designed to be part of those billions, is powered by the Android operating system and operated with the Chrome browser.

Google joined forces with Intel, the computer-chip maker, Sony Corp, Logitech and Samsung Electronics to produce a limited run of Google TV sets. But then Google hit an obstacle. Although it had the endorsement of US satellite TV platform DISH Network, the Hollywood studios stalled.

They refused to license the prime-time programmes needed to make Google TV a must-have product for consumers. US broadcast and cable networks, including ABC, NBC and cable-TV programme maker Viacom, blocked Google TV from accessing their programmes.

They fear that Google TV's ability to access the Internet, which illegal pirates use to steal TV shows via computers, could make their shows vulnerable to piracy on TV as well. Eventually, Google hopes to reassure them that their programmes are safe on its TV platform.

## **A technology or media entertainment company?**

It is one thing to develop technology that aims to improve the distribution of other companies' media and entertainment, including TV programming, and enhance consumers' experience. It is another to invest directly in the creation of media and entertainment. And Google has been doing much of that lately.

This partly explains the provenance of the recent article called The Evolving Mission of Google, by the New York Times' David Carr, in which he asked whether Google is a technology or a media company.

## **Google invests in content creativity.**

In April, Google opened offices for a dedicated entertainment division in Beverly Hills, California, in a building costing US\$6.3m to lease.

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The company has also appointed former executives from entertainment companies. They include Robert Kyncl, who left movie-rental company Netflix to be Google's vice president of TV and film entertainment. This seemed to confirm Google's desire to be part of the international entertainment establishment.

There had been hints of this when the company paid the then staggering US\$1.65bn for YouTube, the video-sharing website, in 2006. When YouTube was launched in 2005, it initially focused on only user-generated content (UGC). This comprised mostly home and prank video clips that YouTube, whose slogan is "Broadcast Yourself", enabled non-professional online users to upload for free. Since acquiring YouTube a year later, Google has been applying its search and advertising algorithms to monetise the UGC. That has not been totally successful.

Its next move was to start forming partnerships with producers of professional full-length videos and TV programmes. It has created branded 'channels' of content for the UK's Channel 4, BBC Worldwide, and worked with UK news aggregator ITN, for example. These content owners can generate income from the advertising Google can insert into, serve next to, or superimpose on to their videos.

## Professional producers are YouTubed

YouTube's evolution now includes online streaming of live events such as the recent Indian Premier League cricket tournament, US President Barack Obama's State of the Union speech and a U2 concert.

Since last year, you are able to rent streamed movies for US\$2.99-\$3.99 via its US video-on-demand service. For this, it has licensed movies from the Weinstein Company, Lionsgate, Sony Pictures Entertainment and other Hollywood and US independent distributors.

It hopes to get 20<sup>th</sup> Century Fox, Paramount Pictures and Disney on board soon. Should it do so, the move would place YouTube in a position to compete against the pay-per-view online services offered by Netflix, Amazon and Apple's iTunes Store.

In May, Google then purchased Next New Networks to give its online videos the high-resolution quality expected on TV screens. It has also bought Ireland-based Green Parrot, which enhances video quality.

## Google woos Hollywood

High-quality videos on YouTube could help attract high-calibre professional filmmakers to make YouTube's videos ideal viewing content on Google-TV screens. To support that goal, the **YouTube NextUp** initiative invites aspiring film and TV producers to pitch for investments of US\$35,000 to create original premium programmes for YouTube.

The **YouTube Creator Institute**, an offshoot of YouTube NextUp, was unveiled in March 2011. Its mission is to establish more professional and amateur video-production partners, who can be nurtured to create YouTube-friendly content.

YouTube has formed partnerships with academic institutions, such as the University of California School of Cinematic Arts, for the relevant courses. Moreover, media reports claim Google plans to pump a US\$100m investment in attracting celebrity filmmakers and actors to create original entertainment for YouTube.

With 3D blockbuster movie Avatar costing more than US\$300m to produce and promote, Google cannot be having global hits in mind for its US\$100m. But the sum is not insignificant either.

Additionally, YouTube statistics indicate it has the potential to be a powerful player in video entertainment. It is localised in about 30 countries in 43 languages; it is available on more than 350 million screen devices; 35 hours of videos are uploaded every minute; it boasts 2 billion views a day; it has 10,000+ "partners" producing content for the platform, "hundreds" of whom make six-figure revenues a year; and by the end of 2010, YouTube had had more than 700 billion video playbacks since its launch. Research by Citigroup indicates that YouTube yielded about US\$544m in new revenue after paying its content partners from advertising revenues last year and this should increase in 2011.

## Investments in non-video creativity

In addition to its investments in original video content, Google has been focusing on other art forms. **The Google Art Project** sees the search-engine giant hook up with 17 internationally renowned museums to bring some of the greatest works of fine art online to the masses. Launched earlier this year, Google used its **Street View** technology to snap up panoramic shots of the museums' interior.

# FEATURE

It then took photographs of more than 1,000 paintings, and a selected few were shot with "super high-resolution" cameras and dubbed Gigapixel Artwork. Google's super high-resolution copies of the paintings enable online viewers to zoom in and enlarge sections for the kind of detailed close-ups not available to museum visitors.

Among participating venues are New York's Museum of Modern Art, London's National Gallery and Amsterdam's Van Gogh Museum.

After months of rumours, Google entered the digital-music business and launched **Music Beta by Google** in May. It is a cloud-based service designed to allow music fans to upload all their music collection on to digital locker, which they can access to listen to anytime, anywhere and via any Internet-enabled device.

For that, Google needed the permission of the record labels and their artists. They refused, so Google has launched a limited invitation-only version that allows only 20,000 songs to be uploaded. Some music devotees have millions of songs in their collection. Google has stated it plans to continue negotiating with the labels.

Google has invested in Zynga (**see MTF Issue 1**), the popular social-games developer. It is also negotiating with authors, book publishers and US regulators to build an online library containing digital copies of the world's books via its controversial **Google Books** venture, now the subject of a bitter legal wrangle.

## Google: is it copyright or wrong?

Google argues that its ambition is to make all media and entertainment available online while generating income for creators.

Rights owners respond that they should be the ones who decide when, where and how their works are used, and for viable royalty rates. Several, including US media group Viacom, music labels, and the UK's English Premier League, have sued Google and YouTube for allowing people to upload TV programmes and music videos without the required permission.

Google's compromise is to warn video uploaders they risk prosecution if they upload content illegally. It operates Video ID, a system that verifies uploaded videos against a database of copyrighted videos. Google's plans to set aside US\$500m to respond to US and European regulatory investigations into its privacy and anti-piracy policies point to more future challenges.

## What the future holds

Google began life as a search-engine pioneer, but it is getting more famous for defending itself against copyright and privacy abuses. It is now better known for trying to build a digital legacy in the entertainment business than groundbreaking news of search-engine developments. Technology company, media distributor, entertainment creator – Google is in a position to use the Internet to be all three but is in danger of eventually becoming master of none. *MTF*

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## **BILLION DOLLAR BLAST**

### **Investor Spotlight**

### **Saul Klein**

### **Index Ventures**



*In each issue of MTF, an investor specialising in the media, entertainment and the cultural arts, is invited to go on a Creative Spending Spree.*

*In this fantasy column, the investor has access to US\$1 billion to spend on ten categories of the arts and entertainment business, explaining why they believe the work's creativity and genius deserve the money allocated*

*Every single penny and cent must be spent. The works may be admired for their originality, imagination, inventiveness, audacity or even sheer simplicity.*

*Israel and UK-based Saul Klein, partner at venture-capital firm Index Ventures, spends big money on creativity that makes him laugh, cry and see the world in a new light, as long as the work of art is of an exceptional standard.*

**Movies:** US\$35m - **Magnolia** (1999), psychological drama starring Tom Cruise and the late Jason Robards in his last film appearance; it has a great storyline, characters, performances and brilliant cinematography; US\$120m - **Finding Nemo** (2003), computer-animated comedy with the voice of Albert Brooks and Ellen DeGeneres from Pixar Animation Studios. Animation has been part of the film industry from Day One. Pixar has elevated it to great new heights. US\$75m - **Blade Runner** (1982), sci-fi movie starring Harrison Ford and Rutger Hauer. The director Ridley Scott is so versatile, and this vision of the future is anchored to a world you can relate to in the present.

**Musical Recording:** US\$25m - **Karma Police**, track from Radiohead's 1997 album OK Computer. This has a personal resonance as I used to listen to it every morning driving to work at Microsoft in Seattle during the late 1990s.

**Live Entertainment:** US\$100m - a **Bob Marley** concert; I never saw him play but that is how much I would give to put on a concert with him. US\$10m – the same reason for **The Jam** as I was too young to see them in their heyday. US\$10m - **The Crucible** (1953), trailblazing play by universally acclaimed American playwright Arthur Miller; it captures the timeless topic of how anxiety among a small community can run rampant; US\$85m - **The Human Scale** (2010), by US Pulitzer-Prize author Lawrence Wright based on his New Yorker article about the Gaza conflict.

# FEATURE

**Sport Event:** I would love to have put on the **(UEFA) Champions League** tournament, but that would have blown the whole \$1 billion. US\$100m – I would create a **Junior Cricket World Cup**, a good investment in the future of a sport that would appeal to the 750 million who watch cricket in India, which is playing a major part in international media events.

**Video Game:** US\$5m - **Asteroids**, the video arcade game released by Atari in 1979. I really miss playing this.

**TV show:** US\$15m - **Blackadder**, series of British historical sitcoms written by Richard Curtis and its star Rowan Atkinson; first aired in 1983; a classic with amazing writing and acting. US\$30m - **The Wire**, US drama series set in Baltimore, on US cable network HBO from 2002 to 2008; despite being scripted, the hyperrealism and the feeling that it was a fly-on-the-wall TV are astonishing.

**Advertising/Marketing Campaign:** US\$30m - campaigns for Apple; US\$10m – campaigns for Nike; both are innovative in the way they use different media to move the brand forward and allow their products to be the key characters in their communications.

**Work of Art:** US\$20m - Edward Hopper's **Nighthawks** (1942); it is an iconic view of America that you know isn't true, but it captures that country's diner culture perfectly. US\$30m - works by South African **William Kentridge**; he has to go down as one of the 20<sup>th</sup>-century greats.

**Book:** US\$50m – **Labyrinth** (1962), a collection of essays and short stories by Argentine Jorge Luis Borges; remarkable and highly influential. I do not think works like Umberto Eco's **The Name of the Rose** would have been possible without him. US\$75m - **Heart of Darkness** (1902), novella by Joseph Conrad; my favourite book of all time. A great story in itself, brilliant allegory of colonialism in Africa, influential on contemporary culture such as award-winning movie **Apocalypse Now**, and it was written in English, the author's third language after Polish and French. US\$100m - **The Sun, Genome and the Internet** (1999), exciting scientific theories by physicist and mathematician Freeman J Dyson, someone who worked with Albert Einstein and J Robert Oppenheimer ("father of the atomic bomb"). US\$25m - William Shakespeare's **Richard II**, to be a leader of men, you can learn a lot from the lead character. This guy really screwed up.

**Luxury item:** US\$50m – Moleskin Notebook 

**ABOUT SAUL KLEIN:** Saul Klein joined the London office Index as a Partner in February 2007. He currently serves on the boards of Alertme, Chartbeat, Erply, GlassesDirect, MyHeritage, Seedcamp and Songkick. Klein brings over 15 years of experience successfully building and exiting companies in both the US and Europe as an entrepreneur, operator and seed investor. Most recently he was the co-founder and original CEO at what is now Lovefilm International (Amazon) and part of the original executive team at Skype (eBay).

Klein loves working with seed and early stage companies and is a passionate believer that Europe is only scratching the surface in terms of its potential for entrepreneurs to create great startups. To support this vision, since 1999 he has been a Founding Partner of The Accelerator Group (TAG) and in 2007 he also started Seedcamp and OpenCoffee Club, which is now active in over 90 cities around the world.

# ABOUT

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**Jay Kay Media Inc Ltd is a registered company**

**MTF'S MISSION:** MediaTainment Finance's mission is to learn who is investing in the creativity and craft that drive the international media-and-entertainment business, how much, where and why.

From the film industry to the fashion business, from television shows to theme-park attractions, from musical recordings to marketing campaigns, from concerts to computer games, and from printed books to photography, the creative work and content form the heart that beats inside the body of these sectors.

The creativity brings pleasure and value to consumers' lives and lifestyles (either en masse or as a niche service), generating millions in revenue and boosting economies in its own right, while adding financial worth when attached to other businesses.

However, popular and commercial creativity needs cash to thrive and its success stories, especially in Hollywood and the music business, inevitably attracts investors. But money is coming in at all levels, from works of epic scale to independent originality.

**MediaTainment Finance** aims to report on deals that indicate where the money is being spent or cut, and analyse such deals' impact on commercial culture worldwide.

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