CHAPTER 8

Choose the Channel

8.1 Global Channels of Distribution
8.2 Sports Distribution
8.3 Entertainment Distribution
8.4 Technology and Distribution Media

Point Your Browser

thomsonedu.com/school/sports
TiVo, Inc.

Finding and watching your favorite TV shows when and where you want them is an amazing service available through TiVo, Inc. According to TiVo, Inc.’s CEO Mike Ramsay, “TiVo’s overriding philosophy is that everyone, no matter how busy, deserves to enjoy the home entertainment of their choosing, at their convenience.”

The term TiVo (pronounced tee-voh) is used to refer to both the service and the company’s digital video recorder (DVR) that records a digital version of the selected shows, including high-definition TV recordings. The consumer can then play the shows at leisure. A subscription is required for full functionality of the hardware, but the DVR can be used as a regular recorder without a subscription.

TiVo, Inc. is an Alviso, California, company that was co-founded in the 1990s by Mike Ramsay and Jim Barton. With more than 1.9 million subscribers, TiVo is totally focused on consumer and entertainment content distribution. TiVo has stepped back from allowing subscribers to automatically skip over TV commercials, a practice that could anger TV networks whose prime revenue is provided by advertising. TiVo subscribers can still fast forward through commercials and even set the fast forward to skip 30 seconds at a time. TiVo has been testing pop-up and banner ads that will appear as a subscriber fast forwards through a regular commercial.

TiVo is working hard to be distinguished from its competitors and be “at the focal point of the digital living room” by forming partnerships with other technology companies to add features and services that are beyond the scope of traditional DVRs. Internet video is one of the services offered by TiVo. Subscribers can view clips from the web sites of the NBA and iVillage Inc. at no extra charge, stream digital music, load photos from their PC to their DVR, and schedule recording using any Internet connection. TiVo’s main competitors are cable and satellite television operators who offer DVRs as part of their subscription, but the “free” DVRs do not include many of the features offered to TiVo subscribers.

Think Critically
1. Why is it difficult for TiVo to compete against regular DVRs that do not require a subscription? What tactics and strategies is TiVo, Inc. using to differentiate from competitors?
2. Make a list of features you would like to see added to TiVo if you were a subscriber. Would you be willing to pay more for the services?
3. Should TiVo allow advertisers to encode their commercials with pop-up ads that appear if a viewer fast forwards through the commercials? Explain your answer.
Lesson 8.1

Global Channels of Distribution

Goals
- Explain the importance of sports and entertainment distribution.
- List and describe distribution channels for sports and entertainment.

Terms
- free enterprise
- amphitheaters
- venue
- mass media
- platforms

Getting Act

While sales of other consumer items slump, sales of TV sets soar every four years in the months before the start of the World Cup. If a team does well and progresses into the later stages of the tournament, television sales in the team’s home country can easily exceed all sales projections. If the team is eliminated early in the tournament, retailers may be stuck with unsold sets.

For the first time, the 2006 World Cup was transmitted in high-definition (HD), driving sales of HD-ready televisions. In the first five months of 2006, United Kingdom-based retail store John Lewis had a 120-percent increase in television sales. Across the United Kingdom, more than 230,000 TV sets are estimated to have been purchased by football (soccer) fans during May of 2006.

Work with a group. Discuss the impact of the worldwide popularity of a sports event on the sales of related products. Name products and services for which sales are impacted by a major sports event.

GET IT THERE

When a sports and entertainment business has developed the perfect product or service that fans really want, it must determine the best means of making it available to consumers. If it is an event, it must choose the most effective location for the event to be held. If it is a product, it must choose the best method of getting it to the customers. Distribution is one of the four elements of the marketing mix. It involves the transportation and dissemination of a product or service.

Economics of Distribution

Distribution is very important to the operation of the free-enterprise system in United States. Free enterprise is an economic system that allows the unregulated supply and demand of products to drive the economy. This is in contrast to a controlled market where supply, pricing, and distribution policies are set directly by the government.
For a product or service to be successful, customers must be able to obtain the product or service when and where they want it. When a new song is heard on television and radio, the recording will not be economically successful if fans cannot find out how and where to buy a CD or download the music. Distribution moves the product to the customer.

**Global Challenges**

Uncertainty about governmental policies abroad can affect distribution of entertainment products to other countries. Although marketing information may show that an audience exists for the entertainment, many countries want to nurture their own entertainment industries. International products are discouraged through restrictions and tariffs that result in high prices. Many European countries try to reserve at least half of their television programming for shows with a European origin.

The United States has no formal barriers to the import of audiovisual entertainment, but demand for foreign-produced entertainment is not strong. U.S. consumers show low interest in movies that are dubbed in English compared to films produced in English. Demand for U.S.-made movies dubbed in other languages is high but has not been freely allowed into all countries.

**Disney in Europe**

Walt Disney took advantage of worldwide markets as early as the 1930s. However, World War II interrupted the growth of his international business. In 1949, Disney set out again to capture the European market for his cartoons and related products. He hired Armand Bigle of France to run the Disney distribution operations in Europe. Bigle’s challenge was to convince merchants that using the Disney characters would improve their sales. Today, merchandise with Disney characters can be purchased in virtually every corner of the earth.

How does distribution affect the success of an event or product?
There are only two major channels of distribution for sports and entertainment events—live and via media. No media can deliver the sensation of being there when your favorite singer belts out your favorite song or when your team wins. But, media can distribute the event to millions who are unable attend in person.

**Live Events**

Historically, the only option for delivering sports and entertainment events was to present them live. Only those people who could travel to an event could view it. Early in the 1st Century A.D., the Romans built a number of amphitheaters across the vast Roman Empire. **Amphitheaters** are oval-shaped outdoor theaters with tiered seating around a central staging area. The Coliseum in Rome, Italy, was built almost 2,000 years ago as an amphitheater that would seat about 70,000 spectators. Deadly fights between slaves or between humans and wild animals were staged as gory entertainment for the Roman emperors, the rich and famous, and common citizens.

Audiences of live performances are limited to those who can be accommodated by the **venue**, the facility where the event is held. Live performances are expensive to produce and generate a limited amount of revenue, but they continue to be the most appealing form of entertainment. Well-produced broadway-style plays and circus acts continue to draw large crowds and thrill audiences. It is also more fun to be there and cheer your favorite team to victory, or hear your favorite group perform, than to experience it through any type of media.

**Via Media**

When distance, price, or limited availability prevents fans from attending a live event, media can provide the next-best thing. The continuous
advancement of technology has produced user-friendly media that distributes the event to the audience. **Mass media** is a term used to describe a means of distributing an event to a large volume of people—the masses. Examples of mass media include radio, television, and the Internet. Distributing the event through mass media to millions of fans can provide massive marketing opportunities far beyond what is available with a live audience.

**Radio** Once thought to be on its way out of use, radio has carved a unique place in the minds and hearts of sports fans and music lovers. Radio is unique because it requires inexpensive equipment and is readily available where other media is unavailable. People can safely listen while they work or drive in their cars.

Radio is an audio media where the action must be described to create a picture in the listeners’ minds. Good radio sportscasters form a bond with their listeners that has never been matched by TV sportscasters. Whether or not the fans have ever been in the ballpark, a good sportscaster’s play-by-play can make fans feel as if they are there. Radio is an effective delivery system for sports and entertainment, and technology, such as satellite radio, is adding new dimensions to the availability of the media.

**Television** By 1950, television had become a major distribution channel for sports and entertainment with more than 10.5 million TV sets in use—up from less than 200,000 a few years prior to that. Today, more than 110.6 million U.S. households have one or more television sets. Television has made sports and entertainment a visual event for millions of people who could never attend a game or go to the theater.

Just as with any new media, early broadcasters had to experiment to determine what sports and entertainment events were most effectively distributed using television. Sports were particularly attractive to new television networks that were trying to establish a viewer base. Sports broadcasts attracted viewers and were more easily broadcast than entertainment shows requiring sets, scripts, and paid actors. Sporting events also were already happening in an existing venue, had an existing fan base, and were played in well-lit areas sufficient for early television cameras.
U.S. football is especially well suited for being broadcast over a visual media such as television. Each football play lasts for a short period of time, allowing enough time for the camera to refocus on the area of the field where the players regroup to start a new down. Sports like soccer and hockey have continuous activity, and cameras sometimes have a hard time following and catching all the action on the small screen. Most televised sporting events attract a target audience of male viewers between the ages of 18 and 49. Sponsors’ advertising is carefully targeted to the viewing audience.

The Internet  The Internet has sent shock waves through the major traditional media. Radio, television, and motion-picture companies have scrambled to embrace the Internet as a sports and entertainment distribution channel. Information about sports stars and celebrities is distributed to fans through many web sites. Fans can download their favorite songs or chat with their favorite stars online. As Internet technology improves, creative ideas emerge for its use to enhance and complement the older channels of distribution.

Delivery Options  As technology continues to advance, the platforms—types of delivery systems—for delivering sports and entertainment will continue to expand and improve at a rapid pace. Consumers’ perceptions of the economic utility of platforms will continue to drive which platforms become mainstream and gain wide acceptance. Creative inventors and marketers will search for ways to satisfy customers, making virtual events resemble actually being there.

Name two major channels of distribution for sports and entertainment.
Understand Marketing Concepts
Circle the best answer for each of the following questions.

1. Distribution
   a. is a core marketing standard
   b. includes the activities involved in delivering products to consumers
   c. is an element of the marketing mix
   d. all of the above

2. Sporting events were particularly attractive to early television networks trying to establish a viewer base for all of the following reasons except
   a. they had an existing fan base
   b. they were already happening in an existing venue
   c. they were played in a well-lit area
   d. they were not offered in any other media formats

Think Critically
Answer the following questions as completely as possible. If necessary, use a separate sheet of paper.

3. If you were trying to increase interest in soccer in the United States, describe the channels of distribution you would use and why.

4. History Research the history of the Internet. How and why did it start? When did it become available to consumers? In your opinion, what types of sports and entertainment are best suited to this means of distribution? What trends do you expect in the future?
Lesson 8.2

Sports Distribution

Goals

- Discuss distribution and sponsorship of amateur sports and recreation.
- Discuss the distribution of college sports.
- Discuss the distribution of professional sports.

Terms

- Title IX
- cartel
- league agreement

Opening Act

Dorothy Kelly Rothrock, octogenarian (a person age 80–89), defies the rocking-chair image of her age group. She walks and weight trains at one health club and participates in water aerobics at another club. “I belong to two different health clubs. I like the people at one and the equipment at the other,” she states. She frequently invites her water aerobics class to her home for lunch and a swim in her pool.

Work with a group. Discuss the channels of distribution that would best reach octogenarians interested in staying fit.

AMATEUR SPORTS AND RECREATION

The Society of Seniors (SOS) is an organization that provides competitive tournaments on fine golf courses for its more than 700 members. Its members are the best senior amateur golf players in North America. An amateur athlete is someone who is not paid, but plays for the enjoyment and challenge. Professional athletes must be young, healthy, and strong, but amateur athletes can be of any age and have physical challenges. All types of amateur sports are growing in popularity.

Fitness and Fun

Health, leisure time, and money all drive the recreation industry. People are interested in staying active and healthy. Research has shown that there is a positive correlation between participation of youth in physical activities and their emotional well-being. Continued participation in recreational sports into adulthood provides health benefits throughout life.

One challenge of recreational marketing is to motivate people to actively participate in the sports and activities that interest them. Over the long term, high costs may reduce people’s interest in professional sports. Smart marketers will fill this gap by forming and promoting recreational sports.
Facilities versus Wilderness
Making sports facilities available where they are needed is a continuing challenge for amateur sports marketers. As part of their regional planning process, community leaders must recognize the need for recreational space for local residents. They must also consider the environmental impact of recreation. Outdoor experiences such as backpacking, off-road driving, and rock climbing can be potentially destructive to wilderness areas. Somehow, leaders and citizens must balance the two needs and help educate outdoor enthusiasts about how to enjoy and protect the wilderness.

Getting Access
Participation in recreational sports is directly related to income. Families with higher incomes are more likely to take part in recreational activities because of the prices of needed equipment and the ease of access to good recreational sports facilities. Developers in more affluent areas build private recreational facilities such as golf courses and tennis courts. People living in less affluent areas must depend on public facilities or choose forms of recreation that require less costly equipment and/or facilities, such as running.

More youngsters than ever before have access to and participate in school-sponsored sports. One reason is the passage of Title IX, an amendment in 1972 to federal education law that prohibits discrimination against females in school sports. Over the past 35 years, Title IX has helped equalize access to sports for females. Schools must provide females with access to facilities, equipment, and training that is equal to that provided to males.

What factors affect the development of recreational sports facilities?

COLLEGIATE SPORTS

A winning college team has economic implications not only for its school but also for the community, region, and state. A college community can benefit from the success of its primary sports program through revenue earned from supporting fans. The home city will benefit from the increased patronage of local businesses and a growth in jobs.

Football Rules
The National Collegiate Athletic Association (NCAA) is the governing body of college and university athletic programs. According to the NCAA Postseason Football Handbook, the NCAA's Postseason Football Licensing Subcommittee determines how postseason bowl games are licensed and made available to fans. The Bowl Championship Series (BCS) is an end-of-season match up between the best college football teams within the various conferences.
The 2006 Bowl Championship Series included the Tostitos Fiesta Bowl, the Nokia Sugar Bowl, and the FedEx Orange Bowl games. Each participating team received between $14.8 and $18.3 million.

When an organization applies to sponsor an NCAA-licensed bowl game, at a minimum, it must pay for both participating teams’ travel and participation expenses. Sponsors want to attract a sell-out crowd and a large TV audience to obtain maximum revenue from ticket sales, merchandise sales, related events, and advertisers.

**College Team Rankings**

Sports magazines and nationally recognized sports enthusiasts determine college team rankings based on past team performance, talent, and team schedules. Pre-season rankings influence the game schedules of the major television networks. Televised games mean more revenue for the team and its university. High BCS standings equate to big money and determine which teams play in the national championships. Three components are used to determine the BCS rankings—the USA Today Coaches’ Poll, the Harris Interactive College Football Poll, and an average of six computer rankings from well-known sports statisticians.

**Intermission**

What influences which games are distributed via national television?

---

**Professional Sports**

In countries where the economy is market driven, professional sports are distributed based on their popularity among consumers (demand) at the highest price the market will bear. In countries where economies are controlled by the government, professional sports are not always readily available, and the distribution channels are tightly controlled.

**Worldwide Coverage**

In 2006, the FIFA World Cup matches were available in more countries than at any other time in history. The 64 games were collectively watched by 32 billion people. All of the games were, for the first time, broadcast in high definition television (HDTV). Host Broadcast Services (HBS) of Zug, Switzerland, spent three years planning and preparing for the broadcasts. Worldwide, more than 300 partners signed on to broadcast the games.
During the final game of the World Cup, 10,000 people watched it on huge TV screens in a disposable arena provided by Adidas for fans unable to attend the game. The Berlin stadium was a scaled-down replica of the Olympia stadium where the real game was played. Cities and corporate sponsors around the world are finding that temporary structures are an effective and inexpensive way to provide access to the game for sports fans.

**Political Football**  
During the rule of the Taliban in Afghanistan, from 1996 to 2001, the broadcast of the World Cup was banned. In fact, the use of television itself as a media was illegal. According to BBC News, the game of soccer was banned in Afghanistan at one time but was later allowed if players kept their arms and legs covered. The game was stopped during prayers, and fans were banned from cheering. In a dramatic change, key 2006 matches of the World Cup were televised live to people in Afghanistan. Fans in other countries were not as fortunate. People in Mogadishu, Somalia, were banned by armed militia from watching the 2006 World Cup. Soccer fans in North Korea could watch only the versions their government edited.

**Distributing the Game**  
The U.S. government encourages the growth and consumption of professional sports. There are more U.S. cities that want professional sports teams than there are teams available. The leagues control the location of the teams based on the business benefits to the leagues’ owners.

Individual teams within a league are separately operated businesses, but they are not in competition with each other as they would be in a free open market. Instead, each team is a member of a cartel. A *cartel* is a combination of independent businesses formed to regulate production, pricing, and marketing of a product. In the case of professional sports, the cartel is a number of independent sports teams grouped together and governed by a league agreement. A *league agreement* controls the marketing mix and governs the distribution of the games, including the locations of the teams and the number of teams allowed to operate within the league. Because teams must have other teams to play, they must stay in the league or start a new league. Federal antitrust law prohibits cartels in most cases, but special legislation exempts the professional sports leagues from those laws.

**How Distribution Is Decided**  
Regions with a large potential customer base are considered favorable for the location of a team. In many cases, owners request public funds to *subsidize*, or financially back, the new team. Because subsidies are often obtained through taxes, local government agencies must have the support of voters. Many cities consider the subsidies as an investment that will reap future revenue.

**It Takes Money**  
The existing leagues’ owners set the price the new owner will have to pay for the franchise. The price is an *expansion fee* that is divided among the owners. Bob McNair’s record-breaking $700-million bid made him the newest NFL league owner of the Houston Texans in 2002.

Reliant Energy paid $300 million in 2002 to place its name on Houston’s stadium. As part of the contract between Bob McNair and the NFL, Super
Bowl XXXVIII was played in Reliant Stadium the second year of the venue’s existence. In addition to the 71,500 people who attended the Super Bowl, another 10,000 to 40,000 nonticket holders visited the city and took part in the weeklong activities. The surrounding businesses benefited from the direct spending of the crowd, which totaled $129 million for lodging, food, beverage, and entertainment. Sales taxes of $3.2 million were generated, but after all the bills were paid, the net proceeds to the city were only $913,397.

Before a city can cash in on a Super Bowl, it must meet 20 pages of NFL requirements, including having at least 20,000 hotel rooms available, 65 limousines available exclusively for NFL use, 1,000 buses available for transporting fans, and many private and public golf courses nearby.

**Nonstop Distribution**

For the fan that can never get enough of the NFL, the NFL Network is available via cable, satellite, and even through some local phone companies on a 24/7 basis. The network offers television and radio programming that covers professional football from every angle, including how to become a professional football cheerleader, an inside view of pro football training camps, and highlights of the previous season’s best games.

**Judgment Call**

Billionaire Boone Pickens offered Oklahoma State University (OSU) $165 million to expand its football stadium, build an "athletic village" with practice fields, and build an additional stadium for soccer and baseball. The new facilities required demolition of a number of privately owned homes. This met with objections from about 20 percent of the neighbors. Controversy also arose when the university’s charity, OSU Cowboy Golf, Inc., invested the money in BP Capital Management, an investment fund controlled by Pickens. The fund waived all fees and profits on the OSU money. The donation was made on December 30, 2005—enough time to allow Pickens to take advantage of Hurricane Katrina Relief legislation that allowed any donation made in 2005 to be 100 percent deductible from gross income.

None of the actions taken were illegal, but Pickens was criticized for taking advantage of tax laws and hurricane relief efforts and of being insensitive to long-time residents of the area. The New York Times, CNN, and other media were accused of "character assassination" for questioning the good intentions and ethics of Pickens.

**Think Critically**

1. Should Pickens be criticized for a donation that will help the sports program?
2. Should people have to move to make way for a sports program that could benefit the university and the city? Explain your answer.

Why would a city want a professional sports team in its area?
Understand Marketing Concepts
Circle the best answer for each of the following questions.

1. The NCAA
   a. is a professional sports league
   b. is a recreational sports organization
   c. creates and enforces guidelines and rules of collegiate sports
   d. none of the above

2. One purpose of a professional sports league is to
   a. add as many teams as are wanted by cities
   b. control the number and location of teams
   c. serve as a fan club
   d. do none of the above

Think Critically
Answer the following questions as completely as possible. If necessary, use a separate sheet of paper.

3. Write a paragraph about the positive impact of recreational sports on the economy.

   __________________________________________________________
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________

4. **Government** Explain how the political systems of a country can affect the distribution of sports.

   __________________________________________________________
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________
Lesson 8.3

Entertainment
Distribution

Goals
- Explain the distribution of movies.
- Discuss the changing formats of music distribution.

Terms
- art-house movies
- wide release
- movie preview
- docking station

Opening Act

Disney took a major financial risk when it decided to create a trilogy and film two sequels back to back. The two movie sequels to the original Pirates of the Caribbean were scheduled to be filmed on a very tight and grueling schedule, in part to save money on costumes and sets and also to fit the stars’ very busy calendars.

By shooting the two sequels at once, Disney also hopes to score at the box office with a major hit released two summers in a row. A number of problems delayed the dual filming, including tropical storms and exhaustion of the cast and crew. Filming was also delayed so that the actors could participate in a marketing campaign for the second movie’s release. Each delay added to the estimated $450 million costs of the two sequels, but Disney’s promotional plan for “Pirates” includes related merchandise and theme park rides that could produce even more revenue than the movie trilogy.

Work with a group. Do an online search for Worldwide Box Office and determine the dollar amount of worldwide ticket sales for each movie in the Pirates of the Caribbean trilogy that has been released. Did the financial risk pay off for Disney?

AT THE MOVIES

Barcelona, Spain, has been called a “cinema city” by Jeff Koehler in Continental Magazine. More than 80 different films are shown on any given day in this city of 1.5 million people. The famous Cines Verdi in Barcelona was at one time named the Best European Cinema. Showing a film in the right theaters at the right time can result in success.

The Big Screen

Movies are made with the demographics of a particular audience in mind. Where the movie is made available to the target audience can influence its financial success. Adults like to combine dining and shopping with seeing a movie, so locating the theater near restaurants and stores is important.
The time of year a movie is first shown also has an effect on the box-office take. Movie marketers consider the time of year as part of their total marketing strategy. The summer and holiday seasons are when new movies are in peak demand. But releasing a movie during the summer or holiday season requires extensive advertising to compete with the other blockbusters that are released at the same time. A **movie preview** is the release of a movie to a limited number of theaters prior to its official release. Movie previews often generate a buzz about the movie that helps promote it.

In an attempt to attract adults, movie theaters will show both popular films and art-house movies. **Art-house movies** are those outside the mainstream of popular subjects. They are often made by independent filmmakers that are not connected with the large Hollywood studios.

### Managing the Costs of Movies

Production costs and distribution costs are two of the biggest expenses for movie studios. Some film makers will produce **low-budget movies**, which are generally defined as those costing less than $250,000 to produce. They also have low advertising budgets and are released in off-season times, such as January or September. Attracting attention without spending much money is a challenge for movie studios. One method of promoting low-budget movies is showing them at film festivals, such as the Sundance Film Festival. Internet advertising is also effective for promoting low-budget movies.

Movie studios also look for ways to cut distribution costs. The cost of distribution is about $1,200 to $3,000 for each 35mm film reel. To control distribution costs, major studios regulate the release of movies. A **wide release** involves distributing a movie nationally to a thousand or more theaters at the same time. Because art-house movies draw smaller audiences, they have a limited release. Digital release of a movie cuts distribution costs and allows a faster response time for in-demand movies.

### Watch It at Home

Movie fans certainly don’t have to travel to theaters to watch films. Digital video discs (DVDs) can be purchased or rented at retailers. Mass-market retailers such as Target and Wal-Mart generally dominate DVD sales through sheer volume. To help stimulate merchandise sales, movie distributors often provide point-of-purchase (POP) displays, including posters and shelving to house the DVDs or CDs. The POPs are set up next to the checkout area and are an effective promotional tool.

Advances in technology have resulted in changes to the format of movies offered for sale or rent. Movies, once available to the public only in 16-mm
film at a considerable cost, are now available in much more convenient and compact formats at a lower cost. With improved technology and mass production, technology products go down in price and sales go up. The selection of movies available in VHS format expanded with the increased sales of video players. Now, DVDs are beginning to replace videocassette tapes.

DVDs are a convenient size and weight, making them easy to send through the mail. Netflix took advantage of this and began an online DVD rental business. Netflix offers movies through the mail to subscribers. Customers order online, never incur late fees, and return the DVD in a prepaid envelope. Netflix opened up a new channel of distribution for entertainment.

List at least three ways that movies are distributed.

---

**MAKING MUSIC**

Music and entertainment are distributed in many styles and formats throughout the world to suit a variety of tastes. Some people like classical music CDs, while others prefer rock-and-roll downloads.

**Marketing the King**

In 2006, a sitting U.S. President visited Graceland for the first time in history. Graceland is the estate of the late entertainer Elvis Presley, deemed “The King of Rock and Roll.” To make the visit even more remarkable, President George W. Bush accompanied Prime Minister Junichiro Koizumi of Japan. Koizumi, a huge Elvis fan, lived out a dream when he was given a personal tour of the estate. The tour was broadcast worldwide.

Popular U.S. entertainers, such as Elvis, have frequently enjoyed worldwide fame and marketability. The appeal of an icon offers a variety of opportunities to distribute music and related products globally.

**From Vinyl to iPod**

In Elvis’s glory days, music was distributed via live performances or in a recorded format including record albums of 12-inch grooved vinyl disk that were played on phonographs. The format of recorded music quickly evolved from 12-inch vinyl to audiotape and then to compact disc (CD). The most recent trend in music formats is digital files that can be played on personal computers or portable media players, such as iPods. The portable media players offer the advantage of storing thousands of songs on a small portable device. The popularity of Apple Computer’s iPod has created revolutionary changes in the way music is distributed.

The early models of digital devices such as iPods required users to sacrifice high quality for the quantity of music that could be stored. The compression of the digitally stored music files caused a reduction in sound quality when
compared to music stored on a CD and played on a surround-sound audio system. A quality digital recording can take up ten times as much space on a storage device as a compressed version and costs more.

Jumping on the Bandwagon
Apple reportedly sold more than 50 million iPods in its first four years on the market. The high volume of sales indicated that consumers desired quantity and portability. Apple provides music for the iPod on its online iTunes Music Store, where music and videos can be downloaded inexpensively and stored in quantity on an iPod.

To avoid being left out of the ever-changing music business, producers of high-end electronic stereo systems jumped on the digital bandwagon. Bose and other companies known for their quality speakers began offering docking stations. A docking station enables iPods to be connected to speakers that project the music throughout a room, rather than being limited to the individual earbuds of the iPod. Apple is developing other products that will play music and videos stored on personal computers and cellular phones.

What changes in music distribution did portable digital music players bring?

Think Critically
1. Why would a movie producer take a risk and film a sequel?
2. How do you think distribution of a sequel influences ticket sales?

Most movie sequels are expected to sell fewer tickets than the original film, even if the original was a blockbuster hit. The sequel is generally assumed to follow the same formula of the original and to lack the excitement and intensity of experiencing it the first time. Exceptions to that myth include the Lord of the Rings sequels, Toy Story 2, The Matrix Reloaded, and Pirates of the Caribbean: Dead Man’s Chest. Each of these sequels outperformed the originals in worldwide box office sales. The Matrix Reloaded outsold The Matrix by over 60 percent. The Pirates sequel broke all box office records, grossing $135.7 million in ticket sales during its opening weekend alone.

Pirates sequel broke all box office records, grossing $135.7 million in ticket sales during its opening weekend alone.
Understand Marketing Concepts
Circle the best answer for each of the following questions.

1. A movie preview is a marketing strategy that
   a. is used only for art-house movies
   b. seeks to attract an audience that wants to be the first to see a movie
   c. includes matinee showings at reduced prices
   d. none of the above

2. Producers of high-end electronic stereo systems are getting on the
digital bandwagon with the introduction of
   a. docking stations
   b. adapters for satellite radio receivers
   c. USB ports on sound systems
   d. all of the above

Think Critically
Answer the following questions as completely as possible. If necessary, use a
separate sheet of paper.

3. Besides ticket sales, discuss at least three ways entertainment companies
can increase their revenues from popular movies.

   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________

4. What impact would the attention of two world leaders have on the
distribution of an entertainer’s products?

   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
Lesson 8.4

Technology and Distribution Media

Goals
- Describe the convergence of sports and entertainment media.
- Explain the changes brought about by digitalizing music.

Terms
- podcast
- vertical integration
- MP3

Opening Act

A number of colleges and universities offer students free online music through legal music download services, such as Napster. Colleges have established agreements with online music providers for the inexpensive or free service in part to combat the extensive illegal downloading by students. So much illegal music was being downloaded that, at times, university computer networks were choked, and the recording industry was filing lawsuits against the illegal music swappers. The legal downloading services allowed Vanderbilt University in Nashville, Tennessee, to recover $75,000 a year in network costs by freeing up the clogged network equipment.

The music downloading services are paid for in part by donations and school fees, or the students are offered a discounted price for the service of about $2 per month for unlimited downloads. The normal cost is about $10 per month. Not all students like the service, partly because the files are not compatible with iPods.

Work with a group. Discuss how technology has changed the distribution of music. Why is illegal downloading of music a concern to musicians and the music industry?

MEDIA MERGE

The lines between the various information, communication, and entertainment media are becoming more and more blurred. Entertainment companies have branched into multiple ventures, creating cross-promotional opportunities. Many companies are integrating new technologies with the old, delivering the best of all worlds in one seamless package.

Cable Mania

In the early days of television in the United States, there were three national networks—ABC, NBC, and CBS. Now there are hundreds of networks broadcasting through cable and satellite systems. Television networks are finding ways to make programs available as podcasts. A podcast is a way of distributing multimedia files over the Internet for playback on computers, iPods, cell phones, and other mobile devices. The word “podcast” was formed by combining two words—Apple’s “iPod” and “broadcasting.”
According to the National Cable and Telecommunications Association, of the 110.6 million U.S. households with televisions, more than 59 percent of them were cable subscribers in 2006. Cable television programs at stations throughout the country are picked up by a master antenna and delivered to homes via cables. As other technologies improve, cable TV will need to make changes to keep its lead over other distribution methods.

**Digital Delirium**

Strategy Analytics is a global research and consulting firm for the information, communication, and entertainment industries. It estimates that by 2008, 29 million U.S. homes will have high-definition television (HDTV). HDTV offers digital sound and digital video transmissions that are twice as sharp as standard television. The Federal Communications Commission (FCC) has issued a mandate that all television transmissions must convert from analog to digital format by February 2009. For the transition, stations have been given a free channel on which to transmit the digital signal while maintaining the analog signal on their original channel. After the complete conversion to digital, the stations will give up their analog channels. The analog channels will then be used for other purposes. When analog transmissions stop, consumers will still be able to use their analog television sets, but will need a set-top converter box.

**Space-Based Radio**

Radio is also moving to digital formats. It is transmitted digitally from space via satellites. Currently, there are only three satellite-based radio broadcasters—WorldSpace, Sirius, and XM. WorldSpace serves Europe, Africa, and Asia and is scheduled to eventually service Central and South America. Sirius and XM serve the United States. Satellite radio systems have three components: satellites that orbit the earth, ground stations that transmit signals to the satellites, and radio receivers that unscramble the signals for the listeners.

Satellite radio provides to its subscribers what they want to hear, when and wherever they want to hear it. A U.S. subscriber of satellite radio can tune to one radio station and drive from coast to coast without losing the station. Subscribers are offered over 100 channels that offer a wide range of music and news, sports, talk, variety, and comedy shows. Some of the channels broadcast commercial free. Upscale automobiles are expected to include satellite radio as a standard feature in the future.
Mega Distribution

Broadcast webs (not related to the World Wide Web) are groups (called affiliations) of television networks, production studios, and related entertainment businesses that produce shows or provide services for other members in the group. This kind of business structure, in which one company controls several different areas of the same industry, is known as vertical integration. Vertical integration is a change from previous distribution systems in which the networks aired shows developed by independent producers.

The Walt Disney Corporation is an example of a vertically integrated media company. While Disney’s original business was motion picture production, the company has ventured into many types of sports and entertainment businesses. In addition to the movie studios, Disney owns record labels, theatrical production companies, animation studios, television networks, theme parks, and resorts.

One of Disney’s goals is to create cross-promotional opportunities. For example, Disney can advertise on the Internet and, in turn, allow the Internet provider to advertise on its television network. Most media companies generate profits through the sale of advertising, but Disney also earns income from movie ticket sales, cable TV, and direct selling. Disney has the ability to market both advertising and entertainment to the world.

Name two advantages of satellite radio over traditional radio.

-------

Digital Platforms

The advance of technology and the speed of change it brings make it difficult for sports and entertainment distributors to focus on a single channel of distribution. Consumers are a fickle group and are often moving on to the newest technology before the marketers have figured out how to incorporate it into their business model.

The Internet Music Revolution

Music marketers lost site of what customers wanted when they failed to provide easy access to quantities of portable legal music at the right price. The major music distributors—EMI, Universal, Warner, and Sony/BMG—attributed loss of music sales to extensive illegal copying of music. File-sharing—making files available for others to download—and CD piracy—unauthorized copying—was targeted by the music industry as wreaking havoc on the sale of products distributed through legal channels. The U.S. $13.3-billion-a-year music industry took a strong stand and filed lawsuits against illegal online music swappers. The Recording Industry
Association of America (RIAA) uses software to trace the unique identification number that identifies a computer online. Once the RIAA finds a user with a large collection of copyright-protected, illegally obtained music, a subpoena can be issued and a lawsuit filed against the computer owner. The problem might have been prevented if the music industry had not been so slow to react to the potential of the Internet as a channel of distribution for music.

While major music producers and distributors missed the onset of the Internet music revolution, Apple Computer embraced customers’ desires and provided inexpensive music in an easy-access format. From the Apple online music store iTunes, customers can purchase their choice of over 3 million songs for 99 cents each, an album for $9.99, and a video for $1.99. Downloads from iTunes are only playable on Apple’s iPod players.

Portable players from other companies use different software formats, including MP3. MP3 (MPEG-1 Audio Layer 3) is a digital audio encoding and compression format designed to greatly reduce the amount of data required to represent audio. It is used to download music as small digital files. It uses a *lossy* method to compress the music and then decompress it in a way that may be slightly different from the original, but not enough to noticeably affect the quality. eMusic is an online music service that offers a selection of music in MP3 format that has no encryption or copy protection. Major recording labels require that their music catalogs be offered in encrypted formats that prevent illegal copying, thus limiting what is legally available in MP3 format.

**Intermission**

Why is there only a limited amount of music available in the MP3 format?

**Take a Bow**

*Alvaro Saar Rios*

When playwright Alvaro Saar Rios was growing up in Houston, he had never heard of or met a Hispanic writer. He thought all writers were dead white men. Rios recalls being in the car with his family when he was 8 years old and his father tuned in the radio. “Why does Dad always have to listen to Mexican music?” he asked. “I don’t like it.” His brother told him, “Because he’s Mexican, and you’re Mexican, too.” Rios answered, “What? No way!”

Rios, at age 30, is the author of four children’s plays that have been produced and two full-length adult plays. *A Trip Through the Mind of a Crazy Mexican* is his comedic play showing the human side of being born of Mexican heritage in the United States. He holds a bachelor’s degree in English from the University of Houston. He is active in the Latino literary scene with several additional works underway.

**Think Critically**

What channel of distribution is typically used for a play? What other channels could Rios consider to distribute his work to a wider audience?
Understand Marketing Concepts
Circle the best answer for each of the following questions.

1. The parts of a satellite radio system include all of the following except
   a. satellites that orbit the earth
   b. ground stations that transmit signals to the satellites
   c. radio receivers that unscramble the signals
   d. MP3 software that compresses the unscrambled signals to digital format

2. Conversion to digital TV was driven by
   a. consumers
   b. the FCC
   c. the broadcast industry
   d. TV manufacturers

Think Critically
Answer the following questions as completely as possible. If necessary, use a separate sheet of paper.

3. Describe at least two instances where formerly separate media technologies are now being merged.

   ______________________________________
   ______________________________________
   ______________________________________
   ______________________________________
   ______________________________________

4. Discuss how to keep a balance between making entertainment available in digital formats to a mass market while protecting it from illegal use.

   ______________________________________
   ______________________________________
   ______________________________________
   ______________________________________
   ______________________________________
Review Marketing Concepts
Write the letter of the term that matches each definition. Some terms will not be used.

1. Distributing a movie nationally to a thousand or more theaters at the same time
2. Films outside the mainstream of popular subjects, often made by independent filmmakers
3. Allows iPods to be connected to speakers that project the music throughout a room
4. A way of distributing multimedia files over the Internet for playback on computers
5. Oval-shaped outdoor theaters with tiered seating around a central staging area
6. A means of distributing an event to a large volume of people
7. The release of a film to a limited number of theaters prior to its official release
8. A business structure in which one company controls several different areas of the same industry
9. An economic system that allows the unregulated supply and demand of products to drive the economy
10. A digital audio encoding and compression software designed to greatly reduce the amount of data required to represent audio
11. Controls the marketing mix and governs the distribution of professional games, including the location and number of teams
12. An amendment in 1972 to federal education law that prohibits discrimination against females in school sports

Circle the best answer.

13. The location of a pro sports team is determined by
   a. the fans
   b. the league
   c. the FCC
   d. the NCAA

14. A combination of independent businesses formed to regulate production, pricing, and marketing of a product is called
   a. vertical integration
   b. a cartel
   c. free enterprise
   d. a podcast
Think Critically

15. Write two paragraphs explaining how the media selected for distribution can affect the success of an entertainment product.


16. Why do you think there are rules governing the distribution of college sports? How do the rules affect the marketing of the sport?


17. How do professional sports teams differ from other businesses that compete in a free-market system? What keeps businesses from using the same system as sports teams?


18. Why are college team rankings so important to universities?


19. What do you think is the preferred music media of people between the ages of 16 and 25? What about people between the ages of 50 and 65? How would you promote the newer media to the older age group?
20. **Technology**  You are a retailer who wants to target both boys and girls ages 10 to 13. You sell video games, movie videos, CDs, and other forms of entertainment technology. You are considering using cable TV, satellite TV, and the Internet for product distribution. State where most of your distribution dollars will go and why.

21. **Geography**  Compile a list of recreational sports. Use a map of the United States to locate popular areas for these sports. Explain some of the geographic considerations for the popularity of these sports.

22. **Ethics**  In the interest of a free-enterprise system, antitrust laws in the United States prohibit cartels in most industries. Special legislation makes professional sports leagues exempt from antitrust laws. Why do you think this exception is made? Do you believe that allowing the control of the leagues by cartels is ethical? Justify your answer.

23. **Research**  Select a college and use the Internet to research the ranking of its basketball team? Explain how the team’s ranking might affect the distribution of its games and the amount of revenue it generates.
24. **Marketing Math** To host the Super Bowl, a city must spend $17 million to update the city's infrastructure and meet NFL requirements. Overtime pay for police officers will cost $5,236,000, and extra garbage collection will cost $1,240,000. There will be 80,000 in attendance for 3 days who will spend $700 per day that is taxable at 14 percent. Another 25,000 people will attend related events for 2 days and spend $300 per day that is taxable at 8 percent. After paying all bills, how much net revenue will the city earn?

25. **Communication** Your city is considering improving recreational facilities and will need to increase taxes to obtain the funds. Write a persuasive letter to your mayor outlining why you think this is a good idea and what types of facilities you believe are most needed in your city.

---

**PROJECT EXTRA INNINGS**

Because advances in technology are expected to continue to change the media used to distribute sports and entertainment at an accelerated pace, marketers must anticipate change. Your marketing firm wants to be on top of any new technologies currently in development that might become the next big trend.

Work with a group and complete the following activities.

1. Use the Internet or library to research any new advances in media technology, either recently developed or currently being developed.
2. Based on your research, brainstorm with your group to create a list of ideas about the types of media that could replace DVDs.
3. Write a one-page summary describing the new media and how it will be different from DVDs. What improvements will it bring over digital video?
4. In the summary, include your group’s opinion on the future of technology media. Present your group’s opinion and supporting evidence to the class.
OVERCOMING THREATENING WEATHER

Hurricanes Katrina and Rita left lasting scars on the tourism industries for Louisiana, Mississippi, and Florida. The relentless storms destroyed hotels, casinos, and major sports and entertainment venues. Newscasts of devastation, death, and personal trauma remain on the minds of Americans and world travelers. Travelers are wary about booking vacations in storm-prone areas where forecasters have predicted an active hurricane season.

Marketing Safety to Consumers

While most hotels are updating rooms with flat-screen televisions and crisp new linens, the New Orleans Sheraton Hotel is luring guests with a new state-of-the-art radio system, expanded backup power, a hurricane staffing plan to keep the hotel operational during a city evacuation, and emergency weather and news updates every 30 minutes. The focus of Gulf Coast tourists has shifted from state-of-the-art luxuries to safety during violent storms. The 1,100-room Sheraton continued operating after Hurricane Katrina pummeled the city in 2005.

Other tourist areas faced with possible devastation from hurricanes are also changing promotional strategies to assure guests that they are ready for all kinds of weather. The Florida Keys’ web site includes a hurricane information link and a downloadable Prepared in Paradise guide that includes emergency and safety information.

The goal of “reassurance marketing” is to assure tourists that hotels and attractions have safety plans in place and are ready for the worst weather conditions. More than a dozen tour operators, resorts, airlines, and travel destinations have launched or extended “hurricane guarantees” that promise to reimburse travelers if their vacations are disrupted.

Other places are reluctant to give specifics on hurricane safeguards. Some hoteliers would prefer not to mention hurricanes to avoid raising the concern level of potential customers. Hospitality, tourism, and sports management businesses have depended on the subliminal marketing message of “Come here, trust us, and we’ll give you a good time.” Today’s consumers want to be better informed. Consumers want to know how businesses will deliver on their promises to keep them safe.

Think Critically

1. How has Mother Nature changed the marketing strategies for the travel and tourism industry?
2. What technologies are being used to keep consumers better informed about natural disasters that threaten popular tourism locations?
3. How does weather impact sporting events such as college football?
4. Why are hotels spending time and money to inform customers about their plans for possible natural disasters?
MULTIMEDIA PRESENTATION

This event may be completed by one to three individuals. Using technology to support a presentation enhances a business leader’s effectiveness. This event recognizes FBLA members who demonstrate the ability to effectively use presentation software to prepare and deliver their message.

You have been asked by a major hotel chain in the Gulf Coast to prepare a presentation that covers safety procedures the hotel will follow in the case of a hurricane. Guests need to be assured that the hotel has a plan to handle a major disaster such as a hurricane. Hotel guests also need instructions to follow in the event of a hurricane. Your presentation must include how weather warnings will be relayed to guests, safe locations to go within the hotel during tornados and hurricanes, and what guests should expect as far as backup utilities.

The multimedia presentation should be at least two minutes long, but no more than four minutes long. The oral presentation is an explanation of the multimedia presentation, not a viewing. The explanation should include, but not be limited to, the following:

- development of the topic
- development and design process
- use and implementation of innovative technology
- use and development of media elements
- copyright issues with pictures, music, and other elements

A computer, projection device, and screen will be provided for the oral presentation. You will be given nine minutes to make your oral presentation, including setup time. The judges have three minutes to ask questions.

Performance Indicators Evaluated

- Understand the impact of hurricanes and the need for a guest safety plan.
- Realize the importance of explaining a preparedness plan to prospective hotel guests.
- Design an effective multimedia presentation that outlines the dangers of hurricanes and explains the safety plan.
- Explain all aspects of the multimedia presentation.
- If applicable, demonstrate teamwork that involves all members in the presentation.

Go to the FBLA website for more detailed information.

Think Critically

1. Why does a multimedia presentation work well for this type of project?
2. Why is a multimedia presentation more effective than a printed document?
3. Why should the hotel invest money in this project?
4. How would this multimedia presentation be distributed to the intended customers?

www.fbla.org