

The Expanding Universe of

Duplication

New formats can mean new opportunities for duplication houses and their customers.

By Matthew Arnolds

Duplication companies seem to have their own unique approaches to this business. On one end of the spectrum are the companies that primarily serve as format converters, with abilities to ingest and spit out any format on the planet. On the other end are companies that are primarily duplicators/replicators, manufacturing mass quantities of a single format for wide distribution. Of course the majority of duplication companies fall somewhere in the middle, carving out their own riches in this hotly competitive market.

This bifurcated business model has existed for decades and has its early roots in music as evidenced by the duplication company DiscMakers which started out in 1946 as a pressing plant for 78 rpm record albums. In the past decade, however, the duplication model has become more diverse and complex with the rise of the DVD format, the almost monthly proliferation of HD alternatives and the ability to stream content via the Internet. With these technologies changing the entire media world, duplication companies have expanded their service offerings to reflect this emerging digital landscape. Today, many of the successful duplication companies offer DVD authoring complete with encoding and graphic design capabilities, and they have aggressively moved into the business of compression for streaming media.

CONVERTING STANDARDS

While the continual introduction of new HD tape formats is enough to make even veteran post pros' heads spin, duplication houses riding this bleeding edge of technology are thriving off HD's ongoing metamorphosis.

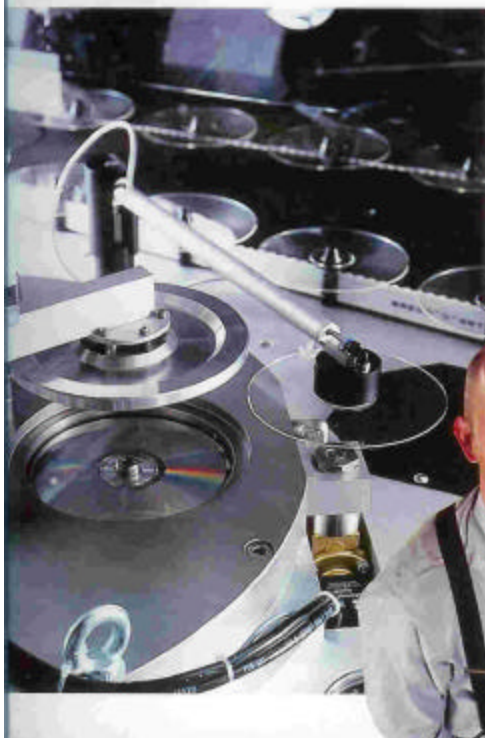
"The whole HD evolution has provided a lot more business for us," notes Cheryl Brady, president of LA-based Lightning Media (www.lightning-media.net). "There's interest in going to HD but they need to have it in SD as well. And while they're editing it they are going to be compressing it into their systems and outputting — so we do all that work. Navigating through all those formats is what we do."

Of course, keeping up with these rapidly changing technologies means buying decks for virtually every tape format invented, supporting all the varying frame rates, compression formats and aspect ratios, and investigating and implementing the right tools to allow for optimal quality in compression and transfer. While this is an enormous undertaking both technically and financially, duplication houses specializing in standards conversions have no other choice.

"To keep up these days you have to buy every deck for every format as soon as it comes out," relates Mick O'Connor, VP of sales at NYC-based Devlin (www.devlinvideo.com), which has been a force in standards conversions since 1968. For the past two years Devlin has been the preferred vendor for converting virtually every film and video to HD for screening at the TriBeCa and Sundance film festivals. "Because of HD, all the formats are changing and you need to keep up with them to satisfy any request."

Along with the emerging formats, the lower cost editing equip-

DiscMakers' Tony Van Veen says the name of the game is "convenience, responsiveness and customer service."



ment has also led to an increased need for standards conversions.

"With more people able to edit at home and with these small boutiques opening, it's provided us with more revenue because they will come to us in the end to take their projects to a higher end tape format," Brady says.

MAKIN' COPIES

Other duplication companies are focused



duplication's Joel says the company recently producing 300 DVDs for the federal government.

more on making copies for distribution to the client's customer, whether that means making a single copy or hundreds of thousands. While most of these companies do offer some levels of standards conversion, they are generally more concerned with consumer formats and getting them to the customer quickly and economically.

As their focus is more on the end user than the content creator, this allows them to remain somewhat distanced from the format wars so they do not have to race out to invest in every new tape deck that hits the market. It does, however, bring up a host of other challenges involved in satisfying the end user.

"For almost any duplicator/replicator, the printing, packaging and distribution part of a project is as involved or more involved than the actual duplication," notes Joel Levitt, owner of Philadelphia's Action Duplication (www.actionduplication.com), which offers duplication and replication services and is currently producing a 150,000-DVD project for the federal government. "It's really the back end of it that tests any facility."

DiscMakers (www.discmakers.com) in Pennsauken, NJ, is in an unusual position in that it builds and sells its own duplication towers capable of burning 200 discs completely unattended, and sales of this hard-

ware and the blank media accounts for about 25 percent of its revenue. Of course, the downside is that it is lower cost systems like theirs that are now allowing smaller companies to form and potentially compete for the same clients.

"The barrier to entry has virtually disappeared so I do expect some mom and pop duplication shops with aggressively priced packaging, probably with limited service offerings, to add to the downward pressure on rates," says Tony Van Veen, VP of sales and marketing at DiscMakers. "But the name of the game is still convenience, responsiveness and customer service and that is what we have always focused on. Because we handle everything in-house we generally can handle projects faster and often cheaper!"

"The biggest issue in the industry right now is pricing," says Action Duplication's Levitt. "Some companies are coming in and just trying to pay their overhead. We've always taken the approach that we sell the value of our services, not on price alone. On larger projects, because of our large size, we can be very competitive. It's the quality of the authoring, the printing, the packaging, the timeliness, our customer services and our design capabilities."

But the mass replication and distribution is only one of the needs of large corporate communicators. The other is to provide their media on-demand. Both DiscMakers and Allied Vaughn have sought to meet this market.

DiscMakers has created a DVD and CD self-service offering in which users can go online, upload their content, design graphics through the Web browser with no design experience or knowledge of specific software necessary. Then, they simply enter the number of copies they want and within 48 hours those discs are sent out.

Allied Vaughn (www.alliedvaughn.com) last year launched its Media On Demand service, which allows a client's customer to order their own customized DVD. This service is targeted at corporate clients that have a large number of titles in their catalog. Of course, if a company has 300 titles the cost of authoring and printing a mass quantity of all those titles would be a huge investment with no guarantee on a return. So this

service allows the creation of DVDs on a per-order basis.

This was done by uploading all of the client's catalog onto the Allied main server and automating the entire process from ordering to authoring to delivery and billing. A customer's client can now go on the client's Website, order the specific titles they need and automatically a customized DVD with only the specified content is authored and delivered.

"Clients that in the past would not author a DVD if they weren't going to sell 500 of them, can now afford to make their entire catalog available," notes Allied Vaughn CEO Doug Obenak. "But now that they can make it available on a per-order basis, that's hundreds of thousands of dollars of revenue without the huge investment."

BRANCHING OUT

All of the companies interviewed for this article have moved into the space of DVD authoring within the past few years, allowing them to take a project from locked edit to distribution all under one roof. With an expertise already established in compression, DVD authoring was a natural extension by the duplication houses. But the main reason all these companies decided to offer DVD authoring was to feed its core business of duplication.



Devlin recognizes the need to have decks of every format.

For companies focused more on the standards conversion side of the business, Devlin already handles projects for Time Life Video and Showtime, so there was the obvious opportunity to author some of their programs. Lightning Media, working with many of the television studios, also answered the call of opportunity and authored and duplicated the DVDs for many of the TV studios' Emmy hopefuls that were sent out to all of the judges of the awards program.

Companies leaning toward the other side of the duplication equation and those more

focused on duplication for the corporate market saw this as an opportunity to provide an end-to-end solution for their clients.

"There's a different mindset between entertainment and corporate clients," explains Action Duplication's Levitt. "Corporate clients are more inclined to trust a company that they've worked with before to just handle the entire project in a workman-like manner with good graphics, quick turnaround and low prices. And our prices for authoring are lower than other facilities' because we use it to drive our manufacturing business."

In addition to DVD authoring, these companies have also moved into the compression realm for Internet streaming. Lightning Media has created the Lightning Max service, a media asset exchange over the Internet with encrypted video and data marketed toward Web dailies and rough cuts as well as other applications.

"This is something that is going to continue to evolve and something clients are looking for as long as it's protected and they are getting high-quality images," says Lightning Media's Brady. "So we expect client de-

mand for this to continue as long as they don't experience any technical glitches or other problems."

STATE OF THE INDUSTRY

Overall, the duplication business, no matter where any one company may reside on the spectrum of standards conversion versus mass quantity duplication/replication, is as stable a niche industry within the post market as there is. The business of standards conversion is well protected as entry into this market requires a significant investment and technical knowledge, not simply of the latest formats, but all the formats that have come before it.

"There's really not a huge threat of competition," notes Devlin's O'Connor. "There's a lot of competition on the compression side because that's easier to set up. But to have that back-end where you can support all the legacy formats, that's where our strong point comes in because we can support anything and turn it into anything."

On the other side, while certain post houses have started to offer some level of duplication, the established duplicators do



not expect this trend to increase significantly.

"We're already running into [post] companies that are realizing that it's one thing to duplicate the media, but it's another thing to package it, store it, keep inventories, a customer service response and all the other things that go into this business," explains Allied's Otzenak. "So the proliferation of equipment has allowed companies to offer this service but you're also finding that most companies are looking to pinpoint their core business and stick to that. It's one thing to put a photocopier in the corner because you need to copy documents, it's another thing to try to be a printing company." ■ P037

"The HD evolution provided a lot of business for us, Lightning Media Cheryl Brady.



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