

THE FUTURE IMAGE REPORT

THE DIGITAL PHOTOGRAPHY AND INTERNET IMAGING AUTHORITY

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EYETIDE MEDIA EARNS REVENUE WITH IMAGE DELIVERY

By Joseph M. Byrd

Last year many Web media companies went under as the cost of acquiring content far exceeded the little-if any- income earned from their limited audience.

Now a new company named Eyetide Media has reversed the model, and stands to collect revenue from both ends.

Eyetide says more than 200,000 users have already downloaded its innovative viewer software. These people now receive daily images from content owners like Sony Pictures, MGM, Stanford University, FANSony and the Miami Dolphins NFL football team.

Eyetide says its Screensaver Network image library now contains more than 2,000 images from media companies and professional photographers, classified into more than 40 content categories. In just 4 months, Eyetide has delivered 15 million pictures targeted specifically to the interests of the 250,000 people who have signed up to receive them.

Eyetide's business equation is particularly elegant, inasmuch as the clients themselves bring the end users to Eyetide, so customer acquisition is a revenue item — not a cost of doing business as it is in many dot.com companies.

CONSUMER CONTENT CONCEPT

Eyetide officially launched in October 2000, after a soft launch in September and a year in development. The company is headquartered in San Francisco, and has a content acquisition office in New York.

Eyetide has developed patent-pending technology to deliver new digital image screensavers directly to a user's desktop each day. Eyetide's Viewer is a 1 MB downloaded program that runs on the end user's PC. The system transparently downloads the screen saver images in the background, storing them into a file on the user's PC. The program manages image storage, removing images once they are no longer desired to save hard drive space.

Why do users sign up? Because they are getting the images they want: content targeted to their interests.

Say, for example, that you like action films. You could sign up with Sony Pictures to receive movie stills from their upcoming

action films. Tomorrow you receive a file from Eyetide that displays a photo of Arnold Schwarzenegger in "The 6th Day." Or, on a more personal level, if you were a graduate of the University of Oklahoma, you might want to visit the University's web site and sign up to receive the latest football game highlights. Each day of the week you'd then receive another photo from the game. In the meantime, you can click on the Eyetide toolbar to go to the University web site and purchase a sweat-shirt, or send one as a holiday gift.

The image distribution doesn't stop with the initial Eyetide user. The company says that on average, almost 1,500 of its users send email versions of the images to friends and family — adding to the viral marketing nature of this program.

BUSINESS MODEL

Cute idea, but where's the money? The business model has several components.

First, there is licensing: Eyetide provides their technology to a client like Sony Pictures to host the images that are delivered to the end user's PC. Monthly service fees range from \$5,000 to \$57,000 depending upon the number of images and the number of active users likely to view the client's images.

There is also an advertising and direct marketing component whereby Eyetide can deliver an advertising message or e-commerce offering to the end user on behalf of the client — for a fee or a share of the transaction revenue.

TECHNOLOGY

The Eyetide code is written in C++ and Eyetide's servers run Java, Oracle and Apache on Sun Solaris and Linux platforms. Eyetide is confident they will have a minimum of downtime, and that they can scale to handle the large volume of download transactions required when serving consumer media and sports clients.

An added benefit to Eyetide's system is that the images are delivered to the end user's system at non-peak usage hours. This conserves the server's bandwidth during the busiest hours of consumer usage for viewer downloads — and orders.

Eyetide also offers a proprietary system for storing, matching and delivering content, including photography, text and, soon, video and audio. The content team gathers client-specific content and information, adds appropriate meta-tags, and stores files in an Oracle 8i database. This content is then matched with user profile information to enable the system to deliver content that the user will be most interested in viewing. The desktop application stores information on delivery, as well as tracking what categories of content the user has acted upon.

CLIENTS

Who is paying for this? To date, Eyetide has announced a short list of impressive clients, and promises more major announcements soon.

Sony Pictures and MGM are the two major media companies who are using the Eyetide system to deliver information on their upcoming film releases. The VP of Interactive Marketing from Sony Pictures just joined the Eyetide advisory board. Some of the nation's most-watched college football

announced a partnership with Aurora Quanta Productions, a major stock photo house to deliver fine art photos.

FOUNDERS AND FUNDERS

Eyetide's five founders have background experience ranging from financial analysis to online publishing to dot.com development to doctorate studies.

Lars Albright, VP of Business Development, was previously a financial analyst at Seaver Kent & Co. and NationsBanc Montgomery Securities. Jake Brooks, VP of Operations, comes from product development at Abuzz, a division of New York Times Digital. Tor Lungren, CTO, previously managed an Internet ad-delivery system and developed next-generation ad-targeting strategy. Baird Ruch, VP of Strategic Planning, is on extended leave from his PhD studies in Molecular Genetics at the University of Utah. Charlie

Ruch, VP of Finance, was previously a financial analyst at Banc of America Securities. And Evan Nisselson, SVP of Content and Product Strategy, was with Excite@Home in charge of photo content.

Eyetide's investors include Fusient Media Ventures, New York-based media investment bank Allen & Company, and several private investors, including the founders of Wired magazine. Of significant interest is that Fusient Media Ventures is committed to

identifying and funding the next generation of entertainment programming built around the Internet. They are interested in companies who will benefit from the shift in the Internet from a technology play to a broadband and content-driven industry. Allen & Company is a media investment bank that serves the biggest names in the entertainment industry including Universal studios, Disney and Capital Cities/ABC.

FUTURE IMAGE FORECAST

Where is the technology going? To understand why this screen saver delivery

system is so interesting, you have to think ahead to where the Internet industry is heading.

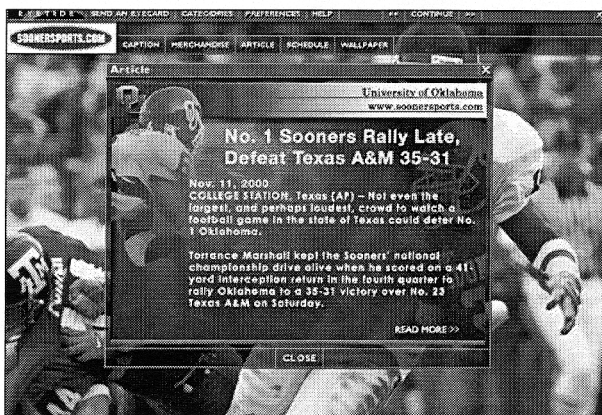
First of all, Eyetide is starting out as a delivery system for advertising messages

EYETIDE IS STARTING OUT AS A DELIVERY SYSTEM FOR ADVERTISING MESSAGES THAT ARE MORE COMPELLING THAN BANNER ADS BY AN ORDER OF MAGNITUDE.

that are more compelling than banner ads by an order of magnitude. For example, a recent Sony movie announcement on AOL's home page led to thousands of people downloading the Eyetide viewer. Once the end users were viewing the screen saver images, they began selecting the option to view the movie trailer at a rate of 25%-35%. Others are electing to purchase merchandise from the screen saver at a rate of up to 20%. This far exceeds existing advertising delivery vehicles.

In addition to delivering images and sales messages, the Eyetide system can deliver significant content for a fee. One doesn't have to think too long to imagine some of the high-quality photo content that viewers would pay to have delivered to their desktop on a daily basis. There are many types of photo content that people would pay for that match their personal interests, from Fashion to Wildlife to Extreme Sports.

Eyetide's system could also help alleviate bandwidth constraint problems. For example, Eyetide could send you information on a selection of movies that match your personal preferences each day. If you find a movie you want to rent, Eyetide could send you the film files in the background during your regular connect time during the day. That night, you will find that your movie has been delivered to you. The next morning, the system deletes the movie, and presents you with more options. As television moves from broad- to narrow-casting and the Internet begins to offer even more media options, the Eyetide system can help viewers find interesting content and deliver it to them, and therefore ranks among the experiments to watch for future imaging delivery systems. ■



The Eyetide viewer displays articles and for-sale merchandise associated with the images.

teams this season were supplying photos to their fans using the Eyetide system, including, directly, Stanford University and, through FANsOnly, (a sports network representing over 80 universities) Clemson, Notre Dame, Florida State, Oklahoma State, Michigan State, University of North Carolina, Ohio State, UCLA and the University of Oklahoma. Eyetide also signed broadbandports.com.

Eyetide's first NFL client, the Miami Dolphins, was brought online on December 13 with, the company says, a strong response from fans. Finally, Eyetide just