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## Q&A

### A Conversation with Curt Tilly

**Manager, Digital Cinema Distribution, Microspace**

Microspace, the satellite delivery company has been involved in digital cinema from the beginning and its leadership role is growing as the digital cinema rollout continues.

Curt Tilly has been with Microspace for fifteen years. Prior to his digital cinema work, he held various senior engineering and sales positions at Microspace. He has his degree from North Carolina State University in Industrial Engineering and is currently pursuing his MBA at East Carolina University.

Digital Cinema Report Editor & Publisher Nick Dager interviewed Tilly recently and covered a range of issues.

#### **Digital Cinema Report: How large a company is Microspace and when was it founded?**

**Curt Tilly:** Microspace is a privately held division of Capitol Broadcasting Company, a regional diversified media company. Microspace started services in 1988 and currently delivers content to over 330,000 locations in the US, Europe, and Latin America. Its network is growing average 1,500-1,700 sites monthly with the current industries Microspace serves.



#### **DCR: Who are some of your major customers and how do you support their businesses?**

**CT:** Microspace supports real-time delivery of information to financial information customers such as Morgan Stanley. In the weather information industry, Microspace delivers both live and on-demand information to the top 4 weather information providers in the US. In the business music industry, Microspace delivers nearly 150 channels of customized audio for the top two companies in the industry. It is estimated that through these customers, Microspace's services directly touch 100 million Americans on a daily basis. Whether a network has dozens of sites or thousands of sites, there is not a more reliable and cost-effective way to simultaneously deliver content.

#### **DCR: There are some common misconceptions about satellite delivery such as the impact of weather. What is the reality?**

**CT:** The reality is that weather can affect satellite services. Properly engineered systems however, can minimize the effect of weather and provide levels of service that surpass other forms of electronic delivery. Microspace's experience and network design have proven to be a significant differentiator over our competitors. This allows us to provide the highest levels of availability in the satellite industry. Another common misconception about satellite is that it is expensive. While that is indeed true for a network with small numbers of sites, satellite becomes more cost effective as the size of a network increases. In networks with hundreds of sites, the costs of satellite are a fraction of the costs of similar forms of terrestrial connectivity.

**DCR: Having said that, no system is absolutely foolproof. What can go wrong in a satellite delivery and what steps can be taken to minimize the risk?**

**CT:** The most serious risk is the loss of the satellite itself. While this is extremely rare, it has happened before in the industry. For Microspace's digital cinema distribution, and for many of our traditional customers, we provide delivery services on two separate satellites to guard against this type of failure. We have also engineered our digital cinema system to deliver 100% reliability using advanced satellite technologies coupled with a return channel for verification of content delivery.

**DCR: Microspace has some experience in digital signage, which is a technology with significant potential for exhibitors. Describe your digital signage experience.**

**CT:** Microspace currently provides satellite content delivery for a number of national digital signage networks including CompUSA and Abercrombie and Fitch. Digital signage delivery has been a real growth area for Microspace over the last three years as marketing has started to shift from traditional television advertising to dynamic and often interactive advertising in public places and points of purchase.

**DCR: What role do you envision digital signage can play in exhibition?**

**CT:** Digital signage will offer exhibitors and content providers a dynamic outlet for increased advertising and advertising sales in their theatres. As advertising continues its transition out-of-home, advertisers will continue to look for new outlets where their messages can be seen and heard.

**DCR: Microspace has actually been involved with digital cinema for several years. What prompted the company's first foray into this market?**

**CT:** Microspace has been interested in digital cinema for many years. In the past 5 years, however, we have seen the technologies, specifications, and business models all come together as the industry has embraced digital. While electronic delivery via satellite is only a small part of the digital cinema process, it offers some of the most significant savings over traditional physical delivery that occurs today.

**DCR: Is digital cinema a departure from Microspace's traditional content distribution model?**

**CT:** Digital cinema distribution is closely related to the work we do with many of our traditional content customers. The primary difference with digital cinema distribution is the size of the digital packages being delivered. From a bandwidth point of view, this requires more careful planning of our resources than with more traditional networks. For reliability, the larger file sizes actually make our job easier by overcoming some of the traditional small-file challenges.

**DCR: In terms of reliability, security, cost-effectiveness and workflow issues, how does satellite delivery compare with other distribution methods?**

**CT:** We are strong believers that the workflow efficiencies gained with electronic distribution via satellite will be the most important aspect to look at when comparing distribution methods. With eight successful deliveries this year, we can easily show studios and exhibitors the reliability, security, and even the pricing associated with our satellite delivery. Workflow efficiencies however, with fully automated ingest and reporting, are capabilities that are still being developed by Microspace and the rest of the industry. The direct and indirect costs from these efficiencies have yet to be accurately measured, but we predict significant savings in time and labor over physical distribution for the studios and the exhibitors. In the past, Microspace has helped a number of

companies and industries move from physical distribution to satellite-based distribution and in every case, workflow has been streamlined and significant savings have been realized.

**DCR: Are DCI specifications or other things such as JPEG 2000 an issue in satellite delivery?**

**CT:** DCI has done a great job of getting all the technology providers for digital cinema on the same page. The primary effect DCI has had on our digital cinema efforts is to double, triple and in some cases quadruple the size of the packages we need to deliver. As I mentioned earlier, this causes us to more carefully plan and schedule our capacity, but also offers increased system reliability associated with longer delivery times. In the long term, the common specifications of DCI and the recommendations from NATO are fundamental for interoperability.

**DCR: To date, Microspace has been involved in the distribution of eight feature films. Please tell us which films you have worked on and describe how the experiences went.**

**CT:** Deliveries this year have included five Walt Disney releases and three Paramount releases. The last release we delivered was WTC in July. In each case, even the largest digital cinema package has been delivered to revenue producing theatres in less than 24 hours. We use this as a benchmark for the physical delivery time we need to beat. In some of the cases, we have been able to deliver the complete release in just over 5 hours, but again this is more a function of file-size than system capability. The fact that we have been 100% successful in these deliveries is gratifying, given the efforts our engineering team has put into the system to insure reliability.

**DCR: You have announced a pilot program whereby you expect to have more than 100 screens in place for satellite delivery by the end of this year. Describe that program and are you on schedule?**

**CT:** The Microspace pilot program was specifically designed to give our studio and exhibitor partners first hand experience with the efficiencies of content delivery via satellite. At the same time, it has provided Microspace an opportunity to work as part of larger industry efforts in digital cinema.

As part of the pilot, Microspace installs a satellite system at a participating theatre at no cost to the exhibitor. Microspace then works with the exhibitor and the digital cinema playback equipment provider to insure that content travels electronically through the entire chain of equipment. The advantage to the exhibitor is an automated, hands-off approach to handling content that eliminates in-theatre handling, tracking, shipping of studio content and return shipping logistics and costs associated with physical media.

As the number of screens in the pilot program grows, our studio partners will start to see both direct and indirect costs decrease proportionally as well. Because content is no longer handled physically, it is considerably more secure and as the number of screens increases, the fixed cost of satellite distribution is split among a larger number of theatres. This concept simply stated means that as the footprint of the pilot program grows the cost per theatre for delivery decreases.

We are on track for over 100 screens in our pilot program by the end of the year. We are working with the top equipment and service providers in the industry to make this happen and we expect to grow the pilot even more significantly in 2007.

**DCR: What are the key points regarding satellite distribution you would like to leave with Digital Cinema Report readers?**

**CT:** They should know that Microspace is fully committed to enabling digital cinema and has the track record helping other industries move away from physical distribution to prove it. Over the last four years, we have invested significant time and resources trying to understand the market and the unique technology challenges digital cinema presents. Our partners in the Microspace Pilot Program have helped us immeasurably in this regard and we feel confident in saying that we can deliver the secure, reliable, and cost effective electronic distribution the industry needs.

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