

## FROM THE COVER

## Netflix Rises Above the Fray

NETFLIX CONTINUED FROM A1

"PS3 system owners will soon enjoy an unparalleled experience watching their favorite movies and TV shows streamed instantly from Netflix, downloading from the PlayStation Network or watching Blu-ray/DVD media," Jack Tretton, president and CEO of SCEA, said in a statement.

To entice more people to become a Netflix member, the company invited consumers to watch the "Wizard of Oz" without charge for 24 hours starting on Oct. 3 at 9 a.m.

In September, Netflix and its partner Film Independent, a nonprofit organization, announced that its panel selected aspiring film producer Philip G. Flores of Hemet, Calif., to produce a feature-length narrative film called "Touchback." Flores received a \$350,000 grant to produce the film. Netflix hopes to hold a prescreening during the Los Angeles Film Festival in 2010.

Netflix recently awarded a \$1 million prize to a team of researchers who came up with a better algorithm to predict members' movie-watching preferences. Netflix recently awarded the prize to "BellKor's Pragmatic Chaos," a seven member team of researchers, engineers, and statisticians from the United States, Canada, Israel, and Austria.

"The Netflix Prize sought [an algorithm] to substantially improve the accuracy of predictions about how much someone is going to enjoy a movie based on their movie preferences," said the Netflix Prize Web site.

To gain additional market share, Netflix devised its Netflix Player by Roku, a device that instantly streams movies and TV shows to television. During the same year, the company rolled out its "Watch Instantly" feature to all subscribers at no extra cost, allowing them to stream movies to their home computers.

## SURVIVING IN A DOG-EAT-DOG WORLD

Experts say that Netflix has proven



RISING RED TIDE: Netflix workers sort DVDs at the company's Piscataway, New Jersey, distribution center on March 10, 2009. MARINE LAOUCHEZ/AFP/GETTY IMAGES

its doubters wrong repeatedly, but it is unclear how the balancing act between the company's old and new business models will play out. "Netflix has won round one with physical distribution of DVDs, but that advantage won't persist once the game switches to digital distribution," Wharton management professor David Hsu said in the KW report.

Competition is intense and Netflix has to be on its toes to keep its customers from moving to competitors. Customer loyalty is fickle—whoever gives customers a better deal for their dollar will get the business.

Blockbuster, Redbox, GameFly, Apple's iTunes, YouTube, and a number of other firms are offering competing products. Cable television could also become a major competitor with its on-demand video and its experimental on-demand video on the Internet.

"But it's not as though competition is anything new for Netflix. So-called 'Netflix killers' have surfaced repeatedly in the last decade," KW said.

In 2002, Netflix faced the threat of Wal-Mart, which rolled out an online rental program. Consumers did not flock to Wal-Mart and

the retail giant tabled the service. In February 2007, Wal-Mart introduced a movie download service with content from major film studios and scrapped it in December of the same year because it could not compete.

Financial and subscriber numbers show that Netflix still rides the tide. Netflix provides its customers with a large number of independent movies, a position that has little competition.

Netflix's survival depends on maintaining its movies-by-the-mail business model as long as possible, giving it time to be firmly entrenched in the streaming video business model.

Wharton professors are certain that Netflix, having survived the recent economic meltdown and still being in excellent financial condition, is elastic enough to survive any threat to its existence.

"I think among streaming providers, Netflix is a friend. This is an example where good competition will help grow the entire industry, which is still in its nascent stages," Eric Bradlow, Wharton marketing professor, remarked at the end of the KW article.

## T-Mobile Admits Employee Sold Private Data

LONDON (Reuters)—A employee of mobile phone operator T-Mobile is facing prosecution after selling personal details of thousands of British customers to rival companies in an alleged major breach of data protection laws.

In a statement, T-Mobile UK, part of Deutsche Telekom AG, said it had contacted the Information Commissioner's Office (ICO) after discovering an employee was passing on the information and it believed the investigation would result in a prosecution.

"While it is deeply regrettable that customer information has been misappropriated in this way, we have proactively supported the ICO to help stamp out what is a problem for the whole industry," T-Mobile said this week.

Information Commissioner Christopher Graham said the data was sold for "substantial amounts of money" to brokers working for other mobile phone companies.

The privacy watchdog said it planned to prosecute and would push for jail terms for anyone convicted.

The watchdog said staff sold details relating to customers' phone contracts, including their names and addresses and contract expiry dates.

Rival companies bought the information and used it to make cold calls to the customers offering them a new contract with a new network, the Information Commissioner's Office said.

"Many people will have wondered why and how they are being contacted by someone they do not know just before their existing phone contract is about to expire," Graham said in a statement.

"We are considering the evidence with a view to prosecuting those responsible and I am keen to go much further and close down the entire unlawful industry in personal data."

The watchdog has searched several



DATA PROTECTION BREACH: A fairgoer uses his mobile phone as he walks past a logo of German telecommunications giant Deutsche Telekom at the CeBIT trade fair in Hanover. A British employee of T-Mobile faces prosecution after selling personal details of thousands of British consumers. JOHN MACDOUGALL/AFP/GETTY IMAGES

premises after obtaining warrants and is preparing a prosecution file.

Many thousands of customers' account details were illegally obtained, the company told the watchdog. Graham said the practice was highly profitable, but illegal under Section 55 of

the Data Protection Act.

"The existing paltry fines for Section 55 offences are simply not enough to deter people from engaging in this lucrative criminal activity," he said. "The threat of jail, not fines, will prove a stronger deterrent."

## Fraudulent Web Sites Profiting From Flu Fears

TAMIFLU CONTINUED FROM A1

According to Sophos, the top five countries of consumers purchasing fake Tamiflu were the United States, Germany, Canada, the United Kingdom, and France.

Sophos found a network of underground Web affiliates called the Partnerka, operating out of Russia, which generates traffic to partner sites for an agreed share of profits. Most of such Web sites market themselves as being "Canadian" to appear more legitimate to Web users.

"This year, Sophos has intercepted hundreds of millions of fake pharmaceutical spam adverts and fake pharmaceutical Web sites, promoted

by affiliate members," according to a statement by the company. "Working day and night, thousands of affiliates use criminal methods including spam, adware and malware to drive as much traffic to their partners' stores as possible, which then sell high-profit illegal goods as part of a multi-million dollar industry."

In its research, Sophos found that members of the affiliated network could earn more than \$100,000 per day promoting fake Tamiflu.

"As there's a very good chance the swine flu pandemic has not yet hit its peak, Sophos has issued this warning to help prevent another significant influx of cash

and unwitting transfer of personal details to Partnerka affiliates," said Graham Cluley, a spokesman at Sophos.

Once a user searches for the word Tamiflu, advertisements direct them to Partnerka-affiliated online pharmacies to purchase fake versions of the drug.

"What most people don't know is that cybercriminals have manipulated Internet search engine results to drive as much online traffic as possible to these sites," according to a Sophos statement. The firm said that 20 percent to 40 percent of the revenue could go to organizations that promote such Web sites.

Carbon capture technology is far from a done deal, however. Unproven on a commercial scale, the process is extremely expensive and there are a multitude of safety concerns.

"Right now we have politicians making promises about the technology of carbon capture and sequestration (CCS) that scientists don't know that they can meet," said Graham Thomson, author of a peer-reviewed study for the University of Toronto.

The stakes in this technology are also high for American consumers, who rely on abundant domestic coal for around half of the country's electricity generation.

On the global stage, leaders from around the world will meet next month in Copenhagen to try to agree on binding international targets for reducing greenhouse gas emissions.

With coal the source of 40 percent of global carbon emissions, talks on funding for carbon capture will also likely be a key part of these negotiations.

For American Electric Power Chief Executive Mike Morris, there is no question that this technology is necessary and feasible. In his office atop AEP's headquarters in Columbus, Ohio, Morris told Reuters: "This country and countries of the world are going to have an approach to cap carbon."

The House narrowly passed climate legislation this year that would limit U.S. greenhouse gas emissions

## U.S. Coal Industry Stakes Survival on Carbon Capture

NEW HAVEN, West Va. (Reuters)—A looming government clampdown on CO2 emissions is about to confront an already embattled U.S. coal power industry with two stark options: capture carbon or die.

Legislation from Congress or tough new regulatory demands could make it costly to spew greenhouse gases, posing a serious threat to the nation's coal-fired power plants.

With coal the single biggest source of carbon emissions, industry backers are pinning their hopes on technology to trap and store these emissions blamed for heating up the planet.

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The House narrowly passed climate legislation this year that would limit U.S. greenhouse gas emissions

by requiring major polluters to get permits for the carbon they release into the atmosphere.

Although most permits would be free at first, eventually companies would have to pay for or reduce their emissions, which could possibly put major emitters out of business.

In the Senate, key lawmakers are working to craft a similar law that would garner enough support for passage.

If no bill emerges from Congress, the Environmental Protection Agency has taken steps to regulate emissions under the Clean Air Act.

## FIRST OF ITS KIND

One of the country's largest electricity generators, AEP is spending money to match the rhetoric. Partnering with the French engineering company Alstom, AEP is pioneering a project that will trap coal emissions and inject the carbon underground at its Mountaineer power plant in West Virginia.

The \$73 million test project, which began fully operating last month, is billed as the first in the world that brings all the components of trapping, transporting and storing carbon together at an existing coal plant.

The company hopes it will lead to the first U.S. commercial-scale CCS project, at a cost of about \$670 million.

Located amid rolling hills along the Ohio River, AEP's existing plant is a 1,300-megawatt behemoth consuming 12,000 tons of coal daily at full capacity.

Using technology developed by Alstom, the demonstration project at Mountaineer captures some of the carbon dioxide produced by the plant and transfers it through pipelines to two sites where it is pumped underground.

## NOT A FREE MOVE

"The issue of global warming control is a technology challenge and this project and others like it will demonstrate there is a technological answer," Morris said. "But ... we all

need to realize it isn't a free move."

The cost of carbon capture will be high. Earlier this month the International Energy Agency said the world will need to spend \$56 billion by 2020 to build 100 such projects, with an additional \$646 billion needed from 2021-30.

A report released by the Global CCS Institute in Australia earlier this year said technology development is caught in a classic "Catch-22" situation.

"The only way costs can decrease is by installing a large number of CCS projects worldwide," it said.

Governments may have to foot the bill for many of the upfront costs. AEP has applied to have the U.S. government cover about half the cost of its commercial-scale project.

The technology uses up to 30 percent of a plant's power, meaning it uses more coal and makes less electricity for sale.

Even with advances in technology, consumers will still face some of the costs, said Franklin Orr, director of the Precourt Institute for Energy at California's Stanford University.

"We're going to have to charge ourselves enough for the electricity to pay those costs," he said.

## SAFETY CONCERNS

Although hailed by U.S. Energy Secretary Steven Chu as an essential technology, some critics question whether it will be possible to safely trap and store carbon for decades on the scale necessary to address global warming.

To make a serious dent in carbon emissions, billions of tons of CO2 will have to be injected underground.

There are also concerns about leaks from the storage areas. Carbon dioxide in high concentrations can cause asphyxiation but such accidents are considered unlikely. And there are also worries that drinking water sources could be contaminated.

"We're putting a lot of our eggs in one basket, when in fact it may not work at a commercial scale," Thomson said.