



Taking the Work out of Entertainment

The Kaleidescape approach to content management

By Nancy Klosek

Ask Michael Malcolm why Kaleidescape, the company he was involved in founding in 2001, came into being, and he says, simply, that “we got interested in solving the problem of the best way to deliver high-quality video entertainment throughout the home.”

But look a bit deeper, and the back story behind Kaleidescape has all the elements of a recipe for an ultimate home entertainment “solution”— with a main ingredient being the personal needs of the founder.



**Michael Malcolm,
Chairman
and CEO,
Kaleidescape**

Malcolm, Kaleidescape's chairman and CEO, was a Ph.D. and teacher of computer science, and had been a founder of both the data management company and S&P 500 member Network Appliance in 1992, and, in 1996, of the caching pioneer CacheFlow (now known as Blue Coat Systems). "I have a background in computer

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science, systems design and appliance-type products," Malcolm says, "but starting Kaleidescape was about wanting to start a fun company to work at."

More than that, though, Kaleidescape's birth five years ago answered a yen by Malcolm to "solve my own problems. My DVDs were taking over my wine cellar," he explains.

"I'd been having a home theater and a home automation system

installed in my home in Aspen," he continues, "and I was frustrated with the products available. I had a collection of about 400 DVDs and couldn't come up with a solution for storing and cataloguing them, and for making it easy to find what I wanted, to enjoy them. Part of it was trying to solve that problem.

"We'd thought of having a custom piece of furniture designed, but that wouldn't have helped the problem of organization or access," says Malcolm. "My installer suggested a DVD carousel, but I realized the place for all these bits is on hard drives, and the way that people should make their selections is on the screens, so that it can be a group activity. That's what drove the design of the system.

"Also, it took simple arithmetic to figure out that high-quality movies could be pushed over an Ethernet, with no additional cabling required," Malcolm says, adding that he had been put off by "the great, big bundle of wires and all the holes in the wall" that were a part of his Aspen home setup. "So I asked the installer, 'What do you really need, besides power and Ethernet? The rest should be superfluous.'

Malcolm continues, "We came to the conclusion we'd have to design a platform ourselves...One problem we ran into, that we felt we had to find a good solution for, was what kind of a system the content would get delivered to. We didn't think that most people wanted to use a PC for entertainment. So we decided there was a need for a different approach, and couldn't find anyone else that was doing it."

Identifying the market

Malcolm says he and his collaborators reasoned that with the large universe of DVDs in the market — there are 60 million to 80 million households in this country that buy DVDs, with average collections, he says, hovering at around 100 titles — "it's conceivable that there could be a million households with the problem of organization of large collections. And we thought the logical place to start would be the high end of the market, for several reasons: We could build a premium brand and we could make margins there."

Kaleidescape has a North American dealer universe of about 300 dealers now, he says, consisting mostly of pure custom installers — "easier to get on board with in the early days, because specialty



The Kaleidescape Music Player is designed to let you enjoy up to four fully-independent zones of music anywhere in your home.

says of possible future product development avenues, "but the trouble is that there are so many obvious directions, that some of them, we're going to do and some, we aren't, because we've got to maintain focus.

"Rather than trying to have a feature race with PC-based products," he says, hinting at what development route Kaleidescape will next take, "we are focusing more on how to make the product the ultimate entertainment experience. So it may have a more narrow range of features, but the

hybrid dealers tended then to be larger, older and more conservative companies who were slower movers."

That is changing now, Malcolm says, as more hybrids' businesses come to depend upon providing installation and integration services for their revenues.

Another thing that's changing, he adds, is the way Kaleidescape is approaching dealer training. "Our training is really hitting the ground running just about now," he says, "and that will be very important to HTSA members. Initially, we had pretty good training on the technical aspects of networking. It was all very tech-y, and then, we came to the realization that our dealers didn't need to know all that stuff till they knew how to sell Kaleidescape systems. So we began putting more effort into teaching the selling of the product's benefits, and added techniques we felt were more effective."

In the past, Kaleidescape has provided training sessions at its headquarters and at CEDIA Expo, but has just hired a new director of training, and is now beginning a program that will entail more on-site instruction right at dealers' own facilities.

Product development & direction

Kaleidescape, this April, added music management capability to its benefit portfolio. "That was a great new addition to the product," says Malcolm, "and now we do CD organization," helping to solve the same dilemma confronting owners with CD libraries in the thousands.

"Many of the directions we're heading in may seem obvious," he

things it will be able to do, it will do really, really well. And we are starting to work more with the content creators and on blending more entertainment into the system, so that it isn't just a device to be playing movies and songs but something that truly adds value to the entertainment experience.

"We're very conservative about making comments on future products," Malcolm continues, "because we don't want to miss expectations. And we never pre-announce a product. When we announce one, it's always shipping. A few of us in the company

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are old-timers, and have learned through hard experience that when you pre-announce, you often end up with egg all over your face, because there are so many pitfalls. I think, eventually, that the system is going to evolve into something that's way more exciting than it is today. And the great thing is that people who bought the very first Kaleidescape systems have all the new stuff that you get when you buy one today, because they're all updated automatically over the Internet as the software improves.

"In general, we've focused on it being an extremely simple system to use, and we're focusing on making it more automatic, so that we take the work out of entertainment." ■