



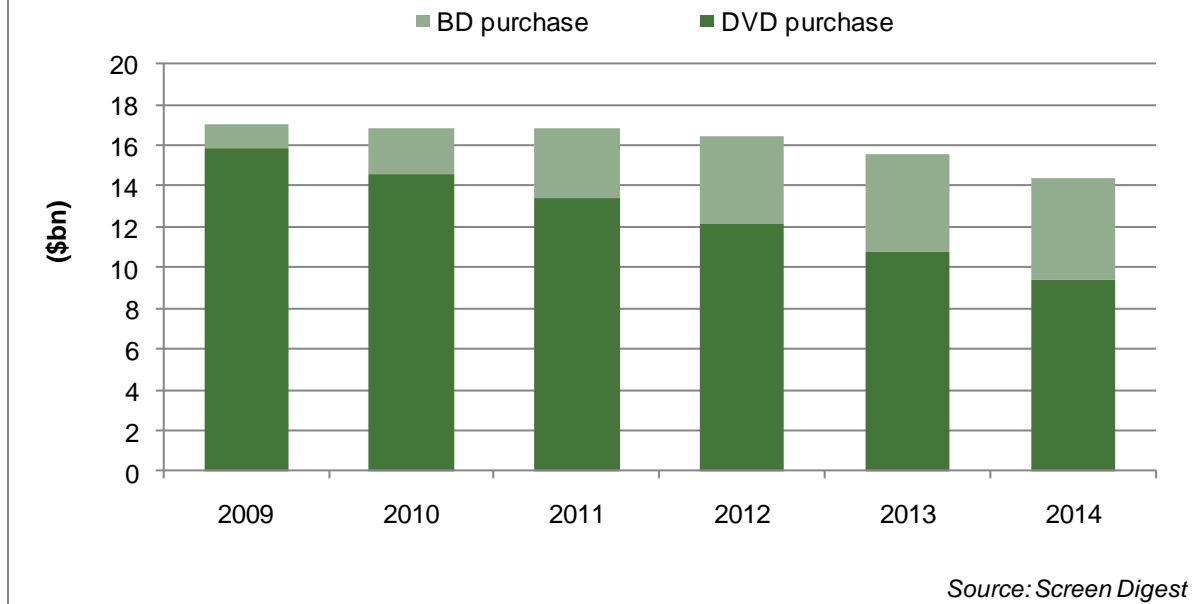
Blu-ray sales disappoint in 2009

Even record-breaking sales of James Cameron's Avatar can't compensate for slow Christmas sales

London 1st June 2010: A combination of a slower-than-expected fall in retail prices and the impact of the worst economic recession in living memory ensured that – unlike in the US – sales of Blu-ray hardware failed to live up to expectations in the key international markets in 2009. Furthermore, those homes that did acquire a BD player or PS3 by the end of the year bought fewer Blu-ray Discs (BDs) than anticipated – less than 1.5 titles per household on average. For many people, it seems, DVD remains 'good enough' for most titles and the additional cost of opting for a hi-def BD version simply cannot be justified in the current climate of austerity. That's according to research published in the latest Screen Digest report 'Why Blu-ray won't plug DVD's International home entertainment gap.'

As a result, total International consumer spending on buying packaged media fell 2.9 per cent (at fixed exchange rates) to \$17.1bn in 2009, according to Screen Digest analysis. "Furthermore," says report author and Head of Video Helen Davis Jayalath, "The failure of the Blu-ray format to capture enough of the market in 2009 means this downward trend is now set to continue, with the short-term uplift in video spending that we had previously expect to see in 2010-2011 now unlikely to materialise." Over the next five years (2010-2014) Screen Digest now expects international consumer spending on buying DVDs and BDs to fall to \$14.5bn, an average decline of 3.5 per cent per year.

International consumer spending on buying packaged media 2009-2014



This is despite recent reports of an upturn in total video spending in the first quarter of 2010 in both France and Germany and stability in the UK. Since these territories alone account for two thirds of all Western European spending, this resulted in an apparent surge in BD sales across the whole region in the first quarter of 2010. However, Screen Digest research shows that this growth reflects a combination of specific market conditions in France and Germany with a stronger title slate than in Q1 2009. Not only were several strong Hollywood titles (including, in some territories, Disney's *Up*) released in Q1 to take advantage of the early Easter break (it fell in March this year compared with April in 2009) but both France and Germany also benefitted from strong local titles in the first quarter (Oscar-nominated *Un prophète* (*A Prophet*) and family movie *Wickie und die starken Männer* (*Vicky the Viking*) respectively).

- Outside the US, industry promotions for BD hardware came 'too little, too late' and failed to piggyback successfully on high profile HDTV advertising campaigns

- Sales of BD hardware and software are lagging those of DVD at a similar stage in that format's evolution everywhere except Japan
- In 2000, four years after DVD was launched internationally, the format accounted for more than one in five (22 per cent) video units sold (DVD + VHS) in the key International markets of West Europe, Japan and Australia/New Zealand. Since then the total number of video units sold each year has more than doubled, but last year (four years after BD's launch), the hi-def format accounted for less than one in 20 (4 per cent) of the 850m video discs (BD + DVD) sold
- And contrary to some reports, even the April release of James Cameron's record-breaking *Avatar* is unlikely to change this situation. As expected—given the combination of the biggest box office hit of all time and a steadily expanding installed base of hardware—the title has smashed BD sales records worldwide, but it's also selling extremely well on DVD. And unlike in the US, where Screen Digest analysis of Nielsen VideoScan data reveals that the title sold a massive 50 per cent on BD in its first four days, our research shows the format's initial share of sales in key international territories was not significantly higher than that of other recent releases
- This was certainly the case in the UK, where consumers' reluctance to upgrade to the BD version (which also contained a DVD copy) may partly be a reflection of the substantial price differential between it and the DVD-only version. While US consumers could pay as little as \$4 extra for the hi-def option, a week-one DVD price war between British retailers meant that the DVD version was available for as little as £8 (\$11.40) in some UK supermarkets, barely half the £15 generally charged for the BD
- Assuming no change in studio pricing policies, BD will account for 35 per cent of total international spending on buying physical video formats by 2014, spending which will have fallen by 22 per cent since 2007, from \$18.6bn to \$14.5bn. By contrast, in the US BD will represent over 68 per cent of physical video purchasing by 2014, although that figure will have declined by 35 per cent since 2007, from \$13.3bn to \$8.6bn

- When physical rental, digital retail and rental and TV-based VoD are included in the equation, international spending on home entertainment is expected to reach \$24.3bn in 2014, for a more modest 14 per cent decline from 2007's comparable figure. Meanwhile, US consumer spending will have slipped just 8 per cent over the same period, to \$21.9bn.

Helen Davis Jayalath adds "The situation in the UK is particularly difficult for BD. As long as deep discounting of the standard definition format by the supermarkets continues, Blu-ray adoption will continue to be slow because the price differential is simply too large for most consumers to justify in today's climate of austerity."

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For more information please contact:

Jennifer Sutton jsutton@greenfieldscommunications.com Tel: +44 (0) 7751 553106

Lucy Green lgreen@greenfieldscommunications.com Tel + 44 (0) 7817 698366

Screen Digest: Fay Hamilton, PR and Promotions Manager

Tel: +44 (0) 20 7424 2847 fay.hamilton@screendigest.com

About this research

The research in this press release is taken from the report 'Why Blu-ray won't plug DVD's International home entertainment gap', published in May 2010. Find out more online: http://www.screendigest.com/reports/2010421a/10_05_why_bluray_plug_dvds_home_entertainment/view.html?start_ser=vi

Note to editors: The currency figures used in this press release are converted from local currencies using fixed 2009 exchange rates.

About Helen Davis Jayalath, Head of Video

Helen heads up Screen Digest's Video team and has overall responsibility for the company's coverage of the packaged media business. She has been analysing the international video business since 1991 and is widely acknowledged as a leading authority in the field. Helen has led the expansion of Screen Digest's coverage of the sector since

1994, including the development of the online Video Intelligence service which set new standards for market information about the video industry.

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