



**British newspapers gave away an average of five 'free' DVDs per household in 2005 as revenues from DVD sales peaked. During the first quarter of 2006 as many DVDs were given away as sold through official channels.**

London 17<sup>th</sup> August: According to new research published by Screen Digest, in the first quarter of 2006 approximately 54m DVDs were given away free by newspapers and magazines in the UK, almost exactly the same number as retailers sold through traditional channels during the same period. This coincides with a marked decline in DVD sales, with average household purchases down from 12.5 DVDs in 2004 to 11.4 in 2005.

In recent years the practice of 'cover-mounting' free DVDs has been adopted by the national press in an attempt to increase circulation, generating a good deal of controversy in the video industry. Well-known films including *The Fabulous Baker Boys*, *Donnie Darko* and even *Star Wars* were among the 77 titles distributed by leading newspapers last year. Whilst cover-mounting is not uncommon in other countries, the UK is unusual due to the sheer number of units involved - some 130m units in 2005 alone - and the fact that they have no impact on the cover price of the accompanying publication.

In the first independent analysis of the impact of cover-mount DVDs on consumer spending, Screen Digest was given access to research from three separate studies into the issue. Analysis of detailed consumer research from TNS Worldpanel Entertainment and IPSOS, along with data provided by cover-mount facilitator The Communications Practice, reveals that approximately 20% of cover-mounts are thrown away immediately whilst four out of five are retained by the consumer for subsequent viewing.

Analysis of the TNS research indicates that whilst rates of DVD purchasing fell across all market sectors last year, among consumers who regularly bought a weekend newspaper there was a correlation between the number of free discs received and the downturn in DVD purchasing. Meanwhile, the IPSOS study recorded that 26% of those who had received a cover-mount over the past three months claimed they would otherwise have bought the official DVD of that title had they seen it at a 'reasonable' price. One in ten said they had decided not to buy a DVD as a result of receiving a cover-mount. If 26% of the DVD households that received a cover-mount last year had each bought one

additional disc each quarter, Screen Digest calculates that as many as 12.7 million units could have been sold last year.

Another criticism leveled against the cover-mount phenomenon - and one apparently supported by the research findings - is that it has a detrimental effect on consumers' perceptions of the value of a DVD. However, this should be viewed in the context of dramatic price deflation in the DVD sector in recent years. Between 2000 and 2005 the average UK consumer price of a DVD fell by almost 30%, suggesting that the video industry itself must also take some of the blame for devaluing DVDs in the eyes of the consumer. This rapid price decline is one of the driving forces behind the video industry's current attempts to introduce new, high-definition formats (Blu-Ray Disc and HD DVD) to the market.

As cover-mount DVDs continue to divide opinion among British video executives, Screen Digest also suggests ways in which the propensity of newspapers to distribute free discs could be turned to the industry's benefit. This might be achieved by focusing on episodic TV or children's product rather than complete feature films, or by distributing 'making of' and other related features to coincide with the release of a major new theatrical release.

#### Changes in total UK DVD retail market 2004-2005

		2004	2005	% change
total DVD unit sales	m	196.5	211.2	7.5
average consumer price DVD	£	11.42	10.63	-6.9
consumer spending on retail DVD	£m	2,244	2,245	0.0

Source: Screen Digest

At the end of 2005 the UK DVD market recorded the worst growth figures in the format's nine-year history. DVD unit consumption had grown only 7.5 per cent and the accompanying fall in average pricing of 6.9 per cent led to a stabilisation of consumer spending on DVD.

#### Editors' Notes

The data, forecasts and analysis contained in this press release are taken from the July 2006 edition of *Screen Digest*

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