



Blu-ray unable to halt DVD sales slump

Despite four-fold increase in BD spend to \$482m, and strong video sales in China, India and Russia, Screen Digest predicts only modest growth in 2010

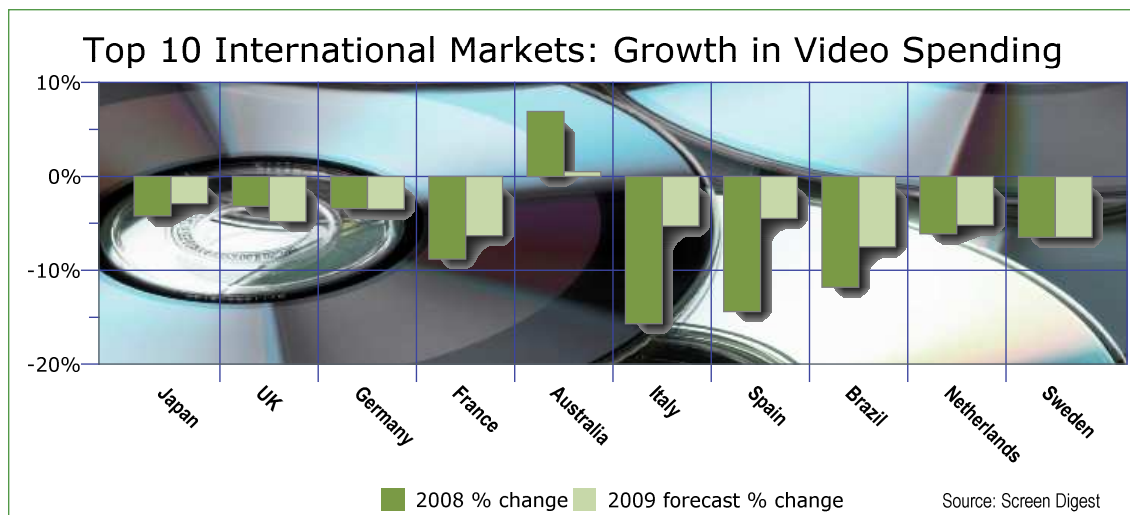
London 15th June 2009: The global video business lost more than \$2.6bn in 2008 due to a combination of a fall in both DVD purchase and rentals by consumers. The figure, which equates to a downturn of 4.8 percent globally, is published in the latest report from Screen Digest (www.screendigest.com). Whilst the decline in North American DVD sales is well documented, the decline in international markets (global excluding North America) has received less coverage.

Internationally last year consumers spent \$26.4bn on video software, with two thirds of that figure (\$18.1bn) spent on buying DVD discs. The overall figure represents a 3.6% drop on 2007 spend and a 4.7% drop on disc sales alone. The sales figures are in line with the overall trend which saw consumer spending plateau between 2004 and 2007 and the North American market starting to decline in 2007 which signalled the start of a global downward trend.

The high definition Blu-ray format was heralded by the industry as the answer to the decline of DVD. However the format war with Toshiba's HD DVD meant that the strong unified marketing that had worked so successfully for DVD's launch a decade earlier was not replicated. This coupled with a worldwide recession in consumer spending and the easy availability of video via other means such as downloading, pirate, legal and illegal temporary ownership, ensured that despite strong sales of BD in 2008 of \$482m, they barely made a dent in the missing revenue.

Physical rental continues to decline

This market is coming under pressure from many sides, including ever-cheaper disc sales, piracy, downloading and legal and illegal temporary ownership. As mass market rental chains adopt ever more aggressive pricing strategies to keep customers, online rental services such as LoveFilm International in Europe and Quickflix in Australia have helped ease the decline of physical rental, however online rental is not effective in all markets.



The chart above shows the top ten international markets for growth in video spending. However outside of this ranking lie three countries that experienced double-digit growth in consumer spend in 2008 – China, India and Russia. At present their combined spend accounts for only 4 percent of the international total (\$979m) therefore placing the combined countries just ahead of Italy in international rankings. Whilst this is small, the markets have attracted the eye of the Hollywood Studios as a result of their performance.

Helen Davis Jayalath, Senior Analyst at Screen Digest says “We expect Blu-ray to account for 6.9% of international video spending this year – assuming there is strong promotional activity. However, despite consumers’ interest in the high definition format and demand for packaged media, the current challenging

economic climate means that we don't expect BD to be driving even minimal sector growth until 2010."

Ends

For more information please contact:

UK Media enquiries: Lucy Green, PR Consultant

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

US Media Enquiries: Jana Watt, PR Consultant

Tel: 3177 093 855 jwatt@greenfieldscommunications.com

Screen Digest: Fay Hamilton, PR and Promotions Manager

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

About this report

The analysis in this press release is published in the Global Media Intelligence (GMI) report entitled 'Blu-ray gains fail to offset slump in international DVD sales'. GMI is a division of Screen Digest (www.screendigest.com). For more information about this report please contact Ben Colbeck: ben.colbeck@screendigest.com

About Screen Digest

Screen Digest is the pre-eminent firm of industry analysts covering global media markets. Headquartered in London, with offices in New York and Monterey, California, we employ a team of 40 specialist analysts covering film, television, broadband, mobile, cinema, home entertainment and gaming. Our online services and reports provide the information and analysis that hundreds of media companies worldwide base their decisions on. Most recently we have launched Global Media Intelligence (GMI), a new service which provides research and analysis specifically for media-focused institutional investors. www.screendigest.com. To find out more, contact Screen Digest sales@screendigest.com Tel: +44 (0) 20 7424 2820