

## DVD SALES PLATEAUED

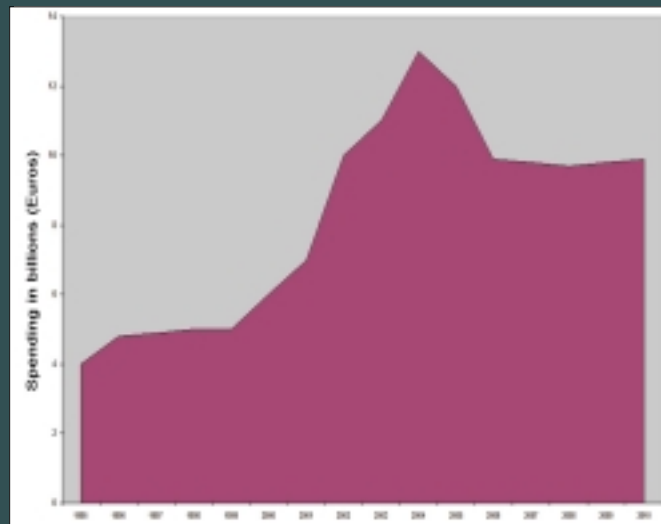
A NEW REPORT FROM Screen Digest reveals that the plateau of DVD sales might have already passed. Despite DVD player penetration hitting the 53% mark in 2005, the amount of money being spent by consumers on DVD media declined from €12.8 billion in 2004 to €11.9 billion the following year. Screen Digest anticipates that DVD sales have already reached their peak and that consumer spending on retail DVD titles will drop by 5% year on year and spending on DVD rental will decline by 7% in 2006.

But despite forecasts looking gloomy, the report reveals that the downturn in DVD prices will taper in 2006 however, new technologies are starting to generate new revenue channels for the video industry. For exam-

ple, online DVD rentals is one sector that continues to grow and this form of viewing DVD media is expected to increase and at the moment accounts for nine percent of the total DVD rental sector spending and is projected to grow to 27% by the end of 2010.

The report also reveals that there are opportunities for the industry in regions where DVD media is still immature such as Russia and Central Europe. However, the most significant development is the next generation of optical discs in the form of Blu-ray and HD DVD, and while the Screen Digest report doesn't believe that high-def video will boost volume sales, these new formats will help raise average prices of discs according to the report's author, Marie Bloomfield. ●

## EUROPEAN SPENDING ON VIDEO SOFTWARE 1995-2010



Source: Screen Digest

## GLOBAL DIGITAL MUSIC MARKET IN FIGURES (MILLIONS)

	2005	2006	Change
Broadband Lines	209	280	34%
Song Catalogue Online	2	4	100%
Single Tracks Downloaded	420	795	89%
Subscription services users	2.8	3.5	25%
Mobile Subscriptions	1,817	2,917	11%
3G Mobile Subscriptions	90	137	52%
Portable Player Sales	84	120	43%

Source: IFPI, PWC, M:Metrics, Understanding & Solutions

## DOWNLOADS GROWING, BUT...

MEANWHILE, THE DIGITAL MUSIC REPORT 2007 by the IFPI helps paint a better picture of the state of digital downloads and their impact on tangible music products. There has been much written in the media about the decline of CD and DVD product sales and how digital downloads are fuelling this malaise by the music-buying public. However, the IFPI report shows that it is still early days for the digital download sector and that its growth has not offset the fall in CD sales. In the period 2005-2006, the worldwide catalogue of music available online legitimately has doubled and there has been an 89%

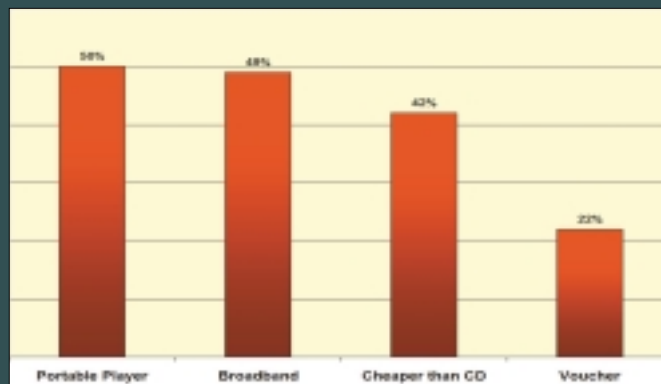
increase in the single tracks download. That final figure accounts for the death knell of the CD single. The record companies' digital music sales have estimated to have doubled in value in 2006 and have hit \$2 billion and the explosion of social networking sites are helping the record industry to find new revenue streams in this sector. However, there is a long way to go before digital downloads will completely replace music CD products and while the report shows that the younger generation are willing to adopt new technology, for media packagers there's still little to fear from the download sector yet. ●

## 4 ONLINE MUSIC FACTORS

SO WHAT IS THE DRIVING FORCE in the digital downloads market? The Digital Music Report 2007 by the IFPI identifies four factors that caused digital music buyers to turn away from the traditional shopping experience in favour of buying their music online. The upsurge in popularity of portable music players such as the iPod have caused the majority of music lovers to buy online, while broadband is the next popu-

lar factor. Surprisingly, the third factor in the line-up is that it is cheaper to buy music online than to buy CDs. It isn't that surprising that MP3 players are driving the digital download sector forward but the price difference between CD albums and their download alternative is negligible, however, online stores do give buyers the option to buy single tracks, which renders the notion of the music album as old-fashioned. ●

## DRIVERS TO ONLINE MUSIC BUYING



Source: IFPI/M-Lab Survey, Nov 2006