

HI-DEF RESOLUTION?

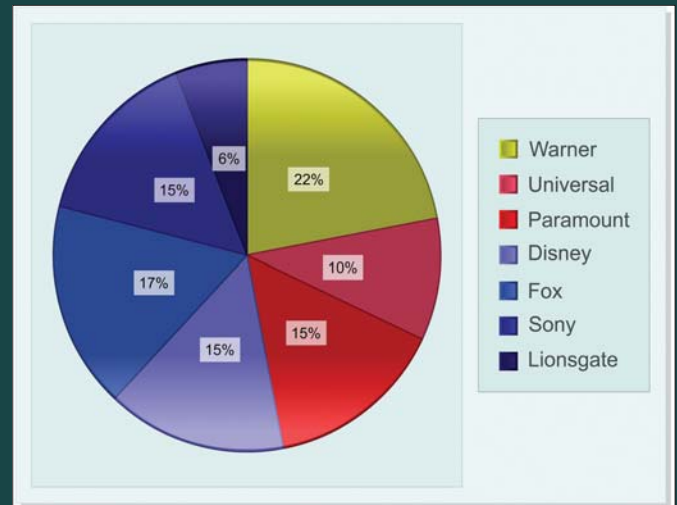
WITH THE JANUARY ANNOUNCEMENT from Warner that its hi-def titles will be released exclusively on Blu-ray, research company Understanding & Solutions sees the industry moving even closer to resolution in the hi-def format war.

“As we stand today, Warner Bros’ decision to shift from its dual-format position has brought much-needed clarity to the market and strengthens Blu-ray’s hand considerably,” says Jim Bottoms, co-managing director at Understanding & Solutions. “Looking ahead, the next six months will be critical for the future of high definition discs. There’s significant market potential for a packaged

format and with 75% of Hollywood studio disc releases exclusively behind Blu-ray from the end of May 2008, the confusion may soon be over. We should see an end to the format war within the year.”

A recent market report from Understanding & Solutions pegs household penetration of high definition players at 36% in the US by 2011 and at 11% in Western Europe within the same timescale. When game consoles and PC drives are considered – both of which will add considerably to the total installed base – the new generation of optical discs is going to develop strong traction within the marketplace.” ●

VIDEO MARKET SHARES



Source: Understanding & Solutions

THE US DVD MARKET



Source: DEG

REMARKABLY STABLE

THE US HOME ENTERTAINMENT MARKET proved remarkably stable in 2007, according to The Digital Entertainment Group (DEG). DVD and HD media sales remained resilient with consumer spending in excess of \$23.5 billion for the year. “This tremendous sustainability underscores that the buying and renting of packaged media remains a core spending choice for US consumers who have grown accustomed to the enhanced experience and convenience the medium provides,” says DEG.

In spite of increased competition from online and other digital enter-

tainment options, DVD and HD packaged media were consumers’ preferred choice of entertainment in 2007. In fact, spending on home entertainment media was greater than that of music, video games and box office returns for the year.

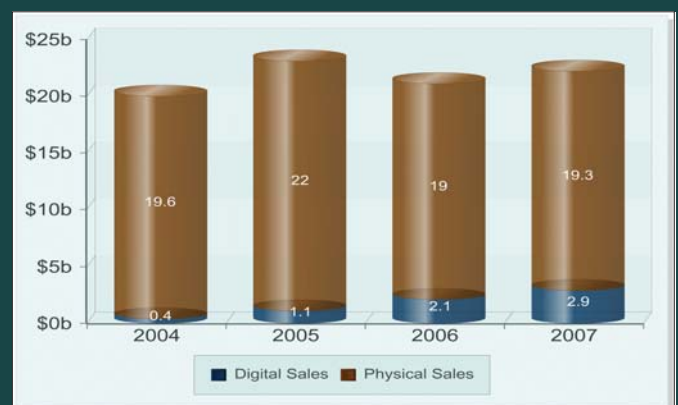
“The DEG is enthusiastic about all of the available ways to deliver content to consumers, and is encouraged by the ongoing appetite that consumers have shown for packaged media,” is the verdict. “The DEG expects that success to be further buoyed in 2008 by the continued advancement of HD and other digital platforms.” ●

DIGITAL MUSIC

THERE IS NO ESCAPING the fact that digital music is gradually becoming a larger part of the international music revenue pie, with figures from the IFPI showing digital’s percentage of the total music industry growing from 2% in 2004 to 15% last year. While that is still a fairly small percentage, music provides a much higher percentage of digital revenue than other industries – twice as much as that of newspapers and a massive three times that of the revenue generated by digitally-delivered books.

However, industry leaders are confident that music in physical form is still going strong. At this year’s MIDEM show, Jean-Bernard Levy, head of Vivendia SA – parent company of Universal Music – was confident about physical media’s future. “I believe there will be sales of physical products for years to come,” he told attendees at a conference. These views were echoed by Thomas Hesse, head of Sony BMG’s global digital business who believes that, “Physical is a business you shouldn’t talk down.” ●

MUSIC MARKET REVENUE



Source: IFPI, PWC, Global Entertainment and Media Outlook