



Cheaper Blu-ray players in short supply for Christmas

London, 26th November 2008: New research from media analyst Screen Digest (www.screendigest.com) finds that DVD and its successor Blu-ray Disc (BD) are set to remain the dominant force in home entertainment throughout the economic downturn and beyond. However, supply problems earlier on in the year mean that only a limited number of affordable Blu-ray players will reach European high street shelves in time for Christmas 2008.

Packaged media formats have been the primary drivers of the movie business for many years, with video sales (initially VHS, now DVD and BD) accounting for 41 per cent of studio revenues from worldwide movie exploitation last year. Rentals generate a further 10 per cent.

Digital delivery a distant reality

Screen Digest believes that viable systems for delivering content digitally to the mass market remain a long way away. In fact, by 2012 the firm anticipates that just two per cent of West European spending on home entertainment will be generated by digital delivery of movies over the internet. Meanwhile, Screen Digest anticipates that, in the same year, consumers in Europe will spend €11.4bn on buying packaged media (DVDs and BDs), an increase of 25 per cent on the €9.3bn spent in 2007.

Blu-ray to be worth €5.4bn by 2012

The research also indicates that the new Blu-ray format will generate 45 per cent of this figure, up from a projected three per cent this year. The rise of the high-definition format will coincide with the growth of HDTV: by 2012, 85 per cent of Western European homes will have at least one HDTV set and the increasing availability of broadcast HDTV means that for many households high definition will have become the norm, rather than a viewing aspiration. Screen Digest believes that one third of these homes

will also have a standalone Blu-ray player, a figure that could be as high as 47 per cent if all the BD-capable PS3s in the region are included.

Shortage of Blu-ray players will affect Christmas sales

This is despite the fact that Screen Digest has recently lowered its European Blu-ray sales forecasts for 2008 and beyond. Contrary to increasingly widespread suggestions, this is not due to 'disappointing' consumer take-up of the new format; instead, hardware supply constraints earlier in the year meant that the anticipated European BD promotional campaigns had to be reined in. Rather ironically, the unexpectedly rapid withdrawal of rival format HD DVD from the market in early 2008 caused a problem for Blu-ray by stimulating retailer demand for BD players when a severe shortage of an essential component meant that manufacturing could not keep up. Although the supply of hardware is now assured, the industry was left with insufficient BD hardware to meet global retailer demand for entry-level players over Christmas 2008. The majority of the available players are being channelled into the more developed markets of the US and Japan, with the result that there will be fewer affordable players in European stores than the industry had hoped.

Meanwhile, as the economic downturn takes hold, a lack of entry-level players will mean that many consumers will defer upgrading their home entertainment system. This does not mean that they will stop buying and renting DVDs, which have now been commoditised in markets like Europe and provide a value-for-money alternative to an evening out. But it does mean that the shift to Blu-ray may take a little longer.

Richard Cooper, Screen Digest Analyst says "A shortage of cheaper Blu-ray players means that the sub-\$300 machines that are already appearing on US shelves are unlikely to materialise in Europe this Christmas. Combined with the recession, this means the format is unlikely to move much beyond the early adopter market this year. However, BD hardware prices will start to fall in 2009, and in due course even price-conscious consumers will start upgrading, not least because the format's backwards compatibility means they can continue to make the most their existing library of DVDs."

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About this research

The research in this press release is taken from Screen Digest's continuous service, Video Intelligence. Excerpts of the research are published in the November issue of the newsletter *Screen Digest*.

About Richard Cooper, Analyst, Video

Richard is responsible for maintaining and developing the online Video Intelligence service and constructing video forecasting models. Richard has been involved in the home entertainment industry since 2001 when he joined MVC, a music and video retailer, as a Category Planning Analyst. He covered a wide range of projects within MVC looking at areas as diverse as property, space planning, market forecasting, range management, customer segmentation and even a time as the buyer for specialist music. More recently Richard undertook contract work with BVHE as their Market Analyst before moving to Screen Digest.

Screen Digest

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