

Welcome to *Inside EMA*...

Released quarterly, **Inside EMA** highlights the current activities and core responsibilities of your Association.

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The Entertainment Merchants Association (EMA)

Retail-Friendly Legislation on the Way to Obama

Interchange Fees

The pending Financial Institutions Regulation Bill includes provisions regarding "interchange fees" (the fee that a merchant's bank pays a customer's bank when merchants accept cards using card networks such as [Visa](#) and [MasterCard](#) for purchases).

These fees are set by the credit card networks and are the largest component of the various fees that most merchants' pay for the privilege of accepting credit cards.

Under the pending Bill, the Federal Reserve is charged with issuing new regulations on whether debit card interchange rates are "reasonable and proportional to the cost incurred by the issuer with respect to the transaction." Businesses will be permitted to set a minimum transaction amount of up to \$10 for credit

card transactions and credit card companies will be prohibited from restricting the ability of businesses to offer discounts for payments made by cash, checks, debit cards, or credit cards.

EMA was part of a broad coalition of trade associations that supported this provision.

The conference report on this Bill has cleared the Congress and is on its way to the President.

Schwarzenegger v EMA

The U.S. Supreme Court will review the Federal Appeals Court ruling in favor of EMA in its challenge to a California law that attempted to restrict sales and rentals of video games to minors based on animated depictions of violence in games.

The State of California has submitted its supportive brief. EMA will

submit its brief in August, along with additional supporting Amici. The Supreme Court is expected to hear this case around the end of this calendar year.

Secondhand Goods

EMA alerted the city of Greenfield, WI about concerns with a pending secondhand goods ordinance.

The ordinance would require background checks of all employees in a business that purchases secondhand goods, photographs of all secondhand goods purchased and the sellers of these goods, a 30-day hold, transaction fees, and labeling of secondhand goods as well as other burdensome requirements.

A final decision by the city of Greenfield is pending. EMA will continue to follow this situation.

Gaikai's Dave Perry to Keynote EMA GamePlan Summit in September

David Perry, CEO of [Gaikai Inc.](#), will keynote the upcoming EMA Game Plan Summit.



David Perry, CEO, Gaikai

David Perry will share insights into how video game retailers and publishers can embrace digital technology to increase their reach and engagement with customers.

Gaikai offers the ability to play any game instantly inside the web at any retailer's website with no visual changes to the site, and the publishers cover the cost of the service. For the gamer the ex-

perience is just one click, no big game download, no game install and no patching. This server-based, cloud-gaming technology is designed to dramatically increase both reach, and audience participation, while bringing down acquisition costs dramatically.

By playing games remotely from Gaikai servers around the world, players simply play wherever they are browsing, removing the need to pay for advertising clicks to move gamers around on the Internet. This freedom to play anywhere opens up exciting business models as you can play on any video game retailer site, any news

site, publisher sites, or even inside Facebook.

The EMA GamePlan Summit, to be held at the Hyatt Regency Hotel in Chicago, IL on September

21-23 is a high-level industry-only conference for key video game retailers and publishers that allows them to concentrate on strategies and partnerships for the coming year. It is designed to replace three months of sales tours with three days of consolidated retailer-supplier meetings,

plus industry presentations and exhibits. The Summit has been created by, and focused on the needs of, the retailers who account for the vast majority of

video game commerce. For more information about the EMA GamePlan Summit, please visit: www.GamePlanSummit.com.



Moving the Business of Video Games Forward

EMA's Independent Product Market—A Sold Out Hit!



On July 14 and 15, EMA hosted its second annual *Independent Product Market* at the Newport Beach Hyatt Resort in Newport Beach, California. This event was, again this year, fully subscribed by suppliers

EMA's *Independent Product Market* provides an opportunity for top indie suppliers of home entertainment to meet with their key customers over a two day period, saving significantly on nationwide travel. The pre-scheduled meeting format guarantees meetings between *all* participating attendees.

Due to its popularity and productivity last year, this year's event was expanded to accommodate



fifteen suppliers and fourteen retailers and distribution companies.

Participating companies included Alliance Entertainment, Baker & Taylor, Best Buy, Borders, Hast-

ings, Ingram Entertainment, NCR, Redbox, Rentrak, RoxioNow, Super D, Trans World, VPD, Anchor Bay, DV&A, Gaiam, Image Entertainment, Magnolia Home Entertainment, Maya Entertainment, MPI Media Group, Phase 4 Films, Questar, Screen Media, Shout Factory, Summit Entertainment, Timeless Media Group, VCI Entertainment, Virgil Films Entertainment, Vivendi Entertainment, and WEA.

The event was clearly upbeat and successful according to the exit inquiries and comments volunteered by participants.

DVD and Video Game Shrink Up in 2009



EMA's Loss Prevention Committee recently released its 2009 Report on Inventory Shrink Metrics and Practices. Sell-thru DVD shrink increased from 2.09% of sales in 2008 to 2.54% in 2009. Video game shrink increased from 1.68% percent of sales last year to 2.02% this year.

Blu-ray shrink for most retailers averaged around 8-9% of sales. However, at least one company has reported losing nearly 75% of their Blu-ray sales to shrink.

Of the total shrink from video games, 42% was generated by Xbox product, 22% by PS3 product, 15% by Will items, and 18% by handheld product.

Employee theft is believed to account for 31% of the losses of DVDs and 48% of the losses of video game, and 18% of Blu-ray losses. Nearly half of all losses (both movies and games) are estimated to be a result of ORC.

Other metrics and practices revealed include:

- Video game accessories shrink was 1.4%, down from 1.8% the prior year.
- Three out of four retailers determine their merchandising protection strategies based on individual store locations.
- Sixty-three percent of new release video games are merchandised inside glass cabinets, thirty percent are mer-

chandised behind the counter, seven percent are kept in individual locked security boxes, and virtually none are merchandised without protection. (This is similar to the findings the prior year.)

- Twenty percent of budget video games are merchandised behind the counter, twenty percent are held in no-sweep racks, fourteen percent are merchandised in individual locked security boxes, and nearly half are merchandised openly (up from 33% the prior year).

Survey results are based on retailer responses representing approximately 10,000 retail stores.

EMA Welcomes New Members

CokeM International, Shakopee, MN

DISH Network, Englewood, CO

Konami Digital Entertainment, El Segundo, CA

Magnolia Home Entertainment, Los Angeles, CA

Project Lazarus (Benefit Denial) Update

On June 24, 2010, EMA hosted a conference call with six retail companies, seven home entertainment companies and five video game publishers participating in an update regarding EMA's Project Lazarus.

Troy Peterson, Target's Senior Video Game Buyer, declared support from EMA's Game Retail Council members for evaluating alternatives to "get games out from behind glass", emphasizing that "it's not only about loss prevention,

but more about driving sales, and he encouraged content providers to support both testing and piloting of benefit denial technologies.

Pat Burns, Director of LP at Trans World and Chair of EMA's Loss Prevention Committee, described the analysis conducted by EMA's LP Committee which evaluated a variety of technology solutions. The committee's recommendations include:

- Physical lock solutions (such as Aequitas & Proteqt) are

most promising.

- Preference is to have one unique code for each disc.
- Combining a "physical lock" solution with an existing data interface and backbone (such as InComm and Siras) could reduce cost of entry and increase speed-to-market.

EMA's next steps will be to facilitate a cost analysis of alternative solutions as well as reliability, "hackability" and durability testing.

EMA's First D2 (Discs and Digital) Report Hits the Streets

Consumer transactions for pre-recorded video content (DVDs, Blu-ray Discs, and digital delivery) grew 2.8% to 3.5 billion during 2009, according to EMA's *D2 Report: Discs & Digital – The Business of Home Entertainment Retailing*.

Physical media, such as DVDs, Blu-ray Discs, and video game discs, remain the overwhelming choice of consumers of home entertainment, even as digital delivery channels such as electronic sell-through and rental are experiencing tremendous growth.

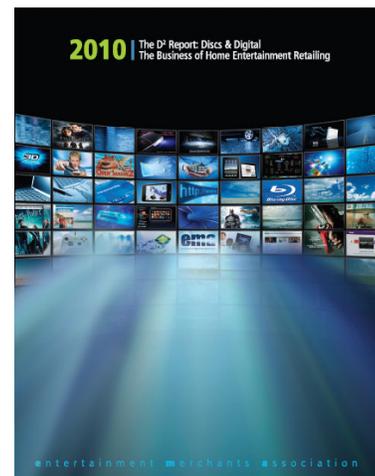
The report details that combined

DVD and Blu-ray Disc sales totaled \$17.9 billion in 2009, nine times the revenue generated by digital distribution channels, and 80% to 90% of paid video game software acquisitions were on physical media.

The *D2 Report: Discs & Digital – The Business of Home Entertainment Retailing*, issued by EMA, brings together data from leading home video and video game industry analysts, including Adams Media Research, Digital Entertainment Group, The NPD Group, Parks Associates, and ScreenDigest. The report replaces EMA's

annual report on the home entertainment industry. Unlike the annual report, is not a snapshot of the home entertainment industry in the prior year, but rather identifies and discusses important current trends in the industry and puts them in historical perspective.

EMA members should be receiving copies of this report by mail in August. Additional copies for members are available at www.entmerch.org/annual_reports.html for a nominal fee.



EMA's Digital Council Launches Research Repository

EMA's Digital Council recently launched its "Repository of Research and Data" at www.emadigicouncil.pbworks.com/Repository-of-Research-and-Data.

This web page includes references to and summaries of recently published research reports, forecasting, and industry data. It is part of the Digital Council's wiki, which also includes a glossary of terminology, a news archive, and EMA's standard metadata structure.

Some of the more recent findings that are summarized include:

- From The Diffusion Group—"Nearly 35% of broadband users would pay an extra \$5/month to access TV Everywhere."
- From ComScore's Video Metrics—"US visitors logged 662 million minutes on Netflix and 598 million minutes on Hulu in June 2010."
- From Nielsen's Three Screen Report—"More than half of US households now have HDTV's (up 189% from Q1 2008)."
- From PEW Internet Project—"Fifty two percent of the Ameri-

can population is watching some video online (that is, 69% of all Internet connected adults)."

- From Cisco's Visual Networking Index Forecast—"It would take more than two years to watch the amount of video that will cross global IP networks every second in 2014."
- From Rentrak—"VOD viewers watched 3.1 billion hours of on-demand content in 2009, which included 16.4 free programs per month and 8.7 subscription programs."



EMA Board Welcomes New Directors and 2010/11 Officers Slate

EMA welcomes Bruce Eisen of DISH Network, Rod Murray of Blockbuster Entertainment, and Erin Ruane of Netflix to its Board of Directors, and welcomes the return of Steve Oliver of Amazon.com and Mark Vrieling of Rain City Video.

Six incumbent companies were unanimously re-appointed to EMA's Board of Directors: Ingram Entertainment (Bob Geistman), Hastings Entertainment (John Marmaduke), Netflix (Erin Ruane), GameStop (Dan Kaufman), and Best Buy (David Benson). The resounding support for these reap-

pointments reflects the Board's broad appreciation for the leadership and direction they have provided for the Association during their tenure-to-date.

EMA's Board also elected its 2010/2011 slate of officers and executive team.

- Bob Geistman of Ingram Entertainment—Chairman
- John Marmaduke of Hastings Entertainment—Vice-Chair

- Bill Lee of Toys R Us—Secretary
- Marty Graham of Rentrak—Treasurer
- Troy Peterson of Target Stores—Executive Committee At-Large
- Chuck Porter of Giant Eagle—Executive Committee At-Large

EMA's Board of Directors will meet next in the Fall of 2010.



Bruce Eisen, DISH Network, EMA's Newest Board Member



*The Entertainment Merchants
Association (EMA)*

16530 Ventura Blvd, Suite 400
Encino, CA 91436
Phone: 818.385.1500 Fax:
818.385.0567

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WWW.ENTMERCH.ORG

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EMA's Digital Media Pipeline—September 15, 2010 in Los Angeles

"Digital Media Pipeline '10: The Business of Digital Entertainment," the second annual conference for the business of digital delivery of home entertainment, will feature leading digital entertainment executives and industry analysts discussing the current landscape of and the future for digital entertainment, as well as its supply chain, variety of business models, marketing opportunities, and technologies supporting mobility and portability.

Digital Media Pipeline '10, which is presented by the Entertainment Merchants Association (EMA), will be held on September 15 at the Skirball Cultural Center in Los Angeles. The one-day event brings together digital entertainment content owners, service providers, and retailers to focus on business-to-business opportunities in the digital delivery of home entertainment to consumers.

Digital Media Pipeline '10 sessions and confirmed speakers include:

Today's Landscape — Bruce

Eisen, Vice President of Online Content Development and Strategy, DISH Networks

Supporting the Supply Chain

- Morgan Fiumi, Chief Operating Officer and Senior Vice President of Operations, Deluxe Digital Studios
- Eric Hanson, Group Content Publishing Manager, Zune Video Marketplace, Microsoft
- Mark Vrieling, CEO, Screen-Play

Getting the Content to the Screen

- Jim Funk, Vice President of Business Development, Roku
- Dan Kelley, Senior Director of Marketing, D-Link Systems
- Ryan Pirozzi, Director, Movies, Best Buy
- Evan Young, Director of Broadband Services, TiVo

Learnings from the Research Community

- Russ Crupnick, Vice President, Senior Industry Analyst, The NPD Group
- Brett Sappington, Senior

Analyst, Parks Associates

Brand and Title Marketing in the Digital Environment

- Sean Besser, Vice President, Business Development, Rovi
- Gary Delfiner, Senior Vice President, Digital Distribution, Screen Media Ventures
- Mark Ely, Executive Vice President of Strategy, Sonic Solutions
- Ute Rother, Founder & CEO, Q-Sensei

Ever-Changing Business Models and Opportunities

- Ted Cohen, Managing Partner, TAG Strategic
- Bruce Eisen, Vice President of Online Content Development and Strategy, DISH Networks
- Jeff Shultz, Senior Vice President, Business Development, Clicker Media
- Larry Smith, Senior Vice President of Sales, Marketing and Business Development, MOD Systems

Navigating the Future

- Ted Cohen, Managing Partner, TAG Strategic
- Jason Stoddard, Founder & CEO, Centric/Agency of Change
- Phil Lelyveld, ETC

(Sessions and speakers are current as of August 2 and are subject to change. Please see for www.DigitalMediaPipeline.com for the most current listings.)

The Hollywood Reporter is the Media Sponsor of Digital Media Pipeline.

At the conclusion of Digital Media Pipeline, EMA will present its Digital Media Awards, which recognize outstanding achievement in digital entertainment retailing, content, and innovation.

The registration fee for Digital Media Pipeline is \$295 for EMA members and \$395 for non-members. Discounts are available for multiple attendees from a single company. To register for Digital Media Pipeline or for further information, please see www.DigitalMediaPipeline.com.