

Welcome to *Inside EMA*...

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

Inside this issue:

EMA's Board of Directors Approves 2010 Budget	2
Recommended Standards Established for Console Game Shipments	2
Entertainment Supply Chain Discusses CPSIA Requirements	2
2010 Key Buyer Events for Major and Independent Studios	3
2nd Annual "Digi" Awards Presented at EMA's <i>Pipeline</i>	3
EMA's Annual Inventory Shrink Report Published	3
2010 GameSupply Entertainment Supply Chain Conference Moves to San Jose This February	4

The Entertainment Merchants Association (EMA)

GamePlan Summit Premieres in September 2010

EMA will host its premiere industry-only event for leading video game retailers and publishers in the fall of 2010. This conference, called GamePlan Summit, is designed to compress the months-long sales tour into two and one-half days of consolidated retailer-supplier meetings in one convenient location.

meetings efficiently and build meaningful partnerships for the future.

Bill Lee, EMA Secretary and Vice-President/DMM, Toys "R" Us, stated, "We are very excited about the opportunity that GamePlan Summit presents for retail-

Game Retailing Council, declared, "Industry retailers are rallying around the need for a strategic planning session with our publisher partners, and we anticipate all of them will be at this fall event along with every major publisher. Key retail members of the EMA Game

The GamePlan Summit will be held on September 21-23, 2010 at the Hyatt Regency Hotel in Chicago, IL.

The Business of Video Games: Focused on the Future!
September 21 - 23, 2010
Hyatt Regency Hotel
Chicago, IL

While excellent events exist for video game consumers, developers, and the media, there is no event that brings together the leading video game retailers and publishers for strategically focused business-to-business meetings. GamePlan Summit will fill that void, bringing the major players under one roof so attendees can conduct business

ers to meet with publishers to review business objectives and shared goals. This new forum for candid exchange with strategic partners in the video game industry will prove highly productive for all who attend."

Retailing Council have clearly stated that they want this type of event, and the Council has worked closely with EMA staff to develop this event to meet the needs of its members."

Troy Peterson, Senior Buyer—Interactive Entertainment, Target Corporation and Chair of EMA's

More information can be found at the event website: www.GamePlanSummit.com.

Maine Bill Likely to Be Repealed; 1st Amendment Case Before Supreme Court

U.S. v. Stevens

The Supreme Court heard arguments in the U.S. v. Stevens case on October 6. This case involves a federal law criminalizing depictions of animal cruelty. In seeking to uphold the law, the U.S. Department of Justice asked the high court to adopt a new exception to the First Amendment guarantee of freedom of expression that would require courts to balance the value of speech with the social interests to be served in restricting the speech.

EMA, as part of a broad coalition of retailer and filmmaker organizations, filed an amicus brief that urged the high court to reject the Justice Department's position and uphold a lower court ruling that the law is unconstitutional. EMA and the other organizations expressed to the Supreme Court their concern that the Justice

Department's proposed test could be used to restrict many unpopular forms of speech (such as violent video games and movies).

During the oral arguments on the Stevens case, most justices expressed skepticism about the law and the government's position. The court appeared particularly concerned about how far the statute could reach. Justice Scalia commented, "One can contemplate a lot of other areas, where government could say, 'You are appealing to people's worst instincts, and, therefore, ... movies [that depict those things] cannot be made.'"



A ruling in the case is not expected for several months.

Maine Marketing Law

The Judiciary Committee of the Maine Legislature voted unanimously to recommend that "predatory marketing to minors" law enacted earlier this year be repealed and that the legislature start anew with its efforts to restrict marketing to minors.

The Maine law regulates the collection, use, and disclosure of minors' (defined as persons under 18) personal information, both online and offline. Specifically, the Act requires companies to obtain verifiable parental consent before knowingly collecting "personal information" for "marketing pur-

poses" from children under 18. "Personal information" includes name, address, social security number, driver's license or state ID number, as well as any information collected in combination with these identifiers. The Act would prohibit companies from collecting qualifying information from minors without parental consent, transferring lawfully collected information to any other party for any reason, or using the information itself to market or advertise products, goods, or services to minors.

The act officially took effect on September 12, but the Maine Governor and Attorney General publicly stated that they would not seek to enforce it in light of its likely constitutional problems. EMA has supported the efforts of the Maine Merchants Association and others to repeal the law.

EMA's Board of Director Approves 2010 Budget



EMA's Board of Directors met on October 20, in Atlanta, GA.

The following agenda topics were discussed and actions taken:

Conferences and Events—The Board reviewed the performance of the Digital Media Pipeline and Independent Product Marketplace conferences and discussed plans for trade conferences in 2010 and 2011.

2010 Budget—The Board approved the 2010 budget for the Association. The budget projects revenues for approximately \$2.2 million, to be derived primarily from dues and conferences and events.

Expenses are projected at \$2.5 million.

Audit Committee—The Board directed that a standing Audit Committee be established to review the Association's accounts, financial reports, financial practices, and internal controls annually and reporting thereon to the Board.

Benefit Denial Technology—The Board received separate presentations on benefit denial technology for packaged media from Aequitas Innovations and ProTeqt.

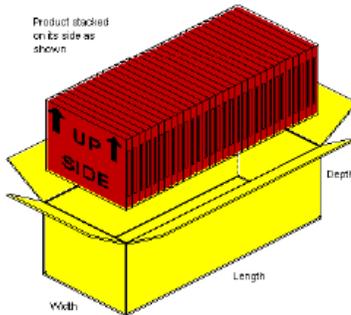
Government Affairs—Staff updated the Board on the status of

the EMA v. Schwarzenegger and Costco v. Omega Supreme Coard cases and the Association's efforts to educate members on the requirements of the Consumer Products Safety Improvement Act (CPSIA).

Appointment to Executive Committee—It was announced that Chuck Porter (Giant Eagle) has been appointed to serve as an at-large member of the Executive Committee.

Membership—The Board voted unanimously to accept the membership applications received between April 2 and October 1, 2009 meeting.

Recommended Standard Established for Console Game Shipments



EMA's Video Game Publisher's Operations Committee and EMA's Retailers Operations Committee have established a recommended best practice standard for the carton configuration for disc-based console video games shipped in standard packaging:

Video games should be shipped in cartons of thirty, organized in a single row, spine up in the cartons, with no inner packs. Cartons should be shipped on 40"x48"

pallets. There is no recommendation regarding minimum order quantities, and publishers are encouraged to make all titles available for order in quantities as required by their retailer customers. However, retailers are encouraged to place orders for disc-based console games, when practicable, in multiples of 30.

This is a recommended standard and its adoption should improve supply chain efficiencies and

reduce supply chain costs. It is anticipated that, over time, publishers will gravitate toward this recommended standard. However, it is up to partners in the supply chain to make individual decisions as to whether to support this recommendation.

EMA's committees will incorporate these metrics into future status reports and will measure adoption to determine the effectiveness of its recommendation.

Entertainment Supply Chain Discusses CPSIA Requirements

As of February 10, 2010, federal regulations will require manufacturers of children's products to certify that their goods fall within limits for the presence of lead and other potentially harmful chemicals.

To what extent the Consumer Product Safety Improvement Act (CPSIA), which mandates third-party testing and certification for individual product components, applies to the makers of video-games and other entertainment media is still unclear. But every party in the videogame and DVD supply chain is having to consider how the new rules may apply to their business operations.

The CPSIA limits for lead apply to toys and other articles intended for use by children age 12 or younger, and children's toys are subject to the limits on phthalates

(chemical additives in certain plastics). The phthalate rules further apply to children's products that can be placed in a child's mouth.

EMA, in conjunction with the Media and Entertainment Services Alliance (MESA), held an online seminar on Sept. 16 to facilitate dialogue between entertainment content owners, manufacturers, distributors, and retailers on CPSIA compliance. Presentations were made by Sean Bersell, EMA's VP Public Affairs, and Kenny Aldridge, Corporate Compliance Officer of DVD and videogame manufacturer Cinram.

The CPSC offers a PDF of the legislation with specific limits and requirements, along with answers to frequently asked questions and updated clarifications, at

www.cpsc.gov/ABOUT/Cpsia/cpsia.HTML.

EMA has submitted a formal request to the Consumer Product Safety Commission (CPSC) to declare that storage media are not "children's toys" and, therefore, not subject to the phthalate limits, as game cartridges and DVDs aren't in and of themselves playthings. CPSC has not yet responded.

EMA and MESA will keep its members apprised of new developments, and are prepared to assist its members in the development of efficient compliance practices if required.

Copies of the presentations from the September seminar, and EMA's FAQ's are available upon request.



2010 Key Buyer Events for Major and Independent Studios

Addressing the business needs of our members and taking into consideration the current economic climate and time constraints of both retailers and suppliers, EMA will be presenting two key buyer events in 2010 targeting both the major studios and the independent suppliers. By bringing the industry's major retailers together for these events, suppliers will be able to meet with fifteen or more companies over two days providing cost and time savings for all concerned. To provide

additional savings for many of the studios, these events will be held in Southern California.

EMA will present its second Independent Product Market July 14-15, 2010 at the Hyatt Regency in Newport Beach, California. This pre-scheduled meeting format event was very successful this year with the vast majority of both retailers and suppliers expressing support for this event next year. Because of its structured format, participation will be limited to fif-

teen retail companies and fifteen independent suppliers. More details will be announced within the next few weeks.

EMA will also present a hosted buyer event for the major studios and other key industry suppliers in early June. This event, titled E-10 Summit, will bring in a larger group of retailers and will have a more flexible format. Additional details for this event will also be announced within the next few weeks.



2009 Independent Product Market Reception at the Universal Hilton

2nd Annual "Digi" Awards Presented at EMA's Pipeline

EMA recently announced the recipients of its second annual "Digi" Awards, which recognize outstanding achievement in digital entertainment retailing, content, and innovation.

iTunes received the **Digital Retailer "Digi" Award**, which recognizes outstanding service by a company that sells or rents audiovisual works to the consumer through Internet-based (or IP) digital delivery (including subscription-based services). iTunes also received this award last year.

NBC Universal's "**The Office**" won the **Digital Content "Digi" Award**, which recognizes the movie, episodic television, or

other audiovisual work most uniquely or successfully marketed and sold/rented through Internet-based digital delivery over the past year, or that gave the consumer the best digital experience.

ROKU, Inc. was presented the **Innovation "Digi" Award**, which recognizes the company that, through innovation, has most impacted the growth of Internet-based digital delivery of audiovisual works over the past year.

In addition, **Anthony E. Zuiker** was the first recipient of EMA's **Digital Entertainment Visionary Award**, for his revolutionary storytelling allowing readers to move seamlessly from books, to film, to

the web. The first of these innovative multi-platform publications, coined digi-novels, is Zuiker's "Level 26 – Dark Origins," released by Dutton on September 8.

The awards were presented at EMA's Digital Media Pipeline, held in September at the Skirball Cultural Center in Los Angeles. The one-day event brought together more than 100 digital entertainment content owners, service providers, and retailers to learn about and discuss emerging technologies and business models, sources of content, the potential market, and legal issues for digital entertainment.



Christine Lawton, SVP Business Affairs, Universal Studios Home Entertainment, accepts Digital Content "Digi" Award for "The Office" from Digital Media Pipeline conference chair Bruce Eisen.

EMA's Annual Inventory Shrink Report Published

Six chain retailers (Blockbuster, Hastings, Movie Gallery, Target, Toys "R" Us, and Transworld) responded to the third annual EMA Loss Prevention Survey covering shrink metrics and operational practices during 2008.

DVD/Blu-ray Shrink as a percentage of DVD Revenue averaged 1.76%, up from 1.47% last year and 1.27% the prior year. Rental DVD/Blu-ray Shrink as a percentage of DVD/Blu-ray Rental Revenue was 1.10%, slightly up from 1.06% last year. Sell-thru DVD Shrink as a percentage of DVD Sales Revenue was 2.09%, up from 1.79% last year.

Video Game Shrink as a percentage of Video Game Reve-

nue was 1.68% (down from 2.20% last year and 1.83% the prior year).

Additional findings included:

- Blu-ray Shrink as a percentage of BD Sales (reported for the first time this year) was 9.02%.
- The percentage of total Video Game Shrink generated by the latest-generation platforms was 65%.
- Video Game Hardware Shrink as a percentage of Video Game Hardware Revenue was 0.88%.
- Video Game Accessories Shrink as a percentage of Video Game Accessories Revenue was 1.8%.
- Employee theft is believed to

account for 47% of losses of video games. Forty-three percent is due to shoplifting, and the remaining 10% is lost due to administrative/ paper errors and vendor fraud. This is very consistent with last year's report.

- Employee theft is believed to account for 34% of losses of DVDs. Fifty-one percent is due to shoplifting, and the remaining 14% is lost due to administrative/paper errors and vendor fraud. These results are consistent with last year's report.
- Employee theft is believed to account for 19% of losses of Blu-ray. Seventy-four percent is due to shoplifting, and the remaining 6% is due to administrative/paper errors and vendor fraud.





The Entertainment Merchants Association (EMA)

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

VISIT US ON THE WEB!
WWW.ENTMERCH.ORG

Inside EMA
Volume 7 Issue 3
December 2009

Inside EMA is a regular publication of the Entertainment Merchants Association (EMA).

2010 GameSupply Interactive Entertainment Supply Chain Conference Moves to San Jose, February 10, 2010

The second annual "GameSupply" conference, the supply chain academy for interactive entertainment, will be held February 10, 2010 at the Hilton San Jose in Silicon Valley.

This one-day event, jointly produced by the Entertainment Merchants Association (EMA) and the Media & Entertainment Services Alliance (MESA), brings together video game retailers, distributors, publishers, and their service providers to share knowledge about new developments and technologies in the interactive entertainment supply chain. Almost 150 individuals attended the inaugural GameSupply in February of this year.

"Following on this year's successful initial GameSupply conference, we're excited to be part of the 2010 conference," declared John Quinn, Executive Vice President, Worldwide Operations, Warner Bros. Interactive Entertainment. "The games industry is facing some interesting and challenging issues, and GameSupply is a great venue to hear the latest thinking in a number of areas impacting the games supply chain."

"The 2009 GameSupply provided a unique forum for supply chain executives from various segments of the video game industry to interact," said Bob MacDougall, Vice President – Logistics, GameStop. "Ideas were shared toward promot-

ing mutual efficiencies, while the proprietary aspects of our businesses were well-respected. Relationships were established that I have maintained throughout the year. I am looking forward to building on and expanding those relationships at the 2010 GameSupply."

This event will bring together publishers and service providers in the video game supply chain along with distributors and retailers and create a forum for knowledge-sharing, problem-solving, and collaboration that can reduce costs and increase industry profitability.

EMA Welcomes New Members

- Retail Members*
Video Den, Victoria, Australia
- Associate Members*
Checkpoint Systems, Thorofare, NJ
Hi-Rez Studios, Alpharetta, GA
Motion Pictures Laboratories (MovieLabs), Palo Alto, CA
Pixel Brothers, Chicago, IL
Ubisoft, San Francisco, CA
- Distributor Members*
Super D, Irvine, CA

THE SUPPLY CHAIN ACADEMY
GAMESUPPLY
FOR INTERACTIVE ENTERTAINMENT

FEBRUARY 10, 2010
AT THE HILTON SAN JOSE
IN SILICON VALLEY

2ND ANNUAL CONFERENCE & SHOWCASE