

**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)

### EMA Member Retailers Strengthen Ratings Enforcement

The National Institute on Media and the Family (NIMF) recently released its 13th Annual MediaWise Video Game Report Card, available at [www.mediafamily.org](http://www.mediafamily.org).

NIMF, noting that "retailers have improved their record of keeping age-inappropriate content out of children's hands," this year gave "Retailer Ratings Enforcement" a B+. The rating was based on the latest secret shopper findings of the Federal Trade Commission (FTC), released earlier this year.

The FTC found an 80% turn-down rate for children under age 17 who attempted to purchase a Mature-rated game. The discussion of retailers, in which several

are singled out for superior rat-



ings enforcement, is at page 7 of the report.

Last year, NIMF gave national retailers a grade of D for ratings enforcement, specialty retailers a B, and rental stores an F.

Overall, the report is more complimentary towards retailers and publishers than in the past. And it is worth noting that more than half of the report consists of a "Video Game Buying Guide" that includes helpful and common-sense guidance for parents.

"This year's rating reflects the great efforts retailers have made on behalf of parents," said Bo Andersen, EMA President. "The grade we are working towards is an A+ from parents."

EMA's Parental Empowerment program is available at <http://tinyurl.com/9am2un>.

## EMA Publishes Threshold Standards for Benefit Denial Technology Development

On December 1, EMA published threshold standards for "benefit denial technology" that would allow DVDs and video games to be shipped to retail outlets in an inoperable state and subsequently enabled at the point of sale. The standards are designed to encourage the development of video game and DVD benefit denial technology and allow benefit denial technology providers to align or design their systems to the extent possible to the needs of retailers and content providers.

The standards are available [www.entmerch.org/lazarus\\_standards.pdf](http://www.entmerch.org/lazarus_standards.pdf).

These threshold standards were developed by key retailers, home video divisions, and video game publishers brought together by EMA to examine the feasibility of implementing DVD and video game benefit denial technology. The effort, nicknamed "Project Lazarus," is also focusing currently on developing criteria for the evaluation of proposed systems and developing a cost-

benefit analysis for the technologies, based on empirical data and forecasting.

"The deployment of benefit denial technology would reduce shrink in video game and DVD stocks, increase open marketing of video games, reduce packaging, decrease labor costs, improve consumer access to video games and Blu-ray discs, and make the categories more attractive for additional retail channels," declared Bo Andersen, President and CEO of EMA. "Given the myriad of potential benefits, EMA recognized the imperative to bring together major stakeholders to provide an impetus for further development and timely deployment of effective benefit denial technologies for DVDs and video games that are useful and effective for a broad range of entertainment retailers."

Benefit denial is the concept of denying the shoplifter or internal thief the ability to use stolen goods. For example, the apparel industry deploys security tags

containing sealed vials of permanent dye that break if forcibly removed from a garment, rendering the item unsuitable for wear, return, or resale. Another example is the gift card, which has no value until it is activated at the point-of-sale. Applying this concept to the home entertainment industry, systems have been developed to allow DVDs and video games to be shipped to retail stores in a disabled state and then be activated during a point-of-sale transaction.

According to Mark Fisher, Vice President – Membership and Strategic Issues for EMA, "The threshold standards for DVD and video game benefit denial technologies are designed to allow potential technology providers to know what retailers and content providers need from the technology. These include 21 'minimum threshold' requirements, such as strong security from hacking, consumer transparency, and seamless and easy activation at the point of sale, and several 'high-priority thresholds' and desirable

add-ons. We are encouraging the technology community to develop DVD and video game benefit denial technologies that meet the Project Lazarus standards and submit their technologies for evaluation."

Fisher added that, in developing the cost/benefits analysis for benefit denial technologies for DVDs and video games, key factors to be considered will be decreases in internal and external shrink, reductions in costs of packaging, and increases in sales.

In 2009, Project Lazarus will focus on pilot projects and lab testing. "If all goes well, companies will be able to make decisions on whether to implement benefit denial technology for DVDs and video games by mid-2010 and undertake a widespread launch in the fourth quarter of that year," Fisher said.



## New Years Wish From Our Chairman

This was a year we'll all remember.

It's the year that Blu-ray jumped out of the gate running. Prices of Blu-ray players dropped below \$200, fueling consumer demand for discs, capped off by *The Dark Knight* selling 1.7 million Blu-ray discs in its first week. A glimpse of things to come.

The Nintendo Wii continued to sell out at retail, along with the PS3 and Xbox 360. Games like *Gears of War 2* and *Guitar Hero World Tour* flew off store shelves. The video game business is likely to have had another

record year.

It's the year that established retailers increased their online delivery activity. Amazon re-launched its Video On Demand business, Netflix began delivery to the Roku set-top box and Tivos, and Blockbuster launched its own set top box for web-based delivery. At the same time, Sony opened a movie store for its PS3 and Xbox Live continued to grow, all while iTunes sold record numbers of video download.

However, our optimism is more than tempered by the economic downturn. Even industries that

should be recession-proof are proving to be effected. Retailers, suppliers and content providers are all feeling the losses and have cut their budgets and reduced their workforces as we anticipate the first significant dip in annual DVD revenue.

As the economy turns around, which it will, we'll all be doing business leaner and smarter. Let's all hope that we'll remember 2009 as that year of recovery. And that we have many successful years ahead.

Have a happy and plentiful 2009!

## The Future of Packaged Media Revealed in February

### EMA Retail Members Can Celebrate 81 Years of the Academy Awards® Official Oscar® Poster Available at No Cost!

EMA is continuing its long-standing partnership with the Academy of Motion Picture Arts & Sciences. We will again be providing retail members with the official Oscar® poster for the 81<sup>st</sup> Annual Academy Awards® which is being telecast on February 22 on ABC.

This annual promotion provides a perfect opportunity re-fresh a store's Oscar section and to promote classic catalogue titles and current releases that receive Oscar nominations.

As soon as the poster artwork is available, members will be notified and can order posters online. Members may request one poster per retail outlet.

EMA has joined The Content Delivery and Storage Association (CDSA) and MEDIA-TECH Association (MTA) as a co-producer with them of "The Future of Packaged Media '09," which to be presented February 3-4, 2009 at the Hilton Los Angeles in Universal City, CA.

The two-day summit will feature high-level executives from across the packaged media supply chain addressing the content, technology, and marketing challenges for packaged entertainment in the coming years. In addition, the event will feature a showcase where participating companies will be able to exhibit their products and services.

Specific topics to be addressed at the summit include: the future of brick and mortar retailers; whether entertainment media are recession-proof; green packaging; consumer attitudes towards packaged media; the marketing of Blu-ray Discs; case studies in media manufacturing operations; and the impact of the credit crunch.

"Digital distribution certainly will be a significant part of the entertainment industry in the future, but our predictions are that packaged media will continue to domi-

nate the home video sector until 2015 at least," noted Bo Andersen, President and CEO of EMA. "We are pleased that, as the trade association for the retailing of DVDs and video games, we can help bring the perspectives of the retail sector to this important



conversation on how to maximize the sales and profitability of packaged entertainment over the next decade."

"We are fortunate to have the support of the Entertainment Merchants Association, the trade association for the retailers of DVDs and video games, for the

summit," commented Charles Van Horn, CDSA President. "Retailers are vital to the future of packaged media and are therefore integral to the success of any packaged media event. Without retailers, manufacturers would be hard-pressed to bring their products to market. The retail segment of the packaged media industry provides the connection with the consumer, a connection to the ultimate decider of the success of any format."

"We are delighted that this has become a three-way event to include the CDSA, with its strong content owner and replicator contacts, the EMA, with the force of the retailers, and the MTA, with its influence of the suppliers of equipment and material manufacturers," said Bryan Ekus, managing director of the MEDIA-TECH Association. "By coming together, these three associations can leverage their particular strengths to provide the best possible event for everyone from content owners to media manufacturers, packaging companies, and retailers."

EMA Secretary and Hastings Entertainment President and CEO John Marmaduke will keynote the event, along with Netflix' Chief Content Officer Ted Sarandos.

## DVD and Video Game Packaging Not Going Out With the Trash

Rather than discarding DVD and video game packaging, consumers overwhelmingly store their DVDs and video games in their original cases according to a joint study commissioned by the Content Delivery and Storage Association (CDSA) and the Entertainment Merchants Association (EMA) and conducted by The NPD Group. The study also found that when consumers no longer want to keep a particular DVD or video game title, they rarely throw it away or recycle it, preferring instead to give it away or sell or trade it.

Eighty-nine percent of DVD owners and 88 percent of video game owners store their DVDs and video games in their original cases. Five percent of DVD owners and eight percent of video game owners store their discs in plastic sleeves but save the original cases. Only six percent of DVD owners and five percent of video game owners said they throw away or recycle the cases. When they no longer want to own a title, 45 percent of DVD owners give the title to someone else, as

will 24 percent of game owners. Fifty-four percent of video game owners will trade it in or sell it; the trade/sell rate is 27 percent for DVD owners and 17 percent of game owners store the discs. Only two percent of DVD owners and four percent of video game owners recycle or throw the product away.

"In packaged home entertainment, consumers view the packaging cases as part of the product and not something to be tossed," noted Bo Andersen, President and CEO of EMA. "The cases provide product protection, allow easy title identification, and carry the artwork that is integral to the consumer's association with the title."

"The issue of DVD cases being considered as packaging versus as a part of the product has been questioned by some in the industry and without consumer research we could not verify our beliefs that consumers consider the DVD case as part of the product," commented Charles Van

Horn, President of CDSA. "When almost 90 percent of DVD consumers state that they store their DVDs in the original case, they have verified that they consider the case a valuable part of the DVD product."

Other findings in the study included:

- The average DVD household has 114 DVDs in its collection.
- The average video game collection has 48 titles.
- In the average DVD and video game households there is unwrapped product:
  - 26% of the surveyed DVD households own some unopened DVDs.
  - 11% of the surveyed video game households own some unopened games.

The NPD Group surveyed a pre-identified sample of DVD and video game purchasers who had purchased a DVD or video game in the past 6 months. The report is based on 557 qualified DVD respondents and 562 video game respondents.

## EMA Board Welcomes Wal-Mart and Approves 2009 Budget

EMA's Board of Directors met in Chicago on October 21, 2009 and discussed the following agenda items.

**Board Membership** - It was announced that John Furton (Family Video) and Ben Riggsby (Movie Gallery/Hollywood Video) would join the Board of Directors. It was announced that Wal-Mart has joined the Association and accepted an invitation to name Susan Chronister to serve as a Director.

**Home Entertainment Events Issues** - The Board reviewed concepts for strengthening the Home Media Expo and showcasing video game and digital products at the Expo. The Board directed staff to continue developing several options for the 2009 Expo that appear to present the best opportunities for a convention that both serves the needs of the industry and is profitable.

**Packaging Study** - The Board was informed of the results of a joint EMA/CDSA study on consumer retention of DVD and video game packaging. The study, conducted by The NPD Group, found that the overwhelming majority of consumers keep and store their DVDs and video games in their original plastic cases, rather than disposing of them.

**Financial Report** - The Board reviewed the Association's preliminary financial performance for the year through August. It was noted that net income for the year to date was below both budget and the prior year. The major factor in the negative variances was the unrealized losses in the Association's investment portfolio, which reflect the overall market conditions. Trade show and dues income also were both worse than budget.

**Budget** - The Board approved the Association's 2009 budget. The budget projects a decline in revenues and expenses from previous years. Revenues will be derived primarily from dues, trade shows, and interest from investments. It The budget assumes that industry trends and general market conditions will result in a reduction in trade show income, compared to 2008. The major program expense categories are government affairs and meetings and committees. Expenses in the 2009 budget are approximately 8% below the projected expenses for 2008.

**Other Issues** - The Board discussed federal anti-piracy legislation and litigation, First Sale issues, and the activities of the Association's Loss Prevention, Operations, and Video Game Operations Committees, Digital Council, and Benefit/Denial Technology Working Group.



### EMA Welcomes New Members!

#### Retail Members

Classic Video, Kingston, ON  
Wal-Mart Stores Inc, Bentonville, AR

#### Associate Members

Nintendo of America, Redmond, WA  
Secure Path, Los Angeles, CA  
Sega of America, San Francisco, CA

#### Distributor Members

Entertainment One, Brampton, ON  
F&A Entertainment, San Juan, PR





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## GameSupply—The First Supply Chain Academy For Interactive Entertainment—Feb 11

**"GameSupply, the Supply Chain Academy for Interactive Entertainment,"** will be held February 11, 2009 at the Burbank Airport Marriott Hotel & Convention Center in Burbank, CA.

The one-day event will bring together video game retailers, distributors, publishers, and their service providers to share knowledge about new developments and technologies in the interactive entertainment supply chain. GameSupply is being produced by the Media & Entertainment Services Alliance (MESA) and the Entertainment Merchants Association (EMA).

"Supply chain efficiency is vital to maintaining healthy video game sales," noted Bo Andersen, President and CEO of EMA. "We anticipate that this conference will stimulate meaningful discussions that will enhance the entire interactive entertainment supply chain and thus improve publishers' and retailers' profitability and their abilities to satisfy growing consumer demand fully."

Added MESA Chief Strategist and GameSupply Conference Chairman Devendra Mishra, "The interactive entertainment market has its unique supply chain challenges of integrating the manufacture and distribution

of both hardware and software, controlling game development and inventory costs, and the realities of an extremely short product lifecycle. The purveyors of the newest form of mass-market physical and digital media entertainment are increasingly looking to collaborate with the various stakeholders in the areas of best practices, sales and opera-

### THE SUPPLY CHAIN ACADEMY **GAMESUPPLY** FOR INTERACTIVE ENTERTAINMENT

tions planning, production, sales and marketing, retail execution and loss prevention, B2B connectivity between trading partners, and sustainability of the environment."

Speakers will represent key retailers and game publishers, as well as service providers and industry consultants. The preliminary speaker lists includes senior executives from: Activision Blizzard; Best Buy Co.; Hastings Entertainment, Hollywood Video/ Game Crazy; Ingram Entertainment; Microsoft, Play N Trade, Sony DADC, Technicolor, THQ, and Walt Disney Studios Home Entertainment.

The preliminary conference program contains the following sessions:

- Operations Executives Roundtable – The Power of Collaboration
- Retailer Realities – From the Receiving Dock to the Front Door
- Cost-Reduction Opportunities in Production and Distribution
- The Art and Science of Execution in the Last Hundred Feet
- IT Meets the Video Game Supply Chain
- Effective and Affordable Retail Loss Prevention Solutions

At a reception immediately following the conclusion of the Academy, EMA retailers and distributors will present their choices for the top video games of 2008.

Admission to GameSupply is open to member companies of MESA, EMA, sponsoring organizations, and their invited guests. The registration fee is \$295.

Companies interested in sponsorship opportunities at the conference should contact Guy Finley at 917-513-5963 or [guy@MESAlliance.org](mailto:guy@MESAlliance.org).