

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)

Digital Deliver Council Formed Within EMA—Sets Charter Projects

EMA's "Meeting of the Digital Minds", which took place on July 17th in Las Vegas resulted in the formation of a Digital Delivery Council within EMA and the identification of its charter projects.

Ten companies participating in, or supporting, the digital delivery of movies, including Allied Vaughn, Culture Convenience Club, All Media Guide, IODA, Overdrive, Sonic Solutions, Screenplay, Wolfe Video and Egami, split into two subcommittees.

Screenplay's Mark Vrieling will Chair the sub-committee dealing with metadata and rights issues. Priorities identified by this sub-committee include:

- Determining rights ownership for distribution through various channels;
- Establishing a database logging ownership rights;

- Establishing recommended standards for metadata and attributes;
- Establishing a central numbering system for digital content; and
- Developing "best practices" for rights contracts.



The sub-committee taking responsibility for education and trade issues will be chaired by Mitch Mallon of Egami, a subsidiary of Image Entertainment. Their project priorities include:

- Building a "wiki"-based glossary;
- Developing vehicles for education and communication;
- Crafting "best practice" documents; and
- Reviewing quality standards and parameters.

Membership in this Council is growing, with additional retailers, service providers, manufacturing-on-demand vendors, aggregators, enablers, and content providers committing to participate in the series of "work groups" being established. It's anticipated that most meeting will be held by conference call, enabled by web collaboration. Companies may participate in multiple "work groups".

Companies interested in joining this Council should contact EMA's Mark Fisher at mfisher@entmerch.org, or at 818.728.8670.

California Video Game Law Struck Down — Another Looms in New York

The state of California's video game restriction bill has been struck down, but that is not stopping New York from pushing ahead with its own video game legislation.

On August 6, U.S. District Court Judge Ronald M. Whyte ruled that the 2005 California video game law is unconstitutional and permanently barred its enforcement.

The law, which was scheduled to go into effect on January 1, 2006, would have restricted the sale or rental to anyone under the age of 18 of certain "violent video games." Game manufacturers and distributors would have been required to place labels on covered games indicating they are restricted.

EMA (then VSDA) and the Entertainment Software Association (ESA) challenged the law soon after it was enacted in late 2005. Judge Whyte issued a preliminary

injunction in December 2005 that prevented the law from taking effect because he concluded that the law was likely unconstitutional. The August 6 ruling makes that injunction permanent.

In overturning the law, Judge Whyte ruled that the law was



more restrictive than necessary, in part because the state has not shown that the law would be more effective than industry self-regulatory efforts. The judge also

found that California has not shown that the limitations on violent video games would actually further the state's interest in protecting children because the state has not demonstrated that the proscribed games, "cause injury to children" or that "video games, because of their interactive nature or otherwise, are any more harmful than violent television, movies, internet sites" or other similar materials.

Within hours of the issuance of the opinion, California Governor Arnold Schwarzenegger vowed to appeal the ruling.

Also undeterred by the latest victory of video game retailers and publishers, the state of New York is moving ahead with its own video game restriction bill. This bill (Assembly Bill 9310/Senate Bill 6401) would, in part, bar the dissemination to persons under age 17 of video games that contain depictions of "depraved vio-

lence" and "indecent images." A violation of this prohibition would be a Class E felony.

The bill passed the Assembly in June by a unanimous vote. Senate leaders have vowed to approve the bill, but the Senate has been distracted recently by other issues. New York Governor Eliot Spitzer is a supporter of the measure, so enactment is highly likely.

EMA, along with the Entertainment Software Association, has worked diligently in opposition to the New York bill — and the 31 other anti-video game bills that have been introduced around the nation this year. EMA and ESA have also worked together to block enforcement of all nine state and local anti-video game laws that have been enacted this decade.

EMA Directors Meet in Las Vegas



EMA Chairman, Ingram Entertainment's Bob Geistman

EMA's Board of Directors met on July 16 in Las Vegas. Activities at this meeting included:

- Amazon (represented by Steve Oliver), Circuit City (represented by Leigh Ann Moore), Hastings Entertainment (represented by John Marmaduke), Ingram Entertainment (represented by Bob Geistman), and Netflix (represented by Cindy Holland) were reappointed to Board seats. In addition, Jim Loperfido, Tom Paine and Kathy Slocum were appointed to represent iDEA on the EMA Board.
- The Board elected Bob Geist-

man to his third term as Chairman. Assisting Bob on EMA's Executive Team will be Target's Tracey Koller (Vice-Chair), Circuit City's Leigh Ann Moore (Secretary), Rentrak's Marty Graham (Treasurer), and Giant-Eagle's Chuck Porter.

- At the request of the Association's Loss Prevention Committee, the Board unanimously approved a policy statement that encourages the development and testing of benefit denial technology on optical discs in order to reduce shrink, both in the backroom and on the sales floor, and to improve sales. ("Benefit denial" is the

concept of denying a shoplifter or internal thief the benefit of a product by preventing its use.)

- The Board reviewed the financial report for the first five months of 2007, which reflected net income slightly better than budget. The primary drivers of this coverage are better-than-budget interest income and savings in payroll, more than offsetting a shortfall in dues income.
- Thirty nine new membership applications were accepted and approved.

Outstanding Retailers Recognized at Home Media Expo 2007



CinemaNow CEO Curt Marvis accepts Retailer of the Year Award

The recipients of EMA's annual Retailer of the Year Awards were announced and presented at Home Media Expo 2007 held in July in Las Vegas. This award recognizes outstanding DVD, online video and video game retailers, based on retailing excellence and contribution to the industry. All of this year's recipients were also recognized for significant community service initiatives.

Recipients were:

- Mass Merchant/Grocery: **TARGET STORES**
- Specialist: **REDBOX, INC**
- Online Retailer: **CINEMANOW, INC**
- Independent Retailers: **TLA VIDEO, CAPTAIN VIDEO, MARQUEE MOVIES, and VIDEO ISLE**

"Retailing is more than just putting product out on the shelves or making it available on the internet," noted EMA President Bo Andersen. "It's about customer service, selection, marketing, commitment to the community, and many other factors. The retailer we are recognizing set the standard for excellence in the retailing of video and video games."

EMA Announces 2007 Home Entertainment Award Recipients

The following titles received "Title of the Year" Awards at EMA's Convention:

- Archival TV Series, *Saturday Night Live – 1st Season*, Universal Studios Home Entertainment
- Children's Title, *Cars*, Buena Vista Home Entertainment
- Current TV Series, *24 - Season 5*, 20th Century Fox Home Entertainment
- Direct to DVD/Limited Release From an Independent Studio, *The Proposition*, First Look Home Entertainment
- Direct to DVD/Limited Release From a Major Studio, *Hard Candy*, Lionsgate Entertainment
- Documentary Title, *An Inconvenient Truth*, Paramount Home Entertainment
- DVD Extras From an Independent Studio, *Clerks II*, Genius Products Inc.
- DVD Extras From a Major Studio, *The Chronicles of Narnia*, Buena Vista Home Entertainment
- Family Title From an Independent Studio, *Hoodwinked*, Genius Products Inc.
- Family Title From a Major Studio, *Cars*, Buena Vista Home Entertainment
- Foreign Title From an Independent Studio, *Pulse*, Magnolia Home Entertainment
- Foreign Title From a Major Studio, *Volver*, Sony Pictures Home Entertainment
- Marketing Campaign From an Independent Studio, *Clerks II*, Genius Products Inc.
- Marketing Campaign From a Major Studio, *Borat*, 20th Century Fox Home Entertainment
- Music DVD, *The Doors (15-Year Anniversary Edition)*, Lionsgate Entertainment
- Non-Children's Animated Title, *Ultimate Avengers 2*, Lionsgate Entertainment
- Packaging from an Independent Studio, *National Lampoon's Pledge This!*, Vivendi Visual
- Packaging from a Major Studio, *Lord of the Rings Trilogy*, New Line Home Entertainment
- Re-Mastered Title, *James Bond Ultimate Edition Boxed Sets Bundle*, MGM/UA Home Entertainment
- Rental Title From an Independent Studio, *The World's Fastest Indian*, Magnolia Home Entertainment
- Rental Title From a Major Studio, *The Departed*, Warner Home Video
- Sell-Through Title From an Independent Studio, *Lucky Number Slevin*, Genius Products Inc.
- Sell-Through Title From a Major Studio, *Cars*, Buena Vista Home Entertainment
- Sleeper Title, *Little Miss Sunshine*, 20th Century Fox Home Entertainment
- Special Interest Title, *The Secret*, TS Productions
- Frontiers Title, *24 - Season 6 Premiere (First 4 Episodes)*, 20th Century Fox Home Entertainment
- Blu-ray Title, *Casino Royal*, Sony Pictures Home Entertainment
- HD DVD Title, *The Departed*, Warner Home Video

At the same time Warner Home Video's *Casablanca* was inducted into EMA's Hall of Fame.

Consumers and Technology—Key Focus of Home Media Expo '07

From the consumer panel discussion at the opening to the industry research seminar, the customer was a major focus of EMA's Home Media Expo.

While consumers are enjoying more delivery options than ever, content remains the key driver followed closely by convenience with DVD still the preferred option for watching movies. These sessions revealed that consumers buy from a variety of retailers instead of remaining loyal to a specific store and that convenience is especially important for DVD renters with subscription services

growing in popularity.

Well attended seminars also featured digital technology including companies that delivery content into the home and suppliers who license their content to them. A session also focused on ways retail can participate in manufacture-on-demand options. iDEA presented its annual IVR-exclusive conference (indieEXPO) on Monday, the day before the show officially opened and during the show hosted 6 seminar sessions.

Following days of strong retailer and supplier meetings, the show offered its usual array of evening

events providing both entertainment and networking opportunities to its attendees. The opening night Awards Show featured this year's Home Entertainment Award winners (see page 2) as well as special awards honoring Ernest Borgnine, Jon Favreau, and Katt Williams with special appearances by comedienne Margaret Cho and actor/singer, John Schneider. The Awards Show was followed by a party sponsored by Starz Home Entertainment who took attendees to the trendy Palms Hotel for an event on their rooftop terrace which provided a stunning view of Las Vegas.



TWIT's Leo Laporte moderates panel of "power users" at this year's opening Business Session.

EMA Enables Productive Discussions to Promote Game Industry

EMA has initiated its first opportunities to facilitate discussion on overall industry issues among video game retailers, distributors, and publishers.

On July 24, EMA's Operations Committee members met with Operations/Supply Chain executives of key publishers. Participants in these discussions included Best Buy, Baker & Taylor, Handleman, Navarre, Hastings, Target, Netflix, Anderson Merchandisers, and publishers Ubisoft, Take Two, Lucas Arts and Microsoft.

The focus of discussions was supply chain efficiency. Topics included the handling/costs/disposal related to shipping games in

"inner-packs", standardizing carton pack quantities, discipline of UPC placement, EDI transaction sets, VMI benefits, stock levels, street dates, sustainable packaging, EAS tagging, RFID pilots, "benefit denial" technology, and the development of an industry catalog/title database. "There are significant opportunities in this category for taking costs out of the supply chain, both in 'long-hanging fruit' like standardizing carton packs and more long-term issues such as RFID," commented Committee Chair Steve Bakker of Baker & Taylor.

This committee will continue to meet every six months in order to move forward its priorities. Additional publishers committed to

participation include Activision, NCSoft and Eidos. Initial participation is open to all game publishers and ongoing participation will be open to EMA-member publishers.

While the Operations Committee will facilitate discussion regarding supply-chain issues, overall issues related to industry growth and opportunities fall under the purview of EMA's Game Retail Advisory Council. This newly formed Council of key retailers, including Amazon, Circuit City, Target, Hastings, Ingram, Blockbuster, Movie Gallery, Gotta Play, Gamefly, and others, is scheduled to meet with senior game publisher executives on October 4th and 5th.



CORAL DRM-Interactivity Framework Nearing Launch

The Coral Consortium is a cross-industry group of content providers, service providers, IT companies and consumer electronics manufacturers, that focuses on creating an open technology framework that facilitates interoperability among content distribution channels that use different Digital Rights Management (DRM) technologies.

Coral addresses usability difficulties currently facing consumers of digital content by enabling interoperability between different content formats, devices, and content

distribution services. Their goal is to provide consumers with a uniform experience that isn't dependent on differences in DRM and other content distribution technologies while simultaneously meeting the content protection and management needs of content providers and other participants in the content distribution value chain.

After working for the past few years toward this goal, Coral is very close to a final public release of their core interoperability and domain architecture specifica-

tions. This release will be made available for organizations that seek to build Coral-based content distribution ecosystems.

EMA remains an active supporter of Coral, which we believe to be a credible technology for delivering secure interoperability. The level of collaboration and consensus reached to this point, balancing the requirements of all stakeholders including the consumer, is reason for us to encourage commercial deployment under their framework.

Hi Def Disc 101 Primer Now Available for Staff Training

This PowerPoint –based training course created for in-store and field staff involved in renting or selling hi def discs is available from EMA.

The disc is unprotected and copying is permissible.

Discs are available, at no cost, while they last. Just email your request, including quantity needed, to mfisher@entmech.org.

Please allow a couple weeks for delivery.



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Video and Video Game Industry Annual Report Released

EMA recently published its Annual Industry Report providing a comprehensive overview and analysis of the home video and video game industries for the year 2006. The report is a snapshot of software and hardware trends, consumer spending, product diversity, the retail marketplace and new and emerging technologies.

Highlights from the 2007 Annual Report include:

Market Overview

- Consumer spending on home video is nearly three times greater than that of theatrical box office.
- Consumer spending on home video in 2006 exceeded \$24 billion.
- Sell-through accounted for over \$16.5 billion. Rental generated \$8.5 billion.
- Consumer spending for video games totaled \$13.5 billion.

Video Software

- Online rentals increased 17% to an estimated \$1.7 billion in consumer spending.
- Consumer spending per person on home video in 2006 averaged \$114.
- 1,000 fewer titles were released in 2006 compared to 2005.
- High-definition discs accounted for 0.5% of all home video sales in 2006, but are expected to grow to \$19.43 billion by 2009.

Video Games

- Computer and console video game software sales totaled \$7.4 billion.
- Video game hardware sales totaled \$4.7 billion.
- 45 million U.S. households own a video game console system.
- 28.3 million households own a hand-held system.

Video Retailers

- Mass merchants had a 43% market share of sell-through consumer spending on home video.
- Public chain video stores account for 43% of the rental market share.
- Online rentals account for 16% of consumer spending.

New/Emerging Technology

- Total on-demand consumer spending in 2006 totaled \$1 billion.
- 18% of consumers reported watching a movie on a portable device.
- 94% of consumers reported listening to music on a portable device.

EMA/iDEA members receive one copy of the Annual Report at no cost. Members may order additional copies for \$19.95 each. Non-members can purchase copies for \$54.95 each. Contact Carrie Dieterich at cdieterich@entmerch.org.

EMA Welcomes New Members

Retail Members

- DVD Play, Campbell, CA
- IndieDocs, Metuchen, NJ
- BNB Video, Vancleave, MS
- Box Office Video, Humbolt, IA
- Captain Video, Spring Hill, KS
- DVD Mart, Landover, MD
- Ellton Management, Hammond, LA
- Madison Video, Romana, CA
- MegaHits Movies & Games, Canton, OH
- Mike's, Somerville, MA
- Monster Video, Georgetown, Grand Cayman
- Moviescene, Londonderry, NH
- President Video, Wheaton, IL
- Showbiz Video, Crossville, TN
- Smogbiz Video, Hamilton, MO
- TGC Holdings, Norcross, GA
- Video Hits- RC, Royce City, TX
- Video Place, Harlan, IA
- Vulcan Video, Austin, TX
- Waupaca Video City, Waupaca, WI
- Funstuff #5, Wolcott, CT
- Route 66 Video, Albuquerque, NM
- Smokey Mountain Video, Franklin, NC

Associate Members

- Activision, Santa Monica, CA
- Anthony Robbins Co, San Diego, CA
- Ellipse Technology, Park City, UT
- Garr Group, Voorhees, NJ
- MOD Systems, Seattle, WA