

Welcome to *Inside EMA*...

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

Inside this issue:

EMA Directors Meet in Los Angeles	2
AFI Marketing Support Available Soon	2
EMA Grocers Council Previews Digital Delivery and M.O.D.	2
Consumers & Technology—the Focus of EMA’s July Convention	3
EMA President Bo Andersen Addresses League of Cities	3
Industry Readies Database for DVD	3
Hi Def Disc 101 Primer Now Available For Staff Training	4

The Entertainment Merchants Association (EMA)

FTC Report on the Marketing of Violent Media Applauds Game Retailers, Challenges DVD Retailers

On April 12, 2007, the Federal Trade Commission issued a report, sixth in their series on the marketing of violent entertainment to children.

The results of the report show an increased awareness toward voluntary ratings education and enforcement programs for video games. However, DVD ratings education and enforcement at retail weren't quite as effective.

Since 2003, enforcement of the R-rating of DVDs has improved at the point-of-sale, but only about 30% of underage shoppers were turned away from purchasing movies with R-ratings. Similarly, about 30% were unable to purchase unrated DVDs that were based on movies that originally had an R-rating.

Retailers can expect to be challenged to further improve their performance on video games and

to undertake new efforts to enforce DVD ratings at the point-of-sale. According to EMA President Bo Andersen, "As noted by the FTC, EMA has already committed to extend to DVD retailing those programs that have been used effectively to increase voluntary video game ratings education and enforcement."

In addition, the FTC recommends that the studios and retailers address the issue of unrated DVD versions of movies that had been rated for their theatrical exhibition. "EMA is committed to examining these recommendations closely," said Andersen, "and to encouraging retailer adoption of the recommendations where appropriate."



With the intent of heightened awareness of ratings systems, the Coalition of Entertainment Retail Trade Associations, of which EMA is a member, has declared June to be Entertainment Ratings & Labeling Awareness Month. Retailers are reminded and encouraged to:

- Review their ratings education and voluntary ratings enforcement policies,
- Re-emphasize those policies to their employees,
- Educate their customers about the motion picture and video game rating systems and store policies,
- Appoint a ratings compliance officer have that person contact Sean Bersell (sbersell@entmerch.org) immediately, and
- Make Ratings Awareness Month a public relations event for their companies and their communities.

EMA’s Public Policy Priorities Set for 2007—Legislative Activity Continues

Priorities

EMA’s Government Affairs Committee and its Board have established their public policy priorities for 2007. They include:

- Protecting retailers’ right to sell and rent lawfully made copies without restraint
- Supporting strong laws against video piracy and vigorous enforcement of those laws
- Supporting voluntary enforcement of movie and video game ratings
- Opposing restrictions on entertainment because of violent content
- Opposing discriminatory taxation of home video products
- Ensuring that state-imposed restrictions on adult content comply with Supreme Court case law
- Ensuring that second-hand goods laws don’t unduly interfere with the market for used videos and video games, and

- Ensuring that regulation doesn’t impede the implementation of radio frequency identification (RFID) tracking at retail.



And the Legislative Activity Continues

Video game violence bills are still being introduced. EMA testified in opposition to Indiana SB 248 which would have placed legal restrictions on the sale or rental to minors of video and computer

games rated "Mature" or "Adults Only". Clerks and retailers who sold or rented games in violation of the prohibition would have been subjected to fines of up to \$1,000. Following EMA’s explanation that the bill is unconstitutional and unnecessary in light of voluntary ratings education and enforcement policies of retailers, the bill was amended to simply direct a legislative committee to study issues related to the availability for sale and rental to minors of "adult-rated" video games.

In Utah, HB 50 which would have banned the sale or rental to minors of any video game that contains depictions of violence that meet a three-part test for "offensiveness", died when the legislature adjourned for the year.

However, Utah’s governor did sign into law a bill that regulates all businesses that engage in the "purchase, exchange, or sale of used or secondhand merchan-

dise". Under this new law, such businesses are required to keep detailed records of all purchases of used or secondhand goods, hold items purchased for 10 days, undergo annual compliance training, and pay an annual fee.

Working with the Utah Retailers Association, we voiced our concerns regarding the impact of this bill on the sale of previously viewed/played product or DVDs and video games traded for store credit. While our concerns regarding previously viewed/played products were addressed in the final version passed, game trading issues are still open. We’ve been assured, though, that the law will be amended in the 2008 legislative session to exempt trade-ins for similar merchandise (used or new). We’ll seek additional amendments to more accurately reflect the commerce of DVD and video game trading.

EMA Directors Meet in Los Angeles

EMA's Board of Directors met on March 21 in Los Angeles. This was the first meeting of the single combined Boards of Directors of the former Video Software Dealers and Interactive Entertainment Merchants Associations, representing all membership sectors.

Activities at this meeting of the Board included:

- Twenty new membership applications were accepted, including game publishers Eidos and Take 2.
- The Association reviewed its strategic plan, concluding that it is appropriately aligned with member needs and the current industry environment and that funding should be allocated to support the Association priorities, as identified by the Board.
- The Board reviewed the Association's 2007 government affairs priorities (see page 1) and was alerted to the anticipated FTC Report (which had not yet been released) and received a report on video game violence bills and secondhand goods laws as they relate to DVD and videogame used-sales and trading.
- The 2006 financials were reviewed, anticipating an improvement of about \$350,000 over the budget, exclusive of one-time costs associated to the VSDA/IEEMA merger. The primary drivers of this coverage were improved convention income and interest income.
- The Board was briefed on EMA's participation in epc-Global's RFID initiative, activi-

ties of EMA's Loss Prevention and Operations Committees and EMA's participation in the Coral Consortium (a body advancing DRM interoperability).

- Staff was directed to invite the home video divisions of the movie studios to participate in the industry's online distributor database (see page 3).
- The Board endorsed the International Recording Media Association's *Plastic Media Packaging Standard 1.0*, which proposes limits on hazardous substances in plastic media packaging in order to minimize potential exposure of workers and the public to these substances and to ensure that packaging is recyclable.

EMA's Board will meet next in Las Vegas on July 16.



AFI Marketing Support Available Soon!

On June 20th AFI will air its 10th anniversary celebration of *100 Years...100 Movies* with a new list of top 100 films.

EMA members can receive an *AFI's 100 Years...100 Movies* poster for each of their stores by filling out the order form online in

the AWARDS section of EMA's website (www.entmerch.org/awards.html). The website also features downloadable POP materials including shelf talkers, section headers and counter cards.

Rentrak's Home Video Essentials has shown a substantial increase

in the rental of catalogue product during the 6 weeks following the telecast. This is an excellent opportunity for retailers to highlight their classic film inventory and spread nostalgia by highlighting Hollywood classics.

EMA Grocers Council Previews Digital Delivery and M.O.D.

EMA's Grocers Council assembled on April 25 and 26 in Nashville to explore the numerous opportunities in today's marketplace and in the future. The Council discussed participation in emerging technologies such as manufacturing-on-demand (in-store burning) and online digital delivery. And, they didn't walk away disappointed nor discouraged.

Though a complex ecosystem surrounds participation in digital delivery (movie downloads over the internet through a retailer's website), Council members listened to solutions to help them navigate and simplify the process. IODA (the Independent Online Distribution Alliance) described the processes of content acquisition and rights aggregation.

While IODA has been aggregated licensing rights for independent

music for years (and is in the top 5 suppliers of music, right behind the three major music labels), they've just launched their video initiative. The Council compared the function of IODA and similar companies in the digital world to traditional distributors in today's world of packaged goods – saving retailers having to negotiate individual deals with each supplier.

Additional companies, including CinemaNow, provide a turnkey solution for retailers such as those on the Council who may simply want to open up a generic site skinned with the retailer's name and logo. Customers visiting the retailer's site are actually downloading content from, in this case, a site powered by CinemaNow. It's projected that retailers will be able to go from 'deal' to 'live' in one week!

Another option that retailers can take advantage is the deployment of manufacture-on-demand solutions. Sonic Solutions described a variety of options and recent developments related to content protection that have given content providers confidence to make their product available for m-o-d solutions. MediaPort presented its in-store burning options for music, which they anticipate transitioning to include video in the near future. PolarFrog showed its solutions which include in-store burning of television, movies and short-form video. PolarFrog expects content available from multiple major movie studios by the end of this year.

Grocery is just one retail segment looking for options. However, two days of intense discussion may have helped these EMA Council members gain footing.



Consumers and Technology—the Focus of EMA's July Convention

Consumers and retailers alike will flock to the Venetian Resort Hotel and Casino, home of EMA's annual Home Media Expo, this summer. A pre-conference day for iDEA members will take place on Monday, July 16, with the show dates following on July 17-19.

Consumers Are the Focus of the Opening Session

EMA is working with research firm NPD Group to identify consumers we refer to as "Power Users". These heavy entertainment consumers access product from all delivery channels – from pack-

aged DVD to mobile to downloading. This panel discussion will focus on how and why they choose to view entertainment in each format, what they like and dislike about each delivery channel and what they think home entertainment will look like five years from now. These are very likely representative of some of your customers, so you don't want to miss this exciting session.

Technology and Research Focus of Seminar Content

Ranging from Manufacture-on-Demand to the latest in hardware

for viewing high-definition DVD (like the Xbox 360 and PlayStation 3), to mobile content, this year's seminar track provides the latest information on trends and technologies. In addition, research experts from Adams Media Research, NPD Group and The Nielsen Company will give their perspectives on where the industry is now and where they see it going.

Registration, housing and show information can be found now at www.homemediaexpo.com



GameDAILY's CEO Mark Friedler moderates Video Games panel including executives from GottaPlay, Blockbuster, Ingram, Tower, and ProVideo.

EMA President Bo Andersen Addresses League of Cities

Key stakeholders in the debates over the impact of video game violence on today's children met with the League of Cities on April 17 to propose effective ways to educate city officials, parents and retailers. The National League of Cities is the oldest and largest national organization representing municipal governments throughout the United States. Its mission is to strengthen and promote cities as centers of opportunity, leadership, and governance.

EMA President Bo Andersen joined Cindi Tripoli, the Executive Director of *Pause Parent Play*,

and Pat Vance, president of the Entertainment Software Ratings Board, on a panel addressing the media and entertainment industry efforts to respond to media violence.

Bo reminded the attendees that a cardinal rule of retail is to do what the customer wants and do it better than your competitors. This includes policies and enforcement steps regarding how entertainment products are sold at retail. Bo noted the long history of EMA (and VSDA and IEMA) endorsing programs and providing tools for retail enforcement of the rating

system and parental controls. While declaring that children shouldn't be overexposed to violence via the media, Bo noted that "we also don't want to see children raised in an intellectual bubble."

Bo called for action in the form of press conferences in towns with mayors speaking out in front of a background of retail storefronts, calling for support for Ratings Awareness Month in June.

A web cast of this event, including this panel, is available at www.ncntv.org.



EMA President, Bo Andersen

Industry Readies Database for DVD Supply Chain

Since its inception ten years ago, the industry's Distributor Database, owned and operated by NARM (the National Association of Recording Merchants), has literally set the standard for the entertainment industry. From a single secure online location, this database provides hundreds of entertainment retailing industry merchants and purchasing agents with timely, accurate, standardized information about titles that are available from participating retailers.

Up until now, this database has

not included DVD titles available from the key content providers. To obtain this data, most retailers and distributors have had to rely on manually entered and maintained databases, based on a myriad of differing hard copy, e-mailed customized files, and verbal notification systems that inevitably introduce data inaccuracy and inefficient product handling.

Now, all EMA member content providers will be able to upload their data to this database on the same terms as NARM members enjoy. And, all EMA member re-

tailers and distributors will have free access to download this data. This database uses a UPC425 flat file that accommodates information on title, UPC, MSRP, release date, last return date, genre, carton lot quantities, carton and package sizes, promotional deals, and much more. Access is 24/7 for both up-loaders and down-loaders.

Any company interested in utilizing this database can contact Mark Fisher at EMA (mfisher@entmerch.org) or 818-385-1500 x256).

June is Entertainment Ratings & Labeling Awareness Month.

We ask retailers to:

- Make sure that movie and game ratings information is posted in your stores;
- Ensure your staff is knowledgeable about the ratings system; and
- Verify that clerks are not renting or selling R-rated movies or M-rated video games to customers under age 17 without parental consent.

For more information, visit the Ratings Enforcement section at www.entmerch.org



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Inside EMA

Volume 5 Issue 2
May 2007

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

Hi Def Disc 101 Primer Now Available for Staff Training

Next-generation disc formats (HD DVD and Blu-ray) have been in the marketplace now for nearly a year. Though a slow start was anticipated for each format, many retailers have made space and inventory commitments to merchandise titles in these formats in their stores.

But, how many retail store clerks, department managers, or store managers really understand the opportunities and advantages of high definition discs? And how many clerks are armed with enough information to answer your customers' questions about these formats, or to get your customers excited about upgrading?

EMA has developed a tool to help!

EMA's *High Definition Disc 101 Primer* is a PowerPoint based introductory training course – created for in-store and field personnel involved in selling or renting high definition discs. The course is available now on CD, and eventually will be avail-

able over the Internet on EMA's website (www.entmerch.org). Periodic quizzes and a web-based final exam are included. Individuals can click through the screens and quizzes in about 20 minutes.

The course can also be used for group training or presentations.

This course is great for staff involved in the sale or rental of either or both formats. It's equally supportive of both the HD DVD and Blu-ray formats, and has no bias toward any individual studio.

For more information on this course, or to request discs, email mfisher@entmerch.org.



EMA Welcomes New Members

Retail Members

- Bargain Plaza., Hudson, CO
- El Granada Bev & Video, Granada, CA
- Double Features, Vineland, NJ
- Drive-In Video, Columbia, TN
- Fast Flix N Gamez, Dededo, GU
- Five Star Video, Berkeley, CA
- Hanamichi LLC, Miramar, FL
- Movie Zone, Marble Hill, MO
- Neighborhood Video, Traverse City, MI
- Planet Video, Corsicana, TX
- Premiere Video, El Paso, IL
- Prime Time Video, Navarre, FL
- Seagrove Videos, Santa Rosa Beach, FL
- Showtime Video, Vevay, IN
- Spectrum Video, Summerfield, NC
- Times Video, Savanna, IL
- Video Xpress, Hampshire, IL

Distributor Members

- Deuce Entertainment LLC, Los Angeles, CA
- Video Supply Service, Columbus, OH

Associate Members

- NC Soft/Interactive, Austin, TX
- Your Half Media Group, Los Angeles, CA