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Attached is the DEG's Year-End 2011 Home Entertainment Report compiled by DEG members, tracking sources and retail input.

**Home Entertainment Category Stabilized  
by Higher Margin Platforms Gaining A Foothold Among Consumers**

***Annual Spending on Blu-ray Discs Jumps 20 Percent Hitting \$2 Billion for First Time***

***Digital Spending Up 50 Percent***

***Blu-ray Disc Playback Devices In Nearly 40 Million Homes, Up 38 Percent from Year Earlier***

Hollywood's home entertainment recovery continued in 2011 as consumers bolstered their home viewing experience with HDTVs, Blu-ray Disc players and discs, as well as the expanding offerings through electronic sell-through (EST) and video on demand (VOD) services.

Total consumer spending on home filmed entertainment for the second half of the year rose nearly one percent, fueled by a strong third quarter in which spending was up five percent, which marked the first quarterly increase since 2008. While overall spending for the category was slightly down two percent for the year, the industry's performance clearly stabilized in 2011.

The recovery continues to be driven by high margin products that are gaining a foothold among consumers, a further indication that the home entertainment market is rebounding and in a healthy state. Among the various services and platforms delivering filmed entertainment, these higher margin businesses -- Blu-ray Disc, EST and VOD -- showed the strongest growth rates. Some highlights for the year:

- Blu-ray Disc and EST continued to perform remarkably well with consumer spending on Blu-ray sell-through up 20 percent and EST up nine percent for the year. Additionally, consumer spending on VOD was up seven percent.
- Blu-ray Disc has evolved to become the standard for home entertainment. Impressively, both new release and catalog sales saw double digit growth of 20 percent in 2011.
- Increasing the value of ownership for movie lovers, Sony Pictures Home Entertainment, Universal Studios Home Entertainment and Warner Home Video launched their first Blu-ray Disc titles with UltraViolet in 2011. The DEG estimates that more than 100 UltraViolet titles will be available in 2012. Lionsgate and Paramount Home Media Distribution also have plans to launch titles in 2012.
- The number of Blu-ray homes continues to grow rapidly as Blu-ray players offer consumers increased versatility and affordability. Total Blu-ray penetration in 2011 jumped 38 percent (including BD set-tops, PS3s and HTiBs) with total household penetration of all Blu-ray compatible devices now at nearly 40 million U.S. homes.
- Further, consumers enhanced their home viewing experience by purchasing more than 27 million HDTVs during 2011. HDTV penetration is now at more than 74.5 million U.S. households.



- Consumers continue to show a keen interest in 3D TV, with a dramatic year-over-year increase in titles and unit sales of 3D Blu-ray Discs. Available 3D Blu-ray Disc titles more than tripled in 2011 compared to 2010, growing from 20 to 65, while unit sales increased more than six times in the same period. Some of the major movies now on 3D Blu-ray disc include Avatar, The Lion King, Cars 2, and Pirates of the Caribbean: On Stranger Tides. Source: The Nielsen Company, VideoScan
- The bestselling Blu-ray Disc titles of the year hit major milestones with five titles selling in excess of two million discs. The overall top 10 bestselling home entertainment titles this year, according to Nielsen VideoScan First Alert are:
  1. Harry Potter – Deathly Hallows, Part 1
  2. Harry Potter – Deathly Hallows, Part 2
  3. Tangled
  4. Cars 2
  5. Transformers – Dark of Moon
  6. Bridesmaids
  7. Rio
  8. The Help
  9. Lion King
  10. Hangover Part 2

If you would like to discuss the DEG's Year-End 2011 Home Entertainment Report, please contact the DEG.

Regards,

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**DEG REPORT 2011 U.S. HOME ENTERTAINMENT CONSUMER SPENDING BY FORMAT**



\* YTD Rental data is projected based on studio estimates. \*\*The DEG began breaking out streaming revenue in the first quarter of 2011. In the first half of 2011, streaming revenue was shown as part of the rental category. In Q3, to more accurately reflect the overall trends in digital performance, streaming was shifted from the rental category to the digital category. The first-half of the year has been reformatted to reflect the change which allows for comparisons to previous quarters. Comparable data for streaming is not available for 2010. The Q 4- 2011 release also contains a revision to both EST and VOD for Q4 2010 to reflect the most current data set available to the DEG. \*\*\* For the year end, DEG has added an additional metric showing the change in box office value for the video category.

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<b>DEG REPORT: U.S. HOME ENTERTAINMENT CONSUMER SPENDING (Aggregate Spending)</b>						
<b>U.S. Consumer Spending</b> (\$ in millions)	<b>2011- Second Half</b>			<b>2011 -YTD Thru Q4</b>		
	<b>2010</b>	<b>2011</b>	<b>2nd Half YOY</b>	<b>YTD - 2010</b>	<b>YTD- 2011</b>	<b>YTD- YOY</b>
Sell-Thru Packaged Goods -All	\$ 5,583.31	\$ 5,081.73	-8.98%	\$ 10,321.07	\$ 8,951.80	-13.27%
Sell-Thru (including EST)	\$ 5,831.47	\$ 5,365.08	-8.00%	\$ 10,829.15	\$ 9,505.47	-12.22%
<b>Rental:*</b>						
Brick and Mortar Rental	\$ 1,066.98	\$ 747.33	-29.96%	\$ 2,309.32	\$ 1,643.83	-28.82%
Subscription (physical only)	\$ 1,198.47	\$ 1,010.33	-15.70%	\$ 2,272.14	\$ 2,366.14	4.14%
Kiosk	\$ 692.75	\$ 857.68	23.81%	\$ 1,269.10	\$ 1,663.23	31.06%
Total Rental (excluding VOD)	\$ 2,958.21	\$ 2,615.35	-11.59%	\$ 5,850.56	\$ 5,673.19	-3.03%
Total Rental (including VOD)	\$ 3,819.93	\$ 3,555.30	-6.93%	\$ 7,602.22	\$ 7,542.29	-0.79%
<b>Digital:**</b>						
Electronic Sell-Thru	\$ 248.16	\$ 283.34	14.18%	\$ 508.08	\$ 553.67	8.97%
VOD	\$ 861.72	\$ 939.96	9.08%	\$ 1,751.66	\$ 1,869.10	6.70%
Subscription Streaming	\$ -	\$ 785.41	0.00%	\$ -	\$ 993.57	NA
Total Digital	\$ 1,109.88	\$ 2,008.72	80.99%	\$ 2,259.74	\$ 3,416.33	51.18%
<b>Total U.S. Home Entertainment Spending</b>	\$ 9,651.40	\$ 9,705.80	0.56%	\$ 18,431.38	\$ 18,041.33	-2.12%
<b>Box Office Value for the Video Category***</b>						-8.70%