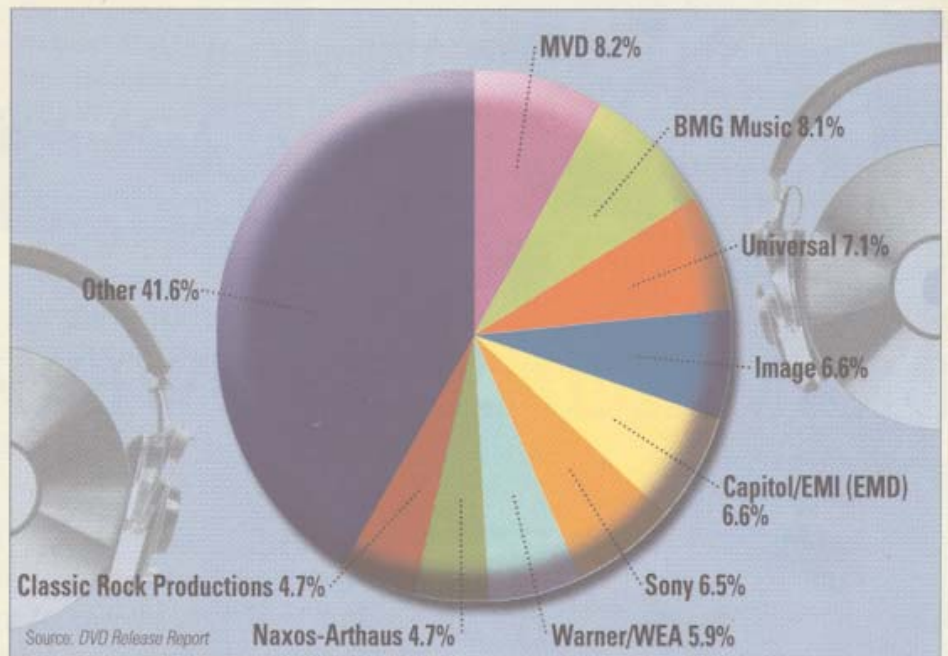




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Music DVD Is an Opportunity For Many Smaller Suppliers

By JESSICA WOLF

As the big players in music continue to get bigger and music becomes more homogenized, there's still plenty of room for smaller guys, especially when it comes to DVD, suppliers say.

Image Entertainment and Music Video Distributors (MVD) have been pumping product into the often fragmented niche genre of music since day one of DVD. And, though the larger music companies like Sony Music, Universal and Warner Music Group have begun to stake their claims over the past year, Image and MVD combined made up nearly 15 percent of music DVD releases last year, according to the *DVD Release Report*.

Indeed, MVD was the No. 1 supplier, with 8.2 percent of last year's music DVD releases, according to the *DVD Release Report*. "The major labels are definitely more competitive now," said Mike Demonte, sales manager for MVD. "[But] there's plenty of room in the marketplace as tastes in music become more fragmented."

Indie suppliers face similar problems to those of records labels and film studios — especially when it comes to shelf space at retail — and

suppliers admit that many music DVD decisions focus just on what works best at mass merchants.

Image Entertainment has been a bastion of music DVD. Image's *Eagles: Hell Freezes Over* release was the first music title to sell more than 1 million units.

The company is homing in on the urban market, where there is large potential and a wealth of material, said Barry Gordon, SVP of acquisitions for Image.

Urban titles like *Tupac Shakur: Thug Angel* and the hip-hop/rap compilation *Beef* have exceeded expectations, Gordon said.

Delving into this market has been a bit of a departure for Image, Gordon said.

"[But] we look at niches where we can go in there and really build on a genre or a niche category and blow it up as big as can go," Gordon said.

Indie suppliers can seize upon situations that will come with the rise of behemoth music/entertainment companies. "The timing has never been better for indies to thrive," he said. "There's going to be attrition and consolidation [at the major labels], and some artists that are going to be losing their labels still have viable fan bases."

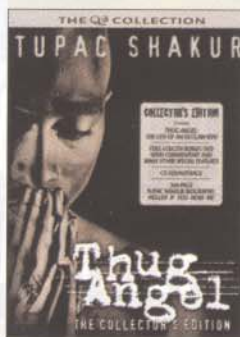


Image is finding success in the music DVD genre with urban-themed titles like these. For an overview of the music DVD market, turn to the research analysis, page 26.

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Music DVD a Burgeoning Home Entertainment Market

By MELINDA SACCONNE

The growth of DVD is bearing fruit for yet another genre — music DVD. While music DVD remains a relatively small portion of the format's sales and rentals, the genre is expanding.

Last year, unit sales of music DVDs increased 106 percent from the previous year. According to Nielsen SoundScan, consumers purchased 18.7 million music DVDs in 2003, up from 9.1 million in 2002.

The number of titles released on disc has increased threefold in the past five years. At the end of 2003, 1,040 new music titles had been released on disc, according to the *DVD Release Report* — up from

244 in 1999. Last year, music discs accounted for 11.4 percent of all DVD releases, up from 6.8 percent in 1997.

DVD has added a new dimension to music delivery. Not only does the format allow for more optimal sound, it carries added value for the consumer with all of the additional features and extras that have become synonymous with the disc.

Like the video market, the ability of DVD to transcend the traditional boundaries of the cassette or, in this case, the CD, has not only opened up new markets for new artists, but has revived the catalogs of some of the most revered.

In 2003, two of the top 10 music DVD sellers were catalog releases.

Of the golden oldies, *Led Zeppelin DVD* held the highest spot on the chart, reigning at No. 2, according to Nielsen SoundScan data. Unit sales of *Zeppelin* are impressive. They were topped only by newcomer *50 Cent: New Breed*, which sold 19 percent more units, according to Nielsen data. *The Beatles Anthology* was another oldie to hit the top 10 sellers chart, placing at No. 8.

On the supply side, Image Entertainment was one of the earliest studios to embrace music DVD, bowing the most titles in the genre since 1997. Image has released more than 500 music titles on disc since 1997, accounting for nearly 15 percent of all music DVDs released through 2003, according to the *DVD Release Report*.

In 2003, however, the market dynamics changed. BMG came on strong in 2003, placing 85 titles

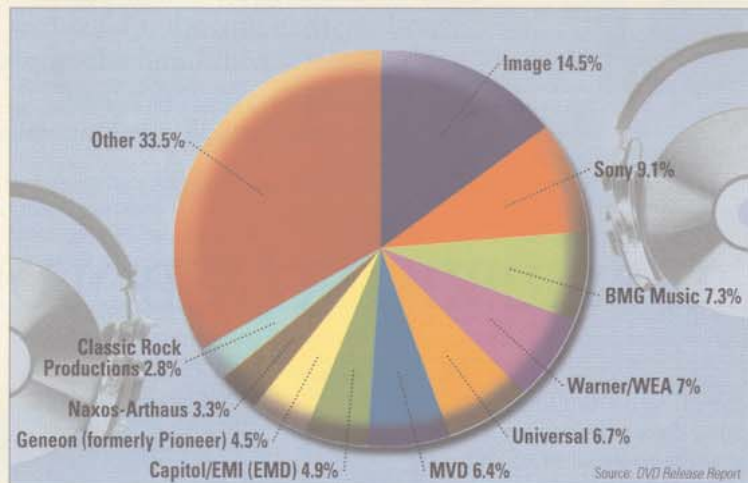
into the pipeline, according to the *DVD Release Report*. In addition to BMG, Music Video Distributors' presence in the marketplace increased. Of the 1,040 titles released last year, Music Video Dis-

tributors and BMG had market shares of 8.2 and 8.1 percent, respectively, compared to 6.5 and 6 percent, respectively, in 2002. Image Entertainment, which commanded 11.8 percent in 2002, fell

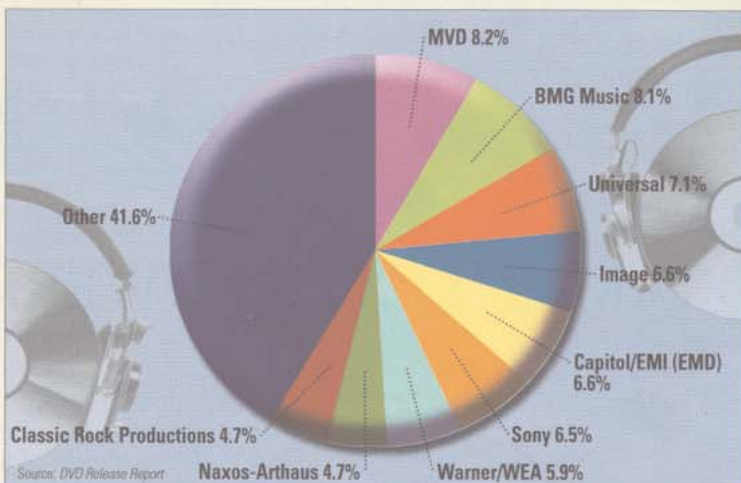
to 6.6 percent in 2003. While consumers have primarily purchased music DVD, there is a niche market in the rental arena. *Video Store Magazine* Market Research estimates that in 2003, rentals of music DVDs generated nearly \$46 million in revenue for retailers. According to a survey conducted by *Video Store Magazine* Market Research at the end of January, 18 percent of the independent retailers carried music discs for rent — remaining virtually unchanged from about a year earlier. Music discs account for nearly 4 percent of retailers' total disc inventory, virtually the same as in 2002. While music disc rentals accounted for only 1.9 percent of retailers' gross revenue, 14 percent of those surveyed plan to increase the amount of music DVD they carry for rent in 2004.



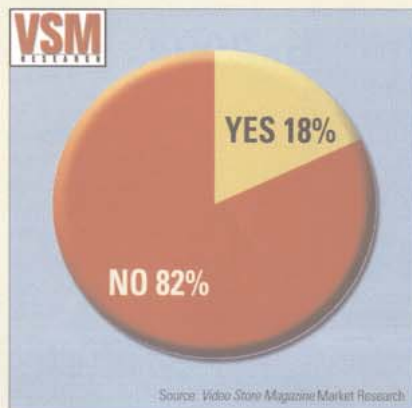
Supplier Share of Music DVD Releases 1997–2003



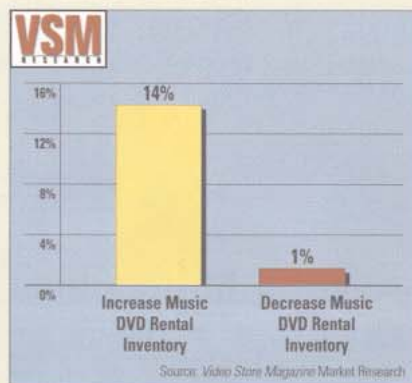
Supplier Share of Music DVD Releases 2003



Do You Carry Music DVD for Rent?



What Are Your Purchasing Plans for Music DVD in 2004?



Top 10 Music DVD Sellers 2003

Rank	Title	Label	Index
1	<i>50 Cent: New Breed</i>	Interscope	100.0
2	<i>Led Zeppelin DVD</i>	Atlantic	84.1
3	<i>Linkin Park: Live in Texas</i>	Warner	63.6
4	<i>Coldplay Live 2003</i>	Capitol	58.1
5	<i>Rob Zombie: Past, Present & Future</i>	Geffen	50.7
6	<i>Josh Groban in Concert</i>	Warner	36.0
7	<i>Lil Jon and the East Side Boyz: Part II</i>	TVT	34.3
8	<i>The Beatles Anthology</i>	Capitol	31.1
9	<i>Norah Jones: Live in New Orleans</i>	Blue Note	26.0
10	<i>Various Artists, Concert for George</i>	Rhino	24.7

Source: Nielsen SoundScan