# SURVEY OUTLINE

**The Italian families' expense for *DVD* further increased in 2006 despite adverse transitory events: thanks to said increase the global *home-video* revenues reached 933 million euros.** As a matter of fact, the FIFA World Cup, the Winter Olympic Games and the important spring elections led the Italians to direct their already poor free time towards different forms of TV entertainment: said events represented a serious competition for the audiovisual market that, in addition, suffered the extension of the hot season.

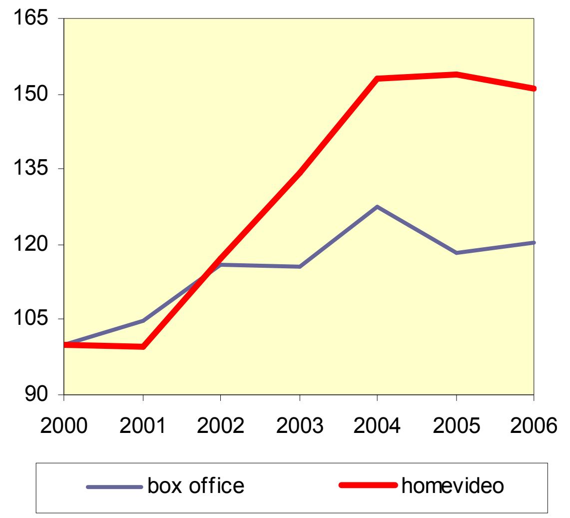
**The need to spur the demand and the lack of great impact movies led the audiovisual publishers to maintain prudent price policies, which were also conditioned by the increasing competitiveness that is characterizing the entire cultural and entertaining goods and services sector.** As a matter of fact, in 2006 the inflationary dynamic of said sector was much more moderate than the one of the obligatory expenses; therefore, with an essential stable situation of the available income, said factor kept embezzling resources that were to be destined to the

**Il mercato italiano dell'homevideo**

| | *2003* | *2004* | *2005* | *2006* | *2004* | *2005* | *2006* |
|---|---|---|---|---|---|---|---|
| | | *Milioni di euro* | | | | *variazione %* | |
| **Vendita** | **424** | **471** | **445** | **439** | **11.2** | **-5.6** | **-1.4** |
| DVD | 309 | 404 | 412 | 428 | 30.5 | 2.1 | 3.9 |
| Altri supporti | 114 | 67 | 33 | 10 | -41.3 | -51.4 | -68.4 |
| **Noleggio** | **273** | **317** | **315** | **272** | **16.1** | **-0.7** | **-13.5** |
| DVD | 172 | 264 | 295 | 260 | 53.4 | 12.0 | -11.8 |
| Altri supporti* | 101 | 54 | 20 | 12 | -47.0 | -63.0 | -39.5 |
| ***Totale tradizionale**** | ***697*** | ***788*** | ***760*** | ***711*** | ***13.1*** | ***-3.6*** | ***-6.4*** |
| DVD | 481 | 667 | 707 | 689 | 38.7 | 6.0 | -2.6 |
| Altri supporti | 216 | 121 | 52 | 22 | -44.0 | -56.6 | -57.5 |
| **Edicola** | **133** | **157** | **190** | **222** | **18.3** | **20.7** | **16.9** |
| DVD | 69 | 130 | 183 | 221 | 89.1 | 40.5 | 20.7 |
| Altri supporti | 64 | 27 | 7 | 1 | -57.8 | -74.4 | -85.0 |
| **TOTALE SPESA***** | **830** | **945** | **949** | **933** | **13.9** | **0.4** | **-1.8** |
| TOTALE DVD | 550 | 797 | 890 | 909 | 45.0 | 11.6 | 2.2 |
| TOTALE Altri supporti | 280 | 148 | 59 | 23 | -47.1 | -59.8 | -60.7 |

**Altri supporti:VHS e UMD, per il dettaglio si veda il Capitolo 2*
*** Totale tradizionale= Noleggio + Vendita*
**** Totale spesa= Totale tradizionale + Edicola*

**Fig. 1 – Spesa degli italiani in prodotti homevideo ed al box office**
*(livelli in mln. di €; indice 2000=100)*




consumption of more desirable goods, such as the *home-video.* **Despite a difficult year, in 2006 the total *home-video* revenue was in any case much higher than the *box office* revenue** (Fig. 1).

**The expense trend for each support** (Fig. 2) **demonstrates the prosecution of the *DVD* increase phase, which revenue amounted to 909 million euros in 2006** (Fig. 3); **however, the development rate (+2.2%) significantly diminished with reference to the previous three-year period, suffering a physiological demand adjustment following the introduction phase.** As a matter of fact, in the period 2002-'05 the audiovisual publishers' strategies and the rapid diffusion of the *DVD* players in the Italian families had supported the purchases, allowing the revenue to increase at a pace of nearly 65% average/year.

**For what concerns the channel** (Fig. 4)**, the rental was the most penalized in 2006.** Indeed the *DVD* rental strongly diminished, **suffering the higher sensibility towards the offer of new titles and the transitory competitive factors that drove away the interest of the consumers with a higher disposition towards said modality of use.** As underlined in the script presented in the monographic section of the present Survey, **the consumers within the "younger than 34" bracket and the teenagers *in primis* actually show greater interest for the rental.** The need to

**Fig. 2 – Evoluzione della spesa degli italiani in prodotti homevideo per supporto** *(variazioni % in valore)*

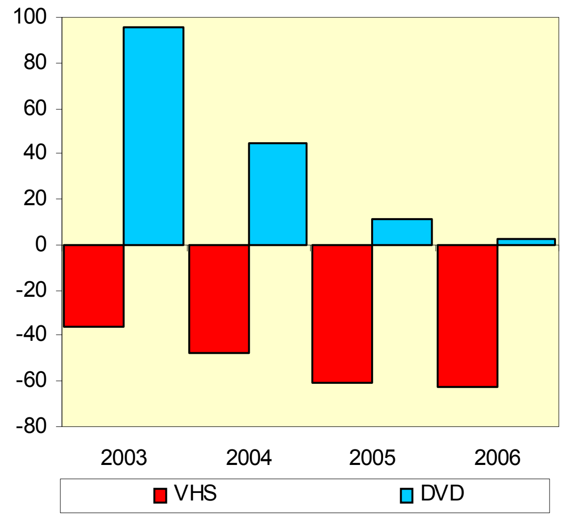
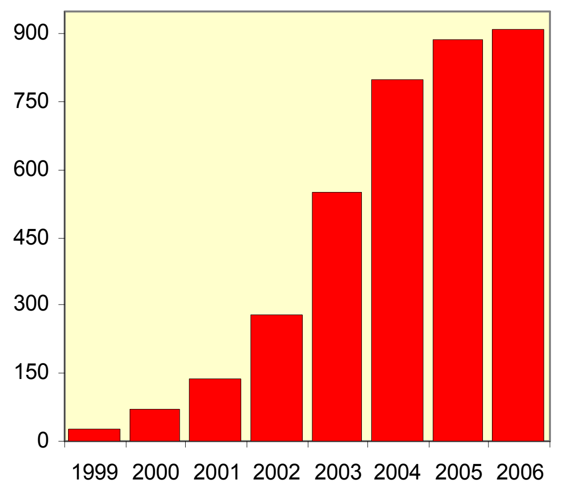



**Fig. 3– Il mercato del DVD**
*(livelli in milioni di euro)*



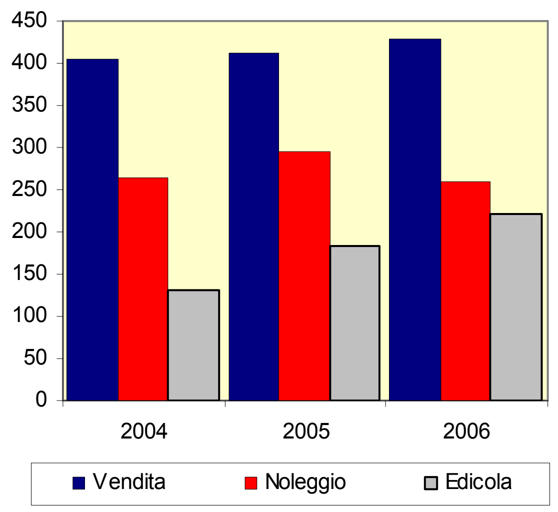
support the market led the rental providers to intensify the promotional and price restraint policies, thus boosting the revenue fall that diminished of nearly 12%. **However, it must be remembered that said channel still represents an important part, close to the 30%, of the *home-video* total expense**, leading to the search of synergies between the audiovisual publishing world and the video-renters, in order to improve the level of the service provided to the consumer and to stimulate the demand.

**Yet, for the sale channel and, above all, for the newsagent, the *DVD* expense confirmed its growth in 2006,** supported by the enrichment of the catalogue offer, by the slip-case development and by the various promotional activities that were carried out.

**The amount of the *DVD* purchased at the sale channel – that still remains the most important channel for the *home-video* – increased by a 10.5%**, a perfectly positive rate even if inferior with respect to the year 2005. **The damping of the price fall phase allowed however an strengthening of the increase of this support revenue.** The more balanced growth of this channel shows a better positioning of the different *DVD* typologies for what concerns the prices and the quality perceived by the consumer.

**The newsagent confirmed itself as the most dynamic channel for *DVD* sales thanks to the good performances of TV serials and of the titles linked to sport events** that permitted to this product to be the only increasing collateral. As underlined in the monograph, the newsagent represents an audiovisual material purchase modality that the Italian consumers appreciate a lot, leading the operators to add new initiatives realized at this channel. Nonetheless, there is the perception that the offer enrichment is overstocking the physical available space in the newsagents and is intensifying the competitive pressures as indicated by the strong price restraint of the sold *DVD*.

**Fig. 4 – Mercato del DVD per canale**
(*livelli in milioni di euro*)




**Regarding the other supports, the year 2006 confirmed a high *VHS* sales contraction,** that dropped to 22 million euros, a 62% decrease with respect to the year 2005. **The *UMD* performances were limited in the year 2006: the new support brought about sales of 70 thousand items for 1.2 million euros**, levels that are currently insufficient to sustain the *home-video* market development.

**The prospects for the year 2007 are characterized by a greater optimism**

**for the audiovisual publishing sector. The economic conjuncture confirms itself to be positive** and should allow a consolidation of the family incomes with respect to the year 2006, **offering more opportunities for the luxury goods and for the *home-video* world in particular, for which the Italian consumers show a high level of appreciation.**

As pointed out in the monograph, **the interest for the audiovisual world is actually high**, though with different modalities, **within all age brackets and consumer typologies, even if the elderly still prefer the traditional TV system. Besides the age aspects** – that influence both the disposition to the purchase and rental of *home-video* supports and the need of *hardware* technologies for its use – **the *DVD* approval seems to be strictly connected to the consumers' education level, as it happens to other publishing products, first of all the books, and for the movies in the cinemas.** As a matter of fact, among the most educated consumers there is a higher percentage of persons choosing the most liked contents with the *home-video* and usually going to the cinema (Fig. 5), underling the complementarity - rather than the competitiveness – of the two vision modalities.

**The *home-video* prospect opportunities seem to be particularly favorable: the development of the demographic trends and of the average education level of the Italian population will actually increase the audience of potential consumers, thus enhancing the number of those showing a higher disposition towards the *home-video* world** and of those able to better interface themselves with the new technologies, in particular with the ones relevant to the high definition.

**During this year, the *home-video* market should also benefit from the appearance of great impact titles and the disappearance competitive events**

**Fig. 5 – La visione di film per grado d'istruzione** *(valori % per grado di istruzione))*

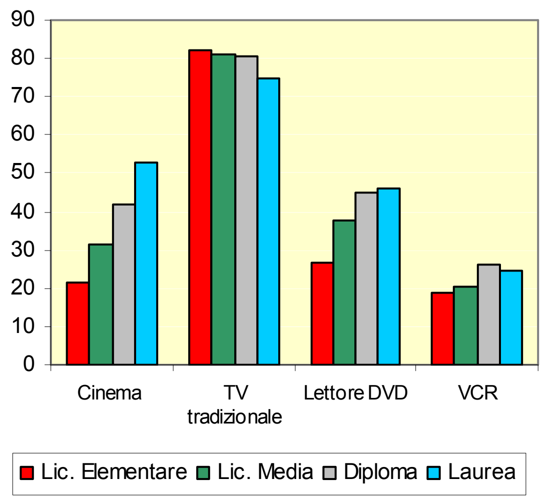
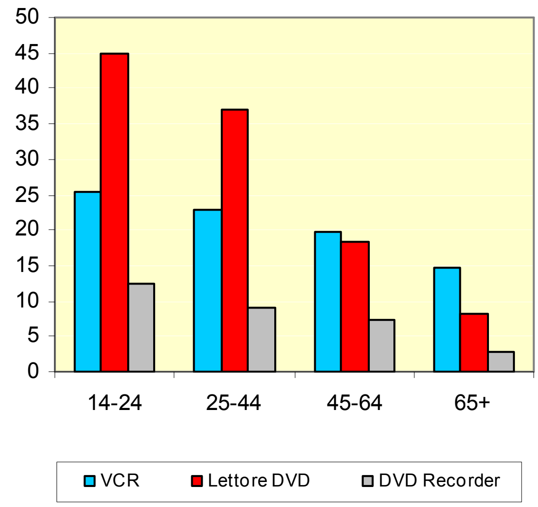



**Fig. 6 – Utilizzo quotidiano o almeno settimanale del lettore DVD e del VCR** *(valori % per classi d'età)*




*La somma delle % è diversa da 100 perché erano ammesse risposte multiple.*

**that negatively conditioned its performance in 2006**. Within a more favorable context for the family expense, the development of new supports - *Blu-Ray* and *HD-DVD* – is expected to create an offer complementary to the *DVD* one and to be able to provide an additional impulse for the demand.

**The transition towards the high definition will imply relevant investments for the Italian reproduction industry**, which has always represented an important support for the audiovisual publishing world innovations.

**In a long term prospect, the ongoing demographic processes will cause the age brackets with a higher consumer disposition to increase by approx. a 10% its own number on the total population, fixing it at the 64% in the year 2016.** As a matter of fact, it has to be considered that the 45% of the Italians ageing from 14 to 24 habitually uses the *DVD* player: this percentage is high (equal to 37%) also for the age bracket from 25 to 44 and then significantly decreases.

**Fig. 7 - *DVD* originali acquistati** (esclusi quelli musicali) **per uso personale o per regalo nel corso degli ultimi 12 mesi** *(valori % per classi d'età))*

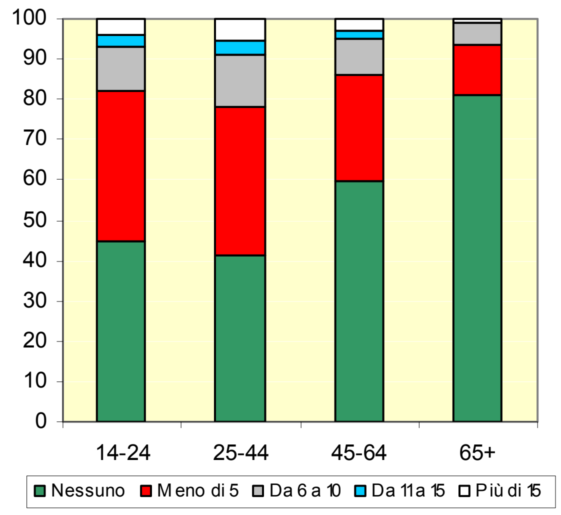
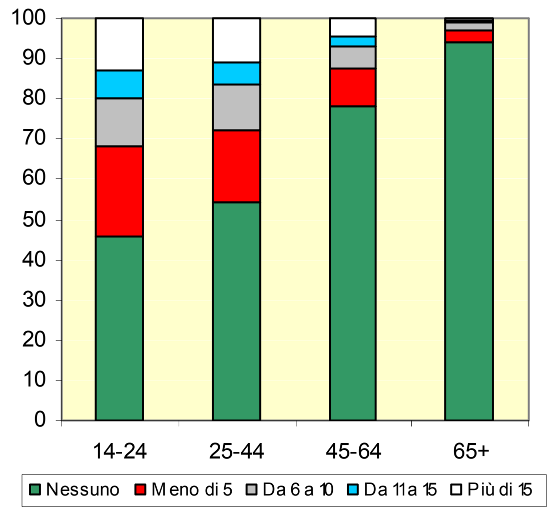



**Fig. 8 – *DVD* noleggiati nel corso degli ultimi 12 mesi (esclusi quelli musicali)** *(valori % suddivisi per classi d'età)*



**CHARTS TRANSLATION**

**Page 1**

Il mercato italiano dell'homevideo = The Italian Homevideo Market

Milioni di euro = Million Euros

Variazione % = % variation

Vendita = Sale

Altri supporti = Other supports

Noleggio = Rental

Totale Tradizionale = Standard Total

Edicola = Newsagent

Totale Spesa = Total Expense

Altri supporti: VHS e UMD, per il dettaglio si veda il capitolo 2 = Other supports: VHS and UMD, for details, please refer to charter 2

Noleggio + Vendita = Rental + Sale

Totale Tradizionale + Edicola = Standard Total + Newsagent

**FIG. 1**

Spesa degli Italiani in prodotti homevideo ed al box office = Italians' expense for home-video and box office products

Livelli in mln. di €; indice 2000=100 = Levels in Million €; index 2000=100

**FIG. 2**

Evoluzione della spesa degli italiani in prodotti homevideo per supporto *(variazioni % in valore)* = Development of the Italians' expense for the Home-video for each support (% development value)

**FIG. 3**

Il mercato del DVD (livelli in milioni di euro) = DVD Market (levels in million euros)

**FIG. 4**

Mercato del DVD per canale (livelli in milioni di euro) = DVD Market for each channel (levels in million euros)

Vendita = Sale

Noleggio = Rental

Edicola = Newsagent

**FIG. 5**

La visione di film per grado di istruzione (valori % per grado di istruzione) = Movie vision for education level (% values for decuation level)

Lic. Elementare = Elementary grade

Lic. Media = First secondary school (11-13 years old)

Diploma = Diploma

Laurea = Degree

Cinema = Cinema

TV tradizionale = Traditional TV

Lettore DVD = DVD player

**FIG. 6**

Utilizzo quotidiano o almeno settimanale del lettore DVD e del VCR (valori % per classi d'età) = Daily or at least weekly use of the DVD player or of the VCR (% values for age brackets)

Lettore DVD = DVD player

La somma delle % è diversa da 100 perché erano ammesse risposte multiple = The % total is not 100 because multiple answers were allowed

**FIG. 7**

DVD originali acquistati (esclusi quelli musicali) per uso personale o per regalo nel corso degli ultimi 12 mesi (valori % per classi d'età) = Original purchased DVD (except for the music DVD) for personal use or as presents durino the last 12 months (% values for age brackets)

Nessuno = None

Meno di 5 = Less than 5

Da 6 a 10 = From 6 to 10

Da 11 a 15 = From 11 to 15

Più di 15 = More than 15

**FIG. 8**

DVD noleggiati (esclusi quelli musicali) corso degli ultimi 12 mesi (valori % suddivisi per classi d'età) = Rented DVD (except for the music DVD) durino the las 12 months (% values divided for age brackets)