U.S. HOME ENTERTAINMENT INDUSTRY YEAR-END REVIEW

2013

nielsen

AN UNCOMMON SENSE
OF THE CONSUMER™

WELCOME

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Reflecting on 2013, it was another solid year for the Home Entertainment industry. The Digital Entertainment Group (DEG) reported that consumer spending across all home entertainment platforms increased by nearly 1% - the second straight year of growth in consumer spending on home entertainment. Electronic sell-through (aka Digital HD) continued to show promise with sales surpassing $1 billion for the first time in 2013. Nielsen consumer research showed a 20% increase in the average number of digital sell-through transactions among home entertainment buyers. Consumer transactions also increased for subscription streaming (+10%) and VOD (+6%).

Retail spending on disc remained strong, indicating physical and digital formats will continue to coexist in the marketplace. While overall disc unit sales as reported in VideoScan were down -6% compared to a year ago, sales of movies and TV shows on Blu-ray disc format continued to help off-set the decline in DVD. Sales of Blu-ray disc grew by 7% and accounted for 20% of total disc sales, up from 18% the previous year. There were 34 movies which grossed over $100M at the box office released on disc in 2013 accounting for nearly 21% of all theatrical sales on disc. Animation and franchise titles reigned in 2013 with Despicable Me 2 (Universal) ranking as the top selling title of the year after just 3 weeks of release. Seven of the top ten selling titles for the year were sequels or prequels, including The Hobbit, Star Trek, Twilight and Fast and the Furious. On the television side, seasons of Game of Thrones and Duck Dynasty accounted for five of the top ten TV titles for the year.

This report highlights some of the key retail sales results and consumer trends across physical and digital formats in 2013. The story for Home Entertainment continues to evolve as consumers have an increasing number of options for watching movie and TV show content at home. Physical remains very relevant, but increasing consumer interest in digital downloads and streaming will continue to shape this story in 2014.

1 NOTABLE RELEASES

MAJOR BOX OFFICE - A YEAR FOR THE MOVIE FRANCHISE

OVERVIEW

Some of the year's biggest titles were parts to a series, including the following.

DESPICABLE ME 2

- *Despicable Me 2* was a hit for home entertainment and sold **5,539,000** discs, while *Despicable Me* sold **2,066,000** discs in 2013.
- The week that *Despicable Me 2* hit the theaters (week ending July 7), sales increased by **110%** over the previous week for *Despicable Me*.

IRON MAN

- The *Iron Man* franchise sold **2,692,000** discs overall in 2013.
- Both *Iron Man* and *Iron Man 2* disc sales saw a **145%** lift in disc sales when Iron Man 3 was released in theaters on May 3rd (week of April 28 versus May 5).

OTHER HIGHLIGHTS

1. *The Hobbit: An Unexpected Journey* sold **4,879,000** discs in 2013.
2. *Twilight Saga: Breaking Dawn Part 2* sold **5,024,000** discs aggregated in 2013, despite its 2012 release date.
3. *The Hunger Games* was released in 2012 but did well in 2013 with over **1,406,000** discs sold.
4. *Fast & Furious 6* was released and was one of the top titles of 2013 with over **3,074,000** discs sold.

FROM BOOK TO REEL

OVERVIEW

Some of the most talked about discs released to home entertainment were titles that were inspired by books. Here's a look at some of the heavy hitters and their sales:

- *The Great Gatsby* sold **1,568,000** discs.
- *World War Z* sold **2,278,000** discs.
- *Safe Haven* sold **1,179,000** discs.

TALKED-ABOUT TV FINALES

The series finales for *Breaking Bad* and *Dexter* were some of the most talked about news in 2103, and the numbers show that fans were eager to own these series on disc. The *Breaking Bad* franchise sold **1,329,000** discs year to date, while disc sales for *Dexter* totaled **759,000** discs.

2 CONSUMER

THE HISPANIC CONSUMER

EST/IVOD

Among active home entertainment households in 2013, Hispanic households were **30%** more likely to have purchased a movie or TV download to own (electronic sell through) or interactive video on demand (iVOD) than the average U.S. household.

TOP DESTINATIONS

Free Streaming and Subscription VOD (sVOD) were the top two destinations for Hispanic households, making up **63%** and **29%** of total Hispanic transactions respectively.

PHYSICAL

Despite high use of free streaming and subscription VOD, Hispanic HHs didn't walk away from purchasing discs. In fact they were **12%** more likely than the average home entertainment household to buy a DVD or Blu-ray, and physical rental was still the widest used form of watching content at **64%** of active Hispanic home entertainment households.

THE AFRICAN-AMERICAN CONSUMER

BLU-RAY

This consumer is **6%** more likely than the average adult internet user to have purchased a Blu-ray disc player in the last year.

RENTALS

African-Americans are **15%** more likely than the average adult internet user to have rented a musical in the last 30 days, **13%** for horror, and **10%** for kids/family.

THE LGBT CONSUMER

STORE TRIPS

Although fewer male same-sex partnered households purchase DVDs and Blu-ray discs, they have a higher annual spend as a result of making more trips to the store and spending more dollars each trip.

ANNUAL SPEND

On average they made **14%** more disc-buying trips per year, and spent over **28%** more each visit on disc. This higher spend is namely due to the increased tendency to purchase Blu-ray, which are usually pricier than DVDs – **57%** of male same-sex partnered households purchased a Blu-ray copy of a movie, compared to only **28%** of non-same-sex households.

GENDER SPLIT

Despite being more casual buyers, a higher percentage of female same-sex partner households purchase DVD and Blu-ray. In fact, the majority of these households in the sample bought at least one disc in the past year, compared to only **39%** for male same-sex partnered households and **41%** for non-same-sex households. The one area where female same-sex households' spend over-indexed was Blu-ray, spending **42%** more on the format than non-same-sex households.

3 CONSUMPTION

SALES BY FORMAT (IN MILLIONS)

	YTD '13	%	YTD '12	%	YOY % CHG
DVD	446.0	80%	489.4	82%	-9%
BLU-RAY	114.6	20%	106.8	18%	+7%
DVD+BLU-RAY	560.6	100%	596.2	100%	-6%

SALES BY RELEASE SOURCE (IN MILLIONS)

	YTD '13	UNITS % TOTAL	BLU-RAY % TOTAL	YTD '12	UNITS %	BLU-RAY % TOTAL	YOY% CHANGE
THEATRICAL	389.6	69%	27%	415.5	70%	23%	-6%
TELEVISION	94.0	17%	6%	97.3	16%	6%	-3%
OTHER	77.0	14%	5%	83.3	14%	6%	-8%
TOTAL	560.6	100%	20%	596.2	100%	18%	-6%

U.S. SELL-THRU UNITS YEAR TO DATE BY GENRE (IN MILLIONS)

	YTD '13	UNITS % TOTAL	BLU-RAY % TOTAL	YTD '12	UNITS %	BLU-RAY % TOTAL	YOY% CHANGE
ACTION	125.5	22%	33%	126.2	21%	32%	-1%
FAMILY	92.3	16%	26%	97.3	16%	20%	-5%
COMEDY	91.3	16%	14%	103.6	17%	12%	-12%
DRAMA	87.4	16%	18%	90.0	15%	15%	-3%
CHILDREN	60.0	11%	3%	69.4	12%	4%	-13%
HORROR	24.6	4%	18%	27.9	5%	18%	-12%
SCIENCE FICTION	19.0	3%	40%	21.4	4%	34%	-11%
MYSTERY SUSPENSE	11.0	2%	20%	16.4	3%	22%	-33%
ALL OTHER	49.5	9%	10%	43.9	7%	9%	+13%
TOTAL	**560.6**	**100%**	**20%**	**596.2**	**100%**	**18%**	**-6%**

TOP TITLES OVERALL (IN THOUSANDS)

RANK	TITLE	GENRE	REL DATE	YTD'13 UNITS	BLU-RAY % TOTAL
1.	DESPICABLE ME 2	FAM	12/10/2013	5,538.6	50%
2.	TWILIGHT-BREAKING DAWN P2	DRAM	3/2/2013	5,023.5	23%
3.	HOBBIT-AN UNEXPECTED JOURNEY	ACT	3/19/2013	4,879.4	48%
4.	MONSTERS UNIVERSITY	FAM	10/29/2013	3,785.2	49%
5.	SKYFALL	ACT	2/12/2013	3,711.3	54%
6.	WRECK IT RALPH	FAM	3/5/2013	3,656.1	40%
7.	FAST AND FURIOUS 6	ACT	12/10/2013	3,074.9	51%
8.	MAN OF STEEL	ACT	11/12/2013	2,879.5	61%
9.	CROODS	FAM	10/1/2013	2,801.5	34%
10.	STAR TREK INTO DARKNESS	SCI-FI	9/10/2013	2,796.8	59%
TOTAL TOP 10 TITLES				38,146.8	46%

TOP TELEVISION TITLES (IN THOUSANDS)

RANK	TITLE	GENRE	REL DATE	YTD'13 UNITS	BLU-RAY % TOTAL
1.	GAME OF THRONES-SEASON 2	ACT	2/19/2013	991.7	51%
2.	BIBLE	DRAM	4/2/2013	926.1	23%
3.	DUCK DYNASTY-SEASON 1	A/O	7/10/2012	899.8	N/A
4.	DUCK DYNASTY-SEASON 2	A/O	3/5/2013	761.0	N/A
5.	DOWNTON ABBEY-SEASON 3	DRAM	1/29/2013	656.6	16%
6.	BIG BANG THEORY-SEASON 6	COM	9/10/2013	601.0	17%
7.	GAME OF THRONES-SEASON 1	ACT	3/6/2012	553.8	43%
8.	DUCK DYNASTY-SEASON 3	A/O	8/6/2013	533.0	N/A
9.	WALKING DEAD-SEASON 3	HOR	8/27/2013	521.0	31%
10.	TEEN BEACH MOVIE	COM	7/30/2013	427.9	N/A
TOTAL TOP 10 TITLES				6,871.9	19%

BLACK FRIDAY/CYBER MONDAY

Over **43 MILLION** disc units were sold the sales week containing Black Friday, an increase of **327%**. Cyber Monday saw **18.3 MILLION** disc unit sales the following week containing Cyber Monday.

TOP SHARE OF BLU-RAY TITLES (IN THOUSANDS)

RANK	TITLE	GENRE	RELEASE DATE	BOX OFFICE (SM)	BLU-RAY% OF TOTAL UNITS
1.	MAN OF STEEL	ACTION	11/12/2013	$291	61%
2.	STAR TREK INTO DARKNESS	SCI-FI	9/10/2013	$229	59%
3.	PACIFIC RIM	ACTION	10/15/2013	$102	57%
4.	IRON MAN 3	ACTION	9/24/2013	$409	57%
5.	WORLDS END	COMEDY	11/19/2013	$26	56%
6.	WOLVERINE	ACTION	12/3/2013	$133	55%
7.	SKYFALL	ACTION	2/12/2013	$304	54%
8.	ELYSIUM	SCI-FI	12/17/2013	$93	53%
9.	WORLD WAR Z	ACTION	9/17/2013	$202	53%
10.	OBLIVION	SCI-FI	8/6/2013	$89	53%
	TOTAL TOP 10				**56%**

2013 TOP 10 MOVIES - INTENT TO DOWNLOAD (EST.)

RANK	TITLE	GENRE	RELEASE DATE	BOX OFFICE (SM)
1.	IRON MAN 3	ACT	9/24/13	$409
2.	MONSTERS UNIVERSITY	FAM	10/29/13	$268
3.	OZ THE GREAT & POWERFUL	FAM	6/11/13	$234
4.	LINCOLN	DRAM	3/26/13	$182
5.	DESPICABLE ME 2	FAM	12/10/13	$368
6.	GROWN UPS 2	COM	11/5/13	$133
7.	WORLD WAR Z	ACT	9/17/13	$202
8.	TAKEN 2	ACT	1/15/13	$140
9.	THE HOBBIT: AN UNEXPECTED...	ACT	3/19/13	$303
10.	THE HANGOVER PART III	COM	10/8/13	$112

2013 TOP 10 MOVIES - INTENT TO WATCH ON PAID VIDEO ON DEMAND

RANK	TITLE	GENRE	RELEASE DATE	BOX OFFICE (SM)
1.	LINCOLN	DRAM	3/26/13	$182
2.	TAKEN 2	ACT	1/15/13	$140
3.	IRON MAN 3	ACT	9/24/13	$409
4.	ARGO	DRAM	2/19/13	$136
5.	THE HANGOVER PART III	COM	10/8/13	$112
6.	IDENTITY THIEF	COM	6/4/13	$134
7.	ZERO DARK THIRTY	DRAM	3/19/13	$95
8.	LIFE OF PI	DRAM	3/12/13	$124
9.	DESPICABLE ME 2	FAM	12/10/13	$368
10.	OZ THE GREAT& POWERFUL	FAM	6/11/13	$234

YEAR OVER YEAR TOTAL CONSUMPTION TRENDS*

(AVERAGE MOVIE TRANSACTIONS IN PAST 6 MONTHS)

	2013	2012	% CHANGE
PHYSICAL RENTAL	10.9	12.3	-11%
SUBSCRIPTION STREAMING	6.8	6.2	10%
PHYSICAL SELL-THROUGH	5.8	6.0	-3%
VOD	3.8	3.6	6%
EST	0.6	0.5	20%

% SALES DRIVEN BY $100M+ MOVIES

(BREAKDOWN OF SALES DRIVEN BY MOVIES THAT EXCEEDED $100 MILLION AT THE BOX OFFICE)

	2013 UNITS	2012 UNITS	% CHG
# OF LARGE BOX OFFICE MOVIES	34	26	30.8%
DVDS/BLU-RAYS SOLD:			
OF LARGE BOX OFFICE MOVIES	80,738,000	70,327,000	14.8%
OF ALL MOVIES RELEASED IN THEATERS	389,594,000	415,482,000	-6.2%
% OF DVDS/BLU-RAYS SOLD THAT WERE LARGE BOX OFFICE MOVIES	20.7%	16.9%	22.4%

*SEGMENT DEFINITIONS:

Physical Rental: Rented a DVD/BD movie from rental store, online/mail subscription service, or rental kiosk/vending machine in past 6 months
Subscription Streaming: Streamed movie through subscription service in past 6 months
Physical Sell-Through: Bought DVD/BD movie in past 6 months
VOD: Downloaded movie to rent (for a fee), streamed for a 1x fee, Ordered on VOD/PPV for 1x fee, or ordered through premium cable VOD in past 6 months
EST: Downloaded movie to own (for a fee) in past 6 months

ABOUT NIELSEN

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