

For Immediate Release
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New US Supply Chain initiatives will bolster profitability in tight economic climate

The US Home Video market is in the process of transformation, with its supply chain gearing up for tighter inventory management and more regular stock replenishment, according to a new Home Video Supply Chain report by Futuresource Consulting.

“US consumer demand for SD DVD and High Definition discs is projected to fall by a small amount this year,” says Michael Boreham, Senior Consultant at Futuresource. “We’re looking at a dip of just over 3%, resulting in retailers employing a more cautious approach to ordering stock, thus reducing surplus inventory and freeing up capital and shelf space.

“Although this is piling on the pressure across the supply chain and increasing the frequency of deliveries, longer term it is hoped that improved forecasting and smaller, more regular shipments will result in fewer returns, which will equate to considerable cost reductions elsewhere in the chain.”

In order to minimise lost sales, retailers are trying to balance maintaining existing tolerances on out-of-stock titles against higher inventory costs. Increasingly, the focus is on slow moving stock, with catalogue and new release titles both being targeted, and the shelf life of product is shortening dramatically, with a marked reduction in the length of time a new release title has to prove itself at retail.

“As the window between theatrical and sell-through release continues to shrink, the studios have less time to be creative with additional bonus content; their marketing and promotional support to the retailers can also be jeopardised, so the game is really picking up now and there’s very little margin for error.”

“In this brave new world of supply chain transformation, we’ve heard some instances of retailers returning product unopened. Consequently, returns, which were relatively stable earlier in the year, started to increase during the third quarter, with rates industry-wide coming in at between 25% and 30%. But this is a hurdle that the US home video industry will overcome, and once it’s accomplished we’ll see much-needed gains in profitability despite the tightening economic climate.”

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In addition, environmental issues are increasingly coming to the fore, particularly carbon footprint reduction through shared deliveries, reducing and recycling delivery packaging or using sustainable DVD packaging. However the retailers are not stipulating best practice in this area, instead they are looking to the studios to drive these eco-friendly initiatives.

“Overall, the US Home Video market will continue to be fuelled by tighter inventory management,” says Boreham, “and we’re going to see more interest from the studios in moving to a shared delivery model, but there is some reluctance from retailers, as this will require a major overhaul of their goods-in procedures and IT infrastructures.”

The new Futuresource report, *Supply Chain: Home Video Distribution*, assesses the current status of home video distribution in the USA, reviews all the key issues impacting the sector in 2008, assesses the home video activities of the major retailers and provides an overview of the supporting supply chain infrastructure.

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