

# Billboard® Home Video

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## Kagan Panel Sees A World Of Potential Says Sell-Thru Outlook Is Especially Bright

■ BY CHRIS MCGOWAN

LOS ANGELES—The long-term outlook in the foreign video market is bright, as VCR penetration and average consumer spending on video are still low, leaving room for growth in most countries, according to the speakers at the "Foreign Markets: The Next Gold Strike?" panel at the Feb. 13 Paul Kagan Associates seminar in Beverly Hills, Calif.

Currently, however, rental is on a downswing in the U.K., Scandinavia, Spain, and Germany. But at the same time, sell-through is expanding vigorously in many nations, and the overall home video business is booming in non-European countries such as Brazil (which enjoyed 83% growth in 1989).

Kagan estimates that consumers worldwide spent \$17.6 billion buying and renting cassettes in 1989, a gain of 17% over the previous year. The U.S. accounted for approximately \$9.3 billion of that, and other countries for about \$8.3 billion.

Supplier revenues in foreign markets enjoyed a huge jump from \$911 million in 1986 to \$2 billion in 1989 (in comparison with \$3.4 billion in the U.S.), with gains of 350% in Italy, 253% in Portugal, and 244% in the U.K. during that time.

"The international business is very healthy and there's enormous growth in sell-through in Europe. In the Orient, it's coming, but we don't have the infrastructure yet," said Michael Johnson, senior VP of international for Buena Vista Home Video.

Also looking at the larger picture, Vision International chairman Mark Damon added that "sell-through is the coming market" but that "most markets overseas must educate the public to buy feature films." He also said "there are enormous declines in rentals in many countries. It will be another 12-18 months before the [rental] situation flattens out and comes up again."

Many in the home video industry worry about competition in Europe from the many satellite and cable channels that are arriving in this decade. "But I think the international video market is huge and it's a mistake not to see the upside," said Jim Gianopulos, senior VP of business affairs and international for Paramount Home Video. "As each new medium enters the marketplace, it makes a lot of noise. But we should emphasize the uniqueness of each medium."

"We are still the only technology that is a library and that offers you product when you want it," said Buena Vista's Johnson later in the panel.

PKA estimates that VCR penetration is only about 40% total for Europe's largest markets. While the U.K. has 68.3% penetration and an average \$96.70 video revenue per VCR household (60% larger than the \$58 in the U.S.), spending is only \$34.70 in Italy (25.7% penetration), \$25.50 in France (47.3% penetration), and \$16.20 in West Germany (61.5% penetration).

Spain, meanwhile, has a spending average of \$58.20 per VCR household, almost identical to the U.S., yet a mere 44.9% penetration.

In the U.K., PKA estimates a 3.5% increase in distributor revenues from the rental market and 15% rise in sell-through for 1990 (with distributor revenues of \$1.38 billion). As 1991

rolls on, the situation is dire. Vision International's Damon was gloomy: "The U.K. is down 25%-40% according to my numbers. There's a whole malaise that's happening. With 'Wild Orchid' in the U.K. we expected to do 45,000-50,000 units and we will do 28,000."

"In general, the economic climate [in the U.K.] is as bad or worse than the rest of Europe. We would say rental revenue is down as much as 15%-20% in the U.K.," added Paramount's Gianopulos.

"A big problem [there] is if people think films are on the satellite before they're on video, and don't understand the sequential window. A perception problem," said Johnson.

(Continued on next page)

## SGE, South Gate Join Forces Suppliers Combine Sales Depts.

■ BY PAUL VERNA

NEW YORK—Shapiro Glickenhau Entertainment and South Gate Entertainment, two B-title suppliers, have combined their video sales and marketing efforts into a joint venture, according to Janice Whiffen, executive VP of South Gate and head of the new unit.

"Both companies are film production companies and foreign

*'It's a video sales organization whose time has come'*

sales companies, and up until this joint venture they have had their own video companies," says Whiffen. "In terms of economics and upgrading product, the joint venture now will have both companies' home video marketed and sold through one organization—which is the Video Sales Organization—that will enable both companies to lower overhead and both maximize and upgrade product," she adds.

Whiffen notes that "both Shapiro and South Gate had to let go two people apiece" because of rising costs. She adds that the sales and marketing unit will be staffed by existing employees, including Whiffen, VP of marketing Andi Elliott, four regional sales managers, and a national sales manager.

A press release from South Gate indicates that the new setup will enable the two firms to "maximize their selling potential and substantially increase their market share."

By reducing the number of titles each supplier would have to release every month, the joint venture aims to "greatly improve the overall quality of those titles it does release," according to the statement.

Whiffen says each label will retain its own name and stock number on future releases. She adds that the initial titles issued under the new venture will probably be Shapiro Glickenhau's "Spirit Of The Eagle," starring Dan Haggerty, and South Gate's "Project Eliminator," with David Carradine.

Whiffen calls the new venture "a video sales organization whose time has come. We also might see additional independent home video companies coming into the fold. We're not in serious discussions with anyone, but some people have expressed interest."

South Gate, established in January 1989 by Yoram Pelman, entered a joint venture with Japanese publisher JICC last summer whereby JICC agreed to invest \$12 million over two years to finance feature film production, acquisitions, and a foreign sales office (Billboard, July 21, 1990).

Shapiro Glickenhau's video unit was launched in mid-1989 with the release of "Red Scorpion."

## Touchstone's 'Little Lady' Getting Big Marketing Push

■ BY PAUL SWEETING

NEW YORK—Touchstone Home Video is reprising the marketing gambit it used successfully on "Dick Tracy" for the May 8 release of "Three Men And A Little Lady," the sequel to last year's "Three Men And A Baby." Consumers who purchase a previously viewed copy of "Three Men And A Little Lady" from their rental dealer will be eligible for a \$3 rebate from Touchstone.

Buena Vista Home Video, the distribution operation for Touchstone (as well as Disney and Hollywood Pictures Home Video), credits the "rent-and-sell" rebate program with helping boost the sell-in numbers on the rental-priced "Dick Tracy" and hopes to repeat that success with "Three Men."

Trade reports put shipments of "Dick Tracy" in the range of 500,000 units, although Buena Vista executives suggest the number might have been substantially higher.

In an added twist, retailers who purchase a prepack containing 12 copies of "Three Men And A Little Lady" and six copies of another May title, "Mr. Destiny," will receive four free copies of the original "Three Men And A Baby." They will also receive a specially created "Three Men" selloff kit, containing in-store merchandising aids to help promote the sale of previously viewed copies.

At the time of the "Three Men" announcement, Buena Vista's promised advertising behind the sale of previously viewed "Tracy" copies had not begun and studio executives say they cannot yet measure the program's success with consumers. Studio executives declined to speculate on how many \$3 rebates the company will ultimately have to redeem on "Tracy."

On the retail level, however, Buena Vista execs are convinced the program was a success. "Based on retailer response—the fact that they were able to bring 'Tracy' in deeper up front to satisfy the initial demand—we were very happy with the program," says Buena Vista spokeswoman Tania Steele. "So we thought it would be a good idea to do it again" with "Three Men."

The key to the program's success, according to Steele, was Buena Vista research that showed purchase intent to be very high among consumers for "Dick Tracy."

"Purchase intent was so high already for 'Tracy'—in the 6- to 7-million-unit range—that retailers knew there was enough intent to sell off their whole inventory if they wanted to," Steele says. "They could easily

have taken 600,000-700,000 copies for rental and been comfortable with their ability to sell off however many they wanted."

Purchase intent as measured by Buena Vista research was not as high for "Three Men," but was "at least half" the level measured for "Tracy," Steele reports. And even at that level, the studio feels, retailers can be comfortable increasing their orders of "Three Men."

The key for Buena Vista will be convincing retailers to increase orders sufficiently to cover the higher marketing budget the studio is putting behind the title, including the cost of covering the rebates.

One way the studio is trying to soften the impact of those higher costs is by combining the budget for "Three Men" with that for "Mr. Destiny"—a title the studio describes as a "sleeper rental"—through the bonus-pack offer including the four copies of "Three Men And A Baby."

Steele says, "By putting together (Continued on page 60)



**Learning From History.** Philip Kaufman's "Henry & June" made history last year when it became the first film rated NC-17 by the Motion Picture Assn. of America (Billboard, Oct. 6). Now, video specialists looking for ammunition to use against giant Blockbuster Video can take advantage of MCA/Universal Home Video's March 21 release of the title by promoting its historical significance. The 1,600-store Blockbuster chain recently announced it would not carry movies rated NC-17 (Billboard, Jan. 26), although it would consider carrying R-rated versions of those titles. MCA, however, is releasing only the original, uncut version of "Henry & June," which stars Fred Ward and Maria de Medeiros (pictured), making it off-limits to Blockbuster.