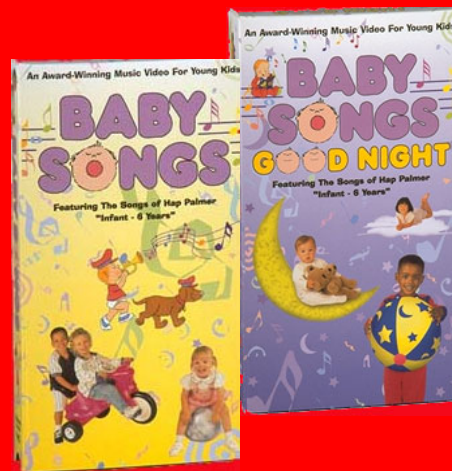




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Anchor Bay Entertainment Children's Marketing Proposal January 1999-September 1999



November 3,
1998



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1. Industry Trends
2. Anchor Bay Children's Analysis
3. Musicland Marketing Proposal



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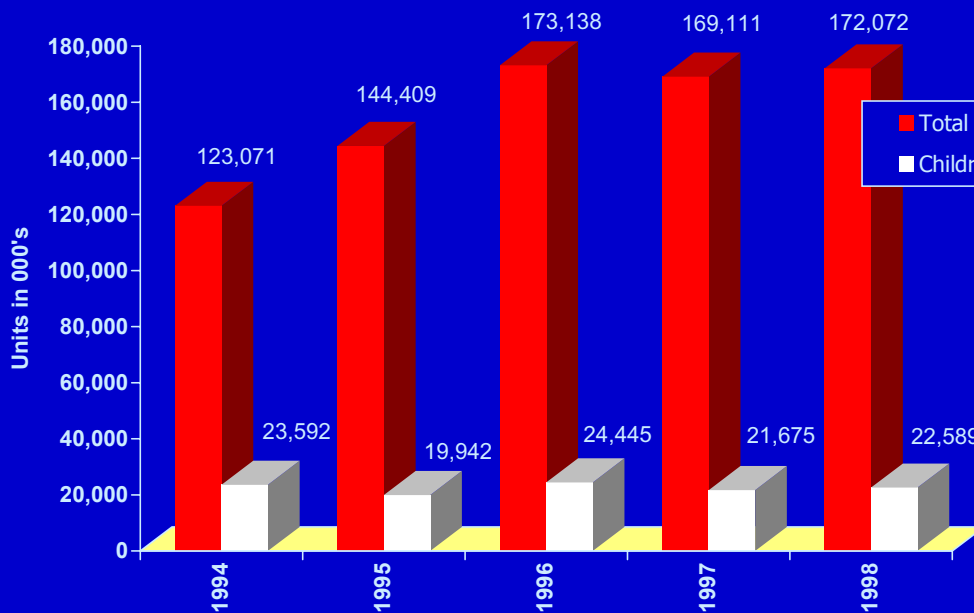
Industry Trends



Video Unit Retail Sales

Total Video Vs. Children's

Unit Sales thru 3rd Quarter 1994 - 1998



Unit Sales Thru 3rd Quarter		
	<u>Total Video</u>	<u>Children's</u>
1995	17% Incr.	15% Decr.
1996	20% Incr.	23% Incr.
1997	2% Decr.	11% Decr.
1998	2% Incr.	4% Incr.

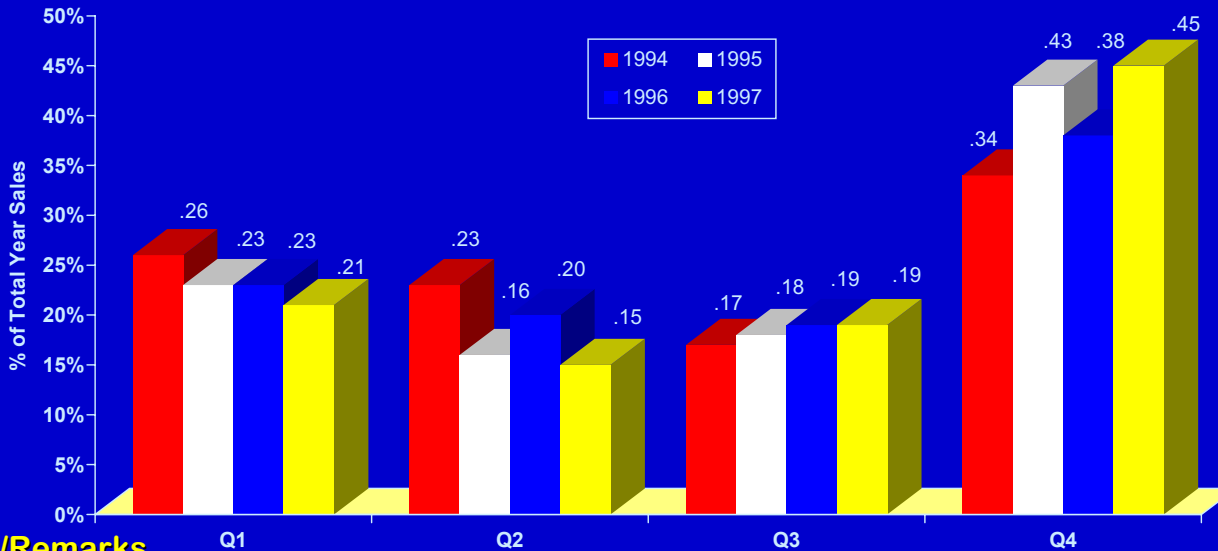
Trends/Remarks

- YTD Children's Video is growing at a faster rate than the overall Total Video industry - Children's up 4% year-to-date vs. Total Video up 2%.
- 4th quarter sales represent such a significant percent (35-45%) of the total year sales, that major swings in year-ago comparisons can occur by year end. For example. Total Year 1997 figures actually ended up down 5% for Total Video and up 1% for Total Children's.

Percentage of Retail Unit Sales By Quarter

Total Children's

1994 - 1997



Trends/Remarks

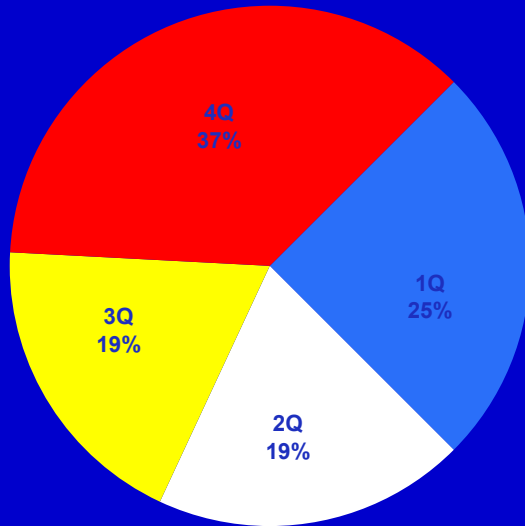
- Children's video sales are highly cyclical, with nearly half of all sales occurring during the holiday selling season in 4th quarter. 4th quarter sales have increased from 34% of annual Children's sales in 1994 to 45% in 1997.
- A 4 year look at quarterly sales as a percent of annual sales shows 1st and 2nd quarter sales trending downward and 3rd and 4th quarter sales trending upward, with the most significant growth year-on-year happening in the 4th quarter.
- This would suggest a higher likelihood of more positive sales results of new releases that are launched in the 3rd & 4th or 1st quarters versus the 2nd quarter.
- Weekly sales analysis (see next chart) shows that videos released in the April through July timeframe will have a higher likelihood of lower than average sales results.

Percentage of Retail Unit Sales By Quarter

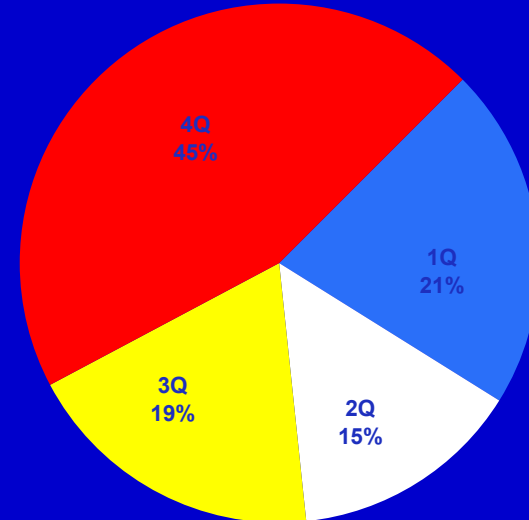
Total Video Vs. Children's

Total Year 1997

Total Video



Total Children's



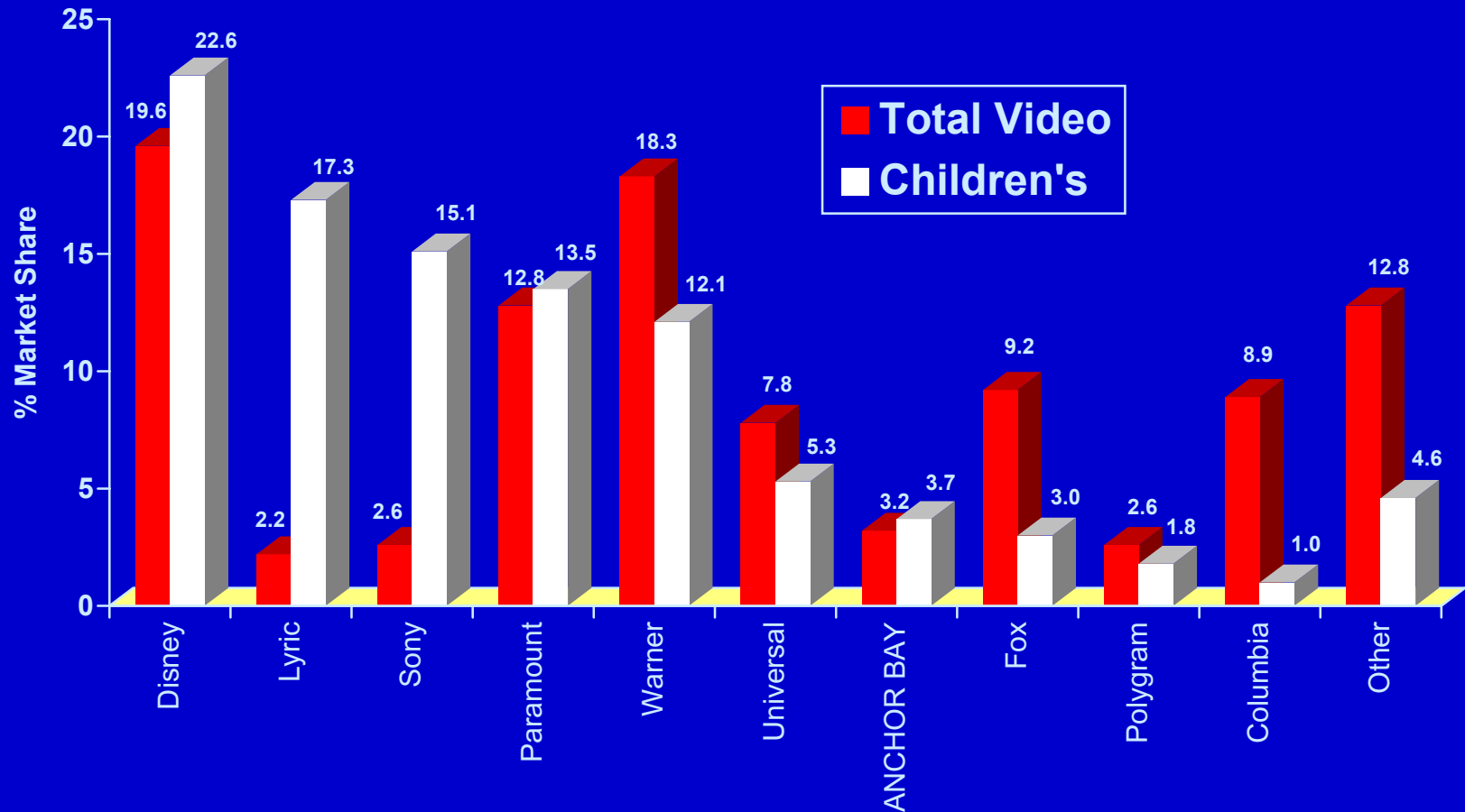
Trends/Remarks

- Children's video sales are even more cyclical than the overall industry, with nearly half of all sales occurring during the holiday selling season in 4th quarter of 1997.

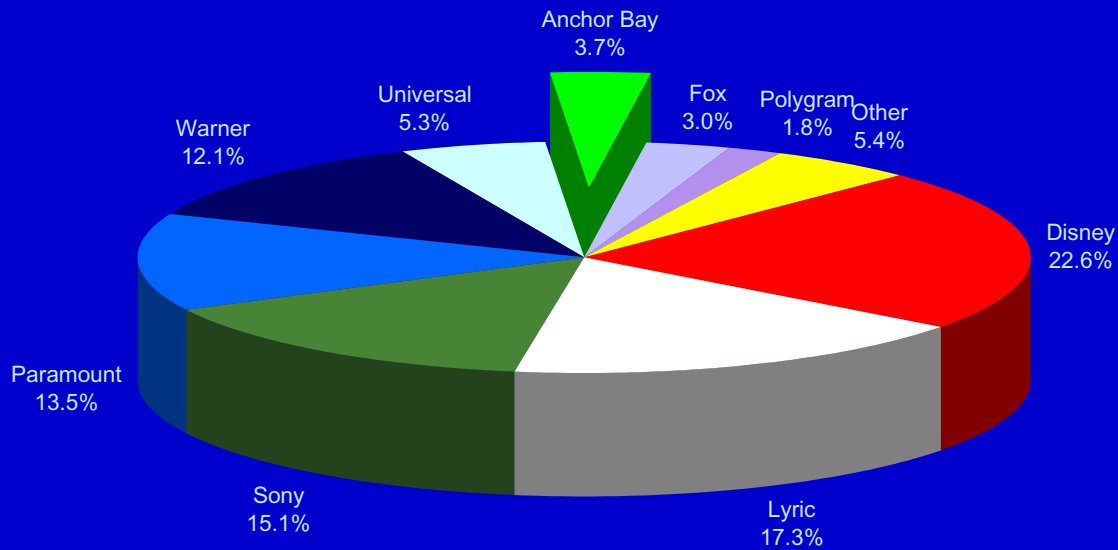
Video Supplier Market Share

Total Video Vs. Children's

YTD thru 9/27/98



Video Suppliers Market Share Total Children's Video YTD thru 9/27/98



Children's Video

Top Charting Retail Titles

YTD 10/25/98

Children's Total Video Top 15 Titles

<u>Rank</u>	<u>Units Sold</u>	<u>Title</u>	<u>YTD</u>
1	Pocahontas	842,106	
2	Land Before Time V	485,040	
3	Elmopalooza!	411,857	
4	Belle's Magical World	398,325	
5	Spirit of Mickey	389,807	
6	Blue's Clues: Storytime	343,321	
7	Melody Time	336,294	
8	Casper Meets Wendy	327,051	
9	Barney: Time for Counting	321,900	
10	Rugrats: Dr. Tommy Pickles	315,787	
11	Rugrats: A Rugrat Vacation	286,344	
12	Scooby Doo on Zombie Island	268,800	
13	Brave Little Toaster	259,022	
14	Barney: Adventure Bus	252,897	
15	Blue's Clues: Arts & Crafts	245,859	

Children's \$10-\$13 Video Top 10 Titles + Charting Thomas Titles

<u>Rank</u>	<u>Title</u>	<u>Units Sold</u>	<u>YTD</u>
1	Elmopalooza!	411,857	
2	Rugrats: Dr. Tommy Pickles	315,787	
3	Rugrats: A Rugrat Vacation	286,344	
4	Veggie Tales: Where's God	214,389	
5	Rugrats: Bedtime Bash	163,922	
6	Ses.St.: Do the Alphabet	163,185	
7	Veggie Tales: Are You/Neighbor	152,396	
8	Rugrats: Diapered Duo	151,676	
9	Mary Kate&Ashley Ballet Party	136,586	
10	Rugrats: Mommy Mania	125,787	
23	Thomas: Gets Along	80,063	
33	Thomas: Helps Out	63,561	
35	Thomas: Meets the Queen	61,087	
47	Thomas: Sing-Along	53,259	

Children's Video

Average Annual Sales/Title For Top 50 Charting Titles

Children's \$10-\$13
1995-1998*

<u>Year</u>	<u>Total Units Sold For Top 50</u>	<u>Avg. # Of Units Sold Charting Titles Per Title</u>
1995	8,490,055	169,801
1996	8,096,715	161,934
1997	6,364,493	127,290
1998*	6,117,700	122,354

* Estimated Annualized Figure

Trends/Remarks

- The average Children's video sells less annual units per title with each passing year. This downward trend is most likely due to the larger number of SKU's per licensed property, as well as the intense proliferation of Children's SKU's over the last several years.

Children's Video

Retail Unit Sales By Major Licensed Property

For Top 100 Children's Overall Charting Titles

YTD 9/27/98

<u>Licensed Property</u>	<u>Target Age</u>	<u># Of Titles On Chart</u>	<u>Avg. # Units/Title</u>
Barney	2-6	19	146,261
Land Before Time	2-6	5	162,750
Richard Scarry	2-6	4	69,685
Elmo	2-6	3	208,057
Blues Clues	2-6	3	201,051
Veggie Tales	2-6	2	169,312
Winnie The Pooh	2-6	3	122,750
Sesame Street	2-6	3	111,169
The Muppets	2-6	1	106,386
Teletubbies	2-6	2	94,731
Little Bear	2-6	2	84,520
Thomas	2-6	3	64,843
Rugrats	6-11	11	128,675
Mary Kate & Ashley	6-11	5	85,013
Arthur	6-11	3	93,612
Casper	6-11	2	73,511

Trends/Remarks

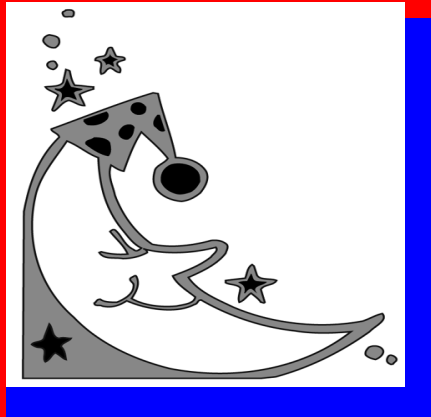
Thomas is fairly consistent with the majority of other properties in regards to the number of SKU's that hit the top 100 charts, however, average number of units sold per title is on the low side, comparatively. However, part of this may be due to lower distribution of Thomas versus other properties.



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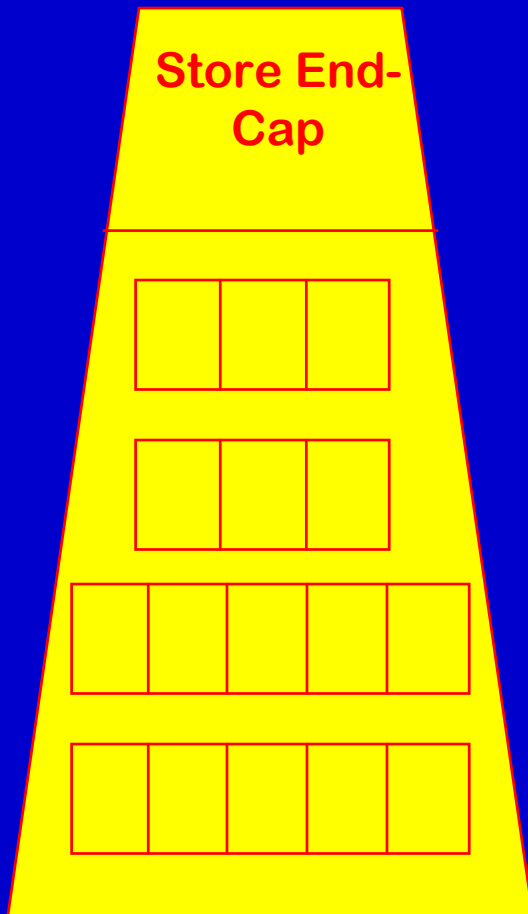


Proposal



Anchor Bay Children's Marketing Proposal

Suncoast and Media Play



Proposal Objective

- Purchase permanent End-cap display space for Anchor Bay Children's video mix year-round in all Suncoast and Media Play stores.
 - Display Dimensions
 - 16 Front Facings
 - 4 Deep
 - Total of 64 Units/Display
 - Store Placement
 - 425 Suncoast stores
 - 69 Media Play stores
 - Requested In-Store Location
 - Children's Area
 - Mall-facing exposure
 - Display Space Cost through September 1999
 - \$108,000 (\$12,000 per month -first 9 months)

Anchor Bay Children's Marketing Proposal

Sam Goody and On-Cue Stores

Proposal Objective

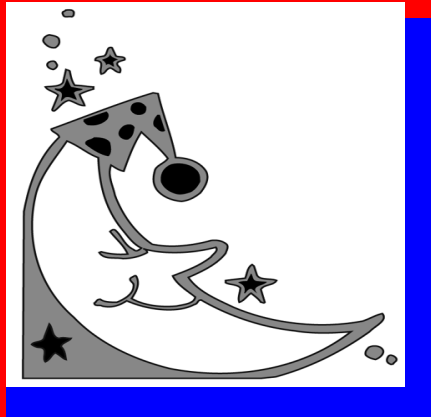
- Purchase of a separate Anchor Bay Children's section is not recommended for either Sam Goody or On-Cue stores based on feedback from the Musicland video purchasing and merchandising departments.
- Display space in Sam Goody is 4 times the cost of space in Suncoast stores and product does not move as well. The cost of 1 facing (4 units) on a mini-A frame in Sam Goody is \$20,000 for a 30 day period.
 - Lyrick is re-evaluating the economic feasibility of the Lyrick wall currently in the Sam Goody stores.
- Currently Anchor Bay does not have product in-line in either Sam Goody or On-Cue. Objective would be to attain placement in-line for both Thomas and Baby Songs.



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General Information





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Creative Merchandising Concepts





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End

