



Blockbuster to rent through new on-demand device

By MICHAEL LIEDTKE – Nov 24, 2008

SAN FRANCISCO (AP) — Blockbuster Inc. will start renting movies and television shows through a new gadget that may give consumers another reason to bypass the struggling video chain's 7,500 stores.

The new system announced Tuesday relies on a small box that connects to television sets and stores video after it's downloaded over high-speed Internet connections.

The player, made by San Jose-based 2Wire Inc., is built on the same concept as storage devices made by Apple Inc. and Vudu Inc. The devices are all meant to provide a bridge between the Internet and TVs.

Netflix Inc., a Blockbuster nemesis, has been trying to make the same leap with a video-streaming service that can be watched on TV sets through a variety of devices, including a \$100 box introduced by Roku Inc. six months ago.

Blockbuster's foray into so-called "on-demand" video also pits the Dallas-based company against instant-gratification services already offered by major cable carriers like Comcast Corp. and Time Warner Inc.

Although the company has closed hundreds of stores in recent years, Blockbuster's expansion into on-demand shouldn't be interpreted as a condemnation of its brick-and-mortar locations, Chairman James Keyes said in an interview.

"We think the stores will remain relevant to consumers for quite some time," he said.

Blockbuster had previously been selling video downloads through Movielink, a service that it bought for \$7.7 million last year. But Movielink option was primarily aimed at consumers who don't mind watching movies on personal computers or portable gadgets with small screens.

With its latest step, Blockbuster is appealing to the larger audience that prefers watching entertainment on big-screen TVs.

To help get its next downloading box into homes, Blockbuster is selling it as part of a \$99 package that includes 25 on-demand rentals. After that, Blockbuster will charge at least \$1.99 for each downloaded video.

The pay-per-view pricing differs from Netflix's "instant watching" service, which gives unlimited access to a library of 12,000 titles to any subscriber paying at least \$8.99 per month for a DVD rental plan.

Blockbuster's on-demand service is starting out with just 2,000 selections, but Keyes promises the movies will be of more recent vintage than Netflix's instant-watching service.

"We are emphasizing quality over quantity because we think quality is most important for our customers," he said.

Blockbuster's on-demand service is starting out with recently released DVD titles such as "Get Smart," "Forgetting Sarah Marshall" and "Sisterhood of the Traveling Pants 2" — none of which are available through Netflix's instant-watching channel.

Keyes also believes Blockbuster's service will provide a better-quality picture because all the video will be stored on the 2Wire box.

Netflix shows, or "streams," the video over high-speed Internet pipes without anything being saved on a piece of hardware. The clarity of a streamed video can vary depending on the speed of the Internet connection being used.

Los Gatos-based Netflix has been investing heavily in the instant-watching channel since unveiling it in early 2007. The option is getting used by more Netflix subscribers as it has become easier to connect the service to TV sets through the Roku player, DVD players

and xBox 360 video game consoles made by Microsoft Corp.

Once a dominant force in home entertainment, Blockbuster has been wounded by Netflix's DVD-by-mail service, which has 8.7 million subscribers, as well as the on-demand options included in cable subscription packages.

Although its losses have been narrowing this year under Keyes' leadership, Blockbuster still hasn't been making money. The company has lost nearly \$4.5 billion since 2001, including \$14 million through the first nine months of this year.

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