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■ In *Assets & Values*, Shannon Buggs introduces you to Muriel Siebert, an advocate for financial literacy and the first woman to buy a seat on the New York Stock Exchange.

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NEW RELEASE: A MovieCube offers entertainment to shoppers at a Kroger store in the Heights. **JOHNNY HANSON: CHRONICLE**

Now appearing, DVD dispensers

■ Local company's kiosks take battle for movie rentals to more locations

By **BRAD HEM**
HOUSTON CHRONICLE

Tucked along the front wall of some grocery stores, right there with the coin counters and carpet cleaners, is another machine — one designed to draw business from Blockbuster and Netflix but also to

keep DVDs viable as more consumers get movies over the Internet.

Depending on the brand of grocery store and the part of the country, shoppers are increasingly likely to see a \$1-a-night DVD rental kiosk, including those installed by a Houston-based company, The New Release, as they push their carts toward the exit.

Other stand-alone kiosks appear in some McDonald's restaurants and will start popping up at gas stations, convenience stores and just about any other

venue that gets regular foot traffic as Blockbuster enters the market and other companies expand their turf.

The kiosks offer a cheap, convenient alternative at a time when the way people get their movies is evolving, said Patti Reali, a video technology analyst at research firm Gartner.

The traditional store concept lost ground when Netflix changed the game a few years ago with its no-late-fees mail-order model, prompting Blockbuster to follow suit. Cable and

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MOVIES: DVD kiosk race is heating up

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satellite providers are amping up their video-on-demand offerings.

Until then, The New Release's kiosks branded as Moviecube are in a race with industry leader, Oakbrook Terrace, Ill.-based Redbox, a joint effort of McDonald's and Coinstar, to lock up valuable supermarket real estate. Meanwhile, Dallas-based Blockbuster plans to install 50 kiosks by November, spokesman Randy Hargrove said. He wouldn't say where they will go or whether any would be in Houston.

Industrywide, about 9,300 movie kiosks brought in \$197 million in revenue in 2007, according to Adams Media Research. The group projects there will be 24,000 machines doing \$760 million in business in 2010.

Stores' share declines

Although Blockbuster is re-vamping some of its stores to include more DVD sales, gaming stations and fountain beverages, analysts at the Convergence Consulting Group expect stores will represent just 44 percent of movie-rental revenue in 2010, down from 71 percent last year. The firm expects kiosks to grow from 4 percent to 11 percent, and online will climb from 1 to 7 percent.

Mail will grow to 37 percent from 25 percent.

Moviecube had slightly fewer than 2,000 kiosks a year ago and has 2,200 now, CEO Tim Belton said.

The privately held company recently signed a deal with Canadian grocery giant Loblaws and plans to add another 1,400

kiosks in the next several months, he said. Belton declined to provide revenue numbers but said sales tripled in 2007. He predicted growth would be slower this year and then could triple again in 2009 as the Canadian market matures and the company expands its U.S. footprint.

"Our focus really is to be convenient to the customer," Belton said. "We want to be where they're going already."

That's the same strategy that has put Redbox at the top of the market, said Gary Lancina, the company's marketing vice president. Redbox got a head start, launching into the kiosk business four years ago. Lancina said the company plans to increase its presence at Walgreens, Wal-Mart and other major retailers.

Impulse purchases

The kiosks allow customers to make impulse rentals without waiting a day or more for mail-order, yet typically charge less than video stores and on-demand services.

"It's the convenience of already being there, already having your wallet out and already knowing you're going back in a week," said James McQuivey, an analyst who follows video tech for Forrester Research.

That's the appeal for Tammy Leger, a Netflix customer who picked up three DVDs from a Redbox kiosk outside a Montrose-area Walgreens. Coming down with a cold, Leger was planning a weekend resting and needed movies — fast.

Both kiosk companies offer a decent selection of newer releases, Leger said.

She hasn't developed a brand loyalty, though.

"It just depends what's available," she said.

For now, the downside is selection.

Kiosks are generally limited to the hottest new releases and popular classics, as compared to the thousands of titles available online.

But even that's changing. In the next year or so, kiosks will allow shoppers to pick a movie from a large catalog and then wait while the machine burns it to a disc, McQuivey said.

Eventually, users may be able to plug in portable devices and download a movie directly.

Or maybe people will download movies directly from the Internet and cut out the kiosk — and the physical DVD — entirely, McQuivey said.

"The kiosk business needs to get there before the new technology kicks in," he said.

Belton isn't worried about digital downloads, and analysts don't expect them to become viable for a few years.

Belton cites the research projecting physical DVDs will make up the bulk of rentals through 2011. High-definition Blu-ray DVDs are just now gaining traction, and Belton said his kiosks will last at least as long as Blu-ray.

And while Blockbuster may be joining the kiosk fray, Belton said he sees the company's entry into the market as validation of the concept.

"We don't view the market as ready to adopt digital download until Blu-ray has played out its product life cycle," he said.

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