

# Blockbuster fighting back with new technologies

February 17 2010, By Victor Godinez

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Blockbuster Inc. isn't going down without a fight. Battling financial losses, layoffs and fierce competition from Netflix, Apple, Sony, Google, Microsoft and others, Blockbuster is betting its survival on a slew of new technologies designed to make it easy to watch movies wherever and however you want.

From DVD rental kiosks to streaming video over the Internet to your TV or cellphone to downloading movies to memory cards at a store, Blockbuster isn't just throwing concepts against the wall to see what sticks.

It's practically using a machine gun to fire off new ideas.

At the [Consumer Electronics Show](#) in Las Vegas last month, Blockbuster executives demonstrated a multitude of gadgets and programs for delivering video.

"If you think of a movie, we'll get it for you," Bruce Anderson, senior vice president and general manager of Blockbuster OnDemand, said at the show.

Some of the technologies aren't new.

Renting DVDs by mail has been around for some time, although Blockbuster is adding a wrinkle by allowing in-store customers who can't find the film they want on the shelf to have the movie mailed to their

home without signing up for a monthly plan.

Blockbuster also is expanding its online video streaming service, which Netflix also offers.

Unlike Netflix, though, Blockbuster allows people to buy or rent individual first-run movies over the Internet.

Blockbuster users can buy or rent a movie on one device and watch it on another, such as an Internet-connected Samsung high-definition television or Blu-ray player.

For example, you could buy a movie through Blockbuster's [iPhone](#) app while you're riding the bus to work, and when you get home, the movie would be waiting for you to watch through your TV.

Apple is unlikely to allow an application that would actually let viewers watch Blockbuster videos on their iPhones, since such an app would compete with Apple's iTunes service.

But Blockbuster is working with Motorola to create just such a video viewing app for an upcoming Motorola phone.

On a more tentative basis, Blockbuster is experimenting with machines in two Blockbuster stores in the Dallas area where users can download movies to a memory card.

You then take the card home and plug it into a set-top box connected to your TV.

The company says that service is still in the early stages of testing and can't say yet whether there's enough demand to expand the program.

But while Blockbuster's technological hustle may not be too little, it could well be too late.

The company reports 2009 financial results later this month and has said it expects a net loss for the year of as much as \$193 million.

Several top executives were recently laid off.

Netflix, on the other hand, added more than a million customers in the fourth quarter and reported a profit of \$116 million for 2009.

Kurt Scherf, principal analyst with Dallas-based market research firm Parks Associates, said Netflix and others simply adapted to changing trends faster than Blockbuster.

"Blockbuster had that opportunity a few years ago to set the standard," Scherf said. "I'm just amazed that they got passed so quickly by all these other players."

Netflix became synonymous with DVDs by mail, while Apple dominates the mobile market with the iPhone.

Microsoft, Sony and Netflix have cornered the market for Internet-connected game consoles and set-top boxes that stream and download movies for your TV. Redbox's video rental kiosks are spreading fast, too.

"They really need to act now before Redbox really steps it up in that space, or they'll get left behind again," Scherf said.

He's not the only one who thinks all of Blockbuster's new technology might simply be too slow on the scene to matter.

Kim Noland, director of high yield research at Gimme Credit, an

independent research service on corporate bonds, wrote in a recent report that the company's new technology is lagging its competitors.

"Blockbuster's business should be a fairly recession-resistant business in a down economy," she wrote. "But it has been severely hurt by competition and new technology. A substantial number of Blockbuster's in-store customers likely have switched to the competition.

"Netflix made huge inroads in Blockbuster's in-store rental business some time ago," she added.

"Competition in digital is fierce and studios take a big share of revenue on digital distribution. And while Blockbuster is opening substantial new kiosks in response to Redbox's first-mover advantage, the company is still quarters away from earning royalties from these. Further, Blockbuster's new initiatives likely are cannibalizing its in-store revenue."

Scherf said if Blockbuster is going to find salvation in technology, it can't afford to merely duplicate something competitors are already doing.

Despite the way Apple has locked down the iPhone, mobile video might be one area where Blockbuster can still make hay, he said.

[Netflix](#), for example, doesn't yet offer streaming video to a handheld device.

"Somewhere in there, if the company is going to rebound, they have to have a vision about what's the next big thing," Scherf said.

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