

Amazon offers free online movies to Prime members

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The Amazon homepage appears on a screen in Washington, DC. US online retail giant Amazon on Tuesday launched a movie streaming service that competes directly with Internet film star Netflix.

Online shoppers subscribing to Amazon.com's premium membership are getting a new entertainment feature that will allow them to watch movies over the Internet, just as they can through Netflix's rapidly growing video subscription service.

Amazon.com Inc.'s Prime membership charges \$79 annually for free two-day shipping and low-cost next-day shipping. Beginning Tuesday, the millions of people subscribing to the Prime service can also watch roughly 5,700 movies and television shows through Amazon's on-demand video service at no additional charge.

The selection will include a mix of movies and TV shows, such as "The Girl with the Dragon Tattoo" trilogy, the documentary "March of the Penguins" and the 1970s British comedy series "Fawlty Towers." All of those titles are also available through Netflix Inc.'s much larger online video library, which offers more than 20,000 movies and TV shows.

Amazon's expansion into video streaming still poses a threat to Netflix, which now has 20 million subscribers.

The competition from a deep-pocketed rival such as Amazon could make it more difficult for Netflix to attract and retain subscribers looking to save money. Netflix offers a streaming-only service that costs \$8 per month, or \$96 annually, but most of its subscribers pay more so they can also receive some DVD-by-mail rentals. Netflix's most popular combination plans cost \$10 to \$20 per month.

With another bidder in the video-streaming market, movie studios may be able to demand more money for the licensing rights. That could raise Netflix's expenses and lower its profit margins.

"When you have a big and growing market, there will be competition," said Netflix spokesman Steve Swasey.

The specter cast by Amazon rattled investors as Netflix shares dropped \$13.83, or 5.9 percent, to \$221.69 in afternoon trading Tuesday. Amazon shares shed \$5.57, or 2.9 percent to \$180.93.

Amazon's streaming feature also could hurt cable and satellite TV providers by creating a cheaper entertainment channel. All but about 1,700 of the titles in Amazon's streaming library are TV shows, Cameron Janes, director of Amazon Instant Video, said in an interview with The Associated Press.

People can stream these movies and shows on PCs and Macs, or through about 200 different Internet-connected TVs, set-top boxes and Blu-ray players.

Netflix's service also can be streaming through many of the same devices as well as the top-selling video game consoles, mobile phones and Apple Inc.'s popular iPad tablet computer.

Most of the movies and TV shows that Prime members can stream for free are at least several years old. Amazon has a broader catalog of about 90,000 movies and television shows that people can either rent or buy, often on the same day they become available for sale on DVD. That means Amazon customers who want to watch more recent movies and TV shows will have to pay extra to rent or buy those titles.

Netflix's streaming library also leans heavily on older material, although the company has been spending more to obtain the right to show some more movies closer to their DVD release dates. Netflix's DVD library offers more than 100,000 titles, including recently released movies

Amazon plans to add to the collection of movies and shows Prime members can watch for free, Janes said. He declined to be more specific.

"We're just getting started," he said. This is day one for us."

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