

Wal-Mart to bridge online gap with disc-to-digital

March 13 2012, By RYAN NAKASHIMA , AP Business Writer

(AP) -- Wal-Mart pledged to help introduce Hollywood's emerging online movie locker system to its customers, many of whom have never owned anything digital in their lives.

People who own DVDs or Blu-ray discs from five participating movie studios will be able to permanently access them on Wal-Mart's Vudu online streaming service by paying \$2 per movie. The offer applies regardless of where customers bought the discs, but they must bring them to a store in person. The right to access a high-definition version of a DVD will cost \$5; Blu-ray conversions will already be in high definition.

The move announced Tuesday is meant to give consumers confidence that the discs they buy today won't be obsolete in a few years. It's also designed to familiarize people who have relied on disc sales with buying and collecting movies digitally.

"Lots of people are facing this dilemma of `Do I buy a physical DVD, or what about this digital movie?'" said John Aden, executive vice president for general merchandising at Wal-Mart Stores Inc. "We think this is a huge opportunity for us to break down that wall between those two."

In October, Warner Bros. was the first studio to launch a new system for online movie storage and playback called UltraViolet. The system is meant to allow consumers to watch movies they have bought on DVD or Blu-ray on multiple devices including tablet computers and smartphones,

which have no slots for discs. Wal-Mart's Vudu now joins the UltraViolet platform.

UltraViolet has gotten a rocky review because it requires signing up to at least two different websites and hasn't worked well on all devices.

Studios are hoping that having a Wal-Mart employee guide consumers through the sign-up process will make it easier to understand and use. So far, only about 1 million people have signed up for UltraViolet.

"The early adopter, or digerati if you will, are probably pretty good at being able to convert" movies to digital formats, Ron Sanders, president of Warner Home Video, said in an interview. "I think there are a lot of people who aren't so technologically savvy who probably need help. That's the need Wal-Mart addresses."

Wal-Mart said it will offer the "disc-to-digital" conversion service starting April 16 at the 3,500 outlets nationwide that have a photo center.

Employees are being trained to help customers sign up for an account with both Vudu and UltraViolet, both of which are needed to make the system work fully. People will have their discs stamped to prevent multiple people from using the same disc for online access.

Wal-Mart will become the first independent retailer to actively participate in the UltraViolet system, which had relied until now on studio-owned websites and online service Flixster, which is owned by Warner Bros. That will make it more accessible to millions of people and could entice other retailers to participate.

Consumers have often gone to Wal-Mart looking for deals on DVDs and end up buying other things such as groceries or clothing. The retailer hopes the conversion service creates the same foot traffic while keeping

up with the new ways people want to watch movies.

Meanwhile, Hollywood wants to boost flagging sales of DVDs and ease people into buying digital versions, which remain a small fraction of movie purchases. Studios want to encourage people to buy discs rather than rent them from Redbox, Netflix or other companies because purchases are more profitable.

Five major studios are participating in UltraViolet: Viacom Inc.'s Paramount, Comcast Corp.'s Universal, Sony Corp., Time Warner Inc.'s Warner Bros. and News Corp.'s 20th Century Fox.

The Walt Disney Co., which is developing its own online storage system called KeyChest, is not involved in UltraViolet or in the Wal-Mart offer.

For now, movies saved to UltraViolet aren't compatible with iCloud, the online storage service run by Apple Inc. Nor is it compatible with movie purchases made at Amazon.com Inc., which allows all purchased movies to be played back online.

Studios hope that if Wal-Mart entices more consumers to sign up, eventually Disney, Apple and Amazon will be persuaded to participate as well.

And in a first for UltraViolet, people will now be able to watch their digitally stored movies on their regular TV, as long as it is connected to the Internet or hooked up to either a PlayStation 3 or Xbox, and has access to the Vudu application. That's about 50 million homes today.

David Bishop, president of Sony Pictures Home Entertainment, said the ability to watch digitally saved movies on the big screen is important to helping the service take off.

"It's not just about portable devices. You can watch your collection now on the TV," he said in an interview. "I think it's a game changer."

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