

Redbox raising DVD rental rates by 25 percent

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Redbox is raising its DVD rental prices by 25 percent in an effort to wring more revenue from the shrinking audience that still watches movies on discs rather than online.

The increase announced Monday means the price to check out a DVD from one of Redbox's nearly 44,000 in-store kiosks will climb from \$1.20 per day to \$1.50 effective Dec. 2. Redbox's Blu-Ray rental rates are jumping 33 percent, from \$1.50 per day to \$2.

Video game lovers will be even harder hit beginning Jan. 6. That's when Redbox will begin charging \$3 per day to rent video games, a 50 percent increase from the current \$2.

Investors are betting most Redbox customers will shrug off the higher prices. The stock of Redbox's owner, Outerwall Inc., surged \$7.83, 12 percent, to close Monday at \$71.39—the biggest one-day gain since February 2012.

Redbox is trying to cope with technology has spawned convenient alternatives that give consumers quick and easy access to thousands of movies and TV shows. Those options include Netflix's \$9-per-month Internet video service, with 37 million U.S. subscribers, and various video-on-demand packages offered by cable- and satellite-TV providers.

Still, DVDs appeal to many people who want to rent movies shortly after the end of their theatrical runs. Recently released movies are rarely

licensed to Netflix and they typically cost \$5 to \$10 to watch through other video-on-demand options.

"Redbox remains the best value in new-release home entertainment," Outerwall CEO Scott Di Valerio said.

Redbox last raised its DVD prices three years ago. By raising Redbox's prices again, Outerwall said it hopes to offset declines in the number of discs rented from its kiosks, which are in supermarkets, pharmacies and other retail outlets. The Bellevue, Washington, company plans to provide a more detailed overview of the price increases in early February when it releases its fourth-quarter results.

The shift away from DVDs already has dented Outerwall. The company's earnings plunged 59 percent to \$63 million during the first nine months of this year as sales at Redbox kiosks open for the past year dropped 6 percent.

Netflix Inc.'s business originally revolved around a DVD service, but that has been fading away with the rise of Internet video. Netflix ended September with 6 million DVD-by-mail subscribers, down from nearly 14 million three years ago.

Outerwall has tried to compete online as well, but it hasn't worked. It abandoned an unsuccessful attempt to expand into Internet video last month when a joint venture with Verizon Communications collapsed. Outerwall poured \$77 million into the project before pulling out.

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