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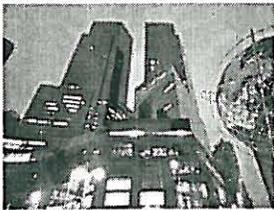
## Time Warner: Watch DVDs With VOD On Release Day

Posted By: Julia Boorstin

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Mark Lennihan / AP

The Time Warner building

Today in **Time Warner's** (TWX 31.01 ▼ - 0.12 (-0.39%)) post-earnings conference call CEO Jeff Bewkes announced some interesting news about the company's new strategy about distributing home video.

Warner Bros. will offer its DVD film titles on video-on-demand the same day they release the DVDs--what they call a "day and date" release in Hollywood.

Bewkes said on the call this morning that being the first studio to do this will help the studio "capture a disproportionate video on demand market share."

Time Warner tested "day and date" video-on-demand releases with **Comcast** [CMCSA 14.59 ▲ 0.39 (+2.75%)] and **Time Warner Cable** [TWC 41.99 ▲ 1.02 (+2.49%)] , and it worked. Of course margins are higher on Video-on-Demand (60 to 70 percent) because there are no physical DVDs to produce or ship to stores (where margins are 20 to 30 percent for physical rentals).

The big conflict up until now was angering retailers who want people coming into their stores, not pressing a button on their computer. **Wal-Mart** [WMT 51.25 ▼ -0.03 (-0.06%)] is the movie studios largest customer, and for years they've been very wary about doing anything that would hurt Wal-Mart's sales. But apparently in the trials, offering Video-on-Demand actually helped DVD sales a bit during that trial period.

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Now don't think this means you can order next week's new DVD release from the

couch. The details are still being worked out, which means it could take a while. And of course when one company makes a move like this, you just know all the other movie studios will follow. The question is, can Wal-Mart and the other big box retailers really be reassured that they won't lose business? Does this indicate that Wal-Mart doesn't have the kind of leverage it used to?



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What I'm waiting for is day-and-date theatrical movie and video on demand releases. Some day, you'll be able to buy a movie from the comfort of your couch the very same day it's available in movie theaters. Early experiments haven't worked, but I think the model hasn't been perfected yet.

There are certain movies I'd happily pay three times as much to watch opening night from home and I think some people would pay more to watch from home sooner rather than later. But we'll see.

**MEDIA MONEY POLL**

**Would you rather rent a DVD or use VOD if a movie was available the same day?**

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- Rent DVD
- Watch with VOD
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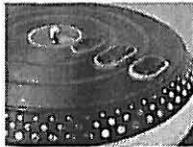
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## AllBusiness

# Open windows not 'scary'

On Tuesday, Vivendi is expected to vote on whether to sell its stake in NBC Universal, a move that could lead the way for cable giant Comcast to buy a majority stake in the studio.

Tucked into the speculation about Comcast buying NBC is talk that once a deal is made, the cabler will smash release windows, giving video-on-demand precedence over DVD and Blu-ray Disc.

One analyst reportedly called the thought "scary." Not only would a Comcastic NBC Uni push out releases on VOD the same day as DVD, they say, it would also likely put films out through Comcast before DVD, a move that would undoubtedly give even Redbox competition.

But scary? Not so much, I'd argue, given that the major studios are already doing both.

Yes, it seems a given that Comcast ownership would push for standard day-and-date VOD and DVD releases from Universal Studios Home Entertainment. But it's a strategy the studio has been employing for a steady stream of smaller but noteworthy films since earlier this year. Just this month, the studio put out *State of Play* and *Away We Go* day-and-date.

Warner Home Video, whose parent company Time Warner is rumored as another possible Uni suitor, has been doing day-and-date releases for the last two years without any catastrophic changes to the DVD business. Notably, the studio began that strategy when it was still joined with Time Warner Cable, and many speculated at the time that its cable sister was pushing the move.

Sony Pictures Home Entertainment and 20th Century Fox Home Entertainment also are putting out select films day-and-date, and most in the industry acknowledge that the window between DVD and VOD will eventually collapse altogether, as DVD sales slip and digital sales and rentals grow.

And pre-DVD releases? Warner last month put out *Observe and Report* and *Ghosts of Girlfriends Past* through Comcast in Atlanta days before their DVD release.

Last year, Sony streamed Will Smith blockbuster *Hancock* through Sony Bravia Internet-connected TVs before its DVD and Blu-ray release and has reportedly approached other studios about creating a movie service that would deliver films to TVs in a pre-home entertainment window.

Both Warner and Sony charged premiums for those pre-DVD releases, another reason studios are likely to continue to test the potential VOD business.

VOD has long been a potential, if not fully realized, threat to the retailing of packaged video. Like it or not, DVD retailers are going to be competing more directly with VOD, whether Comcast buys NBC Uni or not.

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