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## Fox Tries To Strangle Redbox (NWS, CSTR)

Rory Maher | Aug. 6, 2009, 10:50 AM | 10

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Redbox, which offers \$1 per day DVD rentals at kiosks, is starting to choke DVD sales. So some studios are trying to cut off Redbox's oxygen supply.

According to the WSJ, Fox has asked its distributors to withhold sending DVDs to Redbox for at least 30 days after they are released. The company did say it would consider making its DVDs available on their official release dates if Redbox agreed to share more of the revenue with them, but Redbox declined.

"I would say on Redbox, I think it's a real issue for us," News Corp. COO Chase Carey said on the company's earnings call yesterday. "I think that our product rented at a dollar in the rental end is grossly under value and I think it's a real issue. And we're actively determining how to deal with it."

Pali Research analyst Rich Greenfield estimates (registration required) that Redbox revenue will grow 90% in 2009, and increase its market share of the rental business to 14% this year from under 1% in 2006.

DVD sales are a big profit center for the movie studios, which often make most of their money after movies are released in theaters from revenue streams like DVDs, PPV, and merchandise. So, it's understandable why the studios are concerned with Redbox's success.

As studios face competitive threats from many types of in-home entertainment, from video games to online video, to pirated movies, we would expect the studios to become increasingly aggressive with services like Redbox.

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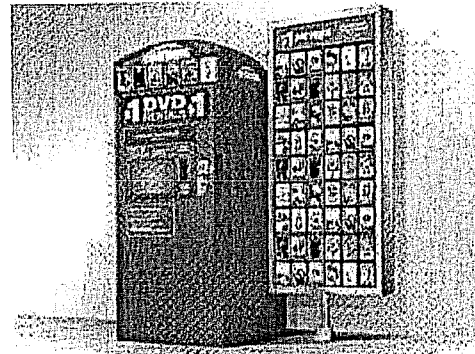
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