DVD sales boom killing video biz

By MICHAEL GILTZ

"XXX" — the snowboarding secret-agent action flick featuring Vin Diesel — sold 5 million DVDs in its first week in video stores, the latest and strongest sign yet that the video rental business is on its last leg.

Such strong DVD sales are key to why Blockbuster, the nation's largest home video chain, has watched its stock plummet some 50 percent in the last six months.

The company placed its bet on rentals, which are a diminishing share of the market. Rentals at the local video store will only decrease with the growth of video on demand, pay per view and outright DVD sales.

With DVD players available for as little as $70, 2003 could be a defining year to decide whether the exploding interest in buying DVDs will slow down — or get even bigger.

"This next year, it will be interesting to see what happens," says Jennifer Netherby, of Video Business magazine. "DVDs are so cheap. You can get some for $10 or $15. No one expects the trend to reverse. It might slow down, but it won't go back to the way it was."

"XXX" grossed $107 million its opening week in home video stores, most of which came from DVD sales — similar to what Diesel's "The Fast and the Furious" sold last year, Netherby said.

Industry executives have been watching this trend develop. Movies scored a record $9.2 billion at the box office in 2002 — but raked in more than $20.3 billion through DVD and video.

And the biggest piece of that pie was the $12 billion spent on buying movies, not renting them.

According to the Video Software Dealers Association, 144 million fewer copies of movies were rented in 2002. That's only a 3 percent drop — but most observers expect the downward trend to continue.

"This really wasn't a surprise," said John Thrasher, the vice president for video sales at Tower Records.

He cites the time factor as one more reason rentals are fading.

"Going back and forth to the video store?" Thrasher asks. "With the price of gas and the time wasted, who needs it?"

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VIN DIESEL
Hot seller.