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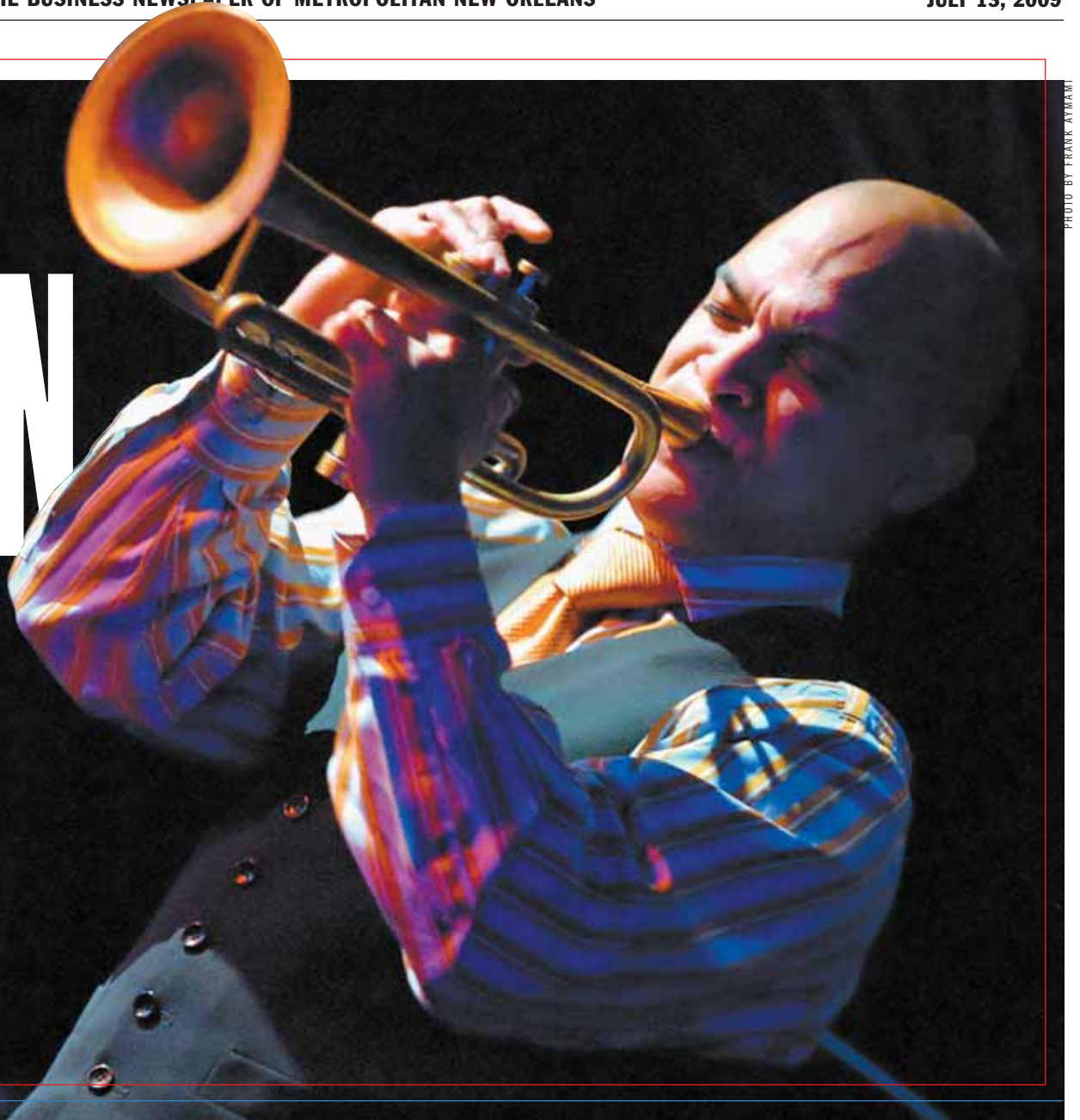


PHOTO BY FRANK AYAWMI

Video rental stores sweat growing online competition

Blockbuster closes two area
locations but says the move
isn't a reaction to Netflix

By **Richard A. Webster**
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THE SUN MAY HAVE set on the glory days of the video store.

At the end of July, Blockbuster will close locations in the Riverside Market on Tchoupitoulas Street and the Pavillion in Kenner across from the Esplanade Mall.

Blockbuster spokesman Randy Hargrove said the closures should not be seen as part of a larger trend or a move to downsize in favor of online ordering. The lease at the Tchoupitoulas store

expired and instead of renewing, the company decided locations on Magazine Street and Claiborne Avenue could adequately serve the area, he said.

"We've expanded beyond traditional stores to offer movie downloads and deliveries by mail. But stores remain an important focus for us," Hargrove said.

Barrett Cooper isn't buying it. Cooper, a commercial real estate specialist for Stirling Properties, handles the Riverside Market and Pavilion properties. The Blockbuster stores at those locations have operated on month-to-month leases for some time while unsuccessfully negotiating for reduced rents — a sure sign business is down, he said.

"Years back they were the premier tenant

you wanted in a shopping center," Cooper said. "You'd have your grocery store, drug store and Blockbuster. They paid high rents in lots of stores in lots of communities. But then Netflix came around."

Netflix, an online DVD rental service, leases a single warehouse in Baton Rouge that serves all of southeast Louisiana, while Blockbuster is paying for prime real estate in dozens of locations to handle the same territory, Cooper said.

The real problem is that Blockbuster has an archaic concept compared with Netflix, he said. "The thing that's killing Blockbuster is

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Top selling
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PHOTO BY FRANK AYVAULT

Gavin Murray replenishes DVDs at the Major Video store on Veterans Boulevard in Metairie.

Redbox enters the scene

VIDEO

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that their biggest competitor's overhead is so much less. They have to pay for the brick and mortar so their competitive advantage isn't there," he said. "I can't remember the last time I've been to Blockbuster, but I use Netflix all the time and I love it."

The space Blockbuster leased at the Riverside Market is one of the most expensive commercial properties in the city, said Cooper, who wouldn't reveal the rental rate. It has ample parking — a rarity for Uptown — and shares a shopping center with tenants such as Walgreen's, Winn-Dixie and Stein Mart that attract a large pool of customers.

"Ours was the highest rent they were paying, which is probably why they felt they needed to consolidate," Cooper said. "But this is not a local thing. It's a Blockbuster national thing."

Blockbuster's net income for the first quarter of 2009 fell to \$27.7 million from \$45.4 million in 2008. First quarter domestic same-store sales decreased 10.9 percent compared with an increase of 2.9 percent during the same period last year.

Over the past three years, shares of Blockbuster have dropped more than 80 percent while the Netflix stock price rose 15 percent from November to December.

More competition

And it's not just Netflix that's taking a chunk out of the DVD rental market. Redbox offers DVD rentals through vending machines for \$1 a day. The Oakbrook Terrace, Ill., company started with 12 kiosks in 2002 and now operates 15,400.

Netflix CEO Reed Hastings told The Associated Press in June that DVD vending machines, not Blockbuster, are his biggest competitor.

There are 10 Redbox kiosks in New Orleans. Each machine carries more than 700 DVDs and 200 titles.

One of the reasons Blockbuster has faltered is the poor quality of the in-store experience, said Manish Kacker, a former Tulane University marketing professor now with

McMaster University in Ontario.

Despite customers being able to order books online, stores such as Border's and Barnes and Noble continue to do well because of the customer experience they offer, Kacker said.

"Before Netflix, Blockbuster operated like a monopoly so they didn't need to take care of the customer," Kacker said. "There were complaints about in-store service, from the staff to high fees. And the selection is not as good as what you find online. They're constrained by how many DVDs they can display physically."

Despite their success, Netflix and Redbox, too, will have to confront the looming dominance of the Internet, Kacker said.

"At some point, people will gravitate toward downloading what they want. The market for getting DVDs by mail or renting from a store will dry up over time."

2009 DVD sales

Movie	Sales*
1. "Twilight"	\$160
2. "Madagascar 2"	\$93.8
3. "Gran Torino"	\$67.4
4. "Bolt"	\$73.5
5. "Taken"	\$66.3
6. "Marley and Me"	\$59.8
7. "Beverly Hills Chihuahua"	\$57.8
8. "High School Musical 3"	\$56.2
9. "Paul Blart: Mall Cop"	\$49.8
10. "Curious Case of Benjamin Buttons"	\$45.6

Source: The Numbers * dollar figures in millions

Locals linger

But until that day, local chain Major Video will continue to chug along, said owner Bob Wilson.

Major Video operates three stores in Metairie, Gretna and Baton Rouge, down from a high of six several years ago.

Wilson closed his store at 6601 Veterans Blvd. after the lease expired in 2008 to consolidate.

Hurricane Katrina forced the closure of the Carrolton Avenue location, and Wilson shut down his Magazine Street store when he received a better offer for the space from another tenant.

Major Video experienced an uptick in business immediately after Katrina when DVDs were one of the few sources of entertainment. But sales have since dropped 20 percent and flattened, Wilson said. People are not buying new or used DVDs like they once did and the Blue Ray phenomenon so far has proven to be disappointing, he said.

But Wilson remains a firm believer in the business he has been in for more than 24 years.

"I believe there will always be video stores," he said. "Will the business be as fruitful as it once was? It's really up to the person running it. It's still a very viable business if someone wants to come in and work it like I worked it."

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