Blockbuster and TiVo Join to Deliver Digital Movies

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With its lingering debt problems resolved for now, Blockbuster is pinning some of its hopes on a digital future.

The struggling video rental chain will announce a partnership with TiVo on Wednesday to deliver Blockbuster's digital movie library over the Internet directly to the televisions of people with TiVo digital video recorders.

As with similar deals TiVo has struck to make digital video services from Amazon and Netflix accessible from its set-top boxes, no money will change hands between the companies. But Blockbuster also said it would sell TiVos at many of its 4,000 stores in the United States, taking a typical retailer's cut of sales. The two companies plan a joint marketing campaign to promote the new service, which will start in the second half of the year.

"We are excited to be teaming with TiVo, the company that created the DVR, to make Blockbuster's entertainment content readily available to their millions of subscribers," Jim Keyes, chief executive of Blockbuster, said in a statement. "Ultimately, our vision is to work with TiVo so that their subscribers can access movies not only through our On Demand service but also from our stores and through our by-mail service as well."

Blockbuster On Demand will be accessible only to the approximately 800,000 TiVo owners who have broadband Internet connected directly to their TiVo boxes.

Joe Miller, a TiVo senior vice president, said that adding another recognized entertainment brand would help the company sell more devices. "Typically you will find consumers reward and appreciate companies and technologies that take an open approach to business, and that is what we are doing here," he said.

The company's nemesis, Netflix, whose popular DVD-by-mail service has damaged Blockbuster's core business, makes about 12,000 film and television programs available on the Web free to most of its subscribers. But those are often titles that are several years old.

Blockbuster will offer a smaller selection of about 5,000 to 10,000 titles at any one time,
mostly newer releases like “The Dark Knight” that will typically cost $3.99 to watch over a 24-hour period. The company already offers online rentals through the Movielink service it bought from a group of studios in 2007.

Kevin Lewis, the senior vice president for digital at Blockbuster, said the deal with TiVo would be the first of many it would announce with major consumer electronics companies.

The company appears to have time to forge those deals. It said last week that it had reached agreements with two of its largest lenders to extend its revolving credit line through September 2010.
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