

## IN THE NEWS:

### DVDS START MAKING CENTS: WEBSITES SELLING MOVIES FOR CHEAP

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VARIETY

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## DVDs start making cents Websites selling movies for cheap

By DANIEL FRANKEL

“The Matrix” grossed more than \$460 million in worldwide B.O., spawned two sequels, revolutionized visual f/x technology and kickstarted the careers of the Wachowskis. But visit [movies4wholesale.com](http://movies4wholesale.com) or any number of other online DVD wholesalers and you can readily buy the film on disc for around \$3.50.

Visit [closeoutvideo.com](http://closeoutvideo.com) and you can also peruse onetime awards contenders like “Before the Devil Knows You’re Dead” and “Lars and the Real Girl” -- available for less than \$7.

Clearly, the wholesale business for recorded movies is booming. But will this discount dynamo cut into Hollywood’s library values?

Ryan Kugler, prexy and co-owner of Distribution Video & Audio, which operates [closeoutvideo.com](http://closeoutvideo.com), says his operation is set to distribute 20 million titles this year, up 10% from 2007. He’s finding plenty of inventory to sell right now, with studio homevid divisions often overshooting the mark on their shipment numbers and offloading the excess to wholesalers.

A small but considerable number of top titles are also still floating around on VHS and the now-defunct HD DVD format.

“We’re buying this product for under \$2 a unit and we’ll make 10 to 15 points on average,” says Kugler, who sells some of those tapes and discs directly to consumers on sites like [dvdcloseout.com](http://dvdcloseout.com). Most are sold in bundles of hundreds or even thousands to other online direct-to-consumer wholesale operators, many of which do their thing on eBay.

With more and more bargain-conscious movie-buyers discovering these sites in a tight economy, sales have been brisk. Kugler estimates the U.S. DVD wholesale market is worth somewhere around \$1 billion annually.

Harder to estimate, however, is what the effect is to studio libraries.

Studio homevid execs tout emerging formats like Blu-ray and digital downloads as the future of post-theatrical distribution, upholding the margins for new releases and older film and TV titles alike as movie buyers switch over to the newer technologies and leave behind the old ones.

But with Wall Street in turmoil and consumer confidence at generational lows, the question remains: How many more times can pics like “The Matrix,” be sold on Blu-ray and on cable when consumers can buy them on VHS on eBay for 99¢?