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INTERNET NEWS

E-TAILERS PREPARE TO GROW WITH DVD

By Wendy Wilson 9/13/1999



SEPT. 13 | Like their brick-and-mortar competitors, DVD e-tailers are preparing for a boom market in the fourth quarter.

"I can tell you that, in the fourth quarter, we will be doing almost double what we did in all of '98," said Susan Daniher, VP of marketing for DVD Express (www.dvdexpress.com).

Similarly, DVD Empire (www.dvdempire.com) expects the site to double its fourth-quarter business over the comparable period last year, and DVD Wave (www.dvdwave.com) expects quarterly sales to increase as much as 300% over last year.

"Divx is dead, DVD players have fallen in price--to as low as approximately \$200--and more and more DVD-equipped PCs are being sold," said DVD Wave president Sam Osborn. "We expect this year's holiday season to be at least 200% to 300% bigger than last year."

Online retailers as a whole sold about 3 million DVD discs in 1998, about one-third the number sold through traditional outlets (VB, 1/25).

These online retailers are growing as the DVD format grows.

DVD Express moved its operations from an 8,000-square foot warehouse to a 66,000-square foot space partly to prepare to fulfill consumer orders for *Titanic* last month but also to get ready for a year-end sales boom. The company has expanded its customer-service hours, and, Daniher said, is "steadily staffing up and training people" to work during the holidays.

DVD Express will also be offering some version of gift wrapping for the first time and will be heavily promoting gift certificates.

DVD Wave, too, has moved to larger digs, having quintupled its programming and fulfillment staff to 17 people.

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According to industry projections, the installed base of set-top DVD players is expected to be 4 million by year-end, compared with 1 million at the end of last year. Growth is expected to be fueled by a string of strong titles and by player prices below \$200 at major retailers.

Like other retailers, online DVD sellers expect the customer base to broaden as a wider range of product, including Walt Disney Co.'s animated classics, comes out on DVD.

"What we're finding is that our primary customer, which is usually male, is now buying for the family," Daniher said. "We see things like *The Three Tenors* and a Jackie Chan movie and *Air Bud* in the same package, and we see that repeatedly."

Both Amazon.com and Reel.com were reluctant to discuss marketing plans or make sales projections. Amazon group product manager for video Jason Kilar did say the giant e-tailer is ensuring it will be able to fulfill all fourth-quarter orders.

"We've been spending a lot of time on our distribution centers," he said. "We're getting them ready for what we believe is going to be a good inflow of orders, to make sure we get the packages to customers on time." Amazon has distribution centers in Nevada, Georgia, Delaware, Kansas, Kentucky and Washington.

Meanwhile, Reel.com's recently redesigned site provides more information on its DVD selection, just in time for the holidays (VB, 8/30).

One early barometer of seasonal sales may be online presales of DVD releases slated for the fourth quarter. At DVD Express, preorders for Warner Home Video's *The Matrix*, due Sept. 21, are "tracking ahead of *Titanic*," Daniher said. The site is selling *The Matrix* at 40% off and had been offering *Titanic* at a 50% discount and giving customers a DiGiorno's pizza free with purchase.

The Matrix is outselling *Titanic* at DVD Empire as well. "*The Matrix* actually uses every part of the home theater," president Jeff Rix pointed out. "*Titanic* is a love story; the only time it utilizes the entire system is when the ship sinks."

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