

Several strategic initiatives to promote increased use of streaming video were under way in 2010. The owners of Hulu—NBC Universal; ABC's parent Walt Disney; and Fox Entertainment's parent, News Corp—had announced plans to begin offering a premium service for \$10 per month that would provide a bigger library of TV shows to watch. Hulu ([www.hulu.com](http://www.hulu.com)) was a free online video service that offered a number of hit TV shows and movies from the libraries of its owners and several other cable networks and movie studios; Hulu derived its revenues from online advertisers, but it was striving to create a business model based on both advertising and subscriptions. Time Warner and Comcast were promoting a "TV Everywhere" concept whereby consumers could watch TV shows free at any time on any device (computers and such mobile devices as iPads and smart phones) so long as they were paying cable subscribers. Time Warner owned a number of cable channels (TNT, TBS, HBO, CNN, and Cartoon Network); CBS was the only major broadcast network currently participating in the trials, but Comcast was in the process of finalizing its acquisition of NBC Universal, which owned NBC, Universal Studios, and a share of Hulu.

In May 2010, Google announced the availability of beta versions of Google TV, based on Google's Android and Chrome software, that enabled households to combine their regular TV experience with the capability to access music, videos, and photos anywhere on the Internet. Google TV was a search-based feature that allowed users to easily and quickly navigate to television channels, apps, and Internet sites. Google's long-term strategy was to eliminate the need to download and install Google TV software by working with electronics manufacturers to equip their new models of televisions, Blu-ray players, and companion boxes with Google TV software. The first such models were expected to go on sale in the fall of 2010. In 2009, Apple had begun exploring the launch of a subscription television service that would offer a package of broadcast shows for \$10 per month, but the effort fizzled when several of the biggest studios rejected Apple's proposed fee arrangement for their content and also its comeback proposal to charge 99 cents per TV episode.

In addition, several other developments were acting to reshape the movie rental marketplace:

- The 2009 requirement that all TV stations in the United States use digital technology and equipment to broadcast all their programs had resulted in far more programs being transmitted in high-definition format.
- Prices for wide-screen HDTVs had been dropping rapidly, and picture quality was exceptionally good, if not stunning, on most all models.
- Increasing numbers of devices were appearing in electronics stores that enabled TVs to be connected to the Internet and receive streamed movies from online providers with no hassle. These devices made it simple for households to order streamed movies with just a few clicks instead of traveling to a video rental store or waiting for a disk to be delivered through the mail.
- Sales of movie DVDs were declining; the chief reasons were said to be the flagging economy and the convenience of online rentals of movie DVDs and VOD. Hollywood movie producers had hoped that next-generation, high-definition optical disc format DVDs that incorporated Blu-ray technology would rejuvenate sales of movie DVDs. But movie rental outlets were renting Blu-ray movie DVDs and, so far, there was little evidence that growing numbers of households with Blu-ray players would spur movie DVD sales, given growing popularity of streaming rented movies directly to TVs, a desktop or laptop computer, or a small handheld device like an iPad or a netbook.
- Cable and satellite TV companies were promoting their VOD services and making more movie titles available to their customers. The Starz Entertainment Group claimed its research showed that Comcast customers who were using the Starz on Demand service tended to reduce their purchases and rentals of movie DVDs due to the ease of using the VOD service.

### Competitive Intensity

The movie rental business was intensely competitive in 2010. Netflix was growing rapidly and gaining market share. One of the most attractive appeals of Internet movie providers like Netflix,