Article Side
Brightbridge Wealth Management Headlines: Netflix Raises Price of DVD and Online Movies Package by 60% by Brightbridge Wealth

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What cost $10 a month â€” online streams of movies plus one DVD by mail at a time â€” will now cost $16 a month, the company said, tacitly acknowledging the high costs of mailing physical DVDs, but also admitting that many people still want the skinny little discs. Online streaming alone will remain $8 a month. Netflix advertised the change as a new choice for consumers.

For millions of customers, the shift in price might change the daily calculus of an entertainment diet made up of a myriad of choices: cable television packages, online streams, Redbox rentals and iTunes downloads. The price increase spurred complaints from thousands of Netflix customers on Facebook and other Web sites, some of whom said they may now rely less on physical DVDs and more on online options.

For Netflix, the adjustment is â€œthe latest step in a long-term transition toward becoming a next-generation premium television business,â€• said Arash Amel, a research director for IHS Screen Digest, noting that the company has made streaming, not DVDs by mail, the core of its business.

Mr. Amel said further changes to Netflixâ€™s monthly prices should be expected in the next couple of years as the companyâ€™s growth rate slows and as it pays hundreds of millions of dollars more to license streams of movies and TV shows.

Thanks in large part to its four-year-old streaming service, Netflix has more than 20 million customers in the United States. The company expects that as broadband speeds become faster and TV sets get connected to the Internet, it can become an even bigger player in streaming video.

But it has to manage the transition from DVDs to digital movies and shows carefully. Under the terms announced Tuesday, the streaming-only service will continue to cost $8 a month; a separate DVD-only service will also cost $8 a month for one DVD at a time or $12 a month for two.

For current Netflix customers, the price changes will take effect in September, but for new customers, they took effect Tuesday.

The new pricing is a big change from last November, when Netflix started selling its streaming service for $8 a month and offering one DVD at a time for an additional $2. At that time â€œwe didnâ€™t anticipate offering DVD-only plans,â€• Jessie Becker, vice president of marketing, wrote Tuesday in a blog post.

As Netflix knows well, the DVD business has been in decline for years as consumers have moved to the Web. But since November, Netflix has realized â€œthere is still a very large continuing demand for DVDs both from our existing members as well as nonmembers,â€• Ms. Becker wrote. To keep the DVD service alive, the company evidently needs more than $2 a month.

â€œNetflix must be pretty comfortable with the value of both services that they can break each out,â€• said John Blackledge, an analyst at Credit Suisse Securities. â€œAt the same time, increasing the price for DVD-and-streaming customers may push more people into streaming-only plans.â€•

Netflix also said Tuesday that Andy Rendich, its chief service and operations officer, would lead a new, separate management team in charge of the physical DVD service. That team will free other executives to think only about streaming.

IHS Screen Digest expects Netflix to serve up over a billion streams of movies and TV shows this year, almost double last yearâ€™s total; and perhaps more important for Netflix, it expects the costs of acquiring those movies and TV shows to double. It estimates that Netflix spent $400 million on licenses for streaming last year.

But what it is spending is not enough for movie aficionados who expect new releases right away and who are disappointed by the glaring absences in the companyâ€™s online library. Last month, in a reminder that Netflix is vulnerable to decisions made by Hollywood studios, more than 200 films from Sony Pictures were pulled from the streaming service because of what Netflix called a â€œtemporary contract issueâ€• with Starz, a partner of Sony. The issue has not yet been resolved.

Some Netflix streaming customers depend on the DVD-by-mail add-on because certain blockbuster movies are available much faster that way. If the customers move away from the DVD-by-mail service en masse, two potential beneficiaries are cable and satellite companies that rent movies on demand for a premium and vending machine operators like Redbox that charge lower prices for single DVD rentals.

Shelia Haupt, of Lehighton, Pa., was already considering dropping Netflix; after learning of the price increase, she said, â€œIâ€™m definitely canceling.â€•

â€œNetflixâ€™s streaming video selection is horrible,â€• Ms. Haupt said. â€œWhat I can get on demand f cable company is so much better.â€•

She said she was pondering ordering HBO instead because it costs about the same as Netflix.

Some customers took the price changes in stride; Roger Ebert, the movie reviewer, told his followers on Twitter that he would opt for the streaming-only service for $8 a month.

Others reminded their friends of the bad old days of Blockbuster, as if to say, â€œRemember how far technology has come.â€• Seth Werkheiser, an organizer of bike tours in New York City, wrote in a Twitter message, â€œHey kids, remember when you had to put clothes on and drive to the video store?â€

DVDs are not dead yet, but they are going to cost more â€” at least for customers of Netflix, the popular entertainment service, which said on Tuesday that it was sharply increasing the price of its Internet-plus-DVDs-in-the-mail plan.

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