

## HEADLINERS

### RFID *continued from page 1*

products as they move through the retailer's distribution system to stores. The company didn't return a call about how DVD fits into its RFID strategy.

Movie Gallery, Best Buy and other retailers also are testing the technology, but most retailers are still waiting for costs to drop to make it economically feasible to switch from bar codes to RFID.

Meanwhile, the Video Software Dealers Assn. operations committee has been closely watching RFID developments as more retailers take interest, said Mark Fisher, VSDA VP of membership and strategic.

DVD kiosk maker DVDExpress is already using RFID technology to track rentals and returns of movies. East Coast grocer Bi-Lo is rolling out DVDExpress kiosks to its 275 stores after a successful pilot test last summer, said Steve Methvin, director of store systems.

Methvin said the company stumbled into the RFID technology when it was testing different kiosk providers, most of which use bar code technology to track discs.

### E3 *continued from page 1*

much? Speculation within the industry varies, suggesting the PS3 will debut at somewhere between \$400 and \$800. Closer to the latter would retard demand, which would be useful if there are few units shipped but put Sony at a disadvantage in gaining market share.

"If you really want to make Sony scream, you cut \$100 off the street price of the Xbox 360 this week at E3," said Michael Goodman, senior analyst with research firm The Yankee Group. "Then again, Microsoft could wager that there won't be more than 3 million PS3s shipped worldwide by Christmas and decide to maximize profit instead of market share."

Brian O'Rourke, senior analyst at VB sister company In-Stat, doubts that Microsoft will reduce its Xbox 360 price at E3. "Microsoft's investment is too big right now, and they have lost too much money on videogames since 2001 to cut the price this year," he said.

SCE executives said last March

DVDExpress places donut-shaped stickers with an RFID antenna on the center circle of discs. A scanner in the kiosk tracks which movies are rented and when they are returned. Discs aren't tracked after they leave the grocery store.

RFID "has been a real good success for us," Methvin said. "On a wide scale basis, there's still work to be done. In a kiosk strategy, it's ready to be used today."

No. 2 rental chain Movie Gallery began testing RFID tags to track inventory in 2000 and continues to monitor RFID in two stores, said Richard Langford, senior VP and chief information officer.

In the first test phase, Movie Gallery tagged rental inventory and placed RFID readers on the movie drop box. The scanners were able to read and record every movie that was returned in the drop box, cutting down the time it takes to check in inventory.

In its second testing phase, Gallery used the RFID system to do a physical inventory check and found significant labor savings.

Still, because RFID tags are pricey, it isn't yet cost-efficient to roll out

that they expected production to reach 1 million units per month by this summer, but analyst Goodman doesn't believe that will happen.

"Sony has had manufacturing problems twice already," he said. "We'll be lucky to see 3 million units total by year end."

Goodman expects the Xbox 360 installed base to reach 10 million to 12 million units by Dec. 31, which will have a huge bearing on the HD DVD/Blu-ray format battle. Goodman hopes the company will use E3 to clarify when its HD DVD add for the 360 will arrive and at what cost.

"At 12 million units, the Xbox 360 installed base dramatically changes the high-definition battleground if Microsoft ships an HD DVD drive this year," he said. "If only half of those owners purchase the add-on, the HD DVD group will never have as good an opportunity to influence which high-def format consumers buy first and which format they buy second."

A May 1 report by Wedbush Morgan Securities predicts high-def playback will play a big part in

the technology to all stores. When Gallery began testing in 2000, RFID tags were \$1 each; the price has since dropped to 20¢ a tag, Langford said. Like others, Gallery is waiting for the price to drop below a nickel, and when it does, the company is ready to launch RFID throughout its store base.

"It is a cool technology, there's no doubt, but until it can save you money, that's all it is," Langford said.

While retailers test RFID's ability to make the supply chain more efficient, another company is at work on RFID technology that could be used to deter theft.

Kestrel Wireless, a company founded three years ago by former DVD replication and studio executives, has developed RFID technology to be embedded in discs that can prevent DVD playback until the item is scanned at check-out. Packaging would indicate that the DVDs won't play unless purchased.

"The concept is thieves aren't going to steal discs that aren't going to play," senior VP of business development Frank LoVenne said. ■

next-generation system sales.

"This cycle, we think that there is an important new development that will impact console purchases: the format war between Sony and Toshiba for supremacy in high-def DVD manufacture," wrote analysts Michael Pachter and Edward Woo.

Pachter and Woo contend that sales of HDTVs in coming years will fuel PS3 and Xbox 360 hardware sales to a significantly larger consumer base than in previous videogame cycles. They expect retailers, however, will not stock full selections of both Blu-ray and HD DVD content, instead concentrating on one format and studios soon gravitating to that choice.

"Should the studios embrace Sony's Blu-ray standard for high-def DVDs, we think Sony will gain an insurmountable advantage over Microsoft; should the studios embrace Sony rival Toshiba's HD DVD format, we think that Microsoft can maintain its first-mover advantage and will dominate [videogame] software sales for years to come." ■

### SCENE & NOTED

**SCENE:** Sony has promoted **Don Eklund** to

executive VP of advanced technologies and **James Mercs** to

executive VP and general manager of the Sony Pictures Digital Authoring Center. . . . **Fred Fox** is leaving his post as executive VP of merchandising and marketing for **Trans World**. . . .

**Virgin's** chief marketing officer **Dave Alder** is leaving the company for other career opportunities. . . .

**Charlie's Angels** star **Lucy Liu** will get the Humanitarian of the Year Award from **VSDA** at this summer's Home Entertainment 2006 convention in Las Vegas. Liu has been a celebrity ambassador with UNICEF since 2005.

**NOTED:** Universal has set up a division for mobile content called **Universal Mobile Entertainment**, which will oversee licensing of content for cell phones as well as original productions in the future. . . . **Movie Gallery** reported in an SEC regulatory filing that shareholder

**Schultze Asset Management** plans to discuss with Movie Gallery's management ways to enhance shareholder value. Schultze owns 8.6% of Movie Gallery's stock. . . .

**York Entertainment** is seeking investors to help finance 30 feature films, budgeted between \$250,000 and \$5 million each. York CEO Tanya York said the company has already secured outside financing, but she declined to name the investors.



■ Eklund



■ Mercs