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# So Why Did Dish Really Buy Blockbuster?

by [Ryan Lawler](#) APR. 6, 2011 - 6:33 AM PDT

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**SUMMARY:** *Dish Network won an auction for embattled DVD rental firm Blockbuster, ending long-running bankruptcy proceedings that have led to store closings and layoffs. But Dish has some major challenges ahead in its plan to make the acquisition pay off in the long run.*



Dish Network said Wednesday that it [it will pay around \\$320 million to buy embattled movie rental chain Blockbuster](#) out of bankruptcy proceedings which have led to significant store closings and layoffs over the past year. The purchase gives Dish some cross-sale opportunities and could even lead to a more robust streaming offering from the satellite provider. But Dish has some major challenges ahead in its plan to make the acquisition pay off in the long run.

The deal includes Dish paying about \$320 million for Blockbuster's assets, with about \$228 million of that in cash. According to the [Wall Street Journal](#), Blockbuster creditors will receive about \$178.8 million, with the remainder of the money going toward expenses related to the auction and other bankruptcy fees. The deal is expected to close in the second quarter of this year.

But what is Dish actually getting in its acquisition? Unlike some bidders, which would have liquidated the ailing movie chain's assets, Dish appears ready to try to keep Blockbuster afloat and use its brand and physical locations for cross-sale opportunities, among other things. Dish issued the following statement, attributed to EVP of Sales, Marketing and Programming Tom Cullen:

“With its more than 1,700 store locations, a highly recognizable brand and multiple methods of delivery, Blockbuster will complement our existing video offerings while presenting cross-marketing and service extension opportunities for Dish Network... While Blockbuster’s business faces significant challenges, we look forward to working with its employees to re-establish Blockbuster’s brand as a leader in video entertainment.”

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With so many locations throughout the U.S., Dish could use free or discounted Blockbuster rentals as a value-add to its pay TV subscribers. It could leverage the movie chain’s physical presence and brand in marketing efforts aimed at Blockbuster customers. But the more interesting opportunities could lie online: Blockbuster also holds streaming rights to a number of video titles that Dish could use to expand its own streaming offerings, perhaps rolling the Blockbuster licenses into a Dish-branded online VOD offering.

Dish also recently [acquired the assets of bankrupt satellite operator DBSD North America](#). That purchase includes access to broadband spectrum, which it could possibly use to roll out wireless networks for voice or data communication. By doing so, Dish wouldn’t have to rely on the broadband networks of other ISPs to stream to its satellite TV customers.

All that said, Dish will have to move quickly to make those synergies actually work. It wasn’t able to take full advantage of its [2007 purchase of Sling Media](#), for instance, if only because it took so long before the Sling technology [actually started to make it into Dish set-top boxes](#). Dish won’t have three or four

years to make synergies with Blockbuster work.

Part of Blockbuster's downfall was its inability to compete with smaller, more nimble organizations. That includes Redbox's low-cost DVD rental kiosks or the value and convenience of Netflix's DVD-by-mail offering, and later its online streaming service. Consumers increasingly are moving to lower-priced video services rather than paying \$5 to rent from a store. Having a more innovative leadership group at the helm could help change that, but it remains to be seen [how effective Dish will be in turning the firm around](#).

Photo [courtesy of Flickr user Andrew Levine](#).

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I have a friend that previously sold DirecTV services – he said that Dishnetwork is so bad that he would call it “DISH NOTWORK”

If they are smart, they will change their name to Blockbuster Media or something similar.

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Droidkin

Wednesday, April 6 2011

I have been a Dish Network user since 1997. Here in Maryland at least, my service could not have been better. Compared to the local cable company, my service is excellent. Only during the most severe thunderstorms have I lost connections. Even in the severe snows of 2010, did no loose service once. Their HD DVRs are fantastic. Can't imagine being with out the DVR. Service calls, the few I have had, are within 24 hours. Have only had one instance where service man didn't have the DVR to replace a faulty one. Replacement came in 48 hours.

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SteveInPhilly

Thursday, April 7 2011

This has been my experience in Philadelphia as well. Comcast is our local cable provider and is pretty much a nightmare. I moved over to Dish several years ago and don't have a single complaint! Great DVRs, friendly customer service and, in great contrast to the aforementioned cable provider, consistent billing. I'm curious to see what they do with this Blockbuster acquisition!

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Joe Bob

Wednesday, April 6 2011

I read this article and I liked it alot, my favorite part was the Netflix ad on the right side of the screen half way down. CLASSIC!



Ron

Wednesday, April 6 2011

@San Diego Video

So your friend sold DirecTV...so you think he's going to be fair to his competition? Yeah sure.

I have Dish, the seem to be OK. I think all cable/satellite companies are pretty bad, so with the excellent DVR, almost as good as my old Tivo, and low prices, Dish has been pretty good to me.

But I'm not sure what they hope to do with Blockbuster. That's the name that has a bad connotation. I just think late fees when I hear it.



Gena

Wednesday, April 6 2011

The customer experience at Dish Network sucks for lack of a stronger term. Their customer service reps will say ANYTHING to sell a package. They lie about everything related to the HD service and the multiple access with one DVR... Good lord stay far away from that service. Also, if you want to terminate for breach of contract, they go right into your bank account and swoop the money since their scam is that you have to open the account with the autopay service.



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ron

Saturday, April 9 2011

I neverheard of Dsih digging into someones bank account. But i have heard of DirecTv doing that. Perhaps you have the companies confused?

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Eludium-Q36

Wednesday, April 6 2011

@SD Video: yeh right, a “friend”. I call BS on that, I have Dish and it’s far superior to the Cox Cable I had prior to that — far superior.

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Eric Schatz

Wednesday, April 6 2011

Cablevision Systems once bought a Chapter 11 consumer electronics chain called Nobody Beats The Wiz for the purposes of creating a one-stop solution to buying a big-screen TV and the cable TV service to go with it. Between point-of-purchase and the doors was a customer service desk that signed you up for service, handed you the set-top and cable modem and threw in wiring

assemblies specific to the TV you just bought. I don't think it took them a year to drive the chain into Chap 7 (the brand is still in use by a mail-order store). I'm thinking Dish probably has something similar in mind, maybe a combination of a satellite-based VOD channel (Blockbuster's been there done that) and these storefronts both using the BB brand, with Dish STB's on a shelf and giant video screens sampling Dish in-store.

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Rob

Thursday, April 7 2011

I have Dish and it's actually really good. Its the cheapest way you can get some HD channels. We pay about \$40 for a bunch of HD channels, and when the Tour de France comes, we get the package that includes VS, pay about \$10, and then roll back after tour. Dish has been so far really easy to use. We've only had sporadic interruptions of service due to weather.

The issue with BB is that of name. Myself and my wife will never use anything BB related after they screwed both of us separately when we returned videos to 'the wrong store' and were charged an arm and a leg. Customer service is pretty horrible too. I stopped using BB at least a decade ago, that model is dead and buried. I would say, sell the physical locations, start deploying kiosks, and use the personnel to do mail order business ala netflix.

It could be useful to watch movies from Dish, but I doubt they are going to charge anything reasonable, considering we can get netflix or Hulu for practically nothing. We'll see how it plays

out, but my guess is that greed and stupidity will kill this.

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Pam Kulik

Thursday, April 7 2011

The Blockbuster purchase is Dish's "TV Everywhere" play to compete with cable as well as Netflix, Hulu Plus and others on the way as DirectTV blows past them through original content deals and show acquisitions, such as Damages. Managing retail chains vs B2B telecom/cable services and licensing deals requires very different expertise. Good luck with that, Dish!

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Brian

Friday, April 8 2011

This seems like a great business venture, with a huge ROI.

 Share



George MacDiggity

Friday, April 8 2011

I used to work for Nobody Beats The Wiz and was there before, during and after the Cablevision transition. These companies are completely different acquisition targets. Blockbuster is a brand

that has almost 30 year history nationwide, is easily recognizable, and already exists in the software of many Blu-Ray Players, and set-top boxes, I think Dish has made a splendid purchase and will do very well with this brand, regardless of wether or not they decide to keep the stores open.

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