

# Smaller stores fight Blockbuster for popularity

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Senior Editor

Open the phone book to video rental and start dialing down the list. Only a few numbers into the list and the "no longer in service" messages begin.

The messages reflect the dwindling competition among independent video rental stores, which is dominated by one national chain, leaving consumers with fewer choices and smaller stores with fewer chances.

After buying out a five-store chain in December, Blockbuster Video increased its hold on Lincoln's video rentals to 10 stores. Another five independent video rental stores closed their doors forever last year.

Blockbuster broke into Lincoln's market in March 1988, with a store at 140 N. 48th St. Today the company has stores in east, north, south and downtown Lincoln. Based in Ft. Lauderdale, Fla., the chain has 4,795 stores internationally.

Wally Knief, company spokesman, said Blockbuster had the financial resources to offer "something to a degree no one else can offer."

"We have the quantity, breadth and depth of offerings," he said. "We have all catalog titles and all hits, and not everyone is in a position to do that."

And that position is exactly what has forced some small video store owners into the less-advantaged side of economic Darwinism. Store owners who want to stay in the market said they had to find a different way to compete.

Randy Abel, manager of Film Strip Video, 897 N. 27th St., has been in Lincoln's video rental market for almost 20 years, nearly as long as videocassette recorders have been around.

Abel said the popularity of cable, the entry of grocery and convenience stores into the rental market and the dominance of Blockbuster, forced smaller video rental stores to start folding.

Film Strip survived by diversifying, he said.

"Getting into the game rental market got us through tougher times," he said.

Independent stores also don't have the strict regulations and restrictions that a national chain has, he said. And that has helped Abel's business. He said Film Strip could offer special titles, directors' cuts and videos that aren't available from national chains. Flexible prices also helped Film Strip stay afloat.

"They try to take over, but we have our own little niche in the market," he said. "We'll put the gloves on with them."

Crain Starks, owner of Super Duper video, 916 S. 13th St., agreed that finding a niche was important. While Blockbuster could pick up the transient university customers, Super Duper appealed to community interests.

"Most of the independents here have been in business from seven to 10 years," he said. "You have a core customer base."

National chains still have an advantage over smaller stores because of their publicity and name recognition, said Robin Anderson, director for entrepreneurial studies at the University of Nebraska-Lincoln.

Anderson said Blockbuster Video stores have better access to supplies, lower overhead costs because they buy in bulk and good customer service.

Blockbuster's dominance is a result of practicing wise business strategy, Anderson said, and not by monopolizing the market. But another UNL professor said he thought the rental chain could be reaching monopoly proportions.

David Rosenbaum, UNL economics professor, said Blockbuster was a dominant firm with "monopolist power in the market."

"It's power over pricing," he said.

Whether Blockbuster's purchase of the five-store Video Station chain last year was fair is up to the courts, he said.



AARON STECKELBERG/DN

The purchase concerned Rosenbaum enough that he brought it to the attention of Nebraska's Attorney General's office, he said. But he was told there was not enough evidence to prove Blockbuster was an illegal monopoly.

"What is the video rental market?" he asked. "Is the first-run video market different from the market for old movies?"

"Blockbuster is the only place to go to rent a new video, and maybe the attorney general's office didn't see it that way."

Either way, with one chain as the dominant firm, he said, that chain could make customers pay more, rent poor-quality videos or pick from a limited selection.

"It's not whether they change to a high price," he said. "That's irrelevant. It's just that they have the power to do it."

But maybe not for long. One of the ways to bring back competition would be to give Blockbuster a chance to pick on someone its own size — another national chain, Rosenbaum said.

On Sept. 30, Hollywood Video, based in Wilsonville, Ore., will open its first Lincoln store near 56th and O streets, fewer than 10 blocks from a Blockbuster store on 48th and O.

Hollywood already has a store in Omaha on 129th and Center streets. Dan Flott, store manager, said Hollywood competes with Blockbuster by offering lower prices, five-day rentals, longer hours, more lenient collection

of late fees, immediate membership and a better atmosphere.

"We've got that Hollywood mentality," Flott said. "We have the bright neon lights and marquee posters of different celebrities."

"You feel like you're going to Universal Studios."

Hollywood has 200 stores nationwide, he said, and plans to expand to 2,000 in fewer than three years.

Flott said Hollywood plans to expand its presence in both Omaha and Lincoln. He said they wouldn't know how competitive Hollywood was until it had about three stores in each market, but it was ready to bust the block.

"We're going head to head with Blockbuster."

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