

Can the USB go from computer dork to Hollywood player?

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By Steve Mollman for CNN

(CNN) -- Foreseeing the future is a tricky business. Why, for instance, should Hollywood moguls have paid much attention when the USB standard emerged in the mid-90's?



A bit of bling on a Philips USB device. But can it make the leap to big-time movie player?

It simply made hooking computers to keyboards, printers and joysticks easier.

Nothing could seem further from their glitzy world. How times change.

Now USB ports are to be found in \$300 portable video players and \$3,000 50-inch plasma HDTVs.

And they accept flash memory devices, which have undergone a revolution in storage capacity -- storing a dozen movies is not a problem.

So in retrospect it was only a matter of time before entrepreneurs tried out this idea: public kiosks that allow consumers to download movies directly onto a USB memory device, to be watched later on their portable video players, computers, or TVs.

Today an Irish startup called [PortoMedia](#) has tested the idea in some home markets, and a few U.S. trial cities are to be announced shortly.

Business is being lined up in 30-plus countries, it says, and the service works equally well in Tokyo or small-town India. Its Movie Point kiosk allows customers to download DVD-quality films in about 20 seconds onto its Movie Key, a USB memory device that costs between \$20 and \$100, depending on the storage capacity (from 2 to 15 movies).

The films are burned onto the Movie Key with the relevant license at the point of purchase, using [Microsoft](#) DRM (digital rights management).

Consumers have several options on the licensing front. Examples: the movie expires 48 hours from hitting Play, or you can play it three times within 30 days, or it never expires (in which case you've purchased it).

Now Hollywood is paying attention. A number of major studios have agreed to let their movies be rented through Movie Point kiosks, and investors in the startup include some big-name film execs.

Sticking it to old movie-watching habits?

A 20-second download is fast, but changing habits takes time.

"Most consumers are used to browsing racks of the physical product, either on VHS or DVD," notes Marie Bloomfield, an analyst at Screen Digest. "This is a more pertinent issue than the time it takes to deliver the content."

PortoMedia might find encouragement -- or a threat -- in the rapid spread of DVD kiosks in the U.S., most notably the Redbox kiosks found in McDonald's, grocery stores and various retail locations.

These kiosks can hold several hundred titles, which cost about \$1 per day to rent. Downside: customers must physically return to disc (though it can be to any kiosk, not just the one they rented from).

Movie Point has some pros and cons compared to the DVD kiosks. Most notably, it can hold far more titles -- thousands as opposed to hundreds. And because it copies rather than dispenses these titles, there's never a problem with running out of stock.

"Think about the how much more responsive the content offerings can be if an obscure movie, for example, becomes really popular -- like the 'Napoleon Dynamite' phenomenon from a few years ago," notes Kurt Scherf, principal analyst at Parks Associates.

Another plus with Movie Point is there's no need to return a movie, and no chance of late fees.

For someone in transit -- at the airport, for instance -- this is a real convenience. And travelers in general face the problem of video-rental stores requiring membership and a local address.

In the trials in Ireland, the ability to delay the rental period was one of the most popular features: the movie might expire 48 hours after you first hit Play, but when you first hit Play is up to you.

For retailers, kiosks using hard drives means not having to worry about packaging and shipping costs, as with physical DVDs. And of course the kiosks take up little space, which makes more room for other products.

"We used to have mom-and-pop video stores, and they got wiped out by the big chain video stores," notes Kim Gregson, a communications professor at Ithaca College in New York.

"Now mom and pop can compete in terms of variety and quality without sacrificing too much floor space in a small store."

Competing against other formats

There is also a new generation of DVD-burning kiosks allowing titles to be burned onto disc. These kiosks have the advantage of churning out something familiar: the DVD. Drugstore giant Walgreen is going with this approach for selling movies.

But Movie Point works much faster: about 20 seconds compared to about 15 minutes.

On the down side, Movie Point requires consumers to purchase extra hardware just to use it. They must buy the Movie Key. And if they want to connect it to a regular TV -- usually lacking a USB port -- they'll also have to buy a special dock (called Movie Vault).

Compare that to the simplicity of just buying a DVD.

"If this thing is perceived as being even the slightest bit complex, it is likely doomed," believes Russ Crupnick, senior industry analyst for The NPD Group, a market research firm. "More consumers will likely prefer a disc."

Movie Point probably has its best shot among early-adopters types who like being the first to try out new things. In the trials in Ireland, the Movie Key "became something to show off to their friends -- cool and simple," according to PortoMedia spokesperson Jacintha O'Donohoe.

Early adopters "can spread the word about the speed of download, as well as the quality and variety of the movies, to the later adopters," suggests Gregson.

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But she still thinks converting the later adopters will be a challenge given all the competition. This competition includes, for starters: DVD rentals at stores and kiosks,

cable TV's video-on-demand, discs by mail as with Netflix, and cheap DVD purchases at places like Wal-Mart. Then there are the slightly more tech offerings.

Downloading movies hasn't really taken off yet, but these include online services like iTunes and Net-connected game consoles like the Xbox.

And then, of course, the [iPod](#) must be considered. It also uses the USB standard, of course. iPods seems perfectly suited for Movie Point concept. They're familiar, widespread and can play video.

But, sadly for PortoMedia, they are "not compatible with any third-party digital content solution," notes Bloomfield.

"Given that Apple accounts for a sizeable chunk of the video handheld market, that reduces the addressable market considerably."

Of course, Apple might spread into the USB kiosk market on its own.

"But whether it would be interested in doing so is another matter entirely," says Bloomfield.

The company is doing just fine with iTunes, and Apple TV, which links downloaded content to regular TVs, has been made easier to use since its first release.

For PortoMedia and its backers, the competition, and the pros and cons of its system (the list goes on and on), are all familiar.

But for now, at least, the startup is in the spotlight of both Hollywood and Silicon Valley.

Its Movie Point kiosk is a bit like a new film on the verge of global release: Whether it flops, attracts a cult following, or hits the big time remains to be seen.

Only one thing is certain at this point: Hollywood is no longer ignoring that boring old USB specification.