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Blockbuster to convert 1,000 stores to Hispanic theme

Staff and Wire Reports
RENO GAZETTE-JOURNAL
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A packet of pumpkin seeds and chile-hot garbanzo beans with the latest Spanish-dubbed James Bond?

Blockbuster, the nation's No. 1 renter of movies on video and DVDs, is creating Hispanic-themed "boutique" sections in about 1,000 of its 4,412 company-owned stores.

Three stores in northern Nevada opened up the Hispanic-themed sections this week according to Blockbuster spokesperson Liz Green.

"The response has been wonderful," Greene said. The stores are located at 6135 South Virginia-Street, 100 West Plumb Lane and 2881 Northtown Lane were chosen based on locations and populations of the areas.

Aside from stocking more titles subtitled and dubbed in Spanish, the sections marked by bilingual and Spanish signs will offer a host of such exotic-sounding snack brands as Pica Fresca, a spicy strawberry treat; Tiritas Enchiladas, described as a spicy enchilada strip; Sabor Chamoy chips; and Chile Acidito-spicy chili mix as well as Mexican marzipan, crispy pumpkin seeds, spicy dried garbanzos and a chile-and-lime-flavored blend of peanuts and white beans.

Then there's the reading matter.

Blockbuster's Hispanic boutiques will carry magazines like Latina, Dora La Exploradora and People en Espanol.

"The Hispanic population is the fastest-growing customer segment," said Louis Laguardia, senior vice president of global diversity for the Dallas retail chain.

"Designating these stores as Hispanic boutiques is just the beginning," Laguardia said. "Our vision is to one day further this concept and have completely Hispanic standalone stores."

Many stores already have racks of Spanish-language videos. But the move, which began last month and should be completed at affected stores by now, more overtly showcases the Hispanic-oriented product lines.



Andy Barron/RENO GAZETTE-JOURNAL
La Sirenita II (The Little Mermaid II) is one of the movies in Spanish for rent at Blockbuster.

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It coincides with a modest, \$3 million facelift for all U.S. company stores, which are being revamped to sell more DVD movies. The popular video discs helped Blockbuster make a third-quarter profit of \$51 million, compared with a \$225 million loss for the period in 2001.

The results amounted to 28 cents per share of common stock, short of most Wall Street analysts' average expectations for a profit of 31 cents per share. The company, 81 percent owned by Viacom, predicted stronger holiday revenues in the fourth quarter.

Some of the 2001 losses were attributable to the expense of replacing video rentals with high-profit DVDs. Chief Executive John F. Antioco said in an Oct. 22 conference call that pushing DVD sales has stimulated movie rentals by increasing store traffic.

Latinos, now 35 million strong, proportionately own more home entertainment goods and are heavy renters of videos and DVDs, spending \$3.4 billion a year on equipment and software, said Stephanie Leichnam, Blockbuster's marketing manager responsible for the Hispanic segment. Blockbuster has about a 36 percent share of the overall video rental market and has publicly stated it wants a full 50 percent.

EL Mexicano Grocery and Video on Wrondele Way in Reno has offered video rentals in Spanish for about 8 years. "Some people don't know English so they really appreciate a movie in Spanish," said Juna Lara, store manager.

The store has about 100 titles available for rent.

However, Marketing to Emerging Markets newsletter, quoting the 2000 U.S. Census, said the average annual spending on video and DVD rentals by a Hispanic family was \$38.40, compared to \$41.86 for non-Hispanics. There was no market-by-market breakdown.

Depending on the Hispanic sections' success, Blockbuster may try a similar "boutique" approach in stores that cater to African-American customers, said Liz Greene, a company spokeswoman.

Edward Rincon, a Dallas-based ethnic market researcher, said it would be a mistake to mix the Mexican snacks and Spanish signage in stores that draw few Latino customers. "You can end up offending non-Hispanics," he said.

But Blockbuster's approach — putting the boutiques only in locations with strong Hispanic traffic — strikes the right balance, he said. "It's probably a smart strategy."

The new Hispanic-themed sections are in markets where Latinos account for 15 percent or more of consumers, mainly in Los Angeles, San Francisco, San Diego, Dallas, Fort Worth, San Antonio, Houston, Miami and New York.

"We created this new layout and new look to make their in-store experience more convenient, more enjoyable and give them no reason to buy or shop anywhere else," Laguardia said. "Our mission is (to) be the complete source to our customers for movies and games, in the format of their choice, rental or retail, new or used."

The move is a natural for Blockbuster to provide a better environment for its customers, said Harry Katica, an analyst with Dallas-based Southwest Securities.

"At the margin, those things are very helpful," Katica said. "They are able to tailor those neighborhoods to Spanish-speaking people. More power to them. In those locations, it looks like it will work extremely well."

Blockbuster's biggest competitor for Spanish-language movies are small, independent, "mom and pop" operators, whose revenues can't be tracked, Greene said.

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While it's a new move for Blockbuster, Sean Bersell of the Video Software Dealers Associated noted that a 41-outlet chain based in Bakersfield, Calif., has opened at least one all-Spanish store in a heavily Hispanic area.



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