

Netflix Rises Above the Fray

NETFLIX

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"PS3 system owners will soon enjoy an unparalleled experience watching their favorite movies and TV shows streamed instantly from Netflix, downloading from the PlayStation Network or watching Blu-ray/DVD media," Jack Tretton, president and CEO of SCEA, said in a statement.

To entice more people to become a Netflix member, the company invited consumers to watch the "Wizard of Oz" without charge for 24 hours starting on Oct. 3 at 9 a.m.

In September, Netflix and its partner Film Independent, a nonprofit organization, announced that its panel selected aspiring film producer Philip G. Flores of Hemet, Calif., to produce a feature-length narrative film called "Touchback." Flores received a \$350,000 grant to produce the film. Netflix hopes to hold a prescreening during the Los Angeles Film Festival in 2010.

Netflix recently awarded a \$1 million prize to a team of researchers who came up with a better algorithm to predict members' movie-watching preferences. Netflix recently awarded the prize to "BellKor's Pragmatic Chaos," a seven member team of researchers, engineers, and statisticians from the United States, Canada, Israel, and Austria.

"The Netflix Prize sought [an algorithm] to substantially improve the accuracy of predictions about how much someone is going to enjoy a movie based on their movie preferences," said the Netflix Prize Web



RISING RED TIDE: Packages of DVDs await shipment at the Netflix.com headquarters in San Jose, Calif. The online DVD rental site is thriving despite the economic downturn. JUSTIN SULLIVAN/GETTY IMAGES

site.

To gain additional market share, Netflix devised its Netflix Player by Roku, a device that instantly streams movies and TV shows to television. During the same year, the company rolled out its "Watch Instantly" feature to all subscribers at no extra cost, allowing them to stream movies to their home computers.

SURVIVING IN A DOG-EAT-DOG WORLD

Experts say that Netflix has proven its doubters wrong repeatedly, but it is unclear how the balancing act between the company's old and new business models will play out. "Netflix has won round one with

physical distribution of DVDs, but that advantage won't persist once the game switches to digital distribution," Wharton management professor David Hsu said in the KW report.

Competition is intense and Netflix has to be on its toes to keep its customers from moving to competitors. Customer loyalty is fickle—whoever gives customers a better deal for their dollar will get the business.

Blockbuster, Redbox, GameFly, Apple's iTunes, YouTube, and a number of other firms are offering competing products. Cable television could also become a major competitor with its on-demand video

and its experimental on-demand video on the Internet.

"But it's not as though competition is anything new for Netflix. So-called 'Netflix killers' have surfaced repeatedly in the last decade," KW said.

In 2002, Netflix faced the threat of Wal-Mart, which rolled out an online rental program. Consumers did not flock to Wal-Mart and the retail giant tabled the service. In February 2007, Wal-Mart introduced a movie download service with content from major film studios and scrapped it in December of the same year because it could not compete.

Financial and subscriber numbers show that Netflix still rides the tide. Netflix provides its customers with a large number of independent movies, a position that has little competition.

Netflix's survival depends on maintaining its movies-by-the-mail business model as long as possible, giving it time to be firmly entrenched in the streaming video business model.

Wharton professors are certain that Netflix, having survived the recent economic meltdown and still being in excellent financial condition, is elastic enough to survive any threat to its existence.

"I think among streaming providers, Netflix is a friend. This is an example where good competition will help grow the entire industry, which is still in its nascent stages," Eric Bradlow, Wharton marketing professor, remarked at the end of the KW article.

The Marketing Corner Marketing to Hispanic Consumers

By ADELE LASSERE

If you're a small business owner, have you given much thought lately to marketing to Hispanics? Now is definitely the time to seriously look at this explosive market. According to U.S. census data, Hispanics:

- Represent 15.5 percent of the total U.S. population
- Projected population by 2010: 47.8 million
- Growth rate is three times the growth rate of the total U.S. population
- Two in five are foreign born
- Represent a very young consumer segment, median 27 years old vs. 40 for non-Hispanics
- One in three are under age 18
- "WOW" factor: \$1.4 trillion in projected spending by 2010

It is equally important to understand that term Hispanic is derived as a compilation of several Spanish-language country of origins. However, Mexico is the dominant country of origin at 64 percent. The other countries of origins are: Puerto Rico, Cuba, Dominican Republic, and other nations in Central and South America.

Hispanics have made considerable contributions to the American culture and economy. One can expect this trend to continue given the

growth rate of this group.

The best marketing approach is to speak their language. While they do consume English-language advertising vehicles, Spanish language is preferred and there is an array of choices available. Even with Hispanics who speak English throughout the day, they still have an affinity for their own language. They are proud of their heritage and embrace their family ties.

This group is consuming goods at a rapid pace given their families tend to be larger than the non-Hispanic population. If you extend an invitation to buy in their language, Hispanics tend to be very loyal customers. One important point to note is that Hispanics are seeking "value." They will shop for the deal. Remember that they have large families and many have extended family members living in the same household. Therefore, consumable goods such as groceries, shoes, clothing and automotive products would rank up as highly desirable and necessary items.

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Fraudulent Web Sites Profiting From Flu Fears

TAMIFLU

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According to Sophos, the top five countries of consumers purchasing fake Tamiflu were the United States, Germany, Canada, the United Kingdom, and France.

Sophos found a network of underground Web affiliates called the Partnerka, operating out of Russia, which generates traffic to partner sites for an agreed share of profits. Most of such Web sites market themselves as being "Canadian" to appear more legitimate to Web users.

"This year, Sophos has intercepted hundreds of millions of fake pharmaceutical spam adverts and fake

pharmaceutical Web sites, promoted by affiliate members," according to a statement by the company. "Working day and night, thousands of affiliates use criminal methods including spam, adware and malware to drive as much traffic to their partners' stores as possible, which then sell high-profit illegal goods as part of a multi-million dollar industry."

In its research, Sophos found that members of the affiliated network could earn more than \$100,000 per day promoting fake Tamiflu.

"As there's a very good chance the swine flu pandemic has not yet hit its peak, Sophos has issued this warning to help prevent another

significant influx of cash and unwitting transfer of personal details to Partnerka affiliates," said Graham Cluley, a spokesman at Sophos.

Once a user searches for the word Tamiflu, advertisements direct them to Partnerka-affiliated online pharmacies to purchase fake versions of the drug.

"What most people don't know is that cybercriminals have manipulated Internet search engine results to drive as much online traffic as possible to these sites," according to a Sophos statement. The firm said that 20 percent to 40 percent of the revenue could go to organizations that promote such Web sites.



SCARE SCAM: A photo shows packages of Tamiflu, the brand name for oseltamivir antiviral. Groups of organized Russian criminals are making millions online by selling counterfeit Tamiflu via fraudulent Web sites. MIGUEL MEDINA/AFP/GETTY IMAGES

Big Spenders Still Hesitant to Part With Money

NEW YORK (Reuters Life)—Luxury shoppers at Saks, the high-end department store, are not yet up to indulging themselves.

Despite a partial rebound in the U.S. stock market after last year's financial meltdown, the store's shoppers are not feeling their wealth, Saks Chief Executive Stephen Sadove said on Tuesday.

"The stock market at 10,200 is a lot better than 6,500, but a lot lower

than where it was at 14,000," Sadove told Reuters in an interview. "The luxury consumer is very cautious and the recovery is very fragile."

"It's a little less bad, but not good," he said.

The forecast for sales at stores open for at least a year is a drop by a percentage in the single digits during the holiday season, after a year of double-digit declines.

Some of the upside came from the

strength of the euro as European tourists flocked to Saks' flagship Manhattan store. Visitors to New York account for about 20 percent to 25 percent of business of the original Saks' Fifth Avenue.

The store represents about one-fifth of the chain's sales.

Sadove said the U.S. slowdown has not been without its benefits. Fewer people may be able to afford to shop at Saks, but that is enhancing

the chain's cachet and an aura of exclusiveness essential to a high end retailer.

"Limited availability, a little bit more special, that really is what the heritage of what Saks is all about," he said.

While Saks is ready to offer discounts this holiday season, as it always has in normal times, consumers should not expect a fire-sale bonanza like they saw last year.

"We're making progress in trying to train our customers towards a less promotional environment," Sadove said.

TUESDAY'S MARKET SUMMARY

| | Close | \$Change | %Change |
|-----------------------|-----------|----------|---------|
| World Markets | | | |
| Dow Jones | 10,437.42 | +30.46 | 0.29% |
| S&P 500 Index | 1,110.32 | +1.02 | 0.09% |
| NASDAQ Composite | 2,203.78 | +5.93 | 0.27% |
| RUSSELL 3000 Index | 646.96 | +0.46 | 0.07% |
| CAC 40 (Paris) | 3,829.06 | -34.10 | -0.88% |
| FTSE 100 (London) | 5,345.93 | -36.74 | -0.68% |
| IBOVESPA (Sao Paolo) | 67,405.98 | +778.88 | 1.17% |
| DAX (Frankfurt) | 5,778.43 | -26.39 | -0.45% |
| Treasuries | | | |
| 10-Year Note | 3.32 | -0.01 | -0.36% |
| 30-Year Bond | 4.25 | -0.01 | -0.19% |
| Dow Components | | | |
| 3M (MMM) | 78.78 | +0.76 | 0.97% |

| | | | |
|------------------------|-------|-------|--------|
| Alcoa (AA) | 13.76 | +0.15 | 1.10% |
| American Express (AXP) | 41.36 | -0.08 | -0.19% |
| AT&T (T) | 26.28 | -0.01 | -0.04% |
| Bank of America (BAC) | 15.77 | -0.10 | -0.63% |
| Boeing (BA) | 52.53 | +0.05 | 0.10% |
| Caterpillar (CAT) | 59.88 | -0.52 | -0.86% |
| Chevron (CVX) | 78.81 | +0.20 | 0.25% |
| Cisco Systems (CSCO) | 24.09 | +0.22 | 0.92% |
| Coca-Cola (KO) | 56.87 | +0.13 | 0.23% |
| DuPont (DD) | 35.29 | +0.35 | 1.00% |
| Exxon Mobil (XOM) | 75.03 | +0.60 | 0.81% |
| General Electric (GE) | 16.02 | +0.02 | 0.13% |
| Hewlett-Packard (HPQ) | 51.32 | +0.51 | 1.00% |
| Home Depot (HD) | 26.99 | -0.66 | -2.39% |
| Intel (INTC) | 20.32 | +0.09 | 0.44% |

| | | | |
|-------------------------|--------|-------|--------|
| IBM (IBM) | 128.63 | +0.42 | 0.33% |
| Johnson & Johnson (JNJ) | 62.17 | -0.02 | -0.03% |
| JPMorgan Chase (JPM) | 43.16 | +0.12 | 0.28% |
| Kraft Foods (KFT) | 27.64 | +0.01 | 0.04% |
| McDonald's (MCD) | 63.57 | -0.96 | -1.49% |
| Merck Co. (MRK) | 34.29 | +0.48 | 1.42% |
| Microsoft (MSFT) | 30.00 | +0.46 | 1.56% |
| Pfizer (PFE) | 17.94 | +0.00 | 0.00% |
| Procter & Gamble (PG) | 62.31 | +0.04 | 0.06% |
| The Travelers Cos (TRV) | 53.15 | +0.21 | 0.40% |
| United Tech (UTX) | 69.93 | +0.59 | 0.85% |
| Verizon Comm (VZ) | 30.65 | +0.32 | 1.06% |
| Wal-Mart Stores (WMT) | 53.66 | +0.50 | 0.94% |
| Walt Disney Co. (DIS) | 30.87 | +0.17 | 0.55% |


All quotes are final as of 6:00 p.m. Eastern Time.

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PUZZLES IN PEACE
Suggested Solution

Big Ben

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FREE THE CHILDREN
children helping children through education