YouTube getting into movie rental business

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YouTube's coming attractions now include movie rentals.

The Internet's most popular video channel will make its debut as a rental outlet Friday to help promote some of the movies that will be shown at the upcoming Sundance Film Festival in Park City, Utah.

It's part of a test that YouTube hopes will encourage more studios to rent movies through its site, eventually creating a new financial stream to supplement the Internet ads that bring in most of its revenue.

The first five films available to rent through YouTube will cost $3.99 for a 48-hour viewing period. Movie studios will be able to set their own prices, with rental viewing windows ranging from one to 90 days. YouTube will get an unspecified commission from each rental.

The expansion announced Wednesday marks the latest step in YouTube's evolution from a quirky and sometimes edgy Web site that showed free clips posted by wannabe stars, showoffs, bored teens, lonely hearts and video pirates.

While YouTube still has plenty of eclectic entertainment, the site increasingly has been trying to reel in more traditional fare from movie, television and music producers.

The reason: most major advertisers are more comfortable placing their commercials next to professionally produced videos than alongside wacky — and potentially offensive — clips posted by amateurs.

The strategy appears to be paying off for YouTube and its owner, Google Inc. Barclays Capital analyst Douglas Anmuch expects YouTube to generate about $700 million in revenue this year, an estimated 55 percent increase from 2009. If YouTube hits that target, it likely will turn profitable, helping to justify the $1.76 billion in stock that Google paid for the site more than three years ago.

YouTube says it is diversifying into movie rentals to meet user demand and provide an alternative means of distribution for movie makers that don't want ads cluttering up their work.

There already are plenty of places to rent movies that can be downloaded or streamed over high-speed Internet connections. The major vendors include Apple Inc.'s iTunes store, Amazon.com Inc., Netflix Inc. and Blockbuster Inc.

YouTube's biggest challenge figures to be a familiar one: persuading movie studios to make their digital rentals available at the same time the films are released on

DVDs and Blu-ray discs. The studios aren't keen on that particular idea, partly because selling DVDs and Blu-ray discs is so profitable.

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