

BEST Practices

A Guide For Starting
Your DVDNow Kiosk
Business



AUTHORIZED
DVDNow Owners Manual



© 2009 DVDNow Kiosks Inc.

All rights reserved.

This Reference Guide is provided compliments of DVDNow Kiosks Inc. to inform and educate the owners operating DVDNow kiosks. The intent of this document is to provide supplemental information on the operation of a DVD Rental kiosk. Please contact DVDNow Kiosks customer support if you have any questions.

www.dvdnowkiosks.com



Authorized DVDNow Kiosks Owner's Manual

Best Practices

A Guide For Starting Your DVDNow Kiosk Business



DVDNow Kiosks Inc.

North Vancouver, BC Canada



Table of Contents

INTRODUCTION	5
1: WELCOME	6
1-1: HISTORY OF DVDNOW KIOSKS	6
1-2: BEFORE YOU START	6
2: YOUR NEW BUSINESS – GETTING STARTED	7
2-1: STARTUP – IMPORTANT THINGS TO CONSIDER	8
3: SELECTING LOCATIONS	8
3-1: SELF–SECURING A LOCATION	9
3-2: WHAT MAKES A GOOD LOCACTION – WHERE TO FOCUS YOUR LOCATION SEARCH	9
3-3: POINTS TO CONSIDER WHEN EVALUATING LOCATIONS	10
3-4: POINTS TO CONSIDER WHEN NEGOTIATING WITH A LOCATION	10
3-5: WHAT TYPES OF LOCATIONS SHOULD BE AVOIDED?	11
3-6: STRATEGIES FOR SECURING A GOOD LOCATION	11
3-7: PROFESSIONAL LOCATING SERVICE	11
4: LAUNCHING A NEW LOCATION	12
4-1: END-USER INSTRUCTIONS	12
5: PRICING PLANS AND PRICING STRATEGIES	13
6: COUPON CODES	14
7: MEMBERSHIP	15
8: KIOSK TOP MOUNTS	16
9: WHAT MOVIES DO YOU LOAD INTO THE KIOSK	17
9-1: ORDER DVDS FROM A DISTRIBUTOR	17
10: MARKETING TIPS – BEST PRACTICES	18
11: MANAGING YOUR BUSINESS	19
12: REDBOX	19
13: DVDNOW AFTER HOURS SUPPORT POLICY	20
14: AUTHORIZED SERVICES AND VENDORS	21
15: Top Mistakes of Kiosk Deployment	22
16: MOVING A KIOSK	23

INTRODUCTION



KEYS TO YOUR SUCCESS

Best Practice asserts that there is a technique, method, process, activity, incentive or reward that is more effective at delivering a particular outcome than any other technique, method, process, etc. The idea is that with proper processes, checks, and testing, a desired outcome can be delivered with fewer problems and unforeseen complications. Best practices can also be defined as the most efficient (least amount of effort) and effective (best results) way of accomplishing a task, based on repeatable procedures that have proven themselves over time for large numbers of people.

Despite the need to improve on processes as times change and systems evolve, we are providing a process that if followed, will provide you with a standard way of running your business and guide you to starting a successful kiosk business.

The staff and management of DVDNow kiosks look forward to working with you to help you with your businesses methods, processes and activity, so that you are in the best position to deliver an excellent service to your customers and to achieve success.

Invitation: The contents of this manual have been supplied by the hundreds of DVDNow kiosk owners in operation around the world. We welcome you to share any ideas with us, that you feel would improve this manual and would benefit other operators. Send your ideas to: mark@dvdnowkiosks.com

Please read through this guide and the operations manual to ensure that you are well prepared for the start of your new business.



1: WELCOME

Congratulations on becoming a DVDNow Kiosks owner operator, and welcome to the family. DVDNow has a strong commitment to our customers to help them be successful. This Best Practices manual has been created to provide you with guidelines to getting your new business started. Please contact the support team if you have any questions.

1-1: HISTORY OF DVDNOW KIOSKS

Starting in 2001, Scott McInnes installed his first two internet kiosks. From there the company (PayKiosks) grew installing internet kiosks across North America. In 2005 while attending a Self Service exhibition, Scott found a new product with a very promising future; a DVD rental vending machine. A new division of Pay Kiosks was formed: DVDNow Kiosks Inc. From our humble beginnings we are now providing our customers with the best products in the industry. We have successfully deployed one of the largest networks of movie rental/sale machines in the world. We are the largest source of DVD/Blu Ray rental/sale kiosks in North America, which allows its machines to be owned and operated by small businesses, individuals, and small to medium commercial operations. All the other big players retain ownership – and profits – of their machines.

1-2: BEFORE YOU START

Why did you get into the business?

Certainly you have already asked yourself this question and answered it. Your response provided you with the confidence to move forward.

There is no better time than now to start a business. This business which you have chosen does require you to roll up your sleeves and work hard to get it going. This means that will need to allow time in your day for this business.

Entrepreneurship can be very rewarding, but it can also be risky, but you can rely on our experience to reduce that risk. DVDNow sets the stage, but you will need to make it happen. One thing that successful operators consistently tell us is that DVDNow is not responsible for making it fun or profitable, and that they were and are responsible for the success of the business. You will have to do the same. You can't sit back and depend on DVDNow to make this business work for you. You can depend on DVDNow for support and we will do everything we can to help you, but this is your business and you must become the expert in all of its aspects. The best part about this business is that the potential is unlimited. You earn what you make of it.

Top 10 Questions To Ask Yourself Before Starting Your Business...

1. What is my motivation?
2. What are my goals?
3. What am I willing to give up?
4. What is my work style?
5. What is my time line?
6. What is my budget?
7. What training will I need?
8. Am I willing to put in extra hours?
9. How does my family feel about it?
10. Would I enjoy the work?



2: YOUR NEW BUSINESS – GETTING STARTED

BUSINESS NAME

The name used by a business can become a valuable asset. Make sure the name you select is available for use. Check with business, telephone or trade directories. Ultimately, a business should rely on the advice of an attorney before adopting a name.

BANKING

Open a bank account in your business name. This helps to keep business records separate from personal expenditures for tax purposes.

BUSINESS PLAN - *Why do I need a business Plan?*

A business plan will help you define, where you are going, how long it will take you to get there, what you need to get there, why you are going there, who you should be going there with, how much it will cost you to get there, or even if you should make the journey in the first place. Below are the key points that should be included in the business plan.

The Company: The business plan must provide basic information about the company: its past, present, and future. What is the company's strategy? What are its goals and what actions are required to achieve its goals? Who are the principals in the company, and what is their relevant experience and achievements. Why are they likely to be able to achieve the goals of the company?

The Market: This is your assessment of the customer groups you've targeted, other customer groups you might pursue, the competition, and marketing.

The Product/Service: Here you describe your product/service that makes it special and attractive. What are the features and benefits of your product and service offerings? How will you generate profitable revenue from your mix of products and services?

Sales and Promotion: How you intend to carry out your marketing plan--how you'll reach your customers and sell to them.

Finance: Include cash flow projections, profit-and-loss statements, and balance sheets.

STRUCTURE of BUSINESS

Consult you attorney and CPA to help you with this decision. They can advise what would benefit you most: Sole Proprietorship, General Partnership, a Limited partnership or Corporation.

Attorney: If possible select an attorney experienced in small business matters. Make sure to ask about fees.

Accounting: Sound accounting practices mean more profits. The system you select does not need to be complicated.

CONTACT INFORMATION

If you prefer, you can setup a post office box, toll free number and register a website domain with an email account, so that you can provide contact information with a more professional appearance.

STATIONARY and BUSINESS CARDS

Stationary and business cards can help give your company a professional and established appearance.



2-1: STARTUP – IMPORTANT THINGS TO CONSIDER

- Selecting a relevant business identity and name for your new business is key. Include relevant words such as: Vending, DVD, Rentals, Video, or Entertainment. This will prevent confusion regarding transactions from your kiosk when customers are reviewing their credit card statements.
- We recommend that you contact your State Office/Secretary of State/Provincial Registry to inquire about or to reserve a business name & for business registration procedures. www.businesslicenses.com
- We recommend that you consult with a Lawyer and Accountant to determine the most advantageous business entity to set-up, and explain the advantages and disadvantages to setting up as an LLC or S-Corp., or some other entity. They will provide answers to questions such as how much you need to pay yourself in salaries and what to prepare for tax filings.
- Open up a business bank account, and arrange to get a Business phone number. We suggest setting up a virtual phone account such as grasshopper.com. This allows you to point the number to your cell.
- Business license and insurance requirements vary from country to country and state to state. Obtaining the appropriate business licenses & insurance coverage for your business, is important. It is your responsibility. If you need to obtain a business license, we can supply you with a website address for your area that will provide the necessary information you require.
- Don't forget to print business cards; we have templates available upon request. **Tip:** include a promo code number on your business card, which is good for one free rental on your kiosk.
- Liability Insurance should be considered for your kiosk. See authorized vendors list.
- Consider purchasing a website domain name. We will provide you with a website, but you can choose to use your own domain name. The domain purchase will also give you an email that is representative of your domain and business name. For example; you register a domain; yourdomainhere.com and your email can be setup as info@yourdomainhere.com.

3: SELECTING LOCATIONS

How do I approach a new location? The key to success is choosing a great location!

When contacting potential locations please refer to yourself, as an Authorized DVDNow Distributor.

When looking at locations for your first kiosk(s), we very strongly recommend that you select a location close to you. Based on years of experience we believe that until owners have learned the business, a long commute can be stressful. We do have many kiosk owners operating kiosks from long distances, and in some cases on opposite sides of the country. It can be done, but we recommend that your first kiosks are installed at locations close to where you live and/or work.

What works best: Self-securing a location or using a professional locating service? We recommend that you first attempt to find your first location(s) yourself. Not only will you save money, but you will find a location that is best for you. As the business relationship is between you and the location, it is important for you to begin a good rapport right at the start. You can also be more selective on where you choose to place your kiosk. However, you may find that finding a location is something outside of your comfort zone or that you simply do not have the time to commit to it. If so, use a professional location service.



One of the most crucial keys to successful locations is having the location staff “buy in”. It is important that the staff at the location know how to use the machine. They should also be motivated to help you promote the machine, by introducing customers to it. You may for example schedule monthly product knowledge events and invite the staff and management. One tact may be to motivate them by running a coupon event; the staff member who gets the most new customers to rent is given a reward.

Using the internet to find location sites; when targeting an area, or analyzing drive times and distances the following websites are excellent resources.

www.mapquest.com

<http://maps.google.com>

www.maps.yahoo.com









3-1: SELF-SECURING A LOCATION

Most DVDNow Owner/Operators prefer to find their own locations. The DVDNow Location Brochures provided in your Welcome Pack can be used for a professional presentation to a perspective location.

It's not the machine that makes you money: It's the location

TIP: A new proposal that new owners are now using: When speaking to a potential location, explain how a DVD rental machine is now considered a must have by store owners who believe that to stay competitive they must have a DVD rental machine. Many larger chain stores are not big enough in the number of locations for Redbox, and find they must source DVD rental machines elsewhere. Store managers also realize that the kiosks build customer loyalty and increase traffic. The machines also can be part of an integrated promotional program featuring cross-selling opportunities that can increase sales in multiple revenue streams. You can emphasize this value and suggest that DVD vending machines have become mandatory. How does a store get a DVD vending machine? They can buy or lease machines. Your offer, however is that you can provide this service and a machine for free. All you want is management and staff support to help promote the machine. The store will benefit by having increased customer satisfaction, returning/repeat customers and increased revenue from multiple income streams.

3-2: WHAT MAKES A GOOD LOCACTION – WHERE TO FOCUS YOUR LOCATION SEARCH

-  Grocery Stores or Supermarkets
-  Convenience Stores / C-stores attached to Gas Station
-  Fast Food - Restaurants
-  College Campuses/University Student Union Buildings
-  Luxury Apartment Complexes/Strata Buildings
-  Large Office Complexes/Corporate Campuses/Business Parks
-  Vacations Resorts
-  Hospitals

3-3: POINTS TO CONSIDER WHEN EVALUATING LOCATIONS

- 🎧 DVD rentals are primarily an evening activity.
- 🎧 The locations should be open 7 days a week until midnight - ideally it is 7 x 24
- 🎧 High traffic, high repeat customer visit locations are recommended. Ask the manager how many customer visits per day the location has.
- 🎧 Choose safe locations – the kiosk should always be placed in a supervised location.
- 🎧 The kiosk is a perfect fit for an under-producing 4th Wall (the area of the store between the cashiers and the entry/exit of the store).
- 🎧 Is there an ATM Machine? If Yes; how many transactions per month? A busy ATM confirms people use the store as a convenience, which makes it an ideal location for the kiosk.
- 🎧 Kiosks are not rated for outdoor use. Also the benefits of bringing customer into a location is lost if it is located outside. Key Benefit over Redbox.
- 🎧 The success of the kiosk will depend greatly on the daily traffic; the number of people that walk past the kiosk. Ask for the history of the location - how successful and how long in business.
- 🎧 Are there any restrictive Ordinances or zoning laws? Does the location have its own lease with a property owner, which may have restrictions relevant to your business plans?
- 🎧 Proximity to other similar businesses; what is your competition?

3-4: POINTS TO CONSIDER WHEN NEGOTIATING WITH A LOCATION

- 🎧 You have to keep in mind that the vending machine business is related to the business that houses the machines and it should be a popular one – the more people the bigger the profits. Before asking permission to place the machines remember that persistence is the key to this tough game where 9 of 10 businesses may turn down your offer. Talking to the owner or manager instead of a usual employee increases your chances dramatically.
- 🎧 You want a Yes or a No. Not a Maybe which can turn into weeks or months or wasting your time.
- 🎧 Be professional in appearance and in your presentation.
- 🎧 Focus on the VALUE ADDED to the location - not only the revenue. A smart location will realize that the “real benefit” is adding value to existing customers. DVD renters purchase other products— (beverages, chips, popcorn, ice-cream, candy, etc...).
- 🎧 It is good to point out to store owners – The kiosk builds Repeat business opportunities as the customers have to return the DVD.
- 🎧 It should also be pointed out that the kiosk is adding an additional product & service without any increased expense to the location.
- 🎧 We recommend that you have a rental agreement in place with the location, whether or not you are paying rent. The reason for this is to protect you in the event that the location business goes into bankruptcy. In this event your kiosk would not be part of the company’s assets and you should be able to remove your kiosk from the premises.
- 🎧 Advertising relationship; what will the locations allow you to advertise on the kiosk?
- 🎧 High traffic area will produce better results—remember the 4th wall!
- 🎧 Use common sense and do not let the location put you in a space you feel won’t do well.
- 🎧 Physically check the suggested space before committing.
- 🎧 Ensure that you will have internet and power at the placement within the location.
- 🎧 Understand what your fixed monthly costs will be in relation to the location.
- 🎧 Point out the benefits of the kiosk discussed above.



3-5: WHAT TYPES OF LOCATIONS SHOULD BE AVOIDED?

- 🎧 Locations that are closed on weekends or that close earlier than prime movie rental hours.
- 🎧 Locations in traditional Low Rent areas
- 🎧 Outdoor locations (note the kiosks are not rated nor warranted for outdoor use)
- 🎧 Locations more than 90 minutes travel away from your home
- 🎧 Any location where they ask for excessive rent or an unreasonable share of revenue/profits.

3-6: STRATEGIES FOR SECURING A GOOD LOCATION

- 🎧 Cold Calling local area businesses by walking in and asking to speak to the manager. Many Operators say hitting the pavement and getting into the locations is key to finding great locations.
- 🎧 Have a business card with your contact information that includes a website address.
- 🎧 Look for areas that do not have a video rental business nearby. Don't limit yourself to obvious locations. Think outside the box.
- 🎧 Ask existing locations for referrals.
- 🎧 If you own more than one kiosk, try to keep the locations close to one another. This will make it easier on you when servicing the machines and your customers will use both locations.
- 🎧 Look for locations that provide a high degree of convenience to the customers.

3-7: PROFESSIONAL LOCATING SERVICE

If you are experiencing difficulties finding and securing a good location, you will need the services of a professional locator. Professional Kiosk Placement offers locating services, so you can focus on running a successful business. Professional Kiosk Placement specializes in securing profitable locations for DVDNow DVD rental kiosks. Locating services typically charge a fee per approved location. Typically the fee is half down and half after the location is secured.

For Assistance with finding a location – we can recommend professional locating services. Please contact us.

It is important that you communicate your specific expectations for the location to the locator.

- 🎧 Give specific locations and include zip codes or area codes.
- 🎧 List the types of business you wish to find, and include how much traffic you would like the location to have.
- 🎧 List what you are willing to negotiate in terms of renting space or sharing profits.
- 🎧 Be very specific about what you want.

Once you have found a location and you have an agreement in place you now need to build a strategy for promoting your new business.



4: LAUNCHING A NEW LOCATION

Get motivated! Your first task is to introduce your new DVDNow kiosk to as many customers as possible.

- 🎧 As the location already has customers, you do not need to spend money on flyers or advertising outside the location. Your first objective is to change the renting and buying habits for the customers that already shop at the location your kiosk is located at. Capitalize off the location.
- 🎧 Be onsite to open and promote your location. Introduce your kiosk to everyone. Show them how it works. Show the location staff how the machine works.
- 🎧 Prepare (print) coupons to hand out at the location.
- 🎧 Video Distributors provide excellent marketing materials such as calendars and posters.
- 🎧 Soft Launch vs. Grand Opening. Do not schedule a Grand Opening event the day of the installation. It is best to have a soft opening and run the business for a couple of weeks before you spend any money on a Grand Opening event.
- 🎧 Ensure you have complete support of location management and staff. They will be your best salespeople, and may even be your best repeat renters.
- 🎧 Point-of-Sale Materials & Signage - place posters in windows and around the location promoting the kiosk (we can provide PDF copies of posters that you can have printed at a local print shop).
- 🎧 Ask the location owner or manager if they will allow you some ad space in their weekly flyer.
- 🎧 Ensure that specific information about the kiosk is displayed on or beside the kiosk.
- 🎧 Spend the afternoon and early evening a couple of days per week at each location inviting people to use your kiosk, show them how easy it is. Time spent is better than money spent.
- 🎧 The key for success for any self-service business is to develop good relationships with the customers. Always take advantage anytime that you are given the opportunity. Spending time down at the kiosk is vital to meeting the customers. You can conduct short surveys to get to know the customers, or simply introduce yourself and hand out coupon codes.
- 🎧 Professionally printed signage is a must.

4-1: END-USER INSTRUCTIONS

We recommend that you post instructions to educate your customers on how the kiosk works. One such note, for example, may read: *(the \$ and other values used are for example purposes only)*

EXAMPLE

Kiosk pre-authorizes your credit card for the full value of the DVD. (\$30 + tax)
When the DVD is returned you are only charged the total rental cost. (\$1.99/day + tax)
You can view the back of a DVD free for 10 minutes and return it to the kiosk at no charge
DVDs rented for an excess of 10 days will be deemed purchased and cannot be returned
For assistance, please contact us at (your phone number or email here).
Ensure that you return the movie before (cut-off time here) or you will be charged another day's rental

If you are contacted by a customer for a service related issue, treat it as an opportunity; Customer Service is always a good way to build or improve customer relations. We recommend that you always **provide exceptional customer service**. If someone has a problem or concern, it will be to your benefit to address it promptly. When a problem occurs it is an opportunity to be your best. If handled with professionalism and courtesy, the problem will be forgotten and you will have earned a great customer. Ensure that your contact information is either on the kiosk or on a sticker on the inside of each DVD box. The customer should be able to easily find your contact information, phone number, and website address and rental policy info.



5: PRICING PLANS AND PRICING STRATEGIES

A customer using a DVDNow kiosk can select to either purchase or rent a DVD.

The kiosk includes several features that provide options and flexibility to market your products.

Price Plan List: is a feature to allow set up different price plans which can then be selected for different slots. These options can be accessed by the Price Plans link In Connections.






Weekly Price Plans: to setup different rental fees for different days of the week. This will allow you to offer special rental fees. For example: A \$0.50 Monday family night at the movies.

Rental Strategies: Don't be afraid to start with a higher rental fee. Example: charge \$1.99 the first night, and \$1.49 the second. Another strategy is to offer a lower first night and a higher additional night fee. Example: charge \$.099 first night and then \$1.99 for additional nights. Create different rental plans to offer different levels of rental fees based on how long the DVD has been in the machine. Know your competition's rental fees, and price accordingly. A higher rental rate does not always equal or ensure more profits. There is a relation to the nightly fee to how quickly the DVD is returned.

Selling Strategies: The selling price of the DVD is set by the default selling price that you have setup in your kiosks configurations. We recommend that you start high to offset any loss that may result in the DVD not being returned after its first rental. The customer will be charged this fee. The original selling price or default sell price should include the cost of the DVD, the cost of the RFID tag and Insert Sticker, as well as the total rental fees (based on your Rent to Sale Conversion setting).

After a DVD title has been in the machine a couple of weeks you can use the Connections software to manually lower the selling pricing as well as select a different price plan which has lower rental fees than that of the new releases. The lower rental fees and lower selling price is to encourage either a sale or further rentals.

TIP: Managing Your DVD Inventory. The inventory will grow quickly along with your invested dollars into your inventory. DVDs are not a perishable item, and if you do not sell it out of your kiosk, you still have options.

-  You can sell it back to the distributor.
-  You can sell it back to the store location. Many stores sell discount DVDs on racks or in bins.
-  You can sell the DVDs to wholesale movie distributors, or on specific web sites.
-  Bundle up 2 DVDs and sell the pair for an attractive price.
-  Mark discounted DVDs with an orange sticker to identify what DVDs are on SALE.

TIP: Place a sticker in each DVD case that informs a customer what to do if there is a problem with the DVD. Ensure your contact information is included.



6: COUPON CODES

Our backend software “Connections 2”, offers a few new variables for coupon codes.

1. **First Night Free** - this will deduct the first night rental fee from a customer’s total fees
2. **One Rental Free** - this provides a free rental
3. **Rent One Get One Free** - this allows for a 2 for 1 promotion
4. **Dollar Free / Off** - this will deduct \$1 from the total fees
5. **% Off First Night** – this will deduct a percentage from the first night rental fee

Coupon codes were designed to get customers to tryout your kiosk

Chances are that the business at your new kiosk location already has an existing customer base. One of your first tasks after installing your kiosk is to introduce your kiosk to these customers. You must change their current renting / purchasing habits for DVDs.

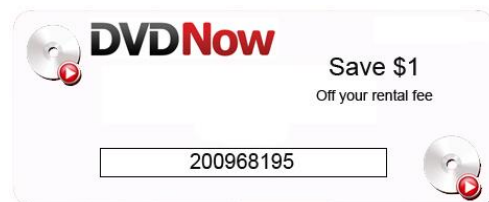
Getting them to tryout the kiosk by using a coupon code is a very effective way to introduce them to the kiosk.

Using the codes is pretty straightforward. When the customer is renting a movie, they just touch the **COUPON** button and they will be able to enter the code which will apply the free or discounted rental. They then swipe their credit card and after the authorization is completed their DVD selection will be delivered. When the DVD is returned the kiosk software applies the discount to the total fees before the transaction is completed.

How Do I Distribute the Codes?

- Add a coupon code to your business card. You can print the cards that include a code or you can leave a blank space and add in the code later.
- Advertising outside of a location has shown limited results. However, advertising within a location has been shown to get better results. Create flyers that include a coupon code which can be distributed within the store. If the location already has a weekly advertising campaign in a local paper, ask if they would include a coupon code and mention your kiosk.
- You can email the codes to your members.
- Coupon codes are often used for customer service issues. For example, a customer has a complaint, and you offer them a coupon code for a free rental. Another example: A location staff assists you with your kiosk management and you provide them with a coupon for 10 free rentals.

EXAMPLES:





7: MEMBERSHIP

Customers can now register online or at your kiosk to create a membership account, and with membership comes rewards for both you and your customers.

Your Connections website will prompt visitors to become members with the option of reserving DVDs online. This is only available to registered members. The kiosk also prompts customers at the kiosk to register if they would like to have receipts emailed to them. This will provide you with a means to collect contact information – specifically email address for every member.

Collecting contact information gives you the ability to communicate with the members either as a group or individually via an email system that is part of your administrative connections account.

You can use this system to promote:

- Special rental fees on selected weekdays.
- Discounted sale prices for DVDs.
- Announce upcoming New Releases and urge the customer to reserve their copy now.
- Reward a good customer with a coupon code.
- Download or print their transaction history
- Automate email to send coupon on their birthday

MEMBERSHIP / GIFT CARDS *(coming soon)*

Membership will also include the opportunity to purchase membership/gift cards. The cards can be setup for a monthly fee which entitles the card holder to a limited or unlimited number of rentals per month.



Gift Card – load dollar value onto card
Membership – purchase monthly rental package
Parental Control – managing what is rented
Reward Points – earn points with every rental
Reduced Merchant Fees – gift card transactions do not go through merchant services

8: KIOSK TOP MOUNTS

- Optional acrylic topper which is designed to hold a banner logo or advertisement. However, the topper can be replaced with an LCD monitor or TV. DVDNow does not provide the TV, but we do provide a mounting bracket to secure the monitor or TV. (see image below)
- VESA Mounting bracket designed to secure a LCD TV to the top of the kiosk.
- An LCD TV will provide a much larger visual presence for the location.
- The video inputs are available on the roof of the kiosk for easy connection.
- The TV will play movie trailers or advertisements that you manage using our intuitive UMG software.



VESA Mounting Bracket \$175



Topper for S250 \$200



Light Box for S100 \$350

* We have a list of recommended TVs to be used with the S250 Kiosk: (American Models)

Samsung 26" LN26B360

Sharp 22" 720P LC22DV24U

Note both TVs have side facing connectors in the rear, so the wiring won't run into VESA mount. These are the ideal TVs to purchase.

There are two other TVs which have tested ok to use with the kiosk but the input or electrical connectors do not match up as well with the VESA mount.

LG 26" 720P 26LH20

LG 24" 1080P W2453V-PF



9: WHAT MOVIES DO YOU LOAD INTO THE KIOSK

One of the main questions we get is, “How many DVDs of the same title do I load?” Or, “Should I load video games or Blu-Ray DVDs into the machine?”

For the first load after installing the kiosk, a good mix is best: 40 to 60 older titles, but good titles mixed with some new releases added in. You will no doubt add additional new releases each week. This recipe has worked well and you should see a good return on your investment. Don’t purchase 10 copies of a new release, as you can always add a few more copies if necessary. Blu-ray and videos selections will add variety to your inventory; stick to only the hottest selections. For games select a platform carefully: PS3, XBOX, or Wii

We recommend that you get an account with a video distributor. The distributor will provide you with tools to select upcoming new releases. The account rep can assist, but they will not pick out your selections for you. Over time and as you get to know what your customers want, you will define your own philosophy for what rents and what does not, and how many copies you should purchase for a new release title.

Ordering On Time: If you do not order on time, you will run the risk that VPD will not have stock.

Vocabulary: *Pre-order/Prebook date* means the date the DVD needs to be ordered by (please adhere to this date by Noon). *Street date* means the date the DVD will be available to rent.

Trade Publications: For trade magazines, we suggest Home Media Retailing and Video Business. You can find their information on-line and you are welcome to subscribe to both publications on-line. A great source of information is also the website www.imdb.com.

9-1: ORDER DVDS FROM A DISTRIBUTOR

I can purchase DVDs from a local retailer cheaper!

1. Our customers are free to purchase DVDs from whomever they wish, but there are some very good advantages when using VPD or E1.
2. The buying power of DVDNow provides all our customers with the same pricing that Redbox does.
3. With the buy-back option the initial price of the DVD is actually the same or cheaper than purchasing it at Amazon.com, Best Buy or Wal-Mart.
4. VPD and E1 provide you with a news letter service FREE of charge, and marketing materials such as posters.
5. Shipping rates were recently kept at the same level and not raised for all DVDNow customers. DVDNow is the only account to receive this benefit.
6. Support from VPD and E1 is top notch. Your account rep provides you with insider information that you won’t get from a retail store.
7. Your order will arrive before the street release date giving you several days to prepare the DVD with the security tags and allowing you to load them into the machine at your convenience.
8. VPD offers a tagging program – pre-tagging your order with RFID tags and Insert stickers.

In summary there is more to using a distributor than just price. Without the VPD and E1 programs along with the collective buying power of all the DVDNow customers, you would be paying much more for your DVDs and for shipping. The tools and support which VPD and E1 provide is also important to consider.



10: MARKETING TIPS – BEST PRACTICES

for increasing rentals and generating revenue with advertising.

One form of promotion which has been very effective is to get a story written in the local newspapers introducing your new kiosk business. One operator took this one step further; a local TV station interviewed him about his kiosk business and featured him on their evening news broadcast.

Hold Product knowledge meetings to show the location staff how to use and promote the kiosk.

Coupon Codes: create a coupon and have location staff or cashiers give them out to customers.

Develop coupon codes to measure staff effectiveness” give staff specific codes to hand out to customers. Award staff members who get most customers to rent.

Cross Promotions speak with the Manager at the location and have him suggest to some of his suppliers that they advertise on your kiosk.

Use Old Movies to Promote Your Kiosk: Give a box of old movies to the location manager to give to good customers. Inside the jewel case would be an invitation with a coupon to try out the DVD rental kiosk at the stores location.

Hold product knowledge events. Highest renting kiosks are in locations where the staff promotes the kiosk.

VPD ship DVDs to you a week in advance and you will have time to add tags and ship to store. This will allow you to load on or before release day.

Ask for shelf space at store to sell old DVDs. Sell to store and have them sell them.

Promote the website: Customers can check out your DVD inventory, view trailers and print a receipt for rentals and reserve new releases online.

Membership - collect contact information for your customers and send emails to promote new release DVDs, email coupon codes, send out newsletters, and promote sales or promotional nights.

With the LCD display on the top of the kiosk you have a great opportunity to sell advertising. Find a way to utilize this tool. We also provide software which manages video content for advertising. It is called UMG and gives you control over the media content.

Contact anyone advertising their services in any local newspaper or publication and offer them the opportunity to advertise on the kiosk.

Coupons or advertising can be placed inside the DVD case.

Advertising: One customer reported doing an advertising trade with a newspaper/print shop where he gave them some advertising space on his machine and in turn they gave him space in his newspaper.

Put up a Top 10 rentals poster at your kiosk location. You can add some of the slower moving titles on the list to get customers to rent them.

Hold a Grand Opening event. Rent and old fashion popcorn makers and give out free bags of popcorn & a free night rental



11: MANAGING YOUR BUSINESS

This is your business and you must enable yourself to succeed.

- A well maintained machine will be used more often than a neglected one. Service your machine often and it will yield a bigger return. Change out older DVDs and Posters and replace with new releases.
- Avoid or pay a fair % of your profits to locations.
- You must manage your money correctly. Calculate your profits and expenditures and cancel out those which have no effect on your business. Scrimp and save to work to your destination.
- Consult with an accountant to understand business operating expenses and what you can write off.
- Always have a rental agreement in place even if you are not paying rent. This agreement will protect you in the event that the location files for bankruptcy and all the assets seized. The agreement is proof that the kiosk is yours and you will be able to get your kiosk back from the creditors.
- Hire a store employee to assist you with managing the kiosk. They can Load and Unload DVDs, and help you with customer service issues. You can pay them with free movie rentals.
- Promote that you are locally owned and operated.

12: REDBOX

Is there any information on how to compete with Redbox?

Redbox is the best thing that has ever happened to this industry. Redbox has reinvented how people are renting their favorite movies and we find that our machines even do better in areas that have a high concentration of Redbox machines.

Some owner operators recommend that our owners do not try to compete with Redbox. However, some of our other owners do really well when they do go up against them. Some of our top machines are right in the middle of Redbox territory. Our opinion is that it is possible to go head to head with Redbox, but to do so; you need to have aggressive pricing. One of our owners in Salt Lake City goes toe to toe with local Redbox machines, and he does so at \$.99 for the first night and \$1.49 for additional nights. He reports that his machines are doing exceptionally well despite the competition.

There are positives and negatives to Redbox, but in my opinion the positives outweigh the negative. The most compelling evidence we see is how much quicker kiosks get up to a decent revenue level in Redbox areas vs. non-Redbox. We find that kiosk operators that startup in other countries where Redbox does not exist, report a customer hesitation to use the kiosks, and at first do not perform as well compared to the kiosks in traditional Redbox markets. Redbox success and popularity has increased the consumer's awareness of the benefits of renting from a kiosk. As Redbox and other DVD rental machines gain in popularity, the traditional rental businesses such as Blockbuster and NetFlix are becoming very concerned.

If you find that your DVDNow kiosk is across the street from a Redbox, you should not be frightened. You may not be able to charge whatever you want as the local customers will be aware of the \$.99 rental across the road. However, with the right strategy there is definitely an opportunity to be successful on Redbox's turf.

One of the best ways that you can differentiate yourself from Redbox is by providing exemplary customer service. Redbox does not have the advantage to provide a customer the personal service that you do. Use it to your advantage, and view every customer service opportunity as an opportunity to turn a lemon into lemonade.



13: DVDNOW AFTER HOURS SUPPORT POLICY

We will maintain a complimentary after hours support policy as long as we can keep calls strictly to emergencies only:

Emergency After Hours Support is available: Monday to Friday 5:00pm to 9:00pm (pst) and Weekends 10:00am to 5:00pm (pst)

In recent months we have seen a significant increase in the amount of non-emergency calls coming through during after-hours periods. In order to keep Emergency After-Hours Tech Support open for serious issues, we have devised a list outlining what types of calls classify as "emergency".

EMERGENCY

An emergency is defined as **any problem which impedes rental activity**. This includes: Jammed DVD's

- 🔊 Most often, a jammed DVD can be cleared without the assistance of tech support. Unplug the kiosk, open the rear door of the kiosk and remove the DVD. Power on the kiosk. When it's finished initializing, press the "return" button and the DVD will go back to its proper slot.
- 🔊 Typical Emergency Situations:
 - A. Kiosk software frozen/locked up.
 - B. Exchange Door stuck in any position (open, stuck midway, etc)
 - C. If your kiosk appears offline in connections, yes, it is possibly an emergency but we ask you to check two possibilities before calling us:
 1. The internet connection is down; either the network cable is physically unplugged, or the modem, router. Even the service from your service provider could be down. Commonly, "Network Error" will display to renters when they try to rent.
 2. The power to the kiosk has been unplugged. Either physically removed or the circuit breaker to that outlet has been tripped. If you using an extension bar the reset button might be off.
- 🔊 If those two are ok, then please call us for assistance. The Connections server might be misreporting; due to server crash, network congestion, etc.

NON-EMERGENCY

The following issues are classified as non-emergency as they can be deferred until the next business day:

- 🔊 Manual close-out of transactions due to bad RFIDs tags, etc.
- 🔊 Questions regarding Connections Web Service, UMG, RFID errors, etc.
- 🔊 Password requests
- 🔊 UPC code requests
- 🔊 Configuration change requests
- 🔊 Release date errors
- 🔊 Replacement parts shipment tracking updates

After-hours service is not conducted in the office or near a computer. During the after-hours period, calls are redirected to a blackberry cell phone, which one of us in tech-support carries. We might not be able to take your call if, for example, we are eating dinner. If we are unable to take your call please leave one message with the following information:

- 🔊 Your name
- 🔊 Contact phone number
- 🔊 Kiosk serial number
- 🔊 Description of problem

We will return your call as soon as possible.



14: AUTHORIZED SERVICES AND VENDORS

MERCHANT SERVICES

For Customers in the USA

Gateway

SIX CARD SOLUTIONS

Paulo Dostal, Customer Support 1-630-288-2754
Technical Support 1-800-346-1259

Processor

First Data Commercial Services

Jonathan G. Large, Account Rep 1-877-457-2615 ext 6218

For Customers in Canada

Gateway

SIX CARD SOLUTIONS

Paulo Dostal, Customer Support 1-630-288-2754

Processor

TD First Data International Canada

David Bryant, Account Executive 1-888-879-4044 ext 3635084
Cell: 519-777-1532

DVD Wholesale Distribution

For customers in the USA



Video Product Distributing Inc.

Rhonda Young 1 (800) 366-2111 www.vpdinc.com
young@vpdinc.com

For customers in Canada



Entertainment One.

Scott McLeod (800) 665-9767 ext 173 www.entertainmentone.ca
scottmcleod@e1ent.com

INSURANCE

Total Insurance Planning

Jeff Swanson (804)-595-1900

jeff@totalinsuranceplanning.com



15: Top Mistakes of Kiosk Deployment

Kiosk deployment can be quite a complicated affair, and successful rollout is never a guarantee. We've outlined the most common mistakes and provide practical ways for operators to prevent these mistakes.

1. Failing to present a truly compelling offer to the customer

Too many kiosk operators seem to rely on “cool” or “cutting-edge” technology as the reason customers will use their machines. In making this assumption, operators neglect to realize how rational consumers can be — most consumers need a compelling reason to alter their shopping habits.

To overcome this hurdle, every kiosk should quickly and succinctly delineate a specific problem it will solve for the consumer. Furthermore, the solution the kiosk presents must be compelling enough that it convinces the consumer to try something new. Is there a high convenience factor to attract new customers?

Case in point: When Redbox rolled out its DVD rental kiosks, the company believed the convenience of renting a DVD from the supermarket was compelling enough to consumers that they could charge a standard rental fee (e.g. \$3.99 for three days) and succeed. In reality, it took a persuasive price point (\$1.00 per day) for users to change their rental habits.

2. Failing to realize that the first attempt might have set backs

No first-time kiosk rollout is perfect. There are many variables that operators simply can't know until the kiosk is deployed and consumer interaction can be observed.

No amount of research will determine the success of a kiosk. Smart operators will spend some time doing research before rolling out a machine and then observe its impact before refining the process and continuing the rollout. This is by far the best approach — getting the kiosk to the location quickly allows expedient and real-time modifications.

3. Location, Location, Location

Kiosks are a form of retail, and what is the golden rule of retail? Location, location, location. Why spend the massive amounts of time and money a kiosk project requires only to disregard strategic placement of the machine?

Careless placement of kiosks can lead operators to believe their low usage rates are due to poor marketing. Thus, many operators will take on new marketing strategies when all they need to do is think strategically about the location of the machine.

Many times, the right kiosk location isn't obvious, and it's perfectly acceptable to try several placements before finding a solution.

Summary

Of course, the possible problems kiosk operators may encounter are numerous, but taking steps to avoid these common mistakes will be an excellent starting point for any rollout.

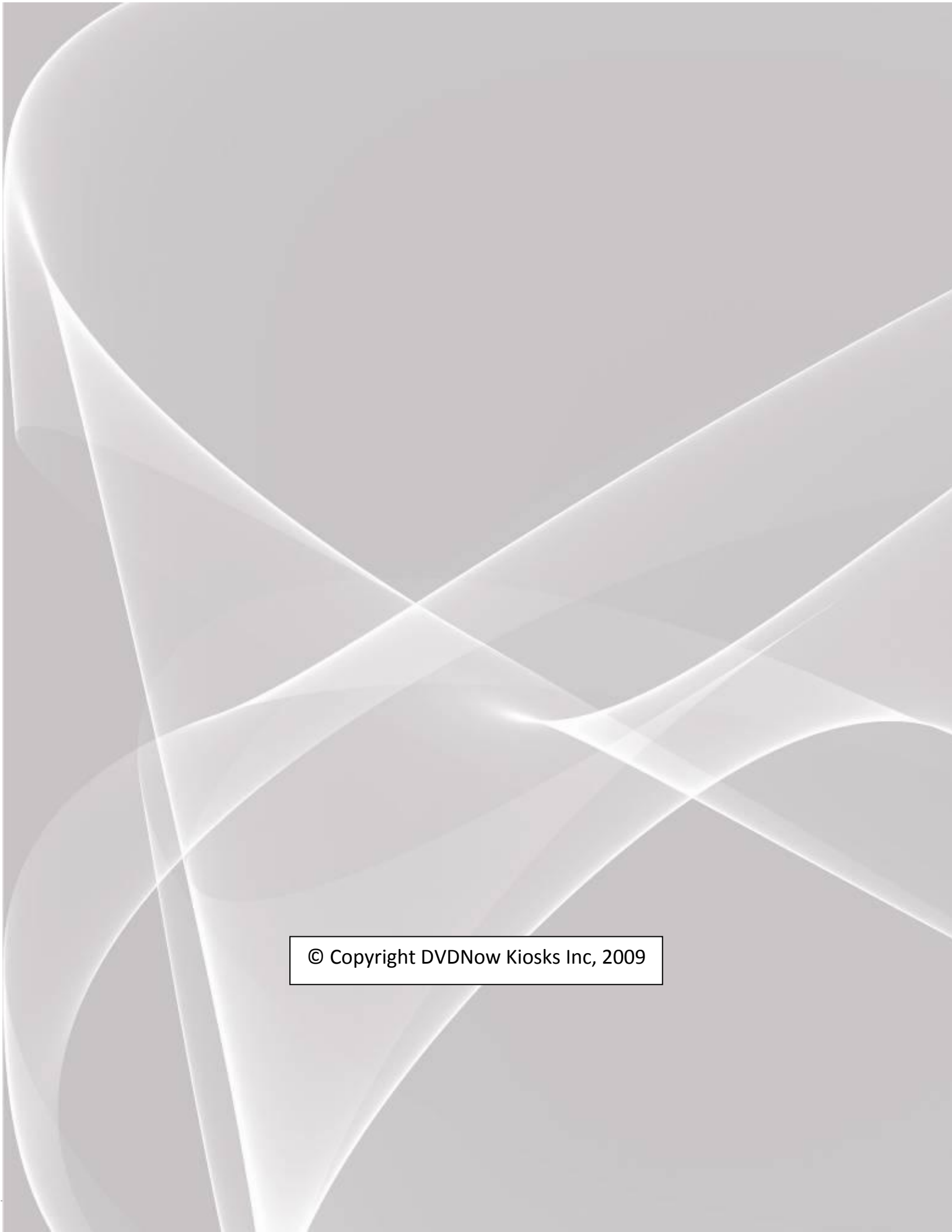
16: MOVING A KIOSK

The kiosk is heavy but manageable. I recommend using a dolly to move it around. I also recommend renting or using a cube van for the move. I find that transporting the kiosk standing up reduces scratches and damage. However, the kiosk can be move lying down on its side. Make sure that the kiosk is wrapped in a blanket. Also watch the power cord on the back door to ensure it is not pinched or damaged by laying the kiosk on it.

1. Remove the DVDs, this can be done manually by opening up the front door and pulling out the DVDs. (to reload after kiosk is powered on – hit RETURN and slide DVD into exchange box and the kiosk will return the DVD back to the original slot)
2. Remove the side panels and light box.
3. Secure the carriage assembly and counter weight using the 5 locking bolts = marked in yellow.
4. Wrap the kiosk in blankets or shrink wrap.
5. Secure the kiosk to the side of the cube van using ratchet straps.
6. When you are setting up the kiosk at the new location – make sure you have released all the locking screws before you power it up.
7. You should complete a quick rental to test internet or contact us to check that the kiosk has a good internet connection and is online.

Tools: The kiosk comes with a tool package which includes a screw driver, wrench and Allan keys. This is all you will need.





© Copyright DVDNow Kiosks Inc, 2009