UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended: March 31, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 000-15159

RENTRAK CORPORATION

(Exact name of registrant as specified in its charter)

Oregon	**93-0780536**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

7700 NE Ambassador Place, Portland, Oregon	**97220**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: 503-284-7581

Securities Registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.001 par value per share	**The NASDAQ Stock Market LLC (NASDAQ Global Market)**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes ¨ No x

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act: Yes ¨ No x

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K, or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of the voting and non-voting common equity held by non-affiliates, computed by reference to the last sales price ($25.27) as reported by the NASDAQ Global Market, as of the last business day of the Registrant s most recently completed second fiscal quarter (September 30, 2010), was $265,366,613.

The number of shares outstanding of the Registrant s Common Stock as of June 3, 2011 was 11,242,616 shares.

Documents Incorporated by Reference

The Registrant has incorporated into Part III of Form 10-K, by reference, portions of its Proxy Statement for its 2011 Annual Meeting of Shareholders.

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RENTRAK CORPORATION

2011 FORM 10-K ANNUAL REPORT

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Forward-Looking Statements

Certain information included in this Annual Report on Form 10-K (including Management s Discussion and Analysis of Financial Condition and Results of Operations regarding revenue growth, gross profit margin and liquidity) constitute forward-looking statements that involve a number of risks and uncertainties. Forward-looking statements may be identified by the use of forward-looking words such as could, should, plan, depends on, predict, believe, potential, may, will, expects, intends, anticipates, estimates or continues or the negative there thereon or comparable terminology. Forward-looking statements in this Annual Report on Form 10-K include, in particular, statements regarding:

- our future results of operations and financial condition and future revenues and expenses, including increases in acquisition costs, declines in Home Entertainment (HE) Division revenue and increases in our Essentials revenues;
- the future growth prospects for our business as a whole and individual business lines in particular;
- expanding our product and service capabilities;
- future acquisitions or investments;
- protection of our intellectual property;
- our relationships with our customers and suppliers;
- adjusting rates for our services;
- market response to our products and services;
- expanding the services we provide in our foreign locations and entering into additional foreign locations;
- the impact of government restrictions;
- the impact of technological advances;
- the impact of fluctuations in foreign exchange rates; and
- our recent business acquisitions.

These forward-looking statements involve known and unknown risks and uncertainties that may cause our results to be materially different from results implied by such forward-looking statements. These risks and uncertainties include, in no particular order, whether we will be able to:

successfully develop, expand and/or market new services to new and existing customers, including our media measurement services, in order to increase revenue and/or create new revenue streams;

timely acquire and integrate various third party databases into our systems;

compete with companies that may have financial, marketing, sales, technical or other advantages over us;

deal with our data providers who are much larger than us and have significant financial leverage over us;

successfully manage the impact on our business of the economic environment generally, both domestic and international, and in the markets in which we operate, including, without limitation, the financial condition of any of our suppliers or customers or the impact of the economic environment on our suppliers or customers ability to continue their services with us and/or fulfill their payment obligations to us;

effectively respond to rapidly changing technology and consumer demand for entertainment content in various media formats;

retain and grow our customer base of retailers (Participating Retailers) participating in the Pay-Per-Transaction system (the PPT System);

continue to obtain home entertainment content products (DVDs, Blu-ray Discs, etc.) (collectively Units) leased/licensed to home video specialty stores and other retailers from content providers, generally motion picture studios and other licensors or owners of the rights to certain video programming content (Program Suppliers);

retain our relationships with our significant Program Suppliers and Participating Retailers;

manage and/or offset any cost increases;

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- add new clients or adjust rates for our services;
- adapt to government restrictions;
- leverage our investments in our systems and generate revenue and earnings streams that contribute to our overall success;
- enhance and expand the services we provide in our foreign locations and enter into additional foreign locations; and
- successfully integrate business acquisitions or other investments in other companies, products or technologies into our operations and use those acquisitions or investments to enhance our technical capabilities, expand our operations into new markets or otherwise grow our business.

Please refer to Item 1A. Risk Factors in this Annual Report on Form 10-K for a discussion of reasons why our actual results may differ materially from our forward-looking statements. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our expectations change.

PART I

ITEM 1. BUSINESS

Overview

We are a global digital media measurement, research and distribution company, serving the entertainment, television and advertising industries. Our web-based products measure and report consumer media consumption across multiple platforms, devices and distribution channels. We process and aggregate data from hundreds of billions of transactions wherever entertainment content is viewed, whether at the box office, from a television screen, over the internet, on a smart phone or any other device, and however it is obtained, whether purchased, rented, recorded, downloaded or streamed from multiple channels. These massive content databases report comprehensive results across all viewing platforms and are fused with third-party consumer segmentation and purchase databases. Our systems and services help our clients better understand and analyze how audiences view and respond to content, which enables content producers, advertisers and ad agencies to make better programming decisions and directly target consumers, which helps them plan, buy and sell advertising across all of the entertainment screens.

Rentrak Corporation is an Oregon corporation and was originally incorporated in 1977. We are headquartered in Portland, Oregon, with additional United States and international offices. We have two operating divisions within our corporate structure and, accordingly, we report certain financial information by individual segment under this structure. Our Advanced Media and Information (AMI) operating division includes our media measurement service. Our HE operating division includes our distribution services as well as services that measure, aggregate and report consumer rental and retail activity on film and video game product from traditional brick and mortar, online and kiosk retailers.

Our AMI Division encompasses media measurement services across multiple screens and platforms and is delivered via web-based products within our Entertainment Essentials lines of business. These services, offered primarily on a recurring subscription basis, capture consumer viewing data which are integrated with consumer segmentation and purchase behavior databases. We provide film studios, television networks and stations, cable, satellite and telecommunications company (telco) operators and advertisers insights into consumer viewing and purchasing patterns through our thorough and expansive databases of box office results and local, national and on demand television performance.

Our HE Division services incorporate a unique set of applications designed to help clients maintain and direct their business practices relating to home video products. Entertainment content is distributed to various retailers primarily on behalf of motion picture studios. We track and report performance of home entertainment products leased directly to video retailers or through our PPT System. Within this system, video retailers are given access to a wide selection of box office hits, independent releases and foreign films from the industry s leading suppliers on a revenue sharing basis. By providing second- and third-tier retailers the opportunity to acquire new inventory in the same manner as major national chains, our PPT System enables retailers everywhere, regardless of size, to increase both the depth and breadth of their inventory, better satisfy consumer demand and more effectively compete in the marketplace. We lease product from our Program Suppliers; Participating Retailers sublease that product from us and rent it to consumers. Participating Retailers then share a portion of the revenue from each retail rental transaction with us and we share a portion of the revenue with the Program Suppliers. Our PPT System supplies both content providers and retailers with the intelligence and infrastructure necessary to make revenue sharing a viable and productive option.

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Our HE Division also includes our rental Studio Direct Revenue Sharing (DRS) services, which grants content providers constant, clear feedback and data, plus valuable checks and balances on how both their video products and retailers are performing. Data relating to rented entertainment content is received on both physical and digital product under established agreements on a fee for service basis.

AMI Division

Our media measurement services, offered primarily on a recurring subscription basis, are distributed to clients through patent pending software systems and business processes, and capture data and other intelligence viewed on multiple screens across various platforms within the entertainment industry.

The primary content measurement services are as follows:

Television content:

- OnDemand Essentials , including OnDemand AdEssentials
- TV Essentials
- StationView Essentials

Internet and Mobile Device content:

- Internet TV Essentials
- Digital Download Essentials
- Mobile Essentials

Theatrical Box Office content:

- Box Office Essentials

Typical clients subscribing to our services include motion picture studios, television networks and stations, cable and telco operators, advertisers and ad agencies.

Television, Internet and Mobile Device content:

We provide our customers with second-by-second performance metrics that demonstrate real viewer behavior for broadcast, cable, high-definition, video on demand (VOD) and digital cable television content. We aggregate transaction-level data from, in many cases, full census tracking, which gives users the competitive advantage for more informed decision-making. These web-based reporting systems provide clients with instant access to the tools needed to track content and consumer behavior. We have recently launched component products for individual screens that feed into cross platform products and analytical services. With each new component product launched, we expect to secure additional revenue from our current customer base while expanding the markets for our services. The component products that are currently commercially launched include OnDemand Essentials , including OnDemand AdEssentials , TV Essentials , StationView Essentials , Mobile Essentials , Digital Download Essentials and Internet TV Essentials . These products are described below.

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VOD content:

OnDemand Essentials   (ODE   ) provides multi-channel operators, content providers (including broadcast/cable networks and studios) and advertisers with a transactional tracking and reporting system to view and analyze the performance of on demand content. This web-based system provides clients throughout the United States and Canada with instant access to the tools needed to track on demand content, trends and consumer behavior and represents information from over 80 million set-top boxes (STBs   ) from every major operator that offers VOD programming. Our system includes daily, census-level data of current and historical market- and title-level content performance from 38 multi-channel operators. We are well positioned to continue to grow this business by adding new clients and adjusting rates as the business activity increases and as advanced advertising technology is rolled out by the industry. We are beginning to expand the capability of our OnDemand service to provide cross platform reporting for on demand content viewed beyond the television set (for example, Internet streaming, portable and mobile devices). Additionally, we are working on obtaining and/or incorporating data from new and existing providers relating to online, mobile and   Over the Top   content.

OnDemand AdEssentials   measures census-level advertising within on demand content. This analysis includes reporting of ad campaigns across impressions, reach and frequency. With OnDemand Essentials   and AdEssentials , programmers and agencies have a robust set of tools needed to maximize on demand advertising revenue.

Internet and Mobile Device content:

Internet TV Essentials   processes online usage data to help clients manage their ad-supported online content. The service filters massive amounts of raw, disparate usage data and presents it back to our clients in a uniform, easy-to-use format. Internet TV Essentials   provides multi-platform content providers, online video aggregators and web-only portals the tools necessary to analyze trends and track online video usage data for their decision-making.

Digital Download Essentials   is a reporting and auditing service providing performance intelligence on purchased and rented movie and television content downloaded or streamed via the Internet. It is tailored for clients who offer the majority of their online video products on a pay-per-transaction basis. The system provides a single integrated solution to report all Internet-based sales and rental transactions, including royalty calculations, on a global basis.

Mobile Essentials   service can be customized to fit the specific needs of our clients, with applications for both on demand and live content accessed via any mobile device. It uses functionality from OnDemand Essentials   and TV Essentials , and gives users access to the data needed to monitor that content, which content includes video clips, games, mobile web, small message servicing (SMS   ) data (also known as text messaging), ring tones, wallpaper and music downloads. The Mobile Essentials   service enables users to perform in-depth analysis of their mobile content and its viewers, including near real-time viewership, demographics analysis, geographic analysis and audience sharing and audience overlap, which provide clients with insights relating to viewers that simultaneously watch more than one channel.

Linear Television content:

TV Essentials   is a comprehensive suite of research tools that calculates anonymous second-by-second audience viewing patterns in all facets of television programming and advertising including DVR, interactive and linear TV viewing. By providing transaction-level performance metrics from millions of STBs, TV Essentials   provides insight into programming effectiveness, enabling networks and network operators to optimize their TV advertising inventory. Developed to handle data from the nation   s 114.5 million television households, the system can isolate individual market, network, series or telecast performances, administer national and local estimates and provide an evaluation of influencing factors such as psychographics (attributes relating to personality, values, attitudes, interests or lifestyles), and demographics for competitive, in-depth intelligence. Today, based on data from our current operator partners across multiple platforms, including cable, satellite and telco providers, we are translating viewing patterns from approximately 17 million digital televisions into insights for our clients. Additionally, one of the biggest advantages of TV Essentials   is that it combines the stability and granularity of STB data with marketing segmentation and advertiser databases, resulting in robust targeted TV viewership intelligence data. The TV Essentials   service provides advertisers, ad agencies and networks with advanced television targeting, which enables our customers to spend their advertising dollars more efficiently. For example, advertisers are able to target the exact consumers who typically purchase their products.

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Currently, we obtain census and transactional data from four data providers with whom we have multi-year contracts. These agreements allow us to commercially integrate viewing data into TV Essentials . We also have developed the capability to overlay segmentation and consumer purchase databases to help our clients clearly define their advertising messages to consumers and we continue to build our research capabilities to move our products from data to knowledge-based products and services that interpret this data.

StationView Essentials is a television measurement and analytical service specifically designed to meet the unique needs of local television station markets. This service provides users with second-by-second viewing detail at the station level, enhancing their ability to understand viewer involvement and habits in local markets. By providing access to the linear television viewing patterns of millions, StationView Essentials ultimately allows television station management to better understand their audience viewing patterns, view competitive data from other local stations in their market, monitor daily program performance and improve audience retention by appropriately adjusting programming and selling their advertising more effectively. The StationView Essentials database has been integrated with brand ratings and television household demographic ratings to provide stations with the tools they need to develop new advertising revenue streams.

Theatrical Box Office content:

Box Office Essentials reports domestic and international theatrical gross receipt ticket sales to motion picture studios and movie theater owners. We provide studios with access to box office performance data pertaining to specific motion pictures and movie theater circuits, both real-time and historical. Data is obtained via electronic connectivity, phone or fax to theater box offices and is collected for the majority of all movie theaters in North America, Guam, Puerto Rico, Russia, Hong Kong, the United Kingdom, Ireland, Italy, Australia, New Zealand, Japan, South Korea, Taiwan, Germany, Austria, the Netherlands, France, Mexico, Columbia, Venezuela, Argentina, Brazil, Portugal, Chile and Spain. Box Office Essentials delivers box office results from more than 80,000 movie screens in 23 countries throughout the world. We make on-going efforts to strengthen our business relationships with our existing clients and theaters as well as focus on our syndication services. During the next twelve months, we also plan to enhance and expand the services we provide in our foreign locations and enter into additional foreign locations.

Box Office Essentials data is published in the Hollywood Reporter, Daily Variety, USA Today, Yahoo and the LA Times and is the source for the majority of all box office reporting globally.

Prior to the acquisition of the EDI Business (as described in Note 4 of Notes to Consolidated Financial Statements), we held long-term relationships with each of the six major Hollywood studios (Global Clients) in the United States and Nielsen s EDI division held these relationships abroad. Currently, there are no other competitors who provide this service, and we believe that the barriers to entry are quite high because the Global Clients prefer a single provider with world-wide reporting capabilities. In particular, our service provides these Global Clients with access to information relating to all other market participants.

In the third quarter of Fiscal 2011, we acquired Ciné Chiffres, a provider of French box office data in Paris, France and its suburbs, for $1.7 million. Ciné Chiffres is reported as a component of Box Office Essentials in our AMI Division. See also Note 4 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Multiple Platform and Enhancements to Existing Services

We are investing significant resources in the continued development and expansion of a comprehensive service that will provide business insights, research and analytics across multiple media platforms including TV, DVR, Internet TV, mobile, digital purchases, on demand home video, theatrical and retail. This system will compile usage data, using a common metric, to illustrate each platform s individual contribution and compare it against other media platforms. With the ability to track records across various media, this new multiscreen service will allow users to comprehend how content is being consumed by end users, interpret the effect such consumption has on other media platforms, understand consumer adoption of new platforms and visualize cross-platform consumption.

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We are also making significant investments in our systems which support our existing service lines. We continue to integrate various third-party segmentation databases with our data, which we believe will help advertisers get the right message at the right time to the right consumer group. We continue to build our research capabilities, which enable us to move our products from data-based to more comprehensive and applicable knowledge-based products and services. These expenditures will likely increase our costs over the next twelve months. Longer-term, we believe we will be able to leverage these investments and generate revenue and earnings streams that contribute to our overall success.

Competition

Our primary competitors in these markets are Nielsen, Kantar (a subsidiary of WPP Group) and TiVo, which are companies with significantly greater resources than Rentrak. Nielsen s services are based on a sampling methodology used to measure television viewing data, and are currently the television industry s standard measurement of consumer viewing behavior for advertising purposes. Kantar and TiVo also use various sampling methodologies.

Our services and systems differ in that we use a large database approach, which is more far-reaching compared to the smaller sampling approach used by most of our competitors. We refer to our approach as the database currency and project the results to a national level across multiple platforms. This method results in granular levels of processing from millions of transactions and establishes us as one of the only companies that provide a television ratings database currency. We believe this positions us to offer a comprehensive, more targeted, user-friendly system that networks, agencies and advertisers are demanding and, consequently, that the market will accept our measurement product as an alternative to competitors products.

Home Entertainment Division

For the many regional chains and independent retailers who rent home entertainment products (DVD, Blu-ray and video games) to consumers, it is more effective to acquire new release rental inventory on a lease basis instead of purchasing the inventory. Our PPT System provides Participating Retailers the opportunity to increase both the depth and breadth of their inventory, better satisfy consumer demand and more effectively compete in the marketplace.

Under the PPT System, Participating Retailers have Units delivered to their store for a low, one-time upfront fee (ranging from $0 to $2; most product is $1.50 or less). Leased movie rental revenue is then shared between the lessee (Participating Retailer), Rentrak and the Program Supplier. After 28 to 31 days, Participating Retailers can begin selling leased Units as previously viewed inventory. Sale profits are generally shared between the Participating Retailer, Rentrak and the Program Supplier. Most of our programs have a six-month lease term and once this period has concluded, Participating Retailers can either return the remaining Units or buy them at a fraction of the retail cost (typically $0 to $1.75). Under the PPT System, Participating Retailers can rent Units on the day of release and the average cost per Unit over the leasing term typically ranges between $8 to $12 per Unit, which is a fraction of the cost of using a wholesale distributor where Units generally cost between $18 and $20 per Unit.

Many of our arrangements are structured so that the Participating Retailers pay reduced upfront fees and lower per transaction fees in exchange for ordering Units of all titles offered by a particular Program Supplier (referred to as output programs).

Marketing and Relationships with Program Suppliers

We currently market our PPT System throughout the United States and Canada. This system greatly simplifies the landscape for each Program Supplier by consolidating the thousands of individual independent retailers participating in our PPT System into one business partner. Program Suppliers negotiate one lease/service arrangement with Rentrak, and our PPT System manages the rest, including marketing and sales of content to Participating Retailers, order fulfillment, collection of POS data, analytics, audit, billing of revenue sharing fees and collection of payments.

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During Fiscal 2011, we offered titles from a number of Program Suppliers including: Anchor Bay Entertainment, LLC; Lionsgate Films, Inc.; Maple Pictures Corp; Millennium Media Services; Paramount Home Entertainment, Inc.; Sony Pictures Home Entertainment, Inc.; Summit Distribution, LLC; Twentieth Century Fox Home Entertainment, Inc.; Universal Studios Home Entertainment LLC; Vivendi Entertainment; and Warner Home Video, a division of Warner Bros. Home Entertainment Inc. Our arrangements with our Program Suppliers are of varying duration, scope and formality. In some cases, we have obtained Units pursuant to contracts or arrangements with Program Suppliers on a title-by-title basis and, in other cases, the contracts or arrangements provide that all titles released for distribution by such Program Supplier will be provided to us for the PPT System. Many of our agreements with Program Suppliers may be terminated upon relatively short notice. Therefore, there is no assurance that any of the Program Suppliers will continue to distribute Units through the PPT System. Even if titles are otherwise available from Program Suppliers, there is no assurance that they will be made available on terms acceptable to us or the Participating Retailers. During the last three years, we have not experienced any material difficulty in acquiring suitable Units for our markets on acceptable terms and conditions from Program Suppliers.

During Fiscal 2011, 2010 and 2009, we had several Program Suppliers that supplied product in excess of 10% of our total revenue as follows:

	2011	2010	2009
Program Supplier 1	10%	12%	17%
Program Supplier 2	10%	11%	15%
Program Supplier 3	9%	11%	13%
Program Supplier 4	6%	10%	11%

Although management does not believe that the relationships with our significant Program Suppliers will be terminated in the near term, a loss of any one of these Program Suppliers could have an adverse effect on our financial condition and results of operations.

Certain Program Suppliers have requested, and we have provided, financial or performance commitments, including advances or guarantees, as a condition of obtaining certain titles. We determine whether to provide such commitments on a case-by-case basis, depending upon the Program Supplier s success with such titles prior to home video distribution and our assessment of expected success in the home video rental market. At March 31, 2011, we had such guarantees with 20 Program Suppliers in amounts totaling approximately $1.7 million. We expect to make these payments during the first quarter of Fiscal 2012. Most of these amounts were included in cost of sales during Fiscal 2011, since we typically recognize these costs on each title s release date.

Relationships with Participating Retailers

None of our Participating Retailers provided revenue of more than 10% of our total revenue during Fiscal 2011, and we believe our relationships with our existing Participating Retailers remain strong.

The number of active Participating Retailers has fallen during the past year as a result of store closures, which are, in part, due to the economic climate, as well as an increase in use by consumers of kiosks and other forms of content delivery, which is more fully described in the Competition section below. We currently anticipate that this trend will continue as other channels of providing entertainment content gain a larger share of the market.

Over the past couple of years, there have also been significant store closures from major brick-and-mortar retailers that do not participate in our PPT System, such as Blockbuster and Movie Gallery. In September 2010, Blockbuster filed Chapter 11 bankruptcy and it was subsequently purchased by DISH Network Corporation. Movie Gallery ceased doing business in the first half of Fiscal 2011. While the overall industry is contracting as a result of these closures, we believe this presents opportunities that potentially benefit our independent Participating Retailers through increased traffic from new customers and the opportunity to expand their business through the addition of store locations. We are actively assisting with these initiatives; however, it is difficult to predict what effect, if any, this will have on our future financial results.

Ordering and Distribution of Units

Our proprietary Rentrak Profit Maker Software (the RPM Software) and Video Retailer Essentials Software (the VRE Software) allow Participating Retailers to order Units through these systems and provide the Participating Retailers with substantial analytical information regarding all offered titles. Ordering occurs via a networked computer interface (for RPM Software) or over the Internet (for VRE Software). To further assist the Participating Retailers in ordering, we also produce a monthly product catalog (Ontrak) both in print and electronic media format.

To be competitive, Participating Retailers must be able to rent their Units on the street date announced by the Program Supplier for the title. We contract with third-party fulfillment providers to distribute the Units via both ground, which is our primary method, and overnight air courier to assure delivery to Participating Retailers on or prior to the street date. The handling and freight costs of such distribution for those Units were 3.1%, 3.3% and 3.4% of our cost of sales in Fiscal 2011, 2010 and 2009, respectively.

Computer Operations

To participate in our PPT System, Participating Retailers must have Rentrak-approved computer software and hardware to process all of their rental and sale transactions. Our RPM Software resides on the Participating Retailer s POS computer system and transmits a record of PPT transactions to us over a telecommunications network. The RPM Software or web-based VRE Software also assists the Participating Retailer in ordering newly released titles and in managing its inventory of Units.

Our PPT information system processes these transactions and prepares reports for Program Suppliers and Participating Retailers. In addition, it identifies variations from statistical norms for potential audit action. This information system also transmits information on new titles available and analytic information on active leased Units and sends confirmation of orders made via the RPM Software or VRE system.

Auditing of Participating Retailers

From time to time, we audit Participating Retailers in order to verify that they are reporting all rentals and sales of Units in a consistent, accurate and timely manner. Several different types of exception reports are produced weekly. These reports are designed to identify any Participating Retailers whose PPT business activity varies from our statistical norms. Depending upon the results of our analysis of these reports, we may conduct an in-store audit. Audits may be performed with or without notice and any refusal to allow an audit can be cause for immediate termination from the PPT System. If audit violations are found, the Participating Retailer is subject to penalties, audit fees, immediate removal from the PPT System and/or repossession of all leased Units.

Seasonality

We believe that the home video industry is somewhat seasonal because Program Suppliers tend to theatrically release their most promising movies during two periods of the year: early summer and during the holidays in the fourth calendar quarter. Since the release of movies to home video usually follows the theatrical release by approximately three to five months (although significant variations occur on certain titles), the seasonal peaks of movies for home video generally occur just prior to and/or during the fourth calendar quarter holidays and in late winter/early spring. We believe our volume of rental transactions and resulting revenue and earnings reflect, in part, this seasonal pattern. However, changes in the release of Program Suppliers titles available to Rentrak for Participating Retailers and Units offered with minimum guarantees may obscure any seasonal effect. See also Note 2 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

Formovies.com

Formovies.com is a website designed and hosted by us, dedicated to providing our Participating Retailers with an effective online marketing tool. The site is filled with entertainment content such as top rentals, upcoming releases, DVD of the week, theatrical show times, movie trivia and more. Each site is individually branded to contain the store name of a Participating Retailer, allowing it to promote its store with coupons or special promotions it enters and controls on its custom site. Participating Retailers collect e-mail addresses from their customers, and the site sends a weekly newsletter announcing new releases and promotions.

Competition

The HE Division continues to be affected by the changing dynamics in the home video rental market. This market is highly competitive, constantly changing and influenced greatly by consumer spending patterns and behaviors. The end consumer has a wide variety of choices from which to select his or her entertainment content and can easily shift from one provider to another. Some examples include renting Units of product from our Participating Retailers or any retailer, ordering product via online subscriptions and/or online distributors (mail delivery), renting or purchasing product from kiosk locations, subscribing to at-home movie channels, downloading or streaming content via the Internet, purchasing and owning the Unit directly or selecting an at-home pay-per-view or on demand option from a satellite or cable provider. Our PPT System focuses on the traditional brick and mortar retailer serviced by a distributor on a wholesale basis. Accordingly, we face competition from all of the wholesale distributors, including Ingram Entertainment, Inc., Video Product Distributors, Inc. and Entertainment One. These and other wholesale distributors have extensive distribution networks, long-standing relationships with Program Suppliers and retailers, and, in some cases, significantly greater financial resources. These wholesale distributors do not offer retailers content on a revenue sharing basis.

During the past two years, our Participating Retailers have experienced intense competition from kiosks, primarily Redbox and NCR, which offer significantly lower prices on rental Units. We have seen a dramatic increase in consumer use of this alternate delivery method. Currently, we believe that the timing, depth and breadth of Units available via kiosks are not as favorable as those available through our systems. Also, as these kiosk companies formalized their direct relationships with studios, our DRS services, which are described below, benefited from this shift since we process that activity on behalf of the studios.

We also face direct competition from the Program Suppliers. All major Program Suppliers work directly with major retailers, including Blockbuster and Netflix, which is an online mail delivery subscription retailer. Many of the major Program Suppliers have direct revenue sharing arrangements with these retailers and a few mid-size retailers. We do not believe that the Program Suppliers have executed direct revenue sharing agreements with smaller retailers, but there is no assurance that they will not do so in the future.

Growth in kiosks and by-mail subscription activity has shifted consumer behavior from purchase to rental, causing studios to emphasize retail sales and VOD activity, both of which provide them with greater earnings per transaction than the newer delivery methods. Approximately one year ago, three Program Suppliers (Warner, Fox and Universal) created a 28-day retail window that delays the availability of their product in kiosks and by-mail subscription offerings. This delay creates an opportunity for our brick and mortar retailers to maximize rental and sales activity prior to competing with the lower cost rental alternatives. To compensate Redbox and Netflix for agreeing to receive product nearly a month after brick and mortar retailers, their product costs were reduced. Netflix was also given improved access to digital streaming content. Other studios may decide to implement similar windows in the future. An increase or decrease to the length of delay of product for kiosk and by-mail could have a positive or negative impact on our Participating Retailers.

We also compete with businesses that use alternative distribution methods to provide video entertainment directly to consumers, such as the following: (1) online movie rental subscription services, such as Netflix; (2) direct broadcast satellite providers, such as DIRECTV and DISH Network Corporation; (3) cable providers, such as Time Warner and Comcast, which offer pay-per-view and VOD content; (4) telecommunication providers, such as AT&T and Verizon; and (5) delivery of programming via the Internet, such as Apple s iTunes, Hulu.com and Google s YouTube. Technological improvements in any of these distribution methods, perceived greater convenience by customers, as well as potential lower pricing models, may make these options more attractive to consumers and thereby materially diminish the demand for Unit rentals in brick and mortar locations. Such a reduction could have a material adverse effect on our results of operations and financial condition.

Studio Direct Revenue Sharing (DRS)

Our DRS services include entertainment content relating to physical Units rented and/or purchased (Traditional DRS), as well as content downloaded and/or streamed via the Internet (Digital DRS). Our services are tailored to meet the needs of those content providers, which include major studios, independent program suppliers and major television networks, such as Twentieth Century Fox Home Entertainment, NBC Universal and ABC. For each DRS client, we collect, process, audit, summarize and report the number of transactions and corresponding revenue generated on each title distributed to each DRS retailer on a revenue sharing basis. DRS retailers include large brick and mortar retailers, online retailers and kiosks, such as Blockbuster Entertainment, Netflix, Redbox and Apple. We also provide in-depth inventory tracking by title, retailer and location. Additionally, we conduct numerous periodic physical audits of DRS retailers, combined with actual testing of transactions processed through their POS systems, and electronic auditing, using multiple methods of validation and recovery, to insure all DRS inventory is utilized in a manner consistent with the terms of its revenue sharing arrangement with our DRS clients.

Our Digital DRS service is a web-based reporting service that provides studios and television networks with a single integrated solution capable of collecting, verifying, consolidating and reporting all Internet-based rental and sales transactions on a global basis.

Historically, we competed with SuperComm, Inc., a small subsidiary of Sony Pictures Home Entertainment (SPHE). SuperComm was sold and renamed Media Salvation. SPHE relied on Media Salvation for the services (collection, analysis, configuring and reporting of data) required to manage its DRS relationships. We acquired Media Salvation on January 3, 2011. See also Note 4 of the Notes to Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K. We also compete with Media Morph, which offers digital content reporting services similar to our Digital DRS business.

A number of risks may adversely affect the size and profitability of our DRS services. For example, if the overall size of the home entertainment rental market contracts significantly, and/or the large brick and mortar, kiosks and online retailers share of the overall rental market declines significantly, the amount of data we process and audit on behalf of our DRS clients would also be reduced, resulting in a corresponding decrease in our DRS revenue. Despite these risks, we currently expect the DRS business will grow in Fiscal 2012 as the DRS retailers business increases and we establish new service offerings, such as our new VOD Monitor services.

Trademarks, Copyrights, Proprietary Rights and Patents

We have registered our RENTRAK , PPT , Pay Per Transaction , Entertainment Essentials , Box Office Essentials , Home Video Essentials , Home Entertainment Essentials , OnDemand Essentials , Video Game Essentials , Retail Essentials , AdEssentials , Business Intelligence Essentials , TV Essentials , Mobile TV Essentials , ForMovies , ForMovies.com , Ontrak , RPM and other marks under federal trademark laws. We have applied for and obtained registered status in several foreign countries for many of our trademarks. Our trademark registrations will remain valid for an unlimited period, as long as we continue using the trademarks in commerce or as long as we intend to resume use of the mark during any period of non-use. We claim a copyright on our Essentials software. We believe that our intellectual property is important to our marketing efforts and the competitive value of our services, and we intend to take appropriate action to halt any infringement and protect against improper usage.

We have applied for patents related to certain of our proprietary technologies, primarily for our Essentials Suite of products. We believe our proprietary technologies provide us with advantages over our competitors technologies.

Employees

As of March 31, 2011, including all subsidiaries, we employed 307 full-time associates and 116 part-time associates. We consider our relations with our associates to be good.

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Financial Information About Industry Segments

See Note 17 of Notes to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K for information regarding our business segments and revenue by product line.

Geographic Information

Most of our revenue is generated within the United States. We also generate revenue in Canada, Russia, Hong Kong, the United Kingdom, Australia, New Zealand, Germany, Austria, the Netherlands, Ireland, France, Mexico, Argentina, Chile, Venezuela, Columbia, Brazil and Spain. Cumulative revenue from these foreign locations accounted for less than 10% of total revenue in Fiscal 2011. Revenue from customers in the United States was $88.2 million, $87.2 million and $91.9 million, respectively, and revenue from customers in foreign locations was $8.9 million, $3.9 million and $3.1 million, respectively, during Fiscal 2011, 2010 and 2009. Our long-lived assets are located within the United States, France, Argentina, the United Kingdom, Germany, Mexico, Spain and Australia. These amounts represented $20.7 million, $16.7 million and $6.1 million, respectively, in the United States and $7.5 million, $5.6 million and $0, respectively, in foreign locations as of March 31, 2011, 2010 and 2009.

Available Information

We file annual, quarterly and other reports, proxy statements and other information with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934, as amended (Exchange Act). We also make available, free of charge on our website at www.rentrak.com, our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after they are filed electronically with the SEC. You can inspect and copy our reports, proxy statements and other information filed with the SEC at the offices of the SEC s Public Reference Room located at 100 F Street, NE, Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of Public Reference Rooms. The SEC also maintains an Internet website at http://www.sec.gov/ where you can obtain most of our SEC filings. You can also obtain paper copies of these reports, without charge, by contacting Investor Relations at (503) 284-7581.

ITEM 1A. RISK FACTORS

Our HE Division is challenged by the combined effects of technological advancements, changing consumer behaviors and demand, and fundamental changes affecting the industries in which the division operates.

The markets in which our HE Division operates are highly competitive, rapidly changing and influenced greatly by consumer spending patterns and behaviors. The end consumer has a wide variety of choices in entertainment generally and video entertainment content in particular, and can easily shift from one provider to another and from one technology to another. Some examples of options available to consumers include renting product from our Participating Retailers or other retailers, ordering product directly via online subscriptions or distributors (mail delivery), renting or purchasing product from kiosk locations, subscribing to at-home movie channels, downloading or streaming content via the Internet, purchasing product directly, selecting an at-home pay-per-view or video-on-demand option, or relying on cable or satellite programming exclusively. Our systems primarily rely on the end consumer choosing to rent Units from traditional brick and mortar retailers, a practice that is decreasing in popularity. Technological advancements, changes in distribution methods and pricing reductions have made other options more attractive to consumers in recent years and materially diminished the demand for obtaining Units via traditional retailers. This trend is likely to continue and is expected to result in lower revenue from our HE Division, which could have a material adverse effect on our results of operations, financial condition and cash flows.

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Certain Entertainment Essentials services face various obstacles to widespread market adoption, including competition from companies with significantly greater resources than ours.

Our Entertainment Essentials services are dependent on several factors for long-term success, including our ability to compete with larger and more seasoned competitors in this market. Our primary competitors currently are Nielsen, Kantar and TiVo. Each of these competitors has significantly greater resources than we do, which could allow them to become more formidable competitors with enhanced technology service solutions. Additionally, we face other obstacles. For instance, data providers may be reluctant or ultimately decide not to grant us adequate access to their digital transaction data, which is a key component of our systems. The owners of the data may also impose greater restrictions on the use and reporting of data, which may make it difficult to realize fully the opportunities we anticipate for our products and related services. Further, the marketplace (such as advertisers, advertising agencies and television networks) may be reluctant to adopt a new standard of viewership measurement. These factors could have an adverse effect on our ability to grow this line of business, which could lead to a material adverse effect on our results of operations, financial condition and cash flows.

We may be unable to obtain requisite data and other content to source our systems which provide our Essentials services.

Our Essentials services rely on data collected from a wide variety of sources. Once received, the data must be reviewed, processed, integrated and, at times, converted to our required file format. If we are unable to obtain quality data feeds and process that data in a timely manner, we may not be able to meet the needs of our clients, and we could lose clients. The loss of a significant number of Essentials clients would have an adverse impact on our ability to grow our Essentials lines of business, which could have a material adverse effect on our results of operations, financial condition and cash flows.

Our business model continues to shift from the HE Division to the AMI Division, which has a limited history and may not be able to grow as quickly as we expect.

Our business has historically focused on the HE Division, which represented 64.9% of our total revenue for Fiscal 2011. Revenue has been steadily declining in this division, and, while we are attempting to slow that revenue decline, our future success depends upon the growth and success of the AMI Division, which has limited history. An inability to grow revenue in the AMI Division and/or achieve our expected operating results could have a material adverse effect on our results of operations, financial condition and cash flows.

We have operations outside of the United States that subject us to legal, business, political, cultural and other risks of international operations.

We operate globally, which subjects us to a number of risks and burdens, including:

- staffing and managing international operations across different geographic areas;
- multiple, conflicting and changing governmental laws and regulations;
- the possibility of protectionist laws and business practices that favor local companies;