

Redbox



**ASSIGN
BUSTER**

Management Policy November 19, 2012 Red Box Red Box is the industry leader in DVD rental kiosks. It has established itself as an inexpensive and convenient method for customers to rent DVDs. Although Red Box is a cost leader in its segment, it is threatened by the slow but impending disappearance of the DVD format. Threat of New Entrants RedBox has a cost performance advantage over possible new entrants since it is owned by a publicly traded company and already has an established distribution channel relationship. RedBox has an advantage over new entrants in that it already has a well-known brand image amongst movie viewers.

People often say “ why don’t you go just rent it from RedBox” during conversations. However, consumers can readily switch over to Blockbuster or cable pay-per-services. Porter’s Five Forces I. Bargaining Power of Buyers The bargaining power of buyers is high since it is extremely easy and inexpensive for the consumers switch viewing mediums. II. Threat of Substitutes The thread of substitutes is high due to competitors such as Netflix, Blockbuster, cable and satellite T. V. companies. III. Bargaining Power of Suppliers The bargaining power of suppliers is high since there are only a handful of movie studios that are able to supply the DVDs.

Movie studios can limit the quantity, as well as increase the price and royalty payments of DVDs. Other wholesalers can also increase the price and limit the supply of DVDs. IV. Intensity of Rivalry among Existing Competitors The intensity among existing competitors is fierce since Blockbuster has the ability to install more rental kiosks at existing stores and sign new contracts with existing retailers. Customers can buy new movies for \$5 at retailers

such as Walmart or get them shipped to their homes from retailers such as Amazon. V. The Threat of Substitutes

The threat of substitutes is high. A motion picture DVD is difficult to duplicate unless it is burned illegally. However, digital formats of movies are becoming more prevalent and as the smart phone population grows. Cellular signal carriers are also rapidly increasing their bandwidth and it is predictable, soon mobile signals will be as strong as or stronger than current broad band signals offered by cable providers. Automakers will eventually install TV monitors in each family vehicle that will allow children to watch movies downloaded or streaming live, instead of viewing DVDs.

S. W. O. T. I. Strengths Redbox is owned by a publicly traded company and has the funding of its shareholders. Redbox has pre-existing retail contacts that were established by its parent company, Coinstar that enables them to expand faster than competitors who need to establish new contacts. II. Weaknesses Redbox is under the mercy of the movie studios. Should any movie studio decide to terminate their contract with Redbox, it will lose a significant percentage of its suppliers considering there are only a handful of movie studios.

The movie studios also have influence on wholesale distributors, which can affect Redbox's supply chain. III. Opportunities Redbox can enter the home digital rental market to directly compete with Netflix. It can also start selling other products, such as popcorn and soda, with its DVDs, in its vending machines. IV. Threats Redbox is threatened by the ever growing population of mobile users who will be able to download movies to their portable

devices at speeds greater than DSL in the near future. Redbox is also under threat from pirated copies of movies that are prevalent worldwide.