

Netflix reaction paper

[Business](#), [Company](#)



Netflix: Responding to Blockbuster Again The concept covered in the discussion on Netflix responding to blockbuster is an interesting topic. Netflix is a great example of disruptive innovation. Its DVD-by-mail turned the video rental business on its head and helped push Blockbuster into bankruptcy. As a start-up and outsider, Netflix was able to see that Blockbuster underserved many users. In response, Netflix created a business that offered more affordability, accessibility and availability to these under-served customers.

Netflix saw this as a great opportunity and with customers busier lifestyles, demand and the advancement in the technology, Netflix made a move and serve the underserved customers of Blockbuster. Netflix is definitely the most successful of these Blockbuster-replacement services and has been steadily gaining power over the years. They started out as a DVD rentals-by-mail service and business has been booming ever since they introduced a streaming subscription service as well. The rise of internet media also raised the success of Netflix.

Blockbuster's demise was linked to the success of Netflix. The business model of Netflix focuses on addressing unmet needs on the part of consumers. The business model for video rental industry back then in early 2000 was to pay-per-rental. Customers were frustrated by late fees and not being able to find their movie of choice when they wanted it. Netflix used a design principle that any company aspiring to succeed at disruptive innovation must adopt – Think Big. Start Small. Fail Quickly. Scale Fast. Think Big.

Netflix pursued the big idea of streaming video, even though it would render obsolete its mail-based system for distributing DVDs. By contrast, most

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companies think small—they try to protect their existing business even if they can see a long-term threat from the Internet or other technological disrupter. These companies tell themselves they're making incremental improvements, only to wake up one day and find the world has changed. When that day comes, they switch to panic mode, as Blockbuster did once it realized Netflix had transformed DVD distribution. Start Small. Netflix started with lots of small projects.

This way, the company would know the market reaction and work out the kinks before going national. Fail Quickly. When early efforts at streaming video looked iffy, Netflix adopted the poker player's mantra that most money is lost early in a hand, when the tendency is to hope that something good will materialize even though reason suggests otherwise. Netflix folded, saving its money for the day when it finally got a good hand. By contrast, most companies keep playing bad hands far too long, partly because those involved know they'll get tarnished by association with a failure.

Scale Fast. Netflix is now scaling streaming video fast, maintaining the lead it worked so hard to build over competitors. Numerous companies have, however, won early battles and lost the war at this stage of innovation. Innovations are successfully developed but never find a home because, unlike Netflix, the company isn't willing to attack its core business. It's worth noting that Netflix is still very much a work in progress and should continue its quest to bold innovations in order to maintain its current competitive advantage.