Redbox case essay

1. What are the chief elements of Redbox's strategy? What are the key success factors of this industry?

a. Attracting customers with low prices and convenience. Charging customers $1 dollar per day as a rental fee is very attractive to customers, because their nightly entertainment is very cheap in comparison to other alternatives. It is beneficial to Redbox, because in the event that the customer forgets to return the movie, they are charged double the rental amount which doubles revenues instantly.

b. Rapidly increase the number of shopping locations with a Redbox kiosk. Most Redbox locations are at the front entrance of the store. They have recently added locations outside the stores to replicate soda machines and newspaper stands. This provides customers with convenient locations to rent and return their movies.

c. Redbox has created a recognizable brand name by using bright red and white colors for their kiosk. By using red, Redbox locations stand out and are easily recognizable to customers.

d. Make the machine easy to use. Customers are able to browse through movies using touch screen technology quickly. They are also able to purchase movies and replaceable cases. Customers' time at the kiosk is even quicker when there are two kiosk and/or the customers already knows what movie they want to watch.

2. Which of the five generic competitive strategies most closely fit the competitive approach that Redbox is taking?

Redbox is using a low-cost provider strategy. They have the lowest rental fee in the market. They contribute to revenue growth with late fees that are the same price of the rental fees. By having several locations they are also able to keep revenues high. Redbox has focused on a broad range of consumers located in a broad range of areas. Just by providing several locations, Redbox immediately has more access to potential customers than any other firm in the market.

What type of competitive advantage is Redbox trying to achieve?

They are trying to achieve a competitive advantage that includes low prices, convenience, and a recognizable brand. It establishes partnerships with major studios, like Sony, Warner Brothers, and Lions gate.

3. What does a SWOT analysis of Redbox reveal about the overall attractiveness of its situation and future prospects?

The strengths reveal how attractive this service is to customers. It also demonstrates the affordability and convenience of the kiosk. The attractiveness of the brand name attracts more customers and the ability to keep cost low is attractive to the firm’s bottom line. Customers are satisfied and the firm has also been able to maintain customer loyalty with percentage off promotions. The weaknesses are the company’s inability to make the rented movies available to customers via the internet.

This can be a problem when customers don’t want the hassle of having to wait in line, leave home to pick up a movie, or remember to return a movie. It also has a limited amount of titles, the machine has limited capabilities, continuous DVD inventory and stock monitoring, and high cost of contracts with the studios. Among the opportunities there are the strategy based in increasing the number of Redbox kiosks this can lead to increase its market share. The opportunities are available to expand Redbox in various geographical regions around the world. Kiosks can be placed in neighborhoods and communities which will strengthen their market share.

They also have an opportunity to expand to countries oversees to increase revenues. The threats are the liabilities that are associated with not being available on the Internet, remaining sustainable, maintaining customer loyalty, and increased interest in watching more recent movies at the theatre. Any of these threats have the potential to decrease their market power. The industry could change from physical to digital that could affect the business of DVD rental, the danger of finishing the agreement with the studios can threat the amount of titles Redbox has.

4. What strategic issues or problems does Redbox management need to address? Draw upon the discussion on p. 87 in Chapter 4 to develop your " worry list" and to state the issues/problems in the recommended form. Redbox should address the possibility of Internet delivery

Competitive forces of Netflix and other Internet providers More locations that can potentially be profitable locations Underperforming kiosks International expansion How to increase a bigger market share from the rivals How to maintain license agreements from the studios How to increase DVD services segment without decline in operating income

5. What recommendations would you make to Redbox management? At a minimum, your recommendations should cover what to do about each of the strategic issues/problems identified in question 3. In addition, each recommendation should be supported with convincing arguments based on your analysis of Redbox's situation.

Redbox should address the possibility of Internet delivery: I would recommend that Redbox created a way for users to rent movies through the Internet as well as the kiosks. They can offer customers the option of mailing the movie back or turning it in at one of the kiosks. This would set them apart for their competitors and allow them to compete with other Internet delivery providers.

Competitive forces of Netflix and other Internet providers: I would recommend that they monitor the amount of customers that prefer these services versus what Redbox has to offer. It is important to keep an eye on the traffic flow of customers that your competitors have obtained in order to prevent a takeover. This is especially crucial in this particular industry because of the strategic focus mainly being on convenience to the customers. Nothing is more convenient than not having to leave your home.

More locations that can potentially be profitable locations: Increasing the amount of locations will increase the convenience of the rental return which in turn will increase the amount of rental that customers will make. The cost of providing another kiosk is low in comparison to the amount of potential revenue that is to be made. I would recommend they put a kiosk everywhere there is a soda machine or convenient store.

Underperforming kiosks: I would recommend servicing kiosks often with routine test runs to identify any misuse of the kiosks. I would also remove any kiosks that weren't turning a profit based on region not on a particular location. The reason for this is to pay attention to the interconnection of all the kiosks and identify the kiosks that were underperforming independently.

International expansion: I would recommend they expand internationally to impact the global community particularly in areas where the income is fairly low. In relation to location, I would recommend they use the model that Coke is using to reach millions of people around the world.