

Life cycle of blockbuster essay sample

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Not a day goes by where some new technological breakthrough is born, offering bigger and better advantages to consumers. Unfortunately, this new technology does come with a price tag for companies that don't have a clear understanding of the current stage of their business's life cycle. Without understanding the four stage business life cycle plan, and where they currently sit, they have no way of knowing what lies ahead without being prepared. I have chosen Block Buster as the company whose life cycle I will compare against using Dr. Helen Eckmann's " Life Cycle of a Business" (Eckmann, p. 1). Dr. Helen Eckmann feels that " Every organization works best when they have a clear understanding of their current stage in the pipeline, and can understand the strengths of their workforce in relationship to these stages" (Eckmann, p. 1). That being said, Eckmann also explains that most successful companies that have knowledge of these stages in the life cycle pipeline, have special units that are setup to compensate with innovative strategies to offset any studied declines that may be coming up. The life cycle of a business consists of four phases each of which have their own special features or challenges. All successful business must go through these phases more than one to be sustainable and consistently successful.

These phases are: 1) Start-up: This can be defined as the birth or beginning of any business. The owner has invested both time and money preparing for the business's future. The company in the beginning makes a lot of mistakes; this is a trial and error period. Internal and external environmental factors can have adverse effects to the baby company. 2) Driving: This is the adolescent stage where at times there is inner-turmoil. New ideas are constant with the understanding that mistakes come with the territory.

Owners must be careful not to expand faster than their business can adapt to new changes. 3) Sustaining: This stage can be thought of as the “middle age” stage. This is where the company has a regular customer base and is making money; cash flow should be increasing weekly.

This is a good time to re-evaluate to ensure more detailed long term plans can be made. 4) Declining: This is a phase of winding down, where there is decline in profits and management, low-energy and no innovation.

Companies have a hard time changing with the times and new technology, and feel that why change when “This is the way we have always done it” (Eckmann, p. 1) so no change is needed. At this point a company can either bring in new innovation which would increase sales and profits, and if pursued a re-birth, or continue on a path of steady maturity which without a renewed Start-up Phase, the company will just die.

Now there was a time when Blockbuster was “King of the Hill” of the video – rental industry. Their company took off when video cassette recorders (VCR’s) made it possible for family’s to save money by watching movie releases at home, this was old technology made obsolete by the up-and-coming DVD’s, and world-wide internet. “At its peak Blockbuster opened a new store every 17 hours” (Eric Post, 2011, p. 1) Blockbuster Video was started in 1985, during their Start-up phase, they were geared towards growth. “They were positioned to open about 20 stores each year, and had goals set to growing revenues to perhaps \$50 million after 3 years and generate \$10 million in profits” (Kim Warren, 2012, p. 1). They wanted to provide larger neighborhoods with a wider variety of family viewable products, pushing out the smaller mom and pop stores. They had to make <https://assignbuster.com/life-cycle-of-blockbuster-essay-sample/>

continued decisions on what new movies and prices to offer, hiring personnel and training them, not to mention overhead for all those DVD's. Blockbusters Driving phase was full of growth, their growth targets increased to “ hundreds of stores per year, and they were aiming for revenue of over 1\$ billion, and profits of hundreds of millions of dollars.”(Kim Warren, 2012, p. 1).

VCR owners were still the target audience; they didn't want to make any changes to their current plan as it was working. During the Sustaining phase, Blockbuster still focused on growing their store network as well as their revenues. No changes were made to the business positioning, target market or operation model as DVD's came to replace video cassettes. They mainly “ consisted of steering from quarter to quarter” during this period (Kim Warren, 2012, p. 1). The Declining phase for Blockbuster seemed to show its head around 2007, where the first signs of the final stage of the life-cycle showed the true decline and ultimate store closures nationwide. With Netflix and Amazon. com offering internet-based movie rentals with postal delivery, all offered with a low price, really hurt Blockbuster and their store based revenues. Their objectives at this point did not change much again, they managed to sustain revenue, they maintained the positioning of their stores but now offered postal delivery, and the main strategic activity was still about “ steering from quarter to quarter” (Kim Warren, 2012, p. 1). They were failing/declining due to them not recognizing that there was new technology changing their customer base's needs.

After analyzing and comparing the path Blockbuster's life cycle to that of Dr. Helen Eckmann's, I see that Blockbuster's rise and fall coincide with the four <https://assignbuster.com/life-cycle-of-blockbuster-essay-sample/>

phases described above. Their lifeline was easy to follow, right up to their decline. Unfortunately, their lack of upgrading their product or service line in order to meet the changing needs of today's consumers hindered their sustainability. " They should have been developing the next phase of their business model while they were reaping the profits of their prior stages" (Eric Post, 2011, p. 1), but...they didn't.

In conclusion, as unfortunate as it was, Blockbusters demise was inevitable. Their phase by phase life cycle aligned perfectly with Eckmanns " Pipeline Life Cycle Of Business" revealing that they had plenty of time to examine their current stage and plan for their future success. Companies must consistently work on new innovation to keep their product life cycle alive and well or it will die and fade. Sometimes factors such as new technology come into play, and staying abreast with these new changes help to align your product to needs of your customer base. The Business Life Cycle is a constant, it is just time that decides when your product needs to be re-invented with a new Start-Up.

References

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