Blockbuster business analysis flashcard

1 Introduction The rental movie market is a high competitive and dynamic market, dominated for several years by Blockbuster, with its pioneer business model of delivering convenience to the costumers looking for home entertainment. The company was a model for the industry during the 80's, 90's, but with the new age of online movies, the consumer behavior changed drastically, and other companies, as Netflix and Redbox, providing online content and innovative services, started to dominate this new market. Nowadays, Blockbuster's business model seems to be obsolete, since the company could not keep up with the changes, almost closing the doors in 2010 when a bankruptcy process was open, the company struggles to reinvent itself, and regains its position in a reformed market.

This Business Review and Analyze Report aims to present an overview of the rental movies industry, how the company is inserted therein, the competitive advantages that still has, the factors which can affect the business, the new strategy model proposal and the changes which can be made, with its properly analysis, to reinsert the company in the market. The report will consist in the Company Analysis (background and current situation), the Industry Analysis (PESTEL Analysis and Porter's 5 forces), the SWOT Analysis, GAP Analysis and Cost-Benefit Analysis, following this structure, to present all the main data and analysis needed to change the Blockbuster new way of doing business. 2 Company Analysis

Blockbuster is a North American provider of home movie and video game rental services. The first store was opened in October/1985 in Dallas, Texas, by its founder David Cook, who innovated the market using his experience with managing databases. The chain began as a competitor to smaller video rental stores with a strategy to provide a much wider selection of movies and eventually game rentals. Throughout the year, as the business became stronger, the company started to open stores across EUA, and started to grew its business to overseas, opening stores in UK (1989 in London), Australia (1991 in Melbourne), Japan (1991), Denmark (1996), Brazil, Canada and Ireland. In 2002 the company began its service by mail in the UK, bringing the same model to EUA in 2004, together with its online subscription services in both countries, and later on, in Brazil by the beginning of 2006.

On September 23, 2010, the company filed for bankruptcy protection to the USA government, due to financial losses of US$ 900 MM in debt, and strong competition from Netflix, Redbox and video-on-demand services. On March 28, 2011, the company was sold to Dish Network for US$ 900 MM, and since then started to review its business model to an online service, closing down many stores, and also its operation in Canada. In November 2013, the company informed the abandonment of its DVDs rental services by mail, and the closing down of the 300 stores remaining in EUA, as some of its distributions centers, by the beginning of January 2014. The business model is also being discussed in others countries, in response to the consumer behavior change to a digital rental option.

The chart below will be presenting a business overview to complement the company’s analysis:

3 Industry Analysis 3. 1 Macro Environment (PESTEL analysis) According to Wikipedia, PESTEL (Political, Economic, Social, Technological, Environmental

and Legal) Analysis is ”… a part of the external analysis when conducting a strategic analysis or doing market research, and gives an overview of the different macro-environmental factors that the company has to take in consideration. It is a useful tool for understanding market growth or decline, business position, potential and direction for operations”. The following chart will be presenting the PESTEL analysis of the Movie Rental Industry in the world, and also the main comments underneath it:

3. 2 Competitive landscape (Porter’s five forces) To analyze the level of competition and attractiveness of the industry, bellow will be presented the Poter’s 5 forces, which consists in the analysis of the suppliers and customer power of bargaining, threats of substitutes, barriers for new entrants and the intensity of competitive rivalry:

4 SWOT Analysis / GAP Analysis / Cost-Benefit Analysis 4. 1 SWOT Analysis SWOT analysis consists in an acronym for the internal Strengths and Weaknesses of a company, combined to the environmental Opportunities and Threats of the market that the organization is inserted, and is a widely used tool to create a quick overview of the strategy situation by the managers.

This report will be showing below the SWOT Analysis for Blockbuster:

4. 2 GAP Analysis The GAP analysis consists in a framework describing, and identifying the major changes and solutions, for what the company are pursuing to achieve with the new strategy. The chart below presents the GAP analysis for Blockbuster, considering the needs for the new business online model:

4. 3 Cost-Benefit Analysis According to Wikipedia, Cost-Benefit Analysis "… is a systematic process for calculating and comparing the benefits and costs of a project, decision or policy." The main objective is to justify investments, and to provide a basis for projects comparison and analysis. For Blockbuster, the main strategic changes are related to prepare the company for the new online market, and the chart below will be presenting the main solutions/initiatives for it:

5 Conclusion

This report showed that the online market is a highly competitive market, already dominated by big companies like Netflix and Redbox, and it is the future of the rental movie industry. The current consumer behavior does not allow Blockbuster to continue its business, in their old fashioned model, since people are not buying, or renting movies as they used to do in the past.

Costumer wants a fast, universal and cheap way to watch movies, since it is not only a home entertainment option anymore, but something that everyone can access everywhere, through their computers, phones, tablets and others. The main asset of Blockbuster is their brand, and the consumers are related to it, and most of them will choose the company for online movie, if the company reinvent itself. It is more than an urgent matter to the business' survival. The distribution model must be changed, the IT structure must be based on an online provider, and the whole strategy must be changed, based on the new consumer behavior. This report presented all the main data, information and analysis to contribute for this change.