

Blockbuster – economic, social, and political trends essay



**ASSIGN
BUSTER**

Blockbuster is the entertainment leader of complete in-home entertainment. Based out of Dallas TX, the company was founded in 1985 and currently has approximately 8000 stores throughout Americas, Europe, Australia, and Asia.

“ As the home entertainment industry has evolved, so too has Blockbuster.

While growing its share of the store-based rental business continues as a company focus, Blockbuster is no longer just a chain of video stores. It is an online as well as in-store retailer, and becoming more integrated every day”

(Blockbuster Corporate, 2008). The economic, social, and political trends of business keep changing. ECONOMIC TRENDS Until 2007, Blockbuster had posted losses for nine of the previous 10 years and had closed numerous stores. Then James Keyes took over the responsibility of the company as the chief executive officer (CEO) in July 2007.

He brought along his experience and success as former CEO of 7-Eleven, which was in bankruptcy in 1990. His initial strategies including tailoring the rental and game products line to each store based on the business volume and community, reducing the amount of retail products, and using automated systems throughout the company (Newman). These economic strategies paid off, Blockbuster reported an increase in the total revenues for the second quarter of 2008 by 3.3%, which translated into \$1.30 billion.

Mr. Keyes was pleased with the improved same-store sales for the fourth consecutive quarter (iStockAnalyst). The trends in the movie rental industry are changing due to advancements in technological field. VHS tapes had replaced the giant discs years ago, which were in turn replaced by DVDs

almost a decade ago. The new media, BluRay, seems to be the future of the movies, at least for the next few years.

Besides walking into a brick-and-mortar building, consumers have many other choices, including pay-per-view, ordering movies online, or downloading through internet (with or without ownership rights). The company uses different approaches to acquire new and retain existing customers. In response to Netflix's online rental program, Blockbuster deployed its own version of online rental program. Moreover, the company went one-step further by offering the exchange of the online movies against more at the local stores.

Customers find it convenient and a quick method to swap, and Blockbuster acquires the much needed flow of customers in and out of the stores.

Recently, the company also went through two different types of store remodeling tests. One of them is called 'Rock the Block', which is for the technology-savvy customers who are comfortable using kiosks and interactive displays. The other one is called 'White Tornado', which also includes new paint, carpet, fixtures, and lower-hanging shelves for a different look and appeal. The prototype test stores results reflected an increase of 7% to 12% in revenues (Gruenwedel). Another aspect of this business is high price-elasticity.

Consumers can easily switch to another product (from a different source) without losing quality or some other attribute. They also have a choice of acquiring the same product from redbox for one-fourth the price. To overcome these challenges, the company employs different methods to add

value for the economic profit. These include rewards programs and online marketing with coupons, and are created based on the psychology of consumer behavior. For example, the rewards program offers one free movie after every five rentals, and one free older movie with every paid rental on Monday, Tuesday, and Wednesday (when the traffic tends to be slow).

Finally, all employees are trained and expected to offer best possible customer service to the customers; this is critical in retaining the existing customers and earning new ones through word of mouth. Boyes stated, “ Economists analyze firms, study human behavior and decision making, examine markets and industries” (2004, 10). It seems that Mr. Keyes is leading the company in the right direction more like a chief economist officer, instead of chief executive officer. SOCIAL TRENDS The first and foremost social trend of Blockbuster is its global presence.

Besides thousands of stores within United States and Canada, the company has over 2600 locations altogether in South America, Europe, Asia, and Australia. Moreover, all locations within the United States and Canada share the same database, which makes the membership accounts truly portable in North America and offer unparalleled convenience to customers. Blockbuster is very active in building community relations. The company’s community mission states: “ At Blockbuster, our community relations activities are designed to: Utilize corporate and employee resources and talents to benefit the communities we serve by supporting organizations which impact children/families, reflect a film/video focus or fulfill specific company operating objectives related to diversity and employment” (Blockbuster Community, 2008).

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Similarly, the organization is committed to providing diversity through each phase of the business. The size of the organization and market share are also important social trends for both the company and the stockholders/shareholders. Although the value of Blockbuster decreased over the years, “ the value of a stock depends entirely on the economic profits that investors expect a company to produce in the future. Past profits matter only because they play a role in creating expectations about future performance (Boyes, 2004, 51).

The financial results of the company reflect profits for the four consecutive quarters, after years of reported losses; therefore, the value of stocks is expected to increase. **POLITICAL TRENDS** Perhaps the most important political trend for a company is to get involved in a merger or acquisition. Blockbuster had attempted to acquire Hollywood in 2005, but Hollywood entered into the merger agreement with Movie Gallery (Fran Finnegan & Company, 2008). In April 2008, Blockbuster proposed a merger with Circuit City (Blockbuster merger, 2008). Facing legal actions in the business would be another aspect of political trends. Blockbuster has faced numerous lawsuits in the past including being sued over no late fees in 2005 by consumers, and over using the online rental model by Netflix in 2006.

The legal department (of the company) works diligently to handle these and similar legal and political issues as they arise. **CONCLUSION** The current in-store strategy and requirement is to focus more on the retail items, and push the sale of impulse purchase products. There are rumors that the company would be pulling away from the rental, and would only be offering the new retail movies and games. This would certainly be an interesting change, and <https://assignbuster.com/blockbuster-economic-social-and-political-trends-essay/>

Blockbuster stores would become more like Game Rush stores. However, the MovieLink® may become the choice method of renting the movies.

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