# Analysis of Blockbuster's Failure

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CYSE 494 Entrepreneurship in Cybersecurity

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February 11, 2024

In the business world, many companies attempt to create businesses in order to meet a need within society. This is no easy task as can be seen with the numerous businesses that fail or are never able to get off the ground. Creating a business takes immense amounts of planning, foresight, money, and adaptability among a wide range of other skills. Not all businesses can be successful in a market and oftentimes will meet competition throughout its lifespan. The way companies handle these situations can make or break their ability to be successful. If a company fails to understand its place in the market it can fail to accurately plan for the future. One example of a company that failed to address the change in times was Blockbuster. Blockbuster went from being a successful and common place for people to get access to the lasted movies during the early 2000s. In just a few short years slowly fell into irrelevance resulting in the company's bankruptcy. Today the rise and fall of Blockbuster will always be remembered by society. It is important to take a step back to understand what went wrong in order for such a giant company to quickly fall from grace. Understanding what steps along the way were ultimately bad decisions and what steps could have been taken to prevent the failure of Blockbuster.

The first Blockbuster was founded by David Cook, established in Dallas Texas in 1985. Noticing the success and potential of the video rental market; Cook dived right in. Before Cook started Blockbuster, he had experience within the oil business. This background gave him a basic understanding of how to operate a business of his own. Like most businesses, it was just a humble corner store renting movies in the beginning. This quickly changed resulting in the expansion of 10 more stores within the next two years. Blockbuster would allow customers to rent movies for a set time expecting the rental to be returned. During the early 1990s, this was great due to the convenience Blockbuster was providing to the customers. Being able to have a place to rent a wide range of movies for a relatively low price. Preventing customers from having to purchase movies they would only watch once. Blockbuster also created a community aspect around their company ensuring the stores were family-friendly. Resulting in Blockbuster becoming a family event or tradition amongst many families.

Cook would find himself partnering with Wayne Huizenga, founder of Waste Management, Inc. where he would ultimately relieve control of Blockbuster to Huizenga in 1987 (A&E Television Networks, 2009). Huizenga being more established and having more knowledge about how to run a business would look to grow the company. Huizenga would take after Ray Kroc and how he approached expanding McDonald's. This meant that Blockbuster was going to expand rapidly resulting in new stores being established frequently. In just 5 years, Blockbuster would have over 400 stores within the United States. Huizenga would also move the main headquarters to Fort Lauderdale, Florida. Interested in early growth and continuing to expand the company Huizenga would look to buy out existing company to gain more assets. This would expand what they would be able to rent in their stores as well as reduce competition. One major purchase was of Super Club Retail Entertainment Corp in 1993. This company was a large corporation that already had video rental stores within the United States. Additionally, the company had footholds in the music genre which expanded Blockbuster's collection into renting music and movies.

Over the years, the development of technology and competition started to creep its way into the field. Huizenga would take notice of this and attempt to prepare for the change in atmosphere around rentals and physical medium. In 1994, Huizenga would become more concerned with such innovation and the potential issues that could arise with the company in the future and would sell Blockbuster to Viacom. Viacom already being a large company involved in the entertainment business would gather more control over the entertainment business. Not long after this, Blockbuster started to have noticeable dips in revenue and overall customer engagement. In 2005, Blockbuster would start its decline in revenue that would never recover or rise to what it had once been. Each year revenue would decline even when the company tried to implement strategies to keep up with the times. Ultimately, as technology got more advanced Blockbuster wasn't able to gain its foothold in the entertainment business that it once had.

There were many things that led to the decline in revenue that Blockbuster received. While they attempted to mitigate this and address them nothing seemed to make a difference. It is easier to look at the pitfalls of a company in hindsight. In the years coming up to 2005, many technological enhancements had been made in the entertainment business. Competition was becoming more prevalent, and entertainment was becoming easier to consume. In addition to this, the heart and soul of what made up Blockbuster revolved around rentals and physical media.

When Blockbuster came onto the scene, they came at a great time being able to provide people with VHS tapes and other movies they wanted. There weren't many other places people could go that had the vast selection Blockbuster had. Additionally, being able to rent the movies meant people wouldn't have to spend as much money on movies they may not watch again. The issue is that over time technology started to get more advanced. With such advances, it started to make it easier for customers to get access to movies. Many cable companies at this time were starting to introduce services that would allow people to watch movies from a catalog at home. Eliminating the need to go to a physical store to get a movie. This brought forth more issues because Blockbuster had to staff all the stores they had throughout the country. If fewer people were coming in to rent movies in general, it also meant having physical stores was a waste. Leading to money being wasted on various stores and having to pay for staffing of those stores.

Competition started to become a major issue during the early 2000s for Blockbuster. Cable companies were starting to introduce features that made Blockbuster obsolete. Netflix also started to become a major competitor around 2007. Netflix was similar to Blockbuster but didn't have the issue of having physical locations. This made it easier for Netflix to operate more cost-efficiently. Offering subscription-based services instead of renting each DVD individually. The start of subscription-based paywalls also started to become more widely accepted. Seeing it has a cheaper alternative to pay upfront for access to content. As time went on this only became more popular and amongst companies and the idea of renting things started to fall out of public interest.

During the early 2000s, the big push to introduce more features through the internet or online became one major issue for Blockbuster. Blockbuster was only a physical medium store which meant they would have to make changes in order to keep up with the times. The issue with this is it would cost money and time to shift a company to an online platform. This would also not be as effective since Netflix at the time was already doing this and met this need first. Additionally, Blockbuster spent years developing and expanding the company's physical locations. Changing this only a few short years after would be a hard task and feel as if it was a waste.

Ultimately, people no longer wanted to go to a physical location to pick up a physical copy of a movie. Customers were already able to get movies in a more efficient manner which made Blockbuster obsolete for many. While many still enjoyed aspects of Blockbuster it was no longer the place to go for movies. During the early years of Blockbuster people would go out of their way to go to Blockbuster. After 2007, this shifted to you only going to Blockbuster if it was close by or in the area. It still had its place in society it just no longer had it's staying power.

When it comes to Blockbuster a lot can be learned by analyzing its failure. The major thing that Blockbuster failed to do was adapt to the changing market and environment. Blockbuster throughout the whole process made minimal changes even throughout its decline to better compete with its competitors. Failing to adapt to how the environment changes put you at a disadvantage since other companies will profit from it. Not adapting to a more online or subscription method when it came to getting movies from them put them in a negative position. This can be seen once Netflix came into the market and changed how customers wanted to get their movies. Blockbuster also failed to plan for the future and potential technological advancements. They established 1000s of stores that ultimately came back to bite them once people stopped coming into the stores. They failed to balance out physical locations with online methods of transitions. It only took a couple of years of foresight to mitigate the negative effects online medium and cable companies would have had on the business. Blockbuster also failed to understand its customers. Blockbuster had late fees when it came to renting movies from them. This upset customers in cases where they were charged late fees. Blockbuster failed to foster an environment that resulted in customers coming back. This was seen when customers switched to alternative sources when it came to getting movies.

Looking back at the lifespan of Blockbuster it had a great run for the time it did. I think towards the middle and end of its lifespan they failed to plan for the future. It seemed like Blockbuster accepted they weren't going to compete in the market anymore and slowly faded away. Huizenga was smart and upscaled the company then sold the company once he felt the company was at its peak. While it was great for him, and he made the company what it was during its prime he also is one of the reasons it failed. Huizenga's rapid expansion of Blockbuster was a catastrophic decision because it lacked the ability to adapt or change in an easy manner. It submitted Blockbuster as a physical retail chain. Blockbuster was solely a rental place and once rentals were no longer the things people wanted the business was doomed. If Blockbuster wanted to succeed, it should have switched its focus to a non-physical format and offered a way for customers to receive movies in the mail similar to Netflix at the time. If Blockbuster had stayed a respectable size and didn't overexpand, they could have prevented some of the issues they ran into later down the road. Ultimately, not all companies are meant to be around forever. Sometimes a company is good because it captures what the market needs or wants at a given time.

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