

Business Failure Analysis

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Background of Blockbuster

As some may know Blockbuster was founded in 1985 by David Cook in Dallas Texas. At first the company revolutionized the home video rental market by having a crazy amount of movies that you could rent to watch at home along with a customer friendly environment. Unlike other small video rental stores, Blockbuster used a computer system to log and keep track of their inventory allowing them to manage their stock in a very efficient way. This technological advancement gave Blockbuster the upper hand as it was able to scale their operation more rapidly than everyone else. With rapid growth and expansion, Blockbuster became a well known name in the 1990s, opening up thousands of locations worldwide. Then by 1994, Viacom acquired Blockbuster for \$8.4 billion, making it one of the most dominant home entertainment companies in the industry!

Rise of blockbuster

The rise of Blockbuster was fueled by several key factors. First was market dominance. By the late 1990s, Blockbuster had opened up over 9,000 stores globally, and controlled most of the video rental market. Their presence in the industry made them the go to option for nearly everyone. Second is customer convenience. Blockbusters' insanely large inventory and multiple stores across the nation made it very easy for everyone to have access to it. Also their ability to be able to get rights to certain movies allowed them to put customers in a chokehold. Third was their brand strength. They became well known with home entertainment, which made them the industry leader. With very aggressive marketing strategies they were able to further create the gap between other competitors .

Fourth was their ability to grow. When Blockbuster expanded into video game rental and started to land unique partnerships it strengthened its business model. Fun fact Blockbuster did release a rental subscription service, but it was far too late for them to compete with netflix. Lastly was their technological investments. Blockbuster invented a digital media distribution network and also experimented with in store DVD kiosks along with mailing in rental order. Even though these efforts were presented, they did have much of a long term effect on the company whatsoever.

Factor leading to the Failure

Despite being so dominant, Blockbuster failed to adapt to the trends and technological advancements. Failure to embrace the digital transformation was honestly the only major key. They ignored the collaboration offer that Netflix gave them simply because they underestimated the future of streaming. Netflix CEO Reed Hasting had offered Blockbuster \$50 million, but they declined as they believed DVD rental was going to remain on top still. Blockbuster also had a late adoption of the subscription model. Netflix introduced a subscription based service that had no late fees and would just simply stop working unless you paid for another month. Blockbuster tried to compete with that by introducing a mail in rental service but failed to properly execute it which made that change a complete failure.

Eventually customers began to grow angry with the late fees Blockbuster was doing and started to switch to Netflix which began to make huge dents in Blockbusters profit. Another factor that played a role in Blockbuster downfall was poor financial decisions. They were so focused on putting up physical locations everywhere and not investing in innovating ideas that it eventually led them into filing bankruptcy in 2010 as damage by billions in liabilities.

Lessons from Failure

The fall off of blockbuster provides several key factors for businesses. The first one is adaptability. Companies must be able to stay ahead of the trends and technological changes in order to stay in competition with others. Businesses that fail to evolve usually fall off more quickly than others. Second is having a customer centered approach. This means businesses should spend a lot of time satisfying the customer needs and innovate in response to their preferences. Blockbuster relying on late fees highlighted a disregard for customer experience, which damaged their reputation. Third is strategic decision making. Rejecting potential partnerships, like Netflix's proposal to Blockbuster, can have long term damages. Blockbuster overconfidence in its traditional methods made them blind to the opportunities that could have kept them from declining.

Fourth is that digital transformation is unavoidable. Traditional businesses must embrace technology and explore new models in order to survive the constantly changing landscape. The entertainment industry shift to digital wasn't something you could avoid and Blockbusters failure to transition fully took them out of business. And lastly, innovation must be consistent. Blockbuster did attempt to make digital innovations, but with them being inconsistent and approaching the change too late, it prevented them from making any type of impact. Companies must be able to commit to the constant change rather than making adjustments once the competition starts to leave them behind.

Personal Assessment

Blockbuster's downfall was a combination of being too comfortable and missed opportunities. While they had the resources and brand strength to make the transition into the digital landscape, poor leadership decisions and refusal to change sealed the whole fate of Blockbuster. If Blockbuster had adapted its business model earlier in the timeline, it might've remained the dominant leader of home entertainment. This company's story serves as a visual of valuable lessons for businesses that you must continue to evolve and embrace innovation.

Furthermore, Blockbusters failure showcases the importance of listening to consumer behavior and being proactive rather than waiting until the last minute to make changes. Had Blockbuster took recognition into the digital world early, we would probably still have them around. Instead, they allowed Netflix and other competitors to shape the future of home entertainment and Blockbuster became nothing but a memory.

Conclusion

By analyzing the rise and fall of Blockbuster, we gained a very comprehensive understanding of challenges businesses face in a rapidly changing market. This case highlights the importance of strategic planning, innovation, and customer driven decision making in order to have long term success in a competitive business environment. The story of Blockbuster shows us that no company, no matter how dominant they are, is immune to failure. Businesses that fail to accept change and evolve will decline. Entrepreneurs and CEOs must take these lessons seriously and make sure they use forward thinking in a forever changing market that we live in today.

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