

# Netflix vs Blockbuster

4. Do you think Blockbuster will succeed in the future? Explain your answer. I do not feel that Blockbuster will succeed in the future if they continue following their new business model. First, they lost so much money with their “No More Late Fees” campaign, and if they continue this, they cannot succeed because of all the lost revenue. Also, with the Netflix lawsuit, they will lose not only money for lawyer’s fees and such, but also their patent rights to the business model.

This costs more money and gives the public the image that Blockbuster steals other business’s ideas. Lastly, while the online service works for Netflix, it has not worked for Blockbuster. They are still losing money, more than predicted actually, and they have no where near the amount of subscribers that Netflix has. I think the only way Blockbuster can save itself in this dying industry would be to either buy out Netflix or merge with them and hope for the best. Posted by Michelle Scott at 1:19 PM 0 comments

3. Is Blockbuster developing successful solutions to its problems? Are there other solutions it should have considered? Blockbuster is not developing successful solutions to the problem. First, every member of the board is saying something different. Carl Ichan is saying they should dump the online service and stick with brick and mortar. John Polizzi, the CIO, is saying they should wait it out and keep trying, and the CEO John Antico is saying that online service is the only segment open for growth.

Also, the late fee campaign was not a good idea and not properly planned or implemented. The so called “solution” really hurt them more than it helped. Other solutions Blockbuster should have considered is either buying out or merging with Netflix. If they owned Netflix, they could both keep their own names and original business models, but Blockbuster could have profited from it. If Blockbuster bought out this competition early on, they would not be having such problems today.

2. What industry and technology forces have challenged that business model? What problems have they created? Technology forces that have challenged their new business model are the integration of the rentals online. Blockbuster must now be able to not only monitor the inventory, rental volume and sales of their brick and mortar stores, but also of their online divisions. Also, they did not nearly have as many subscribers to the online rental service as Netflix.

With the industry, Blockbuster faces legal issues with Netflix. Netflix is now suing Blockbuster over the patent of the business model that Netflix created. Other industry challenges for Blockbuster are TiVo and Video on Demand (VOD). With this digital recorder combined with VOD, the brick and mortar rentals of yesterday will no longer be useful. The Biggest problem that Blockbuster has created is the “No More Late Fee” campaign. With the abolishment of the late fees, Blockbuster also abolished one of its main sources of revenue. For Netflix, the biggest problem that Blockbuster created is all the legal issues of patent rights.

What is Blockbuster's business model? How successful has it been? Blockbuster’s original business model was renting out videos to consumers in one of its 9,100 store locations. The consumer would pay a fee, get the video for a few days, then bring it back and consider renting another. If the video was not brought back on time, then a late fee would ensue. However, with the introduction of Netflix, Blockbuster has changed its business model. In addition to the old model,

a consumer can now rent videos online and then send them back through the mail or return them in brick and mortar locations. Instead of combining the two channels, Blockbuster created a new division for online rentals with its own offices. Also, Blockbuster has done away with its late fees.

Blockbuster's old business model was a huge success, dominating the video rental market. However, the new business model, their defense to the Netflix threat, has not been a success in the least. When they abolished their late fees, Blockbuster lost \$250 to \$300 million dollars a year. On top of that, Netflix still remain on top. Blockbuster has posted a loss of \$57.2 million dollars, double the amount predicted by Wall Street.

Q5.Chances of succeeding for Blockbuster or Netflix on this business depends on how fast they can capture larger market share with the help of the latest technology, who can offer more options and availability of new releases as well as hard to find movies... They need to be on top of their 'technology game' and invest on new means of delivery as well as movie rental per see. IT plays a great role in their business and their viability depends on how adaptive they are and how creative they are in using information technology to their advantage.