Case Study

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Author Note

Blockbuster, Netflix, and Redbox

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**Answer 1**

Blockbuster managed to achieve a better strategic fit than local stores, by having convenient locations, larger stores, and more inventory. Blockbusters also offered larger movie choices to their customers and more product availability. It started its business model by making a larger storefront, building larger stores than the existing local rental shops and offered cheaper rates. With just five dollars, the customer was able to rent a movie for five nights.

This puts the local rental shops at a business disadvantage. This was since their stores were smaller, they could provide no greater than a hundred movie titles. Also, the cost of the inventory was too high as VHS tapes sold for a range to sixty to eighty dollars, which made the owner unable to afford prime locations for their shops and more renting space to keep the inventory.

Blockbusters capitalized on this opportunity and came up with bigger stores in several important places. This made sure that they were able to fulfill the rising demands of the customers by keeping large stores of versatile titles. With these larger stocks and a more complete collection of films, strategic locations, and larger stores, they were exactly what the customer needed at the time.

**Answer 2**

Netflix and Redbox faced a lot of uncertainty when it came to operating in a market that was ruled by Blockbuster. For one, Blockbuster had already managed to establish its place in the market when there were no competitors against it. There was a void in the market that existed beforehand that Blockbuster managed to fill. Netflix and Redbox already had a competitor in the form of Blockbuster when it came to their turn for cementing their foothold in the market. Another uncertainty that both Netflix and Redbox had to face when it came to competing against Blockbuster was that the latter possessed several retail stores in prime locations through the states. This made the competition in the market very difficult for both Netflix and Redbox. Lastly, there were the large costs of marketing their brand that Netflix and Redbox had to bear while competing with Blockbuster which added more burden on the nascent organizations.

To compete with the giant, Netflix and Redbox conducted thorough market research and targeted the area that Blockbuster was lacking in, like the use of innovative technologies and the use of new marketing strategies.

**Answer 3**

Netflix and Redbox managed to achieve a better strategic fit than Blockbuster by filling the gaps that were left by Blockbuster. First, Netflix and Redbox divided the market among themselves as they knew that they cannot compete against the giant head-on. Netflix targeted the wide range of old movies, whereas Redbox decided to go towards the section of new titles. Redbox also used new innovative approaches by offering vending machines at their stores. Netflix carried a wider variety of old titles but in centralized distribution centers. This way both managed to lower their costs to compete with Blockbuster.

Inventories at Blockbuster were high (comparative with incomes) on account of the decentralized idea of its activities. Specifically, conveying some low-volume rental titles (all things considered, there were maybe just around thirty motion pictures at some random time that were leasing in huge amounts) exacerbated the stock prerequisites. This expanded the expense of both stock and space for Blockbuster. Netflix conveyed a more extensive determination of titles in its appropriation focuses, however, had the option to convey lower inventories due to accumulation at its DCs. Redbox loaded recently discharged DVDs, which leased in huge volumes with generally unsurprising interest. Thus, there was considerably less stock lounging around. Each Redbox stand conveyed near 630 DVDs including 200 of the most up to date motion picture titles. Every DVD was leased overall multiple times, after which it was offered to the client.

# References

**There are no sources in the current document.**