

THE DESIGN ISSUE

INSIDE NERF MAKING GORILLA GLASS BUILDING A SKYSCRAPER IN 15 DAYS ETSY GOES PRO

WIRED

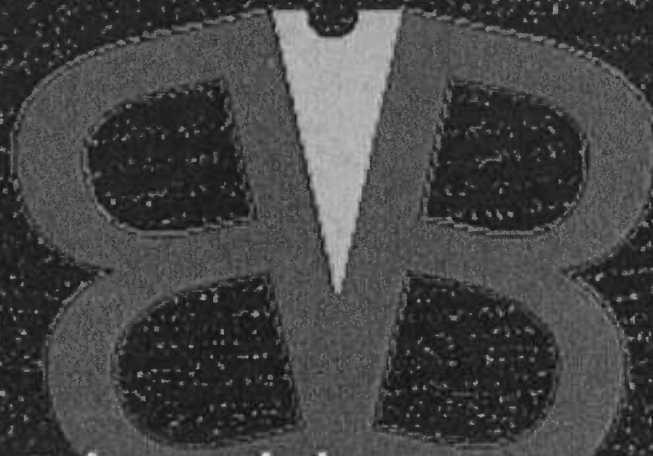
MAKE BELIEVE | OCT 2012

THIS
LOGO

WILL CHANGE
THE
GAME



THE NEW

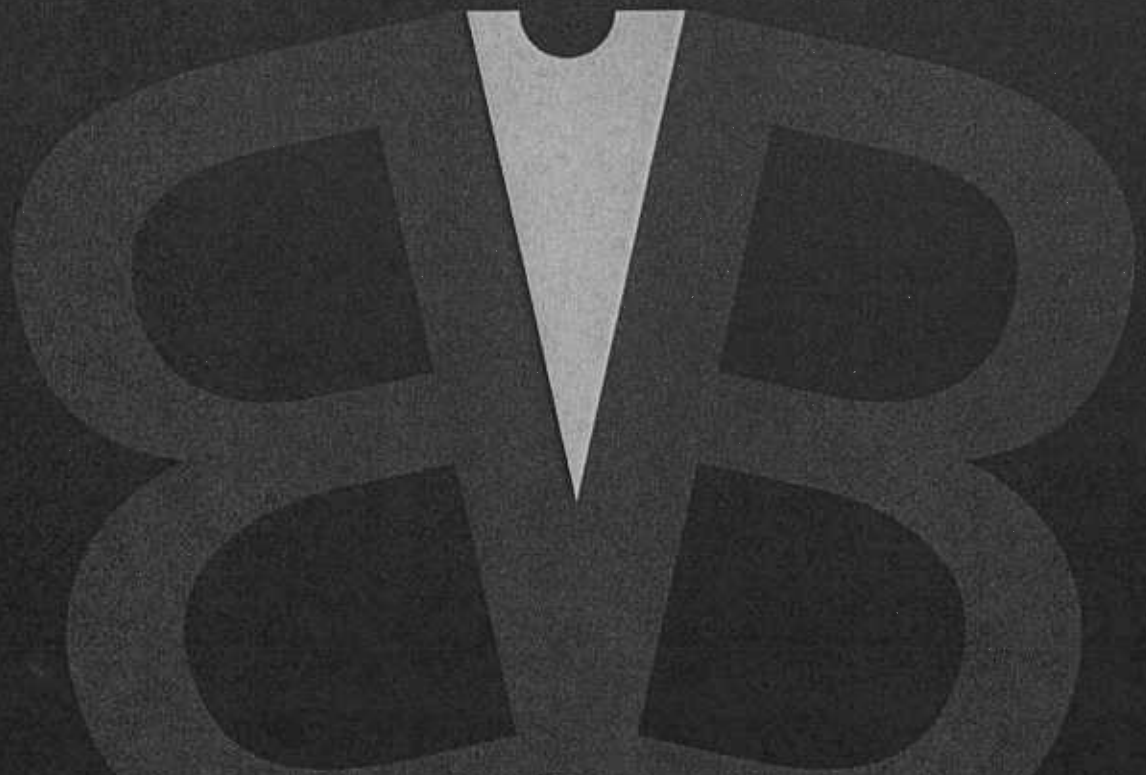


Blockbuster

old Logo



new Logo



Blockbuster

Table of Content

Part I: Introduction

Page 2

Part II: Company history and philosophy

Page 3

Part III: Environmental Analysis

Page 4-5

Part IV: Description of Target Market

Page 5-6

Part V: Analysis of Marketing Mix

Page 6-10

Part VI: Strengths, Weaknesses And Recommendations

Page 10-12

1 = 7
2 = 8
3 = 4
4 = 4
5 = 5
6 = 4
7 = 4

22/25

Format 35/11
intro 25/3
History 3/3
EA 25/3
market 25/3
Mix 5/6
SIW/R 20/3

25

Introduction

“A block of bust, a busted block!” There are many puns that can be created in illustrating the downfall of, what used to be the leading competitor in its market, Blockbuster. In the 90’s and 2000’s Blockbuster was the premier place for movie lovers to go and rent/buy movies. They enjoyed walking in the room and having the experience of searching for the right movie. Due to the progression of the digital movement, they were unable to maintain and adapt thus leaving them behind such major competitor as Netflix.

Understanding Blockbuster’s strengths and weaknesses will allow us to properly diagnose its problematic core and build around its positives. Regaining consumer’s confidence is key in order to compete and once again become the premier movie watching, rental, buying, and informative link in the movie business is our business.

Developing a new detailed marketing mix, rebranding, establish great partnerships with existing major companies to extend our reach into their captive markets will be essential. Such partnerships include but not limited to new gaming systems, entertainment digital ware, hotels, airlines are a few examples to help create Blockbuster’s success. Also, contracting with film & production companies releasing exclusive early previews, with behind scenes and extras of their films readily delivered to blockbuster customers.

The History of Blockbuster

The first Blockbuster was founded in 1985 in Dallas Texas. Blockbuster opened with 8,000 video tapes which was way more than what more stores had at that time. Blockbuster also was the first video store to open up with a computerized check-out process. At that time the owner of Blockbuster was David Cook. David Cook also had another business that provided computer software to the oil and gas industry in Texas. In 1987 David Cook decided to sell parts of Blockbuster to investors. One main investor named Wayne Huizenaga took over Blockbuster when David Cook decided to leave.

After the departure of David Cook, Blockbuster headquarters was moved from Dallas Texas to Fort Lauderdale Florida by Wayne Huizenaga. Blockbuster went into an expansion with made Blockbuster able to service area such as the United Kingdom, Denmark, Brazil, Australia, Mexico and the rest of America. In 2009 Blockbuster peak with an estimated 60,000 employees.

Unfortunately on September 23rd 2010 Blockbuster filed for bankruptcy. At that time Blockbuster had accumulated a \$900 million dollars debt which they had to pay off by selling out. Later on April 6th 2011 Blockbuster was auction off and brought by Dish Network for the sum of \$233 million dollars.

Blockbuster Marketing Strategy

When Blockbuster first opened up its marketing strategy was to sell more videos than any other video store. After Netflix and other competition came around blockbusters new marketing strategy was to get new releases 28 days before their competition. Then blockbuster has its 2002 “Rent it, like it, buy it” promotion. Blockbuster also decided to eliminate late fees on their rentals.

Environmental Analysis

Demographics

In the Blockbuster demographics mostly the female gender watches movies aging eighteen years to forty four years old, where most population is the college students and older population whose income is more than \$100,000. The woman who watches most movies have kids and they are mostly Hispanics.

Environmental

Blockbuster had around five thousand stores in the US. Its main headquarter is in McKinney, Texas with 35 different online services for the customers who rent or buy DVD's online or by mail. Blockbuster is located in 15 different parts of the world including Argentina, Canada, Chile, England, Ireland, Italy, Mexico and other countries. Blockbusters had 60,000 of its employees in which fifty percent was of them was part time workers.

Societal and Cultural

Keeping the norms of the technological advancements Blockbusters also went with its society and cultural needs such as keeping games and online renting, streaming and video on demand. Also, keeping its customers from all over the world where most customers are Hispanics, Caucasians and African-American.

Legal and Technological

Increase in the entertainment content by the web and streaming, Blockbusters had to enter into the market and launched games to their providers. Increase in the piracy and other entertainment rights it was difficult for the blockbusters to retain its position in the market. Therefore, Blockbusters high amount of debt, and their borrowing capacity was getting limited and it took variable interest rate which was higher and the business was losing its market share.

On the contrary Blockbusters became bankrupt.

Competition

The major competitor of Blockbuster was Netflix who made Blockbuster bankrupt and later Dish Network acquisitioned Blockbuster and won it in \$233 million and its liabilities.

Blockbusters had already launched online subscription in which they also allow to exchange their DVD's through mail or returning them at a store.

Blockbuster Target Audience

When Blockbuster started in 1985 its main goal was to provide a way for people to have the latest movies in their homes for a limited time. Blockbuster provided rental VHS movies and video games that were available at physical locations. The company's main target audience than was families who owned a VHS system. However they provided titles for every generation and personality.

Blockbuster has a wide selection of target audience. These target audiences can be male or female and age could range between 16 years of age to 50 years old. Older adults between the ages of 30 and 50 rent movies from Blockbuster because of family night. Movie night is the best way for older adults to spend time with their children. Now middle age adults around 21 to 29 rent Blockbuster's movies as a form of a relaxation, Friday night no work. Also the younger audiences between the ages of 16 to 21 mostly rent Block Buster video games to play with their friends. New releases of video games keep the young adults to keep coming to blockbuster.

Potential Consumer:

The most potential consumers are the young adults. The reason for this is because young

adult are more prone to share their gaming experiences with other gamers. The majority of the young adults are the ones that buy 72% of the video games from Blockbuster. The young adults will keep on coming and coming and buying. When the first halo games for the X-box came out it sold out the first week in Blockbuster even with their 3 month late release process.

Today Blockbuster will keep the same idea for their target audience, which is to provide convenient home entertainment in the form of movies and video games. Blockbuster will continue to provide something for a broad target audience. Keeping in mind those families is a main part of the target audience. Breaking up the company into specific categories to meet everyone's needs is what we would like to achieve. First and foremost we want to offer movies and television shows broken down for specific age groups as young as preschool leading into the tween ages and continuing into the teen years and so on a so forth.

A goal that we would like to reach is to take movies to the skies by offering the option of watching selected Blockbuster television shows and movies on long flights. This will give us the opportunity to expand our target audience, by offering categories of movies such as dramas, comedies, action, thriller, etc. we can reach a broad audience. Adding Blockbuster into planes on airlines such as American Airlines and Delta will help us sell to more families, businesses, and young adults.

Our target audience remains broad; we want to provide something for everyone. Making it convenient and having a television show or movie for any age or demographic and the perfect movie for a family night or a long business trip abroad goes the extra mile.

Marketing Mix

Re-branding

7 First impression is crucially important in influencing attitudes towards a brand. With Blockbuster re-inventing itself, having a proper make over will help. Blockbuster's logo will under-go a make-over since it will be key towards a successful re-branding. It will also be seen as a symbolic message stating "Out with the old and in with the new." The new is of course the digital realm encompassing, progressive technology, internet, social media, and multimedia. Also stating out with the old-failed business system and embracing change within the company with new vision.

Part of our re-branding strategy will focus heavily on high volume frequency. This will include purchasing spaces in an array of traditional and non-traditional locations, sponsorships in major events (sports, charity, music, etc...) to stamp Blockbuster's logo. Implementing billboards in high traffic areas will be beneficial as well.

Product

The marketing mix consists of the 4 P's, which are product, price, place, and promotion. The product is movie rentals in the form of DVD's. Blockbuster did have other products such as video games rentals and snacks. However, I think that the primary product and main source of profit was most likely coming from movie rentals.

Moving forward into the new vision to rebirthing Blockbuster, it needs to offer more than just physical products. Offering an experience, a level of expectations of satisfaction, and the feeling of getting a great value for just \$5 a month creates a great bundle of attributes. This bundle of attributes create a complete product that will develop the "Pull" method rather than the "Push" method to attracting new consumers in aiding the growth of their memberships.

Price

Blockbuster's main competitor is Netflix. Their membership cost is \$9 a month. In order to attract customers from this market, competitor base pricing is key. We will offer our unlimited package at \$5 per month. That includes unlimited rentals, streaming, and access to all of its offers.

Place

As you can see there are many differences between Redbox and Blockbuster. However, we will focus on the marketing mix element of place. When Blockbuster first began doing business, it followed a brick and mortar business strategy. This means that they operated solely in physical markets, where they had physical locations throughout the country and did not include enabling service by using the internet. In order for customers to buy or rent a product from Blockbuster, they had to get in their car and drive to the Blockbuster store.

One little thing that came and shook the foundation of Blockbuster was Redbox. Eradicating the physical ("Brick and mortar") store concepts that made Blockbuster great was a movement that made us re-strategize our next moves. In order to combat them affectively, we believe using their playing field of the internet and digital world will allow us to compete fairly.

Like Redbox, who uses the click and mortar strategy, we will do the same. We will create the same concept of a self-utilizing vending called Bluestream. Bluestream will literally be blue boxes like a kiosk that will be located in or outside of major grocery or convenient stores. But adding a few extra features from what Redbox offers in building its bundle of attributes will give us the advantage. Extra features such as having the option to look up movie previews, nearest

movie theatres, show times, movie ratings and much more will incentivize consumers more reasons to prefer Bluestream over Redbox. Bluestream wont promote their products through much advertising like most businesses, but I think that they mainly focus on word of mouth and curious shoppers who come across their machines.

Also we will contract with Airlines and hotels as platforms to deliver our digital services to their customers. By doing so, we see they will benefit by offering their customers an extra bonus when they choose to fly with their company or stay in their hotel. It benefits us by reaching more consumers to see the re-invention of the Blockbuster brand thus creating consumers to rethink and allow Blockbuster another chance to bring back consumer's confidence.

Contract with film and production companies in having exclusive early previews with behind the scenes and extras of their films readily delivered to Blockbuster customers to their digital devices.

Promotions

Using all the affective mediums to help project our ads will be wise. Since humor is a universal language, launching new ad campaigns utilizing humor will carry across to a much broader audience than before. Pulling back from some of our old consumers and attracting new ones including from the pop culture. Also we will implement major celebrity endorsements in order to give Blockbuster, "the brand," a new, fresh image. This image will create a lifestyle aspect of the brand perceptively stating that if you are an avid movie & game lover, cool and hip,

in tune with advanced modern technology, and smart about what you spend your money on, (getting the most for your buck) then switching over to Blockbuster is the right move for you.

One of the mediums that will help deliver our campaign is, of course, television. Having a premiere launching of an advertisement during the most peaked time is best. And when better to do so than during the greatest game where the best gladiators face off with pig-skin between them, and that's during the Super Bowl. But prior to that, launching a major Blockbuster commercial competition via social media will help build momentum leading up to it. This competition serves another important purpose and that is building lots of followers on social media since entering this competition require for the users to join our social media pages. This movement will also create a dynamic spike of frequency. More frequency will derive from the followers onto their networks thus raising the level of brand recognition which is essential in the rebranding stage.

Strengths, Weaknesses, and Recommendations

Blockbuster is trying to gain its market back by going online. It was asked and recommended by so many people in the past, but they were late to the show.

What they're doing right

Now that they're streaming online, they are not only offering movies but also games and TV on demand. Customers have the option to get a physical copy of this variety from one of its multiple kiosks, conveniently located at convenience stores in almost every neighborhood. Blockbuster's collection is accessible by TV, computers and iPads with a broadband Internet connection. Since they are now owned by Dish Entertainment, they also offer delivery service

and the extensive library of movies, games, and TV shows, can be streamed from home with Dish.

This globally-recognized brand offers a wider variety than its competitors thanks to its partnerships with Movie Studios; new releases are available sooner, and they are not only offering movies. Whether its loyal customers decide to purchase movies and/or games or rent them out, Blockbuster is now more accessible and has finally adopted a “no late fees” policy. Customers who decide to get their movies delivered can exchange them for a limited number of free rentals from in-store movies or return them via mail. There’s a one-month free trial for new customers.

What they’re doing wrong

Blockbuster is financially weak. Because of its huge network of stores and partnerships, they are still offering a higher price than its competitors. And at this point of the economy, this might be an important factor to gain their customers back.

Blockbuster was late on everything—online rentals, Redbox-style kiosks, streaming video. This fact makes investors hesitate about investing on their brand.

They are not advanced on the app market. This is an era of advanced technology.

Blockbuster needs to keep up with new releases so they don’t fall back in the same mistake that took them to bankrupt one year ago.

Flexibility is key, and its competitors offer that to their customers.

What we recommend

They should take advantage of their loyal customers and listen to what they want: flexibility. One of Blockbuster’s main strengths lies in the large network that it operates. Although their prices are higher than its competitors, they have a wider variety and more options

for its customers through its five channels of distribution: in-store, mail, vending machines, online or at home through direct TV. They need to take advantage of their service. If Blockbuster learns from its mistakes and focuses on its strengths, they can expect a profitable future. There's a lot of brand familiarity associated with Blockbuster, implementing loyalty programs can help them gain back their customers. Another option is to partner-up with hotels through Dish Entertainment, this will make people try their service and potentially get a contract with both.

References/work site:

“First Blockbuster store opens.” 2012. The History Channel website. Dec 12 2012, 11:35

<http://www.history.com/this-day-in-history/first-blockbuster-store-opens>.

By Michael Woloszynowicz Wednesday, September 22, 2010,

www.w2lessons.com/2010/09/business-lessons-from-blockbusters.html?l=1

[www.wikinvest.com/stock/Blockbuster_\(BLOAQ\)](http://www.wikinvest.com/stock/Blockbuster_(BLOAQ))

Surowiecki, James The Talk of the Town The New Yorker October 18th, 2010

http://www.newyorker.com/talk/financial/2010/10/18/101018ta_talk_surowiecki

