The Rise and Fall of Blockbuster

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Blockbuster was a pioneer in the media and film industry. It created a lifestyle where movie rentals and purchases led the charge in entertainment across all age groups and areas. However, everything can change if one does not keep up with the innovations and development of present-day technology. In this case, Blockbuster's founder, David Cook, led the company into a standstill under these particular circumstances.

David Cook, founder of Blockbuster, was a computer programmer that wanted to capitalize on the wants of modern-day entertainment, which is, in this case, movies and show rentals. Since individuals during that time may have not have the funds or the time to find or obtain their favorite movies and shows at home, Cook made it so that they could easily have them accessible in a storefront. He began his mission in 1985, opening a store located in Dallas, Texas (Davis & Higgins, 2013). Through Cook's expertise and experience in programming, he understood how to keep the attention and trends of movie and show watchers. He programmed it so that Blockbuster's computers "track inventory and consumer preferences" (Davis & Higgins, 2013). Cook created an outlet that allowed customers to search and rent a wide variety of cinema through an easy and accessible (and affordable) method. His success stemmed from his knowledge of programming and customer trends as well as his experience as an entrepreneur of a software company for oil and gas (Onion et al., 2009). After realizing a system in place for this business, Cook decided to sell part of his business to the founder of Waste Management, Wayne Huizenga, in 1987 (Davis & Higgins, 2013). This happened due to the idea that Blockbuster potential was yet to be displayed in full effect, comparable to the likes of superpower companies such as McDonalds or Google. Through the aid of Huizenga and Cook, Blockbuster went from a measly eleven franchised stores to an enormous 1,654 stores in the United States alone (Davis and Higgins, 2013). Throughout the seven years that Huizenga reined as controlling interest of

Blockbuster video, the company thrived with profits and overtaking other entertainment companies in the path (Davis & Higgins, 2013). This company only started seeing a declined when it is focus changed from customer renting videos to other outlets of the entertainment industry. Under the management and ownership of the company VIACOM, they shifted their focus from video and cinema to books, toys, and even clothing (Davis & Higgins, 2013). Undergoing a rebranding of Blockbuster Entertainment Corporation to Blockbuster, Inc., and retail stores changing from Blockbuster video to just Blockbuster, the company was in a time of confusion and misunderstanding of the market they were trying to be. All of this change resulted in a loss of profit, despite having a six billion revenues during the time VIACOM was in charge (Davis & Higgins, 2013). After a new CEO took place in 1997 by the name of Jim Antioco, the focus was developed back into video rentals and cinema. The creation and rise of Netflix transpired during this time as well, although not effectively rising until about 2004.

The difference between the company Blockbuster and other movie rental companies like Netflix and Redbox at the time, was the convenience and ease of accessibility and affordability. Blockbuster was a company that strived at ensuring that customer had options that were relevant to the times in new movies, while also holding some nostalgic memories of their childhoods through older movies. One of the problems with this is that they did not anticipate how quickly DVDs and VCR were becoming outdated. Around 2005, technologies influenced cinemas with the creation of streaming services and in home movie options through television. The idea behind paying to rent movies or even for their all-inclusive subscription package where they mailed DVD's directly to the customers home, were vastly outdated due to the convenience of returning the DVD's as well as paying for a new convenient method of watching movies at home digitally (Holmgren 2006). This led to how companies like Netflix operated in regard to the video streaming industry. Even when Netflix started out as a Blockbuster style company, they provided benefits such as “No late fees,” which changed the game up completely for customers (Holmgren, 2006). The way that the customer experience relied on how the company managed their system of returns and rentals heavily affected the customer mindset of returning to the company again.

Also, the shift from the merchandise and customer base that they originally were focusing on impacted how customers looked at and used Blockbuster stores. Trying to branch out into other outlets such as toys and books brought the originality out of the Blockbuster brand. It began to look like a normal retail store rather than a place where an individual knows they can find the next movie in the “Harry Potter” series without trouble. The company also attempted to shift back to video rental focus way too late and sudden, resulting in a confusion-based system that customers could not rely on. This combined with the fact that new companies and services were being created to combat the issues that Blockbuster was displaying, the fall of the company became inevitable.

The biggest problem that Blockbuster did not recognize was how quickly other competitors were improving and acting on the innovations of technologies in comparison to their own. There were multiple times in which Blockbuster executives ignored blatant ideas regarding improving their movie system to streaming, until it was too late (Ishalli, 2023). To keep up with the rapid changes in rental services, Blockbuster created the “Total Access Program” which charged online members a low fee to exchange their mailed in DVDs in-store. This program created a loss in profit for Blockbuster, which affected customer satisfaction when Blockbuster increased the exchange fee (Ishalli, 2023).

Lesson that can be learned from the history of Blockbuster is that focusing on the times as well as the customer base really impacts how your company may end up. Instead of taking a prideful approach to how an individual wants their company to run, understanding and realizing that your original approach may not be effective five years from now (Holmgren, 2006). For example, making it more convenient to have one membership pass for movies and games alike may benefit the customer base more than having them buy two separate membership passes (Holmgren, 2006). Focusing on how the market shapes itself as well as the ability to overlook personal gain in place of company success is a lesson that all companies share when faced with adversity. A company must adapt to changes in the market to keep up with companies that are capitalizing on those changes (Ishalli, 2023).

This company had all the basis and ideas to be a powerhouse in the DVD/streaming industry. While it started off amazing in terms of success, it began to fall when leadership changes took place. Not every CEO had the same idea in place, which resulted in a lackluster attempt of redemption and redevelopment of the company and its system. This alongside other companies capitalizing on customer convenience and accessibility, Blockbuster made too many mistakes to try to come back from, and this showed through its bankruptcy in 2010.

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