

1. What are some of the trends presently in the home movie viewing industry? That is, what are the driving forces of change in the industry? Will they continue?

The movie viewing industry is evolving based on many factors. Some of these factors are the macroeconomics variables, lifestyles, and technology. The evolution of the technology has shown to have the higher impact in this industry. New storage and recording technologies allowing more features (high quality, languages, more information, side information, etc), better performing equipment (visualization technologies with more definition, cheaper, more options (plasma, projectors, LCD, Blu-Ray, etc), and sound technology), other options emerged of the use of high speed stream data to the houses (high speed internet, fiber-optic, satellite, micro-wave, etc), software development associated to the new technology (VOD, on-line rental, interactive features, high integration between TV and internet), regulations (digital technology), the industry growth rate, market innovation, as well as more options and better quality popcorn.

The trend associated to the movie industry appears to be associated to the trend of the development of many other industries (television, internet, sound, etc). These last trends are associated to some degree to Moore's law. As conclusion we would forecast that this trend will continue to a similar rate as fraction of the Moore's law. Some variation will be detected over the time, but they will be associated to the periods and resonance of the dependent technology trends.

2. What does a five forces analysis tell you about the attractiveness of the industry? How are Netflix strategies aligned with the five forces? Blockbuster?

The five forces interact/affect to Netflix and Blockbuster in different way:

1. Firms in other industries offering substitute products

The dynamics of the industry, basically because the technology evolution, offer a huge attractiveness for businesses. The movie rental industry is only a sector with a huge impact for this evolution, but very attractive and full of opportunities for entrepreneurs.

Netflix business development is a clear example of the opportunities that this industry offers. The company has entered in this attractive market with a more up-to-date vision of the market and the available technology. They take some risk (e.g.: customer acceptance), but with creative ideas and a clear vision to be developed, they offer products that the public has quickly accepted. So, Netflix strategies are completely aligned with this force.

Blockbuster developed similar approach years ago, but in the maturity of this market, Blockbuster didn't have the reacting in time to move forward its business face on the changes and new opportunities that the market offered. Blockbuster management should modify their strategy when they have realized that fresh ideas and strategies were giving better results. So, Blockbuster strategies start to be aligned with this

force. It remains to know if it will be a permanent behavior or simply they are following their competitors.

2. Buyers

The competitive pressures stemming from buyer bargaining power gives to the current market participants some advantages. Blockbuster could have some advantage in relationship to this force because of the higher portion of the market share; it gives to Blockbuster more negotiation power.

3. Potential new entrants

The dynamics of the market offers huge opportunities for the new entrants. Each new technology development represents an important threat for the market participants because it gives to potential new participants an opportunity.

In the case of Netflix, its vision and strategy do focus in the use of new technology and service. So, Netflix could not be very worry about new entrants.

In the case of Blockbuster, its strategy was not oriented to the use of new technology; this represented a higher threat face on the new entrants, but Blockbuster is doing a huge effort trying to actualize its strategies.

4. Suppliers of raw materials, parts, components, and other resource inputs

The technological evolution will always offer new products. Netflix looks to take the advantage of this while Blockbuster looks to be a step behind but with some correction in its strategies. For these reasons, Netflix looks to be in a better position taking advantages of this force.

5. Rivalry among competing sellers

The rivalry in this market looks important at this point; this rivalry does not show attractiveness for new entrants. This high competitive market does difficult the entrance of new competitors because of the high initial cost (but it could change with the apparition of new and cheaper technology).

For Netflix, this force shows that the company is in a better position to compete; in fact, Netflix has entered in the business knowing that it needs to compete.

Blockbuster has a lot of background in the market; this gives to Blockbuster two opposite forces; in a positive way, a good reputation and identification with the business. In a negative way a huge inertia to move forward adapting its strategy to the continue evolution of the industry. For the point of view of the competition these forces could be minimized or maximized with good strategies, and it looks like Blockbuster is going in the correct direction.

3. What are the major key success factors - those "things" the company is really good at - required for success under these industry conditions?

Technology-related KSFs

- expertise in a particular technology: Netflix shows to be in a better position taking advantage of the new technology (VOD, email service, etc)
- proven ability to improve production processes: Blockbuster has more room to improve its process. It carries much background that it could be optimized.
- ability to achieve scale economies and/or capture learning/experience curve effects. Both companies has the ability to capture and implement scale economies subjects.
- quality control know-how. Netflix looks to have a better incidence in the quality control, which gives it more efficiency in the process. Blockbuster is changing its core business and it will need to develop and implement quality control strategies.
- access to attractive supplies of skilled labor. Both companies present a similar incidence.
- high labor productivity. Netflix looks to have a higher productivity based on its efficient process. In other way, Blockbuster carries on a huge background that could give it low productivity.
- Ability to manufacture or assemble products that are customized to buyer specifications. Both companies present a similar incidence.

Distribution-related KSFs

- A strong network of wholesale distributors/dealers. Blockbuster looks to be in a better position for this key factor based on its longer participation in the market.
- Strong direct sales capabilities via the internet and/or having company-owned retail outlets. Netflix presents a better use of this factor based on its vision and core strategies.

Marketing-related KSFs

- Breadth of product line and product selection. Blockbuster presents a broad product line higher presence.
- A well-known and well-respected brand name. This is one of the more important key factor for Blockbuster base on its long participation in the market.
- Fast, accurate technical assistance. Both companies present a similar incidence.
- Courteous, personalized customer service. Both companies present a similar incidence.
- Accurate filling of buyer orders (few back orders or mistakes). Both companies present a similar incidence.
- Customer guarantees and warranties. Both companies present a similar incidence.

Skills and capability-related KSFs

- A talented workforce. Both companies present a similar incidence, but with different skill and talents.
- National or global distribution capabilities. Both companies present a similar incidence.
- Design expertise. Blockbuster looks to be in a better position related with this factor.
- Short delivery time capability. Both companies present a similar incidence.
- Supply chain management capabilities. Both companies present a similar incidence.
- Strong e-commerce capabilities. Blockbuster has reverted its weakness, and now both companies present a similar incidence.

Other types of KSFs

- Overall low costs. Netflix looks to be in a better position.
- Convenient locations. Both companies present a similar incidence.
- Ability to provide fast, convenient after-the-sale repairs and service
- A strong balance sheet and access to financial capital. Netflix looks to be in a better position, but the difference between the companies is decreasing over the time.

4. What do you think Netflix will do next? What do you think Blockbuster will do next? Which one will thrive and why?

Netflix has a huge potential, it has grown in a sustainable manner during years, winning market share and having a strong position in a defined sector of the industry. Nevertheless, Netflix revenue and market represent a quarter of the Blockbuster market.

Part of the Netflix success was to understand where the market and customer preferences are going, to have the vision and the correct management for implementing the strategies supporting this vision. Over the time, this vision and strategies will be also taken by the competence and the competitive advantage that Netflix had for some years start to be lower over the time. Netflix needs constantly to find new strategies that allow it to remain a step forward from its competitors in the market. Once Netflix reach a more dominant position, this approach could be reviewed.

Blockbuster has an extremely important asset in this market that is year of presence and good reputation in the market. Blockbuster has a dominant position in the market, but based on some not at all good decisions and lack of reaction face on the new technologies, Blockbuster is losing market. This trend has started to be reverted in the last year and it looks that Blockbuster is moving its core business adapting it to the new market environment. This movement has required a re-adaptation of the company, strategies, etc. This reaction, although a little late and timid, looks that Blockbuster could revert the negative trend and continue enjoying a dominant position in the market.

Blockbuster needs to move faster face on the new trends in the market (customer preferences, technology, etc). The company operates in a market with a fast evolution; so, the revision of the different strategies should be done periodically.

Likely, Netflix will continue thriving at a similar rate for few more years, decreasing then due to the maturation of its market and the higher competition. For the Blockbuster side, it looks that it will be reverted its negative trend and will start to thrive at low rate, then increasing it over the years. Finally, while these trends evolve, new technologies will appear that they will threat the market, and the company which better could adapt its strategies to the new conditions, it will evolve faster. In addition, the apparition of new technologies could be associated to new competitors with a different vision of the market.