Reserch

Netflix is the world's largest online entertainment subscription service. Netflix helps subscribers find movies they love from over 100,000 DVD titles plus a separate library of over 10,000 titles that can be watched instantly on subscribers' TVs and PCs, with no due dates, no late fees, and no shipping fees. Our deep selection, personalized movie recommendations, and quick delivery - nearly 95 percent of subscribers live in areas that can be reached with generally one-business-day delivery - have made Netflix the top-ranked e-commerce company in customer satisfaction and have driven rapid growth in subscribers, revenue and earnings. Netflix has been rated No. 1 in online retail customer satisfaction by independent surveys from Neilsen Online and for seven consecutive periods by ForeSee/FGI Research. (netflix.com 2008)

Netflix is a DVD rental service that's run entirely on the Internet. Each user gets his or her own queue for movies to rent, and the service will ship out up to four at a time via postal mail. The service doubles as a review network, as each user also can review movies they've seen and view other community members' takes too. Users also can give movies thumbs up or thumbs down to receive suggestions for future rentals, based on what other users have rented. Netflix has achieved its popularity for its low-priced rentals and lack of late fees. Recently, Netflix launched a service that lets users’ stream entire movies on their computers. (cnet.com 2008)

Netflix became the number online movie rental site because of good service and price. They were also the first company to offer online movie rentals which left Blockbusters in the dust. They lead the rental market in content selction with over 100,000 titles on DVD and 12,000 movies you can watch instantly. Now they are offering a new service will you be able to watch Netflix movie on your TV through the internet using a Ebox 360 or a device you can purchase for 90 dollars all this is done over a high speed internet connection.

Netflix investor relation retrieved on July 28 2008 from <http://ir.netflix.com/>

Netflix Retrieved 28 July 2008 from <http://news.cnet.com/8301-13546_109-9729751-29.html>

Netflix left Blockbuster in the dust because of its significant commitment to control. .Unlike most companies, Netflix’ focus of control was the customer’s hands. Netflix wanted the customer to experience full control of their Netflix experience; unlike what happens at Blockbuster on weekends.

A weekend experience at Blockbuster can be very frustrating. Customers plan all week to make a beeline to the Blockbuster store after work on Friday, anticipating their experience long before they get there. They envision picking up their rentals, all new releases. When they arrive at the brick and mortar store, however, they are sometimes keenly disappointed to learn that all of the releases they hoped to see during a rainy weekend have already been checked out to other customers. The Blockbuster customer looks at the large overhead clock in the store. It’s only 7:30 PM and all of the new releases are already checked out. The customer has two choices: go home without any movies, or be ‘wait-listed’ for the movies. When the movies are returned to the store by other customers, then checked-in by the Blockbuster employee, the employee calls the wait-listed customer to alert them they can drive to the store again and pick up the movie they had hoped to rent at least 24 hours earlier.

In contrast, Netflix’s customer service style is all about control. Netflix permits the customer to peruse through their selections on the web in the comfort of the customer’s own home. Once the customer has identified the selections they desire, there is no waiting in line. Within 60 seconds the customer has finished the check out process, and within 48 hours the customer has his selections in hand. This is the ultimate customer service experience! Plus, the customer doesn’t even have to go to the store to return the movies. Just slip the movie into the self-addressed stamped envelope, walk it to the mailbox, and whistle a tune all the way back to your door!

Mooney, P, & Bergheim, L (2002). *Ten demandments*.New York: McGraw-Hill.

   Netflix has gained a tremendous advantage over Blockbuster. It contended on a different playing field: virtual vs. brick and mortar. Customer service promises were kept; stock prices rose; and Netflix was blowing Blockbuster out of the water. Until. Until 2006 when Blockbuster began offering no late fees for late return of videos. Until Blockbuster began renting online and permitting customers to return the movies to the customer’s neighborhood Blockbuster store. As a result, though Netflix began a more successful I.T. transformational experience, Blockbuster fought back. As a result Netflix’ stock prices dropped. Blockbuster has started to regain market share.

Where will Netflix go from here? It has been suggested that Netflix join forces with some of the smaller recording studios having a hard time selling their artists’ wares. In short, Netflix needs to diversify its business interests.

Others think Netflix should not have lowered its prices. By doing so it revealed that the only value in the product was the price paid for the movie rental; whereas the truth is that the entire movie rental experience is the reason for its success. Netflix has excellent customer service and a higher level of quality customer service. Blockbuster has had a hard time duplicating the customer’s experience at Netflix.

It has been suggested that Netflix could further improve its stand against Blockbuster by picking up a niche movie market of custom films such as promoted by the Sundance Film Festival. Again, further diversifying its product offering. Lastly, Netflix could expand into the Cable Company offering market, all through a transformed I.T. department.

Each of these ideas could be done by Blockbuster, but the ideas are a natural fit for Netflix. Netflix was an entrepreneurial company at the outset, and though initially known for movies, they have not been typecast into one market only. This is further understood because of the playing field Netflix began its commercialization in. The company’s launch was virtual; not brick and mortar. They’ve done the brick and mortar very well, especially the customer service. They will continue to beat Blockbuster if they can find additional markets to enter via the internet.

Gunderson, A (2007, October). Netflix vs. Blockbuster. *Inc. Magazine*, *29(10)*, 32.

  Reed Hastings, founder of Netflix, has a very unconventional way of running his business. Blockbuster’s method of retaining its talent pales in comparison. Could this be one of the reasons Netflix rarely has a job opening? Could it be why there is such a high degree of employee satisfaction? You be the judge.

            Hastings tells his H.R. department that money is no object when they are trying to recruit new talent. In fact, H.R. knows that once the right person is found, that candidate can structure his own compensation package any way the employee desires it. To put it simply: Hastings pays lavishly. Hastings permits unlimited vacations. Each employee can structure his own compensation package. What could possibly be better than that?

            In return Hastings expects the employee to be an ultra high performer. He has 400 highly efficient people working for him and each one performs the amount of work of three to four individuals. This revolutionary approach to this high tech company is called Freedom and Responsibility.

            Hastings founded a company several years ago which was purchased by IBM. Though

he made a lot of money from the deal, every day that he went to his job he hated his work. He decided when he founded Netflix, that he wanted his employees to be free of micro managers. As a result, he’s developed a very loyal following.

            Are his employees concerned about the bite out of their stock shares that Blockbuster is chewing on right now? Hastings replies no. In 2002 gloom and doom were promoted for Netflix because Wal-Mart got into the DVD rental business. Today, Wal-Mart refers all of its DVD rental business to Netflix.

            Hastings is betting on two solid tangibles for this virtual company: the first is the continuation of its online DVD rental system. The second is the run for its money that it plans to give Apple for the streaming video business. Poised against Apple for this edge of the business, a market Blockbuster has ignored up until now, it’s taking on the little giant for a piece of the market. In Hastings’ own words, every market usually has room for two contenders. Netflix will be the second contender in the streaming video market.

Conlin, M (2007, September, 14). Netflix: recuiting and retaining the best talent. *Business Week Online*, *29*, Retrieved July 29, 2008, <http://www.businessweek.com/managing/content/sep2007/ca20070913_564868.htm?campaign_id=rss_null>

Blockbusters

Blockbuster stared the online movie market in late 2004, this company is 80 percent own by viacom. Online customers could return mail order rental to blockbuster stores.This company will let the stores employees take movies  order off the web and packages the DVD's and ship them.This mean blockbuster will not have to create huge shipping warehouses. This will make shipping faster since the order do not go through a central depot.All Blockbuster stores have to be advertise and the stock posted online. This online business was first tested in 2001 in San Diego, Denver,and Austin,Texas this online business was the foundation for the online rental program. The competitors Wal-mart .com and Netflix each offer more than 13000DVD titles.Blockbuster utilize over 5500 stores, an advantage it competitor Netflix does not possess to fullfil it online business.

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Retrieved July 26,2008 from

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This is an article on blockbuster entrance into the e-commerce business to transform it current business strategy:

One major player has yet to develop an online presence: Blockbuster Entertainment. Visitors to the site will find no options to buy anything. There is, though, a store locator map and lots of prompts about getting to a Blockbuster store near you.

The chain was unavailable to talk about online plans, but one supplier executive says Blockbuster is looking to hire a chief technology officer. However, it might be too late for Blockbuster to dominate E-commerce the way it has brick-and-mortar retail.

DOUG STEPS OUT: Doug was the latest animated television star to step into a big-screen role, and on Sept. 14 "Doug's 1st Movie" hits video stores. The title will not be available on DVD.

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Blockbuster is trying to remain competitive in the war of DVD rentals with the pressure mounting from Netflix. Late 2007 should sales and earnings were both up, so they are holding their own right now,“…even though the company had a net loss of about 500 stores - more than 6% of its base.” (2008 Silicon Alley Insider). Although Blockbuster is holding its own right now they are still facing a grim future with the next movie rental battle building. They are not only going to have to face Netflix but other companies that are coming on board to find ways of getting movies to the consumer without the inconvenience of going to the stores or through the mail. Blockbuster has to find a way to compete or they will become extinct in the next generation of movie renting.

**(2008 Silicon Alley Insider: Blockbuster Q4: Not Too Bad. Blockbuster Future: Not So Good. Retrieved July 28, 2008, from**

[**http://www.alleyinsider.com/2008/3/blockbuster\_q4\_\_not\_too\_bad\_\_blockbuster\_future\_\_not\_so\_good\_\_bbi\_**](http://www.alleyinsider.com/2008/3/blockbuster_q4__not_too_bad__blockbuster_future__not_so_good__bbi_)

**This is a abstract from an article which shows blockbuster business transformation strategy of getting into the online movie business and trying to keep pace with its competitors such as Netflix and Wal-Mart:**

**Keeping Pace**

**The acquisition is one of the first major strategic moves for new CEO Jim Keyes, the former** [**7-Eleven**](http://www.7eleven.com/) **(NYSE: SE) executive who took the helm at Blockbuster in June after former CEO John Antioco was forced out by activist shareholders upset about the company's performance .**

**"Blockbuster is committed to keeping pace with the changing needs of customers by offering them an expanding array of convenient ways to access entertainment content," Keyes said. He called the purchase "the next logical step in our planned transformation" of the company.**

**"Now, in addition to the entertainment content we provide through our stores and by mail, we have taken an important step toward being able to make movie downloading conveniently available to** [**computers**](http://www.ecommercetimes.com/story/58751.html)**, portable devices and ultimately to the television at home," he added.**

**Shares of Blockbuster stock were down a fraction of a percent to $4.21 in midday trading Thursday.**

**Large Catalog**

**Blockbuster said the 3,000-plus titles in the Movielink catalog give it the most extensive online offering of movies for digital download. Users can choose to rent movies for 99 cents and up -- they can store the movie for up to 30 days, but have only 24 hours to complete viewing it once they start to play it -- or download the movies to own.**

**Equally as important is the existing agreements with the five movie studios as well as some 30 additional TV studios and distributors that have licensed content to the site. In fact, Blockbuster is "grateful to the studios for entrusting us with their content," Keyes said.**

**"This is a forward-looking move,"** [**Yankee Group**](http://www.yankeegroup.com/) **analyst Michael Goodman told the E-Commerce Times. "The battleground right now is still over DVD rentals, but this could be something that augments that service and eventually becomes something that people migrate to when the technology is all in place to make it happen."**

**Though devices such as the** [**Apple TV**](http://www.apple.com/appletv/) **now make it easier for Web-downloaded content to be sent to television sets, such setups still exist in a fraction of homes, especially when compared to the near-saturation of DVD players. In fact, only about 10 percent of U.S. Internet users were interested in downloading feature-length video to their PCs, according to a recent Yankee Group survey, while that number jumps four-fold when the ability to download directly to a TV is added in.**

**References:**

**Retrivied on July 28 ,2008 from**[**http://www.ecommercetimes.com/story/58751.html**](http://www.ecommercetimes.com/story/58751.html)