An Inside Look at Blockbuster, Inc.

Laura Holmgren
The University of Michigan- Dearborn
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Introduction

With over 9,000 stores in the United States, and 24 other countries (see Tables 1.1 and 1.2), Blockbuster, Inc. is a leading global provider of in-home rental and retail movie and game entertainment. Approximately 150 of these stores are located in Michigan. As of December 31, 2005, Blockbuster, Inc. employed about 72,600 people (about 50,300 within the United States and about 22,300 outside the country). Roughly 17,300 U.S. employees were full-time, about 30,700 were part-time and about 2,300 were seasonal workers. Blockbuster's U.S. company-operated stores generally operate under similar hours (typically 10:00 a.m. to 12:00 midnight) 365 days a year, and each employ an average of 11 people, including one store manager. Blockbuster's customers are people of all ages who enjoy watching movies or playing games in the comfort of their home.

Blockbuster Entertainment Corporation originated in Delaware in 1982 and entered the in-home movie rental business when it opened its first store, "Blockbuster Video," on October 19th, 1985. It soon grew to become a multi-billion dollar corporation, and was sold to Viacom for $8.4 billion in 1994. In 1996, the Blockbuster Entertainment Corporation was renamed "Blockbuster, Inc." and the retail stores, "Blockbuster." The corporation made its public debut as "BBI" on the New York Stock Exchange in 1999. Blockbuster split from Viacom in mid 2004 and has since been a fully independent company, headquartered at Renaissance Tower in downtown Dallas, Texas.

Blockbuster, however, has lost substantial amounts of money recently: $1.6 billion in 2002, almost $1.0 billion in 2003, and $1.2 billion in 2004. As of February 2006, "the company had a market value of under $500 million."[1] Despite these numbers, Blockbuster has been continuing the fight to become *the* complete source for in-home movie and video game entertainment. It has even been claimed that there are "more than 43 million U.S. households with Blockbuster memberships."[2] It seems that Blockbuster will continue to be a leader, when it comes to consumers' evoked set, or mind share, for some time to come.

Blockbuster operates in an extremely competitive setting. Most of Blockbuster's noteworthy competition comes from retailers that rent, sell or trade movies and video games. Other primary competition comes from providers of direct in-home movie entertainment (or other alternative delivery methods) including satellite, cable, and the internet. Also, the illegal act of piracy is becoming more and more commonly accepted, creating competition partially due to newer developments in technology that allow for faster downloading and replication of DVDs. Blockbuster stores also compete in general for each consumer's leisure time with, among many others: "movie theaters, the internet, online gaming, consumers' existing personal movie libraries, live theater and sporting events."

In 2004, Blockbuster, Inc. launched Blockbuster Online in an attempt to allow customers to rent DVDs by mail and offer substantially more titles than found in stores alone. During 2006, the number of subscribers to Blockbuster Online increased significantly due largely to in-store sales promotions. By subscribing to Blockbuster Online, customers may choose from a selection of over 60,000 movie titles (a far larger variety than any brick-and-mortar video rental store can provide) and have them

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[1-2] Wikipedia.com

delivered right to their homes. And with the new Blockbuster Online "Total Access" plan, subscribers *even* have the option to return the movies to their local Blockbuster store in exchange for an in-store rental.

The specific Blockbuster store location discussed throughout the following pages is located in Dearborn Heights, Michigan. It's one of the oldest still-operating Blockbuster locations in Michigan, having opened on December 1st, 1989. It is primarily a service organization; however it provides customers with not only rental and retail movies and video games, as well as a wide variety of confections including candy, fruit snacks, ice cream, chips, and popcorn. Also provided are Coca-Cola soft drinks and bottled water. Blockbuster customers are treated kindly by employees who do whatever they can to ensure that each customer has an enjoyable "Blockbuster Night."

Internal Analysis

Blockbuster's mission statement is "To be the global leader in rentable home entertainment by providing outstanding service, selection, convenience and value."[3] Blockbuster strongly values diversity due to the fact that it is a global corporation and its workforce and customers are each very diverse, whom appreciate the importance of these facts. Diversification is a necessary objective of the company, as it is with any major company in America if it wants to be as successful as possible. According to Blockbuster's official website, "Diversity" is "an inclusive, strategic business platform focused on creating a differentiating and sustainable competitive advantage."[4]

Now that stores like Wal-Mart are around, offering DVDs at prices that are tough to match, Blockbuster's business strategy is designed to "revitalize their core rental business and create alternative revenue sources."[5] Blockbuster is currently attempting to help offset risks that are facing its industry. One of its current primary initiatives for long-term growth is its "No Late Fees" policy. Prior to the policy, extended-viewing fees (commonly referred to as "late fees") were a significant source of revenue for the company, but were a major problem customers had with their movie or game rental experience. With the "End of Late Fees," the number of active memberships began to grow. This was something the company hadn't seen in over two years prior to the new program's introduction.

With technology constantly changing at a quick pace, Blockbuster's business strategy has also been an effort to change with technology while still attempting to achieve the goals in their mission statement. Blockbuster, in a way, is trying to become customers' "entertainment concierge," seeking to provide for their customers regardless of whether they wish to buy, rent or trade movies or video games online or in a store. Blockbuster's "Total Access" plan uses a strategy designed to please and provide for customers unlike ever before. Each DVD mailed to the customer may be returned to a local Blockbuster store and acts as a coupon for a free movie rental at that store. Blockbuster's strategy of tying the program back to local store visits cannot be matched by Netflix, giving Blockbuster high hopes for their online efforts. Blockbuster chairman and CEO John F. Antioco stated "Given the views of leading industry experts that within

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[3] Blockbuster.mediaroom.com
[4] Blockbuster.com
[5] PRNewswire.com

three years online rental could represent 20% to 30% of movie rental revenues, it is imperative that we pursue this opportunity, which we believe will mean hundreds of millions of dollars in future operating income for our company."[6] As of September 2006, Blockbuster Online had over 1.5 million subscribers.

To support this strategy, many Blockbuster stores have been provided a secured laptop computer to access both Blockbuster's online website, as well as the Netflix website. The laptop placement is meant to encourage customers to subscribe immediately in-store. Those customers who choose to do so receive a free movie rental just for signing up. Employees are expected to be enthusiastic, efficient and helpful when dealing with customers and coworkers and are currently instructed to suggest Blockbuster Online to *every* customer each time they work. Customers are asked to sign up for a free trial of Blockbuster Online while at the store (receiving the free movie rental at that time if they agree to do so), or they are given an informational packet featuring a promotion code if they wish to subscribe at home. To help enforce this, "Mystery Shoppers" visit Blockbuster stores each month. If an employee does not recommend Blockbuster Online to the shopper, it is reported and the employee may be reprimanded.

Blockbuster continues to use the "Total Access" program as well as the "End of Late Fees" as core competencies that differentiate itself from main competitors such as Netflix or Hollywood Video. It also allows Blockbuster to compete more effectively with home entertainment options that *also* do not have late fees, such as retail DVD, "on-demand" movies, and "pay-per-view." In order to succeed, Blockbuster must continue to implement and maintain the necessary information technology systems and infrastructure to support these initiatives by carefully investing in operating and capital expenses to continually develop these programs.

Blockbuster's competitive priorities include a somewhat stronger emphasis on flexibility and time, and slightly less of an emphasis on cost and quality. Blockbuster's rental prices differ throughout the country depending on geographic position and proximity to competition. At the Dearborn Heights location, 2-day new releases cost $4.69 each, new movies to purchase are $21.99, and game rentals are $7.99 each. Meanwhile, at many smaller chain video stores, new release movie and game rentals are half the cost, and new movies to purchase cost significantly less as well. Although Blockbuster has saved countless customers money by implementing the "End of Late Fees" policy, Blockbuster's primary focus for competitive priorities is clearly *not* cost.

Quality, although not the primary concern, is still very important to Blockbuster. Quality has a subjective meaning, however, and as a competitive priority has two components: *high performance design* and *goods and services consistency*. Although Blockbuster strives for excellent customer service and durable products, there is never a guarantee that a customer will have a pleasant experience at a Blockbuster store or take home a DVD or game without it skipping or pausing due to scratches on the disc. In fact, at the Dearborn Heights location, as well as many others, workers are told to mark boxes as defective, but place them *back* on the sales floor until a *second* customer complains about the disc skipping. This is done largely because so many customers are dishonest about discs being defective because they simply want a free rental in its place. Because of this, inconsistency is a possibility because customers are never truly certain that their rented DVD or game will function properly.

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[6] PRNewswire.com

Time is an extremely important competitive priority for Blockbuster, especially regarding Blockbuster Online. Customers do not enjoy waiting, so a main reason Blockbuster decided to change its traditional online plan to a "Total Access" program was to help keep customers entertained while their movies were being shipped through the mail. Customers may receive an in-store rental for each online movie returned to the store, helping to keep the customer satisfied with their overall movie renting experience. With a strong competitor like Netflix, Blockbuster must use rapidly delivery rentals as an order qualifier and keep up with or exceed the speed of delivery in terms of customers' expectations. Speedy delivery and on-time delivery are key goals of the program. Time as an important factor is also demonstrated on weekends and holidays when extra workers are brought in to keep things running quickly and efficiently.

The other key competitive priority for Blockbuster is flexibility. As mentioned previously, technology is changing rapidly along with customer needs and expectations, so Blockbuster must be able and ready to accommodate these changes. Blockbuster demonstrates product flexibility because of its large variety of movies and games to choose from as well as a variety of "loyalty programs" to join including: Rewards memberships, the Movie Pass, the Game Pass, and six plans to choose from if one decides to subscribe to Blockbuster Online. If a movie or game is not renting as well as expected, workers may easily pull it off the shelf and either change it into a purchasable used movie, send the product to another store, or destroy it. The only issue regarding volume flexibility involves the amount of new releases distributed to stores each week. Blockbuster stores have been discovering that demand is *far* greater than supply and has been leading customers to go elsewhere (whether it be another Blockbuster store *or* the competition)!

Blockbuster's order qualifiers include using relatively competitive prices, quick shipping (especially delivery of online rentals), new releases available each week, a wide selection of snacks, candy and drinks, a safe and friendly store environment, and reliable discs. Blockbuster's order winners include the distinguishable "loyalty programs" Blockbuster offers including: Rewards memberships, the Movie Pass, the Game Pass, and six plans to choose from if one decides to subscribe to Blockbuster Online. Blockbuster's "End of Late Fees" policy created new growth in active memberships, setting the company apart from its other store competitors. Also, Blockbuster's "Guaranteed in Stock" policy allows customers to receive a rain check for certain new release titles if one is not available at the point of purchase and are redeemable at that store within the following 30 days. This sets Blockbuster apart by helping keep customers satisfied, even when the movie they want to watch is not available.

Blockbuster measures productivity mainly by revenue, active members and "loyalty program" subscribers. If a store or district is doing well, revenue, active members, and "loyalty program" subscribers are higher than average. Rental revenues are generated from the rental of movies and video games, any sale of previously rented movies and video games and restocking fees. These revenues are recognized at the time of rental or sale. Merchandise sales include the sales of new movies and games or other general merchandise, including confections. In addition, Blockbuster offers movie and game trading, also included in merchandise sales. In this situation, Blockbuster offers to purchase certain used movies or video games from customers in exchange for store credit. Sales of merchandise are acknowledged at the time of sale and a provision for sales returns and allowances on sales is anticipated and noted based on past trends.

Active members per store vary based on population density and geographic location of the store, but each store and district has an estimated set number of active members expected during each quarter. Blockbuster workers are each given a weekly sales goal chart in order to encourage workers to keep better track of their individual sales. Store sales numbers are reported and recorded every day to help district leaders (as well as executives in Texas) know what is working and what needs to be improved.

Blockbuster designs their services in an attempt to cater to every type of persons' needs. Service packages offered include a wide variety of programs and policies to help customers have a more enjoyable renting experience, no matter how often they prefer to rent. The "End of Late Fees" program was launched not only to compete with competitors' use of "late fees," but to also eliminate the most common customer complaint with their movie and game rental experience. Also, as mentioned earlier, the "Guaranteed in Stock" program offers customers the assurance that certain new release movies will be available for rental, or the customer will receive a rain check coupon. For customers who prefer to only rent in-store, the Blockbuster Movie Pass or Game Pass is offered to regular or frequent renters. It allows customers to rent a select number of titles at a time, with no due dates, for a monthly price. A Rewards membership requires a one-time annual fee of $9.95 and is appropriate for almost any customer. This in-store membership program is designed to offer benefits and enhance customer loyalty by encouraging customers to rent movies and games only from Blockbuster stores. Blockbuster also supports DVD and game trading, allowing customers to trade in used product for store credit. Blockbuster's primary focus this past year, however, has been the Blockbuster Online "Total Access" plan, allowing customers to choose one of six options (depending on how many movies they wish to receive per month) for a monthly fee. Each rental mailed to the customer acts as a coupon for a free in-store movie as well. With all of these options, Blockbuster is trying to be the key supplier of in-home movie and game rental entertainment. Employees may use a higher customer attention approach by viewing members' account histories and assessing which loyalty program would suit customers' needs best.

Blockbuster's service design also includes the image and "feel-good" aspects of the corporation. Stores must be clean, uncluttered, and inviting. Workers must be approachable, knowledgeable, helpful, well-kept, enthusiastic and efficient. "Mystery Shoppers" are also used to measure and report back on these aspects of the quality of the service *and* store environment. Employees' uniform shirts must be tucked into khaki pants. Makeup and jewelry must be minimal. Name tags, belt and shoes must be worn at all times. These factors greatly affect the esthetic and psychological benefits the organization provides to its customers.

Quality at Blockbuster is primarily based upon a customer focus involving responsiveness to customer needs. This includes, but is not limited to: the politeness and friendliness of staff, promptness in resolving complaints, and overall atmosphere of the Blockbuster store. Timeliness is another important factor because customers do not enjoy waiting- whether it is waiting in line at a store or at home for a Blockbuster Online movie rental. As mentioned earlier, these factors are measured by "Mystery Shoppers" and records of store and individual sales. Also, surprise visits from district and regional managers also occur to help keep store reliability high and employees constantly prepared and working efficiently.

Blockbuster stores typically use a "push" system, anticipating future demand and stocking stores in advance in order to have the products in place when the demand occurs. Usually, new release movie titles appear at Blockbuster stores every Tuesday. Shipments of these titles appear at the stores and are contained one week prior to the street release date. For this reason, Blockbuster must assume how many copies of each title each store should carry based on a number of factors including movie box-office success, the store's number of active members, and historical figures. Blockbuster handles many types of inventory including: DVD movie and video game rentals, DVD movie and video game retail, previously-played video games, previously-viewed DVD movies, video game controllers, magazines, and various confections. The United States Postal Service is used for distribution between internal customers within the United States. This includes retail movies and video games, movie and video game rentals, confections, previously used movies and video games, Blockbuster Online DVD rentals, as well as DVDs returned by customers to incorrect locations.

External Analysis

Business-to-consumer e-commerce is employed through Blockbuster's website, Blockbuster.com, offering its users information about the company's services and products. Using a sales revenue model, Blockbuster sells goods directly to customers through the website. Users may browse the site and choose movies to purchase, *or* they may sign up for the Blockbuster Online "Total Access" program, and receive movie rentals delivered directly to them. Each option requires a credit card number and additional user information.

In the United States, Blockbuster receives nearly all movies and a portion of video games at a highly computerized, centralized, 850,000 square foot distribution center located in McKinney, Texas. The center operates 24 hours day, six days a week and employs nearly 1,000 workers. At the distribution center, newly-released movies and video games are mechanically repackaged to make them suitable as rentals for stores. Blockbuster's distribution center ships the product to a network of third-party delivery agents, located strategically throughout the country, who in turn ship the product to the Blockbuster stores. Most of Blockbuster's video games are received using a third-party distributor in order to get the product to Blockbuster stores as fast as possible following their initial release. There are 30 other Blockbuster distribution centers (primarily used for Blockbuster Online operations) scattered strategically throughout the country. The United States Postal Service is employed to distribute the online product and the closer distribution centers are to customers, the quicker customers will receive their online rentals. Blockbuster's international store locations usually receive their rental product from the studios or sub-wholesalers and retail product is usually distributed using a third-party distributor or a centralized warehouse.

The first major distribution channel after theatrical release is home video rental and retail. The distribution window given to home video is generally exclusive against other forms of movie distribution including video-on-demand, pay-per-view, basic cable, and the like. There has recently been discussion regarding "potential industry-wide changes to the studio release schedule."[7] There has even been some recent

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[7] Blockbuster 2005 Annual Report 10-K (pg. 4)

experimentation with "simultaneous video-on-demand and DVD releases."[8] Blockbuster understands that the studios could change their mind and alter the distribution window, but has remained calm, realizing that the studios currently capitalize on revenues created by the retail home video industry. Furthermore, other discussion has centered on the possibility of shortening the time length between a movie's theatrical release and its release to home video. Blockbuster believes that if the time period is shortened, it would additionally benefit the company because renting would be even more of an alternative to seeing a movie at a theater.

Relatively few of the movies produced by major studios each year are actually profitable and as a result, the studios depend upon their distribution windows as a last effort to capitalize on revenues. According to industry approximations, "sales and rentals of DVDs and videos through the retail home video industry, which includes traditional video store retailers such as Blockbuster, as well as online and other retailers such as mass merchant retailers, continue to be the largest source of revenue to U.S. movie studios."[9] Blockbuster has faith that sales and rentals from home video retailers will continue to be a significant source of income for their external suppliers (aka movie studios). Also, movies that did poorly in theaters are typically not as popular for purchase; however as a *rental* the movie would at least provide studios with *some* type of dependable source of revenue. For this reason, Blockbuster has a sort of give-take relationship with its suppliers, with both sides remaining interdependent on each other.

Globalization has a natural effect on Blockbuster's success because Blockbuster operates in 25 countries, and therefore faces challenges related with operating in different cultures. The percentage of Blockbuster's total revenue generated outside of the United States has shown an increasing trend at 26.2%, 30.5% and 32.5% in the years 2003, 2004, and 2005, respectively. This increase reflects the continual rise in "international retail sales, the addition of freestanding game stores in certain international markets, the elimination of extended viewing fees in the United States and the impact of favorable foreign exchange rates."[10] Blockbuster's international operations depend more on retail sales, especially retail video game sales.

International regulation is another obstacle that Blockbuster must adjust to. Blockbuster is currently subject to a variety of international laws governing the revelation and withholding of customer records. For example, laws affecting the use of Blockbuster's "membership transaction database in some markets outside of the United States are more restrictive than the relevant laws in the United States and may restrict data flow across international borders."[11] Blockbuster must obey various other international regulations including "advertising, consumer protection, access to and use of our video stores by disabled customers, credit protection, film and game classification, franchising, licensing, zoning, land use, construction, second-hand dealer, environmental, health and safety, minimum wage and other labor and employment regulations."[12] Also, certain countries have different copyright laws that may prevent or limit certain types of company operations.

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[8] Blockbuster 2005 Annual Report 10-K (pg. 4)
[9] Blockbuster 2005 Annual Report 10-K (pg. 5)
[10] Blockbuster 2005 Annual Report 10-K (pg. 2)
[10-11] Blockbuster 2005 Annual Report 10-K (pg. 17)

As mentioned earlier, information technology has greatly affected the way in which Blockbuster operates. When the first Blockbuster store opened in 1985, there was no talk of "the internet" or "piracy." Today, the new technology is becoming more of a problem and could possibly become threats to the in-home movie industry. There is no telling what the future will bring. The internet, however, has positive aspects as well. The internet provides countless websites for Blockbuster to advertise on, such as the United States' most popular site- myspace.com. It also allows for e-commerce, providing a website where customers can browse through and read about movies, act as a critic by giving films their own ratings, search for stores in their area, or sign up for a subscription of Blockbuster Online. With over 1.5 million subscribers already, the internet is helping to provide this generation with an entirely new way to rent movies.

Blockbuster generally purchases rental inventory directly from the studios on a title-by-title basis or "revenue-sharing"[13] arrangements, depending on the situation. Revenue-sharing involves an agreed upon percentage of rental revenues divided between Blockbuster and the studio for a limited time. Rental inventory for Blockbuster Online is typically purchased through a third-party distributor, through studios using revenue-sharing plans, or even through using rentals from various Blockbuster store locations. New retail movies and video games are purchased from the studios or sub-wholesalers on a title-by-title basis. Confection, magazines, and accessories are purchased from various suppliers on a product-by-product basis.

Both suppliers and investors are starting to become slightly concerned with Blockbuster's position in the in-home movie industry. Studios have changed their pricing policies, causing even more of an increase in competition. There's no way of telling what the studios will do next, which could lead to some majors problems for Blockbuster down the road. Blockbuster is also largely dependent upon the functionality of its distribution centers. Being overly dependent in *any* particular area could lead to problems such as higher costs and longer lead times if that area becomes non-operational for some reason. Also, nobody can predict the potential major effects of improved technology or changes in customer behavior. Blockbuster's level of indebtedness (approximately $1.16 billion as of December 31st, 2005) has investors and suppliers worried. With all of the changes Blockbuster has made in the last couple of years to keep up with the changing world, it's hard to tell if the company's efforts will pay off and allow it to survive in the end. Blockbuster has currently been examining store leases and choosing stores to close or downsize. Up to 10% of Blockbuster's stores could close in the next few years to help stabilize business.

All of Blockbuster's external customers are of fairly equal importance to the business. Those members who have subscribed to any of the previously mentioned "loyalty programs" are given extra benefits and are especially valued, however Blockbuster realizes that making sure *every* customer feels treasured and appreciated is essential to success. Blockbuster incorporates the "voice of the consumer" into their products by using a customer relations management (CRM) business strategy in which the customer base is segmented in order to build relationships with newer customers and preserve relationships of higher-value customers. Blockbuster believes that by doing so, they are "improving the effectiveness and efficiency of our direct marketing efforts in traditional channels such as direct mail, as well as non-traditional channels such as e-mail

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[13] Blockbuster 2005 Annual Report 10-K (pg. 14)

and point of sale."[14] Blockbuster is also creating more new CRM systems for Blockbuster Online to help better understand customer behavior relating to rental patterns, customer movie ratings and suggestions. Additionally, Blockbuster continues "frequent and consistent relationship-building activities with customers via e-mail, an extremely low-cost communication channel, and by leveraging our direct mail database."[15] Customer satisfaction is measured based on a wide variety of factors including: the number of transactions for each store, the number of customer complaints, the number and type of loyalty programs sold, and the number of active members.

Recommendations

A great way for Blockbuster to improve business would be to increase wages and offer a different "bonus" option to employees. Although the business already has a new "bonus program" in effect, it could be greatly improved. Currently, stores are awarded quarterly bonuses (ranging from 10 cents to one dollar per hour worked during that quarter) depending on how well their specific store meets its quarterly revenue goal. Although it appears to be a suitable plan, it is very obvious that some workers try harder than others regardless of how often they work, and therefore should not be subject to a smaller bonus than someone who worked more hours but did a less than satisfactory job. Bonuses should be based on each individual's performance and could be tracked, perhaps, by hours worked *plus* loyalty programs sold. Changing this process would be even more of an incentive for employees to do the best they can *individually*, rather than relying on *other* workers to meet targets. It would allow workers to have more personal control over their bonus paycheck, which would probably increase their motivation to meet or exceed individual goals.

Increasing internal motivational incentives is another factor that the business could work on. For example, employees are often discouraged when they become bored during hours where little or no customers visit their store. By changing store hours to more appropriate time periods, rather than having a fixed schedule throughout the country (usually 10a.m.-midnight or 1a.m.) , employees might be more eager to get their jobs done even *more* efficiently because the know they won't have much time to waste during their shift. In many cases, this would also allow stores to distribute those hours "saved" from closing at earlier times to other peak times of the day or week where more employees are needed.

I strongly agree with Blockbuster's possible plan to close up to 10% of stores to help stabilize business. Stores that are operating inefficiently, have a small number of active members, or have a high amount of theft might be providing the company with more problems than benefits. By closing these locations, Blockbuster can focus their attention and commitment to those store locations who strive to be the best and have a promise for the future.

Customer satisfaction might increase if Blockbuster allowed more integrated programs involving a combination of movie and game renting. For example, Blockbuster's Movie Pass allows customers to rent movies an unlimited amount of times

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[14] Blockbuster 2005 Annual Report 10-K (pg. 13)

(only one to three movies at a time) from a Blockbuster location of their choice for a monthly fee. Blockbuster's Game Pass is similar, allowing customers to rent games (one or two at a time) an unlimited amount of times for a monthly fee. Many customers who rent a lot of *both* movies and games would probably appreciate a combined movie and game pass as sort of an "Ultimate Blockbuster Pass," instead of having to purchase two separate in-store passes for their movies and games which, observed at the Blockbuster location in Dearborn Heights, can total up to $65 per month! A combined "Ultimate Blockbuster Pass" would encourage members to purchase it, knowing they would be saving money by purchasing a total package instead of paying for things separately.

Those members who have subscribed to Blockbuster Rewards, Blockbuster Online, or any of Blockbusters Movie or Game Passes might also appreciate a separate self-checkout line where one employee would supervise (similar to self-checkout lines becoming more popular in grocery stores such a Farmer Jack or Kroger). This way, customers who wish to avoid the traditional checkout line (especially on weekends and holidays), could scan out their own items, saving time and hassle. Customers would haven't subscribed to any of Blockbuster's programs might be inclined to join, just so they can avoid a busy line! This is not currently possible considering Blockbuster's indebtedness, but is wishful thinking for the future of in-home video rental stores.

Although the "End of Late Fees" policy has increased active members at Blockbuster during the last two years since the policy began, a number of problems have arisen from it. One major problem is the number of new release titles being kept out *far* past their original due dates, often causing other customers to go home empty-handed or choose other movies that still leave them feeling unsatisfied. This is an issue Blockbuster employees and customers are facing every single day. Possible solutions to this major problem would be to either bring back late fees (which might lead to customers disliking Blockbuster for going back on their word), or *rewarding* customers who bring back movies on time. Small rewards like discounts or free candy or popcorn might even be enough of an incentive to help bring new releases back on time so other customers may have the chance to watch them when they'd like as well. If Blockbuster did decide to bring late fees back as a solution, they should definitely lower the cost of movie and rentals. One of Blockbuster's current advantages over other rental stores is its "No Late Fee" policy, so if they brought late fees back there wouldn't be much to keep Blockbuster customers from going to another rental store with late fees that charges two dollars less per rental.

A final recommendation to Blockbuster involves the major problem of theft. The Dearborn Heights Blockbuster location is *not* a high-theft store, yet is still loses much of its product to thieves, who are frequently never caught. Currently, Blockbuster stores keep game rentals behind their counters, but allow retail games to be left on the sales floor. If all games were kept behind the counters, there would be a significantly smaller number of theft occurrences, benefiting the company as a whole. Also, locks on movie rentals are outdated and flimsy. Over the course of many years, thieves have figured out numerous ways to unlock rentals and steal product. Many also easily break through the locks in order to steal the product. Blockbuster should implement a more heavy-duty lock or a lock which, when tampered with, ruins the DVD quality.

Table 1.1:
Store Locations as of December 31st, 2005

State or Territory	Number of Company-Operated Stores	Number of Franchised Stores	Total
Alaska	—	17	17
Alabama	40	39	79
Arkansas	1	19	20
Arizona	126	7	133
California	610	55	665
Colorado	124	4	128
Connecticut	41	21	62
District of Columbia	6	—	6
Delaware	7	8	15
Florida	376	58	434
Georgia	178	33	211
Guam	3	—	3
Hawaii	25	—	25
Iowa	45	3	48
Idaho	1	14	15
Illinois	245	3	248
Indiana	72	48	120
Kansas	22	35	57
Kentucky	38	46	84
Louisiana	58	32	90
Massachusetts	66	59	125
Maryland	107	22	129
Maine	6	—	6
Michigan	161	22	183
Minnesota	67	19	86
Missouri	96	13	109
Mississippi	14	32	46
Montana	—	8	8
North Carolina	160	1	161
North Dakota	—	6	6
Nebraska	30	5	35
New Hampshire	15	5	20
New Jersey	133	24	157
New Mexico	—	35	35
Nevada	49	8	57
New York	271	9	280
Ohio	187	2	189
Oklahoma	65	5	70
Oregon	79	16	95
Pennsylvania	187	15	202
Puerto Rico	—	39	39
Rhode Island	—	25	25
South Carolina	70	8	78
South Dakota	2	14	16
Tennessee	54	58	112
Texas	397	116	513
Utah	65	4	69
Virginia	102	32	134
Virgin Islands	—	2	2
Vermont	7	1	8
Washington	126	4	130
Wisconsin	71	11	82
West Virginia	12	7	19
Wyoming	—	10	10
Domestic Store Totals	**4,617**	**1,079**	**5,696**

Table 1.2:
Store Locations as of December 31st, 2005

Great Britain	915	—	915
Canada	443	—	443
Australia	64	345	409
Mexico	310	5	315
Italy	187	69	256
Ireland (Republic) and Northern Ireland	200	—	200
Brazil	—	136	136
Taiwan	89	39	128
Spain	93	13	106
Argentina	83	1	84
Chile	82	—	82
Denmark	72	—	72
New Zealand	—	39	39
Portugal	—	27	27
Thailand	—	22	22
Colombia	—	21	21
Venezuela	—	20	20
Panama	—	16	16
Israel	—	15	15
Dominican Republic	—	12	12
Peru	—	12	12
Guatemala	—	8	8
El Salvador	—	5	5
Uruguay	3	—	3
International Store Totals	**2,541**	**805**	**3,346**
United States	**4,617**	**1,079**	**5,696**
Domestic & International Store Totals	**7,158**	**1,884**	**9,042**

<h1 style="text-align:center">References</h1>

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Interviewees:

Pamela McKee- Blockbuster Store Manager

Rosie Draper- Blockbuster Assistant Store Manager