**An Analysis and effects of Digital Disruption**

**Executive Summary:**

Long-sightedness and adaptability are essential for sustainable and successful business. New business models can emerge in any moment and business leaders are required to be aware ahead of time to adapt that change and take their part in the disruption of previous model. From the history, it is inevitable to face disruption, where technology also plays its part in the disruption. But it can be a blessing if it is embraced well and taken as an advantage. Blockbuster Video (Blockbuster LLC, 2020) is a company that lost its business due to not participating in digital revolution, though it was a billion dollar company at its peak. No matter how big a company is, necessary steps needed to be taken when a disrupting technology emerges.

**Introduction:**

One of the key signs of being a good business leader is to keep an eye ahead of each step. To think ahead of time, they should anticipate any kind of transformation that may occur in their business soon. And of course, in this era of modern science and technology, it is a must to have a good grasp of knowledge about digital technology. Technology is getting innovated and changing its color every day, perhaps in every minute. Technology has brought us new industries as well as it also disrupted industries in the past. And the rate of digital disruption in the previous few decades is very acknowledgeable.

What digital disruption essentially means, is a transformation of current state or model of business that caused due to the emergence of new digital technologies. The new business model generally introduces consumers with the same or better value at a much lower cost (Leslie H. Moeller et. al, 2017). In this modern era of technology, it is very common and well-embraced in different industries. Because when a digital disruption occurs, it is wise to adopt it rather than to ignore it. Digital revolution will occur when technologies are getting more advanced. As technologies are making lives easier than before, most of the people are going to take the advantage of it. So, as a business leader, it is wiser to anticipate the next digital disruption that may impact their business and plan on how to embrace it with the current development. (Daniel A. Skog et. al, 2018)

In this report, a discussion is presented from a perspective of a company that has undergone digital disruption. The name of the company is Blockbuster LLC (formerly known as Blockbuster Video) which was an America-based video rental retailer, provided DVDs for movies, video games etc. They started their journey in 1985 in Dallas, Texas and soon had rental stores all over the United States and later around the world. The company was on its peak in 2004 (Blockbuster LLC, 2020).

As a matter of fact, the company had filed for bankruptcy in 2010 after losing fight against its one of the biggest competitor during the previous decade, company called Netflix. Experts think this transformation of Blockbuster Video had happened due digital disruption. Netflix introduced streaming video on demand (subscription based) which immediately had become a competitor not only in the DVD rental retailer but also in the cable television industry (Leslie H. Moeller et. al, 2017).

**Discussion:**

A Work Centered Analysis (WCA) is shown in Appendix A on before and after scenario of video rental industry. Based on the WCA, an assessment of the impact on Blockbuster Video due to this digital disruption is discussed in this section. Later on, a few recommendations and implementation plans based on the causes of its failure are proposed.

**Assessment on the Impact of the disruption on Blockbuster Video:** By the time when Blockbuster was already a giant in the DVD business scene, Netflix showed up as a company that provided video rental-by-mail service without any certain date to return. This gave consumers flexibility and Netflix started first phase of their disruption. But it only cost a small percentage of revenue and Blockbuster rather explored more revenue sources to overcome the losses. Netflix continued their venture to online rental service with subscription policy (Kai-Ingo Voigt et. al, 2016) which was gaining attraction slowly at that time due to the emergence of internet. Netflix offered their rentals at lower cost with better user experience. But despite of their popularity, they were severely struggling to fight against the giant, so they offered a merger proposal which was refused by Blockbuster (Leo Saini, 2019).

Ten years later in 2007, when Netflix disrupted their own business model and introduced a new innovation of digital platform where consumers can stream unlimited video by one month subscription basis (Graeme Turner, 2019). Internet became more popular. This offered more flexibility to their consumers whereas Blockbuster offerings were outdated. Netflix improved their business analytics day by day with data driven algorithms and advanced technologies. Customer’s interests and demand shifted from physical stores to online subscription based streaming platform. Blockbuster started to decline and as a result they filed for bankruptcy just three years later in 2010.

A few key points (Erik Devaney, 2017) that impacted Blockbuster’s business model due to the disruption can be noted. Consumer’s demand can change based on the flexibility and cost. Blockbuster should have looked ahead of time to know that technology will give more flexibility and more business insights can be determined from existing assets or data. What Netflix did is essentially, crowded the internet platform where unlimited amount of data can be gathered at one place, and enhanced their business operations with insights from the data. When internet became popular, digital disruption was inevitable. In other words, Blockbuster didn’t embraced technology as much as Netflix did. Proper use and adaptation of technology could save Blockbuster from its impact.

**Recommendations:** Disruption cannot be avoided, neither cannot be ignored. Business leaders should acknowledge and prepare their business model according to it. That’s why a business environment should be constantly monitored and evaluated by the business analytics. Based on current scenario, they should be able to predict the future and enhance their business model so that it becomes more sustainable. They should study historical data, draw patterns of their business flow and analyze their product’s life-cycle. They always should be concerned that consumers, data, technology can change and due to that change business model should change and adapt (All Answers, 2018).

This particular strategy could save Blockbuster from disrupting. If they had analyzed their market and consumers properly, they could be able to find out that market demand was shifting towards the internet, hence towards technology. That’s why business analytics is important. Netflix used their data to improve their analytics, even with the help of advanced technologies like artificial intelligence, machine learning. Blockbuster also should have studied and analyzed their business model in order to reevaluate with the help of technology.

**Implementation Plans:** To have better business analytics, a business organization should be aware of what they are selling, to whom they are selling and what could make their business more flexible and reach more consumers. In this era of modern technology it is really easy to visualize and analyze these insights. That’s why companies should be tech savvy. They should be aware of new technologies, even new technologies that may come in the future. They should study their business to accommodate the technology in order to make good use of it. Another key thing to analyze is the consumer’s behavior and demand. And business model and strategies should be tweaked based on that. By the help of technology, they can gather data, analyze customer’s behavior and demand to calculate the impact of their product and chances of disruption in the near future.

Business leaders should be confident about their business strategies and model for any upcoming disruption. They should be prepared with every evidence of data, technology and act accordingly. They should have long and short term plan to estimate the impact and also study their competitor’s actions.

**Conclusion:**

Two vital things to conclude. First, technology is now ruling all over the world, and there is no future without technologies. And second, disruption will occur whenever new business models will arrive. So, digital disruption is inevitable and cannot be avoided by any means. Technologies will continue to disrupt older policies, models and even older technologies. So to run a sustainable business, it is essential to cope up with the pace of upcoming technology and innovations. Embracing and make good of digital disruption is the key of surviving in any industry. Because digital disruption may raise both opportunities and challenges. But it should be acknowledged based on evidence and necessary steps should be taken before it is too late. Otherwise it was proven in the history that business will fall from its peak, no matter how big the company is.

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**Appendix A:**

**WCA (Work Centered Analysis) before the event**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| |  |  | | --- | --- | | **Customer** | **Product** | | * Person rents DVDs from rental stores * Person rents DVDs by mail * Person avails services from home | * DVDs (Movies, Video games, TV Series etc.) | |
| |  | | --- | | **Business Process** | | * World-wide stores containing thousands of movie, music, video game DVDs * Post DVDs through mail to home for who wants to rent it from home * Partnering with production houses to promote their DVDs | |
| |  |  |  | | --- | --- | --- | | **Participants** | **Information** | **Technology** | | * People interested in renting DVDs * People interested in renting from home and return it anytime | * About the orders * Addresses of the customers * About DVDs (movies, video games) | * DVDs | |

**WCA (Work Centered Analysis) after the event**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| |  |  | | --- | --- | | **Customer** | **Product** | | * Person watches video on demand * Person avails Pay-as-you-go services * Person avails services from home | * Video streaming (Movies, Video games, TV Series etc.) | |
| |  | | --- | | **Business Process** | | * Offer one month subscription with different features * provide unlimited video streaming for one month to the subscribers * Partnering with production houses to promote their DVDs * Personalize and recommend subscribers with advanced recommendation algorithm | |
| |  |  |  | | --- | --- | --- | | **Participants** | **Information** | **Technology** | | * People interested in unlimited video streaming on the internet * People appreciates pay-as-you-go services | * About subscribers * About trending videos * About all contents in the system | * Unlimited video streaming * One month based subscriptions with different plans * Online Payment * Recommendation System | |