

## Excerpt from Business Success in Tough Times

### Niche Marketing

Netflix's success piqued the interest of other companies and prompted them to try their hand at online DVD rentals. **In October of 2002, Wal-Mart began a web-based movie rental service. Just two years later, Blockbuster, currently the largest non-Internet movie rental company, launched an online chapter of its business. With two major behemoths thundering into its market, how could Netflix hope to stay afloat?**

**"It gets down to your core competency," says Steve Swasey, vice president of corporate communications for Netflix. "We do one thing extraordinarily well, and that's what we focus on. Other companies may not do that one thing as well as Netflix because they are focusing on other things."** Wal-Mart, Swasey says, is "the world's greatest retailer," but it has its eggs in many baskets. "Wal-Mart gave it a try," Swasey says, "but it is not a rental company. That is not Wal-Mart's core competency" – not its niche, in other words. In May 2005, Wal-Mart gave up, handing over its entire online DVD rental business to Netflix.

Blockbuster, on the other hand, was already a hugely successful movie rental company, and the jump into the online arena fit well with its business model. Blockbuster launched its heavily advertised Internet movie rental segment in August 2004, sparking Netflix to change many prices and deals. However, Blockbuster's huge brick-and-mortar success couldn't displace Netflix's command of the Internet. Blockbuster's online rental model was still based on the way it offered movies in its stores, whereas Netflix's business paradigm had evolved to take advantage of the Internet. In effect, Blockbuster was chained to its traditional rental business while Netflix had already adopted a more advanced system that met the customer's needs. "Today in America," Swasey says, "there are eleven million homes that are renting their DVDs through services like Netflix. More than eight and a half million of those homes are Netflix members."