RETAILDIVE

Who really killed Blockbuster?

With one store left in the world, the video retailer's approaching extinction is a reminder of all the things that can go wrong in retail.

By Ben Unglesbee
October 7, 2019

Credit: Photo by Alan Payne; Edited by Brian Tucker/Retail Dive

The last Blockbuster on Earth was supposed to close this year. Its owner, Ken Tisher, once had five stores in his franchise. Store by store, he closed each one as the recession, and then the confluence of market shifts that killed off other video stores, caught up with his. Before 2019 came, he thought it would likely be the year he would close the only one still standing, in Bend, Oregon. But in summer 2018, another franchise owner closed the last of his stores in Alaska, making the Bend store the last Blockbuster in the U.S.

This year, it became the last in the world.

The store's very precariousness has led to a sales surge. People from around the world want to visit the planet's last Blockbuster before it's gone. That makes Tisher sort of like a zookeeper caring for the last animal of its species. "And who knows how long people will be interested in coming to look at that animal," Tisher told me. "I'm just enjoying the run."

For me, the chain's extinction is personal and, probably for that reason, surreal. I worked as a Blockbuster clerk at a handful of stores in the Midwest on and off for about five formative years in my teens and early twenties. Forty hours a week of my life were spent under the blue and gold banner, with the faces of Denzel Washington, Julia Roberts and other stars suspended on the walls, smiling or grimacing over the mundanities of life at the store.

It's hard to square Blockbuster's near-total disappearance with the busyness of my nights there. People came by the hundreds to ask me and my fellow video store clerks what to watch that night. They came, they circled the shelves, they lingered to chat, they bought ice cream sandwiches, they argued about their late fees.

The speed of Blockbuster's decline was matched, if not surpassed, by that of its ascent. "I'm not aware of any industry that literally started from nothing and within 10 years was just a way of life for most Americans," said Alan Payne, the former franchisee who owned that second-to-last U.S. Blockbuster in Alaska. "And then in another 10 years, it was gone."

"The lifecycle of an entire industry was about 25 years," added Payne, who is working on a book about Blockbuster. "And the conventional wisdom is that, well, it just happened because technology killed it. Well, that's part of it, but it's not the whole story."

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What killed Blockbuster? The story of the retailer's destruction has been told before. Accounts differ in every version, except in the simplest and probably most common telling: Netflix and tech innovation put the obsolete business out to pasture.

As a retail reporter today, that version always sounded too easy. It's like saying "Amazon killed Toys R Us." It's not that Amazon didn't play a leading role, but that version ignores the roles that Walmart, Target, debt, managerial neglect, supplier relationships, changing consumer priorities and dumb luck played in the toy retailer's demise. (All of those forces, incidentally, played a role in Blockbuster's demise, too.)

Reductive stories like that make it too easy for fearful retailers today to jump onto the latest tech bandwagon and ignore their own corporate rot. They are fatalistic and yet somehow still manage to gloss over the monumental difficulty of transforming a business.

The Netflix-killed-Blockbuster theory — and I may as well admit this is the main reason I wanted to tell the story myself — also ignores what the world has lost with the chain gone.

BACK STORY

Even if you believe Blockbuster's liquidation was inevitable, there was nothing inevitable about its genesis. The same goes for the entire video rental industry. A hodgepodge of entrepreneurs, many of them with zero retail experience, created it basically from scratch.

As Josh Greenberg recounts in his book "From Betamax to Blockbuster," Sony initially marketed home video technology around the recording features, billing its Betamax players as "time shifting" devices to watch favorite TV shows at one's convenience. Movie studios, meanwhile, saw video players as a potential threat to their intellectual property and revenue, with Universal going so far as trying to get the Supreme Court to block sales of the machines.

For years, hobbyists traded meticulously recorded tapes from television, in the mold of Grateful Dead fans trading concert bootlegs. And then in 1977, as Greenberg recounts in his book, electronics distributor Andre Blay worked out a deal with Twentieth Century Fox to sell prerecorded tapes selected from the studio's movie archives.

Fits and starts eventually became a fledgling industry. Early video retailers were previously disc jockeys, accountants, housewives, plumbers, bankers. They opened stores with whatever capital they could scrape together from friends and family. Many of them did have one thing in common, Greenberg writes: "[T]hey loved the idea of owning and working in a store full of movies."

> **"I remember being in elementary school when the first video store in my neighborhood opened up, and it was a treat to go."**
>
> Josh Greenberg
> *Author of "From Betamax to Blockbuster"*

The new, movie-loving retailers even added many decorative trappings of movie theaters, like marquee lighting and letter boards, that tied their stores to the world of film. (One owner even installed a fan to blow the smell of popcorn onto the street to lure customers). Rental would become the dominant model, largely because the movie studios set sale prices at forbidding heights.

To customers, the stores were a welcome novelty. “I remember being in elementary school when the first video store in my neighborhood opened up, and it was a treat to go,” Greenberg told me in an interview, explaining his interest in the subject.

Others made a run at video rental, too, including grocers (which saw a convenience play), movie theaters (which saw an entertainment play) and even U-Haul (which saw a rental play, which lasted only a couple months). By and large, though, the industry was run by mom and pops in the early days.

ACT 1: BLOCKBUSTER ENTERS

David Cook, who started out in the oil industry and had expertise in data systems, opened the first Blockbuster in 1985 after joining and then departing another video franchise that wouldn’t let him use a blue-and-yellow decorative scheme designed by his wife for his store. Around two years later, Wayne Huizenga, who co-founded a waste management company, joined as investor and director, and was elected CEO. Cook later sold his share of the company.

Unlike many of the early storeowners, Huizenga didn't watch that many movies. But he saw an opportunity, and his entry into the video store business changed it forever. The investor took the same approach Ray Kroc took to build McDonald's into an American way of life and corporate empire. He even brought in a McDonald's veteran as a marketing exec.

"The Blockbuster strategy was simple — pump as much money as possible into buying local and regional chains while keeping centralized control over the look and feel of individual stores," Greenberg writes. The company got so efficient at opening new stores, he notes, that it could pack everything needed to open a store into a tractor-trailer, in the order it would be needed.

Timeline of Blockbuster

1977
Twentieth Century Fox becomes the first studio to make its films available on video.

1985
David Cook opens the first Blockbuster store.

1987
Wayne Huizenga joins as investor, becomes CEO.

1993
After bulldozing its way across the country, Blockbuster has nearly 3,600 stores.

1994
Huizenga sells the company to Viacom.

See the rest of the timeline ➔

By 1993 — less than a decade after the first Blockbuster's appearance — the company had nearly 3,600 stores under its name, about one-fourth of them owned by franchisees. A lot of that growth had to do with the simple fact that the company had capital to play around with. But the company also built up a brand with excitement around it, and did a lot right.

"They were simply the best at executing stores. At the time they were around, they were the most visibly vibrant chain in America," says retail analyst Nick Egelanian, president of retail development firm SiteWorks. "When you went to a market, the colors of the store, the glass, the lighting on the inside that projected the store out — all of it — this made that store a centerpiece, regardless of where it was." He also notes that Blockbuster had its stores in the choicest locations of just about every market they operated in.

The reason for that was simple: Landlords wanted the stores in their strips. "It was incredibly easy for us to negotiate prime real estate on the pad at the entry point to a center because we brought traffic to the center," said Jim Porterfield, who started working at a Blockbuster as a clerk in college and eventually ran one of the company's largest franchises. He pointed to the fact that Blockbuster's rental model drove two trips to the store for every transaction (once to pick up, once to return). "Blockbuster at its peak was a traffic driver to the center."

Working in such a fast-growing company was exhilarating for those who were there. Tim Hicks, a former vice president for Blockbuster corporate who oversaw at different times franchising and human resources, says the company mixed an “aggressive” approach to business with talent development.

> **“In today's words, it would be something that you were part of that was special, disruptive and different. When you’re on a winning team, it's fun. It's like, ‘Man, they let me do stuff that I've never been able to do.’”**
>
> Tim Hicks
> *Former Vice President for Blockbuster corporate*

During the 1990s, the company divided the U.S. into zones — each with its own vice president as well as real estate, construction and marketing teams. “You basically were running a company within a company,” Hicks said. “You were told, ‘I need 125 locations this year.’ And you either said ‘yes’ to that or you said ‘no.’ Which you better not say ‘no,’ but if you did, whatever number you settled on, then you needed to deliver. Period.”

To make those goals, Hicks says, zone operators had the benefit of capital, welcoming landlords and “an iconic brand” developed by the company’s marketing team, led by Tom Gruber, the former McDonald’s exec.

“In today's words, it would be something that you were part of that was special, disruptive and different,” Hicks said. “When you’re on a winning team, it's fun. It's like, ‘Man, they let me do stuff that I've never been able to do.’ People loved it.”

None of that growth was inevitable. Early video retailers weren’t even sure if their industry was legal. Legislators or the Supreme

Court could have killed the industry with a few scratches of the pen, but they didn't. Video rental was also helped along immensely by the pricing of video tapes, which could run up to $100. That pricing scheme was set up so studios could reap profit from rental indirectly. But the system also created an economic buffer around video rental.

All these were policy and economic choices made by actors at the time. It might seem like fate in retrospect, but nothing about the rental industry and Blockbuster's rise had to happen the way it did. Just like none of it was destined to last forever.

Blockbuster grew, though. It became a household name and a fixture at stripmalls around the country. Yet, in Payne's view, at least, the breakneck pace of growth also set the stage for the retailer's ultimate decline and disappearance.

"The business that they built was not built to address competition," Payne said. "And not just threats from technological competition, but competition from other video stores. Hollywood [Video] just handed their a-- to them. They just beat them like a drum. They had taken our business model and used it to just destroy Blockbuster in head-to-head competition."

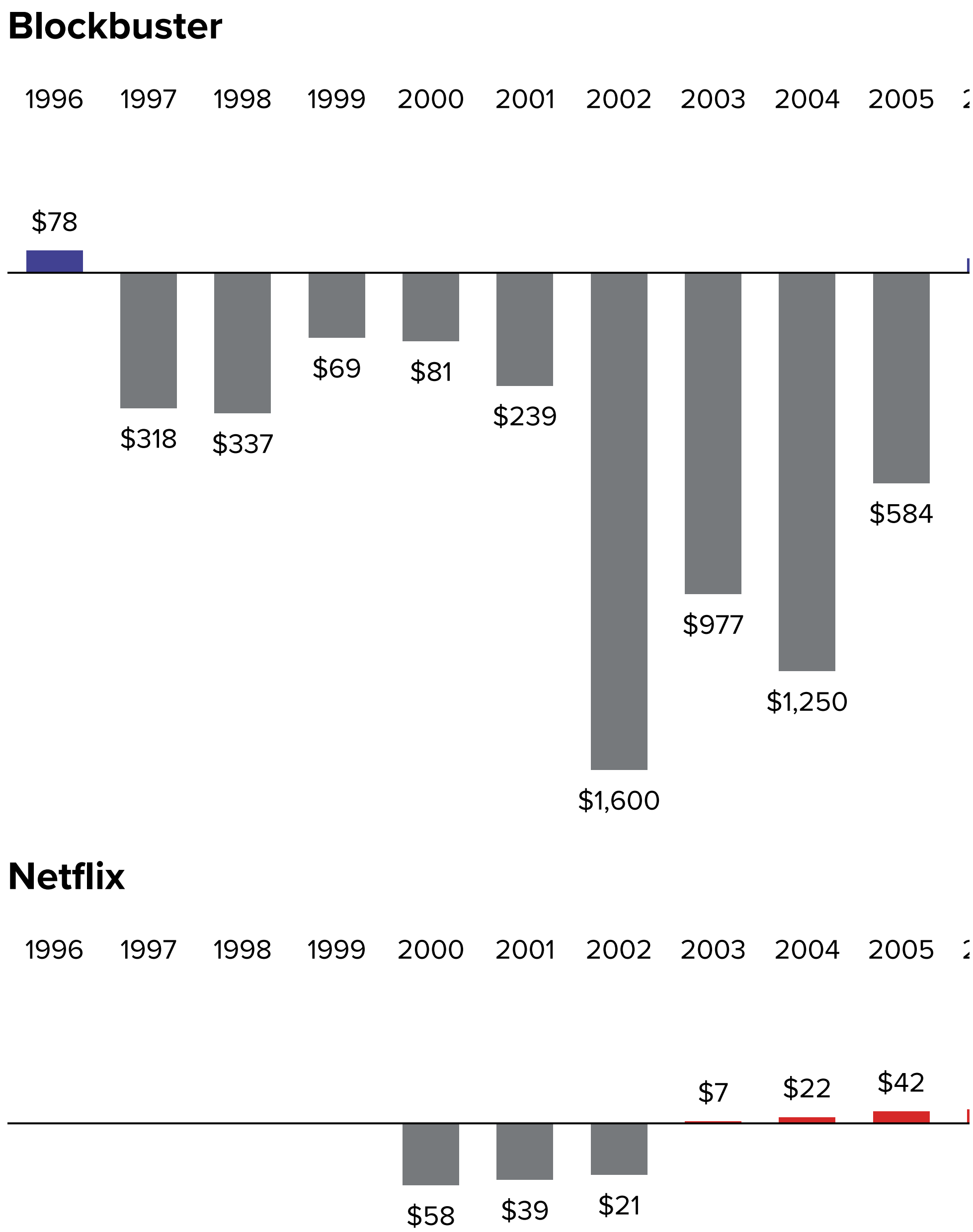
Payne says that he tried to get the corporate heads to understand the threat posed by the rival chain, which had 1,800 locations by 2001 and in the 1990s said it ran the highest-volume stores in the business. Nobody was listening, though.

ACT 3: PLOT TWISTS

ACT 2: PLOT TWISTS

One hole in the standard Netflix-killed-Blockbuster narrative is the fact that Blockbuster was unprofitable as far back as 1997. The company posted a net loss for every year but two between 1996 and 2010. And while Netflix was founded in 1997, its revenue wasn't even a blip in the industry until the 2000s. Even by 2006, Netflix's revenue was still less than 20% that of Blockbuster's, though net income was catching up.

Net income, in millions of dollars, for each fiscal year



Credit: Nami Sumida / Retail Dive

Put simply: Blockbuster was kind of a mess for much of its life, and long before Netflix was a major player.

As far back as the early 1990s, Huizenga and other executives were aware that the company could be made irrelevant by new technology like the internet and video-on-demand. Huizenga's team explored different investments and ways to transform the company but never came up with a solution, at least not one that fit his team's expertise and comfort level. So instead, as Time Magazine once wrote, Huizenga "devised a brilliant tactical retreat: he made Blockbuster somebody else's problem." That is, he sold out.

Blockbuster's most visible troubles started after Huizenga sold Blockbuster to media conglomerate Viacom in 1994. Payne describes the eventual executive transition from Huizenga as CEO to John Antioco, who started in 1997, as a "complete and total disaster." The company's value fell by half in the interim years following Viacom's acquisition, as the conglomerate tried to turn the video stores into repositories for Paramount and MTV merchandise along with clothes, books, toys and clothing. The plan failed.

Antioco, a veteran of Taco Bell and 7-Eleven, quickly refocused the chain around movie rentals. When he joined, Blockbuster's market share stood at 25%, which he thought could be pushed yet higher, the former CEO wrote in the Harvard Business Review (HBR) about eight years ago. (Antioco did not respond to a request for an interview made by email and postal letter to BRIX Holdings, where he is majority shareholder and managing partner.) Antioco also focused on hashing out revenue share deals with the movie studios in an effort to get more copies of hot movies on shelves and reduce costs.

And then came a big disruption to Blockbuster's business. It wasn't the internet, it wasn't streaming, it wasn't cable. Beyond a surface level, it had nothing to do with technology.

When movie studios turned to the DVD format, they departed from their years-long strategy, opting to offer new movies at prices anybody could afford. Walmart, Best Buy and other box retailers quickly became among Blockbuster's biggest competitors, as they could price movies at or even below wholesale costs, using them as loss leaders to drive traffic. Oh, and those DVDs were also lighter and cheaper to send through the mail, giving rise to Netflix's initial mail-service business and allowing for a more practical kiosk rental model (i.e. Redbox).

> **"We were just hit from everywhere. It was Redbox. It was Netflix. It was pay-per-view, Direct TV. Boy, it just came from all sides."**
>
> Geoff Graves
> *Former Director of Operations at Blockbuster Video Corp.*

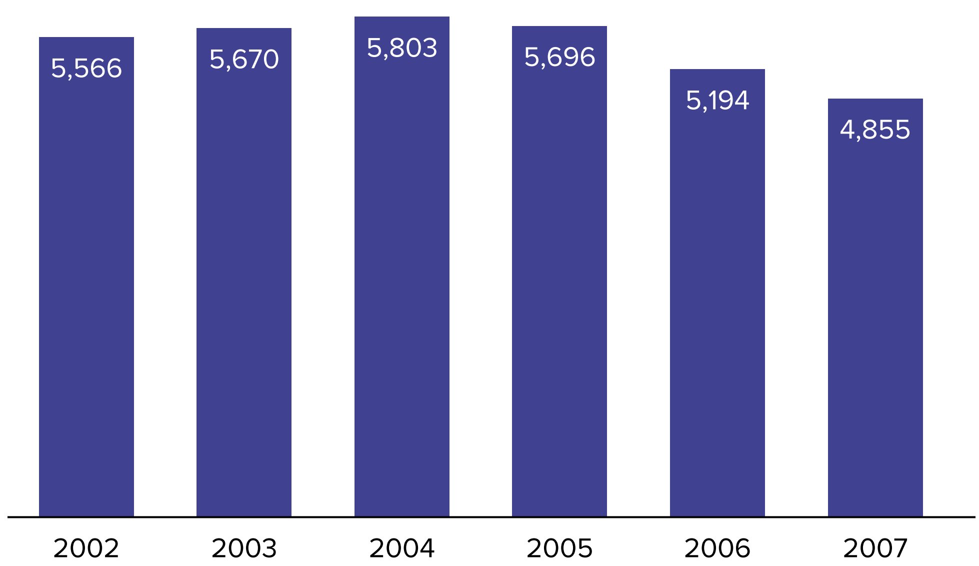
"The economics of the business completely changed," Payne said. Studios were "mining their back catalogue and selling millions of these things to Walmart and Target and everybody for like $3 or $4. And they would retail them for $5. Well, [customers] would go in a Blockbuster to rent it, and they'd want to rent it to them for $4.50."

"It made no sense at all," he added. Blockbuster executives, in his view, "were in complete denial over what they were doing. But I think they were just literally killing the business before its time."

Geoff Graves, who ran operations for the Blockbuster franchise I worked for, said 2005 is the year everything changed, both for the franchise and the entire Blockbuster enterprise.

On paper, that is the year Blockbuster's top-line sales and store count started to decline after nearly doubling under Antioco. "We were just hit from everywhere," Graves told me. "It was Redbox. It was Netflix. It was pay-per-view, Direct TV. Boy, it just came from all sides."

Number of Blockbuster stores in the U.S. for each fiscal year

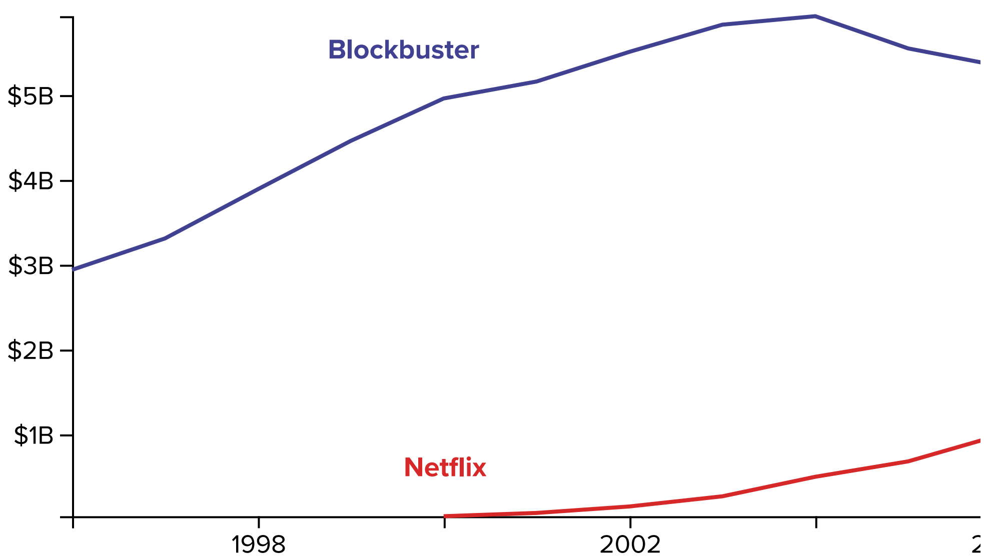


Credit: Nami Sumida / Retail Dive

The company tried to fight back. It dropped late fees, launched an online-based DVD-by-mail business that also allowed customers to return videos to stores and pick up more for free. It launched a failed bid to take over Hollywood Video, which neither the rival's board nor federal antitrust enforcers wanted to happen.

Antioco's initiatives boosted growth but also represented massive investments, and they came at a time when Blockbuster's losses topped $1 billion. The company by then also had nearly $1 billion in debt on its books, courtesy of a massive dividend it paid to Viacom investors as it separated from its former parent in 2004.

Annual revenue, in billions of dollars, for Blockbuster and Netflix



Credit: Nami Sumida / Retail Dive

As though these competitive and financial challenges weren't enough, a nasty boardroom brawl broke out as famed activist investor Carl Icahn bought a stake in 2004. As Antioco told the story in HBR, Icahn started publicly saying Blockbuster was burning too much money on its online business, paying Antioco too much, and that the retailer should have kept late fees.

(Icahn, who did not reply to an interview request through the holding company he chairs, offered his own take in a response that ran with Antioco's HBR piece. In it, he said he "wasn't impressed by [Antioco's] work ethic" and called Blockbuster the "worst investment I ever made.")

There followed a bruising proxy battle, a dinner between Icahn and Antioco, tense boardroom meetings and a fight over Antioco's compensation that ultimately sent the CEO packing.

ACT 3: SPOILERS

I like to joke that my old job at Blockbuster was taken over by a vending machine. As a video store clerk, I took Redbox as a personal insult, if only because it had a face of sorts, a physical presence, and did, in robotic fashion, what I did at my job. (But it had no wall of employee favorite movies! It didn't make scintillating conversation! It had no soul!)

Netflix, on the other hand, lurked like some dark spirit in the sharper interactions we had with customers. Still a mail service then, Netflix was often what customers threw in our faces when angry about late fees. Even as far back as 2001 or 2002, I can recall customers invoking Netflix — which Blockbuster famously had an opportunity to buy — as a curse that would put us out of business.

The aura of the Netflix curse is simple to explain: with its membership model, the mail-order service didn't charge late fees. As a former Blockbuster employee, I can tell you quite plainly:

People hated late fees. Hate-hate-hate-hated them. Grim, palpable hate (that was often directed at store clerks).

Whether startup mythology or plain fact, it makes perfect sense that Netflix co-founder Reed Hastings would tie the birth of Netflix to a $40 late fee he owed at his local video store. The Netflix revenge fantasy against Blockbuster was shared by many beyond Hastings. Antioco's timing may have come 10 years too late, and he botched the execution, but his idea to kill late fees at Blockbuster was wise enough on its face.

Netflix has since become a case study for commercial disruption — and not just in the press and popular imagination. One of the academics responsible for the theory of disruptive innovation has pointed to Netflix and Blockbuster as a chief example.

But in 2009, the year before Blockbuster filed for bankruptcy, by-mail rental (still Netflix's main business then) accounted for a little over $2 billion of the $43.1 billion industry Blockbuster operated in. Vending — i.e. Redbox and its cousins — was worth $917 million.

Netflix may have landed a death blow in Blockbuster's final year or two, but the retailer had long been kicked around by a fragmenting market and financial woes.

All that said, Netflix undeniably became a significant threat, very possibly Blockbuster's largest in the final years. Aside from excising a feature of Blockbuster's business model that customers literally hated (late fees), Netflix capitalized on, maybe even created, a tectonic shift in customer behavior and preferences.

Executives in Antioco’s time may well have underestimated the threat. After all, when Hastings and other executives from Netflix proposed in 2000 that they run Blockbuster’s online business, executives from the video store reportedly laughed at Hastings’ team. Porterfield said it was easy, given the simplicity and counterintuitiveness of Netflix’s model at the time, to “scoff it off.”

“So you're telling me that a through-the-mail system — the U.S. Postal Service — is going to eclipse my business? That’s really hard to stomach,” Porterfield said, describing how many in the company thought about it. And yet, Netflix “understood that the consumer didn't have time to make multiple trips to the video store. And truthfully, the relevance of whether I [as a customer] got a movie the day it came out or didn't get it the day it came out wasn't as strong as it might have been before.”

Richard Gershon, a professor of communications at Western Michigan University, says part of the problem was Blockbuster’s culture and wherewithal.

“It’s not they didn't see what was happening — because they could see the handwriting on the wall years in advance,” he said. “It's just that, culturally, they weren't able to make the changes or make the financial commitment to make the changes that were necessary in order to continue forward.”

And by the time Blockbuster slashed late fees, started its own mail-delivery and online business, and launched a rental kiosk to battle Redbox, the company had already ceded too much ground.

Antioco's successor, Jim Keyes, was eager to talk about Blockbuster when I reached out to him over LinkedIn. To Keyes, the story of Blockbuster's demise has been mistold in the media. He has also been publicly panned over his tenure (such as a "Hall of Shame" award from stock commentator Jim Cramer). That is probably to be expected given Keyes was at the helm when Blockbuster went bankrupt.

Keyes, who took over in 2007, made his name reviving 7-Eleven after its bankruptcy in the early 1990s. Keyes and Antioco knew each other from their days at the convenience store, but he was not Antioco's choice for a replacement. Antioco doesn't say so explicitly in his HBR article, but that may have been because Keyes didn't support Antioco's main initiatives, Blockbuster Online and the kiboshing of late fees.

> **"So ironically, I saw Blockbuster as a convenience play using technology as a way to make it more convenient for people to access their favorite content. Now, that stands at a 180-degree contrast to what the perception is about Blockbuster, which is that we failed to keep up with technology."**
>
> Jim Keyes
> *Former CEO of Blockbuster*

Keyes had an ambitious plan of his own. He kicked around a couple of years after leaving 7-Eleven, "to decide what I want to do when I grew up," he said in an interview. He eventually decided that was taking over RadioShack — which he saw as a kind of convenience store for consumer electronics — and Blockbuster, and then merging them.

“I'm looking at RadioShack and I'm looking at Blockbuster, and I said, ‘You know, if you bang these two entities together, you basically got a technology-agnostic Apple Store,’” he said.

In that vision, Blockbuster would meld technology and content as well as customer service in a physical space. “So ironically, I saw Blockbuster as a convenience play using technology as a way to make it more convenient for people to access their favorite content,” he adds. “Now, that stands at a 180-degree contrast to what the perception is about Blockbuster, which is that we failed to keep up with technology.”

He hit the street with two pitches in his briefcase: one to take over RadioShack and one to take over Blockbuster. Ultimately, Keyes found himself sitting in Carl Icahn’s office. Icahn told him, “‘We'll do Blockbuster first, and then we'll think about RadioShack or Circuit City or somebody else later, to worry about the devices.’”

The original plan was to take Blockbuster private in a leveraged buyout. Keyes says an LBO would have refinanced Blockbuster’s $1 billion debt, pushing out its tenure to 2012. Instead, Keyes says he walked in the door to find the company had just violated a bank covenant, forcing Blockbuster to reckon with its existing debt just in time for a global financial meltdown.

> **“Even the people that were most bearish on it, I don't think they had any idea that it would just disappear overnight, essentially.”**
>
> Grant Jordan
> *Managing Director at Wells Fargo*

Along with the broken covenant, Keyes said the company was in worse financial shape than he realized. A big part of the problem was the slashed late fees under his predecessor.

“They anticipated the customer would reward them with greater frequency,” Keyes said. “The customer basically never liked the late fees. But eliminating late fees didn't make [customers] come twice as often. We were still having to compete with Netflix and Redbox and all the other forces on the street.”

Along with restoring late fees, Keyes switched focus from the mail-order subscription to digital movies, mainly through the acquisition of Movielink, a video-on-demand business started by a group of major movie studios. But the technology was clunky, and Keyes said the added cost to acquire the rights to the full library of movies was outside of Blockbuster’s means at that point, with its finances in turmoil. So the company didn’t have the vast digital library that might have made it a premier digital player.

The challenges were stacking up. And yet, even though the company had experienced trouble for years, the speed and timing of its collapse surprised many of those watching the company closely.

“Even the people that were most bearish on it, I don't think they had any idea that it would just disappear overnight, essentially,” said Grant Jordan, today a managing director with Wells Fargo, who covered Blockbuster as a debt analyst in the 2000s.

Jordan surmised at the time that a relatively small subset of heavy users accounted for an outsized chunk of Blockbuster’s profit. (A reality familiar to most retailers.)

"Those customers were obviously willing to migrate over to streaming much quicker than everybody else," he said. "And if that small number of customers was really important to the profitability, I think that probably accelerated the decline, more so than what people would have expected."

But another major reason Blockbuster collapsed when it did was the parting gift to its former owner: a dividend Blockbuster paid to Viacom by taking out $1 billion in debt.

"If the company didn't have any debt, it probably would have survived a lot longer," Jordan said, noting that the debt "really left [Blockbuster] hampered." It had little cash to invest back in its business and few financial options when the debt came due.

Keyes also thinks that the company "would still be around today" — albeit in a very different form — had it been able to refinance the debt load through an LBO or a better-timed deal with lenders.

Last Blockbuster store in Bend, OR | Credit: Photo by Coasterlover1994 [CC BY-SA 4.0]; Edited by Brian Tucker/Retail Dive

In 2010 Blockbuster filed for Chapter 11 — both because of its debt woes and tightened credit terms with jittery movie studios — with plans to reorganize around its digital business and continue on. But it didn't work out that way. Blockbuster defaulted on its bankruptcy loan after a poor holiday season in 2010, forcing it into a sale.

Satellite provider Dish Network emerged as the winner of a bankruptcy auction, with a plan to keep a physical Blockbuster alive, in part to provide Dish a retail outlet to sell its wares, and also to cross-sell its various services. That also didn't work out as planned.

By 2013, after closing most of the footprint already, Dish closed the remaining Blockbusters that it operated. That left only a few franchisees, who over time closed their stores, too — except for Tisher's Bend store.

Dish today still owns Blockbuster's IP, but doesn't appear to be doing much with it. The satellite company advertises on Blockbuster.com that "The Magic of Blockbuster Video lives on with DISH," but the one-page site links to Dish on-demand and streaming sites that don't incorporate the Blockbuster brand in any way.

Another Blockbuster-branded page maintained by Dish hasn't been updated since Dish opted to close Blockbuster's stores in 2013. (Citing "competitive" reasons, a spokesperson for Dish declined to provide answers to questions about what it's doing or plans to do with Blockbuster's IP.)

Here and there, the brand makes its way onto products. Dish also gets licensing revenue from Tisher, which is worth probably a fraction of a fraction of the company's typical rounding error.

So who or what really killed Blockbuster? The list of suspects and accomplices is long and depends on who you ask: Netflix, Walmart, Redbox, Best Buy, Viacom, customers, late fees, lack of late fees, reinstitution of late fees, movie studios, cable companies, streaming, John Antioco, Jim Keyes, Carl Icahn.

It's hard to argue that technological shifts didn't kill Blockbuster. After all, most of the rental industry collapsed with it. Following Blockbuster's failed bid to buy Hollywood Video, rival Movie Gallery took it over, and both chains shuttered in bankruptcy around when Blockbuster filed.

And today we live in a world of streaming movies, not physical rental videos. But nothing was preordained about the streaming era, either. Just as with video rental, it resulted from numerous business and policy decisions.

Here's another way to think about Blockbuster's fate: Had it managed to survive, what would it be today?

I asked just about everybody I talked to for this story to imagine an alternate universe where Blockbuster had survived. Very few saw much, if any, retail as part of that alternate history. And that includes franchisees, whose businesses were purely retail. Most thought Blockbuster would likely be a Netflix-like content and technology provider, with maybe some token stores here and there.

Keyes had a vision for the company as a content hub online and a physical tech hub (via an acquisition of Circuit City, which has since liquidated) that would sell devices preloaded with Blockbuster's app to watch content through.

> **"... You almost want to go against the stream a little bit and offer something you can't get in a purely digital form."**
>
> Ernie Smith
> *Editor of Tedium*

"There is no aggregator of digital content today," Keyes said, noting that streaming sites like Netflix and the other multiplying streaming sites don't have comprehensive content offerings. "Blockbuster was in a better position than anybody else."

One person who does see a role for an alternate-history-Blockbuster with a brick-and-mortar footprint is Ernie Smith, editor of the digital newsletter Tedium, which explores all kinds of ephemera from the annals of technology and retail history. In one of his newsletters, Smith posited that Blockbuster could have relied on its brick-and-mortar footprint to be a kind of small-space neighborhood movie theater.

"I've always wondered why we haven't had a lot of physical spaces built around movies that aren't like traditional movie theater setups," Smith told me. "To me, Blockbuster, while they had the potential to move into a digital setting to, like, really shine, I think part of what makes them interesting is that they had this massive retail footprint."

As with many retailers struggling to reach an audience amid a broad shift toward digital, "you almost want to go against the stream a little bit and offer something you can't get in a purely digital form," he added.

But plenty of observers think that Blockbuster's fate was unavoidable. It built a high-cost physical retail business during a time when that was the most efficient way to deliver content. When that set of circumstances changed, when content was more efficiently delivered digitally, Blockbuster's model became obsolete.

"I suppose there was a way they could have become a broad-based entertainment company, selling entertainment products, maybe a cafe," Egelanian said. "But it would require the complete reinvention of their model. It's pretty hard for retailers to do that while they're managing a declining business."

And then there's Payne, who thinks Blockbuster was never built to last. It was built to grow, by Huizenga, who Payne says "lost interest to some degree [when] the easy growth was gone."

"What I found at Blockbuster when I got there, in 1993, it was a company that had been so unbelievably successful that they had just not built an organization that could really maximize the business," Payne said. "The way they looked at the business, and the systems that they had built to track things, were just elementary."

FADE OUT

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As he wound down the last stores in his franchise, Payne said every closure would draw crowds of more than 100, as customers came to buy movies in the store's inventory they couldn't find anywhere else and revisited memories of shopping at Blockbuster.

"Every store we closed, it was another sob party," he said. "Customers are crying, employees are crying." Once, a rental car agent whom he was chatting to about a recent closure half-jokingly told him, "'You're ripping my childhood away from me.'"

Today, people are coming from around the globe to visit Tisher's store in Bend. They buy Blockbuster-branded T-shirts, pick up souvenir membership cards and browse for movies at the last Blockbuster on Earth. Shopping at a video store — once a mundane feature of everyday life — is now a retro novelty experience.

Closing in El Paso, TX | Credit: Photo by Alan Payne; Edited by Brian Tucker/Retail Dive

There seems to be more going on than people viewing the last Blockbuster as a sort of living history museum (such as the hypothetical museum people have suggested to Tisher that he turn his store into) or an anachronistic joke. The nostalgia says to me that there is something evocative and emotional in people's memories of renting movies at physical stores, to the extent that they've edited out the late fees from those memories.

Blockbuster consolidated, scaled and corporatized much of the video rental world that started as a cottage industry, an organic experiment run by mom and pops. Yet I don't think that early video store culture entirely disappeared under its banner.

Just like the early video store owners, my fellow clerks and I were there because we liked movies. We were geeks. We followed directors and actors (I was particularly obsessed with Michael

Mann's movies), we argued with each other and customers about movies (we defended Ang Lee's Hulk movie against the hordes of haters), we judged people based on movie taste (disliking "Fight Club" was a troubling character flaw).

Many of us harbored secret or not-so-secret fantasies of becoming the next Quentin Tarantino, who famously worked in a video store before becoming a wildly admired filmmaker.

Our stores, after the main rush of a Friday or Saturday, often had the feel of a neighborhood bar. We would play music or movies (rated above PG) through the AV system, which was supposed to play nonstop corporate promos. Customers lingered at the checkout counter longer to talk about movies, which usually turned into conversations about other things.

We learned about our customers' jobs, breakups, panic attacks and pet projects. On our off-duty days, we often showed up at late hours, half-drunk with friends, or alone, ostensibly to rent a free movie but usually sticking around for an hour or more to chat up our coworkers — who tended to also be friends, at every store I worked at — and customers.

At the end of the day, I think this was the underlying value of Blockbuster and the video rental industry writ large. Although, crucially, I don't know that corporate saw that.

All of the company's attempts to save itself were technological, or product-related, or doomed acquisition attempts. Initiatives flowed out from centralized franchise and corporate authorities. Like a lot of chain retailers, corporate tried to script conversations with customers. If they knew we were playing music at night or heard some of our more freewheeling conversations with customers, our corporate supervisors probably would have had paroxysms.

It’s weird that a store so elemental to my daily life and that of millions of other customers and employees is simply … not around anymore. Gone. Vanished. Missing. And while Silicon Valley magnates and their admirers might trot out those well-worn stage coach driver and railroad porter analogies, we are missing more than an outdated method of content distribution with Blockbuster gone.

Greenberg pointed to public libraries, as well as Alamo Drafthouse — which has performed the strange feat of opening video stores in 2019 — as modern movie culture hubs. There is also a surviving rental chain in Family Video, which launched its video arm in 1978 and today has around 550 locations centered largely in the Midwest. Nothing, however, is anywhere near as ubiquitous as the major video chains once were.

What replaced them is largely algorithmic: good for getting content to your brain and anticipating what you are likely to like. But algorithms are fundamentally bad at challenging tastes or expanding them. Or recommending, amid a winding conversation, a completely different genre or even medium (a book, an album, a pub), as frequently happened at Blockbuster.

“I think about this as a parent a lot, about how much as a kid I valued these spaces where I could get together and meet other people and have the kind of conversations that happened in video stores,” Greenberg told me. “There's something really valuable in doing that in a local community, and that's the kind of thing that I feel like we're missing right now."

Storefront of a Blockbuster in Rio Grande City | Credit: Photo by Alan Payne; Edited by Brian Tucker/Retail Dive

We are missing a social node, a movie-obsessed hub, a cauldron where frontline workers with latent talent and ambition simmered, being around things and people that lit up their imagination and vice versa. That's why I like Smith's alternate history of Blockbuster as a theater — the idea specifically puts a value on the experience of hanging out with other movie people.

It replaces the video store with something social, rather than purely technological. The problem is: social dynamics and genuine human connections are hard to measure and harder, if not impossible, to control. Relationships get passing lip service in the industry, but I have never heard a retail CEO trumpet the value of idle banter between store-level employees and customers in an earnings call.

The growing void is not limited to movies. Technology is, more and more, reducing retail friction points, and with it the work humans used to do. In some cases the human may be the friction point. Self-checkout, cashierless stores, buy online, pick up in-store: It's getting easier every day to navigate even the physical retail world without talking to a single soul.

CODA

At around 5 p.m. on the evening of Sept. 11, 2001, I left the surreal cave of a duplex living room, where my roommate's TV had played nonstop footage of unreal destruction since the morning, and went to where I spent the majority of my evenings at the time: Blockbuster.

I went to work at the video store thinking no customers would be there. Everyone, I assumed, would be rooted in their living rooms, eyes plastered to the news, waiting for the next bit of information to come through, for someone to satisfyingly explain what just happened, and when war would start and with whom.

I was wrong. The store was nearly as busy as a weekend night. And weekend nights at the store I worked in then — tucked into a corridor of fast-food restaurants and gas stations near a major highway interchange in Columbia, Missouri — were crazily, impossibly busy.

At least one customer that night, a middle-aged man with a sad smile, said he came to the store to get away from the news, to take a break. A lot of people, though, didn't even mention the events of the day. I wondered if they came to the store because ... well, that's what they did. It was just another night, and watching videos was what they did with their nights.

I remember being irritated, even angry, by the foot traffic in the store. "Go home!" I thought. "Go home and watch the news!" That's what I wanted to be doing, before work compelled me out of the house, away from my own obsessive news-watching.

By mid-shift, that feeling was gone. I was glad to be pulled away, to be around people, to be at the store. I had assumed everyone was there for the movie they would go sit in front of later. But I have to think — given my own relief — that a lot of them came for more than the videos. They also wanted to be around people on that day, in a friendly place. They wanted to be out, in the world.

And at the time, the world very much included Blockbuster.