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Developing A Consumer Service - Case Study: The Film and
Game Rental Industry of Finland

Degree Programme in Innovative Business Services
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DEVELOPING A CONSUMER SERVICE - CASE STUDY: THE FILM AND GAME RENTAL INDUSTRY IN FINLAND

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The purpose of this case study is to analyze the entrepreneurial advantages and/or disadvantages of a 24/7 self-service DVD kiosk in the Finnish market, and to provide a basis for expanding that small medium-size entrepreneurial business (SMEB) in Finland.

Specifically, the purpose of the research is to test viability of that potential business in light of current market trends in Europe and the Nordic countries, potential competition and development of self-service technology and customer service as a means to reach out to a demographic whose needs is not being met.

Theoretical discussions include how to do a startup, self-service technology and customer service development, specifically focusing on how these would apply to the 24/7 DVD movie/game rental kiosk idea.

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1 INTRODUCTION

Although brick and mortar DVD rental businesses in the United States have been mostly replaced by online services and streaming has mostly replaced DVDs, there are 24/7 DVD kiosk rental services that have successfully carved out a niche market in the US. Could a similar business be successful in Finland, specifically, or perhaps Europe in general? To address that question, three areas of research are addressed: the state of the rental market in Europe and Finland, discussion of competitors and primary data gathering through interviews and questionnaires. Section 2 of the thesis addressed both the purpose of the thesis and the methods used.

Section three of the thesis addresses three areas of business theory. One portion of section three addresses the theories on how to do a business startup and form a business plan. A second portion addresses the theories of self-service in the service industry, specifically as it relates to a 24/7 DVD self-service kiosk. A third portion discusses the theory of service development in general, also specifically applying that theory to the suggested 24/7 DVD kiosk business.

Section four of the thesis contains the research on the state of the rental market, competitors and primary data gathered through interviews and questionnaires. In addition to gathering this data, there are two other analysis sections. One is a SWOT analysis and the other is an analysis of the interview and questionnaire data.

Section five contains results, conclusions and practical suggestions. This includes not only the information addressed in the thesis but also includes suggestions for further research and study.

2 RESEARCH QUESTION AND METHODOLOGY

2.1 Purpose

The purpose of this case study is to determine the entrepreneurial advantages and/or disadvantages in the Finnish market, and to expand this business idea in Finland, by creating a 24/7 self service DVD movie and game rental kiosk. Establishing an SMEB (small medium-size entrepreneurial business) in a foreign country is attainable through the right know-how and resources. This thesis will examine the various ways to launch a successful startup, certain rental industries in Europe, and the theoretical potential for self service DVDs in the Finnish market.

Specifically, the purpose of the research is to test to viability of that SMEB in light of current market trends in Europe and the Nordic countries, potential competition and development of self-service technology as a means to reach out to a demographic whose needs is not being met, this will be determined via research, as per the methodology described below.

The method of STARTUPS is beneficial for this case study but also for other SMEBs or entrepreneurs that might want to start or expand their business. This thesis can be used to show how to find information about the potentials in the rental industry, the thesis can also be used by students who are interested in the rental industry, marketing, and applying this information to international markets. The thesis provides information for people who do not have a business background or degree and who are otherwise interested in gaining more information on the matter.

2.2 Methodology

The methodology includes three main components. The first component is to examine the state of the video and game rental market in Finland based on official figures that are available. This includes discussion of Finland as part of the European Market and as one of the Nordic countries. The methodology in this case study is to look at factors that could affect the success of a 24/7 DVD movie/game rental kiosk. The most important factor is the state of the DVD rental business in Europe and in Finland. Data for movie rentals and game rentals have to be analyzed separately because they represent two different industries. It is important to look at the trends within these two industries to see if a DVD rental kiosk business is sustainable over time.

The second main component of the methodology is to take note of the competitors and potential competitors. Again, game rental competitors and movie rental competitors can be different, so each set of competitors need to be looked at independently. An important part of competitor analysis is to look at strengths and weaknesses and market penetration. Some of the competition comes from outside of Finland but does have part of the Finnish market. These outside competitors also need to be analyzed.

The third main component of the methodology is to do interviews and focus groups to see if there is a need or demand that might be filled by a 24/7 DVD movie/game rental kiosk. Listening to customers and understanding their needs is an essential thing when companies do marketing research. Finding out the expectations of customers is the most important thing in service quality, and marketing research helps understand what customers want and expect. The service issues that marketing research should focus on are the features that are most important to a customer and what levels of the features customers expect and what they think the company should do when there are problems in service delivery. (Zeithaml & Bitner 2006, 141)

This research focuses on getting information on the needs and wants of potential customers of film rental business. It consists of doing a small-scale marketing research based partly on the elements of *requirements research* and *future expectations research*. Through this research a company like Redbox could be able to get an idea of what customers in Finland want and whether their business could be successful here. Usually marketing research is done by a company that wants to improve their service quality or gather information of the needs of their customers. This research is not done to represent the company, but it is important to know about the opinions and needs of potential customers for this kind of service provider.

A good services marketing research program includes many different research studies (Zeithaml & Bitner 2006, 150). Marketing research usually includes qualitative and quantitative research, expectations of customers, behavioral intentions and occurs with appropriate frequency (Zeithaml & Bitner 2006, 143).

Requirement research is meant to identify customer requirements and attributes customers expect in service and it can be done as input for quantitative research. Future expectations research is done to forecast future expectations of customers and to develop and test new service ideas. (Zeithaml & Bitner 2006, 144-145) This research includes some factors of both of these methods because it is important to find out the requirements of people using film rental services in Finland and their opinions about the new kind of service idea has not been introduced in Finland yet.

The questions that are asked in requirement research are the kind of questions that could be used in a survey as well, as quantitative research methods may follow requirement research. In a bigger-scale research and with more time one could do a questionnaire survey for a bigger amount of people after these

focus group interviews. A questionnaire would give us even more accurate information about customer needs in film rental services.

Another part of the method is to do analysis. A SWOT analysis is commonly used to assess the relative strength of a proposed business startup. A portion of the research is dedicated to that. There is also a section for analysis of the gathered interview and questionnaire data.

3: THEORETICAL BACKGROUND

3.1 Startups and creating the business plan

The first phase that every venture must undergo is the startup phase. Which is essentially a business plan that consists of a series of steps, or stages, that an entrepreneur must adopt before their business idea can run successfully. Although there are no clear steps on setting up a startup since revenues, profits, and employment numbers shift drastically. By identifying the variety and complexity of these activities, as well as unique aspects of each, the reality shock may be anticipated and the vigorous power of venture creation and growth may turn the inevitable obstacles into successive triumphs (Kariv 2011, 106). Thus, it is important to create a good working business model (business plan), this will give a better view on whether or not a 24/7 movie/game rental service could be profitable in the Finnish market, and if the given steps are manageable/profitable.

There are many different business models that can be used for start-ups. In this case, since the Redbox-style business model is well-established in the United States, the process for the start-up would be similar to a company that starts expanding into a foreign market. The core of the Redbox business model when it started at least, was

that it was more convenient than going into a brick and mortar store. With the growth of digital sales, which are usually even more convenient than a self-service kiosk, the weaknesses of that business model have become obvious as Redbox has declined. But the business model used for this start-up includes a lot more than just providing a convenient service.

Another part of this business model is to focus on areas, specifically international markets, that have potential for profit but are considered less desirable because they have less potential than primary markets. In this case Finland is grouped with the other Nordic countries, all of which are more sparsely populated than the more desirable (ie more densely populated) southern European markets. The main advantage of focusing on less desirable markets is that there is less international competition for the market.

3.1.1 The Business Plan

The main concept of the business plan is to rent movies and games through a 24/7 kiosk machine. This will include HD DVDs and Blu-Ray DVDs, along with Playstation 3 & 4, XBOX 360 & XBOX 1, and Wii. It will not include in its inventory PC games, this is partially due to supply and demand. PC games are moving towards digital distribution (e.g. Steam), which would also require a registration online. Also, handheld games will not be included in its inventory, there are a wide array of different handheld systems, and various different kinds of manufacturer systems, which would be too costly to include a comprehensive handheld game selection.

The idea for the startup would be to start out with a pilot program. At least 3 to 5 kiosk machines and distribute them in the greater Helsinki region. Primarily, in areas

where there is a lot of traffic, this would increase the potential of reaching a larger customer base. If the pilot program is successful, possible future kiosks will be distributed throughout other major metropolitan cities in Finland, along with rural towns that do not have access to, or hard to reach movie rental stores.

The concept behind the kiosk machines is very similar to other movie rental stores, such as, Makuuni or FilmTown. The main difference is that it operates like a vending machine. The operation method of the machines, which is based off the RedBox user interface app, uses a touch screen browser-based system. Which makes it easy to use, and user friendly. The kiosk machines will also have an advanced networking system, if a particular machine does not have the movie or game title that you're looking for, it will notify you which machine in the area has the title you're looking for. When you have added all the movies/games you want to your cart, the next step is to press the submenu option "Check Out." The kiosk system will ask you to swipe your credit card on the card reader next to the screen to pay for all the items you have added to your cart. When you're done, the DVD or game that you rented will be vended out of a slot on the side of the machine. It is fast and easy to use.

3.1.2 The Four Ps and their importance in the Finnish market

The four Ps are the essential parts of the initiation phase of a start-up. One of the disadvantages of these markets is that product, price, place and promotion, (see figure 1 of the four Ps) have to be even more well-planned and coordinated to make a profit.

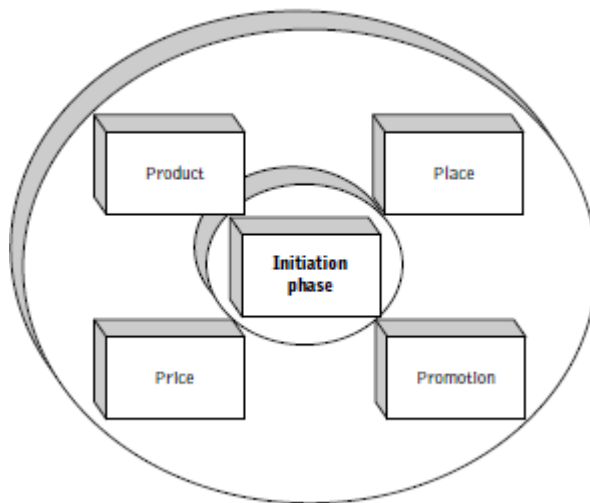


Figure 1. The Four Ps

In the case of the 24/7 DVD kiosk machines, a lot of research has been done on each of the four Ps for US markets. Ideal places for the machines are those that are well lit and have a lot of foot traffic. Pricing was an important part of the early history of the 24/7 DVD kiosk. The initial research, before Redbox came into the industry, showed acceptable profitability at a price point higher than what Redbox started off at. There were two main reasons Redbox started with lower prices. First, they were owned by McDonald's restaurants, which enabled them to drive traffic to the restaurants and increase profit there instead of depending on the Kiosk revenue for all the profit (Popcke, 2016). Second, Redbox was intentionally trying to drive off potential competitors so it could monopolize the market (Popcke, 2016).

In the case of Finland, the main influence on price choice is competition from brick and mortar stores. The product will also have to be competitive, which means the kiosk will have to have new movies and games and quality choices to maximize the value and justify rental prices similar to those in brick and mortar stores. In the case of games, there is not of lot of competitors for game rentals. (Kempfi) The lack of competition for game rental has been well-documented and studied in a 2013 thesis.

Promotion of the DVD kiosks will need many elements. Like all new businesses, a social media presence is almost a necessity. There will need to be a webpage that was well similar to that of Redbox in the United States. There are other promotions that Redbox has used over time that provide examples for those with a 24/7 DVD kiosk rental business.

3.2 Self-service technology in the Service business

Self-service technology has become very popular with managers and owners who want to cut labor costs. But it is not always as popular with customers. (Kimes and Collier) Sometimes customers prefer to talk to a live person. Sometimes the self-service checkout or kiosk can malfunction. The manufacturers of the type of machine used by Redbox go to great lengths to make sure their machines are user friendly and function as intended so that customers have a pleasant experience. (Popcke, 2016) If the machine malfunctions, there is a customer service phone number and a chat option. Malfunctions do not happen very often and when they do happen, the machine can be accessed remotely and the problem is usually solved quickly.

Experts who write about Redbox generally agree that the 24/7 DVD Kiosk was originally so popular because it was more convenient than brick and mortar stores. (Spangler) Convenience is perhaps the most popular aspect of self-service technology, at least when it functions properly. In the DVD rental industry, a very important part of the self-service kiosk is that it has the games or movies that one wants to rent. Without the right movies or games, the self-service kiosk would be much less popular.

Culturally speaking, Finland falls between reactive and linear-active cultures. (Lewis 2006). For example, Finnish people have strong reactive behavior when communicating with other people. (Lewis 2006) This means that Finns usually do not enjoy small talk very much and speak only when necessary. This is also true in customer service situations. This is why Finns would likely prefer a self-service option so that they do not have to communicate with another person. available. So, in theory, the Redbox model might work well in Finland.

3.3 Service Development in General

Convenience, value and selection are three key components to success in the game rental industry. (Spangler) Service development that focuses on these three aspects can be crucial for a successful movie or game rental business. But one must also consider if there are some populations that have needs that is not being met. Perhaps a rural area has no video rental store close by or has limited internet to stream or download movies and games. Perhaps there are no available affordable game rental options or the games someone wants is not available. The main way to find out these unmet needs is by research. A successful business should always be doing research to see if its customers are happy or if there are potential customers who is not being served.

Some of these service development ideas are addressed in the focus group interviews and other data gathered below. This data would be used to help with the strategy for launching the business. But it would be important to keep gathering data to maintain a successful business by adjusting the business strategy to respond to areas of service deficiencies suggested by the research.

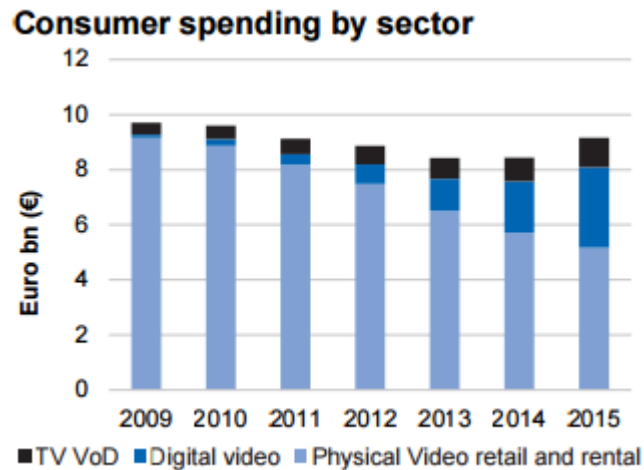
4 DATA COLLECTION AND ANALYSIS

4.1 Finnish Market Research

The Finnish market is different for videos than it is for games. Each submarket is addressed individually.

4.1.1 Video rental market in Europe

As in the US, in Europe digital subscription is growing and the physical video market is declining. The most recent yearly overview published by IVF is from 2014. The data mentioned there is from 2013. In 2013, 606 million Euros were spent on the physical video market (DVDs and Bluray Discs), which was a decline of 23.5 per cent from 2012. That decline came because digital subscription increased. Digital subscription amounted to 148 million euros, which was a growth of 266.9 per cent from 2012 figures. (International Video Federation 2014, p. 10) There is more recent data from the IVF published without a new yearly overview. The new figures, published in 2016, show a steady decline from the 2013 data. Although physical video rental and sales are still the largest share of the market, they are steadily declining. The decline from 2009 is very drastic: (International Video Federation, 2016)




The International Video Federation groups Finland together with Sweden, Denmark and Norway as part of the Nordic Market. Taken together, the “Nordics” are the third largest video rental market in Europe, accounting for 17.1 percent of total European video rental in 2013. As in the rest of Europe, video rental spending declined markedly in these four countries in 2013, down by 15.8 per cent from 2012. One important event in 2013 was that Lovefilm, a rent-by-mail market leader in Europe, opted to exit unprofitable markets, including the Nordics. This makes it even harder to find access to DVDs and Bluray disc movies than before. Brick and mortar video rental stores have been closing across much of Europe. Perhaps the exit of Lovefilm has made it a little easier for these stores to survive in Finland and the other Nordic countries. (International Video Federation 2014, p. 11)

Data from Finnish brick and mortar stores confirm this trend. The *Makuuni* film rental stores had increased losses and net sales went down slightly in the period 2012/2013 (Balance Consulting / PRH Kaupparekisteri 2014). However, businesses like FilmTown and Makuuni are still thriving, although Makuuni has added an online video rental option in their services (Makuuni) . Filmtown stores still seem busy, especially in the evenings and on weekends. This can be noticed just by visiting the store at different times of day.

4.1.2 Finnish game market research

On a Global scale, console games are on a downturn. More and more people are resorting to PC games and mobile games. According to an article published by NEOGAMES, “The absolute majority of sales and the biggest financial successes in 2015 came from mobile games” (Neogames.fi). Despite the fact that mobile games have become the largest part of the game market success, console games do still generate a huge amount of revenue in the European market. To give an idea of how much revenue is generated by console sales, in 2012 the three major consoles generated an estimated 191 million units of sales. That includes 55 million units of Xbox 360, 50 million units of Playstation 3, and 86 million units of Wii (Kempfi, p.35). Most of the gaming revenue is generated in Germany, the United Kingdom and France. As seen in the figure below, these three countries generate over 50 percent of total European gaming revenues.

TOP 5 GAMING ECONOMIES		
Country	Gamers	Revenues
Germany	41.5M	3.7Bn
UK	36.4M	3.5Bn
France	30.7M	2.5Bn
Spain	23.9M	1.6Bn
Italy	23.8M	1.5Bn



Source: Newzoo

The gaming market has a lot of detail that one must take into account. For example, although Germany generates more gaming market revenue than France, French gamers spend more per player in a year than German gamers (France: \$164,

Germany: \$158). And although 72 percent of French gamers play some games on consoles, only 23 percent of gamers use consoles as their main gaming devices (mothership.de/). These differences between gamers in different regions hint at how much local conditions must be taken into account.

In Finland however, the trend is starting to lean towards digital distribution. The reason for the decline is that console games are slowly coming to an end, and usually at the end of a console life cycle, sales tend to drop. Game retail stores (such as, GameStop) could see its sales start to drop in the coming years, due to digital gaming. Especially if Cloud gaming starts becoming more popular. Nevertheless, even though the revenue for physical hard copy games are on a decline. This data suggests that a business like Redbox, could cater to the console market, which might also do well in Finland and in the other Nordic countries.

4.2 Competitors

4.2.1 Movie rental competitors

Competitors for the video rental industry come from several directions. Over the long term, the biggest threat comes from digital sales. To compete with digital sales, a kiosk would have to have better selection or pricing or offer some service not available with digital options. The largest direct competitor would be the film rental stores. As mentioned above, although their share of the market is declining, stores like FilmTown and Makuuni are still thriving, one could potentially form a partnership with them or compete with them directly.

Another direct competitor can be seen in the Helsinki Market. On Yelp (yelp.de) there are references to a 24/7 DVD Rental kiosk with the VideoBank name. Below

is an image of one of the kiosks from the Yelp website. One can see that there are movies displayed and what seems to be a place to pay with a credit or debit card and retrieve the disks one has rented. There does not seem to be a digitized screen or a place to search the inventory of other kiosks. This competitor needs to be researched more to confirm the capabilities of the kiosks.



According to their website (videobankdigital.com), VideoBank specializes in archiving, managing, and distributing products and services worldwide for many types of businesses. Without knowing the specifications of their machines, suppliers and other key information, it is difficult to rate this competitor.

4.2.2 Game rental competitors

Although there are no direct competitors, there are several indirect competitors for the game rental market. Kemppi divides these indirect competitors into seven categories: e-traders, specialty stores, department stores, resale stores, hypermarkets, variety stores, and category specialists. This large number of indirect competitors is because of the large amount of potential revenue that can be generated in the retail

gaming industry. Some of these competitors even specialize in selling games. (Kempfi,p. 35) Below is a table generated by Kempfi to show some indirect competitors, including how they compare according to game prices, number and location of stores, game selection and whether they sale online.

Table 1.

Critical success factors	Verkkokaupa	GameStop	Anttila	Citymarket	Stockman	Rental Store
Prices of games	4	4	2	2	2	5
Amount of stores	1	5	4	5	2	1
Location of stores	4	5	5	5	5	5
Game selection	4	5	3	3	3	3
Online store	5	1	3	3	2	1
Overall rating	18	20	17	18	15	15

Kemppi made several observations which are important to note. First, the larger competitors have the advantage of having a lot more resources. They also have brand recognition due to established presence, especially in the Helsinki area. This includes both placement of multiple stores and strong online sales. The main weakness of these indirect competitors is the price. Kemppi believed that his idea for a rental store could compete based mainly on price, especially against smaller competitors, and develop a large clientele. Kemppi also believed that if his idea for a rental store were to become popular, some smaller competitors might start to include rental games in their inventories. The larger companies probably will not add rental games to their inventories, because if they do then profits from selling games would

go down. (Kemppi, p.25) Most of the same observations could be made about a successful kiosk rental business instead of a rental store.

Kemppi made further observations about some of the competitors. GameStop has several well-located stores in the capital area that focus only on selling video games and related merchandise. Their used games are very popular because they are cheaper than new games. Citymarket and Prisma, which are hypermarkets, have higher game prices. But they do have several stores that are well-located. Their main advantage is a wide product selection. Department stores like Stockmann, Anttila and Sokos also have a good selection to choose from, but Sokos and Stockmann have fewer stores than Anttila. Stores like Gigantti and Verkkokauppa also have fewer stores and the ones they do have is not well located, but their prices are lower and their selection is better than either the hypermarkets or the department stores. (Kemppi, p.26)

Verkkokauppa is a strong competitor mostly because of its online store. (Kemppi p.26) Kemppi also notes that smaller competitors like Clas Ohlsson, Huuto.net and Amazon do not have a big share of the Finnish video game market. This is good for Kemppi's suggested rental store (and for a DVD rental kiosk business) because this specific group of competitors will likely be the main competition for clientele in the beginning stages of the business. (Kemppi p. 26)

Kemppi also notes that both the large and small competitors have mostly remained the same for several years. One development Kemppi writes that has occurred recently is the growth of the marketing and buying of used games. GameStop started the trend when it came to Finland, and a lot of the smaller businesses started offering used games in order to remain competitive. The only larger business doing this when Kemppi wrote the thesis was one Anttila location in the Itäkeskus shopping center. Other bigger businesses are likely doing this now, since it has been three years since Kemppi wrote the thesis.

Kemppi also observed that the growth of digital sales as a share of the games market will likely force large competitors to include digital products as part of their offerings. As Kemppi also observed, there is the possibility that the digital sales growth will make it impossible for some smaller competitors to stay in business if they cannot compete with digital products (Kemppi, p.26). Smaller businesses, like a DVD rental kiosk, will have to find ways to remain competitive with selection and customer service strategies tailored to meet the needs of the Finnish market.

4.3 Focus group interview

One method of collecting empirical data is a focus group interview. In a focus group interview data is collected through a semi-structured group interview process (Robert Wood Johnson Foundation 2006). By using this method it is possible to collect data on a specific topic, in this case on people's preferences about film rental and their point of view about self-service film rental option like Redbox.

The people for a focus group are selected in order to be a purposive sampling of a specific population. This means the participants are people who have something to say on the topic and who give right kind of data for the research, so they are usually from a certain age group or have similar socio-characteristics and they are comfortable with talking about the subject in a group. (Rabiee 2004) In the research study, the plan is to gather people from a group age of 20-35 because people at that age usually use film rental services more than older people and the researchers believe that age group provides us with accurate information on the subject.

Focus group interview is part of traditional research methods (Miettinen 2007, 79), and also a non-classical ethnographic method (Whitehead 2005,

2). It usually takes place in natural surroundings and the approach can be in-depth and open-ended. The aim of the group interview is to find out the point of view of the research target. (Miettinen 2007, 87) There are no right or wrong answers and there is no absolute truth because the study understands individual differences and different experiences (Berg, Korpi, Niemi 2007).

In this case the purpose is to gather different opinions and to get a slight idea about what services Finnish people use when they rent films and how they feel about a new business model like Redbox. *The fieldwork* in this research is the focus group interview/discussion. After that comes the reporting about the results obtained. *The data gathering form* is an audio recording because in order to write a valid report and analyze the results one needs to be able to go through the interview again. One could also use video recording to get even the physical expressions of participants.

This method is a good way to get data for this research purpose because the topic is rather difficult to observe and there is a limited amount of second hand data available. With this research method it is possible to get realistic opinions and experiences of the people chosen for the group meeting. Interviews can be done in a semi-structured way. In some interview methods interviews are done separately to different people but in focus group interview the idea is to gather everyone to one place at the same time.

Miettinen (2007) interviewed different people for her study, in different locations. The purpose of the interviews was to collect information for understanding the crafts production related to the tourism trade in Namibia and to understand the motivation for buying crafts products. According to Miettinen, the hardest part of gathering data by interviewing people is to build a relationship with the people interviewed and with the participants of the research. It is difficult to establish enough trust so that the person who is

being interviewed gives reliable opinions and information. (Miettinen 2007, 82-83)

Interviewing people for some study purpose can give very good data and reliable information, even if the interviews are done in different places and the length of the interviews is different. For instance, Miettinen interviewed people in the Namibia craft centre where the interviews were short and some people only had 5-10 minutes² time. She interviewed customers, tourists and workers, so the segment groups were different for the same research subject. However, all the data collected is important, no matter how much time has been spent for interviewing one person. When the interviews are recorded it is possible to study them afterwards.

The characteristics for a focus group interview are *participants, environment, moderator and analysis & reporting*. The ideal number of participants is 5-10 and they should be carefully recruited. The environment should be comfortable and the best seating is circle table. The moderator should be good with group discussions and the questions should be pre-determined. (Krueger 2002, 2)

There is no right or wrong answers, just points of view. The pattern of the focus group interview is important and the first moments are critical. The moderator has to open the meeting and get things going by welcoming everyone and introducing the topic, setting the ground rules and asking the first question. (Krueger 2002, 4)

4.3.1 The outline for the focus group interviews

First session (younger people)

Place: Pori library (Kaupunginkirjasto)

Time: 21.11.2015 at 13.45 - 14.30

The number of people attended: 7

The age group of people attended: 20-40

Second session (older people)

Place: SAMK library

Time: 30.12.2015 at 16.00 - 16.30

The number of people attended: 5

The age group of people attended: 45 - 60

Beginning: Discussion leader introduces himself and welcome everyone.

Topic: I introduce the topic and the purpose of the group meeting. Discussion leader explains what the results will be used for and why the researchers selected these people.

The concept of Redbox is explained.

Guidelines: There are no right or wrong answers. There is a recording done of the interview to use for the analyzing process later. The discussion leader will ask questions and guide the discussion but people can discuss and talk freely with each other and tell their opinions.

The first question: The interview and discussion starts.

The questions asked:

Do you use film rental services? How often?

Where do you usually rent films from?

What do you think is a fair price to rent a movie?

Are you familiar with digital film rental options?

What digital film rental services do you use?

*Which option do you prefer when you rent films: a store or digital services?
How would you feel about the option to use a self-service machine in the street to get films and games from?
Would you rather use a self service machine or go to a physical store?
Would you rather use a self service machine or use an online film rental option?*

*Do you play video games?
How would you feel about renting games versus buying?
Would you find it useful for you if there was an option to rent games from a machine like Redbox?*

*In the services that you have available to you - are you able to find the movies you want to see
What service do you use to get access to your games? Are you able to find the games you want to play?
In general, would you rather interact with people or would you prefer to do business without interacting with people?*

4.4 SWOT Analysis

It is important to conduct a SWOT analysis on your company during the Strategic Planning phase. It helps identify current objectives and how to connect them to actionable tactics that can be carried out by employees. Essentially, SWOT, helps determine where a company currently stands in 4 key strategic areas, and the changes that need to be made. SWOT is an acronym for STRENGTH, WEAKNESSES, OPPORTUNITIES, and THREATS (Kokemuller). Below in figure 2, a SWOT analysis is provided that identifies the key core components in each of the four areas of the business model. There are four sections, one for each of the four areas that are

discussed. This is a common practice because it helps to see each of the areas all at the same time and in relationship to each other.



(figure 2. SWOT Analysis)

The main strength of the SWOT Analysis shows that a kiosk of this type will be able to offer rentals for a cheap price. This type of service should be popular amongst movie goers and gamers, because it allows the consumer to try out a movie or game before actually buying the product. It'll also allow gamers, who are more adept at a short single player games, and gamers that like to play multiplayer games over a short time span with their friends, like on weekends, to have an inexpensive option. Also, another key factor, is that a 24/7 Kiosk rental service would be the only business offering game rental. There are no other outlets that offer such services. Therefore, it would make sense to start a pilot program with at least two or three machines, and then place them in central Helsinki, they need to be in a highly populated area that also has access to good public transportation.

One key opportunity, is that video game rental, is an untapped resource in the Finnish market. As mentioned before, this is due to the fact that there are zero outlets in Finland that rent video games. This opportunity of having no competitors could possibly allow the business to expand and grow, if there is a growing demand in Finland. When it comes to gamers, casual gamers very seldomly buy games, much less full priced games. So, another key opportunity is that the kiosk services (with the cheap prices) could potentially attract casual gamers, and make them more active. As well as frugal gamers who are wanting to try out a brand new game that has just been released to the market, but does not want to wait for the wholesale price to drop as it gets older.

The main weaknesses is that a rental service of this type can be expensive in the long run for gamers and movie watchers. With its 1 euro a day rental prices, keeping a movie or a game for a week, or a month - can be quite pricey. This is especially true for movie watchers/gamers who are wanting to watch/play a movie or game quickly, but it ends up taking longer than expected, due to not having enough time because of: work, school, family problems and other life complications (or simply because the game lasted too long). Which is not a very appealing aspect for someone who plays less than a few hours a day, and wishes to complete the game that can take a long time to finish.

In this case, it would make more sense to buy a copy of the movie or game, versus renting on a day-to-day basis. Another key factor, is that there will be a limited selection on movies and games. According to an interview conducted with Mr. Pete Popcke (personal interview 1/15/2016), he stated that each machine can hold up to 250 DVDs. Granted, that is a lot of DVDs. One will not be able to provide every kind of movie/game from every genre in each kiosk machine. Especially since the pilot program will probably consist of 2 or 3 kiosk machines. Hopefully, if the business grows, one will be able to expand the movie/game selection.

Piracy has posed as a big problem in the video and gaming industry for decades now. The rapid growth of broadband technologies has enlarged the growth of illegal

downloads through online streaming and torrent sites. According to the Motion Picture Association of America (MPAA), the estimated cost of piracy for the film industry worldwide is over €15 billion. The potential economic impact of piracy is nevertheless heavily disputed (European Parliament)

It is a big problem for PC games as well, and there is also always the risk of new ways pirating console games could become more effective in the coming years. And if more effective ways are being develop to play pirated games, that could affect profits of game sellers and renters. Another threat is competitors, a lot of retail stores in Finland, such as, Giganti, Antilla, Gamestop specialize in selling wholesale games and movies. Which attract a huge consumer base, who are eager to buy games or movies without trying the product first. As mentioned before, the biggest threat comes from digital sales (such as Netflix, torrent sites, online streaming...etc.). According to Fritz, Digital sales grew by 30% in 2014 and digital subscription streaming grew 26%. The graph below comes from the Wall Street Journal but is based on data from the Digital Entertainment Group.



Picture 1 (Fritz 2015)

Cloud gaming is still relatively new and is not very popular yet. But if the technology improves and some of the service problems are fixed, it might become more popular (howtogeek.com). At the moment, many game developers have added free content into their games, that can only be downloaded once while online. This poses as a problem, because rental companies cannot give away access to this free content. This will encourage the consumer to just buy the game instead of renting it. This additional free content is not common in console games, but it could be in the near future (Kemppi, p. 22). As noted by Kemppi, in a store rental game life cycle, most of the profit is generated in the first couple years after a game has come out. After the initial profitable period there is a decrease in the value of the game in the following years. Because of this decrease in value/demand, it can be extremely difficult for a consumer to rent a game that is more than 2 years old. Because of the price drop, purchasing it at a cheaper price from a retailer becomes a more feasible option. Thus, game rental may be the only option to obtaining a particular game title, except if you purchase it online (Kemppi, p. 23).

4.5 Analysis of gathered data

Reporting is an important part of a research process. The analysis of the data gathered for this research is based on the recording and notes that were made during the focus group interviews.

For the first session people were recruited from the age group of 20-40, of which one person was 40-year-old and others were 22 to 28 years old. There were seven people altogether to join the first group interview which took place in the Pori central library (Porin kaupunginkirjasto) on Saturday 21st of November 2015. All the members that joined were male because unfortunately there were not any female participants available to join the session. The group interview started at 13.45 and ended at 14.30.

For the second session five people were recruited between the ages of 45 to 60. Three were female and two were male so there is an older person's perspective and some female perspective as well. The second session took place in the SAMK library. In this analysis "*the younger group*" means the first group session and "*the older group*" means the second group interviewed.

All of the participants were willing to speak and share their opinions with everyone. All of the participants from the first session were familiar with different film rental options. 6 out of 7 people in the group said they use digital options more than physical stores to rent films. Only one person said he prefers to go to Filmtown store.

A majority of the people of the older group prefer to use the old fashioned way: film rental stores. Only one uses HBO on demand service. The older people seem to watch films mostly on TV and cinema.

Majority of the younger group said that 1 euro would be suitable price to rent an old release film. However, there is no place at the moment where you get films that cheap, unless you have a student card (this works in Filmtown). One person said that the price for new releases has to be lower than in cinemas. All of the participants said a good price for new releases is 5-6 euros. The older group said the same thing. At the moment the price for a new release is pretty much the same in rental stores and online rental services.

A majority of the younger group mentioned also illegal downloading options when they were asked about digital film rental services that they use. One person from the group specifically preferred to use illegal options and the others simply recognized how easy it is. As mentioned earlier, people still use illegal options to download and watch films. This was also noticed in the

focus group interview. The people who were interviewed said it is the easiest option to get the films you want.

A majority of the participants also use Netflix, which only has a limited amount of films available. The older group did not mention illegal services. It seems like people choose their rental services according to the price and selection. If the film they want is not available on Netflix or other digital service, they are ready to go to the nearest physical store.

This is an interesting point when it comes to the service concept of Redbox: from the group interview one learned that people would be willing to use a self-service machine if they cannot get the film they want online and if there are not any rental stores nearby. The choice between a store and a machine depends on the price.

To the question “*what service do you use the most*” 5 out of 7 said Netflix and others said online streaming.

To the question “*Would you rather use a self service machine or go to a physical store?*” 6 out of 7 of the younger people answered they’d rather use a machine (Redbox). The older people said they’d prefer the machine.

To the question “*Would you rather use a self service machine or use an online film rental option?*” 6 out of 7 people answered they’d rather use Redbox (self service).

The reason why most participants chose Redbox rather than another service is because they said it would be cheaper and the location might be better than a store’s location. This is to the assumption that renting a film from Redbox would cost one euro.

At the beginning, the researchers all assumed that Finnish people are not concerned about customer service and communication with a sales person. It was interesting to notice that majority of the people in the first group

(younger) would actually choose to communicate with a person in a rental store rather than use a self service machine, *if the price was the same*.

One person prefers not to communicate with a sales person. Because the price in the Redbox machines is cheaper, people would be happy to have an option like that available. This means they would welcome a new business option like this in Finland. Everyone of the older group would rather use a self-service machine.

The price seems to matters the most when it comes to choosing a rental option. This was pretty much self explanatory.

Also *the location* matters a lot in this case, because if there was a machine closer by than a store, people would rather go for a machine. For example, in small villages in Finland there is not any film rental stores. Redbox could be successful in places like this. The third thing that has a lot of impact is *the availability*. The newest film is not always available in stores or online but usually Redbox has them. When they were asked “*are you able to find all the movies you want to see on the services available to you?*” everyone said no.

A major thing that seems to matter for the younger group is the fact that Redbox machine also has games for rent. In this younger group, five out of seven of the participants said they play video games and they would happily use a rental machine that has games for rent. All of them said they would rather rent a game than buy it if they want to try a new game. Even the people who do not play games said they would rather use a machine to rent games even though they’re not gamers. None of the people in the older group play games.

5 RESULTS, CONCLUSIONS, & PRACTICAL SUGGESTIONS

5.1 Results and conclusions

There seems to be enough room in the current market for a business idea like Redbox to succeed, at least over the next few years. Physical disks, whether rented or bought, are still the biggest share of the market in Europe and in Finland. Video rental stores are still thriving and the game rental market is basically untapped at this point. More research needs to be conducted. But the research that has been done suggests that there is unmet demand. One of the most important factors is that in Finland and the other Nordic countries there is not a lot of competition. A very important piece of information would be to know how successful VideoBank has been in Helsinki and what they are doing to maintain their business.

5.2 Suggested Areas for further study

A lot more research could be done and analyzed for useful insights. Two areas that need further research are profitability and the type of machine to be used, both of which could have a big impact on business success. Taking into account the previous three research areas address above, is there data to suggest that a DVD rental kiosk could be profitable in Finland? How many customers would be necessary to maintain this profitability? Is there a part of the DVD movie/game rental market that might be targeted to increase profitability? Is there data to suggest that better selection or price or product placement, etc., might increase profitability?

Another factor is the choice of the type of machine to be used. What are the strengths and weaknesses of the options that are available? This includes more than just the machine itself. This could also include connections with suppliers. Getting current games and movies before or instead of competitors can be an important part

of success. Do any of these machine providers have connections to help with that? If the machine provider cannot help with suppliers of movie and games, then that would be an extra problem for making the business successful.

5.3 Practical Suggestions about focus group information

After the first focus group session the researchers realized that the results might not be valid enough because there were only male participants in the group and there was not any older person's perspective on the subject. In order to fix this problem, another focus group was conducted with older participants and also some female participants.

Even though the researchers gathered data of two focus group sessions, the problem is that this larger data set still might not provide realistic information about what Finnish people really think of this new business idea in the film rental industry. There was the impression that it could be successful due to the opinions of the people who were interviewed. Most of them said they would be happy to use that kind of service especially because of a possibility to rent games. If one were to bring Redbox to Finland, based only on this data that was gathered, there is some possibility that the idea might not be successful at all. On the other hand, it could turn out to be successful, but more information is needed. Without more information, it is difficult to know for certain whether the business would thrive or not. Many businesses have a life cycle where they are successful at first due to people's interest in a new thing. But they go down after a while and do not maintain the success.

It seems certain that there are people who would be grateful for this self-service rental opportunity especially in small villages or outside city centers, but there are also those people who would not find it useful at all because

there is a lot of selection easily available on film rental. The interviews which were conducted give a slight idea on people's opinions about this. which was helpful, but to get a better view on things it would be good to conduct a bigger survey.

The answer to the research question whether a self-service film rental kiosk could thrive in the Finnish market, is yes, it could be a successful idea if the price is fairly low (like it is in the US) and if there are games available in the machine.

The research objectives were reached inasmuch as the data gathering was conducted as planned. It was easy to gather a small group of people together for the focus group sessions but for a bigger scale research it would have been challenging.

At first it was challenging to find enough resources for the theoretical review and to do background research. The film rental business is not the easiest subject to do a research about but it was interesting and eventually I managed to find enough sources for the case.

In order to make this business popular and to get people's attention, the right kind of marketing and advertising would be needed. Internet, social media and some newspapers would be a good way to make this idea well-known. Because the price and the location seems to matter the most, the advertising should concentrate on these things: if people get the picture of a cheap price and a good availability (kiosks located in rural areas or outside city centers), they become interested in the product. Advertising should also include the information about a wide selection of films and games. Especially games are attractive to many people and they would become interested if they saw an advertisement of a kiosk that has a selection of games for rent.

An important thing about advertising and marketing is to target the right segments and potential customers. In this case the marketing should be mainly aimed at younger population and under 45 year old people. Based on the data gathered, younger people use film rental services more than older people, and generally younger people are more into games as well. Social media is an effective way to start with when it comes to marketing a new service, but it is not the best way in the long run because more traditional ways of advertising will be needed too, such as newspapers and advertising in the streets and public places.

It could also be worth doing market testing for this service concept. This would include choosing an external test group and sending the service offer to them, and planning a customer satisfaction questionnaire for product testing purposes. The external test group (for example potential customers and/or media) would test the service and report their experiences and give feedback. This feedback would be used for further process of marketing and bringing the product into the market. (Berg 2015)

The competitive advantages for this service product would be the cheap price of films, the good availability/location of service machines and the wide selection of films and games. Even though for example Filmtown already offers all these factors, the new service idea like Redbox could be very successful if Finnish people are open to it and find it useful for their purposes.

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