

The major source of competition for best buy

Business



Best Buy faces competition from brick and mortar retailers such as Walmart, GameStop, Radio Shack, and other 2nd tier competitors. Walmart is the biggest threat to the company. This company is the largest retailer in the world with revenues of \$405 billion. The company has greater buying power than Best Buy which provides with the ability to achieve greater economies of scale. Economies of scale can be defined as the reduction in long-run average and marginal costs arising from an increase in size of an operating unit (Businessdictionary). Walmart has been focusing more on growing its consumer electronics business. The firm now sales game consoles and games, smartphones, and laptop computers. GameStop also competes directly with Best Buy. The organization is the industry leader in the sale of video games. Its market share in the video game industry surpasses 40%. The firm has over 6,000 stores located across the United States, Canada, Europe, and Australia. The main advantage that GameStop has over Best Buy is the number of locations since Best Buy only has 1,023 stores. A third major competitor of the company is Radio Shark with 4,423 stores and overall revenues of \$4 billion. Radio Shark does competes well with Best Buy in audio and video components, but customers prefer Best Buy for larger purchases. There are a variety of 2nd tier stores that also compete against Best Buy including Costco, BJ's, HH Gregg, and Ultimate Electronics.

The second major source of competition for Best Buy are online retailers. Online retail sales in the United States are on the rise. In 2013 online retail sales in the United States total \$395.3 billion (Plunkett Research). The biggest competitor in the online business world is Amazon. Amazon had global revenues of \$19 billion. The cost structure of Amazon is lower than brick and mortar stores. This allows the firm to offer lower prices to its

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customers. The movie company Netflix also represents a threat to Best Buy due to its variety of movies which exceed 100, 000 titles.

Works Cited

Businessdictionary. com. 2014. “ Economies of Scale.” 25 April 2014.

Plunkett Research. 19 February 2014. “ E-Commerce & Internet Business Overview.” 25 April 2014.