

External
environmental
analysis remote
environment
marketing essay



**ASSIGN
BUSTER**

Stability of political factor is very important for manager to consider during strategy making process. It help the manager to make strategies by fulfilling the legal and regulation requirement. From the case, Federal Reserve has issued new regulation that use to restrict companies from offering deferred interest financing to customers. It had affect the future revenue of all the companies included Best Buy. It had prohibit Best Buy to extent the credit line which can affect Best Buy's revenue.

Economic factors discuss about the influence of economic that will affect the profitability of companies. From the case, the economic downturn had affected Best Buy's profit. During economic recessions, consumers have less disposable income. Therefore, their purchasing power is lower. Their consumption pattern will change and prefer to buy necessities goods than discretionary goods. So, it will become a problem for Best Buy that sell discretionary products.

Social factors

Social factors is discussing about belief, value, lifestyle of persons. Cultural is an important element to analyze in social factors. From the case, Best Buy had used customer centricity model to conduct their business. They had study the customer needs and behaviors. Best Buy had focused on certain customer groups such as affluent suburban families and trend-setting urban dwellers. Nowadays, internet purchasing had become a trend and lifestyle among consumers. They intent to spend their time shop around the internet than visit the retail store.

Technological factors

Technological factors discuss how technology change will influence the business. From the case, technology improved will shorten the product life cycles and decrease the prices. As shown as the case, when shorter product life cycle, training cost will increase.

Technological factor also pose a threat to the Best Buy. Online marketplace had become a threat for retail industry. Consumer can buy goods from internet rather than visiting retail store like Best Buy. Furthermore, the consumers are able to compare the product price, quality and getting more information by using the internet.

Ecological factors

Ecological factor always discuss about the relationship between business and the ecology. Best Buy had encourage their customers to recycling their appliances and electronics by launch a recycling program. It is used to reduce waste and reduce the pollution to the ecology. Furthermore, Best Buy also had earn the LEED certification because their store's design is green and achieved LEED standard (Cheeseman 2009).

Cheeseman, GM 2009, ' Best Buy's Environmental Efforts', viewed 14 November 2012, <http://www.triplepundit.com/2009/10/best-buys-environmental-efforts/>

Industry environment (Competitive Forces)

Michael Porter 5 Forces

Porter 5 Forces is use to identify the competitive level of the market by analyzing the entry, supplier power, substitution, rivalry and buyer power.

Threat of entry

It is very difficult to enter the market because the industry was dominated by large company. It also require a large capital resources to enter the market. However, globalization and internet had weakened the barrier by reducing the capital requirement. More and more companies entering the market using internet. By using internet to penetrate the market, customer loyalty had become a barrier which can prevent companies to enter the market. Although the industry was dominated by certain large company, but internet had reduced the barriers. Hence, it is an opportunity for Best Buy to enter the market.

Supplier power

Best Buy had gain competitive advantage through the weak supplier power. Best Buy had gain the bargaining power over their supplier because they always purchase in large quantity which lead them to achieve economy of scale. Hence, it is an opportunity for Best Buy to gain cheaper resources and gain competitive advantage over their competitors.

Substitution

Best Buy also face strong substitution level due to their competitors such as Walmart. Walmart had expand their market share in consumer electronic industry. They cooperate with several company and offer wider and higher

range of electronic products. Their product also very similar to Best Buy's product and can be substitution for Best Buy's product. Hence, substitution had posed a threat for Best Buy because Best Buy's product is more expansive due to their trained workforce and consumers may choose to buy the substitution products.

Buyer Power

According to the case, there are economic downturn which had reduced the buyer power. During recession, consumers disposable income had reduced. Their purchasing power decrease and not willing to consume discretionary item like what Best Buy has sell. So, a weak purchasing power will affect Best Buy profitability. Hence, it also posed a threat to Best Buy because reduce in purchasing power will affect their sales and profitability.

Rivalry

Best Buy is competing in a high competitive level environment. They had many strong rival such as Walmart stores Inc., GameStop Corp. which had dominant the market. Those competitors had hold large market share in the market and they are sharing the same group of customers with Best Buy. Therefore, it had posed a threats to Best Buy because the market is too competitive which may lead to lesser profit.

Overall

The PESTE analysis has shown that the environment is bad because of the economy condition is poor, the consumers demand are elastic, the change rate of the technology is fast which may cause a lot problem.

Michael Porter 5 forces has shown that the market is highly competitive because of the position of the rival is too strong. The analysis show that Best Buy will be very difficult to compete in the market although they have their competitive advantage.

Long term objectives

Profitability

As stated in the case, Best Buy's objective is sustained growth and earnings. Hence, Best Buy put an effort on offering wide range of product and highly trained workforces to increase customers satisfaction. Thus, with satisfy the customers, they will more willing to buy Best Buy's products and it can ensure the profitability of Best Buy. Best Buy also change from discounted retailer to service-oriented firm to avoid competition that can reduce their profits.

Employee development

Based on the case, Best Buy's long term objectives are focused on employee development. According to the case, Best Buy had put effort on training their employees. They set employee development as their objectives because they are using differentiation strategy. Since most of their competitors are using low cost strategy, Best Buy had making decision to use differentiate approach to avoid a price war and reduce competition level. They focused on training their workforces to provide better services to their customers. Employee development approach had enable Best Buy to have a highly trained sales associates. However, This approach also increase the products price due to their training cost and better services.