

Best buy uncovers angels in the market case study

[Sociology](#), [Shopping](#)



Best Buy specializes in a variety of products that focus on making life easier and more fun for consumers, by educating customers on the features and benefits of technology and entertainment products. While Best Buy has 1,200 retail stores across the United States it operates in a highly competitive market. To cope with this competitive market Best Buy specializes in collecting data from its stores to discover what its customers want and need. The company developed a database that incorporates information into a system that allows them to use marketing data to develop a complete picture of its customers.

Best Buy uses segmentation analysis to track consumer purchase histories to study its customers which helps the company identify new customer segments, better understand existing customers, to target promotions more precisely, and to identify key locations for expansion. The company has with the help of Larry Selden a consultant from Columbia University Graduate Schools of Business determine what they call “devil” customers and “angel” customers. The angels were customers who purchase high ticket items without waiting for markdowns or rebates, and the devils applied for rebates and then return the products back only to buy them back again at returned merchandise discounts.

Best Buy has categorized its angel customers into five segments, the small business customer, the young entertainment enthusiast, the affluent professional, the busy suburban mom, and the tech savvy family man. Best Buy's new “customer-centric” operating model focuses on these five key segments. They launched this model in 67 of its stores to analyze the market

and narrow its focus on one or two of these groups. Company executives believe that this model offers customers a richer in-store experience with better shopping assistance and also provides more of the goods and services that customers want.

The model also helps employees to identify and recognize unique sets of customers that can help them build offerings and experiences to meet their needs. To bring in more angel customers Best Buy has a series of processes that cater to enhancing the shopping experience of its angel customers and other processes to discourage its devil customers. The company has already implemented this model in 85 stores and plans to convert all of its U. S. stores within three years. Those stores that have already converted have reported favorable results. Best Buy believes that the customer centered platform is the way to go and expects to perform well.

Key Marketing Issues

Marketing Research: The systematic design, collection interpretation, and reporting of information to help marketers solve specific marketing problems or take advantage of marketing opportunities.

Conclusive Research: Research designed to verify insights through objective procedures and to help marketers in making decisions.

Descriptive Research: Research conducted to clarify the characteristics of certain phenomena to solve a particular problem. Best Buy used its research to discover what kind of consumers purchased the companies products.

Primary Data: Data observed and recorded or collected directly from respondents. Best buy used data collected directly from its consumers through segmentation analysis.

Secondary Data: Data compiled both inside and outside the organizations used to divide a market into segments. With the help of consultant Best Buy used gathered information via different sources to categorize “ angel” customers into five segments.

Personal Case Analysis

Best Buy has taken the time to get to know its customers in a way that has allowed them to better understand the needs and wants of their customers. By doing so the company has successfully created a model that caters to the kind of customers they target and discourage “ devil” customers from costing the company any loss. Best Buy used information technology to help the company come up with a series of processes that will allow the stores to successfully cater to the kinds of customers that help the company growth.

“ Becoming customer-centric means looking at an enterprise from the outside-in rather than the inside-out—that is, through the lens of the customer rather than the producer”(Gutali, 2010). By putting the company in the shoes of the customer it helps the company provide personalized experiences that help build customer relationships. Best Buy’s demographic segmentation allowed the company to create multi-dimensional customer profiles that allowed for more precision marketing messages to angel

customers, and also help the company deliver context-sensitive customer experiences.

Case Questions

1. From what internal and secondary sources did Best Buy acquire the data that helped it develop its customer centricity initiative?

Best Buy collected data on every transaction and from mailing lists, it also gathered demographic information from local census numbers, surveys of customers, and targeted focus groups. All of the information gathered from both primary and secondary sources helped the company classify its customers into two categories “angel” and “devils”. These classifications helped the company understand the kind of customers they need to target and the kinds of customers they need to discourage from coming in to the stores. With the use of consultants they further categorized their angel customers into five segments that allowed them to determine what kind of customer centric model to apply at the stores.

2. How did Best Buy employ database marketing to better satisfy its customers?

The company’s retail stores were not previously configured to meet customer buying patterns and preferences. By developing a customer-centric approach to retailing they have realigned and reconfigured its stores to match the geographic and demographics of shoppers and identify and more completely tap into customer’s value in order to better provide a

personalized and catered shopping experience for their customers. The database marketing allowed the company to anticipate entire range of activities a customer might engage in, and therefore helping Best Buy fulfill a distinct set of needs (FICO. com, 2011). “ By using proprietary processes for capturing data from every transaction, Best Buy can identify well over three-quarters of its customers—more than 100 million individuals” (FICO. com). By giving each customer segment a distinct profile that helps employees identifies and recognizes the needs and wants of each customer to better assist them.

3. How are the data gathered by Best Buy useful in customer relationship marketing?

The new customer-centric model puts customer in charge, and sales are there to help, customers do not have to be sold, they want to buy after they see all the choices and prices (Stopper, 2007). “ Facilitating personalized interactions with customers is what customer centricity is all about “(FICO. com). By recognizing each client and classifying them under one of the 5 segments employees are better able to serve each customer, providing a personalized experience that customers will not forget and entice them to return.

Conclusion

Information technology can help businesses like Best Buy to grasp a better understanding of the market in which they operate. Discovering the needs and wants of their target market will help the company make decisions that

will help it serve their consumers better. Best Buy better understands, entices and serves its customers who account for the bulk of the company's revenues and future growth potential (FICO. com).

Best Buy is shifting an increasing amount of resources away from mass marketing channels and toward personalized marketing streams. The company has created a unique customer experience that is associated with its brand which differentiates them from other competitors. In order for businesses to be successful they have to have a good understanding of their target market and discover how to best entice those customers to purchase their products and build loyalty. Best Buy knows this well and has used its customer centric strategy to build a stronger customer relationship.