

best buy



**ASSIGN  
BUSTER**

Best Buy wants to be the best consumer electronics outlet in the US and beyond. The multinational retailer sells both products and services through three primary channels: retail stores, online, and call centers. Its branded store banners include Best Buy, Best Buy Mobile, The Carphone Warehouse, The Phone House, Five Star, Future Shop, Geek Squad, Magnolia Audio Video, and Pacific Sales. Its stores sell a variety of electronic gadgets, movies, music, computers, mobile phones, and appliances. On the services side, it offers installation and maintenance, technical support, and subscriptions for mobile phone and Internet services. Amid declining sales, Best Buy is focused on a turnaround.

### Geographic Reach

The US is Best Buy's largest market, accounting for nearly three-quarters of its total sales. Europe and Canada each contribute about 10% of sales. The consumer electronics retailer has about 870 stores in the UK and Ireland under The Carphone Warehouse banner, as well 1, 500-plus Phone House Stores in France, Germany, Netherlands, Portugal, Spain, and Sweden. Best Buy rings up less than 5% of its sales in China, where it has about 210 stores under the Five Star banner.

### Operations

Best Buy's operations consist of a domestic segment and an international segment. The domestic segment focuses on the US market, where Best Buy Mobile (mobile sales and service), Geek Squad (technology support services), and Pacific Sales (kitchen appliance sales and installation) can be found in US Best Buy stores using the store-within-a-store format. Some also operate as standalone stores. (With Best Buy's sales in the tank, the Geek Squad is <https://assignbuster.com/best-buy/>

looking to extend its techie expertise to other venues, including eBay and select Target stores.)

### Financial Performance

In fiscal 2013 (ended January) Best Buy reported \$49.6 billion in sales, a 2% decline versus the prior year. While the company was again unprofitable -- reporting a net loss of \$249 million in fiscal 2013 compared with a loss of about \$1.2 billion in 2012 -- it trimmed its loss significantly. The hefty loss in 2012 was primarily due to the buyout of Best Buy Mobile for \$1.3 billion, which gave the company full ownership of the fast-growing US mobile phone joint venture from British partner The Carphone Warehouse (TCW). Best Buy and TCW will continue to work together through a new venture designed to expand their mobile phone business in China and Mexico.

### Strategy

Under the leadership of turnaround expert and Frenchman Hubert Joly, who joined the ailing retailer as CEO in September 2012, Best Buy is focused on reviving its ailing business, which has suffered from competition from the likes of Amazon.com and Wal-Mart Stores. Joly is working to stabilize the company's falling sales and is closing many of the chain's big-box stores, expanding smaller outlets, and improving its online operations. Best Buy has restructured its international segment by closing large-format Best Buy stores in China, Turkey, and the UK due to underperformance. The company is embarked on a new store development plan in 2013, which focuses on trying to increase its number of stores while decreasing overall square footage. Its domestic segment plans to close about 50 large-format US Best Buy stores, and it may downsize others in order to reduce costs. At the same

<https://assignbuster.com/best-buy/>

time, it plans to mold other stores into the new pilot Connected Store format and open about 100 small-format Best Buy Mobile standalone stores.

The Best Buy Mobile platform will be used to meet demand for such devices as tablets, notebooks, and e-Readers. The company also seeks to provide a better online experience by offering more competitive pricing and free shipping. Its international segment, meanwhile, is moving forward with plans to open 50 Five Star appliance stores in China. Five Star has been largely outperforming Best Buy's namesake stores in that market. However, competition is heating up as other global retailers take aim at China. Germany's METRO AG, plans to enter the Chinese market with its Media Markt and Saturn chains of consumer electronics stores.

### Mergers & Acquisitions

Best Buy has grown over the years through acquisitions and that continues to be a key component of its strategy today. In late 2011 it acquired mindSHIFT Technologies for \$175 million, a deal that allows Best Buy to expand into cloud services and push growth in the small and midsized business IT services market. It will combine mindSHIFT's cloud, data center, and professional services with its Geek Squad services and Best Buy for Business operations to try to create a competitive edge.

### Ownership

Founder Richard Schulze is the company's largest shareholder with a 20% stake in Best Buy. (Schulze, who proposed acquiring Best Buy for \$24 to \$26 per shares in August 2012, failed to line up financing to take the company private.)