

Best buy case study essay sample

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Best Buy is an international retailer of consumer electronics, home office products, entertainment software, appliances, technology, mobile phone products and services. Best Buy has operations in the United States, Canada, Mexico, China, and Europe. North America accounts for 1, 400 of the stores and there are over 2, 600 stores in China and Europe (Hitt, Ireland, & Hoskisson, pg. 57, 2011). In the United States, Best Buy is the largest consumer electronics retailer with reported revenues of \$37. 1 billion in 2011 (Hitt, Ireland, & Hoskisson, pg. 62, 2011).

Best Buy has outlasted their major competitors, CompUSA (2007) and Circuit City (2009), in the face of a recession and a reduction in consumer discretionary spending. With Best Buy emerging as the giant in consumer electronics from a brick and mortar viewpoint, they are faced with declining marketshare to companies such as Amazon, eBay, WalMart, and Costco.

Best Buy must not get into price wars with their competition, as it will be very difficult for them to compete with the likes of Wal-Mart. It is also important for Best Buy to sell the “ shopping” experience, customer service, and customer support to help them regain marketshare from their on-line competitors. The following pages will help give Best Buy direction on how to compete succussfully in the demanding market of consumer electronics.

Problem/Opportunity Statement

Even though Best Buy is the industry leader in consumer electronics, they continue to lose market share to online competitors such as Amazon, eBay, and other brick and mortar stores of Wal-Mart and Costco who are selling the same product for less. Amazon currently has an app that allows you to scan

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the barcode of a product and see what the price is on Amazon. This has led to the unfortunate nickname for Best Buy as “ Amazon’s Showroom” (Hitt, Ireland, & Hoskisson, pg. 57, 2011). Looking at the table below, you can see that between 2008 and 2009, Amazon gained what Best Buy lost in market share.

Source: www.retrevo.com

In order for Best Buy to succeed in a downward spiraling market, they must get back to basics focusing on customer service, reducing the size of their mega-stores, and increase their presence with Internet sales.

External Environment Analysis

Demographic Segment:

Due to the vast array of products that Best Buy offers, there is no single customer profile accounting for a significant portion of overall sales (Hitt, Ireland, & Hoskisson, pg. 59, 2011). The United States is facing an aging population and Best Buy should look at offering products and use marketing approaches that appeal to older customers (Hitt, Ireland, & Hoskisson, pg. 59, 2011). With college age consumers struggling to find jobs in a tightening market, their discretionary spending has been reduced. Women also have been increasing their influence and purchasing power, something that can not be overlooked by Best Buy.

Economic Segment:

The economic slowdown has affected the business operations of Best Buy and they are facing consumer related challenges at every point in the market. Due to the economic slowdown in the United States, dramatic and long lasting changes have occurred in the behaviors of consumers. In 2008, Best Buy announced that all of its corporate employees were eligible for a voluntary separation package in order to significantly reduce their corporate expenses (ecoustics. com, 2008).

Political/Legal Segment

When Best Buy entered the Asian market by acquiring Jiangsu Five Star Appliance Company, they helped bridge the learning curve of international policies and procedures by partnering with a giant that was already in the marketplace. Best Buy is keen to enhance equal opportunities as it is committed to a policy of Equal Employment Opportunity (EEO) and maintains an Affirmative Action program (Best Buy). Sociocultural Segment

Because attitudes and values form the cornerstone of a society, they often drive demographic, economic, political/legal, and technological conditions and changes (Hitt, Ireland, & Hoskisson, pg. 45, 2011). A significant change in the sociocultural segment is women in the workforce have increased significantly over the past couple of decades as seen below.

Another sociocultural segment that can not be overlooked is teleworking (working remote) from your home or an off-site location. The U. S. teleworking population in 2010 was estimated at 26. 2 million - nearly 20% of the U. S. adult working population (Elliot, 2011). As advances in

technology make this trend a reality, more associates will need to be better equipped from working from home, something that Best Buy can certainly capitalize on. Technological Segment

There is no question that Best Buy usually houses the latest products that are on the leading edge of technology. Best Buy is highly equipped with the latest gadgets and technology it requires to facilitate its customer base. Best Buy introduced a plan in 2011 called "Future Proofs Program" (which is no longer offered). This plan allowed the customer to purchase "protection" for \$49.99 allowing them to trade in their product (for store credit) if a newer model came out within two years of original purchase (Bertolucci, 2011). Currently they only offer this plan on mobile phone service. Best Buy also utilizes technology called click stream which monitors their customer's internet website activity and helps them to develop visitors' preferences and likes helping them understand how visitors use their web site (Best Buy Privacy Hub). Global Segment

Newly industrialized and developing countries are a major area where Best Buy should be focusing their attention for growth. Best Buy stores in the U.S. will continue to decline as long as the consumer is being more frugal with their discretionary spending. Developing Countries will continue to lead global growth and have the best opportunity for success (Pereira, 2011). The countries shown on the map below in yellow should be a focal point for senior leadership at Best Buy as they are currently the fastest developing countries. [pic]

Source: www.viewsoftheworld.net

Physical Environment Segment

In today's environmental friendly crazed world, consumers and organizations need to be protective of our environment to help ensure that our children and grandchildren can enjoy what we have become accustomed to. Best Buy launched a program called "Greener Together" to help reduce the level of waste by utilizing recyclable packaging and disposing system along with increasing energy efficiency in its products. Best Buy started a campaign in 2009 (Best Buy wants your electronic junk) offering free recycling of all electronic components both large and small (Gunther, 2009). Best Buy is on the right track with the Physical Environment Segment and must continue to be a leader moving forward to help ensure their success in the industry.

Forces Analysis

Conclusion

The U. S. economy, as well as other global economies, is unlikely to produce at the same levels that they were experiencing for at least a few more years. The housing market is slowly starting to stabilize, but until it is on a continual upward trend, consumer's discretionary spending will continue to remain low. This in term poses a threat to Best Buy as their products are considered luxury goods and otherwise unnecessary – needs versus wants. Best Buy also is faced with increased long-term competition from discount competitors such as Costco, Wal-Mart, and Amazon. These companies will continue to seek market share and competition will only become fiercer. Internet retailing also is become more prolific in today's society. Best Buy must focus

on smaller stores (eliminate or reduce their mega warehouses) and increase their presence on internet retailing. The two biggest things Best Buy needs to focus on moving forward are: 1) How they can compete with their biggest competitors (Wal-Mart, Amazon, and Costco), and 2) How can they gain market share while consumer's discretionary income is continually being reduced. Implementation

Best Buy's consumer electronics comprise 37% of sales (21% International) (Hitt, Ireland, & Hoskisson, pg. 57, 2011). With consumer spending tightening on luxury goods, Best Buy must focus on other areas that they already have in place. Geek Squad services accounted for 6% of revenue in the U. S. and 9% Internationally. Best Buy must strengthen consumers viewpoints on their commitment to excellent technology and support services. With luxury spending down, consumers may look to improve their existing technology without purchasing new items, an area where Geek Squad can help boost Best Buy's bottom line. Best Buy also needs to sell the "shopping" experience to lure consumers away from internet competitors. To help with this "shopping" experience, Best Buy must scale down their mega warehouses and give the consumer a more intimate shopping experience. Look at the Apple brick and mortar stores, they are about 1/5 the size of a Best Buy superstore.

It is also imperative that Best Buy refocus their commitment to provide mid to high end products to help them separate from low cost competitors such as Wal-Mart. If Best Buy tries to compete in pricing wars with Wal-Mart, they will continue to lose market share to all of their competitors. A solid roadmap for

Best Buy to follow can be found within their name itself: B - Best choices in the industry (Mid to High product selection) E - Energetic workforce (Sell the shopping experience) S - Satisfaction guaranteed (the only way to go to earn consumer confidence) T - Trusted by everyone (carry brands that can deliver the best impact to the consumer) B - Build lasting relationships (ensure you have repeat customers) U - Understand the customer (be ready for what the customer wants next) Y - Youthful (don't let the competition sneak up and take you under)

Best Buy has lasted longer than their brick and mortar store counterparts. They must now regain market share amongst their online competition to continue to be a viable company.

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Threat of new entrants

Low to moderate- High capital required (high inventory turnover requiring large inventories. Online retailers pose the biggest threat.

Bargaining power of suppliers

Moderate to High - Companies must keep their inventory fresh with up-to-date technology from a limited number of top suppliers.