

Bestbuy's strategy

[Business](#), [Strategy](#)



In the last few years, BestBuy has been experiencing fierce competition and has been fighting to gain dominance in the consumer electronic market. Apple, Amazon, Wal-Mart, and Target are the current competitors that are giving them the most problems. A lot of people are coming into BestBuy's stores to try out the products and then leaving the store to buy online or at a slightly cheaper price. C. E. O, Brian Dunn, is left with many questions about keeping customers in his stores and how to develop and sustain a competitive advantage in today's economy.

According to the case, BestBuy is trying to create a competitive advantage in three areas: customer-centricity, employment policies, and exclusive branding. After studying the VRIO framework, I have found that BestBuy's three areas of strategy do fit into the VRIO framework. BestBuy believes that an effective strategy is a commitment to customer-centricity. A business that implements customer-centricity caters to specific customer needs and behaviors.

According to the book, BestBuy wants to steer away from a product-centered marketing approach to a more customer-oriented marketing approach which will have them asking what problems its customers are facing, and then providing solutions. Furthermore, BestBuy wants to segment its customers into four different profiles: Upscale Suburban, Urban Trendsetter, Empty Nesters, and Middle America. In different regions around the U. S. you will find these diverse groups.

BestBuy has been able to utilize the rare attribute of the VRIO framework with its ability to serve the needs of the predominant customer segment in a given region. BestBuy is unlike any company in the consumer electronic

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industry because as the book mentions, " Nearly all companies claim to be customer oriented, but being customer centric required a radical reorganization and shift in employee mindset. " BestBuy has reformatted the physical space in its stores and related products have been bundled together to meet the needs of certain segments.

Store teams have also been trying to answer the following questions: What kind of traffic do we have coming in our stores today, how effectively are we selling to the people in the stores, what does our customer information look like, what segments do we have coming in, and what kind of market share do we have for those segments? To answer those questions BestBuy has been investing in the right tools so that the field knows what to focus on. BestBuy has taken customer interest a step further, and so far it has given them a rare advantage. BestBuy has also done a good job of organizing its employment policies to capture value.

According to the book, BestBuy has set up an employee listening program that uses opencommunication to better understand the needs of its workers. This program has done a great job of exploiting the company's capabilities because it is implementing tools such as annual company-wide surveys, a virtual discussion board, and one-on-one dialogue sessions. BestBuy is capturing value because they are listening to their employees and discerning information that was previously unknown to management. The final area that BestBuy is focusing its strategy on is exclusive brands.

This last area is very important to BestBuy because it is valuable, rare, and costly to imitate. BestBuy currently owns these private labels: Insignia, Dynex, Init, Rocketfish, and Geek Squad. As far as background goes, Insignia <https://assignbuster.com/bestbuys-strategy/>

produces TVs, monitors, home-theater systems, and portable video/ audio players. Dynex produces storage media, data and power cables, webcams, and office supplies. Inet produces media storage, equipment bags, totes and furniture for home theaters. Rocketfish is a top notch producer of cables that are mostly used for TVs. And most famously, Geek Squad provides computer repair and installation services.

BestBuy realizes that they cannot solely rely on these small private labels to create, on their own, enough revenue to stay in business. But nevertheless, these private labels are valuable because they add attractive features to the company. Most of the products offered by these small labels are accessories that add value to the more expensive products which in turn increase the profitability of BestBuy. In particular, I think Geek Squad is valuable because a lot of older people do not know how to set up the more complex electronics and often run into problems.

Easy-to-setup installation and troubleshooting is a very attractive feature to most consumers. Along those same lines, these small labels are rare because their products are only being sold in BestBuy stores. If you're a huge fan of Rocketfish cables or really appreciate the helpfulness of Geek Squad then you have to come to BestBuy to get you want. These private labels are also costly to imitate I imagine because it could be costly to implement and staff a repair and installation service in all of your stores like BestBuy has done with Geek Squad.

Also, these private labels have a few unique products that could be hard to replicate. I know that Inet has created some nice, high quality equipment bags and furniture for home theaters. I believe that after weighing the

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benefits of all three of these areas that BestBuy has indeed created a competitive advantage. In one way or another they have valuable, rare, costly to imitate, or are organized to capture value with their products and services. BestBuy's business level strategy is to focus on its people through customer centricity and employment policies.

The managers in both areas want to listen to the people and discern how to best appeal to them. Managers have planned to become customer centric by profiling its customers and then design the stores and provide products according to the profiles in the region. The cost driver associated is the cost of input factors because it requires a radical reorganization and shift in employee mindset. Stores need to be reformatted and related products need to be bundled. The main value driver for this focus has been customer service.

BestBuy has excelled at customer service because they are able to identify customer needs and appeal to their wants because of the unique profiles that have been created. The main cost driver for employment policies has also been cost of input factors because I imagine it has been costly to implement the new annual company-wide surveys, a virtual discussion board, and one-on-one dialogue sessions. The main value driver for the employment policies is customer service. BestBuy has created distinctive techniques for company-wide communication that in turn provide better customer support.

Managers now know what the consumers are thinking because the employees are able to share information with their superiors in an efficient way. The competition between BestBuy, Amazon, Apple, and Wal-Mart has

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been fierce over the last several years. BestBuy has found itself to still be at the top of consumer electronics in the minds of its customers with 40% of the votes. However, BestBuy comes in 11th place in the Top 15 most valuable retail brands. Furthermore, Apple has recently made a large push in the race by reaching \$2.8 billion in sales in 2010 which puts them in third place behind BestBuy and Amazon.

However, BestBuy is in last place according to share performance in 2010 and 2011. After looking at all of the different results and surveys I would say that BestBuy is right in the thick of things and battling for the top spot. Amazon may be more a valuable company but the consumers still view BestBuy as the leading consumer electronic company. One of the critical problems facing BestBuy is people coming into the store and testing the products and then leaving and buying the product elsewhere. I think that BestBuy's strategy to become customer centered is a good strategy.

Many of the same products are sold by multiple companies, but if BestBuy can appeal to the segments and profiles of people coming into their stores then they can get people to buy the products in their stores. Identifying the profiles of people coming in is the first step and then being able to bundle products and arrange displays in an appealing way is a good strategy. If BestBuy continues to value its consumers I think they will find a way to sustain a competitive. After all, people want to feel important and be given what they need and desire.