

# Best buy case study essay

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? Best Buy Case Study Jeffrey Casale Best Buy Case Study Introduction Best Buy is the world's largest consumer electronic retailer with over \$40 billion in revenue, 1, 300 stores and 150, 000 employees at the end of 2008 with a US market share of 21% (1). Best Buy's humble beginnings go back to 1966 in Saint Paul Minnesota where a small audio specialty store named The Sound of Music was opened. Over the course of the last 43 years the world of consumer electronics have changed tremendously, but the one thing that has been successful in the growth of the company is Best Buys approach to meeting the consumer's needs. The Journey to Customer-centricity In June 2002 Brad Anderson, an employee of the company since 1973, became CEO of Best Buy. A post 9/11 economy was in place causing sluggish sales caused the Best Buy stock to turn downward. On top of that retailers like Wal-Mart and Costco were placing more emphasis on their consumer electronics divisions making these retailers more direct competition.

With the growing complexity of the digital devices and computers and home networks one marketing approach that Anderson figured would be a way to edge out the completion was to offer a solution to customers who may have a need for technical services he felt Wal-Mart and other retailers could not provide. In October 2002 Best Buy purchased a small company that specialized in such services call Geek Squad. At the time Best Buy estimated the small businesses market to be upwards of \$20 billion dollars a year (2). This certainly was a strategic approach to offer solutions for customer's they would not get from the competition. The first year saw 20 stores with the Geek Squad available, and by the end of 2005 every store had a Geek Squad. Anderson also looked for ways for continued growth aside from the

traditional sense of having to rely on building new stores. Best Buy had traditionally seen healthy growth of 20 percent year so that added to the pressure.

Anderson sought out help and enlisted the help of Larry Selden. Selden co authors a book called " Angels and Demons". The basic concept is that not all customers are profitable and segmenting your customers you can focus your marketing efforts towards the individual groups. Anderson's vision to follow this strategic path was puzzled industry experts. Why mess with a \$20 billion a year winning model? Anderson's vision was to focus on segmenting the customer's base into various groups that created a model that primarily defined how the customer made their purchasing decision. From there he could create a standard model and marketing mix to follow for each group. The following groups were initially rolled out. Barry is the name for the group that identifies affluent professionals who likes their technology and have high expectations for customer service.

Jill is the name for the group that identifies the stereotypical soccer Mom, wanting the best in technology for her kids. Buzz is the name of the group that identifies the younger generation that enjoy their technology and entertainment. Ray is the name for the group that identifies the segment that would like to enrich their life with technology. Finally the last group the Best Buy decided to segment is the small business market known as Mr.

Storefront. By the summer of 2003 Best Buy was trialing customer centricity in a few dozen stores. Initial response and results were positive so the following year Best Buy decided to expand the trial to an additional 100

stores. “ We are in the midst of a strategic transformation to put the customer at the center of what we do,” said Anderson ahead of the company’s analyst meeting. “ Our customer centricity initiative enables us to engage more deeply with customers by empowering our employees to deliver tailored products, solutions and services to customers through our stores, Web sites, call centers and in home services. This work has allowed us to look ahead at our business through new lens. As a result, we see additional opportunities to connect more closely with our customers, to increase our competitive advantages, to boost our market share and to deliver superior financial results” (3) The passion and drive to move forward with such an aggressive strategic plan rather than resting on your past performance speaks volumes to understanding what your customer wants and providing a means to getting it to them, again creating a marketing mix to address all types of potential customers. The Results The results from the first 32 Best Buy lab stores had a quarterly sales gain of seven percentage points higher compared to other U.

S. Best Buy stores (3). As important to any financial impact was the impact on customer service and employee satisfaction. For customers having the store layout modeled to your shopping behaviors will improve their buying experience and will be apt to return. Employee satisfaction is on the rise and turnover rates are on the decline as another benefit to customer centricity. As part of the program employees are taught to focus on the specific customer rather than the product categories. According to Mike Keskey, president of U. S.

Best Buy Stores” Becoming a customer -centric organization requires that we take full advantage of the talent and creativity of every Best Buy employee working in our stores across the country. Our employees are energized because they have both the responsibility and the accountability to make decisions and drive innovation on their knowledge of the customer. They behave like owner/operators and really understand the customer and financial impact of their decisions. (3) The financial costs to alter the stores to the new segmented models could be upwards of \$600, 000 for each. In 2005 approximately \$50 million was allocated for customer centricity stores. (3) Conclusion So the question is asked again, why would Best Buy a company with its market share and earnings worry about changing up their marketing strategy? It is a strategy to continue to find ways to market their business and improve the customers shopping experience by putting the customers need to the forefront of everything they do. Outside of Brad Anderson executive suite in the Minneapolis headquarters you will find a “ mock retail hospital” with the sign that states “ This is where companies go when their strategies get sick”.

Depicted in this are fallen retailers like Kmart and Woolworth. (2) Anderson’s vision is to keep finding ways to change and adapt with the consumers rather than sit by idly and watch them find somewhere else to go.

References / Work Cited 1. Connected World- Fiscal 2008 Annual Report/  
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