

Best buy situation analysis

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



In general, the company specializes in selling electronics, home office products, entertainment products and footwear, business programs and software, home appliances, and much more technology related products. Best Buy has earned the reputation as one of the top consumer electronics retailers and a leader in the industry. Its total revenues are \$42, 410, 000, 000, it employs 140, 000 workers, and has a market capitalization of 11.26 billion.

The company is a publicly traded corporation on the New York stock exchange under the symbol- BBY. It has gained many product and service brands that are recognized worldwide, such as Geek Squad, an in house repair service, which has been one of the company's main competitive advantages throughout its existence. The primary target market customer is in the 16-35 age range. With 18-24 being the primary target because on average 40% are in college. Primary targets consist of businesses, both genders, middle class families and up.

The secondary target is 36-50 age groups mostly made of parents, new and small businesses, and price concerned consumers. The age group for the core audience is 25-54 consumers 54% male 42% female and has an average household income of \$75, 000 (Khan, A). " Mission: The mission of Best Buy is to be the number one retailer of consumer electronics with a focus on providing a wide selection of high quality products at premium low prices while offering personable customer service and the best shopping experience both in store and online.

Goals: In the company's 2014 fiscal annual report, Hubert Jolly, President and CEO of Best Buy, outlined the business transformation plan and goals as the

- 1 OFF shopping experience
2. Attract, grow, engage, and inspire transformational leaders and employees
3. Work with vendors to innovate and drive value
4. Increase return on invested capital
- 5.

Continue leadership role in positively impacting the world

Ochs 2 Core

Competency: In terms of core competency, the key in terms of success for Best Buy has been its strategic customer-centric values and brand name recognition.

Best Buy specializes in providing excellent customer service and the ability to give customers a hands-on shopping experience. Best Buy offers a wide range of products and will continue to work with vendor partners to maintain a strong relationship to guarantee low competitive prices. As far as brand recognition goes, Best Buy is increasing the amount of stores worldwide each year so the company name will continue to stick in customer's minds as well as strategic partnerships such as Geek Squad.

SOOT Analysis Internal Factors Strengths Multiple Channel Sales Strategy Diverse Product Portfolio Reputable Brand Name Excellent Customer Satisfaction Weaknesses Geographical Concentration Limitations Reliance on Minimal Vendors Weakening Financial Position Poor Inventory Management Systems External Factors Opportunities Strategic Partnership Acquisitions Focus Towards Marketing Strategies Online Sales Growth Consumption of Electronics Increasing Expansion of Retail Stores National and International -

Foreign Market Penetration Threats Rise of Competitors, Loss of Market Share and Revenues

Increase of Counterfeit/imitation Goods (China) Organized Retail Crime Increasing, Cyber Crime Threat to Security Market Shifting to Online Sales Medium to high Supplier Power Industry Analysis and Trends: The Consumer Electronics Market is continuously changing and is an ongoing process of evolution. Since technology is growing at a market. Already existing technologies are being re-invented to give the consumer a feeling that the old model(s) is irrelevant. An example is curved TV's and the phone ss.

Ochs 3 These two technologies already exist however with a very slight modification, customers react and feel the need to purchase the newer version. This acts to re- invigorate what may seem to be a stagnant market. Online Sales are becoming more crucial to companies to survive in the electronics consumer market. Amazon. Com being the leader in the industry of online sales has proved its dominance and Best Buy is increasing online retail operations to keep up. Since the recession, the market faced a decline in sales performance the last few years since 2008.

However the market is making a slow, gradual come back and the situation in the industry is looking good. The fluctuating economy greatly effects consumer buying habits, and with the recovering economy conditions, consumers will have more money to spend on luxuries like electronics.

According to the U. S. Consumer Electronics Sales and Forecasts " Revenues for the consumer electronics industry are projected to grow 2. 4% in 2014, reaching a new record high of \$208 billion Joseph, J. ACE). Best Buy has

struggled to maintain its market share with the increase of competition over the last few years but the company is growing in terms of revenue and number of stores increasing worldwide. Best Buy brand and presence is becoming well known globally and more growth opportunities are available for the company internationally. " Best Buy sees opportunities for innovation and growth in new markets and new geographies as well as in our core U. S. Business our growing global presence requires seasoned and as'. N. Y leaders to carefully manage our expandingfamilyof international brands.

Our international leadership team is focused on driving growth for our enterprise around the world (Willet, Robert, BY CEO International). "

Competitor Analysis: Best Buys competitors are store-based retailers, internet-based tillers, multiple channel retailers, and vendors who offer products directly to the consumer. " They are competing amongst many others in the market for position as the top retail brand for electronic goods. U. S. Shoppers spend more than 126 billion dollars a year on electronic goods and more than 26% of it is totaled at Best Buy.

For electronic purchases Best Buy remains as the top choice amongst consumers (Khan, A.). " The major players are mass merchandisers like Walter Corporation, Amazon. Com and Apple Inc. (also a supplier). Unlike Best Buy, Walter offers much ore than Just electronics but they are growing in the electronics industry. In order to keep their prices low, Walter uses a low profit margin, high volume sales technique by squeezing their suppliers to name their price. To combat this, Best Buy must maintain their image as the 'best shopping experience' retailer with a young, tech as'. N. ,

knowledgeable sales staff to assist customers and provide customer service unmatched by Walmart. In addition, Best Buy must maintain a strong relationship on good terms with its suppliers because they are limited and also offer a price matching policy to match a price offered by a certain store or retailer. To compete with Amazon, Best Buy must promote their brick and mortar, instant gratification business model. Unlike Best Buy, Amazon cannot boast physical, face to face customer service experience improvement to their website and online sales strategy since many consumers are moving towards online purchasing.

One of the major risks Best Buy faces currently is the act of show-rooming. This is where customers go to the big box store to gain valuable information from the staff about a product and compare prices, then go and purchase it elsewhere for a better price (Amazon, Mom). According to CEO Hubert Jolly: "Best Buy estimates that 15 percent of its customers come into the store with the intention of show-rooming, that number is only likely to increase (Macrae, M)." Since Apple is one of Best Buy's vendors, they must be careful with methods used to compete for customers.

One of the main advantages Best Buy has in this situation is that they are actually able to offer their Apple products for a lower price than the Apple Store, while still maintaining strong customer service, warranties, and support as one would receive in the Apple store. New Opportunities: Best Buy faces ever-growing fierce competition as the consumer electronics industry continues to grow and new technologies are rapidly being

innovated. There is much room for growth and new opportunities Best Buy can take advantage of to remain at the top of the market.

One of the most significant threats Best Buy faces is the increasing amount of virtual retail sales in the consumer electronics industry, but this is also an opportunity. The first recommendation for Best Buy is to continuously innovate and improve the website to encourage online sales. Perhaps IT should undergo website redesign to offer easier web navigation/ characteristics similar to that of Amazon. Com. The second recommendation is the need to promote the advantages and benefits of shopping in store rather than at other online retailers like Amazon. Com.

Such benefits include direct communication between representative and customer, fewer technological issues of ordering, easy returning methods, and the assurance the product will be received in perfect condition and on time rather than damaged or lost in transportation. The third recommendation is to move beyond the current business to consumer model and expand into business to business operations. This would positively increase clientele base and open up a CSS 5 huge new market segment uninhabited by many CE competitors. Next Best Buy needs to reconsider its management structure.

Part of the reason for its plummet in sales was poor management style who were reluctant to change company strategy and adapt; they were not ready for competition. Best Buy has made efforts to update management which had a positive outcome. We see in the fourth quarter of the fiscal year 2013 " the company reported net earnings of \$293 million, compared to a loss of

\$379 million in the previous period, driven by its reduced costs and improved operational efficiency. The effort of the retailer to improve profitability, which includes reorganization of its field and store management structure (Wolf, A). Lastly, Best Buys strengths lie in customer service so the ability to attain strong customer relationships will go far. Some ideas to accomplish this is to provide better employee training to specialize employees to understand the customers wants and needs better. This will help make the employees more knowledgeable to offer more expertise help on particular products and features that other competitors simply cannot offer, which ultimately results in happy customers. When satisfied, the company back to the top as the number one electronics retailer.