

Competitive advantages of best buy case study

[Business](#)



In pursuit of the new model, the company was making efforts but struggling to shift their focus on marketing operation from selling products to customers (product-out approach) to addressing customer needs (market-in approach) while still leveraging its scale merit in merchandising. Before customer- eccentricity model, Busty was a merchant driven company.

Merchant organization primarily had responsibilities for buying, pricing, assorting, and managing inventory planning (Ala, 2006, p. 10).

With introduction of customer-eccentricity model, Segment organizations were newly formed around key target customer segments to better inform the merchant teams and store organizations of the customer needs.

Although the new model required the three functions to work in harmony, the company was finding it difficult to align different perspectives and goals of the three organizations due to a lack of clarity on which functions was the true owner of customer insight : Ala, 2006, p. 12-13).

Eventually, the company found itself getting stuck into “ focus on everything strategy’ being unable to effectively leverage its scale power to optimize the merchandising strategy (Ala, 2006, p. 14). In order to remain competitive in the market, future challenge for the company after the introduction of customer- intercity model was to find a new governance structure (I. E. Introduction of Integrated business teams) that enables alignment of the three organizations to focus resource and scale merit of the company on profitable key customer segments.

In sustaining competitive advantage in increasingly competitive consumer electronics market, Best Buys should continue to pursue customer-focused
<https://assignbuster.com/competitive-advantages-of-best-buy-case-study/>

solutions with multi-channel sales strategy by leveraging existing store and distribution network, and online sales platform. Nation-wide store network is one of the biggest competitive advantages of Best Buy. These stores should be fully leveraged to provide customers Ninth tangible in-store experience (touch products and compare them to other models) as well as differentiated end-to-end solutions by knowledgeable sales force and technical staff (e. . Geek Squad). In the course, Best Buy should further evolve its marketing strategy to more rigorously narrow down in-store target customer segments to those who look for higher-end products with more quality end-to-end services. This would help put the company in differentiated market positioning among the competitors (e. G. Wall-Mart) and help avoid inefficient scale/power game to make profits with efficient use of resources (Figure 1).

While continuing to crystallize the in-store operations, Best Buy should also be committed to continue investments in online sales platform, not only to expand access to customer segments which are not covered in the stores efficiently, but also to defend erosion of in-store sales form other online retailers in such cases where customers come in to stores, experience r us , then match the price on their smart phones Witt other on-line retailers and eventually order on-line from one of those competitors.

Briggs, 2013) Owning strong network of physical stores, strategically located distribution centers and online sales platform, Best Buy is well positioned to pursue unique new market offerings that leverage synergies between the two sales channels and distribution networks. For example, Best Buy has

<https://assignbuster.com/competitive-advantages-of-best-buy-case-study/>

launched “ ship from stores” service in 2013 that utilizes existing stores as “ mint-warehouse” to improve the speed of delivery. While Amazon continues to build warehouses nationwide to improve the time for deliveries, Best Buy has just leveraged existing infrastructures of stores and distribution centers.

As result, Best Buys average total days to delivery became shorter than Amazon (Stella Service, 2014). In another example, Best Buy can consider incorporating a system in TTS online sales platform, with which customers are able to book Geek Squad services for products they purchased on the website. As in these examples, Best Buy has many opportunities to differentiate itself from the competitors by offering customer- focused solutions leveraging its multi-channel sales strategy (Figure 1).

In conclusion, if Best Buy can make all these can happen with engaged and customer-focused employees, the level of customer-eccentricity is hard to be imitated by the competitors like Amazon and Wall-Mart. Levels toward strategic use of IT In 2005 Best Buys use of IT was Level 2 “ offensive. ” In customer-eccentricity model, one of the key competitive advantages was its brick-and mortar stores where majority of sales were generated.

To gear up for on-line sales, Best Buy remodeled its website in 2004 (Dickinson, 2004).

In distribution system, Best Buy bar-coded and scanned all Inventory for tracking purpose, and used a computerized inventory replenishment aerogram for managing inventory level at each store (Best Buy Annual Report, 2005, p. 7). Furthermore, in order to obtain better and reliable information, Best Buy initiated three-year project to revamp its IT system <https://assignbuster.com/competitive-advantages-of-best-buy-case-study/>

(Cottrell, 2006). Geek Squared, computer support service in the stores and at home, expanded its service to network installation and server maintenance (Ala, 2006, p. 6).

Best Buy applied IT system in order to convert some selected stores to customer-centricity operating model.

However, its adoption was easy to be imitated by competitors and its competitive advantage was short-term. It was neither strategic enough and nor embedded into the core business. Ere Competitive Forces Framework Out of five forces, Best Buy faced four threats; industry competitors, substitutes, suppliers and buyers. Threat of potential entrants was not particularly observed.

Industry competitors-; High: Best Buys direct rivalry was Circuit City, followed by Anal-Mart and Target, big-box retailers, andDell, direct on-line computer manufacturer as shown in Exhibit AAA (Ala, 2006, p. 8).

Substitutes-; High: E- commerce electronic retailers such as Amazon and e-Bay were growing threats to Best Buy. Their use of IT was essential to operate their core business.

They provided customers with more detailed product information on a timely manner and offered the discount price. Suppliers-; Medium: Both bargaining power of suppliers and ¶arraigning power to Best Buy maintained the balance. According to Ala (2006, p. 4 its five major suppliers accounted for nearly 33% of the total merchandise offered. Est. Buy did not usually have long-term written contracts with these major suppliers pest Buy Annual Report, 2005, p.

<https://assignbuster.com/competitive-advantages-of-best-buy-case-study/>

8). On the other hand, products were not differentiated in general, and switching cost was not very high. Since Best Buy owned large number of stores, its bargaining power towards suppliers was influential. As a result, threat of suppliers was medium. Buyers-; High: Bargaining power of buyers increased in a great deal.

Cost-sensitive buyers could research and buy products at cheaper price on-line.

Because consumer electronics became commoditized, prices were more or less the same regardless of whether these were sold on line or stores. In other words, switching cost for buyers was very low. Potential entrants-; Low: Consumer electronics market was saturated where there Nerve major competitors such as Circuit City, Wall-Mart, and Amazon. While buyers gained increasing bargaining power, potential entrants were hesitate to enter the market. Three strategy models in the context of IT Best Buys three strategies were consistent and strongly supported Best Buys transformation to customer-eccentricity model.

Best Buys business strategy was “ to bring technology and consumers together in a retail environment that focuses on educating consumers on the features and benefits of technology and entertainment products, while maximizing overall profitability’ (Best Buy Annual Report, 2005, p. 2). This clear direction was set for the following reasons. First, there was a growing fear of losing competitive advantage over rivalries. Secondly, customer put more emphasis on customer service and support instead of technical aspect of the product : Ala, 2006, p.

<https://assignbuster.com/competitive-advantages-of-best-buy-case-study/>

3).

Lastly, the statistics showed that one third of customers left the stores with dissatisfaction (Citric, 2006). Clearly “one style fits all” approach no longer worked for Nortek. IS business strategy was to build loyalty with profitable segments of customers and leverage the company’s existing assets (Ala, 2006, p. 4). To provide shopping assistance to customers, Best Buy required better information system on rising, technical aspect of products, and availability.

In customer-centricity model, it is crucial to understand unique needs of customers and behavior accurately and quickly.

Best Buy also required information system to share their experience with customers among all stores. IT strategy was to give employees flexibility when interacting with customers. First, through reporting system, daily “chalk talk” helped communicate the sales goal every morning between department supervisors and sales staff (Ala, 2006, p. 9). Secondly, in order to maintain quality service at store, on-the-job training was introduced to share the best practice.

Third, the use of price optimization software helped the stores to make rational pricing decision (Wolf, Bibb, p. 10). Finally, Best Buy re-engineered the global supply chain and technological infrastructure such as RFID tag. According to Wolf (AAA, p. 20), “Best Buy invested \$200 million in infrastructure, including a new point-of-sale (POS) system that provides more precise customer data and analytics.

" In 2014 many organizations continue to tint the synergy to social media to the traditional IT in order to connect with customers. Best Buy has been actively using social media such as Twitter, Backbone, Blob, and other platforms.

However, it is not recommended that Best Buy develops further its social media strategy because no additional values have been created to generate profits. Best Buys extensive engagement in social media has been well acknowledged. Unlike other companies, jest Buy has multiple Twitter pages, including Best Buy Deals and Best Buy Mexico, to cover different segment of customers.

Internally Best Buy has several forums to share information among employees, which energize the organization as a whole (Fibula's, 2010). However, the long tail, as one of the advantages of social media, may adversely affect its customer-eccentricity model.

Because the long tail phenomenon contributes to accessing greater audience, Best Buy must understand and analyze broader customers' needs. A few challenges have been observed in interacting with customers on Backbone. Technology-related issues are difficult to explain.

Also Best Buy cannot control the feeds on Backbone. Customers post complains about their bad experiences at stores. Monitoring and responding to such posts are costly. In mammary, social media may undermine the customer-eccentricity model by missing the original profitable segments.