

BUYBUY CAPSTONE PROJECT INSIGHTS

Background

BuyBuy is an e-commerce platform that offers a wide range of products to their loyal customers. They are focused on 3 product categories namely, clothing, accessories, and bikes. Of all of these, bikes are the highest performing products sold. They account for over 60% of BuyBuy's profits and 61.78million in gross revenue generated. However, the quantity of bikes sold makes up only 3% of all goods sold. Compared to the accessories product category in which an outstanding 1.05million units have been sold, to generate a profit of 8.86million and 17% of all revenue, there is an enormous potential for growth under the bikes arm of the business. The clothing category appears not be as lucrative as the others. Till date, it has generated 2.84million from the sale of 254,740 clothes and accounts for just 9.8% of the company's revenue.

Considering the Cost of Production

In total, BuyBuy has had to invest 41.26million in their bikes product line and this is twice the amount generated in profits. Furthermore, they invested 5.53million into their clothing branch, and reaped 2.84million in profits. However, it is penny-wise to scale-up the accessories aspect of their business as they have made almost 9million in profits compared to the initial investment of 6.26million.

Business Strategy

At 7.77million, BuyBuy made the most profit from sales in California. This accounted for 70% of profits from the company's business dealings across 22 States in the US, and 24.12% of profits globally. Of the 10 most profitable products sold, 7 of them are Bikes sold in California, Oregon, and Washington. These 3 cities collectively are responsible for at least 99.6% of the company's profits. The market in these areas is obviously more receptive to these products, however, just a few units have been sold till date.

- **BuyBuy should consider engaging market elements to increase the sales of bikes in the under-performing cities to match sales in the 3 major cities.** Although bike sales cost the company a lot, **they could invest more in advertising especially in the under-performing cities across the US to stimulate demand.** Consequently, this increased demand will require an even massive spending to sustain.

- **Priority should be given to strategies that will increase sales of accessories**, because it is cost-effective for the business to increase their sales of accessories to customers than the other 2 product categories. For instance, a bit more investment in advertising the products they have in their accessories category will result in an even greater customer interest, which will be cheaper to maintain.

According to the **BCG Matrix** from the Boston Consulting Group, I will refer to the Bike products as the “**Question marks**”. This is simply because these products are in a high growth market but do not seem to have a high share of the market due to the low quantity sold. One reason for this might be that the organization has not been able to create a significant position in that industry. Therefore, some questions need to be answered. What is the organization doing wrong? What are competitors doing right? Accessories fall under the “**Star Products**” because of the high market growth and rising demand. Star products generate a lot of income and have high sales volumes.

- BuyBuy will need to make **considerable investments in order to differentiate the products in their range of accessories from competitors in mature markets and grow brand awareness in emerging markets.**

Markets

Grouping the customers into ages bands namely, Youths (17-30), Young adults (31-45), Adults (46-60) and Seniors (above 60), allows for an understanding of the customer reaction to different products. Of the four customer segments, young adults lead in all three product categories, followed by the youths, and the two groups account for 40 and 30million in total revenue respectively.

- The figures show that the opportunity that exists with the youth population is enormous. Therefore, **branding and advertising should be tailored towards capturing more of the youth and young adult population.**
- BuyBuy should **promote customer loyalty among their adult and senior customers.** This can be achieved using means such as loyalty cards and discounts.