INFO 646 IS MANAGEMENT

# ASSIGNMENT 2: PERFORM A STRATEGIC COMPETITIVE ANALYSIS OF THE FIRM

Each assignment will analyze successive elements of a strategic IS plan for a single company. This assignment follows on from the analysis of your selected firm that was produced for Assignment 1. You are expected to supply at least some reference sources to support the factual evidence used in your analysis and to indicate where you are extrapolating from the evidence. You are likely to find the most up-to-date discussions in web analyses and reports, not academic journals.

## PART 1. ANALYZE THE FIRM'S COMPETITIVE POSITION (33%)

### 1.1 Perform a competitive 5-force analysis of your company's position in its industry

*Identify* the main firms and products and their role in your company's competitive environment.

Best Buy has become one of the world largest consumer electronics retailers. Multinational retailers sell products and services through three main channels: retail stores, online stores and call centers. Its stores offer consumer electronics such as home theater, home automation, digital video, health and fitness, and portable audio products; computing and mobile phones, including computing and peripherals, networks, tablets, Smartwatches and e-readers, as well as mobile phones with commissions from mobile network operators; and entertainment products such as game hardware and software, movies, music, technical toys and other software products. The stores also offer home appliances, including refrigeration and laundry appliances, dishwashers, ovens, coffee machines, blenders, and other products that include snacks, drinks and other miscellaneous items. It also provides consulting, design, delivery, installation, setup, protection planning, maintenance, technical support and educational services.

Best Buy generated more than $39 billion in global revenue in fiscal 2017, with more than 80 percent of its revenue coming from the United States. With the recent withdrawal of the eponymous brand in the UK and China, the electronics and appliance specialist is almost entirely dependent on its home market in the United States. The company operates mainly in all parts of the Americas. In 2017, Best Buy operated 1575 stores worldwide.

Best Buy experiences with the rise of Amazon and other online retail platforms has not been easy. The trusted blue and yellow brand plans are synonymous with many American electronics and ensure that Best Buy is one of the preferred destinations for customers who want to make big and small purchases in the sector.

*Draw a diagram* that shows which companies/products exert what competitive forces on our company.

*Analyze* (and indicate on the diagram, with a justification in the discussion below) the extent of each of the five forces (assess the seriousness of pressures faced, as high, medium, or low. Take into account that different companies may exert different degrees of force for the same element, for example, one supplier may be small and not exert much of a threat, whereas another is huge and really don’t see our company as a priority (so the competitive pressure of suppliers is high).

*Identify* the main competitive threats that we face and how big a threat each is.

As consumers become more sophisticated online shoppers, they may abandon retailers altogether and buy directly from manufacturers. If more people go directly to the source of shopping, Best Buy share of online revenue will inevitably be hurt. In particular, this could seriously affect mobile phone sales. In a breakthrough in Best Buy sales, smartphones rely on retailers to offset weakness in other product segments.

Although it is more competitive than its mid-decade competitors, the increasingly digital competitive environment is full of challenges. From asset turnover and distribution problems to constant price cuts, today retail landscape is fiercely competitive. In this regard, the company focus on matching rival prices could only put more pressure on margins. Amazon.com is the biggest threat to Best Buy. Although it believes that customer ability to return or repair goods in stores has an advantage over online retail giants, recent results show that this is not entirely true. Instead, Amazon sales and customer satisfaction are getting stronger every holiday season.

A new generation of consumers seem to prefer online shopping for online electronic goods to access physical stores. It may become a big threat because the people will choose shopping online and won’t go to the offline stores.

### 1.2 So what?

What do you conclude from this analysis – what are the priorities for action and what *Critical Success Factors* follow from these?

All in all, we believe Best Buy is heading in the right direction. But despite the growing exposure to e-commerce and mature retail brands, companies face more threats than positive factors.

## PART 2. ANALYZE THE EXTENDED SUPPLY CHAIN (33%)

### 2.1 Map out the supply chain.

Identify the main players (firms) and their role in your company's extended supply-chain. Draw a diagram that shows which companies are involved at which point in the extended supply chain and how they are interconnected (see the lecture notes for examples).

*Discuss* how much power these players have, relative to your company.

Consider (analyze) what pressures the company faces in integrating, maintaining, or managing its supply chain overall.

### 2.2 So what?

What do you conclude from this analysis – what are the priorities for action and what *Critical Success Factors* follow from these?

## PART 3. DERIVE AND PRIORITIZE CRITICAL SUCCESS FACTORS (34%)

### 3.1 Perform a SWOT analysis of the firm.

From the analyses completed so far (in Assignment 1 and this Assignment), *summarize* the main business opportunities and the main pressures/threats that this company faces.

Integrate your findings to analyze the **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats faced by the company. If you introduce new information from your research, at this point, identify your source(s).

What do you conclude from this analysis – what are the priorities for action and what *Critical Success Factors* follow from these?

### 3.2 Summarize The Business Analysis of your firm

What are *the main business goals* that you need to achieve in the next 5-10 years? You may update those from Assignment 1, to reflect what you learned from the analyses completed since then.

Prioritize the Critical Success Factors (CSFs) that were identified across all analyses against how much they help to achieve the main business goals, using a scoreboard approach.

***So what?*** What are the IS/IT implications for the firm of the goals and priorities identified here? Briefly consider the types of IS improvement that may help to achieve the highest priority CSFs.