

Best Buy is a global retailer specializing in consumer electronics and appliances. From 2010 to 2017, Best Buy had declining comparable store sales and was losing share to Amazon. In 2012, Hubert Joly took over as CEO and implemented a plan called 'Renew Blue' to turn around Best Buy's negative streak and adapt to the industry shift to e-commerce. Joly may have used a SWOT analysis to understand the company's internal and external factors and best position the company.

### *Strengths*

A few strengths of the company include market leadership, a large customer base, and unique services. Best Buy's key advantage was showrooming. With customers able to view the product in-store, it allowed Best Buy to close deals by using its employees' expert knowledge and customer service to answer any questions and minimize consumer doubts or hesitations. Another unique service that Best Buy provided was the Geek Squad. Customers were able to talk to experts in certain matters and could bring in their technology for repairs or updates.

### *Weaknesses*

Some weaknesses of Best Buy include the inability to capture online sales, poor price perception, and poor international performance. In an industry that was adapting more towards online buying, Best Buy tried to keep its presence within in-store shopping. Due to this, they started losing market share to Amazon due to its convenience and shipping. They had higher prices compared to competitors, especially within technology accessories. Their international presence was also hurting performance as it is less convenient in Europe and China to use a car to get to stores as it is in the US. Mixed with Best Buy's lack of online presence, this combination was not good for international customers.

### *Opportunities*

Opportunities for Best Buy include expanding its online presence, improving customer experience, cutting costs, and better the use of stores. By identifying these areas to grow, Joly created and implemented the plan 'Renew Blue' to become a stronger competitor in the industry and better their performance.

### *Threats*

Some threats for Best Buy are an industry shift to e-commerce, customers' desire for convenience, and the growth of discount stores. With a shift to online stores, Amazon started gaining market share as quick shipping to home without sales tax was attractive to customers. The growth of discount stores such as Walmart was also drawing customers away from Best Buy despite those stores' lack of subject experts and unique services.

After analyzing the internal strengths and weaknesses and the external opportunities and threats, Joly crafted 'Renew Blue'. He created a five-point plan to better customer experience, attract and grow leaders and energize employees, work with vendors, increase return on invested capital by growing revenues by cutting unproductive costs, and implement a recycling program to make the world a better place. Joly attacked Best Buy's weaknesses by leveraging strengths and adapting to changing market environments. To better the customer experience, he improved the physical stores and increased their online market share. He implemented a multi-channel approach to shopping where in-store there were vendor showrooms and stores-within-stores for customers to get a feel for the products. Best Buy's internet share was only 7% compared to their 18% with brick-and-mortar stores. They implemented price-matching to work on poor price perception and implemented a shipping program that rivaled Amazon's. Joly also focused on cost control by cutting unnecessary overhead costs and cutting operations in China.

Joly attacked weaknesses and threats by leveraging Best Buy's strengths to implementing them into their opportunities. During Joly's time at Best Buy, he improved their net profit margin from -1.0% in 2012 to 2.4% in 2017. Despite Best Buy successfully turning its business around, I don't think Joly was an amazing CEO. Even though he implemented real strategic changes, he was unsuccessful in taking back market share from Amazon and Walmart. Rather than innovating, he simply followed their business models (ex. home delivery and price matching) and was playing catchup. A recommendation I have in the age of AI growth is to bring back the Marketplace for third-party sellers. Rivaling eBay, Best Buy could use their Geek Squad and expert employees to verify certain technologies and sell them at a markdown, making them more attractive compared to technologies that may be unsafe or fake on other sites.

## References

Wells, J. R. & Ellsworth G. 2018. Reinventing Best Buy. Harvard Business School. 9-716-455