

Best Buy's Renew Blue: A Use Case on Effective Digital Transformation

Stanton Man, Kagen Quiballo, and Krishanu Sengupta

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On August 4th, 2012, Best Buy's stock plunged to a 9-year low, and profits slid 91% from \$128 million to just \$12 million.¹ Emerging competitors in the digital space were stealing market shares due to pricing differences. "Best Buy was losing billions of dollars even as its stores remained busy—customers would come to Best Buy to see and touch the home technology products Best Buy specializes in, then buy from Amazon, where prices were lower."² With this announcement, Best Buy introduced its new CEO, Hubert Joly, who hopes to save the company by digitizing their framework.

Joly understood the shift from retail shopping to online shopping, and why they were losing business to competitors like Amazon. Amazon created a digital customer experience that Best Buy was losing out on at the time. Nadia Cameron, a writer for CMO pointed out Best Buy's flaws in their business model, saying, "seven years ago, 80 percent of Best Buy's media spend was in mass marketing. Today it's 90 per cent digital."³ Joly anticipated the shift in customer demands, and immediately began introducing change into the company with his "Renew Blue" strategy. This strategy focused on matching competitor pricing and delivery, improving its digital platform, and reshaping customer and employee experiences⁴.

Best Buy's first order of business was to solve its price gap on products. They introduced "price match to take price off the table in customers' decisions"⁵. With price off the table, Best Buy then zoned in on its digital experience, in and out of its stores. Along with a revamp of its website and a customer app that allowed for feature comparison of products while in-store, "On My Way" was introduced, an alert that allows customers to notify the store when they arrive so the store can ensure the item is ready for immediate pick up.⁴ Most importantly, Best Buy also focused on data gathering and utilization. They built a database that contained 12,000 attributes and created a unified customer ID.⁴ Best Buy was able to analyze this database for the last part of their transformation, improving customer and employee experience. Joly noted that "for every promotional email, we actually send 40 million versions of that email."⁴ This optimization method allowed

¹ Tiffany Hsu, *Best Buy Profit Tanks 91%, Stock Tumbles to 9-Year Low*, Los Angeles Times, August 21, 2012.

² Gobble, MaryAnne M. 2018. *Digital Strategy and Digital Transformation*, Research Technology Management 61 (5): 64–70.

³ Nadia Cameron, *How Best Buy Shifted from Being Retail-Led to Customer Relationship Driven*, CMO Australia, March 27, 2019.

⁴ Elliot Maras, *Best Buy CEO Talks Melding Digital with Physical for a Winning Retail Strategy*, Retail Customer Experience, March 29, 2019.

⁵ Becca Coggins, *Transformation and Resilience: An Interview with Best Buy's Executive Chairman Hubert Joly*, McKinsey & Company (September 3, 2020)

Best Buy to start creating customer segmentation models and dynamic advertising. Not only did the database help customers, it also allowed tech support and advisor employees to work more efficiently, as every employee had access to a customer's transaction history and the Best Buy items in their home.⁴ In order to shift the idea of technology for a consumer, Joly created a business that enriched lives by “addressing key human needs, whether it's entertainment, health, productivity, or communication.”⁵ This philosophy created room for Best Buy to partner with tech giants like Sony, LG, Google, Amazon, and Samsung. By being customer focused and wanting to offer the best products, partnerships naturally emerged such as Amazon giving Best Buy exclusive rights for Fire TV edition Smart TVs.⁶

While having a consumer first model helped regain market shares, Joly implemented leadership changes to ensure employee drive and happiness. He noted that “In a turnaround, you have to create energy. In physics, we learn that energy is a finite quantity. In business and organizations, it's not. It is something you can unleash.”⁵ He and the leadership team focused on being transparent, optimistic, competitive, and beneficial for all it's employees. They shared issues the company was having, applauded small successes to generate optimism, de-layered the organization, and provided new benefits for employees.⁵ These changes allowed employees to feel appreciated and like they were assets to the company.

Best Buy saw that its current structure would not support the change dynamics of consumer demand, and was able to pivot effectively due to its CEO adopting change. They were able to recover from their hole, and report a net income of \$735 million in Q1 of 2019⁷. Best Buy's shift to a customer centric approach also enabled them to utilize data to drive customer experience. This transformation still continues with Best Buy partnering with Google Cloud as it's data platform, to unify its data and develop new services across channels through Google's analytics, and machine learning and AI models⁸. Best Buy's digital transformation is what kept the company afloat as the tides changed and should motivate others to follow in its footsteps.

⁶ *Amazon and Best Buy Announce Exclusive Multiyear Partnership to Offer New Fire TV Edition Smart TVs*. Best Buy Corporate News and Information, April 18, 2018.

⁷ Anna Hensel, *Best Buy's Blueprint for Surviving as a Big-Box Retailer in the Amazon Age*, Digiday, May 14, 2019.

⁸ Natalie Gagliardi, *Best Buy Taps Google Cloud in Latest Digital Transformation Play*, ZDNet, August 4, 2020.

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