Noah Edward Hall

BUS 690, Monday 7pm room #bus115

Discussion Questions – Best Buy

1. **Describe the positioning of Best Buy relative to its main competition. You may want to use a strategic group map to help you think about this. (Chapter 3)**

Best Buy competes with Walmart, Target, Amazon.com and Apple. Each business is a direct competitor in the online market while competition is less fierce in the brick-and-mortar environment due to differentiation in target markets (low-cost, mid-range, and premium consumers). Overall, Best Buy is positioned as a mid to high-end electronic retailer with private label brands and personalized service.

* High-end customer service experience to rival the apple store
* An infinite online warehouse that can compete on price with Amazon
* A retail chain for the personal tech powerhouses, and a friendly retail partner for garage investors (Walmart & Target)
  + *The previous three bullet points come directly from the text*

*Firm vs Firm*

Best Buy positions itself as the “see-in-store, buy-online” retailer, most similar to Target. Both firm’s carry similar products, in both superstores and mobile-store formats; to continue the comparison, Best Buy has the Geek Squad and Target has a 1-800 phone service.

While Walmart has online and brick-and-mortar shopping, Walmart’s low-end demographic is different from Best Buy’s premium and mid-class clientele. Being the low-class leader suits Walmart well in the consumer electronics retail industry, especially with the increasing commoditization of electronics. Best Buy seeks to circumvent this fast by offering personalized service which Walmart will never be able to provide with its low-cost business model.

In the online space, Apple and Best buy compete for the premium market. Best Buy seeks to position itself as the leader of in store service, try-before-you-buy retailer and Apple is positioned as the one-stop Premium electronics powerhouse. Beginning in 2001, Apple has launched over 400 Apple Stores to compete with Best Buy and Target in brick and mortar shopping.

Amazon.com is the leader of online retail but Best Buy has been gaining ground on the ecommerce giant. With Best Buy’s in-store shopping and Geek Squad service, consumers have been trying out products in best Buy’s store before buying on Amazon.com. While Best Buy has its private label brands like Insignia, Dynex, and Rocketfish – Amazon.com has been quite successful with its Kindle Series and recently launched its Fire mobile phone.

1. **List Best Buy’s tangible and intangible resources. (Chapter 4)** 
   1. Tangible
      1. Physical stores (both mobile and superstore formats) in domestic and international markets
      2. Geek squad employees
      3. Trained and educated sales people
      4. Money
   2. Intangible
      1. Website
      2. Private label brands & trademarks
      3. Consumer data
2. **What are Best Buy’s capabilities? Generate a list. Are these core competencies? (Chapter 4)** 
   1. In store product trials
   2. Superior customer service
   3. Domestic and International market reach
   4. Excellent top management
   5. Brand recognition

Best Buy’s core competencies are it’s in store product trials and superior customer service. None of Best Buy’s competitors (until recently, Apple) has the proven track record and recognition of product trials and knowledge-based customer service via the Geek Squad.

1. **Describe the elements of Joly’s turnaround strategy. Do you think his efforts will be successful and lead to achieving sustainable competitive advantage? Why or why not.**

CEO Hubert Joly made his top priority to stabilize the company and then improve its overall performance through attracting transformational leaders; restructuring the business by creating two channels, online and retail; reinvigorating the customer experience; energizing employees; and building exclusive brands.

If Joly can execute his plan, I believe he will be able to maintain market share in the brick-and-mortar retail space until the domestic market consolidates into an oligopoly: Walmart, Best Buy, Apple, and Target. In the online space – Amazon.com will forever remain the champ, along with Alibaba and other ecommerce websites that will keep Best Buy as a niche online retailer in the minds of consumers.

[note: the section below comes directly from the text]

*Attracting transformational leaders*

* Create a top management team with the necessary expertise and passion for leading best buys transformation
* Create an integrated multi channel retail experience through the use of innovative technology while improving the company’s operations
* Tell best buys story: where its been, where it intends to go, and how its going to get there with consistency, clarity, and passion
* Create a world class ecommerce experience

*Restructure the business by creating two channels, online and retail*

* Joly hoped that the simplified organizational and reporting structure would enable best buy to become more flexible and responsive to market demands

*Reinvigorate the customer experience*

* Best buys strategy had long been characterized by a commitment to customer centricity attained through in depth data analysis and systematic customer segmentation
* Collects and mine masses of customer data, and then use it to design its stores and train salespeople
* Make sure the district, territory, and store teams have the tools they need to actually look at things like traffic, how they sell, how close rates look, what customers information look like, what segments are coming into stores, what kind of market share for those segments.
* The firm customizes sales strategies to appeal to the more lucrative customer segments (angels) and to discourage the devils who actually cost the store money (e.g. buying returned merchandise, loading up on loss leaders, insisting on price matching, etc.)

*Energizing employees*

* Wanted to create a truly unique, and multichannel customer experience, so Joly needed a nimble, educated, and motivated salesforce
* The corporate communications team setup an employee listening program that used open communication to better understand the needs of its workers
* One of the first companies to experiment with implementing a results only work environment (ROWE) in the retail industry: ROWE permitted employees to set their own schedules as long as they completed their tasks successfully.
* Joly envisioned a cadre of highly trained specialists who could answer questions related to a specific product category more quickly and more effectively than searching on the internet (or salespeople who know a little about a lot of stuff)

*Build exclusive brands*

* Joly saw best buys portfolio of private label brands (Insignia, Dynex, Init, Rocketfish, geek squad) as an increasingly important part of best buys defense against online competitors
* Insignia: electronic equipment like tvs, monitors, car stereos, home theater systems, portable video and audio players
* Dynex: economically priced computer and entertainment accessories like storage media, data and power cables, we bcams, office supplies, HD lcd TVs,
* Init: storage solutions like media storage, equipment bags, totes, furniture for home theaters
* Rocketfish: high end cables for home theater installation and setup, computer accessories,
* Geek squad: the most well known of all best buys private brands, providing both computer repair and installation services as well as high end computer accessories and cables
* Having exclusives not only protected against showrooming, but also helped the company compete more effectively against competitors with their own branded products
* Introduced the insignia flex to compete directly with the amazon kindle, ipad, and other similar devices