

Description Section
Company Overview

Best Buy will be the topic of this marketing briefing. This company was created in Minnesota in 1966. Best Buy classifies themselves as the leading provider of technology products, services, and solutions. Best Buy claims to solve technology problems and address key human needs across a range of areas including entertainment, productivity, communication, food, security, and health.

This company offers their products and services to customers who visit stores, engage with the employees, or use their website/mobile application. Best Buy is geographically located in the United States, Canada, and Mexico.

In the domestic and international segment, development of merchandise and service offerings, pricing and promotions, supply chain, online and mobile operations, marketing and advertising, and labor development are managed at the corporate headquarters. At retail stores, there are procedures for inventory management, staff training, and merchandise display.

Merchandise options are categorized into six areas: consumer electronics, computing and mobile phones, entertainment, appliances, services, and other. Distribution of this merchandise is completed online, at the store, or at the manufacturers. Online orders are delivered to customers either directly from retail stores or manufacturers.

Suppliers for Best Buy vary. The top five suppliers are Apple, Samsung, Sony, Hewlett-Packard, and LG Electronics. Inventory is carefully monitored and managed in an effort to match quantities with consumer demand. Best Buy also has operations to design, develop, test and contract-manufacture exclusive brand products.

Standardized business units for Best Buy include Best Buy Mobile, Geek Squad, and Pacific Sales. Best Buy has 1,200 large stores and 400 small stores in their domestic and international segment. Best Buy claims these stores represent an important competitive advantage. And at the end of 2017, Best Buy employed 125,000 workers.

Best Buy has not stood behind a mission statement for years. But the company does live by core values for the internal corporate employee culture as well as a unique customer promises. On the Best Buy website are listed the company statements and policies. The policies include values related to diversity and inclusion, the environment, ethics, political engagement and government affair policy, and supplier code of conduct. Best Buy has also released statements on carbon and energy, paper procurement, standards for recyclers, conflict minerals, human rights, and non-discrimination.

Core Values

Unleash the Power of Our People; Learn from Challenge and Change; Show Respect, Humility, and Integrity; Have Fun While Being the Best

Unique Customer Promise

The Latest Devices and Services; All in One Place; Impartial and Knowledgeable Advice; Competitive Prices; The Ability to Shop When and Where You Want; Support for the Life of Your Products

Financial Overview

The financial highlights (all of which are in dollar amounts of millions) for Best Buy's 2017 fiscal year included a revenue of \$39,403 and an operating income of \$1,854. The total assets of the company at the end of the 2017 year was \$13,856 with a number of 1,575 stores both domestically and internationally. The net earnings from continuing operations was \$1,207. This was versus the 2016 fiscal year where the revenue was \$39,528 and an operating income of \$1,375. 2016 also had a total asset of \$13,519 with 1,631 total stores. The net earnings from continuing operations in 2016 was \$807.

These are a juxtaposition to the second quarter of 2018 where the revenue was \$8,940 for solely that quarter, up from \$8,533 in the second quarter of 2017. The GAAP operating income increased to 3.6% in a year as well as the Non-GAAP operating income .

The fiscal year of 2017 for Best Buy was broken down into four quarters, each with a high and low amount of sales price. The first quarter had a high of \$34.95 and a low of \$26.10. The second quarter had a high of \$33.63 and a low of \$28.76. The third quarter had a high of \$40.58 and a low of \$32.02. The fourth quarter had a high of \$49.40 and a low of \$37.10. The dividends declared and paid were based off of the 21% increase in the regular quarterly dividends to shareholders. The dividends were broken down into \$0.73 for first and \$0.28 for the second, third, and fourth quarter. This was made up of 2,566 holders of the common stock.

Best Buy announced a plan to repurchase \$3 billion of shares over the next two years. The total number of shares purchased in the total fiscal 2017 fourth quarter were 5,139,560 at an average of \$43.35 and the dollar value of shares yet to be purchased under the program was \$2.24 billion.

Best Buy performed especially well in the 2017 fiscal year, growing in Domestic comparable sales and non-GAAP operating income. This was the third consecutive year of this form of growth. There was a revenue of \$39.4 billion and an increase of non-GAAP operating income rate from 4% to 4.5% over the past year. The non-GAAP earnings per share increased from

\$2.78 to \$3.56. There was also a \$1.2 billion return to shareholders through dividends and share repurchases.

The Best Buy board also approved a 21% increase of the quarterly dividend to \$0.34 per share, or \$1.36. The increase in shareholder stock comes from a promised price match to other competitors, a showroom of these competitors they can rent, an increase in Geek Squad authority, and improved training of employees.

Market Overview/ Market Space

Within in the marketplace Best Buy's competitors range from Apple to Gamestop. According to Best Buy's 2017 Annual Report, they defined their competitors as multi-channel retailers, internet-based, technology service providers, traditional store-based retailers and vendors and mobile network carriers, who offer their products/services directly to customers. Specifically, the Wall Street Journal claims their competitors are Amazon, Apple, Conn's, Sony, Gamestop, Aaron's, VOXX International, and Sears.

Best Buy claims their key competitive advantage though, is their ability to deliver a high quality customer experience. While Best Buy prides themselves on this, they point out that some of their competitors have low cost operating structures and seek to compete for sales primarily on price. This is known as the marketing management orientation, the selling concept. Best Buy also creates competitive advantage through their careful monitoring of pricing offered by other retailers and price-matching policy. When talking about competition, it is important to note that the "p," pricing, is very important to consider.

The market Best Buy is expanding into is a mature market due to the idea of a developed market referring to a country where you would see many similarities with the United States. Therefore, there is more economic security, robust industries, stable infrastructure. Examples of mature market countries: United Kingdom, France, Germany and Japan. The market share of this company within its category, technology retail, is about 2.3%.

SWOT Analysis

Strengths

- Large range of product lines
- Loyalty programs for customers
- In-store based technological help programs
- Brick and mortar as well as online presence
- Large presence in the United States (close to 2,000 stores)

Weaknesses

- Recent decreases in customer goodwill
- The sales of excess items, such as video games, which can become disposable as the economy changes

Opportunities

- Barrons's claims they have an opportunity for foldable phones.
- Growing electronics market to be sold in Best Buy
- Black Friday and other sales based holidays having a larger presence
- Competitors such as Circuit City going bankrupt and getting removed from the competition space

Threats

- Entertainment spaces becoming more online based such as Steam or Netflix
- The increase of technology sections in big name retailers such as Walmart

Company Strategy

With the technology world expanding day by day, Best Buy needs a way to stay ahead of the curve and continue to promote customer loyalty.

The company initiated a transformation strategy based on generating better returns for shareholders and a total employee/customer experience. The experience is called the Best Buy 2020: Building the New Blue and expands on tech spaces available to customers. This is to help build and create customer loyalty by being a company that helps advise as well as work as a service to each consumer. This method will give the company a chance to grow on the topline, find new materials for cost saving strategies, and normalize revenue streams as well as relationships.

These goals can be simply broken down into three pillars:

- 1) Maximize the multichannel retail business
- 2) Provide services and solutions that solve real customer needs and help us build deeper customer relationships
- 3) Accelerate growth in Canada and Mexico.

Analysis Section 1

Recently Best Buy has gone through a brand refresh which is supported by a marketing campaign highlighting retailer's culture, expertise, and employees. Best Buy is trying to stay current and relevant in this competitive electronics market. A possible reason for having this brand refresh is to respond to micro or macro actors in the marketing environment.

A major force a part of the macro-environment that may be relevant to this company is the technological environment. Since this company specializes in electronics and electronic services, Best Buy must make sure they are always up to date with their technology, in both their supplies and their services. Other factors that play a role are the economic, natural, and cultural environment. Many of Best Buy's core values and promises are aimed towards these environments.

A major force in the micro-environment are the customers and competitors. The brand refresh was aimed towards building customer loyalty. The company does things based on the needs and wants of the customers. This company makes decisions based on profits through customer satisfaction and this marketing orientation is known as the marketing concept. This concept is when the company satisfies customer needs through an integrated marketing strategy and gains profits through customer satisfaction.

In addition, with this new brand refresh, the company is striving to go beyond just selling products. At the core of the Best Buy 2020 is the customers. Best Buy has taken notice of the technology space and increased its ranges of opportunities and capabilities but the company has also noticed that the customers need help with using these technologies. With this insight, Best Buy has determined their purpose, for who, and their value proposition.

Best Buy's purpose is to help customers pursue their passions and enrich their lives with the help of technology. The company wants to position their brand in the mind of their consumers as their trusted advisor and solution provider and America's source for home services. Best Buy summarizes these concepts with their value proposition: Best Buy is the leading technology expert who makes it easy to learn about and confidently enjoy the best technology. I would think Best Buy's value proposition is providing more for more. This means the company provides upscale product or services.

Furthermore, Best Buy has also thought about which customers to value the most, current and future. The company has come up with ways to attract new customers and to continue creating value for current customers. In order for Best Buy to deepen their relationships with customers whom they believe are high margin profitability, they have created incentives and treat these customers differently. My Best Buy is a loyalty rewards program in order to do this. Loyalty programs are an important platform for Best Buy to reinforce the brand's value proposition. This is incredibly important due to concepts such as lifetime customer value and customer equity. In order to manage current customers, Best Buy uses traditional marketing channels such as e-mail, etc. but personalizes these messages to the customers based on customer databases. In order for Best Buy to grow their revenue and profits, they must engage with their customers more deeply.

An important segment in the current marketplace is the millennial group. The consumer electronic marketplace is being reshaped by this segment. Best Buy has noticed this change and now targets this group aggressively. Members of this segment are surely digital natives, care about individualism, authenticity, quickness, usefulness, and consider whether the brand is personal or not. This is one of the main reasons for Best Buy's Renew Blue brand refresh. In order to target this market, the company had to create and incorporate all of these things within in their brand. An example of this is Geek Squad. Geek Squad makes the service offering more personal and allows for advice and help.

Continuing from that, Best Buy has significantly created their brand based on the concept of experiential marketing. This includes Geek Squad which provides the service of giving wholesome education on the electronics purchased from Best Buy and help when needed. This builds the brand of Best Buy and helps to mitigate the high involvement risks associated with buying expensive electronics.

Taking a look at the products and services Best Buy offers, we see that Best Buy's product lines are wide and deep. There are many different product lines, but each product line has many variations and extensions. This can be seen through their many products, and specialized brands they own and offer. Some brands they own are Dynex, Insignia, Modal, Magnolia, Rocketfish, Platinum. This makes Best Buy a category killer for the category of consumer electronics. Their services also give the company a competitive advantage. Best Buy has focused on managing their service differentiation, quality, and productivity. It is worth mentioning that Best Buy is likely to survive when competing against online sites such as Amazon because the company differentiates itself from Amazon. Amazon cannot provide these types of services.

Analysis Section 2

Best Buy's first important marketing element is their place in the marketing mix. The company has a strong presence as a brick-and-mortar store due to their competition falling behind and going bankrupt. They act as the retailer in the marketing channel which places them outside of the aggressive competition between producers. They have a strong reputation of a hands-on space for technological purchases as opposed to many of their competitors who solely have a place in the online scheme of business.

This marketing element also goes with that of pricing, for the company works with a strong priority of consumer-shaped pricing. The company focuses on a price-match strategy which makes their products accessible to any customers. The price-match allows the customers to forgo the novelty of online shopping for a deal and to directly receive the product they want for the price they need from Best Buy.

The core necessities on their to-do list is to continue the rebrand of their image for the updated version of the brand they want to embody. As a major brand strategy decision, Best Buy renewed the logo and focusing more on the people who work for the company. This comes in the wake of the threat of the potentially detrimental expansion of the name and reputation of Amazon. The continuous focus on these employees as a branding effort brings in what Amazon cannot produce: a personal and tangible side to their salesmen.

Another item on their to do list is to continue to maintain a neutrality as a showcase for all of the big brand technological companies. Best Buy offers the space for these companies to bring their products in a physical state in order to create a shopping experience beyond that of a website. With the development of products like Amazon Echo and Google Home, Best Buy should continue to reach out to these developing products in order to create a revenue stream as a middle man. This is why Best Buy can reach deep as well as wide when it comes to its products and services.

The to do list for Best Buy should also include the expansion of the product development of Geek Squad for the future. They should focus on making Geek Squad a staple for friendly, attainable service. This potential development would push the all-around service of Best Buy beyond that of many competitors who do not offer that extra sense of product quality to their customers. This gives them the position of a service and product, instead of solely a product like many of their dead competitors. Best Buy is not just the “technology store,” but a total experience for the customer. The buyer decision process must capture the customer from the beginning at the Zero Moment of Truth by ensuring the known quality of Best Buy online and continue to keep the customers in the Best Buy family by emphasizing the Geek Squad services. Overall, the blue shirts worn by the employees should be a staple in homes and Best Buy should continue to round out that service.

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