

Swot Analysis, Best Buy

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About the Company

Best Buy is a leading provider of technology products, services and solutions. Best Buy was founded in the late 1960's, as a speciality store, the company was largely established in the 1980's, when it was renamed and listed on the New York Stock Exchange. While it ascended to the top of the big box electronics retailer pyramid, the company offers expert service at an unbeatable price more than 1.5 billion times a year to the consumers. The company has operated in America where more than 70 percent of the population lives within 15 minutes of a Best Buy store, as well as in Canada and Mexico, in order for Best Buy to have physical and online presence.

Best Buy is the largest operator of consumer electronic stores with 1,050 locations in the United States and 1,779 locations worldwide including \$39.49 billion revenue as of the year 2015. Best Buy is also a big role player in the world of ecommerce; BestBuy.com is the sixth largest ecommerce website in the United States with thirty-one million users a month. Now with so many users a month, and with a leaner operational structure that aims to support its ecommerce business. Best Buy is confident that it can usher in a new era of growth.

Strengths	Weaknesses
<ul style="list-style-type: none">● Global Powerhouse● Strengths in Size● Cash Cow● Geek Squad● Brand Name Recognition	<ul style="list-style-type: none">● Dependent on Sales for Luxury Items● Dependent on Supplier Credit● Changes in Leadership● Operating Expenses in Store

Opportunities	Threats
<ul style="list-style-type: none"> ● Growing market of electronics ● Disappearance of competitors ● Black Friday/ Holidays ● Improvements and enhancements to existing technology ● Expanding into lifestyle segment ● Attracting more customers by leveraging through online media ● Penetration into the emerging economies to increase global visibility 	<ul style="list-style-type: none"> ● Online media delivery platforms, like Amazon.com, Apple iTunes, Netflix and Google Play. ● The new generation seems to consider online shopping ● Aggressive discounting of electronics by big online retailers and big box retailers. ● Changes in technology

Strengths

One of best buys top strengths is being a *Global Powerhouse*. Best buy is the top seller of tablets, televisions, and computers around the globe, and has a lot of power and influence of people living in other countries around the world.

Another one of best buys *strengths is size*. Best buy owns and operates over 1,500 stores around the world, and with 80% of their sales being in store they estimated around 600,000,000 visits per year.

Another strength for Best buy is the amount of “*Cash Cow*” companies in the world, the Star Tribune estimates an astonishing 1.5 billion dollars is made in free cash flow a year.

Best Buy is also known for their “*Geek Squad*” and it is one of their top strengths. The “Geek Squad” is best buy’s technician team and helps to repair, protect, or install products.

Another one of Best Buy’s top strengths is their *Brand Name Recognition*. Best buy sells electronics, appliances, and mobiles from the top leading brands. Some of their best known brands are Apple, Microsoft, Intel, Sony, Nikon, Bose, and Canon.

Weaknesses

Although Best Buy has some of the top luxury items, their dependency on them is one of their weak points. Best Buy is very dependent on their sales of luxury items, and if there were to be a crash in the economy, things like speakers, games, and Televisions would not sell as much because they are not essential products.

Another one of Best Buy’s weaknesses is the *operating expenses of in store*. Amazon is one of Best Buy’s top competitors and sells 100% of their sales online.

Best Buy has a very high *Dependency on supplier credit*, which is one of its top weaknesses. If a product is shipped in and is not sold in time best buy has to purchase the item, and loses the profit for the specific item.

Another on of Best Buy’s weaknesses is *Changes in leadership*. Best Buy has undergone many leadership changes. For instance, Hubert Joly, became the

CEO of Best Buy in 2012. This change in leadership will usher in a new culture and company environment which can cause resistance among the employees who don't like to change.

Opportunities

Since the beginning of the twenty-first century there has been a surge of technological advancements. Anything from portable music, cell phones, and computers to HD TV, digital cameras, and video game consoles has come into the homes of citizens across the globe. Best Buy has been one of the lucky companies to have the resources and means to be able to keep up with the growing market of these latest trends. Companies who have produced such technology like Apple, Google, and Samsung along with video game producers such as Xbox, PlayStation, and Nintendo use stores, similar to Best Buy, to sell their products in an efficient way so it is able to get to the consumer at a reasonable price. Best Buy has had the advantage in recent years due to the shutdown of companies like RadioShack and Circuit City. The shutdown transfers the customers from those businesses to Best Buy who according to *SeekingAlpha.com* is the first in the top five consumer electronics company regarding sales. When the companies like Samsung and Playstation create a stream of new products it keeps the interests of the consumers and levels up the opportunities of electronic sales.

With the creation of the internet and then later the starting of online catalogs for shopping has allowed many business to save money across the board. Less money is

spent on building new stores and hiring employees with the increase of e-commerce booming in the last two decades. The boom has increased the sales for Best Buy as they have created and kept up to date BestBuy.com with the latest and greatest in entertainment options. High demand has a lot to do with the ease of shopping online. New technology and electronics have continued to get the attention of consumers and thus creating a high demand for high quality electronics for gaming and streaming. Using BestBuy.com has allowed the needs of the consumers to be met in what the majority of people believe to be a timely fashion

As consumerism has spread across the globe, holidays such as Black Friday and Cyber Monday have become as popular as Christmas. Best Buy has taken advantage of this by marketing their products and sales during the holiday season. This increases the consumers' interests in electronics in the best way possible

Threats

In the past, at the inception of Best Buy's superstore, Circuit City was its biggest competitor. Both companies sell similar products and have similar store layouts. This, of course, caused a massive price war. However, Best Buy had the advantage. Their laid back environment, compared to Circuit City's hard-sell environment, was more appealing to customers causing Circuit City to adapt its approach. Eventually, Circuit City's appeal faded, and it was forced to close and sell out. This was a huge benefit to Best Buy causing their market share to increase by 5.5 percent.

Despite the elimination of one of its biggest rivals, there are threats that are still

prominent in the technology market. Walmart and Target are companies that joined the consumer-electronics market after the collapse of Circuit City. Walmart specializes in affordable technology and phone service that make it easy for people to stay caught up with the latest trends. Target expanded its consumer-electronics by expanding its TV and video game sections. In 2010, Target unveiled Target Mobile, Target Electronics Trade-In, and 1-877-myTGTtech, three services that help the consumer's shopping experience. Walmart and Target's advantage over Best Buy is that it isn't specific to just one product. Families can buy everything that they need in one setting.

A more high-end competitor is Apple who has been unveiling stores since 2011. It is a direct competitor to companies who carry Apple products. Its unique environment, hands on access to its products and one-on-one tech support, make it very appealing to consumers looking for the latest and greatest thing. Another advantage of Apple is that it is located in strategic locations of high-traffic and high-profile locations in many shopping malls.

Perhaps the most threatening competitor is Amazon.com and other online retailers. In this age of fast progressing technology, buying products online is much easier and more appealing to consumers compared to actually going to a store. Amazon has also acquired many companies and boosted their outreach which expanded their inventory and customer diversity. Amazon has also release its own line of tablets and e-readers to compete with Apple. Amazon's success is due to the convenience of online shopping and its same-day delivery, as well as the money it saves due to its lack of "brick-and-mortar" stores.

Best Buy's consumers also pose a problem for the company. With the introduction of Amazon and its low-cost and efficient service, Best Buy stores are becoming showrooms for Amazon customers. Consumers go into Best Buy stores, learn all about the new technology, then compare prices with online stores. This has caused Best Buy to lose money and marketing power.

Recommendations

The key to Best Buy's success will be found in the new changes that are going about the company. The decision to make Joly the CEO will usher in a new period of growth due to the new leaders and managers that he has hired. Best Buy's culture will also change, hopefully for the better. It has always been customer-centered and customer-oriented. Best Buy needs to continue to grow its online market in order to become more relevant in the consumer-electronic market. It does have an online website that allows for customers to shop, however, it is not widely known to consumers.

Conclusion

Best Buy is a well-known Market in the United States, Canada, Europe, China and Mexico, It is the multinational retailer of technology and entertainment products and services with a commitment to growth and innovation. But in order to increase performance, it must assess its external and competitive environment. This will reveal the key opportunities it can take advantage of the threats it must deal with. Best buy

responds to both internal and external problems in a proactive and dynamic manner by using its strengths and reducing its weaknesses. Through this, Best Buy is able to generate the strong growth it needs to retain a strong identity in the market.

Best Buy is intent on becoming a leading example in developing a sustainable business. Best Buy continues to improve its internal operation and business processes by making informed decision to support product lifecycle management and understand the consequences associated with promotional pricing when it comes to online retailers. The Best Buy family of brands and partnerships together generates more than \$45 billion in annual revenue. As a company believe technology makes a lot of promises, and the employees are there to make it live it up to those promises. And as a company they believe technology should serve people, and not the other way around. Best Buy is a very good and helpful market for everyone, as it provides technology.

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