Best Buy: The Marketing Environment And SWOT Analysis

Executive Summary

Best Buy Co., Inc. is a multinational retailer of technology and entertainment products and services. It has operations in the U.S., Canada, China, Europe, and Mexico. Headquartered in Minnesota, Best Buy controls a portfolio of retail stores and websites under 11 brand names. In the U.S., Best Buy is the largest consumer electronics retailer with a market capitalization of $16.53 billion.

Few days ago, I visited Best Buy located at 52 E 14th St, New York, NY 10003 (the corner of 14th Street and 4th Avenue, just south of Union Square Park). The reason of my visit was to touch, feel and experience the device or equipment. Also gather additional information on how the product can make our lives easier or add additional value. This is the only one store open 24 hours Mon-Fri.

It's important for Best Buy to realize that consumers today are more informed than ever, and this directly affects their purchasing behavior. Most customers today walk up to a store only after having done their research online. The only thing that Best Buy needs to do is bringing the most innovative products and daily used products to consumers which fulfill future needs of customers. Best Buy 2020 is designed to take advantage of key growth opportunities by expanding what the company sells and evolving how it sells.

Environmental Analysis

Best Buy opened its first location at St. Paul, Minnesota, in August 1966. Before entering new markets or starting a new business in the existing market the firm should carefully evaluate the environmental standards that are required to operate in those markets.

A. The Marketing Environment

1. Competitive Forces: Best Buy operates in an oligopoly environment, with their primary competitors being Wal-Mart. Additionally, Best Buy’s online division competes directly with formidable competitors such as Dell and Amazon.com. Using Porter’s five forces model (Porter, 1979) it is evident that Best Buy is positioned well for continued growth, but also faces significant competitive threats. Best Buy Co., Inc. can closely analyze the following forces before entering or investing in a certain market:

- Bureaucracy and interference in Electronics Stores industry by government.
- Mandatory employee benefits
- Wage legislation - minimum wage and overtime
- Industrial safety regulations in the Services sector.
- Product labeling and other requirements in Electronics Stores

2. Economic Forces: The Macro environment factors such as – inflation rate, savings rate, interest rate, foreign exchange rate and economic cycle determine the aggregate demand and

aggregate investment in an economy. While micro-environment factors such as competition norms impact the competitive advantage of the firm. Best Buy Co., Inc. can use country's economic factor such as growth rate, inflation & industry's economic indicators such as Electronics Stores industry growth rate, consumer spending etc. to forecast the growth trajectory of not only sector name but also that of the organization. Economic forces that Best Buy Co., Inc. should consider:

- Type of economic system in countries of operation – what type of economic system there is and how stable it is.
- Exchange rates & stability of host country currency.
- Education level in the economy.
- Government intervention in the free market and related Services.
- Unemployment rate
- Interest rates

3. Sociocultural Forces: Society's culture and way of doing things impact the culture of an organization in an environment. Shared beliefs and attitudes of the population play a great role in how marketers at Best Buy Co., Inc. will understand the customers of a given market and how they design the marketing message for Electronics Stores industry consumers. Social factors that leadership of Best Buy Co., Inc. should follow:

- Education level as well as education standard in the Best Buy Co., Inc. 's industry
- Culture (gender roles, social conventions, etc.)
- Attitudes (health, environmental consciousness, etc).
- Demographics and skill level of the population

4. Technological Forces: Over the last 5 years the industry has been transforming fast, not even giving a chance to the established players to cope with the changes. Technology is fast disrupting various industries across the board. Best Buy is a tech-based company. They supply the most modern, updated, and consumer-loving electronic products. Many times, some products are sold on their online store. Best Buy should maintain these following:

- Technological developments.
- Keep everything available in online so that customers can order anytime whatever they want.
- Produce the system to have an entire shopping experience online will help Best Buy update their site to appease consumers.

B. Target Markets.

1. Current Targeting: The target market for Best Buy is the entire focus market of consumer electronics consumers. In targeting the entire consumer electronics market, the brand is catering to the widely varied needs of many different segments. These segments, as depicted in our segmentation circle, include price sensitivity (high, medium, low), type (product parts, parts and systems), purchasing avenue (bricks and mortar, bricks and clicks, clicks), and type of customer (consumer, business).

Best Buy specifically views Millennials as an important market segment for the retailer. Best Buy

should wisely choose the target segment/segments whose needs and expectations match the company’s resources and capabilities. Targeting can be done by evaluating the commercial attractiveness and growth potential of identified segments. Best Buy can choose one or more segments depending on the segments’ characteristics and the company's resources, capabilities and growth objectives.

2. Brand Image and Positioning: Best Buy is bringing more, and newer, products to market all the time. Customers are flocking to purchase new iPhones or choose a Samsung. In either case, it is generating new sales energy. There is also great interest in the Apple Watches; they are now the best-selling watches in the world.

After segmenting the customer market and choosing the right target market, Best Buy requires to set a clear positioning statement that could create a positive image of the offered product in the customers' mind. But for more benefit Best Buy should change their store image little bit to look more attractive. Also, they can add self-checkout machine for faster service.

3. Local Initiatives: Best Buy has committed to helping prepare teens from underserved communities for the tech-reliant jobs of the future.

- Best Buy Teen Tech Centers: These interactive learning spaces help teens explore technology to discover new interests, collaborate with one another and prepare for the future.
- National Grant Partnerships: Best Buy provides funding to national nonprofit partners who give underserved youth access to tech education and tools to help them prepare for the future. Click here for the current national partner RFP and application information.
- Geek Squad Academy: These free tech education camps encourage youth to explore technology through immersive training in coding, digital music and film production, photography, 3D design and more.
- Community Grants: Once a year, Best Buy provides grants to local nonprofits, schools and libraries to support tech education programs for underserved teens in communities where Best Buy does business.
- Twin Cities Fund: As a worldwide company headquartered in Minnesota, the Best Buy Foundation considers proposals from Twin Cities area nonprofit organizations that support tech programs for underserved teens as well as programs that add to the vibrancy of the Twin Cities community.
- Seattle Fund: As a worldwide company with a strong presence in Seattle, the Best Buy Foundation considers proposals from nonprofit organizations that serve the King County metro area, providing access to opportunities for teens through technology and career pathway organizations serving diverse youth.
- Event Sponsorships: Best Buy provides sponsorship funding in the Twin Cities and with national nonprofit partners who align with the company’s charitable giving priorities.

The company can find different ways to develop differentiation leadership, such as- by focusing on the reliability, durability, benefits and distinctive features of products, by developing strong brand recognition and by increasing expenditure on marketing efforts like celebrity endorsements and more sponsorships etc.

4. Pricing Policy: If the price of an item drops at Best Buy at any time before its scheduled delivery date, they will refund 100% of the difference, including tax. To receive a lower price,

you can call them. Cash purchase of $500 or over and want to return the item, buyer won't get cash back. They must give check via mail, which takes up to 20 days for processing. They should change this money back system.

5. Services and Benefits: A membership should dedicate to support all the tech and appliances in our home. No matter where or when we buy. They should available to help us to get help in store, over the phone and 24/7 online. They should get more training to answer our questions and help us to use all our devices. Total Tech Support also includes many computer and connected car services at no additional cost, and it should provide us to big savings on standard in-home services, repairs, and most Geek Squad® Protection and AppleCare plans. Best buy credit card holder purchase anything on holiday with their card they can get 18 months financing and money back 5%. If its new opening card, then 10% money back. Also, holiday season if anyone buy anything then they can return the items between 2 months. If its iPhone, iPad, camera then they charge restocking fee. They should keep this financing system all the time to keep more customers.

C. Marketing Objectives and Performance:

Best Buy is the current leader in sales of consumer electronics in the United States. Its brand is globally recognized, and has box stores located throughout the United States, Europe, Japan, Canada, and Mexico. Best Buy currently utilizes TV, Newspaper, radio, internet, and social media advertising. Best Buy also utilizes deals and exclusive sales rights to most of the biggest name brands in consumer electronics.

- Best Buy needs to establish itself as the premiere location for all consumer-based electronics.
- Best Buy needs to ensure its price points are competitive with the market.
- Best Buy needs to ensure that its brand is getting to the consumer through all marketing means (TV, Radio, Newspaper, Magazine, Internet, and Social Media) to reach its target market.

Swot Analysis

A. Strengths

- Friendly, actively engaged, approachable, provide solution.
- Strong Ethics Background.
- Competition with so many stores but they can match id.
- Items available in the display too see before buying.
- For holiday purchase 18 months financing and money back 5% If you have a best buy credit card. If its new, then 10% money back.
- Holiday season if we buy anything then we can return the items between 2 months. If its iPhone, iPad, camera then they charge restocking fee.

B. Weaknesses

- Quick conversation when store is busy. They should be more cooperative.
- Competition of retail stores such as Wal-Mart in the global market.

- Not enough room in some stores to sell a large selection of certain goods
- All technology can’t be offered in some countries
- If anyone make a cash purchase of $500 or over and want to return the item, buyer won’t get cash back. They must give check via mail, which takes up to 20 days for processing.

C. Opportunities

- Growth of the company
- Online growth for sales
- Set of skills to working there.
- Growing market for electronics, including mobile devices such as smartphones and video games.
- They release new products by companies such as Apple, Google, Samsung, and video games.
- Free publicity for products on sale.
- As FaceBook changes and begins to allow retail stores the opportunity to advertise based on social media activity, Best Buy needs to grow with that opportunity.

D. Threats

- Low quality of products. They should upgrade to high quality.
- Best Buy’s ability to adapt, survive and profit in a dramatically changing and highly competitive marketplace is impressive.
- The online competition is tough. There are many companies that sell their products through online like Walmart. This is a serious threat to Best Buy as they should figure out ways to bring customers to their online market.
- DVD's, and DVD players are becoming are being pushed out of being relevant or needed.
- The various electronics that are sold across the US provide huge discounts and offers. This kind of increasing competition forces setting up low prices for the company thereby leading to a serious threat to the future revenue generation. They should keep more than enough in their stock.