

Best Buy is the world's largest multichannel consumer electronics retailer, with \$45 billion in sales in fiscal 2013. Sales boomed in the 1980s as the company expanded nationally and made some risky business decisions, like putting its sales staff on salary instead of commission. This decision created a more consumer-friendly, low-pressure shopping atmosphere and resulted in an instant spike in overall revenues. In the 1990s, Best Buy ramped up its computer product offerings, and by 1995 it was the biggest seller of home PCs, a powerful market position during the Internet boom.

At the turn of the 21st century, Best Buy faced new retail competitors, including Costco, Walmart, and Target, which boosted their electronics divisions and product offerings and often priced lower than Best Buy. The company believed the best way to differentiate itself from the competition was to emphasize customer service by selling product warranties and offering personal services like home delivery and installation. Its purchase of Geek Squad, a 24-hour computer service company, proved profitable and strategically wise as home and small-office networks became more complex and the need for personal computing attention increased. By 2004, Best Buy had placed a Geek Squad station in each of its stores, providing consumers with personal computing services in multiple channels: in the stores, online, on the phone, and at home.

Best Buy also segmented its broad customer base into a handful of specific targets such as the affluent tech geek, the busy suburban mom, the young gadget enthusiast, and the price-conscious dad. It used extensive research to determine which segments were the most abundant and lucrative in each market and configured its stores and trained its employees to target those shoppers. For example, stores targeting affluent tech geeks offered a separate home theatre department with knowledgeable salespeople on location. Stores with a high volume of suburban mom shoppers offered personal shopping

assistants to help Mom get in and out as quickly as possible with the exact items she needed.

Sometimes a store experienced a new type of lucrative customer. For example, in the coastal town of Baytown, Texas, the local Best Buy observed frequent visits from Eastern European workers coming off cargo ships and oil tankers. These men and women used their precious free time to race over to the store and search the aisles for Apple's iPods and laptops, which were cheaper in the United States than in Europe. To cater to this unique consumer, the store rearranged its layout, moving iPods, MacBooks, and their accessories from the back to the front, and added signage in simple English. The result: Sales from these European workers increased 67 percent.

Best Buy is hailed for growing into a \$50 billion company virtually through one channel. However, in recent years, the company has struggled to maintain its retailing dominance. One reason is that consumers no longer have the same interest in large television sets, computers, or entertainment centers that took up so much retail space in years past. In addition, "showrooming" has become a problem, in which consumers visit stores to look, touch, and test out the products but leave empty-handed and purchase online instead. In fact, online retailers like [Amazon.com](https://www.amazon.com) have become Best Buy's biggest competitors in recent years. The company's overall market share in electronics and appliances is 16 percent, but it has only a 7 percent market share online. In comparison, Amazon's overall market share in electronics/appliances is 4 percent, but it is the market leader online, with a 21 percent market share.

Best Buy has acknowledged that it was slow to respond to category and channel shifts and was too focused on a single channel strategy when consumers' behaviors were changing. As a result, sales slipped, customer satisfaction declined, and stock value went with it. To turn things around, the company hired a new CEO who implemented a strategic initiative in 2013. "Renew Blue" was developed to reinvigorate and rejuvenate the customer experience. Online, Best Buy put a huge emphasis on improving the consumer's experience with faster and easier navigation tools, more competitive pricing, and relevant product offerings. The company also started

shipping many of its online orders directly from nearby store locations, which improved delivery time and inventory turns.