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VIDEO CASE 3

Geek Squad: A New Business for a New Environment

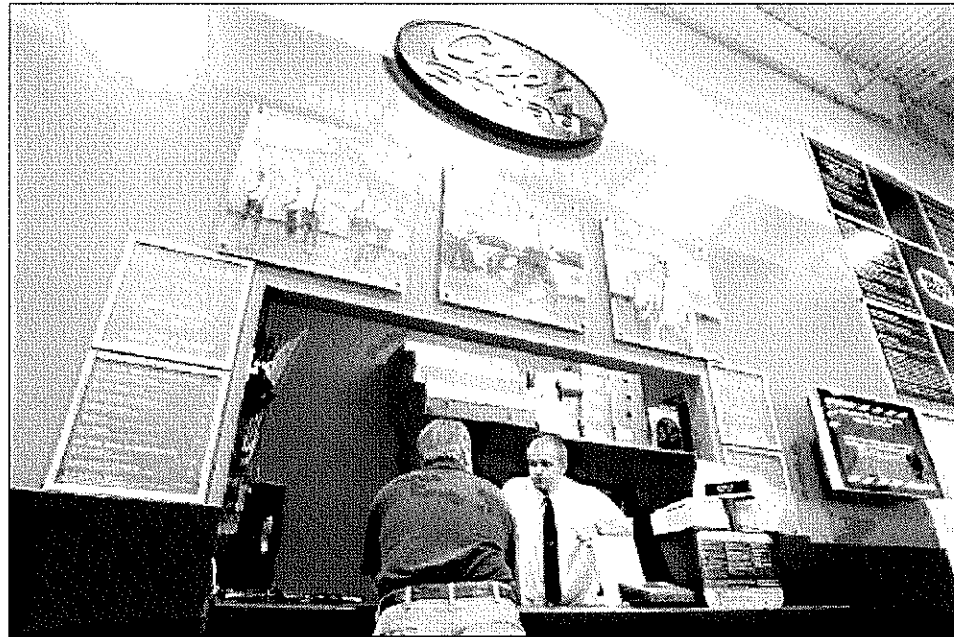
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Geek Squad Video Case



“As long as there’s innovation there is going to be new kinds of chaos,” explains Robert Stephens, founder of the technology support company Geek Squad. The chaos Stephens is referring to is the difficulty we have all experienced trying to keep up with the many changes in our environment, particularly those related to computers, technology, software, communication, and entertainment. Generally, consumers have found it difficult to install, operate, and use many of the electronic products available today. “It takes time to read the manuals,” Stephens says. “I’m going to save you that time because I stay home on Saturday nights and read them for you!”

THE COMPANY

The Geek Squad story begins when Stephens, a native of Chicago, passed up an Art Institute scholarship to pursue a degree in computer science. While Stephens was a computer science student he took a job fixing computers for a research laboratory, and he also started consulting. He could repair televisions, computers, and a variety of other items, although he decided to focus on computers. His experiences as a consultant led him to realize that most people needed help with technology and that they saw value in a service whose employees would show up at a specified time, be friendly, use understandable language, and solve the problem. So, with just \$200, Stephens formed Geek Squad in 1994.



Geek Squad set out to provide timely and effective help with all computing needs regardless of the make, model, or place of purchase. Geek Squad employees were called “agents” and wore uniforms consisting of black pants or skirts, black shoes, white shirts, black clip-on ties, a badge, and a black jacket with a Geek Squad logo to create a “humble” attitude that was not threatening to customers. Agents drove black-and-white Volkswagen Beetles, or Geekmobiles, with a logo on the door, and charged fixed prices for services, regardless of how much time was required to provide the service. The “house call” services ranged from installing networks, to debugging a computer, to setting up an entertainment system, and cost from \$100 to \$300. “We’re like ‘Dragnet’; we show up at people’s homes and help,” Stephens says. “We’re also like *Ghostbusters* and there’s a pseudogovernment feel to it like *Men in Black*”

In 2002, Geek Squad was purchased by leading consumer electronics retailer Best Buy for about \$3 million. Best Buy had observed very high return rates for most of its complex products. Shoppers would be excited about new products, purchase them and take them home, get frustrated trying to make them actually work, and then return them to the store demanding a refund. In fact, Best Buy research revealed that consumers were beginning to see service as a critical element of the purchase. The partnership was an excellent match. Best Buy consumers welcomed the help. Stephens became Geek Squad’s chief inspector and a Best Buy vice president and began putting a Geek Squad “precinct” in every Best Buy store, creating some stand-alone Geek Squad Stores, and providing 24-hour telephone support. There are now more than 20,000 agents in the United States, Canada, the United Kingdom, and China, and return rates have declined by 25 to 35 percent. Geek Squad service plans are also being sold on eBay and in some Target stores. The Geek Squad website proclaims that the company is “Serving the Public, Policing Technology and Protecting the World.”

THE CHANGING ENVIRONMENT

Many changes in the environment occurred to create the need for Geek Squad's services. Future changes are also likely to change the way Geek Squad operates. An environmental scan helps illustrate the changes.

The most obvious changes may be related to technology. Wireless broadband technology, high-definition televisions, products with Internet interfaces, and a general trend toward computers, smartphones, entertainment systems, and even appliances being interconnected are just a few examples of new products and applications for consumers to learn about. There are also technology-related problems such as viruses, spyware, lost data, and "crashed" or inoperable computers. New technologies have also created a demand for new types of maintenance such as password management, operating system updates, disk cleanup, and "defragging."

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Page 89

Another environmental change that contributes to the popularity of Geek Squad is the change in social factors such as demographics and culture. In the past many electronics manufacturers and retailers focused primarily on men. Women, however, are becoming increasingly interested in personal computing and home entertainment and, according to the Consumer Electronics Association, are likely to outspend men in the near future. Best Buy's consumer research indicates that women expect personal service during the purchase as well as during the installation after the purchase—exactly the service Geek Squad is designed to provide. Our culture is also embracing the Geek Squad concept. For example, in the recently discontinued television series *Chuck* (2007–2012), one of the characters worked for the “Nerd Herd” at “Buy More” and drove a car like a Geekmobile on service calls!

Competition, economics, and the regulatory environment have also had a big influence on Geek Squad. As discount stores such as Walmart and PC makers such as Dell began to compete with Best Buy, new services such as inhome installation were needed to create value for customers. Now, just as change in competition created an opportunity for Geek Squad, it is also leading to another level of competition as Staples has introduced EasyTech services and Office Depot has introduced Tech Depot services. The economic situation for electronics continues to improve as prices decline and demand increases. Consumers purchased 2 million 3D TVs in 2010, and sales of all consumer electronics exceeded \$180 billion. Finally, the regulatory environment continues to change with respect to the electronic transfer of copyrighted materials such as music and movies and software. Geek Squad must monitor the changes to ensure that its services comply with relevant laws.



THE FUTURE FOR GEEK SQUAD

The combination of many positive environmental factors helps explain the extraordinary success of Geek Squad. Today, it repairs more than 3,000 PCs a day and generates more than \$2 billion in revenue. Because Geek Squad services have a high profit margin they contribute to the overall performance of Best Buy, and they help generate traffic in the store and create store loyalty. To continue to grow, however, Geek Squad will need to continue to scan the environment and try new approaches to creating customer value.

One possible new approach is to create new partnerships. Geek Squad and Ford, for example, have developed a partnership to help consumers install in-car communication systems. In the future, Best Buy will offer 240-volt home charging stations for Ford's electric vehicle, the Focus. Geek Squad will offer electrical audits and residential installations for the car owners. Geek Squad is also using new technology to improve. Agents now use a smartphone to access updated schedules, log in their hours, and run diagnostics tests on clients' equipment. Best Buy is also testing a "Solutions Central" desk, similar to the Genius Bar concept in Apple stores, and staffing it with Geek Squad agents. Finally, to attract the best possible employees, Geek Squad and Best Buy are trying a "results-only work environment" that has no fixed schedules and no mandatory meetings. By encouraging employees to make their own work-life decisions, the Geek Squad hopes to keep morale and productivity high.

Other changes and opportunities are certain to appear soon. However, despite the success of the Geek Squad and the potential for additional growth, Robert Stephens is modest and claims, "Geeks may inherit the Earth, but they have no desire to rule it!"

Questions

- 1 What are the key environmental forces that created an opportunity for Robert Stephens to start the Geek Squad?
- 2 What changes in the purchasing patterns of (a) all consumers and (b) women made the acquisition of Geek Squad particularly important for Best Buy?
- 3 Based on the case information and what you know about consumer electronics, conduct an environmental scan for Geek Squad to identify key trends. For each of the five environmental forces (social, economic, technological, competitive, and regulatory), identify trends likely to influence Geek Squad in the near future.
- 4 What promotional activities would you recommend to encourage consumers who currently use independent installers to switch to Geek Squad?