


**Exhibit 4** Best Buy Business Segment Performance (in millions)

	2011	2012	2013
<b>Revenue</b>			
Domestic	\$27,784	\$27,374	\$28,270
International	13,096	12,387	9,849
<b>Total revenue</b>	<b>\$40,880</b>	<b>\$39,761</b>	<b>\$38,119</b>
<b>Percentage of revenue, by segment category</b>			
<b>Domestic</b>			
Consumer electronics	37%	39%	39%
Home office	37%	34%	31%
Entertainment	14%	14%	19%
Appliances	7%	4%	7%
Services	4%	4%	4%
Other	1%	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>International</b>			
Consumer electronics	27%	27%	24%
Home office	22%	22%	21%
Entertainment	9%	7%	9%
Appliances	7%	7%	10%
Services	9%	12%	12%
Other	1%	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Best Buy Co., Inc. Form 10-K for fiscal year ended February 26, 2011, see page 22 (fiscal May 11, 2011); filed May 27, 2011; <http://www.sec.gov>.

back to the drawing board with Catherine Woodhouse to review their plans.<sup>43</sup> Best Buy has had difficulty in other international locations as well. The Best Buy founded big box stores in China have not proved to be as profitable as those run under the acquired Five Star brand, and Best Buy is currently working to reformat its Best Buy stores into Five Star locations. Additionally, the Best Buy store in Turkey has been unprofitable and will be closed this year.<sup>44</sup> Closed at home, with no large format competitors left in existence, the size of some of Best Buy's big box stores may be experiencing a, having a dimension four times the size the nearest competitor may be less profitable than being only two or three times their size.

**Geek Squad.** Best Buy acquired Geek Squad in 2003 and integrated the firm and its concept within its big box stores. This branch of Best Buy offers after-sale services including installation, repair, and technical support.<sup>45</sup> Examples of specific services offered include home theater and surround sound setup, flat screen television mounting, wireless network setup, virus and spyware removal, and the installation of aftermarket electronic equipment such as GPS and remote starters in cars.<sup>46</sup>

Though the services Best Buy sells through the Geek Squad make up a relatively small portion of revenue, the percentage is consistently increasing and the profit margin earned on Geek Squad services is higher than the firm average.<sup>47</sup>

**Best Buy Mobile.** These stores focus on selling mobile phones and small computing devices and their associated service plans and accessories. Best Buy Mobile stores can be found within all domestic and Canadian big box locations and, in increasing numbers, at stand-alone "small box" stores.<sup>48</sup> It offers cell phones from all major brands including Apple, Motorola, LG, and Samsung running on all major platforms (i.e., iOS, Android, BlackBerry, and Windows), and sells service contracts with all major providers such as Verizon, AT&T, T-Mobile, and Sprint as well as contract-free phones through Boost Mobile, Virgin Mobile, and Nextel CE.<sup>49</sup> As with Geek Squad, Best Buy Mobile operations have provided a financial cushion for the firm as what could have been a very difficult time. For example, although Best Buy comparable store sales experienced a five percent slump in December 2010, the decrease would have been 15 percent if not for the addition of Best Buy Mobile sales.<sup>50</sup>

<sup>43</sup> "Proprietor of Chicago Company," *Entrepreneur*, <http://www.entrepreneur.com/feature/proprietor/2011/01/20110101>.  
<sup>44</sup> "Closed at Home," *Entrepreneur*, <http://www.entrepreneur.com/feature/closed-at-home/2011/01/20110101>.

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**Bestbuy.com.** In recent years, Bestbuy.com, the firm's online channel, has become more integrated with the in-store experience. Most of the same products offered in the big box stores are available through the online channel, as well as many additional products.<sup>68</sup> Driving customers to the site, Bestbuy.com attempts to outdo other online retailers by providing superior assistance to customers making purchases. For example, the site provides 24/7 human customer assistance, user forums, professional and customer reviews, and optional in-store pickup. The website's value to Best Buy extends beyond the revenue produced by sales. In fact, it has been estimated that regardless of whether they eventually purchase products from the website or a bricks-and-mortar store, 60 percent of Best Buy customers begin their research and shopping on the Best Buy website.<sup>69</sup>

**The Carphone Warehouse.** Unlike the domestic division's big box format stores, most of the stores making up the Best Buy Europe portion of the international division are either Carphone Warehouse or Phone House branded "small box" stores. Not coincidentally, these stores are similar to Best Buy Mobile stores, offering cell phones, service contracts, and small computing devices with a large percentage of their revenue derived from the sales of device insurance. (A team of consultants from Carphone Warehouse helped develop the Best Buy Mobile plan.) Many of the stores also offer Geek Squad services that focus mainly on the repair of consumer-owned devices.<sup>70</sup> Best Buy Europe is a 50 percent owner in the over 1400 Carphone Warehouse and Phone House stores in Europe.

**Five Star Appliances.** Prior to its acquisition by Best Buy in 2007, the Jiangsu Five Star Appliance Company was one of the largest retailers of consumer electronics and appliances in China.<sup>71</sup> Best Buy's reasoning for the acquisition was two-fold. First, it offered a quick way to move into and gain a foothold in the lucrative and growing consumer electronics market in China and second, it was seen as an opportunity to get an inside perspective of selling electronics in China from a successful firm. With the exception of entertainment media, the large format Five Star stores offer a similar mix of products to Best Buy stores in the US. Overall, Best Buy's Five Star branded stores have done well, even during the recession, and Best Buy plans to open 10 to 15 additional stores in the coming year.<sup>72</sup> The importance of the Five Star stores is seen when their success is juxtaposed against the lackluster performance of the soon-to-be-closed/re-branded Best Buy stores in China. With similar product offerings and overhead expenses, this disparity of outcomes can only be explained by the fact that Five Star was developed by individuals who understood the culture, while

Best Buy stores and operating procedures were largely imported from abroad.

#### Past and Current Strategies

Before Best Buy's bricks-and-mortar competitors shut down it was clear that, considering how easy it was to drive to a competitor's location, no firm targeting the broad consumer electronics market would be successful if it charged too high a premium over its competitors. Because of this, Best Buy was forced to find ways to reduce its costs to remain competitive. While Best Buy's size and purchasing power was and is an important factor in keeping costs down, former CEO Brad Anderson admitted that the firm did not develop its own approaches to reducing costs. Instead, Best Buy observed companies like Walmart and Target and then acted as a "fast follower" to implement new ideas and efficiencies in ways suited to Best Buy's operations.<sup>73</sup> Through copying the successful approaches to logistical issues of stores like Walmart and Target<sup>74</sup> and building relationships with its network of suppliers,<sup>75</sup> Best Buy is able to quickly and accurately distribute its products to stores and customers worldwide.

Although cost efficiencies have been important to Best Buy, to avoid falling into a "commodity hell" where all competition in the industry is based on price, the firm has had to develop other reasons for Best Buy to be a shopper's first stop. According to Ranjay Gulati of Harvard Business School, Best Buy has done this by doing a better job than its competitors at looking at the electronics industry through the eyes of a customer. In other words, instead of telling customers what they *should* want next, Best Buy works to understand both the technology as well as its customers' needs, wants, and tendencies so it may then provide technological solutions that not only match, but actually work for the consumer.<sup>76</sup> In addition, rather than simply presenting a display model and a stack of boxes containing the product, Best Buy is highly adept at anticipating all of the needs a consumer may have in association with a particular purchase. These needs may include help with product comparison and selection, home delivery and setup, training, accessories, service, etc. To meet these needs, Best Buy has developed well thought out and communicated processes, structures, displays, and services.<sup>77</sup>

As an extension of this proficiency and even before the recent narrowing of the field in the big box segment of the consumer electronics industry, Best Buy had a reputation for providing superior sales assistance for a big box retailer. Today, with its main competitors a warehouse chain offering essentially no sales assistance, a website that discourages person-to-person customer service contact, and an oversized grocery store with