sold all remaining Musicland assets later that year.[19] Best Buy's Speakeasy acquisition ultimately did not provide the strategic advantages Best Buy had expected, and was sold in 2011. Due to the lethal combination of non-existent brand equity and cultural mismatch, the Best Buy branded stores in Turkey and China also performed poorly, resulting in the decision to close (or in the case of China, convert to Five Star branded stores) those locations in 2011 and 2012 respectively.[20]

Managerial changes at Best Buy have been infrequent over the course of the firm's history and because most of the changes that have occurred have been internal leadership promotions, managerial succession has had little impact on Best Buy's overall strategy. Dick Schulze led the company from its founding in 1966 until he resigned from the CEO position in 2002 and continues to be a driving force as Chairman of the Board. Upon Schulze's retirement from CEO, Brad Anderson, who had been serving as the firm's vice chairman, took over the position and worked as the company's CEO until 2009 when he retired. Brian Dunn, who started his career with Best Buy working as a sales associate over 25 years ago, accepted the CEO position in 2009.[21]

Industry

Suppliers

Due to the variety of products Best Buy offers, the firm maintains relationships with hundreds of suppliers. Even so, in 2010 Best Buy purchased almost 65 percent of its products from just 20 suppliers with 5 of those suppliers (Apple, HP, Samsung, Sony, and Toshiba) providing almost 40 percent of its merchandise.[22] Although there are no signs of supply disruption from any of these major companies, supplier firms themselves are evolving. In the past, major electronics producers like Sony would sell only to specialty electronics retailers like Best Buy or Circuit City. Today, the major electronics suppliers are increasingly allowing their products to be sold by warehouse clubs and online distributors. As suppliers extend the scope of their distribution, Best Buy loses the exclusivity it once enjoyed.[23] Compounding this problem is the fact that major supplier firms like Apple are integrating forward and distributing their products through websites and bricks-and-mortar stores.[24]

As Best Buy has increased its emphasis on cell phone sales through the Best Buy Mobile store-within-a-store format, the major cell phone carriers are becoming more important as suppliers than in the past.[25] However, because the cell phone business is becoming increasingly concentrated and commoditized, the cut for middle-man distributors is dwindling. In the end, vendors such as Best Buy may find it too difficult to achieve profit margins sufficient to continue this foray.[26]

Customers

Like many firms that focus on retail sales, Best Buy's customers represent a broad array with no single customer profile accounting for a significant portion of overall sales.[27] Nevertheless, in its effort to meet each customer in an efficient manner, Best Buy has worked to understand its customers better. As an example, the firm has recently worked to increase its offerings to business customers—training designated staff to provide consultation services to business purchasers as well as showcasing products specifically designed for business applications.[28]

Of course, technological trends have important implications for firms in the consumer electronics industry. The increased use of the Internet provides businesses with multiple challenges and opportunities, both in terms of the range of products offered as well as new ways to conduct business and access customers. The trend toward a decrease of retail prices in the consumer electronics industry combined with an increase in market saturation could become problematic for firms.[29] Additionally, the smartphone and tablet trend toward the consolidation of functions (i.e. computing, messaging, phone calls, GPS navigation, games, camera, etc.) will influence not only the demand for these products, but the products they replace as well.

The increasing rate at which technology is changing offers firms in this industry an endless supply of new products, but carries with it the threat of being caught with unsold stock that is newly obsolete or simply suddenly unpopular. To offset this particular risk, firms with the ability to bring products to an international market could benefit from economies of scale. In addition, offering products considered by advanced markets as obsolete to secondary and tertiary markets would extend the shelf life of a product and give sellers the opportunity to move products from inventory that could not otherwise be sold. International access to inexpensive labor and production facilities also affords firms in the industry the opportunity to consider backward integration in terms of developing their own "house brand" products with lower financial risk than would be the case without international options.

Specifically in regard to the US, the aging population suggests the need to offer products and use marketing approaches that appeal to older customers. Likewise, the increased ethnic diversity of the population, the staying power of the dual career family, and the subsequent increase in the purchasing power of women mark opportunities to provide and market electronic products to consumer groups beyond the typical white-middle-aged-male segment. Also, stagnating population growth in the US and expanding international populations and economies fuel opportunities in international expansion—opportunities that come however with the threat of increased competition from international firms.[30]

The economic downturn and tightening of credit late in the most recent decade resulted in decreased growth for several consumer electronics firms and likely contributed to the demise of Best Buy competitors such as Circuit City and CompUSA. In general, firms selling lower-end electronic products are thought to benefit from this trend while those selling cutting-edge technologies are expected to suffer. Clearly, the speed and extent of economic recovery will influence future growth opportunities. Recent indicators suggest that personal income is on the rise in the US, a change that will likely increase the demand for luxury, high-end, and discretionary products once again.[31] However, recession induced trends such as increased financial prudence could at least temporarily delay this effect. Responses to the recession that influence inflation and trade balances internationally—and by extension, exchange rates—will affect the viability of international expansion.

With increased competition in the consumer electronics industry coming from online retailers, the political/legal segment is becoming increasingly important to firms like Best Buy. This is because when a company operates even a single bricks-and-mortar retail outlet in a US state, all sales made within that state, both in-store and online, are subject to sales tax.[32] Alternatively, if a firm does not have a "physical presence" in a state, they do not have to charge its online customers sales tax. The issue up for debate is whether distribution centers fall within the definition of "physical presence" with online retailers threatening to pull distribution centers—and the jobs they provide—from any state that says it is so. With retail locations in the majority of US states, Best Buy would like to see state legislators level the playing field by clearing up the definition to explicitly include these distribution centers.[33]

Competitors

The industry in which Best Buy operates is in an unprecedented state of flux. The recession finished the job of eliminating weak competitors in the specialty consumer electronics store segment that started years earlier with the advent of the Internet and mass-market merchandisers. With the elimination of Best Buy's traditional head-to-head competitors (i.e., those like Circuit City and CompUSA that sold the same products and used the same format), Best Buy is left to compete primarily against unfamiliar rivals on unknown terrain. The strategies and tactics used by competitors coming from the online retail, warehouse club, and mass market approaches differ from those traditionally used by bricks-and-mortar electronics stores. Major competitors in the "new" consumer electronics industry and their effects on industry competition are discussed below.

Amazon.com. Jeff Bezos developed the idea for Amazon.com in 1990 when he was struck by the goodness-of-fit of book selling via online marketing because of the need for precise and automated inventory controls in each. Over the next four years, he developed the idea for his new company and launched the online bookstore in 1995. Sales grew rapidly and the company went public in 1997. Realizing the potential based on its unprecedented success, in 1998, Bezos contracted with AOL and Netscape to increase Amazon's visibility to Internet users, and later that year, Amazon added music, video, electronics, and toy segments to its product offerings.[34]

Since its inception, Amazon has continued to grow—sometimes through its own ventures including the development of Endless.com, Amazon's online shoe store, its own e-reader device, the Kindle, and the addition of media downloading services including music, TV shows, and movies—but oftentimes through acquisitions of online retail firms. Each representing a product market niche, the firms Amazon has acquired offer a range of products and services including audio books (audible.com), to pet care (pets.com), and groceries (homegrocer.com). Acquisition of a European version of Netflix suggests that Amazon may be considering entry into the mail-delivered DVD rental business in the US. While most acquisitions serve to extend Amazon's reach into markets it can effectively and efficiently supply, some come with additional benefits as well. For example, Amazon's acquisition of Zappos.com not only increased its presence in the online shoe market but also made it possible for Amazon to integrate some of Zappo's customer service skills into its main operation.[35]

Not one to be behind the curve, Amazon quickly capitalized on the smartphone trend as a way to sell new products and attract new business. Early in 2011, Amazon went into direct competition with Google's App Marketplace with the launch of its Appstore for Android. Amazon's site allows customers to "test drive" an app before purchasing, carries ad supported free apps, and has a "premium-app-a-day" giveaway to increase market share and encourage customers to regularly check back with the site.[36] In a major coup and as mentioned previously, Amazon's new shopping app allows smartphone users to say the name of a product or take a picture of its cover art or bar code (presumably in a store) and receive instant information on the price of the product at Amazon—as well as the opportunity to make the purchase.[37]

There are two factors central to Amazon's successful bid as a consumer electronics retailer. First, its operating expenses are lower than those typical