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Reinventing Best Buy

In November 2012 we introduced our transformation strategy called Renew Blue. … A little more than four years later, we figured it is time to call Renew Blue officially over and enter the next phase of our journey.[1]

— Chairman and CEO Hubert Joly, March 1, 2017, earnings call

On March 1, 2017, Best Buy Company, Inc., North America's largest retailer of consumer electronics and appliances, announced a third year of comparable-store sales increases and a 20.8% increase in domestic comparable online sales.[2] These results were in marked contrast to four years of declining comparable-store sales from 2010 through 2013.[a] The stock price rose 17% in March, and on April 20, 2017, it surpassed $50 for the first time since January 2008. (See **Exhibit 1**.) When CEO Hubert Joly took over in September 2012, Best Buy was losing share to Amazon.com, which was encouraging consumers to view products at Best Buy and other physical stores and then buy them for a lower price online, a practice known as "showrooming."[3] Undaunted, Joly had encouraged the practice, convinced that it presented an opportunity to sell to customers as long as Best Buy's prices were competitive. Joly had committed the company to a multi-channel strategy in North America and exited struggling international operations. Operating margins had increased as a result, but growth was still proving elusive. (See **Exhibit 2**.) In early 2017, Joly announced that his "Renew Blue" turnaround effort was complete and that he was now intent on creating the New Blue. Would the new strategy be enough to stop Amazon's advances?

History of Best Buy, 1966–2012[b]

Best Buy's origins dated back to 1966, when Dick Schulze co-opened a hi-fi store called Sound of Music in St. Paul, Minnesota. By 1981, Schulze had expanded his retail concept to nine stores, but competition had become cutthroat. A tornado came to the rescue, removing the roof of a Roseville, Minnesota, store but leaving the stock undamaged. Schulze cut prices to accelerate sales and found

[a] Best Buy's fiscal years ended in the winter after the closest calendar year. "Fiscal 2017," for example, ended on January 28, 2017. All years mentioned in this case are calendar years unless otherwise noted.

[b] For more information, please see John R. Wells and Travis Haglock, "Best Buy Co., Inc.: Competing on the Edge," HBS No. 706-417 (Boston: Harvard Business School Publishing, 2007); John R. Wells and Galen Danskin, "Best Buy in Crisis," HBS No. 713-403 (Boston: Harvard Business School Publishing, 2014).

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that discounts were a great way to make money. Over the years, he added a broader range of merchandise, expanded store size to superstore proportions, and renamed his business "Best Buy." The company was listed on the NASDAQ stock exchange in 1985, raising money to fund growth. Best Buy superstores were part-superstore, part-showroom, employing commissioned salespeople to provide advice and warehouse personnel to pick items from stock and help load them into customers' cars. This was a model similar to that of the industry leader, Circuit City Stores.

In 1987, Highland Superstores, the industry number-two, moved into Best Buy's territory and started discounting aggressively. In response, Best Buy reduced sales personnel, eliminated commissions in favor of salaries, and converted storage space in its outlets to selling space. All stock was now on display, and customers were expected to carry it themselves—a "grab-and-go" concept. This approach cut costs, allowing Best Buy to match Highland's prices and expand market share. Circuit City continued with its old model, and by 1996, Best Buy became the market leader.[4]

Not content to rest, in 1996 Schulze began to expand the product line to include music, software, and DVDs to encourage more regular purchases, driving more sales and higher margins. Circuit City was slow to respond to Best Buy's moves, and its profits collapsed in 2001. Shortly thereafter, Circuit City began copying Best Buy's low-service model, but by 2002, Best Buy was changing its strategy again, adding services (the Geek Squad), widening its product line with the first acquisitions in its history (Musicland Stores and Magnolia Hi-Fi, both purchased in 2000),[5] focusing on driving more sales from customers with its rewards program ("customer centricity"), and looking to international markets for growth.

In late 2001, Best Buy acquired the 88-outlet Future Shop in Canada. Future Shop operated a service model similar to Circuit City's; Best Buy committed to retaining the model while adding Best Buy stores, which it believed appealed to a different market segment. In 2006, Best Buy acquired a majority stake in Jiangsu Five Star Appliance Company, China's fourth-largest appliance and electronics retailer with 134 outlets. Five Star's model was quite different from Best Buy's. It offered display space to manufacturers, who selected merchandise and provided sales personnel. Best Buy also began opening stores based on its own model in China. The same year, Best Buy entered into a joint venture with British retailer Carphone Warehouse (CPW) to create Best Buy Mobile, which opened small standalone mobile-phone stores in the United States and stores-within-stores in existing Best Buy outlets.[6] In its home market, Best Buy acquired Pacific Sales Kitchen and Bath Centers.[7]

In 2008, Best Buy acquired a 50% stake in CPW's European operations for $2.1 billion. CPW operated nearly 2,500 small mobile-phone outlets in the United Kingdom and mainland Europe. The goal was to add 100 big-box Best Buy stores to CPW's operations. Best Buy's sales continued to grow rapidly, while Circuit City's stalled.[c] Finally, in late 2008, Circuit City filed for Chapter 11 bankruptcy protection; in January 2009 it began the liquidation process.[8]

Rising Competition

Meanwhile, all was not well at Best Buy. Despite Circuit City's weakness, Best Buy faced significant challenges. In the United States, broad-based discounters like Walmart were gaining ground by offering deep discounts on a very narrow line; small phone shops were becoming a major competitive threat for the latest gadgets (smartphones and tablets); and Amazon was growing share online, taking advantage of the fact that it did not have to charge sales tax (which averaged 5.4% in 2008) in many

[c] For more information, please see John R. Wells and Galen Danskin, "The Rise of Circuit City Stores, Inc." and "The Fall of Circuit City Stores, Inc.," HBS Nos. 713-401 and 713-402 (Boston: Harvard Business School Publishing, 2012).

states, unlike local retail outlets.[9] Best Buy was also struggling in its international markets, where operating losses were mounting. In April 2009, Best Buy announced that it would reorganize its staffing structure. According to one investment house, the changes would reduce the pay of 8,000 sales associates by 25% to 50% while eliminating 1,000 salaried jobs.[10]

When Brian Dunn became CEO of Best Buy in June 2009, he cut capital spending by 50%. He also began testing new product categories while continuing to add many standalone mobile stores to take advantage of the rapid growth in sales of smartphones. Revenues for 2009 rose 10% to $49.7 billion, and operating profits 14% to $2.29 billion. The next year, sales rose 1% to $50.3 billion, and operating profits 2% to $2.34 billion.

In early 2011, Best Buy announced that it would close its Best Buy stores in China and focus on the Five Star model. It also planned to close its big-box outlets in the United Kingdom. In November 2011, Best Buy bought CPW's share of Best Buy Mobile in the United States. The company also announced that it expected to write down most of the $1.2 billion of goodwill associated with Best Buy Europe.[11] The year also saw important developments in e-commerce. In September, Best Buy announced the launch of Marketplace, its online platform for third-party sellers. Marketplace would grow the product mix available on Best Buy's website by approximately one-third. Other major retailers such as Amazon, Buy.com, Walmart, and Sears already had similar platforms.[12] Competition intensified in the holiday shopping season as Amazon launched its Price Check app, allowing customers to compare Best Buy's in-store prices with Amazon's.[13] Best Buy's sales increased 1% in 2011 to $50.7 billion, but operating profits fell 54% to $1.1 billion. The company recorded a net loss.

In March 2012, Dunn announced that he would close 50 big-box stores in the United States, downsize the remainder by 10%, and cut $800 million in costs.[14] A month later, on April 10, 2012, Dunn resigned amid accusations of improper conduct with a female employee.[15] Board member G. "Mike" Mikan III took over as interim CEO. In June, Schulze stepped down as chairman after the board concluded that he had "acted inappropriately" by not informing them of the allegations against Dunn immediately after learning of them.[16]

Schulze, who owned 20.1% of the equity, began exploring the possibility of gathering financing to buy out the company.[17] On August 6, he announced an offer of $24 to $26 per share subject to suitable financial backing. Schulze's proposal valued the company at approximately $10 billion. Many were skeptical of his ability to raise the funds, but he was given until mid-December to do so.[18]

New CEO, Hubert Joly

On August 20, 2012, Best Buy's board announced the appointment of Hubert Joly as CEO. At the time, Joly was CEO of hotel, cruise ship, and restaurant company Carlson. He was the first outsider to be appointed CEO of Best Buy. A French national, Joly had previously helped restructure Vivendi's video-games business and EDS's computer-service operations in France. Immediately following the announcement, Best Buy's share price dropped more than 10%, finishing the day at $18.19. Wedbush Securities analyst Michael Pachter criticized Joly's lack of experience in retail, calling him "completely unqualified" and adding, "It's shocking to me."[19] Brian Sozzi of NBG Productions commented, "I wonder about the selection process and whether Best Buy was too eager to land a permanent person to go alongside its new restructuring plan."[20]

Joly started work on September 4, 2012, and immediately set about diagnosing the problem and reshaping his team. He hired Scott Durchslag, president of Expedia, to head e-commerce. Shawn Score, a 27-year Best Buy veteran and leader of Best Buy Mobile in the United States, was promoted to head of U.S. retail stores.[21]

The most important addition to Joly's team, in the view of some analysts, was Sharon McCollam. The retired chief operating officer and CFO of retailer Williams-Sonoma, McCollam "had experience closing bricks-and-mortar stores and building up online retail … [and] had some positive metrics behind her."[22] She was recruited to be Best Buy's chief administrative and chief financial officer.[23]

The "Renew Blue" Turnaround Plan

On November 13, 2012, 10 weeks into his leadership, Joly called together analysts to outline the challenges facing Best Buy's domestic business. He acknowledged that much of what he was to say was not new, but what mattered was what the company was going to do about it. He was working with management to improve "the say-do ratio … the ratio between what we say we're going to do and what we actually do," to move it as close to one as possible.[24]

Joly said that Best Buy's aspiration was "to be the specialty retailer who is the preferred authority and destination for technology products, services and solutions."[25] He acknowledged that the company had taken "our eye off the ball,"[26] but he argued that Best Buy had some key strengths: it was market leader in North America and was maintaining or even gaining share in most key categories; there was opportunity to gain more share, since the market for technology products, services, and solutions was relatively fragmented and continued to grow; Best Buy served a large customer base, including 40 million active and 75 million total members in the loyalty program; its service proposition to these customers was "unique and compelling," providing a wide range, unbiased advice, competitive prices, multi-channel service, and Geek Squad support; and all this was achieved with a highly productive model delivering high sales and operating profit per square foot.[27]

Joly also recognized some significant problems: the overall decline in market share, driven by shifts in channel and product mix; a failure to capture an adequate share of online sales; low customer satisfaction scores; poor price perception, despite competitive prices in important categories (Best Buy aimed to be competitive on core lines such as televisions, appliances, laptops, tablets, and phones but charged higher prices for accessories); the error of continuing to open stores during the 2007–2009 recession; and poor international performance. These problems drove declines in comparable-store sales and operating margins and a fall in the share price, but Joly commented, "Many of these problems are the results of our own making, which is in itself good news, meaning there is nothing structurally wrong with our markets."[28]

The Five-Point Plan

To solve the problems, Joly announced a five-point plan to "Renew Blue" (a reference to sales associates' blue shirts):

1. "Reinvigorate and rejuvenate the customer experience";
2. Attract and grow "transformational leaders" and "energize our employees to deliver extraordinary results";
3. Work with vendors "to innovate and drive value";
4. Increase the company's return on invested capital by growing revenue and efficiency, which included cutting "unproductive cost" such as administrative and non-product expenses;

5. Make the world a better place through a recycling program and equipping teenagers with technology.[29]

Part of "reinvigorating the customer experience" involved operational improvements in stores. Reassigning store space to growing categories was one area for progress, but another key step was developing "a leading edge multi-channel shopping experience through our highly relevant and contemporized hub-and-spoke network."[30] In the process, the goal was to build stronger relationships with customers. Joly commented, "We must deliver a rich set of solutions and services and develop a rich, engaged, and rewarding relationship with our customers with unique benefits and exclusive membership programs."[31] To measure improvements in customer satisfaction, Best Buy began tracking its Net Promoter[d] score.[32]

Joly highlighted the online opportunity. In 2011, Best Buy was number-one in the total U.S. consumer electronics and appliances market, with 16% share compared to Walmart's 15% and Amazon's 4%, but its Internet share was only 7% ($2.3 billion in sales) compared to its bricks-and-mortar share of 18%.[33] Joly saw the opportunity to close this gap online. He commented, "Online was too much perceived as a threat in the zero-sum game and not enough as an opportunity. … There's no reason why our online business should have a lower share than our offline business."[34]

Stephen Gillett, president of digital and marketing, illustrated the important relationship between the online and offline models: 70% of the 600 million consumers visiting Best Buy stores each year began their purchasing process online at bestbuy.com; 40% of customers buying online preferred to pick up their purchase from a local store, even if offered free delivery (70% of Americans lived within 10 minutes of a Best Buy store); and 15% of pick-up orders resulted in an additional purchase.[35]

Of the 1 billion consumers visiting bestbuy.com every year, 9% intended to make a purchase but did not, and only 1.3% actually made one. Gillett identified the principal reasons that the 9% did not buy: lack of sufficient product information (2%), out-of-stocks (1%), uncompetitive price (1%), need to evaluate the product in person (1%), unavailability for in-store pickup (1%), and slow shipping (1%). A one-percentage-point improvement in conversion was worth $250 million in operating profit. Similarly, only 40% of store visits resulted in a sale, and yet a further 19% of visitors had intended to buy something. Out-of-stocks (4%), high prices (4%), poor selection (3%), need to conduct additional research (2%), and poor service (2%) were the main reasons. Increasing the closing rate by one percentage point could add $200 million in operating profit.[36]

On the issue of showrooming, Joly quipped to the *Wall Street Journal*, "We love showrooming."[37] He argued to the analysts that once customers entered a Best Buy store, "they are ours to lose."[38] With the right product lines, prices, and support, they could be converted to a sale in the store or directed to Best Buy's own website to make the purchase. Employees would be given permission to price-match some online competitors over the 2012 holiday season.

Part of "embracing the showroom" focused on rolling out Best Buy's own in-store concepts, including Pacific Kitchen & Home (premium kitchen appliances) and Magnolia Design Center (home theater). In addition, Gillett reiterated the company's commitment to vendor showrooms. Best Buy had incorporated Apple stores-within-stores since 2007; Samsung Experience Shops were to come in 2013,

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[d] To calculate their Net Promoter score, companies asked customers, "On a zero-to-10 scale, how likely is it that you would recommend this company … to a friend or colleague?" Those who responded 9 or 10 were deemed "promoters," and those who responded 0–6 "detractors." The Net Promoter score equaled the percentage of promoters minus the percentage of detractors. Rob Markey and Fred Reichheld, "Net Promoter System℠: Creating a reliable metric," Bain & Company, February 14, 2012, http://www.bain.com/publications/articles/creating-a-reliable-metric-loyalty-insights.aspx, accessed March 2016.

and Sony Retail Experience At Best Buy in 2014. Finally, Gillett announced a partnership with RedLaser, the app that enabled showrooming in-store, to identify customers in Best Buy stores and market to them.[39]

Shawn Score, the new head of retail stores, outlined the opportunities for improving store performance. He emphasized the importance of employee engagement, which drove a 7% difference in comparable-store sales. To improve on this dimension, Score announced a new induction training program, a more comprehensive set of performance metrics, a short-term incentive program for teams, and a new reporting structure: in-store teams (e.g., home connectivity or services) would report to both the store manager and their own central team. In the past, this structure had been applied to Best Buy Mobile, which Score had run, to good effect. The goals were to improve training, increase speed to market, and improve consistency of delivery of the brand.[40]

The correct level of labor resourcing was also an important issue for Score. While on average 40% of store visits resulted in a sale, this metric fell to 37% on the weekend, when the stores were busiest, and rose to 42% during the week. Simply halving this gap by increasing staffing levels on Saturday and Sunday would generate $150 million of additional operating profit. Finally, Score highlighted the fact that too much space was being allocated to declining categories and too little to growing ones.[41]

Joly laid out his objectives for cost control. His initial focus was on cost of goods sold (80% of the cost structure). He saw significant opportunities in managing returns more effectively (10% of products sold were returned). He also saw opportunities to increase the level of private-label sales, which was then only 5%.[42] With respect to SG&A, which was 20% of sales, Joly said that the last thing he would do would be to cut store labor, which he saw as a driver of competitive advantage. This left $800 million of advertising, $1.1 billion of occupancy costs, and $4.2 billion of general & administrative expenses. Overhead was the primary target, although there was some opportunity in occupancy costs. Only four stores delivered negative returns, and another 37 had returns on invested capital lower than 10%, so the situation was not pressing. Since 71% of stores were on leases that expired in six years or less, the company had some flexibility, and it was reviewing where some rationalization of space made sense. In aggregate, Joly saw the potential for $400 million in SG&A savings.[43] With supply chain savings of $325 million, the total target was $725 million.

Joly summarized the two key problems to solve. The first was negative comparable sales due to the shift to e-commerce, changes in product mix, customer satisfaction, and poor price perception. The solution here was to boost customer experience in an integrated way online and in-store, with price matching and better retail execution. The second problem was declining margins as volume dropped, price competition, "inability to get fully compensated for the value we bring," and increasing costs.[44] Here, Joly saw the solution as differentiating the offering with premium brands, working with vendors "to innovate and drive value," and improving productivity.[45]

The day of the analyst meeting, the share price closed down 1%. The following day, the Motley Fool published an article commenting on the five-point Renew Blue plan, with five reasons why it would not work.[46]

A week later, Best Buy reported results for the fiscal third quarter that were even worse than expected, with same-store sales off 4.3% from a year earlier. (See **Exhibit 3a**.) The stock fell 13% on the day of the announcement. The following day, rating service Fitch downgraded Best Buy from BB+ to BB- with a negative outlook.[47]

The Road to Renew Blue

On Thursday, December 13, 2012, just three days before Schulze's deadline to make an offer to the board, the share price peaked in anticipation. However, the offer did not materialize, and by December 28, 2012, the share price closed at $11.29, a 12-year low.[48]

On January 11, 2013, Joly reported on holiday sales for the nine-week period to January 5. They were better than expected. Revenues were down 0.4%, and overall comparable-store sales down 1.4%, with domestic comparable-store sales flat. Online revenues had grown 10% compared to one year earlier. In response to the announcement, the share price rose 16% to close at $14.21.[49]

Results for the fourth quarter, published on March 1, 2013, showed domestic comparable-store sales rising 0.9% for the quarter compared to the previous year, a significant improvement on the previous eight quarters. Online sales were up 11.2%. (See **Exhibit 3a**.) Customer satisfaction had also improved since November, with a rise in Net Promoter score of two percentage points.[50] The company also announced that it had achieved the first $150 million of its targeted $725 million in cost savings. Joly remarked, "People who thought we were dead have to go through the painful process of revisiting that point of view."[51] The share price rose 5% to close at $17.16, despite an $822 million impairment charge to goodwill for Canada and China.

Fiscal 2014: Early Returns but Holiday Setback (February 2013 to January 2014)

Joly indicated that addressing the deteriorating international business (comparable-store sales were down 6.6% for the quarter) would now be a priority, and he also described some of the activities in support of Renew Blue.[52] In e-commerce, these included expanding product assortment, adding more product information, improving online search, "building a unified view of the customer across our various platforms" to support automatic generation of recommendations, integrating product pages for consistency in browsing across devices, simplifying access to Reward Zone points, and making it easier "for customers to add additional products and services like warranty and Geek Squad support to their in-store pickup experience."[53]

In support of e-commerce expansion, Best Buy would use all of its distribution centers to support online fulfillment, providing access to stock closer to online customers.

To improve store productivity, the company began reducing the space allocated to declining, low-margin categories such as CDs and DVDs and expanding space for a wider range of mobile devices and appliances. Sales training was increased to support this move.

Joly reported that 49 large-format stores had been closed during the year and another five to 10 would close in the new fiscal year.

Just after Yahoo's widely discussed move in February 2013 to end work-from-home arrangements, Best Buy eliminated its "results-only work environment" (ROWE) policy. For years, Best Buy's headquarters employees had been able to set their own schedules and work remotely. Joly ended ROWE, explaining, "As the ship was sinking, all hands on deck."[54]

In March 2013, Best Buy committed to more comprehensive price matching. In April, the company announced that it would open Samsung boutiques in every one of its 1,400 U.S. stores by June 1.[55] Best Buy also announced that it had agreed to sell its 50% stake in Best Buy Europe, its joint venture with Carphone Warehouse, for $775 million.[56] In June 2013, Best Buy began adding 600 Windows stores-within-stores in a partnership with Microsoft Corporation.[57] The markets welcomed the progress. When second-quarter results were announced on August 20, 2013, the share price closed up 13% at $34.80.

However, the road to Renew Blue was not an easy one. The bestbuy.com site required a lot of work. Described by the *Wall Street Journal* as "a throwback to the digital Dark Ages,"[58] the website compared unfavorably to Amazon's: product information was limited, customer reviews sparse, search functionality weak, and recommendations poorly customized. Scott Durchslag, senior vice president of digital and marketing, described it as "a 10-year time warp in some ways."[59] However, the price gap with the competition had narrowed. Michael Baker, a retail analyst at Deutsche Bank, reported that televisions cost 2% to 4% more on bestbuy.com than on Amazon.com, compared to 9% to 11% a year earlier. (See **Exhibits 4a**, **4b**, and **4c** for data on overall, online, and offline sales.)

Four weeks before Thanksgiving, Best Buy began an advertising campaign encouraging its customers to use its stores as showrooms, claiming that they were "the ultimate holiday showroom."[60] Joly told the press, "A year ago, people said that showrooming would kill Best Buy. … I think that Best Buy has killed showrooming."[61] According to analysts, less than 10% of shoppers actually used Best Buy's price-match offer.

On November 19, 2013, Best Buy announced its results for the third quarter. (See **Exhibit 3a**.) Domestic comparable-store sales were up 1.7% compared to the previous year; online sales were up 15.1%; and another $115 million had been added to the Renew Blue savings, bringing the total to $505 million. Operating margins had risen from 0.1% to 1.0%. The Net Promoter score had risen four percentage points, and the company had begun fulfilling online purchases from 400 of its stores, opening up in-store inventory to Internet sales. Despite the good news, the markets were disappointed, and the share price dropped 11% from $43.56 to close at $38.78.[62]

Holiday shopping proved challenging for all bricks-and-mortar retailers. Research firm ShopperTrak estimated that they received roughly half the traffic in the 2013 season that they had received in 2010, with declines of 28.2% in 2011, 16.3% in 2012, and 14.6% in 2013. Shoppers visited an average of three stores per trip to the mall in 2013, compared to five in 2007. Best Buy reported holiday sales for the nine weeks to January 4 on January 16, 2014. Domestic comparable-store sales were down 0.9%, while comparable online sales were up 23.5%. Investors were disappointed, and the share price fell 35% in two days to close at $24.43 on January 17, 2014.[63]

For the fourth quarter ending on February 1, 2014, same-store sales fell 1.2%, but Joly claimed that Best Buy was gaining share in a weak market. Comparable online sales rose 25.8%. Annualized cost cuts attributable to Renew Blue totaled $765 million, ahead of the target of $725 million, and the company raised the target to $1 billion. The markets were unimpressed, and the share price languished at $25.57.[64]

Fiscal 2015: Sustained Improvements, Hopes Revived (February 2014 to January 2015)

By year-end at February 1, 2014, Best Buy had extended its online fulfillment to all of its 1,400 stores. By opening up $2 billion of inventory to customer and sales-assistant view, the expansion helped to boost online sales, which were up 29% in the first quarter of 2014 and 22% in the second quarter compared to the previous year. The ship-from-store capability accounted for more than half of the growth in online sales.[65] It also sped up shipments; as a result, between October 2013 and April 2014, Best Buy's average delivery time was shorter than Amazon's for the first time. One analyst believed that it would take 18 to 24 months for Best Buy's competitors to reach the same capability.[66] McCollam believed that ship-from-store would "go down in our history at Best Buy as one of the most important and strategic decisions that we made."[67]

However, in-store trading conditions in the United States remained difficult for the first half of 2014, with comparable-store sales down in the face of declining store traffic, although conversion rates rose. International performance was worse, with same-store sales falling 5.8% in the first quarter and 6.7% in the second. (See **Exhibit 3a**.) After second-quarter results were announced on August 26, 2014, the share price closed at $29.80.[68]

During the first half of 2014, Best Buy opened 24 new Pacific Kitchen and Home stores and 9 new Magnolia Design Centers as stores-within-stores. It also announced that it was to add 500 Samsung Entertainment and 350 Sony Experience stores-within-stores to its home-theater offering. In its Best Buy Mobile shops it began offering installment-billing plans for all three of the largest carriers (Verizon, AT&T, and Sprint). The Net Promoter score rose four percentage points above the previous year's, and savings from Renew Blue reached $900 million annually.[69]

Best Buy spent $20 million to overhaul all 43 of its stores in the Chicago area. Senior Market Director John Curley commented, "We want customers to enjoy the experience of shopping for technology as much as they enjoy using it."[70] Dallas-area stores were also refreshed in 2014.[71]

The second half of the year saw a recovery in same-store sales in the United States and continued rapid growth in online revenues. In October 2014, Deloitte published survey results on "webrooming," the consumer practice of researching products online before traveling to a physical store to make the purchase—the converse of showrooming. Of the shoppers surveyed, 49% were likely to showroom their holiday purchases, while 68% were likely to "webroom." By year-end at January 31, 2015, Best Buy had added a total of 71 Pacific Kitchen and Home and 34 Magnolia Design Center stores-within-stores in the United States. The $1 billion of Renew Blue savings had been achieved, and Joly announced Phase 2 of the initiative, targeting another $400 million over three years. The Net Promoter score was also up 4.5 percentage points since the beginning of the program. Online sales had risen to 9.8% of domestic revenue for the year from 7.2% two years earlier, with domestic online sales reaching 13.6% of domestic sales in the fourth quarter. The company announced that it intended to return $1 billion to shareholders over three years as part of a share buyback plan. After the announcement on March 3, 2015, the share price closed up at $39.18.[72]

While improvements in the United States were palpable, problems in international markets continued. In December 2014, Best Buy announced that it was to sell its China operations.[73]

Fiscal 2016: Mixed Results (February 2015 to January 2016)

In March 2015, Best Buy continued the consolidation of its international operations, announcing that it would close its Future Shop brand in Canada; 65 outlets would be converted to Best Buy stores, and 66 closed. The move left 136 Best Buy stores in Canada and 56 Best Buy Mobile stores.[74]

In domestic markets, the year got off to a slow start, with domestic comparable-store sales up 0.6% in the first quarter compared to the previous year and online sales 5.3% ahead. (See **Exhibit 3a**.) However, according to market research company NPD, the consumer electronics category (which represented 65% of Best Buy's business) had declined 5.3%, suggesting that Best Buy was still gaining share. (See **Exhibit 5** for market-size and distribution-channel data.) During the quarter, Best Buy launched a new mobile app integrated with Apple Pay and life-event wedding and gift registries.[75]

Growth picked up in the second quarter, with comparable-store domestic sales up 3.8%, a recent record, and online sales 17.0% ahead of the previous year.[76] Joly commented, "Our strategy of offering advice, service and convenience at competitive prices is paying off,"[77] and identified what he saw as the three competitive advantages that Best Buy enjoyed: multi-channel product and service delivery, display of leading-edge technologies for early adopters, and vendor support.

Joly reported the addition of 35 Pacific Kitchen and Home stores-within-stores and indicated that 225 Samsung Open House stores-within-stores, displaying kitchen and home appliances, were to be added by year-end. In home theater, five Magnolia Design Centers had been added, Samsung's home-theater centers had been expanded to 603, and Sony's to 372. Cost savings for Phase 2 of Renew Blue had reached $100 million by mid-year.

Over the summer, the first employees started work in Best Buy's new technology development center in Seattle. Engineers worked on the main Best Buy mobile app, as well as Geek Squad and iPad apps, to improve "the omnichannel customer experience."[78]

In the autumn of 2015, Best Buy tested same-day delivery in the San Francisco area in partnership with startup Deliv, which managed a fleet of independent drivers. Customers choosing this option would pay a variable fee. At the time, Amazon Prime members in 16 markets could choose same-day delivery of over 1 million products at no additional charge.[79]

Also in the San Francisco market in 2015, Best Buy overhauled its stores, following on the previous year's refreshes in Chicago and Dallas. It invested in retooling stores in Atlanta and New York as well. In the New York market, which had about 45 stores, Best Buy spent $5 million to $10 million. It expanded its Apple shops, positioning them near store entrances; increased staffing for store-pickup areas, creating dedicated pickup space to speed up the process; and designated concierge staff members to help shoppers find what they needed. The Chelsea store featured Chloe, a vending-machine robot.[80]

In-store comparable sales rose only 0.8% in the third quarter and fell 1.7% in the fourth. (See **Exhibit 3a**.) Growth in online sales also slowed. However, Joly reported that the market in the fourth quarter was down 5.1%, so Best Buy continued to grow share. The Net Promoter score was up three percentage points for the year, and $150 million of Renew Blue savings had been delivered. Domestic online revenue now represented 15.6% of sales. The share price closed at $32.24.[81]

Fiscal 2017, First Half: Strong Online Growth (February to August 2016)

At the beginning of the fiscal year, Best Buy "laid off a few dozen corporate employees."[82] Then, in a surprising shift of e-commerce strategy, Best Buy informed its 100 third-party sellers on February 23, 2016, that it was closing Marketplace the following day. One seller estimated that Best Buy would lose half of its SKUs, but Best Buy disputed this claim. According to the company, 70% of Marketplace items overlapped with Best Buy's own offerings, which undermined the company's goal of providing "a curated list of products" to customers.[83] Furthermore, Marketplace was responsible for "a tiny fraction of 1 percent of domestic revenue."[84] In contrast, Amazon, which offered 96 million products in its Electronics department, relied heavily on its Marketplace. According to one pricing-analytics firm, 99% of consumer-electronics SKUs and 86% of appliances listed on Amazon.com were from third-party sellers.[85]

On February 25, 2016, Best Buy forecasted flat sales for the new fiscal year, partly due to continued weakness in the smartphone market.[86] (See **Exhibit 6**.) However, Joly did see an opportunity in mobile phones: Best Buy could help customers choose the plan that would best meet their needs.[e] He explained, "Our strategy is to be an advocate for every phone order, by offering the best deal on plans

[e] In November 2016, the *Wall Street Journal* reported that Best Buy had 10% of the U.S. market for mobile-phone sales, a market that was dominated by wireless carriers.

and devices, impartial advice, and clarity and efficiency in what can be a complex process."[87] In late 2015, store employees had reviewed more than 1 million customers' plans, helping 50% of them realize that they could obtain a better deal. Customers who switched plans saved $35 per month on average.[88] For 2016, Joly saw growth opportunities in appliances, connected objects, and televisions.[89] He noted that Best Buy had reached "high penetration" of stores-within-stores.[90]

On April 6, 2016, Best Buy announced that it would now offer same-day delivery via Deliv in 13 markets. The average cost was $10 to $20 per order. (For printer ink, there was no charge.) The company noted that 70% of Americans lived "within 15 minutes of a Best Buy store."[91] Customers could "track their orders in real time."[92] The same day, Amazon announced that it was expanding free same-day delivery of eligible items for Prime customers to 11 new markets, for a total of 27.[93] Analysts speculated that Best Buy might eventually use its Geek Squad to fulfill same-day orders.[94]

Virtual reality (VR) attracted increasing attention in 2016. In May, Best Buy was "the first and only U.S. retailer where customers [could] try out [Oculus] Rift headsets."[95] For optimum performance, Rift headsets had to be used in conjunction with powerful computers, and Best Buy offered seven PCs that met the specifications.[96] By August, demos were available in 500 stores.[97] Joly had cautioned investors that the financial opportunity in VR would be "limited" in 2016.[98] Indeed, in early 2017 Facebook, owner of Oculus, decided to close about 200 of the demo stations. According to *Business Insider*, some of the pop-ups did not attract sufficient customer traffic.[99]

On May 24, 2016, Best Buy reported Q1 results that were better than expected.[100] (See **Exhibit 3b**.) However, the stock price fell 7.4% on the announcement that McCollam was stepping down as chief administrative and chief financial officer. Having led the roll-out of ship-from-store, she "became legendary within Best Buy's headquarters for having a deep and granular knowledge of the company's departments, so much that she stopped leaders in the hallways to suggest ways to make their divisions more efficient."[101] One analyst said, "Sharon has exceeded my wildest expectations."[102] Another told McCollam, "We'd welcome you out of retirement any time."[103] Some believed that her retirement marked the end of Renew Blue. David Magee wrote, "A good bit of the heavy lifting associated with the turnaround has been accomplished."[104] Best Buy provided lower-than-expected guidance for the summer quarter, which also hurt the stock price.[105]

At the shareholders' meeting in June, Joly revealed a new element of his growth strategy: in-home consultations. The Geek Squad already did installations and repairs, and Magnolia Design Center employees made visits to discuss home theaters, but this new service would involve a comprehensive look at customers' houses to devise a "personalized technology plan." Best Buy was testing the free service in San Antonio, Austin, and Atlanta.[106]

The next month, Standard & Poor's raised its rating on Best Buy's debt, citing "an operating margin trajectory that we think is sustainable." With this move, Best Buy had an investment-grade rating from all of the three major agencies.[107]

On August 23, 2016, one day after Best Buy's 50th anniversary celebration, the company reported a 23.7% increase in domestic comparable online sales.[108] (See **Exhibit 3b**.) The stock price jumped 20%, its largest one-day rise in over 15 years.[109] Joly reported that the company was piloting "in-store classes on topics such as digital photography, home automation, maximizing your Wi-Fi," and Internet safety for children.[110] The next month, Best Buy announced its Ignite program to feature innovative products from startups on its website and in stores.[111]

Blue Renewed?

On November 17, 2016, Best Buy reported that domestic comparable online sales had risen 24.1% in the third quarter.[112] (See **Exhibit 3b**.) The stock price jumped yet again, and Wall Street began suggesting that the turnaround at Best Buy was complete. Peter Keith of Piper Jaffray remarked, "My view is they have eliminated the online threat of Amazon. It's still there—but they're not losing share to Amazon anymore."[113] Ben Conwell, a former Amazon executive, commented, "I personally have tremendous respect for what new leadership has done here over the last four or five years. There were a lot of us at Amazon in 2012 that thought this was really going to fail. [We thought], 'Here's an opportunity to buy a tremendous amount of inventory or buy a tremendous amount of infrastructure.' Amazon was a bit of a vulture quietly circling around Best Buy. Fast-forward ahead a few years, and it's been a remarkable turnaround."[114] (See **Exhibit 7** for comparisons of Best Buy's and Amazon's prices.)

Just before Thanksgiving, Google announced that it would be Best Buy's newest vendor partner in Canada. The stores-within-stores would feature Google products such as Pixel phones, Daydream View VR headsets, and Chromecast Ultra streaming devices.[115]

In December, Best Buy unveiled a new format when it opened five outlet stores. For eight hours each day from Friday through Sunday only, the outlets sold floor models, returned items that had been opened, and clearance merchandise. They were located on sites where Best Buy no longer wanted to operate a conventional store but had time remaining on its lease.[116]

Best Buy 2020: Building the New Blue

We now feel it is time to call Renew Blue officially over and launch our strategy for the next phase of our journey: Best Buy 2020: Building the New Blue. In this next phase, we go from turning the company around to shaping our future and creating a company customers and employees love that continues to generate a superior return for our shareholders. We are driven by our purpose to help customers pursue their passions and enrich their lives with the help of technology.[117]

— Joly, March 1, 2017, earnings release

When Best Buy reported its 2016 results, Joly confirmed observers' speculations that Renew Blue was complete. In light of performance improvements, the time had come to proclaim a new growth strategy. Joly explained, "In my turnaround manual, which I have, you don't start with strategy. You start with improving what you have. Then you work on strategy later, and that's where we are. Now we're focused on growth and trying to define what we want to look like when we grow up."[118]

The "three pillars" of the "Best Buy 2020: Building the New Blue" strategy were:

1. "Maximize the multi-channel retail business;
2. Provide services and solutions that solve real customer needs; and
3. Accelerate growth in Canada and Mexico."[119]

For the new fiscal year, the company's four specific priorities were to "explore and pursue growth opportunities around the pillars … improve execution in key areas … continue to reduce cost and drive efficiencies throughout the business … [and] build the capabilities necessary to deliver on the first three priorities, which [would] involve making investments in people and systems."[120]

Developments in 2017 at three competitors seemed promising for Best Buy. First, RadioShack's owner filed for Chapter 11 bankruptcy protection on March 8.[121] Then, appliance and consumer-electronics retailer hhgregg announced on April 7 that it would liquidate all 220 of its stores. According to Deutsche Bank, Best Buy could pick up $335 million in sales from the hhgregg closings.[122] A few months earlier, Joly had said that he expected some of Best Buy and Amazon's smaller competitors to exit the electronics sector.[123] For its part, Amazon began on April 1, 2017, to collect sales tax in four additional states. With this move, it now charged tax in all 45 states that had sales taxes. Amazon had in recent years established physical presences in more and more jurisdictions,[f] accepting new tax requirements for the sake of speeding up delivery.[124]

In March 2017, Best Buy reorganized its executive team. Mary Lou Kelley, president of e-commerce, would leave as responsibility for e-commerce shifted to Shari Ballard, head of U.S. retail. The chief marketing officer would now report to the chief merchandising officer. These changes reflected the blurring of boundaries between channels and the interplay between merchandising and marketing thanks to vendor partnerships.[125]

For fiscal 2018, Best Buy expected revenue and operating income to be "approximately flat."[126] Nevertheless, Joly was optimistic as he embarked on Building the New Blue: "It's an exciting phase because we've earned the right to not just look at the next quarter, but look at the next several years and strategically look at the customer needs, the opportunities and the role we want to play."[127]

The Road to Best Buy 2020: Year One (Fiscal 2018)

On May 25, 2017, Best Buy reported first-quarter results that exceeded expectations. Domestic comparable sales were up 1.4%, versus the company's forecast of a 1.5% to 2.5% decline. The stock price lifted 21% to exceed $60 for the first time in history. Analyst David Schick of Consumer Edge Research wrote, "These results are changing lots of minds this morning as to the efficacy and durability of their turnaround."[128] On the earnings call, Joly announced that Best Buy had achieved its targeted $400 million in cost reductions and gross-profit optimization three quarters early, so it was setting a new target: a further $600 million by the end of fiscal 2021.[129]

Joly also disclosed that Best Buy would expand the In-Home Advisor program, first announced in June 2016, nationwide later in 2017.[130] The service was free to customers, but Joly believed that it was worth the investment, noting that in-home customers spent more on average. Advisors, who were not paid on commission, helped customers identify needs that might not come up in store-based conversations, and they could generate business for the Geek Squad. Amazon was also moving into in-home consultations, focusing on "smart home" products. Joly commented, "This is not a zero-sum game between Amazon and Best Buy. There's room, frankly, for several players."[131]

At the end of August, Best Buy reported Q2 results. Comparable sales had risen 5.4%, but Joly cautioned analysts, "We do not believe that mid-single-digit comps are a new normal." His remarks, combined with CFO Corie Barry's announcement of additional investments in e-commerce and the supply chain, concerned some investors, and the share price dropped 12%.[132]

On September 19, 2017, Best Buy held an investor day at headquarters in Richfield, Minnesota. It began the day by issuing a press release with more details about Best Buy 2020, including financial targets for 2020 (fiscal 2021). (See **Exhibit 8**.) The company expected annual revenue growth of 2.2%

[f] For more information, please see John R. Wells, Galen Danskin, and Gabriel Ellsworth, "Amazon.com, 2016," HBS No. 716-402 (Boston: Harvard Business School Publishing, 2016).

for the four years to 2020 and stable operating margins of around 4.5%.[133] These predictions were below what analysts had expected, and the stock price dropped 8%.[134]

At the afternoon meeting with investors, Mike Mohan, chief merchandising and marketing officer, explained the logic of Best Buy's three main efforts to expand what it sold. First, smart home management was a promising market, expected to grow from $23 billion in 2015 to $41 billion in 2020, and Best Buy had five competitive advantages in smart home: curated assortment, targeted marketing, needs-based demonstrations, needs-based selling expertise, and Geek Squad support. Second, the "connected health and wellness market" had even faster projected growth (from $19 billion in 2015 to $48 billion in 2020), and Best Buy's Assured Living offering would benefit from this growth. Assured Living, which served both seniors and those who cared for them, was currently in two pilot markets. Third, there was an $85 billion market for technical services, and Best Buy's new Total Tech Support offering would expand the company's scope within that market. With Total Tech Support, Best Buy would help customers with all products in their household (no matter where they were purchased). Members paid $199 per year or $19.99 per month to receive unlimited support on the phone, online, or in stores. They could also enjoyed discounts on home visits ($49.99) and warranties.[135]

In mid-November, Best Buy reported Q3 results. It raised its outlook for Q4 to include comparable sales growth of 1.0% to 3.0%, but these figures would still be significantly lower than the growth seen in Q2 and Q3. The stock price dropped 4%. Joly reported that Best Buy had underestimated demand for in-home advisors, so customers had to wait about a week for an appointment. Best Buy planned to increase the number of advisors from 300 to 375 by early 2018.[136]

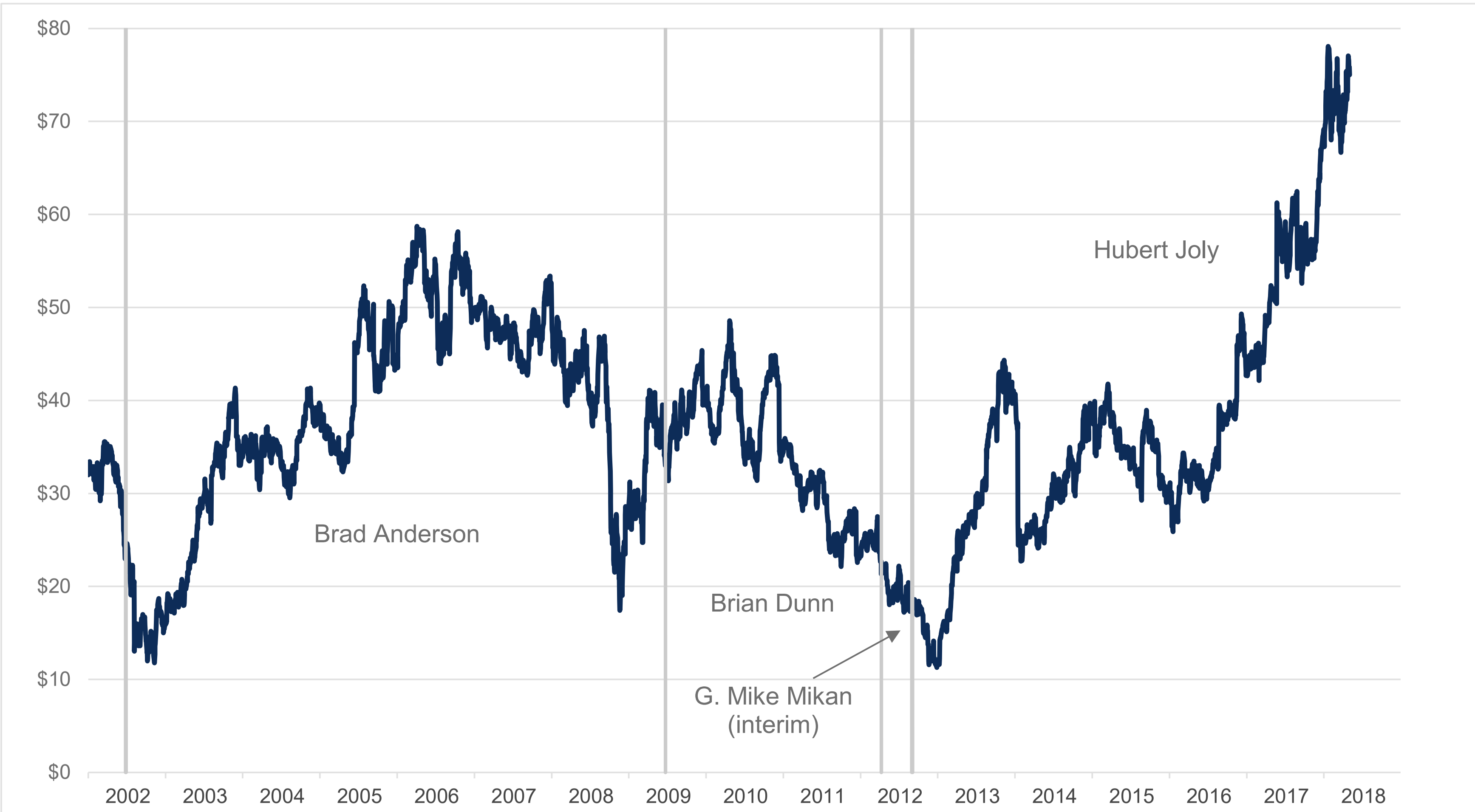
As it headed into the 2017 holiday season, Best Buy expanded same-day delivery to 40 markets, adding Geodis to its list of delivery partners (which still included Deliv). The fee for customers dropped from $14.99 to $5.99.[137]

At the end of February 2018, Joly told employees that all 250 of Best Buy's domestic mobile-phone stores would be closed within the next three months. Profits from these 1,400-square-foot stores, which accounted for 1% of Best Buy's sales and square footage and were mostly located in shopping malls, had declined. But Best Buy was not exiting the phone business, in which it had a 6% share; rather, the company was working on "Mobile 2020," an effort to remodel mobile-phone departments within its traditional stores.[138]

On March 1, 2018, Best Buy reported Q4 results that exceeded expectations. The 9.0% jump in comparable sales represented the largest quarterly increase since 2004. For the full year, domestic online sales reached $6.0 billion, up from $2.5 billion five years earlier. (See **Exhibit 9**.) Joly reported that in Q4, the company completed $135 million of the $600 million in productivity improvements targeted by fiscal 2021. For fiscal 2019, the company predicted moderate comparable sales growth of "flat to 2%." The stock price rose 4% on the day.[139]

As Joly began a second year of leading the company through its Best Buy 2020 strategy, he remained sanguine about Best Buy's sustainability in the midst of competition from Amazon. Joly told Reuters, "We have not only survived but thrived and I don't believe this is a winner-takes-all market."[140] Anthony Chukumba, analyst at Loop Capital Markets, put it more strongly: "They [Best Buy] are post-Amazon. They've become the poster child for how to compete in this environment."[141] (See **Exhibit 10**.)

Exhibit 1 Stock Price, 2002–2018



Source: Casewriter, based on Best Buy stock price, Capital IQ, Inc., a division of Standard & Poor's.

Notes: Stock price is shown from January 2, 2002, through May 3, 2018. Vertical lines demarcate CEO transitions. The maximum value shown is $78.06 for January 22, 2018.

Exhibit 2 Financials, 2007–2017 (in millions of dollars)

Closest Calendar Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fiscal Year Ended	**Mar-08**	**Feb-09**	**Feb-10**	**Feb-11**	**Mar-12**	**Feb-13**	**Feb-14**	**Jan-15**	**Jan-16**	**Jan-17**	**Feb-18**
Total Revenue	40,023	45,015	49,694	50,272	50,705	49,184	42,410	40,339[a]	39,528	39,403	42,151
Change from Previous Year	11.4%	12.5%	10.4%	1.2%	0.9%	-3.0%	-13.8%	-4.9%	-2.0%	-0.3%	7.0%
Comparable Sales Change	2.9%	-1.3%	0.6%	-1.8%	-1.7%	-2.9%	-0.8%	0.5%	0.5%	0.3%	5.6%
Domestic Segment	33,328	35,070	37,314	37,186	37,615	36,374	35,831	36,055	36,365	36,248	38,662
Change from Previous Year	7.4%	5.2%	6.4%	-0.3%	1.2%	-3.3%	-1.5%	0.6%	0.9%	-0.3%	6.7%
Comparable Sales Change	1.9%	-1.3%	1.7%	-3.0%	-1.6%	-1.7%	-0.4%	1.0%	0.5%	0.2%	5.6%
Online Revenue[b]	NA	NA	NA	NA	NA	7.2%	8.5%	9.8%	11.0%	13.4%	15.5%
Online Growth[c]	30%	21%	22%	13%	18%	11.4%	19.8%	16.7%	13.5%	20.8%	21.8%
International Segment	6,695	9,945	12,380	13,086	13,090	12,809	6,579	4,284	3,163	3,155	3,489
Change from Previous Year	36.5%	48.5%	24.5%	5.7%	0.0%	-2.1%	-48.6%	-34.9%	-26.2%	-0.3%	10.6%
Comparable Sales Change	9.0%	-0.9%	-3.7%	2.4%	-2.1%	-6.9%	-3.1%	-3.5%	N/A	N/A	6.3%
Outside U.S. and Canada	1,309	4,771	7,314	7,618	7,455	7,553	2,057	237	246	256	302
Cost of Goods Sold	(30,477)	(34,017)	(37,534)	(37,611)	(38,113)	(37,565)	(32,720)	(31,292)	(30,334)	(29,963)	(32,275)
Gross Profit	9,546	10,998	12,160	12,637	12,573	11,617	9,690	9,047	9,191	9,440	9,876
SG&A Expenses	(7,385)	(8,984)	(9,873)	(10,325)	(10,242)	(10,366)	(8,391)	(7,592)	(7,618)	(7,547)	(8,023)
Operating Income	2,161	1,870	2,235	2,114	1,085	-136	1,140	1,450	1,375	1,854	1,843
Net Income	1,407	1,003	1,317	1,277	-1,231	-481	532	1,233	897	1,228	1,000
Gross Margin	23.9%	24.4%	24.5%	25.1%	24.8%	23.6%	22.8%	22.4%	23.3%	24.0%	23.4%
Domestic	24.5%	24.6%	24.2%	25.1%	24.4%	23.5%	23.1%	22.4%	23.3%	23.9%	23.4%
International	20.7%	23.9%	25.3%	25.1%	25.9%	23.9%	21.5%	22.6%	22.4%	25.0%	23.2%
SG&A (% of Revenue)	18.5%	20.0%	19.9%	20.5%	20.2%	21.1%	19.8%	18.8%	19.3%	19.2%	19.0%
Operating Margin	5.4%	4.2%	4.5%	4.2%	2.1%	-0.3%	2.7%	3.6%	3.5%	4.7%	4.4%
Net Profit Margin	3.5%	2.2%	2.7%	2.5%	-2.4%	-1.0%	1.3%	3.1%	2.3%	3.1%	2.4%

Closest Calendar Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fiscal Year Ended	**Mar-08**	**Feb-09**	**Feb-10**	**Feb-11**	**Mar-12**	**Feb-13**	**Feb-14**	**Jan-15**	**Jan-16**	**Jan-17**	**Feb-18**
Retail Square Footage (000)	48,580	54,255	56,111	58,105	59,637	57,281	54,923	48,186	45,759	45,339	44,781
Domestic	37,511	40,924	42,488	43,660	43,785	42,232	42,051	41,716	41,216	40,828	40,179
International	11,069	13,331	13,623	14,445	15,852	15,049	12,872	6,470	4,543	4,511	4,602
Sales per Square Foot ($)	824	830	886	865	850	859	772	837	864	869	941
Domestic	888	857	878	852	859	861	852	864	882	888	962
International	605	746	909	906	826	851	511	662	696	699	758
Number of Employees (000)	150	155	180	180	167	165	140	125	125	125	125
Sales per Employee (000)	267	290	276	279	304	298	303	323	316	315	337
Inventory	4,708	4,753	5,486	5,897	5,731	6,571	5,376	5,174	5,051	4,864	5,209
Inventory Turn	6.5x	7.2x	6.8x	6.4x	6.7x	5.7x	6.1x	6.0x	6.0x	6.2x	6.2x
Total Assets	12,758	15,826	18,302	17,849	16,005	16,787	14,013	15,256	13,519	13,856	13,049
Working Capital	573	-243	1,588	1,810	1,442	1,237	3,049	3,952	2,961	3,394	2,012
Capital Employed	5,989	7,391	9,324	9,186	7,150	5,977	6,577	7,479	6,594	6,734	5,232
Operating Income / Capital Employed	36.1%	25.3%	24.0%	23.0%	15.2%	-2.3%	17.3%	19.4%	20.9%	27.5%	35.2%

Source: Casewriter, based on data from annual reports and Best Buy financials, Capital IQ, Inc., a division of Standard & Poor's.

Note: All of the fiscal years shown comprised either 52 or 53 weeks except FYE February 2013, which comprised 48 weeks (11 months). For that year, values shown above have been enlarged to 52-week-equivalent amounts.

[a] This figure excludes revenue from discontinued operations in China.

[b] Online revenue as a percentage of domestic revenue.

[c] The FYE February 2009 figure is for consolidated operations, not domestic operations in particular. For FYE February 2013 and later years, the growth figures were for "comparable" online sales.

Exhibit 3a Quarterly Results, Mid-2012 through 2015

Calendar Year (Fiscal)	2012 (FY13)		2013 (FY14)				2014 (FY15)				2015 (FY16)			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Quarter Ended	**Nov-12**	**Feb-13**	**May-13**	**Aug-13**	**Nov-13**	**Feb-14**	**May-14**	**Aug-14**	**Nov-14**	**Jan-15**	**May-15**	**Aug-15**	**Oct-15**	**Jan-16**
Domestic														
Revenues	7,673	12,550	7,979	7,809	7,847	12,298	7,781	7,585	7,992	12,697	7,890	7,878	8,090	12,507
Versus Last Year	-13.6%	-0.4%	-9.6%	0.1%	2.3%	-2.0%	-2.5%	-2.9%	1.8%	3.2%	1.4%	3.9%	1.2%	-1.5%
Same-Store Chng	-4.0%	0.9%	-1.1%	-0.4%	1.7%	-1.2%	-1.3%	-2.0%	3.2%	2.8%	0.6%	3.8%	0.8%	-1.7%
Comp Online Chng[a]		11.2%	16.3%	10.5%	15.1%	25.8%	29.2%	22.0%	21.6%	9.7%	5.3%	17.0%	18.3%	13.7%
Gross Profit	1,855	2,809	1,871	2,136	1,849	2,454	1,763	1,778	1,841	2,698	1,886	1,946	1,948	2,704
% of Sales	24.2%	22.4%	23.4%	27.4%	23.6%	20.0%	22.7%	23.4%	23.0%	21.2%	23.9%	24.7%	24.1%	21.6%
SG&A	(1,805)	(2,076)	(1,648)	(1,715)	(1,714)	(1,964)	(1,535)	(1,521)	(1,632)	(1,951)	(1,584)	(1,636)	(1,702)	(1,975)
% of Sales	23.5%	16.5%	20.7%	22.0%	21.8%	16.0%	19.7%	20.1%	20.4%	15.4%	20.1%	20.8%	21.0%	15.8%
Op. Income	16	649	222	420	111	393	226	258	204	749	304	309	244	728
% of Sales	0.2%	5.2%	2.8%	5.4%	1.4%	3.2%	2.9%	3.4%	2.6%	5.9%	3.9%	3.9%	3.0%	5.8%
International														
Revenues	3,080	4,161	1,401	1,491	1,515	2,172	1,254	1,311	1,388	1,512[b]	668	650	729	1,116
Versus Last Year	-4.2%	3.3%	-49.7%	-45.7%	-50.8%	-47.8%	-10.5%	-12.1%	-8.4%	-30.4%	-46.7%	-50.4%	-47.5%	-26.2%
Same-Store Chng	-5.2%	-6.6%	-2.8%	-1.8%	-6.4%	-1.7%	-5.8%	-6.7%	-3.0%	-4.0%	N/A[c]	N/A	N/A	N/A
Gross Profit	731	972	299	333	321	463	257	277	287	328	144	152	164	247
% of Sales	23.7%	23.4%	21.3%	22.3%	21.2%	21.3%	20.5%	21.1%	20.7%	21.7%	21.6%	23.4%	22.5%	22.1%
SG&A	(733)	(826)	(348)	(334)	(334)	(369)	(285)	(291)	(297)	(272)	(182)	(175)	(172)	(192)
% of Sales	23.8%	19.9%	24.8%	22.4%	22.0%	17.0%	22.7%	22.2%	21.4%	18.0%	27.2%	26.9%	23.6%	17.2%
Op. Income	-4	-794	-54	-7	-20	76	-29	-20	-14	61	-218	-21	-14	43
% of Sales	-0.1%	-19.1%	-3.9%	-0.5%	-1.3%	3.5%	-2.3%	-1.5%	-1.0%	4.0%	-32.6%	-3.2%	-1.9%	3.9%

Calendar Year (Fiscal)	2012 (FY13)		2013 (FY14)				2014 (FY15)				2015 (FY16)			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Quarter Ended	Nov-12	Feb-13	May-13	Aug-13	Nov-13	Feb-14	May-14	Aug-14	Nov-14	Jan-15	May-15	Aug-15	Oct-15	Jan-16
Total														
Revenues	10,753	16,711	9,380	9,300	9,362	14,470	9,035	8,896	9,380	14,209	8,558	8,528	8,819	13,623
Versus Last Year	-11.1%	0.5%	-19.2%	-11.8%	-12.9%	-13.4%	-3.7%	-4.3%	0.2%	-1.8%	-5.3%	-4.1%	-6.0%	-4.1%
Same-Store Chng	-4.3%	-0.8%	-1.3%	-0.6%	0.3%	-1.2%	-1.9%	-2.7%	2.2%	2.0%	0.6%	3.8%	0.8%	-1.7%
Gross Profit	2,586	3,781	2,170	2,469	2,170	2,917	2,020	2,055	2,128	3,026	2,030	2,098	2,112	2,951
% of Sales	24.0%	22.6%	23.1%	26.5%	23.2%	20.2%	22.4%	23.1%	22.7%	21.3%	23.7%	24.6%	23.9%	21.7%
SG&A	(2,538)	(2,902)	(1,996)	(2,049)	(2,048)	(2,333)	(1,820)	(1,812)	(1,929)	(2,223)	(1,766)	(1,811)	(1,874)	(2,167)
% of Sales	23.6%	17.4%	21.3%	22.0%	21.9%	16.1%	20.1%	20.4%	20.6%	15.6%	20.6%	21.2%	21.2%	15.9%
Op. Income	12	-145	168	413	91	469	197	238	190	810	86	288	230	771
% of Sales	0.1%	-0.9%	1.8%	4.4%	1.0%	3.2%	2.2%	2.7%	2.0%	5.7%	1.0%	3.4%	2.6%	5.7%
CE Market Growth[d]						-3.2%	-2.6%	-2.5%	-0.2%	-3.2%	-5.3%	-1.3%	-4.3%	-5.1%
Net Promoter Score: Year-over-Year Change (basis points)				300	400	300	250	400	0					300

Source: Casewriter, based on data from quarterly earnings releases and earnings-call transcripts.

[a] Comparable online sales % change. For the quarter ended February 2013, Best Buy did not specify "comparable."

[b] This figure excludes revenue from operations in China. In December 2014, Best Buy announced the sale of these operations.

[c] Best Buy indicated that due to the elimination of the Future Shop brand in Canada, it could not report a comparable sales metric.

[d] The NPD Group measured revenue for the U.S. consumer electronics industry, including televisions, computers, tablets (except for Kindle), and digital imaging. Its industry definition did not include mobile phones, games, movies, music, appliances, or services.

Exhibit 3b Quarterly Results, 2015 through 2017

Calendar Year (Fiscal)	2015 (FY16)				2016 (FY17)				2017 (FY18)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4[a]
Quarter Ended	**May-15**	**Aug-15**	**Oct-15**	**Jan-16**	**Apr-16**	**Jul-16**	**Oct-16**	**Jan-17**	**Apr-17**	**Jul-17**	**Oct-17**	**Feb-18**
Domestic												
Revenues	7,890	7,878	8,090	12,507	7,829	7,889	8,192	12,338	7,912	8,272	8,491	13,987
Versus Last Year	1.4%	3.9%	1.2%	-1.5%	-0.8%	0.1%	1.3%	-1.4%	1.1%	4.9%	3.6%	13.4%
Same-Store Chng	0.6%	3.8%	0.8%	-1.7%	-0.1%	0.8%	1.8%	-0.9%	1.4%	5.4%	4.5%	9.0%
Comp Online Chng[b]	5.3%	17.0%	18.3%	13.7%	23.9%	23.7%	24.1%	17.5%	22.5%	31.2%	22.3%	17.9%
Gross Profit	1,886	1,946	1,948	2,704	1,986	1,895	2,020	2,749	1,871	1,985	2,096	3,113
% of Sales	23.9%	24.7%	24.1%	21.6%	25.4%	24.0%	24.7%	22.3%	23.6%	24.0%	24.7%	22.3%
SG&A	(1,584)	(1,636)	(1,702)	(1,975)	(1,587)	(1,608)	(1,720)	(1,940)	(1,573)	(1,669)	(1,751)	(2,311)
% of Sales	20.1%	20.8%	21.0%	15.8%	20.3%	20.4%	21.0%	15.7%	19.9%	20.2%	20.6%	16.5%
Op. Income	304	309	244	728	372	289	298	805	298	316	345	793
% of Sales	3.9%	3.9%	3.0%	5.8%	4.8%	3.7%	3.6%	6.5%	3.8%	3.8%	4.1%	5.7%
International												
Revenues	668	650	729	1,116	614	644	753	1,144	616	668	829	1,376
Versus Last Year	-46.7%	-50.4%	-47.5%	-26.2%	-8.1%	-0.9%	3.3%	2.5%	0.3%	3.7%	10.1%	20.3%
Same-Store Chng[c]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.9%	4.0%	4.7%	3.8%	9.9%
Gross Profit	144	152	164	247	159	167	183	281	151	168	184	308
% of Sales	21.6%	23.4%	22.5%	22.1%	25.9%	25.9%	24.3%	24.6%	24.5%	25.1%	22.2%	22.4%
SG&A	(182)	(175)	(172)	(192)	(157)	(165)	(170)	(200)	(149)	(161)	(181)	(228)
% of Sales	27.2%	26.9%	23.6%	17.2%	25.6%	25.6%	22.6%	17.5%	24.2%	24.1%	21.8%	16.6%
Op. Income	-218	-21	-14	43	0	0	14	76	2	5	5	79
% of Sales	-32.6%	-3.2%	-1.9%	3.9%	0.0%	0.0%	1.9%	6.6%	0.3%	0.7%	0.6%	5.7%

Calendar Year (Fiscal)	2015 (FY16)				2016 (FY17)				2017 (FY18)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4[a]
Quarter Ended	May-15	Aug-15	Oct-15	Jan-16	Apr-16	Jul-16	Oct-16	Jan-17	Apr-17	Jul-17	Oct-17	Feb-18
Total												
Revenues	8,558	8,528	8,819	13,623	8,443	8,533	8,945	13,482	8,528	8,940	9,320	15,363
Versus Last Year	-5.3%	-4.1%	-6.0%	-4.1%	-1.3%	0.1%	1.4%	-1.0%	1.0%	4.8%	4.2%	14.0%
Same-Store Chng	0.6%	3.8%	0.8%	-1.7%	-0.1%	0.8%	1.8%	-0.7%	1.6%	5.4%	4.4%	9.0%
Gross Profit	2,030	2,098	2,112	2,951	2,145	2,062	2,203	3,030	2,022	2,153	2,280	3,421
% of Sales	23.7%	24.6%	23.9%	21.7%	25.4%	24.2%	24.6%	22.5%	23.7%	24.1%	24.5%	22.3%
SG&A	(1,766)	(1,811)	(1,874)	(2,167)	(1,744)	(1,773)	(1,890)	(2,140)	(1,722)	(1,830)	(1,932)	(2,539)
% of Sales	20.6%	21.2%	21.2%	15.9%	20.7%	20.8%	21.1%	15.9%	20.2%	20.5%	20.7%	16.5%
Op. Income	86	288	230	771	372	289	312	881	300	321	350	872
% of Sales	1.0%	3.4%	2.6%	5.7%	4.4%	3.4%	3.5%	6.5%	3.5%	3.6%	3.8%	5.7%
CE Market Growth[d]	-5.3%	-1.3%	-4.3%	-5.1%	-1.9%	-3.2%	-3.1%	-2.8%	~-3.2%	+1.1%	~+2%	
Net Promoter Score: Year-over-Year Change (basis points)				300	600	500	400					

Source: Casewriter, based on data from quarterly earnings releases and earnings-call transcripts.

[a] Q4 2018 comprised 14 weeks rather than 13. Comparable sales figures for the quarter exclude the contribution of the extra week.

[b] Comparable online sales % change.

[c] Best Buy indicated that due to the elimination of the Future Shop brand in Canada, it could not report a comparable sales metric during 2015 and most of 2016.

[d] The NPD Group measured revenue for the U.S. consumer electronics industry, including televisions, computers, tablets (except for Kindle), and digital imaging. Its industry definition did not include mobile phones, games, movies, music, appliances, or services. Beginning with the quarter ended April 2016, Best Buy reported that Apple Watch was not included. Beginning with the quarter ended July 2016, Best Buy reported that Amazon-branded products were not included.

Exhibit 4a Leading Retailers of Consumer Electronics and Major Appliances in the United States, 2005–2016

Share of Top 100	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Best Buy	19.0%	19.8%	20.8%	21.5%	23.8%	22.9%	22.2%	21.5%	20.9%	20.7%	20.6%	20.5%
Amazon	0.8%	1.1%	1.6%	2.2%	3.3%	5.3%	7.8%	8.3%	10.0%	11.6%	14.3%	17.6%
Walmart	13.2%	12.5%	14.2%	14.8%	15.5%	15.3%	15.4%	16.6%	16.6%	16.0%	15.9%	14.8%
Apple Retail Stores	2.1%	2.1%	2.8%	4.3%	4.8%	5.7%	7.2%	7.5%	7.6%	7.9%	8.0%	7.5%
Lowe's	3.1%	3.1%	3.0%	3.0%	3.4%	3.6%	3.5%	3.4%	3.8%	3.8%	4.1%	4.3%
Costco	2.8%	2.9%	3.5%	3.4%	3.7%	3.4%	3.4%	3.4%	3.3%	3.4%	3.6%	3.7%
The Home Depot	2.8%	3.0%	2.9%	2.5%	2.4%	2.4%	2.2%	2.4%	2.8%	3.1%	3.3%	3.6%
Sears	9.8%	9.1%	8.2%	7.8%	7.4%	7.1%	6.6%	6.4%	4.9%	4.9%	3.9%	3.4%
Target	3.6%	3.9%	4.1%	4.2%	4.7%	4.4%	4.2%	3.9%	3.7%	3.7%	3.6%	3.3%
GameStop	1.8%	2.3%	2.9%	3.4%	3.2%	3.3%	3.1%	2.9%	2.8%	2.8%	2.6%	2.1%
Dell	6.4%	5.3%	5.0%	4.0%	3.4%	2.9%	2.3%	1.9%	1.8%	1.5%	1.5%	1.5%
RadioShack	3.5%	3.2%	2.7%	2.6%	2.8%	2.7%	2.2%	2.1%	1.9%	1.6%	0.8%	0.6%
Circuit City	7.9%	8.2%	7.3%	5.7%								
CompUSA	3.2%	2.9%	1.6%									
CE & Majap Sales of the Top 100 Retailers ($ millions)	**128,415**	**137,661**	**145,423**	**148,575**	**142,771**	**151,075**	**155,749**	**155,958**	**156,515**	**157,205**	**162,439**	**165,517**

Source: Casewriter, based on *TWICE* Top 100 Retailers of CE & Majaps rankings.

Notes: *TWICE* ranked retailers by their sales of consumer electronics and major appliances. This table includes all companies that were ranked in the top 10 for at least one of the years 2005–2016. *TWICE* reported sales for certain subsidiaries separately: Pacific Sales Kitchen & Bath and Magnolia Audio Video (Best Buy); Sam's Club (Walmart); Kmart, The Great Indoors, and Standards of Excellence North/Monark (Sears); EXPO Design Center (The Home Depot); Simply Mac (GameStop); and Alienware (Dell). For this table, sales of these subsidiaries have been combined with sales of their parents, with the exception of Simply Mac, whose 2015 sales were not large enough to change GameStop's ranking. Figures for 2015 were drawn from the ranking published in July 2017.

Exhibit 4b Sales of Top U.S. Online Consumer Electronics Retailers, 2012 and 2016 ($ millions)

	2012			2016		
Rank		**Online CE sales**	**% Online**		**Online CE sales**	**% Online**
1	Amazon	12,921	100%	Amazon	28,950	100%
2	Apple Retail Stores	5,044	43%	Apple	4,232	34%
3	Walmart	3,223	15%	Best Buy	3,988	13%
4	Best Buy	2,985	10%	Walmart	3,583	17%
5	Dell	2,876	100%	Newegg	2,558	100%
6	Newegg.com	2,774	100%	Dell	2,485	100%
7	TigerDirect	1,243	87%	Costco	941	16%
8	Hewlett-Packard	781	100%	Hewlett-Packard	684	100%
9	Costco	716	14%	Target	683	13%
10	Target	433	7%	Groupon	392	100%
	Top 20 Total	35,600		Top 25 Total	52,407	
	Shares of Top 10			Shares of Top 10		
	Amazon	39.2%		Amazon	59.7%	
	Apple	15.3%		Apple	8.7%	
	Best Buy	9.0%		Best Buy	8.2%	
	Walmart	9.8%		Walmart	7.4%	

Source: Casewriter, based on *TWICE* Top CE E-tailers rankings.

Note: The "% Online" columns show online sales as a percentage of total sales. For this table, sales of subsidiaries (e.g., Sam's Club for Walmart) are not included.

Exhibit 4c Leading U.S. Traditional Consumer Electronics Retailers, 2016 ($ millions)

Rank		**2016 Traditional CE Sales**	**Online Sales (% of Total Sales)**
1	Best Buy	26,688	13%
2	Walmart	17,496	17%
3	Apple	8,214	34%
4	Costco	4,938	16%
5	Target	4,574	13%
6	GameStop	3,124	9%
7	Micro Center	2,231	11%
8	Sam's Club	2,025	12%
9	Sears	1,132	10%
10	Office Depot	1,128	8%

Source: Casewriter, based on *TWICE* Top 100 Retailers of CE & Major Appliances and Top 25 CE E-tailers rankings.

Note: "Traditional" refers to non-online sales.

Exhibit 5 Market Sizes and Distribution Channels for Consumer Electronics and Appliances in North America, 2002–2016

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Consumer Electronics and Appliances	**108,555**	**118,821**	**130,621**	**142,038**	**154,332**	**162,477**	**166,454**	**158,990**	**170,406**	**179,119**	**185,876**	**188,355**	**188,515**	**189,037**	**189,845**
Consumer Electronics	61,335	67,245	73,297	80,915	91,084	99,251	104,808	102,331	111,642	118,818	123,903	123,006	119,954	117,868	115,147
Consumer Appliances	47,220	51,576	57,323	61,123	63,249	63,226	61,646	56,659	58,764	60,302	61,973	65,350	68,561	71,169	74,699
Consumer Electronics: Distribution by Channel (%)															
Store-Based Retailing	**89.8**	**89.0**	**88.6**	**87.6**	**87.0**	**86.1**	**85.2**	**84.3**	**83.1**	**81.2**	**78.9**	**77.2**	**76.3**	**74.7**	**74.2**
Electronics and Appliance Specialists	60.7	60.1	59.9	58.7	58.7	57.3	57.1	56.8	56.6	56.7	56.4	56.3	56.5	55.7	55.2
Mixed Retailers	12.9	12.4	12.3	12.6	12.4	13.0	12.9	12.4	11.9	11.0	9.9	9.2	8.7	8.3	8.2
Hypermarkets	9.3	9.4	9.6	10.2	10.2	10.8	10.8	11.1	10.7	10.3	9.8	9.3	8.9	8.7	8.7
Internet Retailing	**8.9**	**9.8**	**10.4**	**11.4**	**12.2**	**13.2**	**14.1**	**15.2**	**16.5**	**18.5**	**21.0**	**22.7**	**23.6**	**25.2**	**25.8**
Consumer Appliances: Distribution by Channel (%)															
Store-Based Retailing	**95.8**	**95.4**	**94.8**	**94.3**	**93.9**	**93.6**	**93.1**	**91.9**	**90.4**	**88.4**	**86.2**	**84.7**	**83.7**	**82.9**	**82.0**
Hypermarkets	16.4	18.3	19.8	21.3	23.4	24.0	24.5	24.7	25.3	25.4	25.2	24.9	24.7	24.6	24.5
Home and Garden Specialists	16.7	17.3	18.7	20.0	20.7	21.2	21.3	21.3	21.4	21.1	20.8	20.7	20.6	20.6	20.6
Mixed Retailers	39.0	36.4	33.6	30.7	27.7	26.5	26.1	25.6	24.1	23.0	22.0	21.1	20.7	20.3	19.9
Electronics and Appliance Specialists	11.7	11.5	11.2	10.7	10.4	10.1	9.9	9.2	8.9	8.6	8.4	8.4	8.3	8.1	7.9
Health and Beauty Specialists	9.0	9.2	8.9	9.1	9.2	9.5	9.3	9.1	8.9	8.7	8.2	8.0	7.8	7.7	7.7
Internet Retailing	**1.3**	**1.6**	**2.1**	**2.6**	**3.2**	**3.9**	**4.9**	**6.2**	**7.8**	**9.9**	**12.1**	**13.5**	**14.4**	**15.2**	**16.0**

Source: Casewriter, based on data from Euromonitor International, accessed April 2017.

Notes: Data cover the United States and Canada. This table shows the major distribution channels only, so percentages may not sum to 100%.

Exhibit 6 Best Buy Revenue by Category (%), 2007–2017

Calendar		2007	2008	2009		2010		2011	2012	2013	2014	2015	2016	2017
Fiscal Year Ended		**Mar-08**	**Feb-09**	**Feb-10**		**Feb-11**		**Mar-12**	**Feb-13**	**Feb-14**	**Jan-15**	**Jan-16**	**Jan-17**	**Feb-18**
Domestic	Consumer electronics	41	39	39	Consumer electronics	37	Consumer electronics	36	33	30	31	32	34	33
	Home office	28	31	34	Home office	37	Computing & mobile phones[a]	40	44	48[b]	47	46	45	45
	Entertainment software	20	19	16	Entertainment	14	Entertainment	12	10	8	9	8	7	8
	Appliances	5	5	4	Appliances	5	Appliances	5	6	7	7	8	9	10
	Services	6	6	6	Services	6	Services	6	6	6	5	5	5	4
	Other	<1	<1	1	Other	1	Other	1	1	1	1	1	-	-
Internat'l	Consumer electronics	39	26	20	Consumer electronics	21	Consumer electronics	20	18	28	30	31	31	32
	Home office	30	45	53	Home office	55	Computing & mobile phones[a]	56	61	40[b]	49	48	48	46
	Entertainment software	13	9	7	Entertainment	6	Entertainment	5	4	7	9	9	7	7
	Appliances	13	10	8	Appliances	9	Appliances	10	10	20	5	5	6	8
	Services	5	10	12	Services	9	Services	9	7	5	6	6	7	5
	Other	<1	<1	<1	Other	<1	Other	<1	<1	<1	1	1	1	2

Source: Casewriter, based on data from annual reports; January 28, 2017, Form 10-K; and February 3, 2018, Form 10-K.

[a] Best Buy noted in its fiscal 2012 annual report that although the "Home Office" category was renamed to "Computing and Mobile Phones," there had been no change in the composition of products in the category.

[b] Best Buy re-classified e-readers into the "Computing and Mobile Phones" category as these devices' computing power increased.

Exhibit 7 Pricing Studies

Alberto Cavallo and the Billion Prices Project at MIT (December 2014 to March 2016)

Data gatherers collected prices in Best Buy stores. Each observation was compared to online prices checked within seven days of the in-store observation. For a full description of the methodology, see Alberto Cavallo, "Are Online and Offline Prices Similar? Evidence from Large Multi-Channel Retailers," *American Economic Review* 107, no. 1 (January 2017): 283–303.

				Price Difference (% of Observations)			
Best Buy's Online Price (BBOn) as Compared to	**Days**	**Products**	**Observations**	**BBOn Lower**	**None (Identical)**	**BBOn Higher**	**Mean Price Differential**
Best Buy's Offline Price (BBOff)	75	1,027	1,662	11	85	4	-1%[a]
Amazon's Price	8	67	317	10	45	45	3%[b]

[a] Prices were 1% higher offline than online on average (including observations with no price difference).

[b] Prices were 3% higher on Best Buy's website than on Amazon on average (including observations with no price difference).

Wolfe Research (May 2016)

Wolfe tabulated online prices for a basket of 15 consumer-electronics products. The "Redcard" was a private-label credit card offered by Target.

Retailer	Price for Basket
Target (with Redcard)	$3,558
Amazon	$3,606
Best Buy	$3,608
Walmart	$3,662
Target (without Redcard)	$3,745

Loop Capital Markets (March 2017)

Loop compared prices for 50 items at Best Buy and Amazon. For 60% of these items, Best Buy's prices were "less than 1% higher than Amazon's or better."

	Price Differential			
Category	**Minimum**	**Median**	**Mean**	**Maximum**
Televisions	0.0%	0.1%	0.1%	0.3%
Notebook and Tablet PCs	0.0%	0.3%	4.8%	38.9%
Home Theater	0.0%	2.1%	10.0%	62.9%
Wearables	0.0%	0.5%	4.4%	25.9%
Accessories	0.3%	3.1%	5.9%	21.4%
All Categories	**0.0%**	**0.5%**	**5.1%**	**62.9%**

Loop Capital Markets (September 2017)

Best Buy's prices were 0.6% more expensive than Amazon's on average, the smallest differential we have ever seen in eight years of tracking prices.

We compared Best Buy's prices to Amazon's on 50 items across five product categories:

	Price Differential			
Category	**Minimum**	**Median**	**Mean**	**Maximum**
Televisions	0.0%	0.2%	0.2%	0.3%
Notebook and Tablet PCs	(5.2%)	0.2%	1.1%	6.2%
Home Theater	0.0%	0.4%	4.7%	25.4%
Wearables	(17.6%)	0.0%	(1.2%)	4.0%
Accessories	(40.0%)	0.5%	(1.5%)	30.4%
All Categories	**(40.0%)**	**0.3%**	**0.6%**	**30.4%**

Best Buy's prices are more expensive than Amazon's on 70% of the items we surveyed; less expensive on 8%; and the same on 22%. Best Buy's prices are less than 1% higher than Amazon's or better on 78% of the items in our market basket, as compared to 68% in June.

We expect Best Buy to continue to gain market share, particularly as other brick-and-mortar consumer electronics purveyors close stores (e.g., Sears [SHLD:$7.85-NR]) or shut down completely (e.g., hhgregg and RadioShack). We reiterate our Buy rating and $72 price target.

Source: Casewriter, based on data provided by Alberto Cavallo (MIT Sloan School of Management); Alan Wolf, "Consumers Shopping Low CE Prices Have A New Target," *TWICE* 31, no. 9 (June 6, 2016): 6, Business Source Complete, EBSCO, April 2017; Anthony Chukumba, "Reiterate Buy Rating On Updated Amazon Pricing Study," Loop Capital Markets, March 7, 2017, p. 1; Anthony Chukumba, "Reiterate Buy Rating On Most Competitive Pricing We Have Ever Seen," Loop Capital Markets, September 5, 2017, p. 1.

Exhibit 8 Excerpts from Best Buy's Press Release on Investor Day, September 19, 2017

Best Buy Investor Day Details 'Best Buy 2020: Building the New Blue' Growth Strategy

Discusses Insights from Successful 'Renew Blue' Transformation

Shares Details on Plans to Expand What It Sells and Evolve How It Sells

Provides Long-Term Financial Targets for Fiscal 2021

Looking ahead, the company believes it is operating in an opportunity-rich environment, driven by innovation and customers' need for help.

Best Buy 2020 is designed to take advantage of key growth opportunities by expanding what the company sells and evolving how it sells.

Examples of how Best Buy intends to expand what it sells include:

- Building a leading position in the smart home market, by continuing to expand its curated assortment, demonstrating new technology solutions in a meaningful way, and entering the solutions and services part of the market. By the end of October, the company will enhance the smart home areas in all of its stores; roll out its Best Buy Smart Home Powered by Vivint home automation and security offering to 450 stores; and add 1,500 dedicated smart home employees.
- Piloting a service, Assured Living, that uses technology to help adult children remotely check in on the health and safety of their aging parents. Now available in two markets, this pilot aims to create peace of mind for the children while allowing the parents to live and thrive independently.
- Launching Total Tech Support, a new Geek Squad offering that provides ongoing support for a customer's tech, no matter where or when they bought it. This offering is available nationwide in Canada and at 200 stores in 10 U.S. cities.

Meanwhile, Best Buy is evolving how it sells to focus not on just selling products but solving customers' underlying needs. The company will seek to accelerate its growth by continuing to improve the customer experience within and across channels, more effectively addressing customer needs in underpenetrated categories and building its in-home channel.

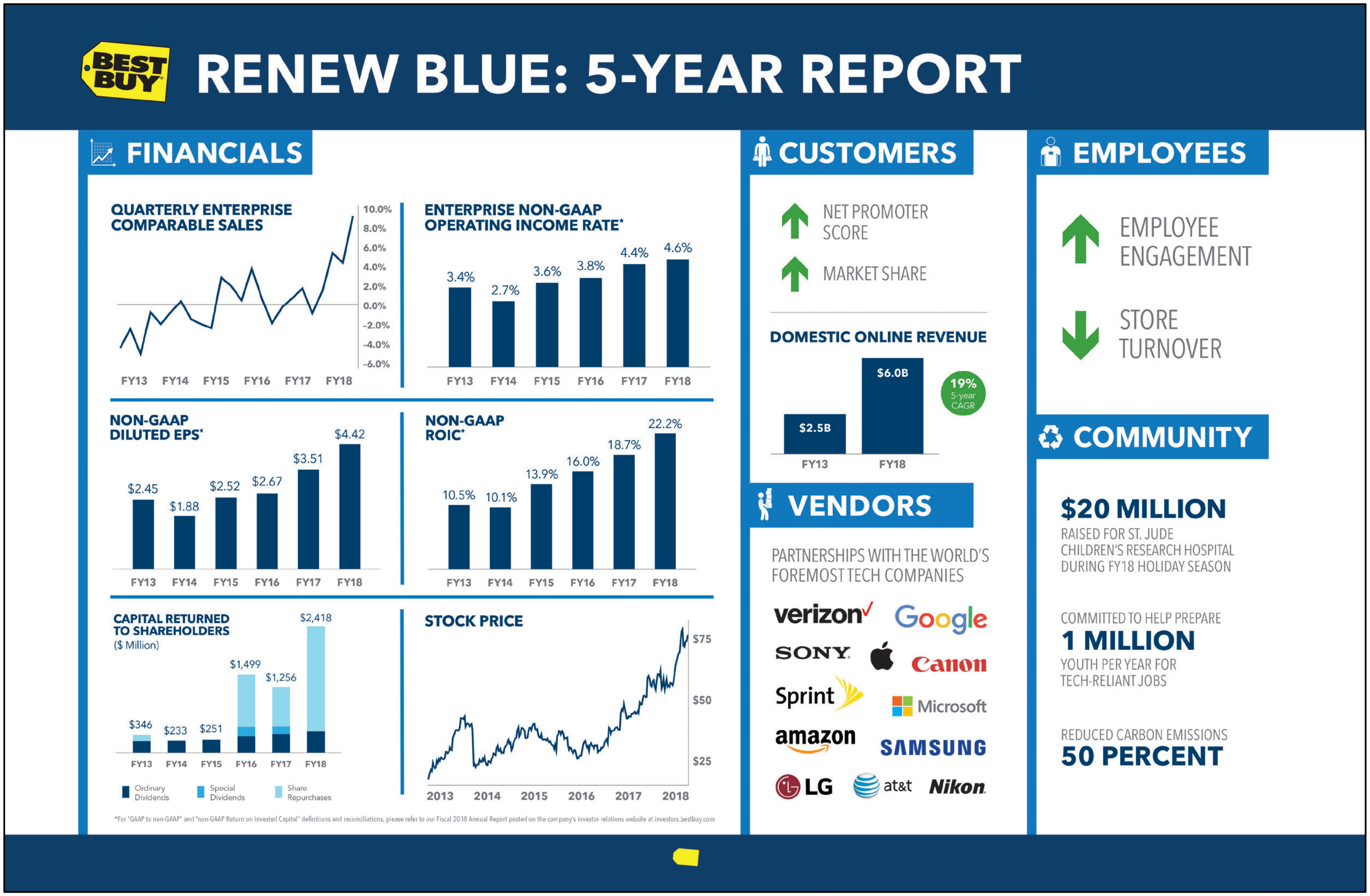
To that end, Best Buy recently expanded its In-Home Advisor program to all major U.S. markets. It now has 300 advisors who are specially trained to provide free in-home consultations to help customers find the right technology solutions for their unique needs. […]

Today Best Buy is setting new long-term financial targets for fiscal 2021:

- Enterprise revenue of $43 billion versus $39.4 billion in fiscal 2017, which was the last year of the company's Renew Blue transformation
- Non-GAAP operating income of $1.9 billion to $2.0 billion versus $1.7 billion in fiscal 2017
- Non-GAAP diluted EPS of $4.75 to $5.00, which represents an 8 to 9 percent compound annual growth rate from fiscal 2017

Source: "Best Buy Investor Day Details 'Best Buy 2020: Building the New Blue' Growth Strategy," press release, September 19, 2017, on Best Buy website, http://investors.bestbuy.com/investor-relations/news-and-events/financial-releases/news-details/2017/Best-Buy-Investor-Day-Details-Best-Buy-2020-Building-the-New-Blue-Growth-Strategy/default.aspx, accessed March 2018.

Exhibit 9 Highlights from Five Years of Renew Blue



Source: Company documents.

Exhibit 10 Additional Comments from Analysts and Reporters

It was as if Best Buy was coming to a gunfight with a knife and now their focus is on building an assault rifle.[142]

— Colin McGranahan (Sanford C. Bernstein) on Best Buy's e-commerce initiatives, August 2013

Best Buy's strong operating performance on all fronts … is evidence that a well-managed brick-and-mortar retailer with a well thought out strategy that successfully utilises its physical assets can thrive as it transitions to a true multichannel retailer.[143]

— Charles O'Shea (Moody's), after Best Buy's August 2016 earnings announcement

Best Buy has accomplished what many on Wall Street once considered impossible: It successfully fought off an attack from Amazon.com. … Against all odds, … [Joly] managed to turn Best Buy around.[144]

— Miriam Gottfried, "Heard on the Street" column, *Wall Street Journal*, November 21, 2016

Source: Compiled by casewriter from sources cited in endnotes.

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