Best Buy Fights Against Electronic Waste

INTRODUCTION

Although Best Buy has not been in business as long as other established brands, the company is a well-known name both within and outside of the United States. As the largest consumer electronics retailer in the world, it ranks number 72 on the Fortune 500. To maintain its competitive advantage against rivals in specialty electronics, Best Buy is engaging in competitive pricing strategies, international expansion, and the targeting of a younger demographic.

In addition to discounted and high-quality products, Best Buy became known for its customer-centered approach and sustainable outreach. After realizing the importance of sustainability to its customers, Best Buy implemented an extensive recycling program. In the process, Best Buy earned itself a name as a socially responsible company. The company also adopted programs and systems to provide flexibility and aid to its employees.

This case provides a brief history of Best Buy, including details on its expansion and the models it implemented to become a success. Next, we discuss Best Buy’s vision, along with the actions the company is taking to turn its vision into a reality. We briefly analyze Best Buy’s community outreach programs and look at its large-scale environmental initiatives, particularly those regarding energy savings and recycling. Finally, we examine some of the challenges Best Buy is encountering as it struggles to maintain its dominance in the consumer electronics market.

HISTORY

Best Buy has undergone a number of changes over the course of its 50-year history. The company was founded by Richard Schulze, who worked as a representative for a consumer-electronics manufacturer. Schulze recognized that a demand existed among college-age consumers for audio equipment, and in 1966 he opened an audio specialty store called Sound of Music in the Twin Cities (Minnesota) area. A year later, the company acquired the Kencraft Hi-Fi Company. The company continued to grow and flourish over the next few years, hitting $1 million in annual revenue by 1970. Best Buy’s equipment was originally targeted to college students who wanted electronic goods at the higher end of the spectrum. However, because of increasing competition in the consumer electronics industry during the 1970s, Schulze realized his stores had to adapt to compete effectively.

In 1983 Schulze converted his Sound of Music stores into a high-volume discount chain selling electronics, consumer appliances, videocassettes, and records. He renamed this...
chain Best Buy. Competition remained fierce from companies such as Sears and Wards, and Schulze was once again forced to innovate. He came up with an entirely new model that revolutionized the retail industry as a whole. The changes Schulze implemented included eliminating the backrooms of stores and bringing all merchandise onto the sales floor, paying salespeople hourly wages rather than commissions, and retraining salespeople to be more customer-focused.

Best Buy embarked on partnerships and acquisitions to increase its market share, such as acquiring the computer repair service the Geek Squad. With the downward trend in computer sales in the 2000s, Best Buy embraced what it calls Concept 5 stores—companies that would not only sell products but also teach consumers how to use them. With the acquisition of the Geek Squad, Best Buy furthered this goal and significantly reduced its service turnaround time, leading to higher customer satisfaction and a new chapter in the consumer electronics industry.

In 2009 the company became the primary online and brick-and-mortar provider for the eastern United States after its rival Circuit City closed its doors. Unlike Best Buy, Circuit City failed to adapt to a fast-paced marketplace; it chose to hire workers at lower wages and encountered severe inventory backlogs that resulted in less loyal employees, greater inefficiencies, and customer dissatisfaction.

Best Buy has also experienced slumping sales during the past few years, especially with increased competition from Amazon.com. However, a two-year turnaround strategy is paying off for the firm. In 2014 store sales rose during the holiday period for the first time in four years, despite an overall decline in sales for the consumer electronics industry as a whole. With 2015 annual revenue of more than $40.3 billion, Best Buy dominates the marketplace for brick and mortar electronics retailers. The company currently employs about 125,000 people.

VISION

“People. Technology. And the pursuit of happiness.” This is the corporate vision Best Buy strives to achieve. The company attempts to apply best practices in every facet of its operations. To meet the needs of customers, employees, vendors, and stockholders, Best Buy adopted a stakeholder orientation that focuses on quality relationships with these various groups. Technology is an inextricable part of this orientation, since the company prides itself on selling quality technological products that meet its customers’ varied needs. Best Buy wants to create a satisfying work environment and give back to the communities where it operates. The following sections describe the initiatives Best Buy has implemented to fulfill its vision.

CONSUMER ENGAGEMENT

Best Buy views itself as a customer-centered organization and aims to achieve better customer relationships, a greater understanding of customer needs and preferences, and continual engagement in customer dialogue. Best Buy encourages its customers to rate their experiences and products on www.BestBuy.com. The company invited cus-
tomers to leadership meetings in order to gain a better outlook on their needs. In this way, Best Buy hoped to create a better fit between the company and its customers.

Best Buy takes the concerns of its customers seriously. In 2007 the company published its first Corporate Social Responsibility Report (CSR) in response to consumers’ demands to know what Best Buy does in the area of sustainability. Electronic waste has been rapidly accumulating in landfills, and society has become increasingly concerned with how to reduce this waste. Best Buy’s surveys revealed its customers wanted the company to find ways to recycle electronics and use less energy. Best Buy answered this call through implementation of a wide-scale electronics recycling program.

Best Buy also works to continually improve its customer service. Its subsidiary, the Geek Squad, provides 24-hour service on-site, at home, or through the Internet. The Squad’s Agents—wearing their signature white shirts, black ties, black trousers, and sporting Geek Squad logos, complete with black and white cars for at-home services—are often able to make repairs in a matter of hours (versus days or weeks for many other computer repair services). Best Buy’s tech experts make approximately 4 million at-home visits annually. This gives it an advantage over rivals Walmart and Amazon, which currently do not offer comparable at-home services.

**EMPLOYEE ENGAGEMENT**

Employees are an integral part of Best Buy’s vision. Best Buy requires a talented, dedicated staff to solve technical problems and demonstrate exemplary customer service. As a result, Best Buy invests heavily in training its employees. As part of its turnaround strategy, Best Buy had its employees go through a retraining boot camp. A Colorado market director’s approach was also adopted to educate employees and improve sales. Using a data program, the director would discover which employees had lower sales and provide them with additional training. His techniques were expanded on a company-wide basis, and store leaders underwent training to learn data programs that track employee sales and identify additional educational needs.

Best Buy takes a major stand on diversity among its employees. For instance, in Mexico Best Buy partnered with the National Institute for the Elderly to support older employees’ desires and abilities to work. The number of African American and Hispanic employees at Best Buy has increased in recent years. Best Buy has also consistently earned a perfect score from the Human Rights Campaign for nine years running. However, perhaps the biggest change has been the increase in female leadership at Best Buy. When current CEO Hubert Joly assumed the job in 2012, he saw a faltering company in need of new leadership. Joly believed that female leaders tend to be more group-oriented, and this was needed at a time when Best Buy was struggling to survive. Today it is estimated that Best Buy operations run by women account for approximately 90 percent of the firm’s revenue.

Finally, Best Buy offers a wide range of benefits for its employees. Employees who work full-time qualify for family health insurance, tuition assistance, and adoption assistance. In fact, employees who work at least 32 hours can receive as much as $3,500 in annual tuition benefits (this amount increases for graduate students). *Working Mother* magazine lists Best Buy as one of the best organizations for hourly workers. To ensure its
employees remain satisfied, Best Buy conducts a formal survey to solicit feedback, determine employee engagement, and identify ways to increase satisfaction.

**COMMUNITY ENGAGEMENT**

Best Buy adheres to the belief that being a socially responsible company requires contributing to the communities where it operates. Thus, Best Buy frequently engages stakeholders in these communities, particularly in the areas of education and technology. For instance, Best Buy established the Best Buy Foundation to provide grants to eligible nonprofits committed to creating opportunities through technology for increasing education and skills among teenagers. While Best Buy’s community programs give back to the communities where it does business, it also provides the company with opportunities to create long-lasting relationships with consumers, employees, and other stakeholders. Best Buy supports corporate philanthropy through programs such as technology access for teens and disaster relief funds.

**TECHNOLOGY ACCESS FOR TEENS**

In efforts to expand its local community presence, Best Buy began to extend its reach to teens by establishing a program titled Best Buy Teen Tech Centers. Here, teens go after school and explore the world of current and new technology. The company develops classes and online tutorials to be used in workshops at the centers. Best Buy seeks to reduce common barriers associated with the technology gap, including economic, social, and physical barriers that hinder many from using technology. Because of the growth in technology in recent years, Best Buy understands the role technology plays in education and career field choices. Best Buy employees and their “Geek Squad” help the program reach as many teens as possible. The company operates four tech centers across the country and plans to open up additional centers in New York, Denver, Washington D.C., and Seattle.

Best Buy also offers its Geek Squad Academy and Future Shop’s Future Generation Tech Lab program in Canada. Best Buy's Geek Squad Academy partners with local nonprofits to offer technology training for children between the ages of 10 and 18 who desire to pursue careers in technology. Its Future Shop's Future Generation Tech Lab program provides grants to Canadian high schools and elementary schools to modernize their classrooms for increased student learning. In 2014 Best Buy provided $190,000 in grants to elementary schools.

**CHARITABLE GIVING**

Best Buy partners with disaster relief organizations to donate money and aid to hard-hit areas around the world. It donated $16,000 of school supplies through its former retail subsidiary Five Star after a series of earthquakes hit Sichuan, China in 2014. Best Buy also holds a St. Jude Thanks and Giving Campaign in which it encourages its employees to participate. Since 1999 the Best Buy Foundation has provided $300 million in donations to various causes.
BECOMING MORE SUSTAINABLE

Becoming more sustainable goes hand in hand with Best Buy’s business model and strategy. Best Buy has incorporated eco-friendly practices into several facets of its operations, from reduced energy consumption to recycling of electronic waste (e-waste). The company also incorporates innovative eco-friendly inventions into its product line. For instance, Best Buy sells Connected Home products that connect with smart devices to moderate energy usage in the home. To reduce its environmental footprint, Best Buy formed partnerships with other companies such as Energy Star. It sold 25 million Energy Star certified products during the 2015 fiscal year. Best Buy also sells EPEAT products. Global environmental rating system EPEAT certifies products with its ratings on more than 50 environmental standards. Best Buy customers have purchased 7 million products EPEAT products from its stores.

Best Buy also began to enforce ethical and sustainable practices among its vendors. Suppliers must adhere to the company’s Supplier Compliance Standards, and to ensure compliance, Best Buy audits its various suppliers each year. Factories found to have violations are dealt with accordingly; those that do not improve sufficiently in the designated time frame may be dropped. To ensure suppliers are not abusing worker rights, Best Buy conducts ongoing human rights audits. It is also working with suppliers to increase the sustainability of the supply chain. Best Buy established a Supply Chain Sustainability Program in which it works with Established Brands suppliers to increase sustainability and seek continual improvement. Best Buy has reported that its first year results have been successful, and the company was able to form strong strategic relationships with suppliers working to improve environmental performance in marketing channels.

CONSERVING ENERGY ONE STORE AT A TIME

One area of particular concern to Best Buy is energy consumption. Realizing its stores consume large quantities of energy—some that could be conserved through more sustainable practices—Best Buy set forth goals to significantly reduce its carbon emissions. One goal was to reduce carbon emissions 20 percent per square foot by 2020. In 2014 Best Buy achieved this goal. The company’s action plan included replacing light fixtures with more efficient fluorescent lighting, using smaller vehicles for its Geek Squad cars, and using Renewable Energy Credits to offsets its carbon emissions. In 2014 the company earned a place on the Carbon Performance Leadership Index for its leadership in energy reduction. Only 5 percent of companies made it onto the list.

In 2010 Best Buy created an everyday in-store recycling program in U.S. stores with a goal of increasing its recycling rate to 1 billion pounds of consumer products. It met this goal in 2014 and set a new goal to increase the amount to 2 billion pounds by 2020. These changes improved Best Buy’s ability to become more sustainable through energy conservation and recycling. Best Buy also requires that the organizations it partners with to recycle products be certified under ISO 14001 or an equivalent system. ISO 14001 is a global environmental management system companies adopt to increase their sustainability and demonstrate that they meet certain environmental criteria.
COMBATING E-WASTE

As the world moves toward sustainability, the issue of e-waste takes on an increased importance among consumers. Best Buy surveys revealed that both its employees and consumers were concerned about the growing amount of electronic waste that occurs after an item breaks or, more frequently, becomes obsolete. Without any clear idea of how to recycle these electronic items, consumers were often forced to throw them away—contribute to a greater amount of e-waste in landfills. Stakeholders desired programs that could help them determine how to recycle their used electronics, and Best Buy met that demand with its Best Buy Consumer Electronics Recycling Program. This program brought the recycling of electronic waste to a whole new level. Consumers drop off their used electronics, and Best Buy recycles them regardless of their condition or brand. If Best Buy does not recycle a specific product, it helps the customer find a way to recycle it. Its tech trade-in service prints out a shipping label so customers can send their unwanted products to places that will recycle the item. The stores take cell phones, tablets, and most other electronic products. Customers who trade in their older products are provided with a Best Buy gift card.

Recycling kiosks have become a familiar site at Best Buy stores. Every Best Buy retailer in the United States now has recycling kiosks located near the front entrance. During 2009 Best Buy installed recycling kiosks across its stores in Canada as well. These kiosks take products that include rechargeable batteries, wires, cords, ink and toner cartridges, and plastic bags. Best Buy was able to collect 143,000 pounds of rechargeable batteries for recycling in 2014.

Best Buy also offers haul-away services for large items. If a customer buys a television from Best Buy and has it delivered, Best Buy offers to haul the old television away and recycle it for free. If consumers want to hire Best Buy to haul a large item off without a purchase, Best Buy charges a fee. This is Best Buy’s attempt to gain environmentally conscious customers. The company is dedicated to its mission of recycling unwanted materials and, if possible, giving the products a second life. It has partnered with Call2Recycle, a consumer battery recycling program, and has been elected as a leader in the program for three consecutive years.

Managing such an extensive recycling program requires that Best Buy collaborate with other organizations committed to the same cause. As a result, Best Buy has partnered with various recycling companies, many that attempt to give used electronics a “second life.” Several of Best Buy’s recycling partners take the items apart and organize them into plastics, metals, glass, etc. Then they decide whether the products can be repaired before recycling the parts for other uses. To ensure its partners are acting in a socially responsible manner, Best Buy monitors recyclers to make sure they follow safe recycling practices. These partnerships serve to reduce pollution by keeping items out of landfills.

RECYCLING PROGRAM BENEFITS

The environmental benefits of recycling are quite clear—reduction in waste, decreased gas emissions, energy-savings, and more. However, as Best Buy demonstrates, recycling
can have positive implications for the business world as well. For example, if a product like a cell phone can be fixed, it can be sent to outlets like eBay who can resell the product. If not, the products are taken apart so the materials can be reused. Best Buy splits the profit made from recycled products with its partners.

Recycling programs encourage manufacturers to take greater responsibility in product design. With the growing demand for sustainability, many manufacturing companies began to embark on new and innovative designs to make their products more recyclable. For example, Dell began using fewer screws in its computers to make them easier to recycle. Best Buy supports this movement toward lighter recyclable electronics, as demonstrated by product offerings like its organic LED (OLED) televisions that are lighter and easier to recycle.

Of course, with the benefits of recycling come costs as well. Televisions are heavy to handle and not as recyclable as other goods. Dealing with them costs companies like Best Buy time and money. However, Best Buy feels the connections developed between Best Buy and the community make the company’s effort worth the cost. Best Buy hopes its status as a sustainable and ethical company attracts more loyal customers, aiding both its reputation and its bottom line.

In 2015 Dow Jones announced that Best Buy made the Dow Jones Sustainability Index for the fifth year in a row. The index evaluates 2,500 companies globally, including 600 within the United States and Canada. The index measures and compares companies across 57 industries on environmental, social, and corporate governance standards. To qualify for the index, the companies must score better on sustainability than most of their contemporaries within their industry (best-in-class). The index is used by investors to evaluate sustainability leadership and risk management. Best Buy scored better than the average retail organization within the 88th percentile.

CHALLENGES FOR BEST BUY

Best Buy faces intense competition from retailers such as Amazon and Apple. Analysts believe the reason for this loss is based on pricing considerations. It is more common for consumers to visit Best Buy stores, find items they want, and shop for those items on Amazon or other e-commerce sites at lower prices (a practice known as showrooming). One strategy Best Buy began to implement to combat showrooming started during the holiday season of 2012. Best Buy began a holiday-price matching policy that stated the company would match online prices in hopes to win consumers back. Deducing they could not lose any more market share to online competitors, the company decided to extend the policy indefinitely. In 2013 they implemented the price matching policy, and their stock price increased 95 percent in the next five months. They also reduced their merchandise return policy from 30 days to 15 days. Many retailers are following suit in hopes to win back customers from online competition.

Best Buy faces challenges in global markets as well. The company's big-box retailers did not perform well in the Chinese market, causing Best Buy to abandon its nine branded stores in that country. Once again, price may have been a primary factor. Chinese consumers indicated that although the environment of Best Buy was much nicer than comparable retailers, the prices were too high. At the end of 2014 Best Buy exited China
completely. A year earlier the firm had pulled out of Europe and discontinued its joint venture with its U.K. partner. The moves are part of a reorganization focused on simplifying its structure and increasing return on capital.

**CORPORATE GOVERNANCE CHALLENGES**

One of the greatest blows to Best Buy—which nearly led to its downfall—came with the ouster of CEO Brian Dunn, who was recognized as an ethical business leader. In April 2012, CEO Brian Dunn resigned after an internal investigation from the audit committee led to accusations he violated company policy by having a ‘close personal relationship’ with a female employee. The investigation showed Dunn did not misuse any company resources while engaging in inappropriate behavior. However, some of the behavior that occurred included lunch and drinks on multiple occasions, along with the distribution of concert and sporting event tickets as gifts. The audit committee spoke with current and former employees, who stated they witnessed evidence of the relationship. A supervisor of the employee informed the committee the employee’s workplace behavior was impacted, thereby contributing to a distracting work environment. This violated the company’s policy against creating a negative work environment. Brian Dunn was pressured to resign and was provided with a $6.6 million separation package.

Even more distressing for Best Buy came the decision of founder Richard Schulze to step down from his position as Chairman after it was revealed he had knowledge of the relationship. This, along with continual declining sales, may have contributed to the decision. The inappropriate relationship between the CEO and the employee became known by other employees and was reported to Schulze by an executive. Schulze approached CEO Brian Dunn about the incident, but he did not inform the board of the matter. The audit committee found Schulze acted inappropriately by not making other board members aware of the incident. They also stated Schulze did not act according to good governance practices. In confronting the CEO, Schulze divulged the name of the executive who reported the inappropriate relationship. The company believed this could have potentially created a situation of employee retaliation.

The actions of Best Buy’s board show that all employees, no matter how high they may be in the organization, must demonstrate appropriate conduct. It also made clear the company makes corporate conduct and employee protection top priorities. However, the scandal damaged Best Buy’s reputation and left it without a strong leader. Best Buy continued to struggle financially, and Richard Schulze returned and made an offer to take the company private.

Current CEO Hubert Joly took over the position and embarked upon a plan to turn the company around. Joly was determined to learn the company inside and out; in fact, he spent his first week as CEO at a local store developing his strategy for a turnaround. He hired new top executives—many of them women—to overhaul the struggling retail chain and restore the firm’s profitability. Sharon McCollam, who had previously worked at Williams-Sonoma, was asked to be the next CFO. McCollam worked on developing a tight budget and visited retail stores, where she noticed that many stores needed an overhaul. To increase the budget and have money for store repairs, the CEO and CFO cut items such as private jets and NASCAR sponsorships. The company got rid of its employ-
ee remote-work policy, improved its logistics function, and increased its IT presence. Although the elimination of the remote-work policy might have caused disadvantages for some employees, Best Buy leadership believed it was necessary to have everyone on board to make the turnaround a success.

In terms of logistics, Best Buy retailers started to ship products so it could lessen the amount of time it took for the product to reach consumers. It was able to improve its shipping delivery so that it shipped 67 percent of its products within a maximum of two days. Best Buy also began selling more in-store items online and partnered with manufacturers to offer in-shop deals. In this partnership, manufacturers pay for marketing and more attractive displays at Best Buy stores, contributing millions of dollars to the company. Manufacturers benefit because although this costs them money, it is still less than the cost of building their own stores to sell their products. In 2013 Schultze abandoned his bid to take over the company and returned as chairman emeritus. While Best Buy’s sales and revenues have not yet increased to their peak, the company is optimistic that the turnaround has been successful and that it can compete successfully against its major rivals.

CONCLUSION

Best Buy occupies an important link in the supply chain of electronic products that reach consumers. In many ways, Best Buy influences producers and suppliers to become more sustainable by encouraging products that reduce waste and are more efficient to use. Its recent initiatives to help consumers recycle old electronic devices provide an incredible opportunity to deal with a significant sustainability problem. Its approach to social responsibility identifies key stakeholders and incorporates important ethical and social concerns in its overall business strategy.

Best Buy’s continuous efforts toward sustainability and ethical practices have enabled the firm to overcome lagging sales and a scandal in corporate governance. The company is a shining example of how a company can use social responsibility, a strong stakeholder orientation, a diverse leadership base, and the enforcement of company values and policies to make a difference. In order to retain this image, Best Buy should continue to maintain high ethical standards regarding its customers, employees, vendors, and the environment.

QUESTIONS

1. Why do you think Best Buy has been able to gain competitive advantages in the retail electronics market while also driving many initiatives to support sustainability?

2. Do you think the resources Best Buy dedicates to help consumers recycle their old electronic devices represent a good investment for Best Buy?

3. How do Best Buy’s social responsibility efforts impact key stakeholders such as employees, shareholders, consumers, and suppliers?

Sources


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