Best Buy Fights Against Electronic Waste

INTRODUCTION

Although Best Buy has not been in business as long as other established brands, the company is becoming a well-known name both within and outside of the United States. This consumer electronics retailer is considered to be the largest specialty retailer within its sector throughout the U.S. with 21 percent of the market. With the bankruptcy of its main competitor Circuit City, Best Buy is geared to gain an increased market share and is looking for new opportunities in countries like China and Mexico.

In addition to discounted products and high-quality goods, Best Buy has become known for its customer-centric approach and sustainable outreach. After realizing the importance of sustainability to its customers, Best Buy implemented an extensive recycling program to meet customer desires. In the process, Best Buy has earned itself a name as a socially responsible company. Best Buy has also adopted programs and systems, including the ROWE system, to provide flexibility and aid to its employees. As a result of its corporate and social responsibility initiatives, Best Buy has been awarded numerous honors, including the Corporate Responsibility Officer’s 2009 100 Best Corporate Citizens, Ethisphere’s 2009 World’s Most Ethical Companies, and the Reputation Institute’s 75 Most Reputable Companies in the U.S.

This case will provide a brief history of Best Buy, including details on its expansions and the models it has implemented to become the success it is today. Next, the vision of Best Buy will be discussed along with the actions Best Buy is undertaking to turn its vision into a reality. A brief analysis of Best Buy’s community outreach programs will also be provided. Finally, we will look at Best Buy’s large-scale environmental initiatives, particularly regarding energy savings and recycling.

HISTORY

Best Buy Inc has undergone several changes over its 40-year history. The company was founded by Richard Schulze, who specialized in consumer electronics. After working as a consumer-electronics manufacturer’s rep, Schulze recognized that a demand existed among college-age consumers for audio equipment. In 1966 he opened an audio specialty store called Sound of Music in the Twin Cities area. A year later, the company acquired the Kencraft Hi Fi Company. Schulze opened two additional stores and had an initial yearly income of $173,000. The company would continue to grow and flourish over the next few years, hitting $1 million in annual revenue by 1970. Best Buy’s equipment was originally targeted toward college students who desired electronic goods at the higher end of the spectrum. However, due to increasing competition in the consumer electronics industry during the 1970s, Schulze realized his stores would have to adapt to compete effectively.
In 1983, Schulze decided to convert his Sound of Music stores into a high-volume discount chain selling electronics, consumer appliances, and videocassette records. He renamed this chain Best Buy. However, competition remained fierce from companies such as Sears and Wards, and Schulze was once against forced to innovate. He came up with an entirely new model that would revolutionize the retail industry as a whole. The changes that Schulze implemented included eliminating the backrooms of all stores, bringing all merchandise onto the floor, paying salespeople hourly wages rather than commissions, and retraining salespeople to become more customer-focused.

Best Buy Inc also embarked upon partnerships and acquisitions to increase its market share. Best Buy acquired the computer repair service The Geek Squad along with Magnolia Audio Video and Pacific Sales. 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 teach consumers how to use them. With the acquisition of companies like 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.

Best Buy operates businesses in several countries outside of the United States as well. The company operates both Best Buy retail stores and Future Shop stores in Canada. In 2009, the company opened its first United Kingdom-based stores. The company started off by acquiring a 50 percent stake in the UK based mobile phone company known as The Carphone Warehouse. Specifically, Best Buy Inc owns a portion of the company’s retail division. Best Buy announced that it would open branded Best Buy stores in the U.K. in 2010. Best Buy also discussed the possibility of acquiring Kesa Electricals and DSG International, both of which are United Kingdom rival retail electronics outlets. DSG International is responding to the rising threat of Best Buy stores by undergoing an overhaul of its own retail outlets.

Today, Best Buy Inc is a leading provider of consumer electronics with a presence in U.S., Canadian, British, Chinese, and Mexican markets. In March of 2009, the company became the online and brick and mortar primary 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; instead, it chose to hire workers at lower prices and encountered severe inventory backlog. The recession marked the end for Best Buy’s nearly 60-year-old rival. With the ousting of its key rival, Best Buy has come to dominate the marketplace within the consumer electronics industry. In 2009, Best Buy Inc had revenues of more than $45 billion and currently employs about 155,000 people.

VISION

"People. Technology. And the pursuit of happiness." This is the corporate vision that Best Buy strives to achieve. The company is attempting to apply best practices in every facet of its operations. To meet the needs of its customers, employees, vendors, and stockholders, Best Buy has adopted a stakeholder orientation that focuses on quality relationships with these various groups. Technology is an inextricable part of this orientation as the company prides itself on selling quality technological products and services to effectively meet its customer needs. In the process, Best Buy wants to create a satisfying work environment and give back to the communities in which it
operates. The company feels that happy employees and communities translate into happy customers. The following sections will describe the different initiatives that Best Buy has implemented to fulfill its vision.

CONSUMER ENGAGEMENT

Best Buy views itself as a customer-centric organization with goals to achieve better customer relationships, a greater understanding of customer needs and preferences, and continual engagement in customer dialogue. Under CEO Brian Dunn’s leadership, Best Buy focuses extensively on listening to consumers and utilizes various channels to engage customers in conversation. For instance, Best Buy is using social media to connect with its customers and gather feedback. It has participated in forums like Facebook, Twitter, and blogs. Best Buy also encourages its customers to rate their experiences and products on www.BestBuy.com. The company has even invited customers to leadership meetings in order to gain a better outlook on their needs. In this way, Best Buy hopes to create a better fit between company and customer.

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 is doing for sustainability. With electronic waste quickly accumulating in landfills, society has become increasingly concerned with how to reduce this waste. Best Buy’s surveys revealed that its customers in particular wanted the company to find ways to recycle electronics and use less energy in its appliances. Best Buy answered this call through its implementation of a wide-scale electronic recycling program. Best Buy’s recycling program will be discussed in more detail later in the case.

Best Buy is also making it an issue to continually improve on 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 telltale 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 computer repair services). This has served to increase Best Buy’s customer satisfaction. Best Buy also provides customer service tailored to small or medium-sized businesses through its brand Speakeasy. Speakeasy provides broadband voice, IT, and data services to Best Buy’s business customers. Speakeasy technical staff is available 24 hours a day to answer callers’ questions. The service received an 81 percent customer approval rating. Overall, Best Buy’s customer satisfaction ratings have displayed an upward trend in the past few years. Best Buy’s customer-centric focus has provided it with an advantage in the market place, enabling it to grab market share from its competitors.

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. Much like it does with its customers, Best Buy’s corporate culture emphasizes listening to employees. Employees are able to post their thoughts on online forums such as the Watercooler and on an internal news site. The
company’s chief ethics officer Kathleen Edmond demonstrated the importance of communication to the company when she created the Chief Ethics Officer Blog for employees to view. Edmond used cases of unethical events that took place within the company in order to teach employees about ethical conduct. Her actions caused her to be listed in Ethisphere’s Most Influential People in Business Ethics for 2009.

Best Buy also encourages employees to participate in Employee Business Networks, such as Wolf@Best Buy: Women’s Leadership Forum. Through its Wolf program, Best Buy hopes to improve the experiences of both its female employees and its female customers. Between 2007 and 2008, recruitment and hiring of female employees jumped from 31 percent to 35 percent. Best Buy’s share of the female electronics market improved from 14.3 percent in 2007 to 15.7 percent of the market in 2008.

Best Buy also takes a stand on diversity training for its employees. Every year Best Buy holds a Cultural Immersion program for its employees at the Lorraine Hotel in Memphis. The hotel was the site where Dr. Martin Luther King Jr. was assassinated in 1968. The motel has since been converted into the Civil Rights Museum. It is Best Buy’s goal to encourage its employees to practice inclusion and generate awareness for different cultures.

Best Buy embraces a more decentralized structure where employees are provided with greater flexibility and the opportunity to engage in company operations. The company has adopted several work approaches to encourage dedication on the part of its employees. Two of these include what the company calls its “open source” approach and the ROWE work system.

**Open Source Approach**

Best Buy classifies its open source approach as a “way of opening the door for employees to modify or enhance a program or initiative based on their first-hand experience or innovative nature.” In other words, employees have the ability to engage in projects to improve the company’s products and operations. For instance, several of Best Buy’s employees have created groups to develop social responsibility initiatives for the company. One of the company’s achievements was initiated by Best Buy’s Geek Squad, who banded together to work on reducing the packaging waste of HDMI cables. Together the team created a new design that would decrease 30 percent of the plastic in the packaging content. By adopting the open source approach, Best Buy seeks not only to encourage its employees to participate in the company, but also to create innovative inventions to increase the company’s bottom line.

**ROWE System**

ROWE is short for Results Only Work Environment. This system is a non-traditional approach that allows employees to choose when and where to work. Best Buy implemented this system after surveys revealed that employees felt too micromanaged—which in turn was creating higher turnover rates. Under ROWE employees are judged for their productivity; if they can be more productive outside of work, then ROWE allows them the chance to do so. As a result of this system, employee satisfaction has grown, coinciding with an increase in overall employee productivity by
one-third. These two components landed Best Buy onto the “World’s Most Admired Companies” 2010 list. The successful adoption of ROWE demonstrates that Best Buy’s innovative approaches are not limited to its product lines but to all aspects of operations.

COMMUNITY ENGAGEMENT

Best Buy adheres to the belief that being a socially responsible company requires contributing to the communities in which it operates. Thus, Best Buy frequently engages with stakeholders in these communities, particularly in the areas of education and technology. While Best Buy’s community programs give back to the communities in which it does business, they also provide the company with a chance to create long-lasting relationships with consumers, employees, and other stakeholders. Best Buy supports corporate philanthropy through programs such as @15, volunteerism, TagTeam Awards, Local Giving programs, and disaster relief funds.

@15 Program

@15 is a program started by Best Buy to build relationships with one of its largest stakeholder groups—teenagers. The @15 program empowers teenagers to become involved in civic engagement, encouraging them to develop and share their points of views on the world along with recommendations on how to stimulate positive change. These comments are posted on the @15 website, www.at15.com. In 2009, Best Buy launched a new initiative called @15 Challenge to reward youth teams for their proposals. These Youth Venture Teams were provided with $10,000 each to support their programs for positive change. Other initiatives under the @15 program include the @15 Change Exchange, an initiative where teens allocate points to four nonprofit partner organizations. The number of points each organization receives determines how much grant money Best Buy will award to them.

Two other @15 programs deal specifically with education. Best Buy’s @15 Scholarship Program has awarded nearly $9.5 million in scholarships since it was implemented in 2006. Best Buy awarded $1.5 million in scholarship awards in 2009 alone. Best Buy’s Teach Awards support schools that use technology to teach students in interactive and engaging ways. Best Buy has contributed over $17 million in awards to 6,000 schools. A similar program, the Teach@15 Awards, give teenagers the ability to designate the awards by nominating their own school and then casting votes.

TagTeam Awards

The TagTeam Awards program depends upon employees to determine the amount of awards to nonprofit organizations, providing them with a philanthropic incentive to volunteer. When employees volunteer their skills or time, the Best Buy Children’s Foundation provides cash awards to qualified nonprofit organizations. The Best Buy Children’s Foundation contributes to organizations that utilize interactive technology to engage children in learning. Best Buy estimates that the value of their employee’s time is $18.77 an hour. Therefore, the more time employees volunteer for certain causes, the more that Best Buy Children’s Foundation will award to qualified
nonprofits. In 2009, the Best Buy Children’s Foundation awarded almost $4 million to local nonprofit organizations. Employees themselves can also win awards for exceeding volunteer service expectations through the President’s Volunteer Service Award.

**Local Giving Program**

In addition to allowing employees to take on project responsibilities, the company also gives employees a say in how the money from the Best Buy Children’s Foundation is allocated among local organizations. In the process, the company hopes to increase employee philanthropy and morale. In 2009, the Local Giving program awarded 197 grants amounting to $1 million. Local giving programs are also available for Best Buy stores in Mexico and Canada. Some of the organizations that benefited from local giving include Big Brothers and Big Sisters of Canada and *Refugio de Restauracion A.C.* in Mexico.

**Disaster Relief**

Best Buy partners with disaster relief organizations to donate money and aid to hard-struck areas around the world. For example, when Hurricane Gustave hit the U.S. and the Caribbean Islands, Best Buy collected customer donations and matched their contributions up to $1 million. After the 2008 Sichuan Earthquake in 2008, Best Buy China donated over $1,000,000 to aid victims. The company also contributed walkie-talkies, and Best Buy’s subsidiary Jiangsu Five Star contributed tents and other materials. More recently, Best Buy donated $200,000 for disaster relief in Haiti after the devastating earthquake in 2010.

Best Buy also supports employees that live in areas hit by natural disasters. If the Best Buy store is forced to close, employees are paid until the store reopens or are given the opportunity to work at another Best Buy if the store remains closed. Hotlines, counseling services, and employee assistance programs are also available for employees impacted by natural disasters.

**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 is also incorporating innovative eco-friendly inventions into its product line. For instance, in 2009, Best Buy began selling electric bicycles, a sustainable alternative to automobiles. To reduce its environmental footprint, Best Buy is also forming partnerships with other companies such as Energy Star. Best Buy has joined with SmartWay Transport to create a partnership to reduce greenhouse gas emissions. SmartWay Transport is a collaboration between the Environmental Protection Agency and the freight industry to reduce waste and become more energy efficient. Through its partnerships Best Buy is demonstrating its dedication to the environment by adopting sustainable practices in all areas of the company.

Best Buy has also begun 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 that are found to have violations are dealt with accordingly; those that do not improve sufficiently in the designated time frame may be dropped. In 2009, Best Buy cancelled contracts with 26 factories due to unethical practices such as worker exploitation and/or pollution concerns. Best Buy also created an Electronic Database Interchange team to manage the millions of electronic documents sent by vendors every month. The team succeeded in reducing 187 metric tons of paper in 2008.

**CONSERVING ENERGY ONE STORE AT A TIME**

One area of particular concern to Best Buy is energy consumption. Realizing that its many stores consume large quantities of energy—one of which could be conserved through more sustainable practices—Best Buy joined the Business for Innovative Climate and Energy (BICEP) in February 2010. BICEP is a coalition of companies who want to advance climate and energy policies within the United States. The focus of BICEP is to embrace innovation in sustainability. Other BICEP members include Starbucks and Nike. According to Best Buy Senior Director of Government Relations, this is one step toward Best Buy's commitment “to building sustainable business practices and helping our customers realize ways to live more sustainable lives.”

As part of Best Buy’s energy conservation program, the company has set a goal to reduce operation emissions 8 percent per square foot by 2012. The company’s action plan includes improving lighting in its stores through skylights, implementing a “no-idling” policy that prohibits trucks from idling their engines outside Best Buy locations, and investigating new energy-saving technologies. Additionally, one of the responsibilities of Best Buy’s Global Operations and Technology team is to reduce costs and conserve energy through Server Virtualization technologies, which allows Best Buy to run multiple servers on a single server in Best Buy’s data center. As a result, Best Buy has saved $2.7 million a year on hardware rentals, $120,000 a year on hardware maintenance, and 3,028 tons of decreased carbon emissions. These changes have improved Best Buy’s ability to become more sustainable through energy conservation.

**ENVIRONMENTAL SUSTAINABILITY—ENERGY STAR PRODUCTS**

In addition to saving energy in its operations, Best Buy also sells energy-saving products. Best Buy has an extensive partnership with ENERGY STAR to save its customers money on energy costs and help the environment by selling energy-efficient items. ENERGY STAR qualified products have met strict efficiency guidelines set by the U.S. department of Energy and the Environmental Protection Agency. During 2008, Best Buy employees underwent ENERGY STAR training so that they could provide consumers with detailed information on ENERGY STAR products. By 2009, Best Buy won the ENERGY STAR Excellence in Electronic and Appliance Retailing award for its commitment to saving energy. Best Buy offers everything from refrigerators to laptops to printers that are ENERGY STAR qualified. It also has a website that offers an online tool to allow consumers to calculate the money they would save if they would install ENERGY STAR products throughout their home. In 2009 Best Buy estimated that its sales of ENERGY STAR products saved consumers $89,000,000 overall in utility bills.
COMBATING E-WASTE

As the world moves toward sustainability, this issue has taken on an increased importance among consumers. Best Buy found this out after 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—contributing to a greater amount of e-waste in landfills. Stakeholders desired programs that could help them figure out how to recycle their used electronics, and Best Buy decided to meet that demand with its “Greener Together” initiative.

“Greener Together” includes a recycling program that brought the recycling of electronic waste to a whole new level. The program allows consumers to recycle two electronics per day, per household, at all of its stores. The stores take cell phones, DVD players, and most other electronic products. Electronics that are over 32 inches in size cost $10 to recycle. These types of products often include electronic waste like old laptops, monitors, CRTs, and TVs. The $10 fee is used to offset the cost of dealing with these heavier recyclables. However, to encourage consumers to recycle these items, customers are given a $10 Best Buy gift card to replace the money spent on recycling them. Best Buy can then make money from these reusable items and at the same time encourage consumers to purchase products from the store with their gift cards. Best Buy monitors the gift cards’ usage to see if the recycling program is bringing in new business. The company hopes that by encouraging purchases, consumers will shop from Best Buy again in the future.

Consumers can drop off their used electronics, and Best Buy will recycle them regardless of their condition or brand. If Best Buy doesn’t recycle a specific product, it will help the customer find a way to recycle it. Best Buy offers information on how to recycle items that it doesn’t accept on its website and in stores. The tech trade-in service even prints out a shipping label so customers can send their unwanted products to places that will recycle the item. However, Best Buy continues to recycle more electronics than any other retailer.

Other resources that Best Buy utilizes in its large-scale recycling initiatives are its trade-in program, recycling kiosks, and its TV and appliance pickup service. The trade-in program offers consumers two options: trading electronics online or in-store. The online system accepts a wider variety of product trade-ins and allows more flexibility in where the products were purchased. After inputting the product information, consumers are provided with a trade-in value and can either accept or decline the value offered. If accepted, consumers print a prepaid shipping label and ship the item in. They receive a Best Buy gift card or check within 14 days after Best Buy receives the item. The trade-in system allows consumers to trade an item in and use the store credit to buy a newer model of a similar item. The in-store option follows similar steps, although it only allows trade-ins of iPods, mobile phones, and laptops.

Recycling kiosks have become a familiar site at Best Buy stores. Every Best Buy in the United States now has recycling kiosks located near the front entrance. The kiosks are used to recycle small items including rechargeable batteries, cell phones, and ink cartridges. During 2009, Best Buy installed recycling kiosks across its stores in Canada as well.
Best Buy also offers haul-away services for large items. If a customer buys a television from Best Buy and gets it delivered, Best Buy offers to haul their 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 $100 fee. This is Best Buy’s attempt to gain environmentally-conscious consumers when buying new appliances. The company is dedicated toward its mission of recycling unwanted materials and, if possible, giving these products a second life. As part of this mission, Best Buy has been a member of the Environmental Protection Agency’s Plug Into eCycling program—committed to increasing consumer awareness about the importance of recycling—since 2003. Best Buy’s recycling initiative has met with resounding success. During 2008, the company collected 1,728 tons of electronic waste at its recycling events.

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 of which attempt to give these used electronics a “second life” by reusing them for other purposes. For example, 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 that its partners are acting in a socially responsible manner, Best Buy monitors its recyclers to make sure they are following 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 metals can be reused. Best Buy splits the profit made from recycled products with its partners. For larger items Best Buy is able to collect a $10 recycling fee, and even though Best Buy issues a $10 gift card in exchange, this added incentive to shop in Best Buy stores will ideally lead to repeat purchases. The gift cards also aid in market research, allowing Best Buy to adequately track how its recycling program is attracting new customers.

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

Of course, with the benefits of recycling come costs as well. For example, televisions are heavy to handle and are not as recyclable as other goods. This costs companies like Best Buy time and money. However, CEO Brian Dunn feels that the connections developed between Best Buy and its community makes it worth the cost. Indeed, Best Buy has already won numerous recognitions for
its sustainability initiatives. The company hopes that its status as a sustainable and ethical company will attract more loyal customers, aiding both its reputation and its bottom line.

CONCLUSION

Best Buy occupies an important link in the supply chain of electronic products that reach consumers. In many ways, Best Buy can influence 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 has been to identify key stakeholders and to incorporate important ethical and social concerns in its overall business strategy.

Best Buy’s continuous efforts toward sustainability and ethical practices earned it a place among Ethisphere’s 2010 list of Most Ethical Companies for its second year in a row. The Ethisphere Institute has described Best Buy as “operating under the highest standards for business behavior.” Best Buy is a shining example of how a company can use social responsibility and a strong stakeholder orientation to prosper in both reputational and financial areas. In order to retain this image, Best Buy must 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 advantage in the retail electronics market while also driving many initiatives to support sustainability?

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

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

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