

Name : B. Finestow

Student NO. : N/A

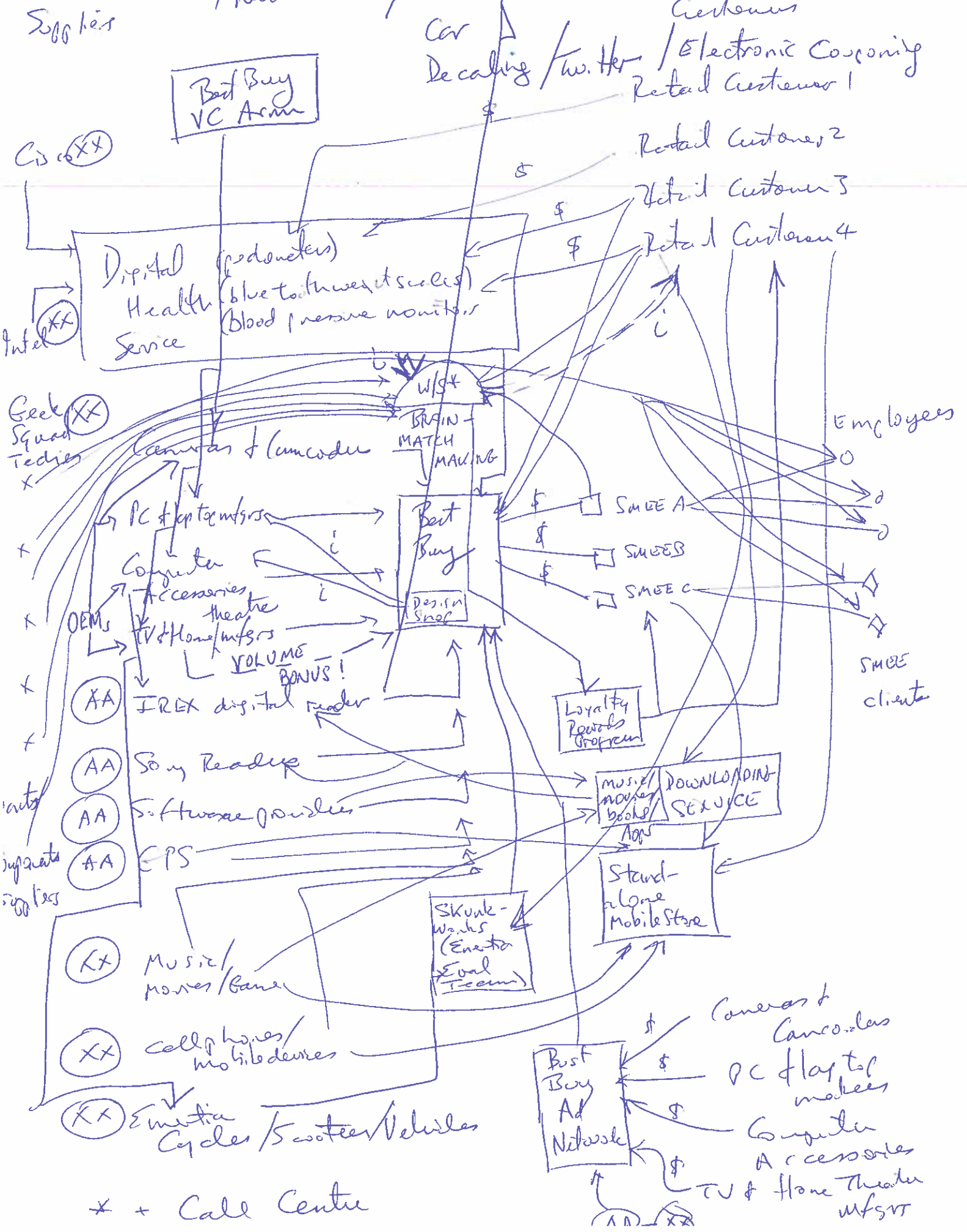
ADM 3396 Entrepreneurial Culture—Mid Term Exam Questions

"Whether you believe you can, or whether you believe you can't, you're absolutely right," Henry Ford.

1. You are the CEO of Best Buy, an electronics retailer founded in 1966, and lately you find yourself spending more and more time designing or redesigning your company's business model. You believe that one of the keys to the future success of your company is to have a business model that includes, among other things, some type of differentiated value—something that will separate you from your competition and make your whole enterprise more sustainable. You know the various components of the business well but you need to put them together in a flowchart so you can better understand the ecosystem in which you 'live'. Here are the components (see below). Please draw the business model in the space provided beneath.
- a. PC and laptop manufacturers.
 - b. Computer accessories manufacturers.
 - c. TV and home theatre manufacturers.
 - d. Proprietary (to Best Buy) IREX digital reader to wirelessly download books and magazines. They also sell two Sony Readers as well.
 - e. Software providers.
 - f. Cameras and camcorders.
 - g. A skunkworks evaluating introducing and investing in Enertia, a company pioneering the design and manufacture of electric vehicles, bikes, scooters and gearless motorcycles.
 - h. Home and office installation crews—the 20,000-person Geek Squad.
 - i. SMEE customers (Small and Medium Sized Enterprises).
 - j. GPS systems.
 - k. In-store client service 'blue crew' team.
 - l. Music, movies and games.
 - m. Cell phones and mobile devices.
 - n. Standalone Best Buy Mobile only stores.
 - o. Digital Health—pedometers, blue-tooth enables weight scales and blood pressure monitors. Intel and Cisco are partners to develop further health products and services.
 - p. Best Buy plans to introduce a new advertising and sponsorship network—with revenues generated from companies that want to advertise on in-store displays of TVs, monitors and other equipment to promote movies/music and products including products and services that are related to Best Buy but might not be sold there.
 - q. Loyalty rewards program.
 - r. Retail customers.
 - s. Telephones ring through to the various departments.
 - t. The company website advertises products and services available and store hours.
 - u. Employees of SMEEs.
 - v. Best Buy design shop that assists suppliers like Toshiba and Hewlett-Packard with product development, design and manufacturing with feedback from data collected about customers and clients of Best Buy.
 - w. Clients of SMEEs.
 - x. Geek Squad car decaling.
 - y. OEMs. (Original Equip. Mfgs.)
 - z. Best Buy allows its employees access to Twitter at: <http://twitter.com/BestBuy>. Their bio? "Best Buy employees tweeting for and about Best Buy as we see it" They follow 200 people/are followed by 19,000 +/- (Feb. 2010).
 - aa. Suppliers of OEMs.
 - bb. Movie and music downloading service.
 - cc. Volume bonuses from manufacturers and suppliers.
 - dd. Inventory system connecting manufacturers/suppliers to individual stores.
 - ee. Electronic couponing.
 - ff. Investor relations group.
 - gg. Best Buy VC (Venture Capital) arm that pours millions into startups from Silicon Valley to Asia.

(20 marks)

9 vectors Relations / Geek Squad



Suppliers

9 vectors Relations / Geek Squad

Customers

Car
Decaling / Further / Electronic Company

Best Buy
VC Arm

Cis (XX)

Intel (XX)

Geek Squad
Techies (XX)

AA

AA

AA

AA

XX

XX

XX

* + Call Centre

Retail Customer 1

Retail Customer 2

Retail Customer 3

Retail Customer 4

Employees

SMEE A

SMEE B

SMEE C

SMEE clients

Loyalty Rewards Program

music/movies/books/apps
DOWNLOADING SERVICE

Stand-alone Mobile Store

Skunk-works (Envision Equal Team)

Best Buy Ad Network

Camera & Camcorders

PC & laptop makers

Computer Accessories

TV & Home Theatre mfgs

Digital Health Service
(pedometers)
(blue tooth wireless scales)
(blood pressure monitors)

W/S+ BRAIN MATCH MAKING

PC & laptop mfgs

Computer Accessories theatre TV & Home mfgs

FLEX digital reader

Sony Reader

Software readers

EPS

Music/movies/Game

cell phones/mobile devices

Ematic Cycles/Scooters/Vehicles

VOLUME BONUS!

Design Shop

Stand-alone Mobile Store

Best Buy

SMEE A, B, C

Loyalty Rewards Program

music/movies/books/apps DOWNLOADING SERVICE

Stand-alone Mobile Store

Skunk-works (Envision Equal Team)

Best Buy Ad Network

* + Call Centre

2. Do you see an example of co-opetition above—i.e., an instance where Best Buy both co-operates and competes? (2 marks)

IRAX Book Reader / 2x Sony Readers

3. Do you think that Best Buy could provide a higher level of service if they looked at their telephone answering differently? What changes, if any, would you make? (2 marks)

Yes. Instead of going to individual depts. (where they may or may not be answered) centralize in a call center connected to the "Brain" of the B.Y. - Train/level 1 - problem solving, level 2 - complex problem solving, level 3 - upselling ("9. here anything else we can help you w/?")

4. How would you introduce scalability into the business model by 'reversing out the work', particularly as it relates to the Geek Squad, their in-home or in-office tech team whose personnel go off-site to assist clients and customers with the increasingly difficult task of installing and maintaining the systems that they bought from Best Buy? (3 marks)

Allow people to book appointments w/ the Geek Squad, in-store (at time of purchase), using the call center or online.

5. Identify five examples of DV, differentiated value, or 'pixie dust' in the above model. (5 marks)

- Their VC arm invests in their supply chain / suppliers
- The Geek Squad
- Enanta e-petrols
- Digital health
- IRAX digital reader

6. In just three sentences, sum up the value proposition of Best Buy? (3 marks)

Best Buy brings innovative products to the market by sourcing & inventory in a world-spanning supply chain. They don't leave their customers in the lurch - they help them install & maintain all the equipment they buy in their homes or at their places of work. They show they care about their clients - e-health program

7. Many people feel today that you have integrated social media into your Biz Model because you happen to have a Facebook group or you are on Twitter or you have a blog. These are ways to (perhaps) get your message out inexpensively and effectively but use of relational data bases was the precursor of social media and, in many ways, can be more meaningful for the business. For example, Jeff Bezos, Founder of Amazon.com, said one of their most important innovations and one that helped Amazon finally become profitable was the introduction of a seemingly simple question: "Would you like to see what other people who bought this (book, CD, DVD, etc.) also bought?" As a result, the average order size increased substantially for Amazon and the utility of the site increased significantly for users. Any researcher, say, wanting to build a bibliography, could easily go to the Amazon.com site and see (for free) what other texts were bought by people who had bought books that already appear in the bibliography. In effect, you could borrow the brain power of Amazon users to extend your own—in effect, you can exploit the wisdom of the crowd. This also tends to keep their users locked in to a site that might otherwise be lured away by a competitor. Can you see a way for Best Buy to harness their enormous data base about what products and services people are buying in or from their stores or on their website to further the business goals of the enterprise and increase the utility of their website for their customers as well? (3 marks)

Would you like to see what people who bought their home theater system / music / software / PC / laptop etc. also bought?

8. What are two GM (Guerrilla Marketing) things that Best Buy does? (2 marks)

- a. Geek Squad Car de calig
- b. Twitter

9. There is a source of Bootstrap Capital—additional capital or a new revenue stream, supplied essentially for free—for Best Buy in the above Biz Model. What is it? (2 marks)

Best Buy Ad n/w.

10. If you look at the attached spreadsheet, you can see that Best Buy's new initiative to stock Emertia Electric Scooters results in a CCC (cash Conversion Cycle) for each Best Buy store of 547 days. Is this a positive for Best Buy or a negative from the POV of generating cash and cashflow? Can you see any reason why Best Buy might decide to accept this? If it was unacceptable, what is the one thing you would change that would make the CCC a negative number? If Best Buy had two months to pay Emertia instead on paying them twice a month, what would Best Buy's CCC be? (8 marks)

+/-?

Point of View
A -ve. It takes Best Buy ~550 days to recoup the \$ invested in their inventory. They are paying Emertia 2x/mth!

Accept?

To give Emertia lots of cashflow - to help them get established.

Change?

Terms pay Emertia ^{on} 60 days! ^{times}

Two months to pay instead?

CCC (pay twice a month): +547.88 days

CCC (two months to pay): -1095.8 days

Answers

10-Feb-10 CASH CONVERSION CYCLE (CCC) MEASUREMENT
Best Buy and Emertia Scooters**

| CCC Measurement- Best Buy/Emertia** Number | Units | |
|--|-----------------------------------|-------------|
| Accounts Receivable at Year End (AR) | \$0 | |
| Days Per Year | 365.25 Days | |
| AR x Days Per year | \$0.00 Dollar-Days/Annum | |
| Annual Sales | \$576,000 Dollars/Annum | |
| AR x Days Per year/Annual Sales | 0 Days | ART |
| Inventory at Year End (INV) | \$48,000 | |
| Days Per Year | 365.25 Days | |
| INV x Days Per Year | \$17,532,000.00 Dollar-Days/Annum | |
| Cost of Goods Sold (COGS) | \$16,000 Dollars/Annum | |
| INV x Days Per Year/Annual Sales | 1095.760958 Days | INVT |
| Accounts Payable at Year End (AP) | \$24,000 | |
| Days Per Year | 365.25 Days | |
| AP x Days Per year | \$8,766,000.00 Dollar-Days/Annum | |
| Cost of Goods Sold (COGS) | \$16,000 Dollars/Annum | |
| AP x Days Per year/Annual Sales | 547.8804788 Days | APT |
| CCC* | 547.8804788 Days | |

* CCC = ART + INVT - APT

** Guesstimated numbers- for demonstration purposes only.

| | |
|---|-------------------------|
| Retail Value | \$4,000 |
| Avg. Sales per Month per Best Buy Store | 12 |
| COGS | 0.33333 of retail price |
| Annual Sales per Best Buy Store | \$576,000 |
| Inventory | 1 month's supply |
| Terms from Emertia | 0.5 months to pay |

Answers

10-Feb-10 CASH CONVERSION CYCLE (CCC) MEASUREMENT Best Buy and Emertia Scooters**

| CCC Measurement- Best Buy/Emertia** Number | Units | |
|--|-----------------------------------|-------------|
| Accounts Receivable at Year End (AR) | \$0 | |
| Days Per Year | 365.25 Days | |
| AR x Days Per year | \$0.00 Dollar-Days/Annum | |
| Annual Sales | \$576,000 Dollars/Annum | |
| AR x Days Per year/Annual Sales | 0 Days | ART |
| Inventory at Year End (INV) | \$48,000 | |
| Days Per Year | 365.25 Days | |
| INV x Days Per Year | \$17,532,000.00 Dollar-Days/Annum | |
| Cost of Goods Sold (COGS) | \$16,000 Dollars/Annum | |
| INV x Days Per Year/Annual Sales | 1095.760958 Days | INVT |
| Accounts Payable at Year End (AP) | \$96,000 | |
| Days Per Year | 365.25 Days | |
| AP x Days Per year | \$35,064,000.00 Dollar-Days/Annum | |
| Cost of Goods Sold (COGS) | \$16,000 Dollars/Annum | |
| AP x Days Per year/Annual Sales | 2191.521915 Days | APT |
| CCC* | 1095.760958 Days | |

* CCC = ART + INVT - APT

** Guesstimated numbers- for demonstration purposes only.

| | |
|---|-------------------------|
| Retail Value | \$4,000 |
| Avg. Sales per Month per Best Buy Store | 12 |
| COGS | 0.33333 of retail price |
| Annual Sales per Best Buy Store | \$576,000 |
| Inventory | 1 month's supply |
| Terms from Emertia | 2 months to pay |