

Research shows Wal-Mart could beat Best Buy in electronics sales

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(PhysOrg.com) -- Initial results of new research from Rice University indicate that, among physical retailers, Wal-Mart will be the top seller of electronics this holiday season, besting consumer-electronics giant Best Buy. The preliminary results align with current events for both retailers: Best Buy shares plunged 18 percent last week, and only this week Wal-Mart, the nation's largest retailer, started deeply discounting the iPhone 4.

The new consumer research conducted at Rice offers a new look at why sales are relatively lower at Best Buy than [Wal-Mart](#), though both have similar levels of [customer satisfaction](#).

Through a rigorous survey-based, tracking study of a national sample of customers making retail purchases in the U.S., researchers determined that product quality and variety, prices, and experience with the sales staff are big factors determining overall satisfaction. By predicting store sales based on the level of satisfaction, the researchers determined overall satisfaction is strongly associated with sales increases.

Though they maintained equivalent levels of overall customer satisfaction (72 percent are satisfied with Wal-Mart and 73 percent with Best Buy), 80 percent of customers were satisfied with Wal-Mart prices and only 49 percent were satisfied with Best Buy prices.

When asked if they are shopping more often this year at a specific retailer, 23 percent of Wal-Mart shoppers said they shop there more

often this year. Only 7 percent of Best Buy shoppers said they are shopping there more often.

"Our consumer models show that pricing, product and staff satisfaction are the key drivers of overall customer satisfaction, which is the key driver of people's buying," said Vikas Mittal, the J. Hugh Liedtke Professor of Marketing at Rice University. "Best Buy excels in areas that, in this [economy](#), just aren't driving overall customer satisfaction."

For instance, Best Buy is rated highly for its sales staff at 81 percent, where Wal-Mart is at 53 percent. Mittal said that excellent sales staff may be disproportionately burdening Best Buy: consumers often go first to Best Buy to learn about and experience the products, then to Wal-Mart or online to actually purchase the product.

"Best Buy gets stuck footing the bill for consumer-information search for the entire industry by providing product demonstrations and a knowledgeable sales staff," Mittal said. "It seems they're a victim of their success -- because of the product variety and knowledgeable sales staff customers use them during the information search phase. However, when it comes to actual purchase, they may seek out Wal-Mart, which may be perceived as having better prices. In the current economic environment, it is not surprising that price-sensitive customers are purchasing at Wal-Mart and Amazon, even though they are using Best Buy's extensive sales system for information search."

Mittal said that to ensure it doesn't become the next Blockbuster, which filed for bankruptcy in September, Best Buy should distinguish itself from other retailers, particularly Wal-Mart. He suggested differentiating its offering -- products, services and brand -- by focusing on more high-end and premium brands, excelling in services such as product installation, technical help and after-sale services. He noted Best Buy's creation and promotion of the "Geek Squad" is a move in the right

direction.

"By becoming yet another big-box retailer that competes on price, [Best Buy](#) is unlikely to succeed," Mittal said.

"It's a changing marketplace for electronics," said Rich Raquet, president of TRC, the research organization with whom Mittal worked. "Now more than ever as electronic media is digitized and consumers are adapting to that. They're no longer going to stores buy the new DVD release or latest CD."

Mittal and Raquet's new research also predicts that Kohls will have a very good holiday and meet or exceed its forecast sales. Of the eight retailers studied, Kohls was the only one where people rated highly its prices (82 percent), and quality and sales staff (91percent) and merchandise (81 percent). Tied with Lowes, it had the highest level of overall customer satisfaction at 89 percent, followed by Target (86 percent), Home Depot (78 percent), JC Penney (68 percent) and Sears (68 percent).

The data are based on the August, September and October 2010 responses of 962 consumers who took part in a retailing tracking study jointly conducted by Rice University and TRC. None of the companies listed are clients of TRC. The complete study and analysis will be featured in a forthcoming white paper.

Provided by Rice University

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