Add Value Or Adios!

A recent piece in *Forbes* magazine provocatively titled, "Why Best Buy is Going out of Business...Gradually," generated an extraordinary outpouring from Best Buy employees, customers, management, and interested bystanders: the *Forbes* website logged more than 100,000 email responses. Regardless of how you assess Best Buy's future prospects, this reaction speaks to acute consumer dissatisfaction with the shopping experience at Best Buy specifically, and with other retailers generally. Author Larry Downes argues that customer unhappiness, more than online competition, accounts for Best Buy's declining earnings and sinking stock price, and his analysis raises a number of points that are relevant to m.i. retail.

"To discover the real reasons behind the company's decline, just take this simple test. Walk into one of Best Buy's retail locations or shop online. And try, really try, not to lose your temper," writes Downes. The consumer electronics giant infuriates, he says, because sales people are incentivized to pursue management-imposed objectives, like cross-selling and writing extended warranties, rather than addressing actual customer needs; because they are generally deficient in product knowledge; and because there is no live body willing or able to help customers navigate a large and confusing store layout. Sad to say, the same charge could be leveled at any number of m.i. stores where customers are viewed as opponents to be fleeced rather than people to be helped.

Best Buy management officially declares, "We believe our dedicated and knowledgeable people, store and online experience, broad product assortment, distinct store formats, and brand marketing strategies differentiate us from our competitors by positioning our stores and websites as the preferred destination for new technology and entertainment products in a fun and informative shopping environment." Downes has a scathing response. "Not one word of that, at least in my experience, is true. Their 'people' are not knowledgeable; they are annoying. The store 'format' is entirely generic; perhaps a little confusing. The stores and websites are not 'preferred destinations'—they are destinations, at best, of inertia, or in the case of exclusives, destinations of the only resort. The 'shopping environment' is the opposite of fun and informative. It's depressing and humiliating, as in 'I can't believe I had to go to Best Buy to get this.'"

If Downes were to visit some m.i. stores, I suspect he would find a similar disconnect between policy and practice. In 120 years of interviewing music retailers we've never encountered one who didn't stress the importance of taking care of the customer. But, we've also witnessed salespeople adjusting price quotes based on the type of car the customer drives up in (higher for a Mercedes, lower for a Hyundai), stretching the truth to move an aging piece of inventory, not to mention being rude, indifferent, dismissive, and totally uninformed. As with most virtues, customer service is easy to preach but much harder to practice.

Disappointing in-store experiences are hardly new, and barely newsworthy. (*Lackadaisical Salesperson Ignores Customer* is the kind of headline you'd expect to see on *The Onion*). What has changed is that unsatisfied customers are now just a mouse-click away from alternative retail channels. Whether it's a chain store behemoth like Best Buy or a small independent m.i. store, ignoring this reality carries harsh consequences.

A review of the general business news suggests that the mantra of successful physical retailers is "add value or adios." Fortunately, m.i. products provide more opportunity for "value added" services than most other product categories. In the high growth years a decade ago, a lot of retailers dumped teaching and converted studios to more profitable retail space. Robust attendance at NAMM Show sessions on in-store teaching suggests that many are rethinking the wisdom of this decision. Even Guitar Center has recently added teaching facilities to its newer stores.

In addition to teaching music, high-tech products offer another value added opportunity. This observation comes from an Apple executive who asked that his name be withheld: "Music stores are staffed by musicians and they, more than anyone else, are qualified to show customers how to apply technology to make music and record. It's a tremendous untapped competitive advantage, and we have the market data to prove it." Apple retail stores have thrived by helping customers put technology to use, and it's not a stretch to believe that m.i. retailers could do the same within a narrowly defined product scope.

Not too long ago, Best Buy and other big box retailers were viewed as unstoppable juggernauts on the verge of complete market domination. Outwardly Best Buy has been wildly successful. Its 2,500 stores worldwide racked up sales of $50 billion in 2011, and it claims to sell 30% of all the consumer electronic products in the U.S. However, the fact that commentators are now discussing its potential demise reflects how much the retail environment has changed.

Downes concludes, "Starting now, physical locations will only pay their way if they provide some value-added: an experience customers value and which cannot be easily duplicated." As a final suggestion, he adds, "A truly integrated physical-and-online retailer, offering a seamless, hassle-free experience for customers to shop at home and pick up at the store, or become educated at the store and then place the order later on their smartphone, could prove a genuine threat to online retailers. Treating the online and mobile channel as an asset rather than a necessary evil, and using it to enhance rather than confuse the brand, has proven a winning strategy."

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