

# Does Your Store Provide A Mini-Vacation?

**T**he rise of aggressive online merchants and the practice of showrooming—comparing products in a store before buying online—has transformed consumer electronics giant Best Buy from a profit power house to a basketcase in less than five years. For the third quarter ended November 20, sales declined 19% to \$10 billion and earnings all but evaporated. The stock, which was worth \$50 a share in 2007, sank to just \$13 and many analysts wonder if the company will even survive. Best Buy's current struggles have direct parallels with m.i. retailing, and the chain's efforts to reinvent itself offer some useful lessons.

Best Buy was once one of the most feared "category killers," a group of big box retailers that included Borders, Blockbuster Video, Toys R Us, and Circuit City. These giants used buying power, aggressive pricing, and the promise of vast selection to drive thousands of smaller retailers out of business. But as the list suggests, the "category killers" have gone from being hunters to being the hunted. Many are getting slaughtered by the competitive forces they unleashed. The bargain hunters who once flooded their stores have now migrated to the internet, where nearly anything can be purchased at bargain prices and delivered in days. Instead of visiting a store, the new "window shoppers" open their browser.

Despite the rapid growth of the internet, there are many retailers who continue to get people to buy things in stores. Having examined a number of viable brick-and-mortar operators, the Best Buy team has concluded that the future lies in "less product and more service." The company recently closed 50 of its 40,000-square-foot locations and is opening 100 smaller stores that, according to CEO Hubert Joly, "are refocused on personal service, the one thing that can't be delivered via UPS." The new stores showcase a reduced selection of higher-end appliances and emphasize services like installation and technical assistance in integrating electronic devices. Stephen Gillett, who is involved with the new store design, adds, "If you've got a Kindle, a Samsung television, an Android phone, good luck getting service for that at Amazon."

The success of Best Buy's new store design is hardly assured. Will improved service generate enough revenue to cover the increased compensation expense associated with more and better salespeople? Have most consumer electronics products become so commoditized that price trumps all else? Definitive answers will emerge in the next

year or so. Regardless of the outcome, Best Buy management has done a service by pinpointing the primary challenge facing many brick-and-mortar retailers. When just about everything is readily accessible online, a traditional retailer needs something more than price and selection to compete. As we go down the list of successful m.i. retailers we have encountered, that "something more" is more often than not an exemplary shopping experience.



The best definition of this exemplary experience we've heard comes from Jack Schwefel, CEO of the fast-growing Sur la Table kitchenware chain. He explained, "Specialty retailers aren't just selling you a gadget; they're selling you a browsing experience, a sort of

mini-vacation from the everyday. We have people who really understand the product and can explain why we have nine different immersion blenders." Every retailer in the m.i. business should be asking themselves whether a visit to their store is a "mini-vacation from the everyday," and whether they have salespeople who deliver authentic stories and engaged interactions instead of mechanized downloads of product knowledge, random facts, or recommendations that have nothing to do with what the customer asks for. If the answer isn't in the affirmative, expect a challenging future.

Fortunately, the m.i. industry has some inherent benefits in creating a unique shopping experience. Our customer base is made up of enthusiasts who crave hands-on product experiences. With so many products available on the market, buyers are anxious for guidance from a trusted advisor. They're also looking for solid technical advice. That's before you get into lessons and performance opportunities, not to mention the opportunity to hang out and talk with other musicians.

There are as many different ways to deliver this type of experience as there are musical genres. However, it is imperative to do it. As the experience of Best Buy has demonstrated, the battle for price and selection is over, and it's been won by the internet.

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