



SM2 Strategic, Inc.  
E-Letter

## *A Tale of Two Electronics Stores*

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Aren't All Electronics Retailers the Same?

For years, consumers have been bombarded with advertising from big box electronics stores that tempt us to come in and buy the latest in TV and stereo equipment. You know the chains well: Best Buy, Circuit City and (the now defunct) Good Guys are probably the biggest in this category. For the longest time, I viewed them all the same way; annoying but necessary to get a good deal when I needed something new for the house or the car. Those circulars they print up are just more paper recycling to handle.

You'd think the economy would wreak havoc on this entire category, but there's a tale worth repeating describing the battle between the once dominant Circuit City and the once smaller Best Buy.

Over the past 3-4 years, Best Buy has made a strategy out of being "customer centric." Their blue-polo'ed staff has been highly trained to make technology less intimidating, especially for women who visit the store seeking high-tech electronics. Their acquisition of The Geek Squad brought in a dramatic (in the literal sense) approach to computer repair that has influenced how they care for customers. The result has been increased market share and sales growth this year that lends credence to their approach.

On the other hand, Circuit City executives believed that the best way to improve performance was to cut costs. They fired many of their best-trained employees, those sales reps on the floor who knew how to answer questions from the technologically-challenged. The end result has been disastrous financial reporting, a likely reason why video rental chain Blockbuster ended its bid to acquire the company this past spring.

What a lesson! Similar goods at similar prices, but a very different customer experience at Best Buy than what you'd likely encounter at Circuit City. Those of you who view yourself as being in a highly competitive environment should take note; the results clearly show that being customer-centric works and is better for the bottom line. Cutting price or cutting service is a strategy doomed to fail over the long term for most businesses.

### **About [SM2 Strategic](#)**

Shareef Mahdavi is president of SM2 Strategic, based in Pleasanton, California, a consulting firm that works with medical device manufacturers and physicians to create demand for new technologies and procedures. He has more than 20 years of experience in marketing and sales for medical device companies.