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Best Buy Co., Inc.

Shortly after assuming office, Best Buy's chief executive officer (CEO) Hubert Joly shared a broad outline of his turnaround plan—dubbed “Renew Blue”—with investors. His goal was to address what he saw as Best Buy's two main problems: declining comps and margins. Three years into his recovery efforts, Joly was proud of what he had accomplished thus far. After four years of negative domestic comparable sales, fiscal year 2015 posted a 0.5 percent sales increase. The company's domestic non-GAAP (generally accepted account principles) operating income had also reversed its four-year downward trend and increased from 3.1 to 4.1 percent. Non-GAAP earnings per share for continuing operations were up 26 percent over 2014, and the company had posted a \$1.3 billion increase in cash, cash equivalents, and short-term investments at year end.¹

This represented a dramatic improvement over the company Joly had inherited in September 2012. Despite being the world's largest retailer of consumer electronics with \$50 billion in annual sales, Best Buy's financial situation at that time was precarious. The company's stock price had fallen from \$45 to \$15 per share over a two-year period, a drop of roughly 60 percent.² Earlier that same year, Best Buy had been forced to report a 91 percent drop in profits during the second quarter compared to the same period in 2011³; the third quarter showed a 97 percent drop in operating income.⁴ As Joly had previously told investors, one of his first priorities had been to stabilize the company before he could implement ways to improve its performance.⁵

Now that the company was on solid ground, he looked forward to building on its strengths “to define and take the actions that will allow us to win in the marketplace, and to be seen by all of our stakeholders as the best buy.”⁶ As Joly saw it, Best Buy sold far more consumer electronics than either of its largest competitors (\$50 billion compared to ~\$30 billion for Walmart and \$14 billion for Amazon), and dominated the PC, camera, and tablet categories in terms of market share. It also had state-of-the-art logistics, inventory, and support systems that enabled it to make same-day deliveries for online orders. Meanwhile, Best Buy's online business was the eleventh largest e-commerce site worldwide and was growing by 15 to 20 percent each quarter.⁷

Despite the fact that competition in the consumer-electronics industry remained cut-throat, Joly was convinced that the company's mix of “Expert Service. Unbeatable Prices.” provided a clear value proposition.⁸ Recently, even the critics had started to agree with him. Instead of predicting that Best Buy was doomed to follow other national consumer electronics retail superstores into extinction, analysts

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were extolling the company's transformation "from a brick-and-mortar retailer into a bona fide, multi-channel retailer." Or, as stated more sedately by Moody's, "Best Buy [was] demonstrating its viability."⁹ Joly was not content to remain simply "viable," however, and was eager to start planning the next stage of his Renew Blue strategy.

A Brief History of Best Buy

Together with his business partner, James Wheeler, Richard Schulze founded Sound of Music, an audio specialty store, in Minnesota in 1966. The fledgling company ended its first fiscal year with gross sales of \$173,000 and continued to grow rapidly over the next few years. By the time of its initial public offering in 1969, the home-town enterprise had acquired two of its local competitors¹⁰ and had opened two new outlets near the University of Minnesota in downtown Minneapolis.

Schulze bought out Wheeler in 1971,¹¹ shortly after Sound of Music hit the \$1 million mark in annual revenues.¹² Subsequent years saw continued expansion through additional locations, new product lines, and novel promotional techniques. For example, in 1979 Sound of Music became the first supplier of video and laserdisc equipment from companies such as Panasonic, Magnavox, Sony, and Sharp. After a tornado hit the Roseville, Minnesota, store in June 1981, the company responded with a "Tornado Sale," which became an annual event, storm or no storm. This strategy boosted Sound of Music's average sales per square foot to \$350, compared with an industry average of \$150 to \$200.¹³

ARRIVAL OF THE SUPERSTORE

With ambitions to capture even larger market share, Sound of Music changed its name to Best Buy Co., Inc., in 1983. Shortly thereafter, it adopted its now-familiar superstore format, with an increasingly diversified product range. Boosted by an infusion of cash from a series of public offerings, Best Buy proceeded to grow from 8 to 24 stores and saw its revenues increase from \$29 million to \$290 million from 1984 to 1987.¹⁴ On July 20, 1987, Best Buy made its debut on the New York Stock Exchange (NYSE: BBY) with an initial offering of 8.3 million shares of common stock.

Best Buy changed its logo to the yellow tag in 1987, and in 1989 its stores adopted a new "grab-and-go" store format called Concept II. Schulze's revolutionary new approach to big-box retailing combined Walmart's prices with Circuit City's assortment, in a shopping warehouse with a 35,000-square-foot footprint.¹⁵ The new stores consisted of well-stocked showrooms with self-help information so that people could make their product selections independently and check out in a single stop. Answer Centers were still available for people who desired assistance, but salespeople no longer needed to attend to each individual customer or fetch merchandise from storage. This change reduced Best Buy's employment costs by one-third, which compensated for the corresponding de-emphasis on service contracts. One analyst called Concept II "the most innovative thing to happen in this industry—ever."¹⁶

Spurred by the success of its warehouse format, Best Buy hit \$1 billion in sales revenues in 1992. The company landed on the Fortune 500 list (debuting at number 373) for the first time in 1995. Fortune magazine named Best Buy one of the top 10 performing stocks from 1990 to 2000 and honored it as "Company of the Year" in 2004.¹⁷

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GROWTH THROUGH ACQUISITIONS

The year 2000 marked the launch of a new phase of inorganic growth through acquisitions. Best Buy grew its revenues from \$12.5 billion in 2000 to nearly \$51 billion in 2012.¹⁸ The company first purchased Magnolia, a high-end consumer-electronics chain with 13 locations throughout Washington, California, and Oregon, for \$88 million in 2000.¹⁹ The next year, Best Buy purchased Musicland for \$425.1 million. The acquisition of the mall-based music and entertainment retailer gave Best Buy access to an additional 1,300 stores across the United States and Puerto Rico, including 650 Sam Goody and 400 Suncoast Motion Picture outlets. In 2002, the company acquired Geek Squad, a 24-hour computer-support task force. By 2004, Best Buy had opened Geek Squad precincts within all of its stores.²⁰

In contrast to the rapid expansion of Geek Squad, Best Buy divested Musicland in 2003 due to declining mall sales after the terrorist attacks of September 11, 2001, coupled with increased competition from Walmart and Target in the CD segment. Sun Capital Partners, Inc., a private equity firm, purchased the failing firm for the assumption of Musicland's debt and lease obligations. Brad Anderson, who succeeded Schulze as CEO in 2002, described the Musicland venture as "a very expensive but powerful learning experience for Best Buy."²¹

After the Musicland debacle, Best Buy took a two-year hiatus from acquisitions before purchasing AudioVisions, a custom integrator of electronic products such as flat-screen TVs and security solutions, in 2005.²² In December of that same year, Best Buy acquired Pacific Sales, a Los Angeles-headquartered company that specialized in selling premium kitchen appliances, for \$410 million.²³ In 2007, Best Buy announced plans to purchase Seattle-based Speakeasy Inc., a broadband and VoIP services provider, for \$97 million.²⁴ This transaction was followed by the 2008 announcement of Best Buy's acquisition of Napster for \$121 million in cash, in an effort to compete with Apple's 70 percent share of the digital-music marketplace.²⁵

INTERNATIONAL EXPANSION

In the meantime, Best Buy was also engaged on the international front. Its first cross-border expansion was the 2001 acquisition of Futureshop Ltd., a Canadian electronics chain, which added annual sales of \$1.32 billion.²⁶ Maintaining Futureshop as a wholly owned subsidiary, Best Buy later strengthened its Canadian presence by opening 77 branded stores of its own.²⁷ Best Buy established an active presence in the growing Asian markets with its 2006 acquisition of a majority interest in the retail chain Jiangsu Five Star Appliance Co., Ltd., China's fourth-largest appliance and consumer-electronics retailer, for \$180 million.²⁸ A year later on January 26, 2007, the first Best Buy store in China—touted as the largest Best Buy in existence—opened in Shanghai.²⁹ Other regions quickly followed. By 2008, Best Buy had announced the opening of its first pilot stores in Mexico and Turkey, as well as multiple branded superstores in the United Kingdom and other European countries.³⁰

In response to the 2008–2009 recession and increasing competitive pressures, Best Buy started to shift its expansion efforts away from traditional "big box" stores to focus on its new "Connected Store" format and "Best Buy Mobile" concept stores, both at home and abroad. Then, in a stunning reversal, Best Buy closed all of its branded stores in China, Turkey, and the United Kingdom by the end of 2012. Instead, the company invested heavily in its Five Star subsidiary in China and its Carphone Warehouse and Phone House stores in Europe, opening 38 and 36 new locations in fiscal 2012, respectively.³¹

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As the company's financial struggles continued, Best Buy decided to refocus its efforts around its higher performing units in North America (including Canada and Mexico) and to exit the Asian and European markets altogether. Best Buy completed the sale of its interest in Best Buy Europe to Carphone Warehouse Group in June 2013 and divested its ownership of Five Star (China) in February 2015. In March 2015, the company also consolidated all of its Canadian Future Shop stores under the Best Buy brand.³²

LEADERSHIP CHANGES

After having just two CEOs in its first 43 years of operations (Richard Schulze and his successor Brad Anderson), Best Buy went through three top leaders in a six-month period in 2012.³³ Brian Dunn had assumed the helm in June 2009 and had been trying to "right" Best Buy's "ship" for the past three years. Dunn believed that the company's physical stores were an asset: "There are still things in the physical world that are going to be important: expert advice and the ability to see and touch the latest tablets."³⁴ But to cut costs, he announced in 2011 that Best Buy would reduce its "big box" real estate by 10 percent over five years, by closing some stores, renegotiating leases, and letting some leases expire.³⁵ Thousands of workers, including some 600 highly trained Geek Squad staffers, were laid off.³⁶ Moving forward, Dunn planned to open 600 to 800 new Best Buy Mobile stores, focusing on smartphones and other mobile devices.³⁷ The goal was to increase the number of retail points of contact while decreasing square footage, thereby increasing the company's flexibility as a multichannel retailer.³⁸ He also increased Best Buy's online offerings by more than 20,000 items to broaden its "virtual" footprint.³⁹

Unfortunately, Wall Street was not satisfied, and the company's stock price continued its precipitous decline. Analysts felt Dunn had been slow to recognize the company's problems, and was not being aggressive enough in shutting down underperforming units.⁴⁰ Thus, when Dunn announced his resignation in April 2012 after 28 years as a Best Buy employee, many assumed it was due to the company's financial woes. In reality, he left in the midst of a board investigation into allegations of personal misconduct (a close relationship with a female employee).⁴¹ Ultimately, the independent investigators determined that there had been no misuse of company resources, but that Dunn's poor judgment and lack of professionalism had contributed to a negative work environment.⁴²

The fallout did not stop there. Richard Schulze, who was then serving as Chairman of the Board, stepped down from his position at the June 2012 board meeting. The board "expanded his role" by granting him the honorary title of "Founder and Chairman Emeritus" and permitted him to finish out his term as director through 2013. The investigative report indicated that Schulze had learned about Dunn's actions, confronted him, warned him that such behavior was contrary to company policy, but then dropped the issue when Dunn denied the allegations. To rectify this breach of ethics, the board named Hatim Tyabji, chair of the audit committee, as the new chairman⁴³ and hired an external consultant to run the search process for a new CEO. In the interim, George Mikan III, another director, agreed to take on the day-to-day responsibilities for running the company.⁴⁴ The board also recommended that shareholders approve the declassification of the board, making each director subject to annual reelection.⁴⁵

Joly was hired in August 2012 and assumed active duty starting in September.⁴⁶ In prior jobs, Joly had engineered successful turnaround strategies for Vivendi and Carlson Wagonlit Travel,⁴⁷ and he saw no reason why Best Buy would be any different. Still, several investors had not been happy with his appointment. Some saw Joly's lack of retail experience as a significant limitation, while others wondered if the company had rushed the search just so it could proceed with its restructuring plan.⁴⁸ With

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significantly improved financials by fiscal 2015, however, he was finally starting to win some respect for his turnaround efforts. (See Exhibit 1 for Best Buy financial data.)

The Consumer-Electronics Retail Industry

A BRIEF HISTORY

The consumer-electronics retail industry grew rapidly in the second half of the 20th century due to several converging trends. At the end of World War II, a significant portion of the U.S. population migrated from cities to suburbs, creating a need for suburban retail centers. At the same time, the cost of technology decreased, generating an increase in demand for televisions and other consumer electronics. Many of these new customers were price-sensitive, first-time homeowners, who were willing to accept decreased customer service in return for lower prices, leading to a rapid growth in discount stores.⁴⁹

As the children of the WWII generation—the baby boomers—reached adulthood in the 1970s, demand for consumer electronics soared. Retailers shifted from carrying just one or two lines of equipment toward stocking a diverse set of product lines. Strong industry growth continued through the late 1980s, until the new VCR market became saturated and a recession slowed consumer sales. By 1991, 98 percent of all homes had at least one color TV and 77 percent of those that owned TVs also owned a VCR. The United States alone had at least 10,000 radio, television, and consumer-electronics stores that had sprung up to meet the surge in demand. With market saturation, however, growth in the 1990s was limited to the replacement and upgrading of existing devices.⁵⁰ As a result, competition intensified and many companies, such as Highland Superstores Inc., left the electronics market.⁵¹

Technology advancements and improved economic conditions in the mid- to late-1990s again led to a period of growth that supported the rise of large superstores such as Best Buy and Circuit City. In 1998, sales at Best Buy and Circuit City increased by 21 percent and 48 percent, respectively.⁵² It was around this time that the industry faced yet another great shakeup—the birth of online retailing.

In 1998, Amazon.com, a previously unheard of competitor, entered the consumer-electronics market by offering music CD sales online.⁵³ Not willing to cede this potentially lucrative market, Circuit City, Tweeter Home Entertainment Group, and Outpost.com all opened online consumer-electronics sites of their own within the next year. Best Buy followed suit with Bestbuy.com in 2000, making it a relatively late mover in e-retailing.⁵⁴

The ability to reach new consumers online, coupled with increased interest in digital cameras and DVDs, led to yet another period of rapid expansion throughout the early 2000s. This time, however, growth occurred primarily through acquisitions and industry consolidation. From 1994 to 2007, the three largest consumer-electronics retailers (Circuit City, Best Buy, and Radio Shack) increased channel share from approximately 22 percent to 45 percent. Meanwhile, the total number of firms in electronics retailing with over 100 employees declined by 4 percent per annum from 1998 to 2004.⁵⁵

From 2005 to 2007, the industry compound annual growth rate (CAGR) was approximately 6 percent. With the onset of the global recession, growth fell to 3.4 percent in 2008 and -0.4 percent in 2009.⁵⁶ The industry started to recover in 2010, but growth remained relatively flat for the next several years.⁵⁷

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The North American compound annual growth rate from 2010 to 2014 was 1.5 percent (**Exhibit 2**), but is projected to increase to 3.3 percent through 2019.⁵⁸

As of 2011, approximately 50.0 percent (\$257.3 billion) of the total market value of \$514.2 billion was attributable to the audiovisual equipment segment, with computer hardware contributing 34.3 percent (\$176.2 billion). Music and video comprised another 10.5 percent (\$53.9 billion) and game consoles the remaining 5.2 percent (\$26.8 billion). The global computer and electronics industry is projected to reach a value of \$620 billion by 2016, an increase of 20.6 percent over 2011 figures.⁵⁹

GENERAL TRENDS

The consumer-electronics retail industry is both cyclical and seasonal. Industry sales during the holiday season in the fourth quarter typically exceed sales from the other three quarters combined. As most consumer-electronics items are considered discretionary purchases, sales are directly correlated with macroeconomic factors such as consumer confidence, unemployment, the housing market, and the ability to obtain credit.⁶⁰

Another distinctive trend in the consumer-electronics industry is that of ever-falling prices. These price decreases place constant pressure on consumer-electronics manufacturers to improve functionality, portability, and style as a way of differentiating their products from those of competitors. As a result, the product life cycle has grown increasingly shorter as manufacturers cannibalize their own products in an effort to maintain customer interest and loyalty.

This cannibalization has led to the evolution of consumer electronics as a measure of socioeconomic status in countries such as the United States. Financial wealth buys access to the latest and greatest technology. As prices fall, the technology becomes affordable to a wider demographic, but the technological elite have already moved on to the next generation of devices. Cellular phones were once fantasy gadgets seen only in James Bond movies. In the 1980s, yuppies proudly displayed their cell phones on their belts as a status symbol. These days, nearly everyone has a cell phone whose design and functionality make those early "dinosaurs" laughable. Laptops, large-screen TVs, and smartphones have enjoyed a similar proliferation among the masses. Today's must-have is tomorrow's bargain commodity at Walmart, so retailers must strike while the product is hot. A product will, in its boom days, attract a very different clientele than in the later, less-exclusive phases of its shelf life. Consequently, understanding and predicting consumer demand is an imperative in the modern consumer-electronics industry.

Past and Current Competitors

Comparatively speaking, the consumer-electronics retail industry remains relatively fragmented. Prior to the 2008 recession, the top three consumer-electronics retailers (Circuit City, Best Buy, and Radio Shack) accounted for 42 percent of the U.S. market. In comparison, the top three firms in home improvement and office-supply retail controlled 58 percent and 79 percent, respectively. Globally, the market is even more divided, with Best Buy controlling just 3.2 percent of the worldwide market in consumer electronics (post-recession).⁶¹ Its major competitors include Apple (11.3 percent), Walmart (6.2 percent), and Metro AG (5.6 percent), with "other" stores accounting for the remaining 73.7 percent (**Exhibit 3**).⁶²

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With respect to online sales, Amazon dominates the U.S. consumer-electronics market with a 60 percent share, followed by Walmart at 22 percent, and Best Buy at 14 percent. Amazon's lead in share of sales is somewhat smaller at 39 percent, compared to 33 percent for Walmart, 23 percent for Best Buy, and 4 percent for Target. However, Walmart's value per order (\$189) exceeds that of Amazon (\$103).⁶³ The online sector accounts for approximately 20 percent of all consumer electronics sales.⁶⁴

CIRCUIT CITY

The story of Best Buy is not complete without an account of the rise and fall of Circuit City, once the company's most formidable competitor. When Samuel Wurtzel, Circuit City's founder, learned that the first commercial television station in the South was soon to hit the airwaves, he decided that a store selling TVs sounded lucrative.⁶⁵ He opened the first Wards Company store in Richmond in 1949. Soon thereafter, Wurtzel and his partner diversified their product offerings to include a range of home appliances as well as television sets. As profits grew over the next decade, they opened three additional stores in the Richmond area.⁶⁶ The company went public in 1961, selling 110,000 shares at a price of \$5.375 through a Baltimore stockbroker.⁶⁷

Wards expanded across the Southeast and Midwest through a series of acquisitions from 1965 to 1970, after which Samuel Wurtzel passed the torch on to his son, Alan Wurtzel.⁶⁸ In 1974, Wards arguably suffered adverse effects due to its rapid expansion and diversification, losing \$3 million on overall sales of \$69 million. In response, the junior Wurtzel withdrew Wards from areas outside its core competencies, such as tire sales, and refocused the product line on consumer electronics. To showcase its new strategy, the company opened a 40,000-square-foot store called "The Wards Loading Dock."⁶⁹ This "big box" format had ample room to display Wards' extensive selection of 2,000 products. As a result of its novel store design, Wards increased its sales ten-fold to \$246 million by 1983.⁷⁰

In 1984, Wards changed its name to Circuit City Stores and listed on the New York Stock Exchange. That same year, Richard Sharp succeeded Alan Wurtzel as CEO. Under Sharp, the company consolidated its operations in very large stores located in clusters throughout the Southeast. These "Circuit City Superstores" encompassed up to an acre of floor space.⁷¹ Circuit City's approach of opening a number of large stores at once in the same region, accompanied by heavy advertising, represented a methodical determination to win the lion's share of sales. By 1987, the company was reaping \$1 billion in annual revenues and dominated the U.S. market.⁷²

In 1992, Circuit City expanded its offerings to include personal computers and recorded music. In 1993, Circuit City stretched its boundaries even further and opened the first CarMax used-car lot. About that time, Circuit City also found itself in an intense price war with Best Buy that pitted the companies' sales forces against one another. Circuit City was known for its hard-sell tactics, with salespeople working for commission. In contrast, Best Buy employees enjoyed a more relaxed, self-service oriented sales environment, in which they were paid a flat hourly rate.⁷³ Best Buy's "We're here if you need us" approach was so popular that Circuit City was forced to adapt. Yet, despite dismissing 3,900 workers and implementing an hourly pay structure, Circuit City's 600 stores posted an annual loss of \$89.3 million by the end of 2003. The company continued to restructure in 2004, closing dozens of stores at less-desirable sites and opening some 70 new stores in more ideal locations.

Circuit City's reaction to the flat-screen price war in the early 2000s likely helped to seal its fate. A bubble in the U.S. housing market had led to a dramatic increase in demand for consumer electronics,

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which in turn created a flood of investment in new factories, resulting in excess supply and inventory for retailers. Then, in the fourth quarter of 2006, the housing market weakened, leading to a decline in consumer spending. To move inventory, discount retailers such as Walmart began slashing prices of flat-panel TVs, and Circuit City followed suit. By the end of 2006, flat-panel TV prices had declined between 40 and 50 percent. Prices fell so quickly during the holiday season that Circuit City's weekly advertising circulars were often outdated by the time they reached customers.⁷⁴

Circuit City was especially vulnerable to eroding margins caused by the price war because nearly 44 percent of its revenues came from TV sales. By November 2006, Circuit City realized a net loss of \$16 million, down from a quarterly profit of \$10.1 million in 2005. Its share price plummeted 80 percent by the end of that year.⁷⁵ In an attempt to mollify investors, Circuit City CEO Philip Schoonover fired some 3,400 of the firm's most experienced employees and replaced them with less-costly personnel.⁷⁶ Circuit City had hoped to save \$110 million in fiscal 2007 and \$140 million in 2008, but in reality, the mass layoff led to poor salesmanship and lower sales.⁷⁷ Some analysts alleged that the laid-off Circuit City employees took their experience and their customers to Best Buy, bolstering the company's main competitor.

On January 5, 2008, Herb Greenberg of The Wall Street Journal named Philip Schoonover as the worst CEO of the year.⁷⁸ A few months later, Schoonover resigned and was replaced by James Marcum, who served as Circuit City's CEO and acting president until the firm's demise. Circuit City filed for Section 11 bankruptcy in November 2008, closing 155 stores in an attempt to preserve a future for the rest.⁷⁹ After failing to find a buyer, Circuit City began liquidation of the remainder of its assets in January 2009. The firm cited reduced consumer spending and an overall economic downturn as the reasons for its downfall. In May 2009, Systemax purchased the Circuit City brand and trademark for \$6.5 million for use in online electronics retail.⁸⁰

In the year after Circuit City closed, Best Buy reported a 5.5 percent increase in market share, to approximately 22.9 percent of the \$170 billion domestic market.^{81, 82, 83} However, other retailers and e-tailers rapidly entered the fray and established significant footholds in the increasingly competitive consumer-electronics industry.

WALMART

As the world's largest retailer, Walmart employs more than 2.2 million associates across more than 11,500 stores in 28 countries.⁸⁴ Walmart was founded by Sam Walton, who opened his first store in 1962 in Rogers, Arkansas. The young company expanded rapidly, reaching 24 stores and \$12.7 million in sales within its first five years of operations. In 1969, it incorporated as Wal-Mart Stores, Inc., going public shortly thereafter in 1970 at a share price of \$16.50.⁸⁵

Since then, Walmart has continued to grow aggressively by leveraging its superior capabilities in logistics and supply-chain management to provide consumers with a wide breadth of merchandise at low prices.⁸⁶ Walmart stores carry products in areas such as family apparel, health and beauty aids, toys, home furnishings, housewares, hardware, lawn and garden supplies, and automotive products, in addition to consumer electronics. In 2000, the company launched Walmart.com to compete with online retailers such as Amazon.com, and it now sells more than a million products through its website. Walmart's 2014 net sales reached \$482.2 billion with a net income of \$17.1 billion.⁸⁷

Walmart moved aggressively into the consumer-electronics market in the wake of Circuit City's collapse. In May 2010, the company announced that it was significantly expanding its offerings of Blu-ray players, HDTVs, home-theater systems, DVDs and Blu-ray movies, and wireless products for home

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networks. At the same time, Walmart rolled out a dedicated area for pay-as-you-go mobile broadband products from well-respected vendors such as Verizon, Virgin, and AT&T, as well as a new pay-as-you-go program with Sprint for cellular users. The company also increased its smartphone offerings by close to 60 percent. Walmart's senior vice president for home entertainment explained the company's strategy as follows: "We... [provide] a well-defined shopping experience in entertainment that enables customers to find what they need quickly, learn about new technology, compare prices among top brands, and every day find amazing value. Our commitment to the best price and surprising value is always a top priority."⁸⁸

While Walmart proved more recession-proof than many of its competitors, the anticipated increase in consumer-electronics sales never materialized. By 2012, the company announced plans to reduce the amount of floor space dedicated to electronics in its stores, a striking reversal of its previous expansion efforts. Poor electronic sales were considered a primary factor in several successive quarterly declines in U.S. sales at stores open for one year or longer. According to one consultant, "You don't need as much space in that area with products shrinking and purchases going online, and electronics has narrow profit margins. Floor space is a scarce commodity."⁸⁹

Walmart's strength is that it trails only Amazon in online sales of consumer electronics, with 22 percent market share and 33 percent of sales.⁹⁰ As the leading discount retailer, Walmart is also one of the few companies that stands to benefit from the commoditization of products such as HDTVs, Blu-ray players, computers, and smartphones.⁹¹ Accordingly, recent tactics have included beefing up its online offerings and slashing prices on poorly performing TVs, laptops, tablets, and cell phones. Such massive discounts (e.g., home theaters for \$278) are intended to appeal to Walmart's price-sensitive core customers and entice them into making electronics purchases they would not have previously considered.⁹²

AMAZON.COM

Founded in 1994 by Jeffrey Bezos as an online book retailer, Amazon.com's sales grew from \$8 billion in 1995 to almost \$89 billion in 2014.⁹³ Since the company went public in 1997, it has rapidly diversified into multiple product areas.⁹⁴ In 1998, Amazon.com launched its online music and video store and began to sell toys as well as consumer electronics; it added clothing in 2002, health and personal care items in 2003, and beauty products in 2004.⁹⁵ Amazon opened its marketplace to third-party vendors through the launch of its "Fulfillment by Amazon" service in 2006. This move enabled small- to medium-sized businesses to utilize Amazon's order fulfillment and customer-service infrastructure, while further broadening Amazon's own online presence.⁹⁶ More recently, Amazon has extended its vast array of products and services beyond traditional retail boundaries by offering Amazon Web Services. Its foray into cloud computing includes both infrastructure (e.g., data storage) and applications such as database services and workflow software.⁹⁷

At the same time, Amazon has engaged in an aggressive string of acquisitions, purchasing or investing in more than 70 companies since 1998. Some of these deals are aimed at increasing the breadth of products offered, such as Amazon's acquisition of Zappos, the number-one online shoe retailer, for \$890 million in 2009. Others, such as the 2012 purchase of Kiva Systems, are intended to enhance Amazon's business operations.⁹⁸ Importantly, the company has ample amounts of cash, as well as ready access to affordable debt, to continue its buying spree well into the future.⁹⁹ Through such deals, Amazon has already grown to more than 154,000 full- and part-time employees¹⁰⁰ and climbed to number 29 in the Fortune 500.¹⁰¹

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Yet another prong of Amazon's expansion strategy has been to enter the electronic device market directly, through the manufacture and sale of its Amazon Kindle e-reader series, tablets, and the Fire smartphone. As opposed to merely selling electronic books for customers to read on competitors' technology (e.g., the iPad), Amazon now can influence the development of both the content and the underlying technology. The idea is to create an interlocking ecosystem that enhances sales in both categories, enabling it to compete more directly with Apple. While the theory seems sound, Amazon's tablet and smartphone devices have struggled to gain a foothold in the market. Tablet sales fell by 70 percent from the fourth quarter of 2013 to the fourth quarter of 2014. After the Fire smartphone's much heralded launch in June 2014, the company carried \$170 million in inventory costs in third quarter 2014 and had reportedly laid off several of the smartphone's development engineers by second quarter 2015.¹⁰²

Amazon's competitive advantage comes from its breadth of selection, the convenience of online shopping coupled with same-day delivery services, and its ability to undercut competitors on price.¹⁰³ Without brick-and-mortar stores, Amazon avoids the costs of retail real estate, inventory displays, and an onsite sales force. At least for the time being, Amazon also benefits from not having to charge sales tax, unless customers reside in one of the 24 states where the company has physical operations.¹⁰⁴ Meanwhile, traditional retailers such as Best Buy are frustrated to find that their stores are increasingly serving as showrooms for Amazon buyers. People come in to Best Buy to try out the merchandise and speak with the trained sales associates, but then utilize their smartphones to compare prices and purchase directly from Amazon if its prices are lower.¹⁰⁵

Amazon's strategy appears to be working, as it is now the third largest consumer electronics retailer.¹⁰⁶ The e-tailer increased its electronics and non-media revenues by 66 percent in 2010, reaching \$18 billion,¹⁰⁷ and it continues to experience double-digit growth by sucking up market share from its competitors.¹⁰⁸ According to Kantar Retailing, Amazon's brand value increased by 37 percent in 2010, surpassing Walmart to become the most valuable retail brand worldwide. Target maintained its position at number 5, while Best Buy fell two slots to number 13.¹⁰⁹ A study by Retrevo which asked consumers, "When you think about buying electronics, who comes to mind first?" provided a strikingly similar profile. In brief, many of Amazon's gains appear to have come largely at Best Buy's expense (see Exhibit 4).¹¹⁰

APPLE

Meanwhile, Apple has rolled out 437 of its own retail stores worldwide since 2001, creating direct competition for Best Buy and other firms that carry Apple products. At a time when most traditional retailers are closing stores or downsizing, Apple opened 21 new stores in 2014, for a total of 259 retail locations in the United States and 178 international stores. Net sales grew to \$11.9 billion in 2014, a 7 percent increase over 2013 figures. Approximately 28 percent of Apple's net sales came from Apple stores, with the remaining 72 percent generated through retail partners such as Best Buy. TWICE Research group reported that Apple was the fourth largest consumer electronics retailer (by sales) in the U.S. market, trailing only Best Buy, Walmart, and Amazon.com.¹¹¹

In addition to providing consumers with hands-on access to the latest iPods, iPads, iPhones, and Macs, Apple's retail stores offer one-to-one tech support, as well as a variety of training workshops and youth programs. Apple places its stores in high-profile, high-traffic locations in quality shopping malls and districts, with the goal of attracting new customers and providing a customized shopping experience. Management believes that direct customer contact is useful in demonstrating the superior quality of Apple's products. All of this requires a significant investment in property (leaseholds), equipment,

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information systems, inventory, and personnel. To support its retail segment, the company made \$484 million in cash payments for capital asset purchases and had outstanding lease commitments of \$3.6 billion as of the end of fiscal 2014. Apple has also hired approximately 46,200 full-time employees to staff its retail outlets.¹¹²

Apple continues to provide solid returns, despite the fact that its stock is down from the all-time high achieved in September 2012. The company's third quarter 2015 earnings and revenues exceeded market expectations, buoyed by strong sales in China (112 percent growth) and increased Mac sales (9 percent increase). The company also launched its new Apple Watch in Summer 2015.¹¹³ Yet Apple's past successes overshadow its present results. When the company reported \$1.85 EPS on revenues of \$49.6 billion (compared to expectations of \$1.81 per share on \$49.43 billion), its shares fell by more than 8 percent for a loss of \$63 billion in value.¹¹⁴ This suggests that investors still harbour concerns that Apple products may be losing their "sex appeal" against increased competition, often at lower price points.¹¹⁵

TARGET

Target is the second-largest discount retailer in the United States, behind Walmart. Target was founded in 1962, when Dayton's, a Minneapolis department store, expanded into a shopping mall in Roseville, Minnesota. The store was named Target to distinguish the discount retailer from Dayton's higher-end stores. From 1970 to 1990, Target grew from 24 to 420 stores through organic and inorganic growth, becoming the leading brand in the Dayton Hudson Corporation portfolio in 1977. In 1998, Dayton Hudson increased the company's Internet presence through the purchase of Rivertown Trading. In 2006, Target.com formed a partnership with Amazon.com's Enterprise Solutions to develop better e-commerce technology that would enable it to compete more effectively online. The company continues to maintain a strong online presence as well as over 1,790 Target and Target Superstore outlets across all 50 states.¹¹⁶ Across all of its operating units, Target posted net sales of \$72.6 billion in 2014, with a net income of \$2.4 billion.

Following Circuit City's collapse, Target likewise increased its consumer-electronics offerings, focusing on TVs, video games, and digital imaging "as part of its electronics makeover."¹¹⁷ Changes included the installation of new TV-merchandising walls to make side-by-side comparisons easier for customers, as well as expanding store inventory to include larger and more technologically advanced TV sets. At the same time, Target enlarged its video game section by a third and added demo stations for players to try out new releases. Target was also the first physical retailer to carry Amazon's Kindle e-book reader.¹¹⁸ The company added a TV-delivery and installation service in January 2010¹¹⁹ and unveiled three new consumer-electronics services nationwide in 2011 to further enhance consumers' shopping experience: 1-877-myTGTtech, Target Mobile, and Target Electronics Trade-In.¹²⁰ In 2013, Target terminated its mobile partnership with RadioShack and inked new agreements with Brightstar and MarketSource, to provide customers with continued access to the latest mobile products and services.¹²¹

Analysts like Target's focus on phones because of the limited footprint required,¹²² and generally believe that there is room for Target's approach in the intensely competitive consumer-electronics market. While Walmart dominates in terms of brand recognition, breadth of selection, and low-cost pricing, Target caters to more of a middle- and upper-class clientele that is likely to appreciate its enhanced service offerings.¹²³ As a general merchandiser, Target also sees much higher foot traffic than Best Buy, and can capitalize on spur-of-the-moment purchases and customers' desire for a one-stop shopping experience.¹²⁴

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Target has nevertheless struggled on multiple fronts over the past few years. In an effort to respond to the economic downturn in 2008–2009, it lowered prices and offered more basic goods, turning off its core suburban, mini-van driving, “Boomer Mom” segment. The company’s massive data breach in 2013 cost the retailer dearly in terms of sales and further undermined consumer trust.¹²⁵ As part of its own turnaround efforts, Target is reaching out to a more diverse customer base (including Hispanic millennial moms), investing in its digital capabilities, and experimenting with smaller-format stores in urban environments.¹²⁶ In January 2014, the company conducted a study of how its consumers like to shop for consumer electronics, and it is using this information to redesign its electronics and entertainment areas. Key features include increased customer service and a new layout with “discovery tables” that allow consumers to “test drive” the technology before buying.¹²⁷

Best Buy’s Comeback

Joly’s “Renew Blue” turnaround strategy was built around five pillars directed toward Best Buy’s five main stakeholder groups: customers, employees, supply-chain partners, investors, and the broader community. The company’s new value proposition involved providing “advice, service, and convenience at competitive prices.”¹²⁸ As he surveyed the progress made toward achieving this mission over the last three years, Joly pondered how to build on this foundation to create a sustainable competitive advantage.

“REINVIGORATE AND REJUVENATE THE CUSTOMER EXPERIENCE”

Best Buy’s strategy had long been characterized by a commitment to customer-centricity attained through in-depth data analysis and systematic customer segmentation. The term customer-centricity indicates a business orientation that caters to specific customer needs and behaviors. Compared to traditional product-centered marketing, customer-centricity looks at a business from the “outside in,” asking what problems its customers are facing, and then providing solutions.¹²⁹ The firm then customizes sales strategies to appeal to the more lucrative customer segments (“angels”) and to discourage the “devils” who actually cost the store money (i.e., buying returned merchandise, loading up on loss leaders, and so on).¹³⁰

Through market research, Best Buy had identified four overarching segments that accounted for 90 percent of its customer base: Urban Trendsetters, Upscale Suburban, Empty Nesters, and Middle America. Each was associated with a male and a female persona that encompassed all of the associated customer characteristics.¹³¹ For example, “Jill” was an “Upscale Suburban” mom who appreciates personal-shopping assistants who can help her find the right products for her family quickly. She usually purchased items with accessories and required help with installation.¹³² Stores were specifically configured to serve the needs of the predominant customer segment(s) in a given region.¹³³ Despite renovation expenses that approach \$1 million per store, former CEO and Vice Chairman Brad Anderson claimed that stores that were configured toward local demographics doubled their growth rate compared with other company stores.

The problem was that all of these data regarding in-store customers did not necessarily transfer to the online setting, which was an increasingly important part of Best Buy’s revenue stream. Instead, Joly recognized the need to create a “leading edge, multichannel shopping experience,” where customers could move fluidly between “bricks” and “clicks.”¹³⁴ One of the first changes he instituted was to improve Best Buy’s price competitiveness, effectively removing price from customer’s purchase

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deliberations. At the same time, he put the "pedal to the metal in digital" by improving search capabilities and online navigation, providing better product information, decreasing delivery times, and instituting a chainwide ship-from-store program. Ultimately, Joly's goal was to increase both in-store and online conversion rates, so that each customer contact was more likely to lead to a sale. With these changes, online sales increased from 7 to 9.8 percent of domestic revenue in a two-year period.¹³⁵ Over 20 percent of online purchases are now picked up by shoppers in Best Buy stores, significantly increasing traffic and opportunities for ancillary sales.¹³⁶

"ATTRACT AND INSPIRE LEADERS AND EMPLOYEES"

Top Management Team

One of Joly's first objectives had been to create a top management team with the necessary expertise and passion for leading Best Buy's transformation. As a result of both planned and unplanned departures, he now shared leadership responsibilities with an almost entirely new cast of characters (only General Counsel Keith Nelson remained from the prior administration). Sharon McCollam joined Best Buy in December 2012 as the company's new chief administrative and chief financial officer, with responsibility for all global financial activities. Sharon was regarded highly for her skills as a cross-functional leader and her track record of producing strong financial results.¹³⁷ Matt Furman, chief communications and public affairs officer also came on staff in 2012. He previously served as the vice president of corporate affairs at Mars Chocolate, with prior communications experience at Google, CNN, and in two high-profile political administrations.¹³⁸ In 2014, Greg Revelle joined Best Buy as its chief marketing officer and Mary Lou Kelley was named the president of e-commerce. Greg's prior experience included a similar role at AutoNation, where he led an overhaul of AutoNation's entire marketing program; prior to that he worked as vice president of worldwide online marketing at Expedia, Inc. and as an investment banker at Credit Suisse.¹³⁹ Mary Lou brought 25 years of retail experience with companies such as L.L. Bean, McKinsey and Company, and Ben & Jerry's Homemade, Inc. to the executive table.¹⁴⁰ To round out this new talent, Joly promoted several other new officers from within the firm. Shari Ballard became president of U.S. retail and chief human resources officer in 2013, and R. Mike Mohan was appointed to chief merchandising officer in 2014. Both had held numerous other positions within the company with increasing responsibility.

Employees

To create a truly unique, multichannel customer experience, Joly knew he would need a nimble, educated, and motivated sales force. The "Blue Shirts" had played a key role in the battle for market share against Circuit City, and Joly believed they were equally essential to Best Buy's future. When Joly assumed his role as CEO, employee morale was at an all-time low after three years of poor sales, store closings, and lay-offs, not to mention the analysts' ongoing predictions of Best Buy's impending demise.¹⁴¹ Joly made the controversial decision to end the company's Results-Only Work Environment at its Minneapolis headquarters out of the firm belief that "all hands were needed on deck" at times of crises, but nevertheless worried about the potential negative effects on employee motivation and performance.¹⁴²

One of the first things Joly noted during a week spent on the sales floor was the wide variance in the quality of salespeople; clearly, more (and better) training was needed. Instead of having general sales personnel who knew a little about many products, he envisioned a cadre of highly trained specialists who could answer questions related to a specific product category more quickly and more effectively

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than searching on the Internet.¹⁴³ He therefore invested heavily in product training for personnel and committed to putting more customer-facing labor on the floor.¹⁴⁴ Best Buy's "Pathway to Excellence" was cited in 2013 by trainingmag.com as one of its outstanding training initiatives. The program ties employee learning to their career progression. Employees achieve a new level of distinction upon preparing for a new role, as they deepen their knowledge, and as they take on increasing leadership responsibilities. Stores with the highest number of platinum- and gold-level employees outsell stores populated by primarily bronze- and silver-level staff members by a factor of three-to-one.¹⁴⁵

"WORK WITH VENDOR PARTNERS TO INNOVATE AND DRIVE VALUE"

Joly saw vendor partnerships as the key to reinvigorating the in-store experience and actively sought to establish relationships with leading technology companies such as Canon, Google, Intel, Microsoft, Nikon, Samsung, and Sony, much like its longstanding arrangement with Apple. With its physical presence, Best Buy can offer customers the chance to try these vendors' products out in real-life, facilitating purchase decisions.¹⁴⁶ In addition, highly trained salespeople provide a level of product support that is generally not available through online channels.¹⁴⁷ Beyond the terms of any revenue sharing agreements, Best Buy benefits from increased store traffic and the positive buzz surrounding much-anticipated new releases such as Voxx's 360fly VR Camera¹⁴⁸ and the new Apple Watch.¹⁴⁹

Mobile carriers are likewise getting in on the action. In September 2015, Verizon announced it would provide an expanded Verizon Experience within 250 Best Buy stores across the United States, where shoppers can experience the latest wireless technologies. The goal is to showcase mobile devices, connected homes, and wearable technology together with the service plans that make such "connected lifestyles" possible.¹⁵⁰ AT&T is also targeting about 250 Best Buy locations, with plans to highlight mobile technologies, its Digital Life security program, and recently acquired DirectTV services. Both will provide their own trained salespeople to assist customers.^{151, 152}

In an interesting twist, Best Buy recently announced a deal to place its own licensed stores in approximately ten Macy's locations starting in November 2015. Macy's has struggled with declining sales and is experimenting with outsourcing its consumer-electronics department to the specialty retailer. The Best Buy stores will be about 300 square feet and will feature Samsung mobile devices, audio equipment (including Bluetooth), and accessories; they will be staffed by Best Buy employees.^{153, 154}

"INCREASE OUR RETURN ON INVESTED CAPITAL FOR INVESTORS"

At the same time, Joly saw Best Buy's portfolio of private-label brands (Insignia, Dynex, Init, Rocketfish, Geek Squad, and others) as an increasingly important part of Best Buy's defense against online competitors.¹⁵⁵ Insignia focused on electronic equipment, including televisions, monitors, car stereos, home-theater systems, and portable video and audio players. Dynex produced a wide variety of economically priced computer and entertainment accessories such as storage media, data and power cables, webcams, and office supplies, with recent forays into electronics such as high-definition LCD televisions. Init offered storage solutions for many of the products made by both Insignia and Dynex, including media storage, equipment bags, totes, and furniture for home theaters. Rocketfish's high-end cables were predominantly used in home-theater installation and setup as well as on computer accessories, providing another complementary product line. The Geek Squad was the most well-known of all of Best Buy's private brands and provided both computer repair and installation services as well as high-end computer accessories and cables. Borrowing a page from its vendor playbook, Best Buy has started to deploy its own stores-within-a-store, with Pacific Kitchen and Home and Magnolia design

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units in 83 and 39 locations, respectively.¹⁵⁶ Having such "exclusives" not only protects against "show rooming," but also helps the company compete more effectively against competitors with their own branded products.¹⁵⁷

Collectively, all of these improvements helped to improve Best Buy's top line even while the company instituted \$1 billion in annualized cost reductions. The decision to divest the European and Chinese subsidiaries freed up additional cash, permitting Best Buy to issue a special one-time dividend of \$0.51 per share in fiscal 2015 as well as increase its regularly quarterly dividend by 26 percent. To further improve its financial standing, the company plans to repurchase \$1 billion in stock shares over the next three years (see Exhibit 5 for a stock price comparison).¹⁵⁸

"CONTINUE OUR LEADERSHIP ROLE IN POSITIVELY IMPACTING OUR WORLD"

Under Joly's leadership, Best Buy renewed its commitment to environmental sustainability and corporate social responsibility. The company's electronics recycling program kept more than one billion pounds of equipment out of landfills while Best Buy simultaneously worked at reducing its carbon footprint by 20 percent compared to a 2009 baseline. Its social outreach included the establishment of eight Teen Tech Centers, where underprivileged teens could learn about technology as a possible career path, and raising \$10 million in the last holiday season to support St. Jude Children's Research Hospital.¹⁵⁹

Decision Time

Joly's 2015 letter to shareholders encapsulated the company's situation well:

Altogether, we feel that we are at an exciting turning point in our journey. We are moving from a turnaround phase where we were focused on solving two problems—negative comps and declining margins—to a transformation phase focused on two imperatives: driving profitable growth and continuing to improve our margins, while funding our investments in our future.¹⁶⁰

In other words, the really hard work was just about to begin. Despite its recent investments, Best Buy was still a predominantly bricks-and-mortar store with an online presence (just 10 percent of sales).¹⁶¹ What should Best Buy's new integrated "clicks" and "bricks" platform look like? What kinds of exclusive brands, membership programs, and services would be most effective in building customer loyalty and converting site visits to sales? What new systems—information technology, accounting, operations, or otherwise—would be required? How could the senior management team get the rank-and-file employees to believe in a new corporate vision and then equip them with the skills they would need to be successful in a multichannel retail world?

It really was a delicate balancing act. Under Joly's vision, Best Buy was trying to "be all things to all shoppers: a high-end customer-service experience to rival the Apple Store, an infinite online warehouse that can compete on price with the likes of Amazon, a retail chain for the personal-tech powerhouses, and a friendly retail partner for garage inventors. It [would] combine mass-market and niche in a way no store has ever been able to pull off." If it could successfully transform itself and "find a place for traditional retail in the smartphone age," Best Buy might just "provide a glimpse of what the future might look like for other big-box stores." Its failure, on the other hand, could well "signal their demise."¹⁶²

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EXHIBIT 1 Best Buy Financial Data (in \$ millions, except earnings per share (EPS) data), 2010–2014

Fiscal Year	2010	2011	2012	2013	2014
Cash and short-term investments	1,613	1,658	2,189	3,209	3,888
Receivables (total)	2,348	2,288	2,704	1,308	1,280
Inventories (total)	5,897	5,731	6,571	5,376	5,174
Property, plant, and equipment (net total)	3,823	3,471	3,270	2,598	2,295
Depreciation, depletion, and amortization (accumulated)	4,082	4,781	5,105	4,977	5,365
Assets (total)	17,849	16,005	16,787	14,013	15,256
Accounts payable (trade)	4,894	5,364	6,951	5,122	5,030
Long-term debt	711	1,685	1,153	1,612	1,580
Liabilities (total)	10,557	11,639	13,072	10,024	10,238
Stockholders' equity (total)	6,602	3,745	3,061	3,986	4,995
Sales (net)	50,272	50,705	45,085	42,410	40,339
Cost of goods sold	36,619	37,173	33,439	32,268	31,292
Selling, general, and administrative expense	10,325	10,242	9,502	8,356	7,592
Income taxes	714	709	231	398	141
Income before extraordinary items	1,277	-1,057	-443	687	1,246
Net income (loss)	1,277	-1,231	-441	532	1,233
Earnings per share (basic) excluding extraordinary items	3.14	-2.89	-1.31	1.98	3.57
Earnings per share (diluted) excluding extraordinary items	3.10	3.08	-2.89	2.01	3.53

Source: Years 2010–2014 from Compustat. Year 2015 data are from 2015 10-K; due to changes in accounting policy, the figures in italics may differ slightly from prior years' data.

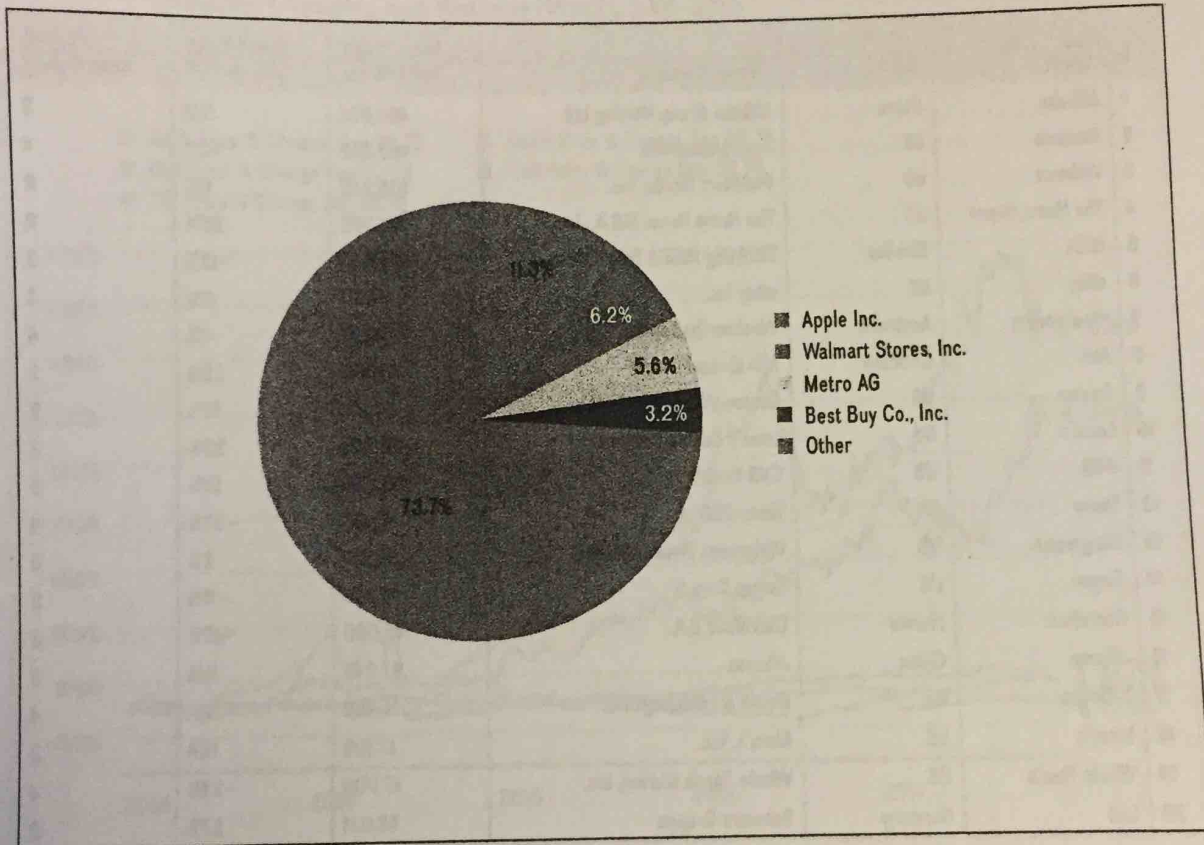
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EXHIBIT 2 North America Electronics Retail Industry, 2010–2014

North American Consumer Electronics Retail Sector Value			
Year	2010	2011	2014
2010	101.0	76.0	
2011	99.4	74.8	(1.6%)
2012	107.1	80.6	7.8%
2013	105.9	79.7	(1.1%)
2014	107.0	80.5	1.1%
CAGR: 2010–14			1.5%

Source: MarketLine Industry Profile: Consumer Electronics in North America. Reference Code: 0205-2033, April 2015, www.marketline.com.

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EXHIBIT 3 Market Share in the Global Computer and Electronics Retail Sector, Percent Share, 2011

Source: MarketLine Industry Profile: Global Computer & Electronics Retail. Reference Code: 0199-2025, May 2012,
www.marketline.com.

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EXHIBIT 4 Top 20 Most Valuable Retail Brands (2015)

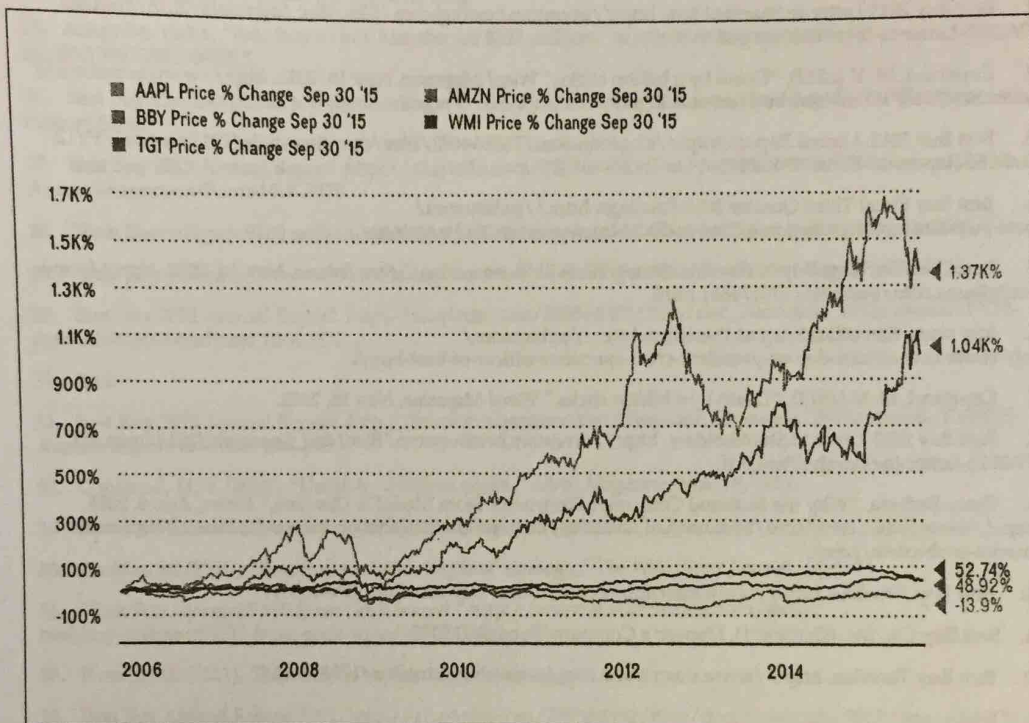
#	Brand	HQ	Parent Company	Brand Value \$US Millions	Brand Value Change YOY	Brand Contribution
1	Alibaba	China	Alibaba Group Holding Ltd.	\$66,375	N/A	2
2	Amazon	US	Amazon.com Inc.	\$62,292	-3%	4
3	Walmart	US	Wal-Mart Stores, Inc.	\$35,245	0%	2
4	The Home Depot	US	The Home Depot U.S.A., Inc.	\$27,705	25%	2
5	IKEA	Sweden	Stichting INGKA Foundation	\$17,025	-12%	3
6	eBay	US	eBay Inc.	\$14,171	-9%	3
7	Woolworths	Australia	Woolworths Limited	\$11,818	-1%	4
8	Aldi	Germany	Aldi Einkauf GmbH	\$11,660	22%	2
9	Costco	US	Costco Wholesale Corp.	\$11,214	19%	2
10	Lowe's	US	Lowe's Companies, Inc.	\$10,756	23%	2
11	CVS	US	CVS Health	\$10,280	21%	3
12	Tesco	UK	Tesco PLC	\$9,410	-37%	4
13	Walgreens	US	Walgreens Boots Alliance	\$8,484	2%	3
14	Target	US	Target Corp.	\$8,400	-11%	2
15	Carrefour	France	Carrefour S.A.	\$8,000	-12%	3
16	JD.com	China	JD.com	\$7,649	N/A	2
17	7-Eleven	US	Seven & I Holdings Co.	\$7,492	N/A	4
18	Macy's	US	Macy's, Inc.	\$7,103	N/A	3
19	Whole Foods	US	Whole Foods Market, Inc.	\$7,009	-24%	4
20	Lidl	Germany	Schwarz Gruppe	\$6,031	27%	2

Notes: Brand contribution measures the degree to which a brand plays a role in generating earnings. It is displayed as an index from 1 to 5, 5 being the greatest brand contribution.

Source: Adapted from Kantar Retail, Milward Brown Optimor. <http://www.milwardbrown.com/brandz/top-global-brands/2015/brand-categories/retail>

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EXHIBIT 5 Stock Performance Best Buy (BBY), Apple (AAPL), Target (TGT), Amazon (AMZN), and Walmart (WMT), 2005–2015



Source: Depiction of publicly available data using YCharts, www.ycharts.com

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