

THE GLOBE AND MAIL

RETAIL Best Buy's two-step begins to click

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When U.S. electronics giant Best Buy Co. Inc. snapped up Future Shop in 2001, critics took shots at its decision to run with both retail banners in Canada as being an unnecessary expense.

But Best Buy has proven the naysayers wrong. The two-name strategy has worked, giving consumers yet another place to shop, company executives say. Over the past six years, the retailer has managed to almost double its market share to more than 30 per cent from 17 per cent of the domestic electronics market, they said yesterday.

In fact, the approach has worked so well that the U.S. parent is now copying the two-banner model in other countries that it is entering, said Bob Willett, chief executive officer of Best Buy International.

"It increases the choice to the consumer," Mr. Willett said after a presentation to the Retail Council of Canada annual conference. "There are whole segments of different behaviour and different customers in Canada. They don't all want the same thing. They don't all want to shop in the same boring environment."

Critics had warned that keeping two store chains would force the company to run different marketing and buying programs for the two banners, piling on costs and reducing acquisition savings.

But Mr. Willett said that the extra work has been worth it. The company has found ways to leverage its massive purchasing and distribution capabilities while still tailoring its products and services to diverse customer needs, he said. Meanwhile, Best Buy Canada's sales have soared to almost \$5-billion, from \$2-billion six years ago.

"You can't be all things to all men," Mr. Willett asserted.

Best Buy will soon be following a similar two-banner path in other countries it is entering or plans to enter, including Mexico, Turkey and Britain. It already has gone that route in China, where it acquired Jiangsu Five Star Appliance Co. about 18 months ago and is keeping that banner along with the Best Buy name.

And when Best Buy went about developing its business in China, it tapped into its Canadian team and expertise for help, he said.

Kevin Layden, president of the Canadian division, said the Future Shop chain has kept itself distinct from Best Buy in a number of ways. Future Shop has commissioned sales staff, more high-end goods and a larger immigrant shopper following.

Future Shop's commissioned sales people tend to have more dealings with customers, discussing various options available in the converging electronics world, he said. "It's very similar to the cultures they come from and their background," he said.

Future Shop also tends to attract more technically savvy consumers who want to talk about the latest gadgets and get advice on mixing and matching merchandise, he said. Best Buy customers "want a ready-made solution"-- the stores attract more women with self-serve displays and wider aisles.

The marrying of the two types of customers -- and chains -- in one company has helped achieve a market share percentage in the "low 30s" while other retailers have difficulty getting to 20 or 25 per cent share, he said.

Best Buy Canada thinks it still has room to expand. With 122 Future Shop and 47 Best Buy outlets, it plans about 135 Future Shop stores over the next couple of years, and as many as 100 or 120 Best Buys. It will soon start to test a smaller Best Buy format, which could be an engine of growth for that banner.

Different strokes . . .

In Canada, Future Shop and Best Buy have a combined market share of more than 30 per cent, almost double the 17-per-cent share that Future Shop alone had in 2001 when Best Buy Co. arrived, according to the company.

DISTINCTIONS

FUTURE SHOP

- * commissioned sales staff
- * more high-end home theatres
- * attracts more immigrant customers
- * attracts more tech-savvy customers

BEST BUY

- * more self-service, no commissioned sales staff
- * more ready-made electronics packages
- * attracts more women customers
- * wider aisles, more interactive displays