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Electronics retailers find service sells

By Jayne O'Donnell, USA TODAY

STERLING, Va. — Three of the TVs are dark in Wal-Mart's electronics department, where the only two clerks in sight stock a shelf and disappear. At a nearby Target, the digital camera desk is unmanned, and there's no staff roaming electronics. In Circuit City, a clerk concedes it's his first day on the job and first week in the country.

But over at Best Buy (BBY), three clerks staff the "Geek Squad" counter, and another hovers nearby, poised for questions, which he handles with ease.

PHOTOS: [A day in the life of a Geek Squad guy](#)

A recent shopping trip with a sales training expert underscored the state of competition and service in retail electronics. Business at Best Buy, even in a weak economy, is thriving, thanks, experts say, to its emphasis on service. By contrast, its once-mighty rival Circuit City (CC) has fallen far, brought down by a reputation for lax customer service and aggressive competition from Best Buy, as well as mass merchants such as Wal-Mart (WMT) and Target (TGT), online sites and office stores, including Staples (SPLS).

"Across many industries, we've seen that the retailers that grow customer-service ratings the fastest have greater sales growth," says Chris Denove of J.D. Power and Associates. "Prices have come down dramatically on electronics items, and at the same time, the complexity of the products has increased. Expert advice is more important than ever."

Circuit City's struggles could serve as a case study in the critical role of customer service in the retail industry, especially electronics. Last year, Circuit City laid off thousands of its best-paid and most knowledgeable sales staffers, only to see many of them snatched up by Best Buy. And since March, Circuit City's answer to Best Buy's popular Geek Squad tech-help team — called Firedog — has laid off up to 200 people. And its cable TV-installation unit has shut down.


Earlier this month, Blockbuster (BBI) dropped plans to buy Circuit City after studying its finances. Circuit City has said little about its plans other than to say it is exploring "strategic alternatives" to increase shareholder value.

"Best Buy's strategy is not to cut back on people," says Mike Mallett of Corporate Research International, which conducts customer and secret shopping surveys. "Best Buy gets it."

On the other hand, Mallett says, Circuit City is "going down because they're not doing a better job" of handling customers.

Denove agrees. Circuit City "decided to cut out its high-paid commissioned salespeople in favor of a younger and less experienced sales force," he says. "While this move cut costs in the short term, the new staff simply wasn't as effective at selling complex electronics and didn't provide the same levels of customer service. The net result was a downward spiral in sales."

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Circuit City declined requests for an interview. But COO John Harlow told analysts last month that the company was working to improve service in home entertainment and to increase training.

Circuit City's plight underscores the challenges for retailers as a sputtering economy forces staff cutbacks, just as shoppers increasingly need hand-holding help with complicated high-tech products.

Signaling for help

The timing is crucial. In February, broadcast TV will switch from analog to digital signals — a shift that's expected to send crowds into stores to buy digital TVs that many won't know how to fully operate. Nearly a third of TV owners don't know what type of TV they have — analog or digital — a Best Buy survey of 1,000 consumers this spring found. And with financially squeezed families spending more leisure time at home, some sales data suggest that consumers may buy more gaming and other home-entertainment devices.

For retailers, success could increasingly hinge on service. D.L. Baron, CEO of Experticity, which develops electronic customer-service monitors, says his company's research shows at least 20% of customers will leave a store if they aren't helped quickly. In this economy, few companies can afford that risk.

Best Buy and Circuit City face rising competition, too. Wal-Mart is trying to enhance customer service: It announced last week that it will begin a pilot project of home-installation services this month.

Yet, with electronics stores, as in other retail sectors, it's small specialty shops that typically provide the best service of all, surveys show. (They also tend to charge more.) A mystery shopping report on customer service in TV sales released Monday by J.D. Power concluded that sales staff at smaller electronics stores are more attentive than those at Best Buy and Circuit City. The study also shows that Best Buy and Circuit City, in turn, outperform mass merchandisers, including Wal-Mart and Target, in service.

Whatever any shortcomings in service, Wal-Mart and other mass discounters have managed to raise their market share of electronics since at least 2005, according to the trade publication *Twice*. That suggests that some people, at least, are willing to forgo service for low prices, says Tim Herbert of the Consumer Electronics Association.

Focusing only on price, though, could be a mistake for most people, Denove says, especially with TVs. "Since TVs moved to solid-state technology in the '60s, they've essentially been 'plug and play' and completely maintenance-free," Denove says. "Today's HDTVs, by contrast, include so many inputs and outputs that unless you're very sophisticated with electronics, it's better to let a professional set your TV up."

Denove says cable and satellite installers have told him that in about half the homes they visit, the owners have hooked their TV up wrong, to the point where a new \$2,000 TV isn't even playing in high-definition.

"There are a lot of confused customers, and they need extra help," says Lisa Smith, Best Buy's vice president for customer service.

Corporate Research International, which has been doing undercover shopping studies of electronics stores for nearly two years using about 3,000 shoppers, finds that Best Buy has consistently outperformed Circuit City during that period. And both rank higher in customer service than the big discounters do. Wal-Mart's test of installation services suggests that the discounter recognizes that further gains in electronics sales may be contingent upon superior service.

Online, Best Buy is posting informational pieces about electronics, along with answers to common questions about TV's digital conversion. It's also set up a toll-free line — 877-BBY-DTV9 — on which consumers can speak with a "trained home theater specialist" and also buy a converter box using the government-issued discount vouchers that are available to consumers.

Service best at specialty stores

The new J.D. Power mystery shopper study shows Best Buy's overall salesmanship — which includes courtesy and product knowledge — tops Circuit City. Still, as is the case throughout the retail industry, you get help even more quickly at the sometimes pricier small specialty stores. J.D. Power found it took more than three times as long to be helped at either Best Buy or Circuit City than at specialty stores. The J.D. Power study was based on reports by 2,000 "mystery shoppers" hired to shop anonymously.

The big national electronics stores have plenty of fans, of course. Roman Blahut of Pompton Plains, N.Y., bought a 52-inch flat-screen HDTV at Best Buy last year and paid a friend to set it up for him. This month, he bought an Apple laptop and a desktop computer from Best Buy and paid \$300 for the Geek Squad to come set them up. He likes Best Buy because, "I know they have good deals."

With his recent purchase, customer service played a big role because "I don't know anything about computers," Blahut says.

Still, some, such as Diane Messina of Tucson, say they're more concerned with price than service. She scours the Web to find the best price on any electronics items she's considering.

"I can handle most installations, and I don't have a need for the in-store clerks," Messina says. "If I find something that I cannot handle, the manufacturer's website, troubleshooting searches or online forums usually do the trick."

That's why retail strategist Michael Brown of Kurt Salmon Associates thinks big discounters will continue to succeed with electronics

despite their spotty customer service. People such as Messina aren't afraid to take on technology alone. Discounters, including Wal-Mart and Target, "know their niche, and they know how they're going to market to that niche," Brown says.

In the meantime, Circuit City's Harlow also told analysts that his company is trying to mend its public image by viewing its stores through customers' eyes. It's adding policies on training and greeting, speeding up checkout, delivering quicker and friendlier service and improving merchandise presentation.

Revamping customer service has been a slow process, Harlow acknowledged, but he says it's proven to be time well-spent: Internal customer surveys and reports from mystery shoppers, he says, showed a big improvement.

"Admittedly, we have to go further in improving customer service in our stores, but I am encouraged by the significant progress we have made," Harlow said in the June earnings call.

J.D. Power's quarterly survey on customer service in TV sales shows no gains in Circuit City's scores, though results from Corporate Research International found that Circuit City's scores have risen slightly in the past few quarters.

The electronics retailers that do it right have true experts as salespeople, says Robert Richardson, the sales expert who led the tour of stores here recently and who is CEO of Associates Interactive in Buffalo. In addition, he says, they make sure displays are neatly arranged, all TVs are on and customers can enjoy hands-on experience in the store.

On the recent shopping trip here, prominently placed big-screen TVs were turned off at Wal-Mart. And the display models for several of the wireless mice and keyboards were missing at Circuit City. Clerks at both Best Buy and Circuit City were unclear about some of the products and services their stores offered, but Best Buy had more — and more knowledgeable — staff on hand.

Given the complex nature of electronics, salespeople need to be available and able to engage with customers about their needs, Richardson says.

"Good conversation skills," he says, "aren't intuitive, but they can be taught."

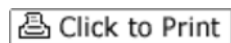
Chuck O'Donnell, Best Buy's New Jersey district services manager, who trains many employees in his area, says he stresses that clerks should talk as if they're speaking with friends or family: "A lot of this stuff is commoditized. So what is the difference? It's our people. It's got to be."

"As the economy tightens," Richardson says, "everyone is going to be lowering price to the lowest possible point, so service becomes the most important differentiator between retailers. It's the reason why a consumer would choose to shop at one over another."

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