

Smaller RadioShack aims to re-energize sales under new owner

HIGHLIGHTS

Following bankruptcy, retailer still aims to be go-to store for consumer electronics

New owner, General Wireless, selected best-performing locations to retain

“Herculean” effort to get stores back into operating shape



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BY BARRY SHLACHTER
Special to the Star-Telegram

FORT WORTH — Gone are the highly visible RadioShack stores in Sundance Square, near Texas Christian University and in Montgomery Plaza along West Seventh Street. Now one of the five post-bankruptcy sale outposts left in town sits deep inside La Gran Plaza, a 53-year-old warren of shops in south Fort Worth previously known as Town Center Mall and catering to a thriving Hispanic trade. Next door is a shop that can print

one of 12 colorful fighting cocks on a T-shirt for \$10.

It was after New Year's and the mall was quiet, making it difficult to judge how the chain's 1,720 stores (carved from more than 4,000) are faring under its new owner, General Wireless, a subsidiary of the New York hedge fund Standard General.

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Shoppers' views of RadioShack were decidedly mixed.

“People go in there, but it's cheaper to buy things someplace else,” said Ashanti Harper, 23, who designs and makes children's party clothes, including custom tutus. She noted that kiosks throughout La Gran Plaza offer cellphones, tablets and accessories, one just a few feet from RadioShack's door.

“When I think of RadioShack, I think electronics, but I don't think cheap,” Harper said. “I think old-fashioned.”

But one of those kiosk owners, Asif Ali, 46, who sells Samsung tablets and off-brand cases, praised the new RadioShack and hopes it succeeds here.

“They are expensive, but good quality, and it's a chain with a name people know, and which the mall needs,” Ali said.

Standard General, a once-obscure investment fund that has gambled on long shots like RadioShack and American Apparel, bought the stores out of bankruptcy last spring and then secured the chain's name from another creditor. Its South Korean-born, Queens-raised co-founder, Soohyung Kim, divined value in the 94-year-old brand, although some retail analysts in recent years had called it a burdensome anachronism in the digital age. (It does sell several radios at the La Gran Plaza store.)

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WHAT IT NEEDS TO SUCCEED IS A UNIQUE ELEMENT TO THE VALUE PROPOSITION IT OFFERS

CONSUMERS.

George Haley, marketing professor, University of New Haven

So how will RadioShack succeed?

First off, Chief Marketing Officer Michael Tatelman noted that it selected stores on the basis of performance and the market it covered. That means that many urban stores with overlapping territories were shuttered.



RadioShack stores

In Tarrant County alone, as many as 20 stores were slated for closure within weeks of last February's bankruptcy filing. The retailer now operates 11 stores in the county, according to its website.

In April, new CEO Ron Garriques told *The New York Times* that the best performers were not in big cities or upscale malls where rents were high and competition stiff. Garriques said that in smaller communities, "RadioShack is part of the neighborhood. We are the 'go to' store for electronics."

'Highly curated' products

Instead of selling several different cellular services, RadioShack signed an exclusive deal that has Sprint operating a "store within a store" with its own staff.

After signing sourcing contracts in Asia and securing the brand, Garriques recruited staff — about 300 are now based at the Fort Worth riverfront headquarters — and worked to bring inventory back into stores following last year’s lengthy liquidation sales.

“It was herculean to get the stores back into position, and they’re proof of what people want and expect,” enthused Tatelman, who like Garriques formerly worked for Dell and Motorola. “It’s a highly curated assortment. We start with the essentials. We are in every way that community or neighborhood electronics convenience store.”

That said, Tatelman stressed that individual stores will differ widely, reflecting the local profile of their customers. “We have the ability to segment the assortment by demographics.”

Without providing figures, Tatelman asserted that holiday sales had been “good.”

“We aggressively filled stores with inventory and staff, and we are happy with the results,” he said. “We are pleased where we are.”

Online services

As for future changes, the marketing chief said there will be a highly revamped online presence that will extend the product selection for customers — “an extended aisle.” There might be a choice of 10 types of a particular accessory in store, but 20 on its e-commerce site.

What’s more, Tatelman said the website could be educational — with online seminars, short classes and how-to videos.

And linked to its network of 1,700 stores, RadioShack will have the ability to interact between shopping channels that some of the big-box stores will only envy, he predicted.

“In six months, you will be able to shop online, or reserve or buy in-store. And we will have the ability to deliver to you,” he said.

By scoping out a bricks-and-mortar RadioShack, a customer could learn how to cut that expensive cable subscription, get a new router or streaming device. The store manager can order online or have it sent for store pickup or have it delivered to the customer.

“Our assisted sale is still the best in the industry,” Tatelman said.

He also promised new products — “a lot of innovation and a strong private label

presence” — to lure old customers, and the pull of celebrity Chief Creative Officer Nick Cannon to draw “a lot more who didn’t have an idea of RadioShack before.”

In various interviews, Tatelman is insisting the new RadioShack will take a very public stand on cutting-edge technology.

High-risk strategy

Not everyone is convinced.

George Haley, a marketing professor who is director of the Center of International Industry Competitiveness at University of New Haven, says the new owners were wise to keep the brand name. But he is waiting for them to make the right moves.

“The brand still has tremendous name recognition, and the change in its product mix is not so great that it doesn’t benefit from that brand-name recognition,” Haley said in an email. “However, what it needs to succeed is a unique element to the value proposition it offers consumers.”

Any supermarket or pharmacy offers consumer electronics-related products that are major elements in RadioShack’s line, he said.

Having lost the unique elements to its brand value, “RadioShack is casting about to return some degree of uniqueness to its value proposition.”

“When RadioShack reopened its doors, the uniqueness of its value proposition was that it was offering technologies [from] increasing numbers of startup and other small-tech companies,” Haley said. “But this strategy is both high-risk and expensive.”

Whether or not RadioShack finds the right product mix, and an ability to compete with Best Buy on the ground and Amazon online, it will try to do so with a much leaner national footprint. A major creditor had blocked the former chain’s last CEO, Joe Magnacca, from closing 1,000 underperforming stores, and Standard General gave a thumbs down on more than 2,000 — when it decided to cherry-pick 1,720.

At La Gran Plaza, an employee of the nearby Ross discount clothing store expressed relief there was still a RadioShack.

“They closed down so many of them, so we’re lucky we have one,” said Alma Molina, 32, a loss control specialist.

But does she shop there herself?

“Yes,” she said, smiling. “I bought a \$10.99 phone charger there two weeks ago.”



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