

RadioShack to Close 1100+ U.S. Stores

Written by Bob Snyder
14. March 2014

Sales fell 20% to \$935.4 million during Q4 2013, while the retailer's net loss hit \$191.4 million. It was the 8th consecutive quarterly loss. And sales at stores, the ones open at least a year, sank 19%.



So what do you do? RadioShack's new management plans to close up to 1100 stores. Which stores get the axe will be determined by location, area demographics, lease duration and financial performance.

The average size of a RadioShack store is 2426 square feet. That compares to Best Buy with 1200 square foot Best Buy Mobile stores as well as 20,000, 30,000 and 45,000 square foot Best Buy big box stores.

Dropping 1100 stores would still leave RadioShack with 4000 stores, compared to Best Buy's 1400 US locations.

CEO Joseph Magnacca says he needs more time to turn RadioShack around and a big announcement (like this one) will buy him time on Wall Street.

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The closures come just after RadioShack was hailed as the "best" advertiser at the SuperBowl, the American football spectacular watched by 82,500 in person and by 111.5 million people on TVs and streaming.

A 30-second spot cost RadioShack approximately \$4 million and they used the expensive opportunity to make fun of itself.

The ad is worth watching and opens with this line: **"The '80s called: They want their store back."**

And in rushes a crowd of 80s icons, real and imaginary. Mary Lou Retton, Twisted Sister's Dee Snyder, Alf, Hulk Hogan, Chucky and more. After they ransack the store and leave, we get a vision of the new look of RadioShack.



Whether or not that message convinces people to walk into the stores remains to be seen, but it's a clear attempt to change the way RadioShack is perceived.

But is that really what RadioShack needs? Magnacca and staff want to turn RadioShack into a

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more chic retail operation. But historically RadioShack was more an electronics parts and accessories store...not a hifi or computer dealer (although TR-80 days did change the stores for a short time).

Here is what they WANT to be now:

"RadioShack (NYSE: RSH) is a leading national retailer of innovative technology products and services, as well as products related to personal and home technology and power supply needs. RadioShack offers consumers products and services from leading national brands, exclusive private brands and major wireless carriers, all within a comfortable and convenient shopping environment.

Today's RadioShack is dedicated to reinvigorating stores, revamping product assortment and repositioning the brand. With a refined product mix, enhanced in-store experience and expert associates, the new RadioShack is the neighborhood technology resource, equipping consumers with the right product and know-how based on their needs. RadioShack continues to make significant strides in all five areas of our turnaround plan – most visibly through our new brand, updated stores and new product assortment."

The problems started when they fell in love with the mobile phone business, not realizing Apple would turn the business on its head. Now they want to be in a competitive business, in a retail battle they are not prepared for. People once went to Radio Shack for batteries, antennas, HDMI cable, an SD card... now it seems positioned as a Best Buy competitor (which has never been a successful plan for anyone else).

While it is true many traditional product categories suffered in the switch from analog to digital, there are many new ones. And IoT will bring lots more...

Maybe Yuppifying Radio Shack is not the best strategy. Maybe that's just a story that management is telling itself...and telling the customers at \$4 million per pop.

Watching the commercial one gets the feeling that management is embarrassed to be running a

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cable and cord shop chain. The company wants to reinvent itself to better its image. The corporate message seems apologetic and talking to consumers in a language that might best be reserved for Wall Street. The real story will be in the final product mix Radio Shack chooses-- and its pricing strategy.

Has internet killed the Radio Shack business model? Or did management kill it when it decided to take too big a bite in mobiles?

Go [Radio Shack to Close 1100 Stores](#)

Watch [the SuperBowl \\$4 million video commercial](#)