

RadioShack's online presence isn't clicking with customers

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RadioShack rarely talks about its online business. While e-commerce has exploded in the past decade, the Fort Worth, Texas-based consumer electronics chain's online sales have declined more than 20 percent.

A weak online business is just one of the problems the current management team inherited from years of missteps. As it seeks out younger shoppers, RadioShack might be in better shape today if it had a more developed digital strategy. Consumer electronics is one of the biggest and oldest e-commerce product categories, along with office supplies and books.

"RadioShack's category is huge online. If the customer wants to engage with me digitally, then I need to invest in it," said David Altman, CEO of MarketShare Advisors International.

It's not clear how a struggling retail company can solve its overall business problems without making digital a part of its service, Altman said. "Not being there makes you irrelevant."

In a list of "who's up and who's down" over the past decade, RadioShack had the third-largest decline in Web sales among retailers, according to Internet Retailer's recently published Top 500 Guide. RadioShack.com sales were down 21.7 percent, from \$65.1 million in 2003 to \$51 million in 2012.

"That traffic is lost to Best Buy, Amazon and others forever," said

Michael Pachter, managing director at Wedbush Securities.

RadioShack's prices also don't mesh with the online world, Pachter said.

He uses round lithium batteries for several items, including car keys and calculators, and he buys them in bulk on Amazon and leaves them in desk and kitchen drawers. A 20-pack is \$8.99 on Amazon. At RadioShack.com, a three-pack is \$12.99, he said.

RadioShack outsourced its online business for many years. Now it's made the decision to bring it in-house, said Richard Last, director of the Global Digital Retailing Research Center at the University of North Texas.

"But I wonder if it's too late," Last said. "I always thought they should hook up with Amazon."

A test of Amazon.com lockers in RadioShack stores ended last summer. RadioShack said at the time that it didn't fit the strategy of new management. Former Walgreen executive Joe Magnacca had joined the company in February 2013 as CEO and has been focused on the core store business.

Analysts speculated that the arrangement ended because Amazon customers weren't making additional purchases from RadioShack while running in for a locker pickup.

Magnacca had a laundry list of things to work on in addition to rebuilding the management team. He's hired several people but no one specifically for online.

RadioShack.com was just added to the responsibilities of Mark Boerio, said RadioShack spokeswoman Merianne Roth. Boerio was hired in

December from Belk Inc. to be senior vice president for inventory planning and allocation. He was hired to work on localizing the assortment in each store but has e-commerce experience from Belk, she said.

The company is marketing the chain as a place where consumers can get their fast-changing technology needs solved.

RadioShack has opened more than 100 new concept stores with interactive displays. Magnacca removed slow-moving products from stores and is reorganizing them to make them easier to shop. In a call with analysts earlier this month, he said some of those cuts went too deep and some products are being put back.

Total RadioShack sales have declined in each of the past eight quarters. Its losses have amounted to about \$540 million during that time. Earlier this month, RadioShack reported its worst holiday period in decades and said it plans to close 1,100 stores.

Analysts have talked of bankruptcy, and credit rating agencies have downgraded the company's debt based on poor prospects. "RadioShack's weak operating results are expected to further constrain its liquidity in 2014, leaving the company with a limited window of opportunity to turn around its business," said Fitch Ratings.

RadioShack considers its online store "an extended aisle to the consumer," Roth said. RadioShack ships to its stores or directly to customers.

"We plan to leverage online more. We have plans for later this year," she said. "We'll still have more than 4,000 stores that serve as immediate, convenient locations."

Magnacca declined to be interviewed about RadioShack's online strategy. The company's [online sales](#) represent about 1 percent of total sales.

Most retail chain stores should be striving for 10 percent to 12 percent of their sales online, Altman said. To build a large online business, a retailer's culture has to encourage shopping in stores and online, he said.

Retail chains are all over the place when it comes to developing online sales. Some have reached incredible levels with online representing as much as 40 percent of their business. Neiman Marcus and Saks Fifth Avenue online sales have exceeded 20 percent of their annual business. Luxury consumers are some of the biggest online shoppers.

About a year after it expanded its business online, Pier 1 Imports reported e-commerce sales reached 5 percent of total sales during the holiday quarter.

Wal-Mart is making a big push to better compete with Amazon, which had sales last year of \$74 billion. Wal-Mart's online sales increased from \$7.7 billion in 2012 to \$10 billion in 2013.

For now, RadioShack is pitching the idea that its stores have an edge over its bigger store competitors and online sellers. That's been true for Apple but not for RadioShack so far.

"We're really dialing up the experience in our stores and differentiating ourselves from other big-box self-select retailers and certainly compared to our online-only competition," Magnacca said during the March 4 conference call.

"Many view our big-box, or online-only competition, as ineffective in meeting this need," he said. "This is where RadioShack's strengths lie, in

the power of our people. We have knowledgeable store associates who live and breathe technology every day."

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