

Specialty retail successes and failures hold lessons about competing and evolving for all downtowns

Downtowns will find sound advice about operating and evolving in the next decade from an unlikely source: The successes and failures of big-box retailers.

Both of New York's biggest and best independent electronics specialty stores, J&R Music and Computer World and B&H Photo Video, developed trusted, award-winning ecommerce websites in the late 1990s that today sell to consumers the world over.

Most interesting, these businesses aren't rooted in the high-flying dot-com era but rather another very difficult recessionary period when their downtown areas were in a period of sharp decline, the early 1970s. As survivors, they know how to evolve. These businesses have great prices thanks to dealing in huge volume, but they also have strong customer loyalty and trust due to their outstanding service, management, and policies. That kind of reputation spreads very far thanks to the Internet.

In contrast, the defunct electronics retailer Circuit City, which opened its first store in 1949 and liquidated its final American retail stores in 2009, did not stand out as better or even distinct from its main rival Best Buy.

Circuit City's mediocrity and resistance to change came to a head as more consumers began using the Internet, and Best Buy surpassed Circuit City in size by 1996.

From then until it closed, the chain seemed content being an also-ran.

A fatal flaw of Circuit City's top leadership was arrogance, observes management consultant Don Eames, a former senior v.p. of Best Buy, in his eBook *Circuit City Six: Six Fatal Mistakes of a Once "Good to Great" Company*. "Have edge, not arrogance," and "stay tuned," he writes.

Another flaw of Circuit City was a real estate strategy that prioritized cheap leases over the best locations. Prioritizing inferior or "B" locations as opposed to "A" locations is never a good strategy for retailers. Likewise, municipalities must prioritize downtowns as their best, highest-value locations, to ensure that they are being planned, developed, leased, and maintained to their highest and best land use and potential. Downtowns should not settle for projects that are not right for their top intersection or along their pedestrian core.

Tied to poor real estate thinking, a third mistake of Circuit City that downtowns would be wise to avoid is weak reinvestment in capital improvements, infrastructure, and amenities. "They followed a very weak remodel and refresh program resulting in old tired stores that did not allow for the newest technologies to be presented in a compelling way. Circuit City never achieved the customer traffic needed to produce profitable results and the customer experience continued to decline," Eames writes.

Whether it is one store or an entire downtown, a nicer place to visit attracts more people and rewards them with a more positive experience. And as we've learned, word travels fast and far these days.

To download *Circuit City Six*, visit the Eames Management Group website, www.eamesmgmt.com. **DIX**

Lessons to draw from a big-box retail failure

Downtowns should heed these lessons that management consultant Don Eames draws from the failure of Circuit City:

- Humility is always better than arrogance.
- Never be satisfied; always keep moving the ball.
- Stay ahead of the competition — never give up ground.
- Be the leader.
- If you are not the leader, at least be a fast follower.
- Invest in opportunities.
- Listen to your customers; know what they want.