

## ***Altman Vilandrie & Company In the News***

### **RadioShack Hopes Phones Drive Traffic**

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By Roger Cheng and Mary Ellen Lloyd  
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Maybe RadioShack Corp. should call itself the PhoneShack.

The home-electronics chain struggling with a less-than-hip image and slumping sales, sees the still-growing wireless business as a key to its turnaround. As such, cellphones are likely to dominate RadioShack stores in an effort to drive foot traffic.

A new marketing campaign, kicked off last week, emphasizes phones and pushes "The Shack" as a new product-neutral nickname, dropping the reference to a gadget that hasn't resonated with people in a decade.

One of the campaign's TV spots boasts, "The Shack sells more phones than the population of Scandinavia." Another flashes images of phones and a rolling counter that emphasizes that RadioShack, based in Fort Worth, Texas, has sold more than 57 million phones.

"Mobility is our focus, so we're going to continue to build our business around mobility and the mobile lifestyle," Chief Marketing Officer Lee Applbaum said.

Analysts said RadioShack's strategy has merit, with an opening created by the closing of home-electronics rival Circuit City Stores Inc.'s stores. The retailer has 4,450 company-operated retail stores and a network of 650 kiosks in shopping malls or inside other retailers.

Like Best Buy Co., which revamped its mobile-phone departments last year and has opened 40 stand-alone mobile stores in the U.S., RadioShack seeks to be more than just another place to buy an inexpensive phone. It would like to become a trusted source of wireless expertise to consumers -- a go-to resource for people looking for help when making a purchase. It hopes to ride the anticipated shift to customers visiting retailers rather than carrier stores, particularly as those carriers cut back on their own sales locations.

"They become the independent and trusted arbiter of cellphone companies," said **Rory Altman**, a founder of communications consultants Altman Vilandrie & Co. "They're positioning themselves as a friend of the customer."

RadioShack, which received more than a third of its 2008 revenue from wireless, is testing three specialty wireless stores, called PointMobl, in the Dallas area.

RadioShack's push has picked up steam. Already a partner with AT&T Inc. and Sprint Nextel Corp., the company last month struck a deal to carry T-Mobile USA's products and plans. Later this month, RadioShack will get the myTouch 3G, which is the marquee device from T-Mobile, a unit of Deutsche Telekom AG.

The marketing partnership could add an estimated \$200 million in sales and 12 cents a share in earnings for RadioShack over the next several quarters, Barclays Capital analyst Michael Lasser said.

"We see them as a valuable partner and look to the opportunity to get our distribution as broad as possible," said Jeff Hallock, vice president of national and direct distribution for Sprint.

T-Mobile likewise has its hopes pinned on the deal. "We're absolutely expecting excellence from RadioShack," said Doug Chartier, senior vice president of sales at T-Mobile. Mr. Chartier said among the national retailers RadioShack has been the most successful in signing up customers to long-term service contracts.

RadioShack, nevertheless, faces hurdles. Best Buy, with 10 times the annual sales of RadioShack, has a similar focus on helping consumers purchase different gadgets and integrating them. It plans to open dozens more stand-alone mobile stores this fiscal year and said in June it can increase the share of the U.S. mobile-phone market fivefold to 15%. It also is beginning to test out special areas in stores where customers can get their hands on electronic gadgets.

Best Buy declined to comment specifically on RadioShack's moves.