





Why did Circuit City fail?

1. Lack of vision
2. Change in market conditions
3. Deteriorating financial performance



Lack of Vision

1. Misaligned values, processes, and resources.
2. Overaggressive store expansion strategy
3. Elimination of commission-based sales system



Change in Market Conditions

1. Shifting product sales mix
2. Fierce Competition: Best Buy, Walmart, and Online Merchants
3. Weakening market and economy.



Deteriorating Financial Performance

1. Liquidity, asset management and profitability
2. The overaggressive store expansion strategy starting in late 1990s.
3. Increasing number of associates and SG&A as a % of sales put pressure on operating margins



Liquidity, Asset Management and Profitability Declined in the Period 2006 - 2008

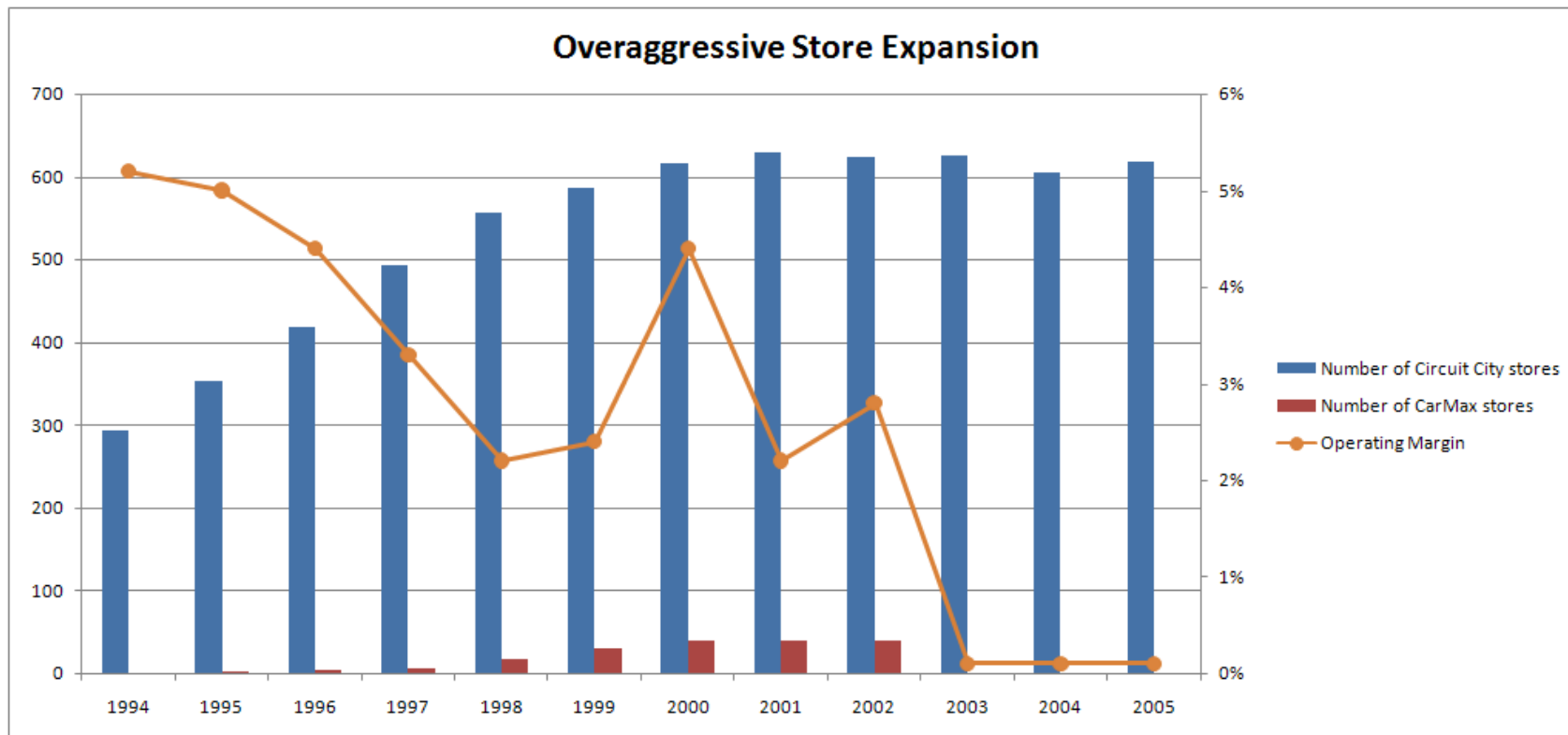
Circuit City	2008	2007	2006
Z-score	3.46	4.05	4.35
Current Ratio	1.52	1.68	1.75
Inventory Turnover	7.46	7.60	6.78
Fixed Asset Turnover	11.32	13.50	13.72
ROA	-8.57	-0.25	3.61

Bankruptcy factor

Although still in the healthy zone in 2008, the Z-score was declining.



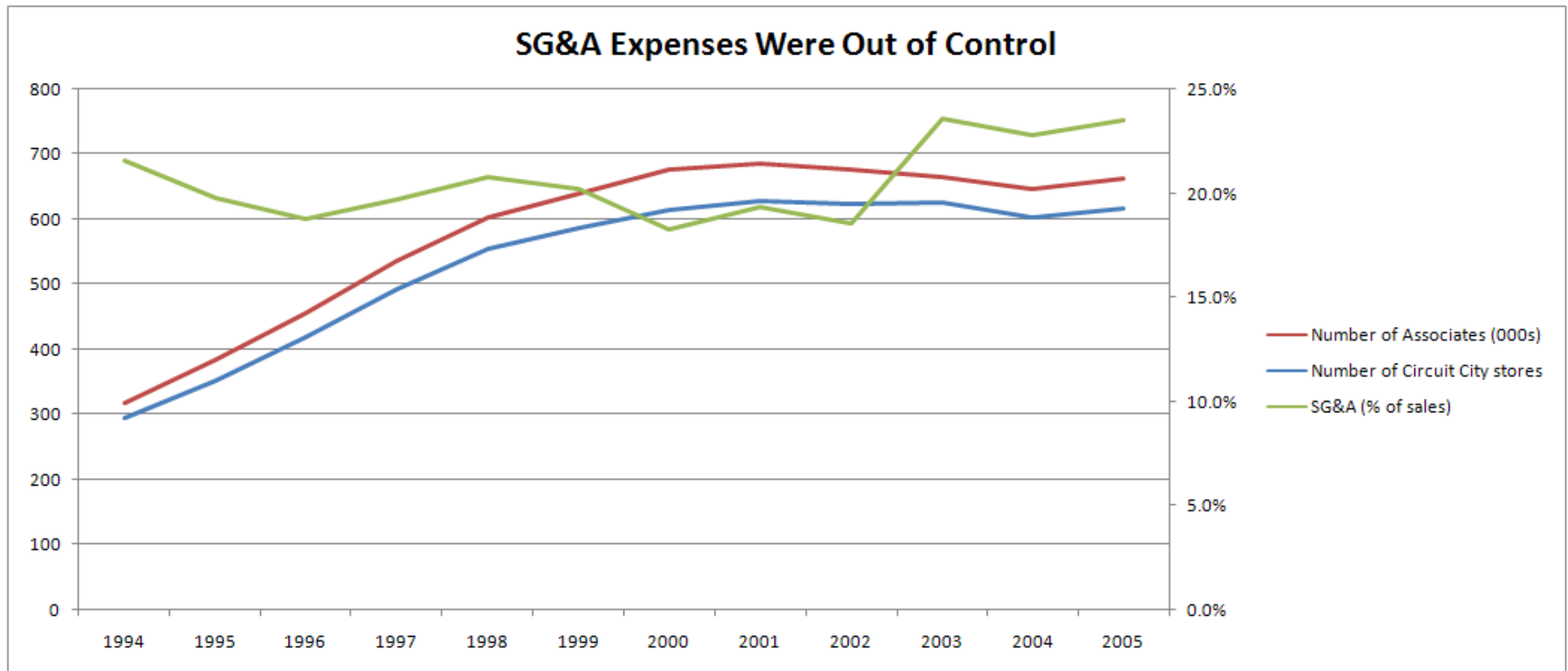
The overaggressive store expansion strategy starting in late 1990s



The operating margin as a % of sales started declining in 1994, concurrently with the increase in number of Circuit City stores except for a blip in the year 2000, when Richard Sharp stepped down as the CEO making way for Alan McCollough.



Increasing number of associates and SG&A put pressure on operating margins





Returning to Success

- A detailed roadmap is needed with vision
- Creative ideas to implement
- Informative, precise metrics
- Clear goals to meet
- Active employee responsibility and accountability

Areas of Focus:

- Vision
- Building online presence
- Product mix
- Differentiation
- Operational efficiency
- Leasing decisions
- Potential opportunity with RadioShack



RadioShack: Opportunity for Greater Presence in Multiple Channels

SWOT Analysis:

Strengths:

- strong brand portfolio
- extensive product categories
- leading position
- mall presence

Weaknesses:

- decrease in net sales
- lack of geographical presence

Opportunities:

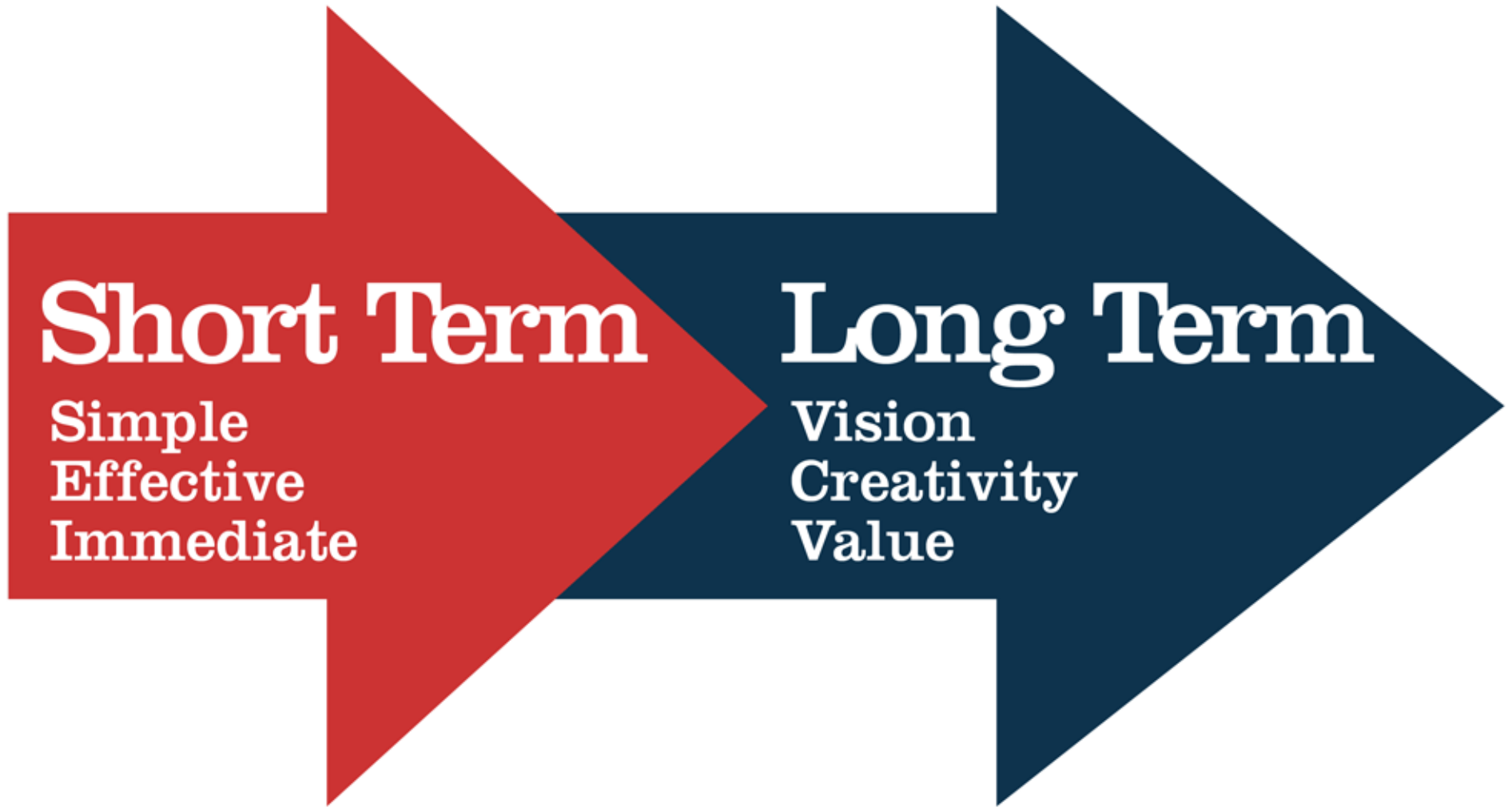
- positive outlook for online shopping
- global demand for LCDs
- growing electronic equipment market

Threats:

- general economic conditions
- highly competitive environment



Roadmap to Success





Roadmap: Short Term

- 3 Months
 - Labor reorganization
 - Compensation adjustments including executive pay cuts
 - Stock options/profit sharing
 - Identify losers and begin their liquidation
 - Examine and improve operational efficiency
 - Consider product mix
 - Line of services (Firedog)
 - Branded products (Verge, Sector 7)
 - Due diligence on M&A activities, particularly RadioShack



Roadmap: Short Term

- 6 Months
 - Closing losers continues
 - Examine lease agreements
 - Continue examining M&A opportunities, RadioShack
 - Improve online presence
 - Establish policies to review product mix biannually

- 9 Months
 - Continued focus on channel expansion including online
 - Supplier agreements (Apple sections, HP Center)
 - RadioShack negotiations
 - Sell non-core lines of business



Roadmap: Long Term

- 1 year
 - RadioShack merger begins
 - Supply-chain and related capital projects
 - Improved same store sales, sales per square foot, losers closed
- 2 years
 - Channel integration
 - Mall-based RadioShack stores
 - Online Circuit City website
 - Circuit City superstores
 - Mail-order catalog



Roadmap: Long Term

- 3 years
 - Completion of supply-chain and related capital projects
 - Synergies realized, esp. in sourcing
 - Consolidation complete
 - Distribution centers, greenfields constructed
- 5 years
 - Continued focus on consumer electronics
 - Focus on product mix
 - Expansion, Canada, China
 - Improved sourcing
 - Building of CC brands
 - Partnering with suppliers like Apple





Appendices



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Timeline

- Pre-2000
 - CarMax, Divx, CC Credit Card
- 2000
 - June: Allan McCollough becomes CEO
 - Circuit City closes six distribution centers, eliminating 1000 jobs
- 2001
 - Remodeling efforts
 - Circuit City starts exiting smaller stores
- 2003
 - February: 3900 commissioned sales staff cut
 - Takeover offer from CompUSA at \$8/share rejected.



Timeline

- 2005
 - Circuit City acquires Canadian CE retailer InterTAN.
 - February: Takeover offer at \$17/share.
- 2006
 - March: Philip Schoonover becomes CEO, replacing Allan McCullough
- 2008
 - Circuit City files Chapter 11 Bankruptcy
- 2009
 - Circuit City files Chapter 7 Bankruptcy