by John Lostroscio, principal, Lostroscio & None, LLC.

I served as vice president of merchandising, CE Products, for RadioShack, from September, 2010, to December, 2013. This was the last corporate position I held, and after 35+ years experience in the consumer electronics industry, I decided to hang out my own shingle, forming a consultancy in 2014.

My three years at RadioShack were interesting, to say the least. During my tenure, we had four CEO's, the last being Joe Magnacca. Joe is a dynamic merchant, who brought an enthusiasm and excitement that was sorely needed. Suffice to say, he inherited a company that was already on life support.

Much has been written about "the aftermath of RadioShack," including a fair amount of Monday morning quarterbacking. Many of opinions that I've read have a level of merit. The fact is RadioShack faced significant challenges; some of their own doing, and others the result of how the industry itself has changed over the past few years.

I will address these challenges and provide insight to impart valuable lessons learned.

The Revolving Door of the CEO's Office

Four CEO’s in three years is a problem unto itself, as each one had their idea of what RadioShack should be, and not one of them aligned with the previous strategy. There are two components that drive your strategy – the plan and the execution of said plan. With each CEO came a new direction, and we could not gain any traction because we kept changing strategies. An average plan well executed is better than a great plan never executed.

There are many qualities that define great leaders, not the least of which is courage. I mention this because all of the leaders that I worked for at RadioShack attempted to right the ship by applying conventional wisdoms, like improving assortments and cutting costs wherever we could. It’s hard to argue these tactics, but these actions are standard operating procedure, and what we needed was a big, radical change, and that takes courage. Joe Magnacca actually attempted to make a big change by recommending the closure of over 1000 locations, a move that was blocked by a covenant with a creditor that didn’t have the courage to support this move. When you’re the tip of the spear of change, you will experience the most pain. It’s at this moment when courage will be your most important trait.

The Challenging Mobile Phone Business

Our mobile phone business was 50% of our total sales. A few years prior to my joining the company, CEO Julian Day made this business the focus and priority of the company. Looking back, this decision made good sense, as consumer demand for smartphones was soaring. And while this demand may have leveled somewhat today, it is still strong. This is very important to understand, as the CEO’s that followed Julian had varying degrees of commitment to this business. On the surface this is understandable given the complexities of the business, including shrinking profit margins, more intense competition, and the harsh impact of chargebacks.

However, when a business represents 50% of your total sales, and there is consumer demand for the product, a concerted effort must be made to figure out how to fix the issues and drive the business, rather than deemphasize it’s contribution. And if you do elect to focus on other businesses, they better have the potential to fill the resulting sales and profit dollar gaps.

Traditional consumer electronics categories were, and continue to be, declining year over year, with a few exceptions, like headphones and wireless speakers. However, the growth in these dynamic categories wasn’t big enough to replace wireless phone sales.

One category that showed great promise was no-contract wireless phones. It was a very profitable business and experienced very strong growth. However, it too, was not big enough to erase the deficits on the contract wireless side of the house.

RadioShack sold a lot of accessories, a very profitable business. But accessories have a much lower average selling price and, while margin rates are high, margin dollars are lower than the total potential dollars earned selling an expensive smartphone. Plus, as more products share a standard set of accessories, previously purchased items, like microUSB chargers, can be used with a wide variety of hardware items, thereby eliminating the need to buy a new set of accessories with each new hardware purchase.

It is interesting to see that the terms of RadioShack's recent chapter 11 filing have Sprint as their exclusive wireless carrier (actually, the stores will be co-branded). Years ago Sprint was exclusive with RadioShack, so this journey appears to have come full circle.

You can debate the merits of offering multiple carriers and providing consumers choice, but you cannot debate the fact that the business didn't grow exponentially every time they added a new carrier. In other words, the business didn't triple with three carriers, so a vendor like Sprint saw it's business diluted. It's tough to get a vendor's full support when their business is being impacted by its primary competitors. Further compounding the issue is that my recent research revealed that the big 3 carriers had over 5500 combined locations of their own; many of them a stone's throw from a RadioShack store.

There are a few lessons to be learned here, but the primary take away is that it is much easier to sell something people want to buy and that's where your efforts must be focused.

Merchandising Actions Drove Results, But Not Maximized

The other half of RadioShack's business was comprised of consumer electronics hardware and accessories, power products, and DIY products. On the CE side, we worked hard to improve our brand and product portfolios, and actually merchandised some of the most iconic brands in our industry, including Beats and other high profile, hip brands. We added fitness products, including Fitbit. We introduced other new categories, like wireless speakers, and revamped a whole host of private brand products.

These were solid actions that produced positive results. However, the true potential of these changes was not achieved, as many consumers didn't know we carried these products. We needed a strong, sustained marketing effort to get the message out, something that we could not afford to do. We were not in the consideration set of consumers who were in the market for these products. It's tough to reposition a ninety-year-old brand.

We also reviewed every SKU in the company and rationalized many poor performers out of the stores. This action improved our inventory positions as well as the customer shopping experience. It also made space for the new categories, like headphones.

While we were addressing our brands and products, Joe and team worked quickly to introduce the new format. These stores were fresh and exciting, and performed very well. The problem was they represented less than 2% of the entire chain. As the song goes, too much, too little, too late…

We also needed to address our website, as we lagged behind the industry in share. I learned a while back that customers choose how they want to research, shop and eventually transact a sale, so you had better have a consistent and seamless experience throughout all channels.

Your position in the market must be well defined and the customer must know and agree with the position. Stand for something!

There were a few significant external issues that impacted RadioShack, as well as other consumer electronics retailers, including:

The Digitalization of CE

There's no doubt that the impact of digitalization has resulted in a myriad of products that far out-perform their ancient, analog siblings. From the PC, to amazing, high-resolution HDTV images, to Smartphones that place awe inspiring communications and computing power in the palms of our hands, digital performance standards have forever changed these products and how we interact with them. However, the ability to produce products that have true, meaningful differentiation has become a very serious challenge. Digitalization has resulted in the homogenization of products, and the digital divide has resulted in one big sea of sameness. When all else is equal, price becomes the only differentiator.

This transformation really began with the mass acceptance of the personal computer, a product that forever reshaped profit margins in our industry. As a merchandising leader with CompUSA, I couldn’t believe we were expected to sell products that sold for over a $1000 and lose money doing so! That model never changed and it’s a shame that retailers are expected to lose money selling a product that provides so much communication, productivity, and entertainment power to consumers.

If the products are no longer differentiated, then it’s up to you to differentiate and standout from your competition. There can only be one low price leader, so I contend that you cannot build your business solely on price.

The Changing Vendor Landscape

In the 70’s and 80’s, there were many products from many manufacturers. There was a specific product set to perform a specific task. It’s different today. While product consumption is up, the breadth of product types being consumed has narrowed, as wireless devices have cannibalized other, single use products, such as digital cameras, GPS devices and MP3 players. And right now, Apple and Samsung are the real influencers of our entire industry.

A few short years ago, many key vendors practiced selective distribution. This allowed a broader set of retailers to compete and make money. Today, virtually every key product is available nearly everywhere, from every type of retailer, including the vendors themselves. A few months ago I worked on a particular project for a client. My research revealed that the big 3 carriers had over 5500 combined locations. Apple has over 400 stores. And other vendors are opening stores, as well. It’s tough enough to compete against other retailers and ecommerce outlets. Now we have to compete against the very vendor whose products we assort in our stores. In RadioShack’s case, many of the carrier stores were a stones throw away from a

RadioShack store.

Collaborative strategic alignment with your vendor partners is more important today than it has ever been, and they must be able to understand the value that you provide them.

The Changing Competitive Landscape

We all know the impact of an Amazon, but we cannot dismiss the impact of the mass superstores, like Wal-Mart and Target. Not too long ago, the vast majority of vendors found it unthinkable to have their products merchandised in these chains. Not any more.

These chains view consumer electronics as an incremental business and have the advantage of a very diversified product portfolio, from soft lines and hardware, to groceries and prescription drugs. This can give them a significant competitive advantage, especially in price and reduced logistics cost.

You also see a wide range of retailers selling accessories, like phone chargers and cables. Simply put, there are really no barriers to entry when it comes to selling consumer electronics products, which can now be found in virtually every class of retail trade.

If you’re having trouble competing, you may need to make big changes. Don’t be afraid to do so, otherwise you’ll simply be dying a slow death from the tyranny of incrementality.

There are probably a few other challenges, but you get the picture. So RadioShack is the latest retailer to succumb to these challenges. Mark my words, there will be others, because these are big deals that are hard to overcome.

John Lostroscio is an industry veteran, with over 35 years experience in merchandising, product management, marketing services, and sales leadership with a diverse group of outstanding retailers and manufacturers. Today he is the principal of his own consultancy, Lostroscio &

None, LLC, focusing on merchandising and product solutions for retailers and manufacturers. He can be reached at john@lostroscioandnone.com.