

Bye, Bye, Best Buy: Closing UK Stores

Written by Bob Snyder
06 November 2011

It's all over the press as the *SUNDAY TIMES* in UK initiates a report that **BEST BUY will close its 11 big box stores in UK**



Most folks believe this yet-unconfirmed report because of a June announcement putting the UK retail development on "hold..." Hold means "under review" in American organizations that see growth as essential to business. Meetings this weekend may lead to a public announcement this week when **Carphone Warehouse Group** has to cough up its half-year results.

After 62 million pounds of losses last fiscal year, retail experts expect a first-half loss of 40 million. Closure could cost another 80-100 million pounds, but at least that would put a final end to this drain on corporate profits.

The news of this set-back for Carphone Warehouse (half owner of Best Buy UK) will be tempered by the news that BEST BUY will pay more than \$1 billion to buy out the UK group from their joint venture in mobile phones in the US. Carphone Warehouse has successfully shown the Americans how to create a chain of mobile phone stores to compete with the telco shops (AT&T, Verizon, Sprint etc) that dominated the US landscape in mobile communications.

While the UK is celebrating this \$1bn windfall for its local retail hero, it's yet another black eye for American big box retailing. The Europeans joke about the Yank retailers who always talk big ("We'll open a 100 stores by 2013!") and fail fast. Dixons and MediaMarkt are patting themselves on the back at this very moment, although it was the sour UK economy that probably doomed the Yank's Big Box master plan.

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Unlike European retail operations which resist dramatic starts and dramatic finishes, BEST BUY's big debut lasted only from 2009. This doesn't mean BEST BUY is out of Europe, as it still has its joint venture with **Carphone Warehouse**.

BEST BUY UK has 1100 staff so the UK retail market will see a rush of retail applicants. **One cause of concern for both vendors and competitors in UK is the inventory carried in those 11 big box stores.**

Proper disposal in this case is a question mark: Do you run store sales like Circuit City's closing blow-out? Do you dump it via the professional channels that will take it out into Europe and Middle East?



Of course, Carphone Warehouse outlets will be scrutinized to see how much they can expand their product mix. But with all that product now up in the air, there will be vendors worrying this week about pipelines and competitors fretting about price points.

A Carphone Warehouse spokesman repeated an earlier statement by the company, indicating BEST BUY had always planned on opening the nice round number of 11 stores in UK and then

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conducting a review. But you know companies never plan to lose so much, so fast and then withdraw in public embarrassment.

Earlier this year (in Feb.) the world's largest consumer electronics retailer **closed all of its nine BEST BUY branded stores in China**

-- and instead decided to expand the more profitable domestic chain it had acquired (under Five Star brand). No doubt it will do now the same in Europe with Carphone Warehouse.

BEST BUY already pulled out of Turkey after a 2-store trial so this would seem to be **a pattern of failure for the organization**

hoping to localize the brand in Europe like the American McDonalds or even the Apple Stores. The pattern of retreat from its own brand in favour of local investment means this latest withdrawal really trashes the BEST BUY brand here in the same way that FEDERAL EXPRESS once crashed itself in Europe. The brand may appear again in some limited way but never with the same virgin ability to create shock-and-awe. It's no longer a "contender" and European retailers will breathe a sigh of relief (amid joyous victory shouts).

The only saving grace for BEST BUY (which after this will have a hard time ever putting its own name on retail doors again in Europe) is that this international form of *hari-kari* is actually welcomed by USA stock markets who in hard times always credit American companies for pulling back from international markets to concentrate closer to home.

Sure, there's no money to invest in cracking the UK and European market under the BEST BUY brand...but the \$1bn spent in America seems wise to Wall Street.

Back in the Minnesota headquarters, there are surely some financial managers convincing themselves this is an astute move to walk away from the UK and the doorway to Europe, the world's largest consumer electronics market.

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