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## Dow Jones Business News

### Best Buy Mobile Executive: Growth Plans On Track

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Best Buy Inc.'s (BBY) mobile-phone business is on track to more than double its U.S. store base by the all-important holiday season and is pushing to garner more than a fifth of the market within five years, according to a top executive.

"Over time, and I would call this within the next five years, we want our mobile business to be not dissimilar to our market share in TVs and computing, which are in the mid-20s [percentages]," Best Buy Mobile President Shawn Score said in an interview with Dow Jones Newswires Tuesday.

That is higher than the 15% internal goal Best Buy has previously set for mobile-phone market share, and a tall order, considering current market share is around 5%, based on Barclays Capital estimates.

But Score said Best Buy has fine-tuned its real-estate development, has cut the capital investment required and is developing a "second runway" of mall-based stores beyond the top-40 metropolitan markets originally targeted--in places like St. Cloud, Minn., where the population is less than 70,000.

After ending last year with 75 stores, Best Buy Mobile is "well on track to being at the high end" of its goal to add another 75 to 100 stores this year, Score said. He will be in Orlando, Fla., on Aug. 4 to mark the opening of the 100th standalone store in the U.S. since the retailer launched Best Buy Mobile in 2006.

Score declined to comment on published reports that Best Buy might be interested in acquiring rival

RadioShack Corp. (RSH), but instead expressed confidence in Best Buy Mobile's own real-estate strategy, which focuses on putting 1,200-square-foot stores in malls as close to the center as possible. Best Buy's research has indicated the U.S. could support between 500 and 1,000 Best Buy Mobile shops, in addition to the dedicated mobile sections already within Best Buy's more than 1,000 large-format stores in the U.S.

Score said Best Buy, the largest U.S. retailer of consumer electronics by sales, has a track record of identifying a specific market, developing a solution and going after it hard, as it did with flat-screen television sets and laptop computers earlier this decade.

In the case of mobile phones, Best Buy's strategy is to provide one-stop shopping for a wide choice of handsets and service plans, which the company says has been boosted sales and profits. But it has also meant working with carriers and phone manufacturers to create new revenue streams and sell a higher share of the fast-growing smartphone market than others in the industry, Score said.

For example, Best Buy provides numerous ways for customers to buy prepaid mobile broadband time. "That market didn't exist two years ago," he said.

And the retailer is working with phone manufacturers to offer more prepaid premium phones. "You'll see more Android based devices, more Blackberry devices and more options," he said. "There's a consumer that wants the functionality of a smartphone but not necessarily a two-year contract."

Mobile phones generate about 5.5% of Best Buy's sales, but the estimated margin rate is about twice the corporate average, according to a recent research note by Barclays Capital. That is important for a company facing deflationary pressure tied to aging technology products.

Carphone Warehouse Group PLC (CPW.LN), Best Buy's joint-venture partner in its European mobile-phone business, on Wednesday reported that Best Buy's U.S. mobile business recorded nearly 30% growth in connections, to 1.43 million connections, during the quarter ended July 3. That exceeds the 15% to 20% full-year growth in connections Carphone Warehouse laid out on April 26.

Best Buy declined to comment on those results Wednesday.

A major driver of growth in coming years will be getting the retailer's roughly 25 million customers already enrolled in its Reward Zone loyalty program to buy their cellphones from Best Buy Mobile, Score said.

"Assume that every three years they're in for an upgrade, if we can get those guys our market share

would be dramatic," he said.

The company reports already making some headway in that area. Reward Zone members have generated more than half of Best Buy's pre-sales for popular phones, such as Apple's (AAPL) iPhone 4 and the HTC EVO 4G, Score said.

Best Buy remains pleased with its partnership with Apple, noting that returns of iPhone 4's and complaints about reception issues have been "negligible," Score said Tuesday.

Still, Best Buy announced Wednesday it will offer all of its customers who have or will buy an iPhone 4 from it a free, clear shield that is applied to the outer edges of the phone, along with free installation.

Best Buy said it will extend the free Side Shield offer to Reward Zone members, even if they didn't buy the iPhone at Best Buy, and it is offering 20% off any iPhone 4 case through Aug. 7.

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