

Circuit City facing overload?

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Work continues on a Circuit City store due to open in Hyannis in the coming months. It is one of 45 to 55 stores the company will open this year.
Cape Cod Times/Steve Heaslip

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HYANNIS — Construction crews are building a Circuit City store on Route 132, but the company's fortunes are hardly written in stone.

The new store, slated to open in September or October, comes at a time when Circuit City is trying to counter its well-documented financial trouble. Sales fell more than 11% in the first quarter of this year, resulting in a net loss of \$164.8 million. A takeover proposal from Blockbuster stalled and now appears unlikely to occur.

But in the midst of financial uncertainty, Circuit City is expanding. The Hyannis location will be one of 45 to 55 new stores opening across the country over the next year, Circuit City Stores, Inc. said. The move is raising eyebrows among industry analysts, who caution that expansion might not cut losses.

"Circuit City is pinning its future on turning around its retail options," said Alexandra Biesada, a retail expert at Hoover's, a corporate analysis company.

Biesada said it is becoming more difficult for companies to secure the capital to expand.

"Circuit City, to continue to grow, will need credit," Biesada said. "But retail is getting hit in the credit crunch."

Circuit City is reinventing itself aggressively, overhauling the layout and sales strategies of its stores. Public relations representative Jennifer Stills said the company is confident the new-model stores will have a positive impact on business.

The new design, called "The City," uses a smaller layout and sales representatives who are trained to be more technology-savvy. The Hyannis location will be built on the new model.

"All of the models have had more success (than traditional layouts)," Stills said.

Sills said she could not comment on whether the strategy was designed to counter the company's recent losses. But retail analyst Donna Flagg, of The Krysalis Group corporate consultancy firm, said other companies have tried the strategy before. The results have been mixed.

"Starbucks kept expanding and expanding and now it has to pull back," Flagg said.

However, she added that expansion strategies can work if they are carefully managed. She cited the Duane Reed chain of pharmacies in New York, which struggled through a period of expansion before business stabilized.

But the factor that will most determine the Hyannis store's success might be its location — just down the street from the Best Buy in Cape Cod Mall.

Flagg said it will be hard to gauge the competition until the store opens.

"It depends on how loyal the Best Buy customers are," Flagg said. "If they aren't satisfied, Circuit City might have an advantage."

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