

Circuit City's Final Sales Day: Key Indicators Found in Chapter 11 of the U.S. Retail Industry Story

By  fan, About.com Guide March 8, 2009

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At the end of the sales day today, [Circuit City](#) will be closing the front doors of its stores for the final time. With every [Chapter 11](#) that mutates into a bankruptcy liquidation sale, the U.S. retail landscape is forever changed. The question is, are the retailers that are not hosting going out of business sales gaining key insight from the dearly departed, or are they missing the indicators that will be vital to writing the next chapter of the U.S. [retail industry story](#)?

I commented about the changing retail landscape to a consultant friend of mine last night and she immediately replied, "I liked Circuit City!" And then she named several consumer electronics items in her home which she had purchased at Circuit City. When I asked her why she liked to shop there she said, "Because whenever I went there, they weren't busy and I could shop without being bothered by anyone." That's quite a statement. I'm still laughing about it today.

There have been lots of opinions about why Circuit City failed expressed by self-appointed experts, analysts, employees, and customers. Probably the real truth is that everyone is at least a little bit right. The lesson that Circuit City offers to the [retail industry](#), in my opinion, is that the sum total of the small and not-so-small decisions and actions of the company's leaders have long-term consequences. If you stick around long enough, you will eventually find yourself immersed in your own consequences. Sometimes that's a good thing. Sometimes it's not.

I often wonder if the retail industry is paying attention and taking the time to learn from other retailers' consequences.

Perhaps it's time to question the wisdom of giving too much focus to managing monthly [same store figures](#), daily stock fluctuations, and [quarterly shareholder reports](#). Perhaps it's time to examine how many ways CEOs are managing things to the best advantage of their own [compensation package](#). Perhaps it's time to re-evaluate why compensation packages are structured in a way that is disconnected from the overall long-term health of the company and its employees in the first place. Perhaps it's time to insert the notion of "long-term" back into managerial priorities, conversations, and decision-making.

In its regulatory filing this week, OfficeMax disclosed that its CEO, Sam Duncan received compensation valued at \$4.1 million last year. His base salary rose 5%, and his compensation included \$5,000 for personal financial counseling, \$9,200 for an annual physical exam, and \$46,000 for personal use of the company's plane.

In return for his 2008 compensation, Duncan led his company to lose \$1.66 billion. Stock prices fell about 60%, dividends were suspended, and the company's pension plan is currently underfunded by \$435 million and frozen. And in a move that might be characterized as ironically unbelievable, OfficeMax, under Duncan's leadership, hired former Circuit City CFO Bruce Besanko in January to make the financial decisions that will determine Office Max's future. Do we need a Magic 8 Ball to tell us what that future might be?

What motivation do retail industry leaders have to build for the long-term when they know they can float out of any situation with a [golden parachute](#), and land on a big pile of money that they've amassed while leading their company's downfall? Is it safe to assume that every retail CEO is fully invested in making decisions that are in the best long-term interest of their company when their own best interest might be better served by moving the company in a different direction?

The retail organizations that ignore the [worst practices](#) of the companies that have fallen before them will undoubtedly trot out "the economy" as their iron-clad defense when they are filing their own Chapter 11 papers. What will it take, I wonder, before consumers and shareholders stand up and object?

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(1) ray says:

March 9, 2009 at 3:51 am

great article!!!! Nice read.

(2) Charles Stephens says:

March 11, 2009 at 12:54 pm

In reality at store level the guests were treated well, what killed the company was massive incompetence, outright mismanagement and selfish greed by top company officials. The real question is who runs this old boy network where people like Marcum, Scoonover, Salovera, continually get hired despite such poor performances. Many say the connection is with some recruiting apparatus out of Goldman Sachs, or other special program, The true investigation into how 37000 people were put out of work because of the greed of very few with the help of a very, very compliant bankruptcy judge has yet to be written.

(3) June S. says:

March 30, 2013 at 2:23 pm

My partner and I stumbled over here by a different web page and thought I should check things out. I like what I see so i am just following you.

(4) Ann Marie says:

April 8, 2013 at 11:50 pm

Cool blog!

(5) elvaroe says:

April 9, 2013 at 8:50 am

Your thoughts are greatly appreciated.

(6) hershel says:

April 12, 2013 at 2:02 pm

This article assists from start to end.

(7) Marilou says:

April 14, 2013 at 4:31 pm

Hello there! I could have sworn I've visited this website before but after browsing through many of the posts I realized it's new to me.

Anyways, I'm definitely happy I stumbled upon it and I'll be bookmarking it and checking back regularly!

(8) Bert says:

April 14, 2013 at 9:34 pm

I visit this weblog on regular basis to get updated from latest information.

(9) Laurene says:

April 17, 2013 at 7:05 pm

This web site provides quality dependent articles or reviews and extra data.

(10) Blythe says:

April 20, 2013 at 11:59 pm

It's hard to come by experienced people in this particular subject, but you seem like you know what you're talking about!
Thanks

(11) Jenny says:

April 21, 2013 at 2:31 pm

I'm definitely happy I stumbled upon it and I'll be book-marking it and checking back frequently!

(12) L. Azarobali says:

April 21, 2013 at 6:23 pm

Thank you for your time for this particularly fantastic read!! I definitely appreciated every bit of it.

(13) adriennepettit@aol.com says:

April 21, 2013 at 11:53 pm

i am visiting this web page daily and take good data from here all the time.

(14) emma.sills@yahoo.de says:

April 22, 2013 at 8:29 am

It's actually a great and helpful piece of information. Thanks for sharing.

(15) hannah I. says:

April 22, 2013 at 8:47 am

Good post! We will be linking to this great article on our site.
Keep up the good writing.

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