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Circuit City is continuing to make progress in a sweeping top-to-bottom overhaul of its operations designed to make the No. 2 CE specialty chain more competitive and to help it regain market share.

"We will continue to improve execution at every level of the organization," chairman/CEO Alan McCollough told industry analysts during a conference call. "We're building a new Circuit City." (See Circuit City's financial story on p. 6.)

Among the changes, said chief financial officer Mike Foss, is a "significant restructuring" of the company's real estate organization under recently named real estate VP Steven Jackson. "We weren't doing the right job here," he noted. To help identify and secure better store locations with more favorable terms, Circuit City is working with two new master brokers covering the East and West and has replaced virtually all of its regional brokers, Foss said. The chain has also begun to regard its brick-and-mortar deployment on a regional, rather than a store-by-store, basis.

Elsewhere, the company is testing "strategically differentiated" pilot stores in Boston and Southeast Florida that are more customer-focused, said president Phil Schoonover, and has hired consultancy McKinsey & Company to help "rethink" the in-store experience and drive efficiencies. "We're making physical changes to stores and are changing the way they look and feel," he said. "There are hundreds of experiments going on."

Behind the scenes, recently named retail stores president Danny Clark is working to better integrate the company's merchandising, marketing, supply chain and inventory functions, aided by a new suite of retail management systems from Oracle's Retek software unit. In addition, Circuit City has created a new tier of regional business development managers to help drive sales of high-margin attachments like extended service plans, while newly deployed "Elite Teams" have been assigned to the chain's most "opportunistic" stores to assess and improve store level execution.

Some of those initiatives are beginning to show dividends. According to Schoonover, the chain has increased its both its close rate and its average ticket, while accelerating sales of profitable attachments like accessories, warranties and PC services. The company also increased its flat-panel market share during the second quarter, to 28 percent for plasma displays and 30 percent for LCD TVs, he noted.

Separately, Circuit City announced that it has delayed its conversion to an upgraded point of sale system until early fiscal 2007, and would reduce the number of new and relocated store openings in fiscal 2006, from between 30 and 40, to between 25 and 30. Capital freed up by the reduced pace of store openings will be used to help fund operational initiatives, executives said.

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