

## Failure Case for ENTR200 Class Discussion

Based on <http://en.wikipedia.org/wiki/CompUSA> accessed 12/13/17



**CompUSA, Inc.** is a [retailer](#) and reseller of [consumer electronics](#), [technology](#) products and [computer](#) services. CompUSA serves consumer retail, small-to-medium businesses, corporate, government and education customers. Founded in 1983 and based in [Addison, Texas](#) (a northern suburb of [Dallas](#)), CompUSA currently operates 103 stores in markets across the [United States](#) and [Puerto Rico](#). Financial troubles have plagued the company in recent years, and on December 7th, 2007, CompUSA announced <sup>[1]</sup> it would be closing all of its 103 remaining stores by the end of 2007.

CompUSA, Inc. was a wholly-owned [subsidiary](#) of **U.S. Commercial Corp S.A.B. de C.V.**<sup>[2]</sup>, which is indirectly controlled by a common shareholder, [Carlos Slim](#). U.S. Commercial trades on [Bolsa Mexicana de Valores](#) (*Mexican Stock Exchange*) as [USCOMBI](#). On December 7, 2007, the company was acquired by liquidation firm [Gordon Brothers Group](#).

CompUSA's [retail](#) Web site offers an assortment of over 19,000 [products](#) and the ability to schedule [technology](#) services and [training](#) sessions. Businesses may order from a [catalog](#) containing more than 573,000 products as well as select from over 133,700 online products.

CompUSA's sales team now works under a combination of hourly pay and commission.

## History

- 1984 - Founded as Software Warehouse in Addison, Texas, selling direct to business customers.
- 1985 - Opened first retail store.
- 1988 - Opened first Southern California stores.
- 1988 - Opened first Computer Superstore.
- 1991 - Changed name to CompUSA.
- 1993 - Began offering technical services at customer locations.
- 1996 - Launched retail sales on CompUSA.com.
- 1998 - Acquired [Tandy's](#) Computer City subsidiary.
- 2000 - Became privately-held company under [Mexican](#) retail company, [Grupo Sanborns](#).
- 2003 - Acquired [Good Guys](#).<sup>[3]</sup>

- 2005 - Converted three CompUSA stores and 13 Good Guys stores into "megastores." Closed all 46 Good Guys locations. Began marketing in California and Hawaii as "CompUSA with Good Guys Inside" (in response to [Best Buy's](#) marketing campaign "with Magnolia Inside").
- 2006 - Announced the closing of 15 stores across the United States including several locations in California; these stores were being used to liquidate discontinued items from other stores across the nation until the end of October. Roman Ross, a former [Phillip Morris](#) executive, replaced Tony Weiss as president and CEO after only four months in office. In November 2006, CompUSA launched their new "Home Entertainment" Rollout in 40 of its stores (including Puerto Rico), that sold a variety of High Definition Televisions and Home Theater equipment. Roman Ross claimed that Home Entertainment was one of his chief focuses as the new CEO.<sup>[4]</sup> Press reported that CompUSA's Mexican parent Grupo Carso was interested in putting CompUSA up for sale.<sup>[5]</sup>
- 2007 - Announced the closing and liquidation of 126 stores due to "...need to close and sell stores with low performance or non strategic, old store layouts and locations faced with market saturation" Roman Ross CEO. <sup>[6]</sup> The realignment included a \$440,000,000 cash infusion, store closures, major expense reductions and a corporate restructuring.
- 2007, May 14 - CompUSA ends the liquidation sale and finalizes the 126 store closures.
- 2007, May 27 - Annual General Manager Meeting brings talks of 56 store closings to the table, the corporate officers present refuted the claim.
- 2007, August through December - Gabriela Villalobos, EVP, makes her stops through all of the 103 operational stores to evaluate the functionality of each since the store closures.
- 2007, December 7 - CompUSA acquired by Gordon Brothers, as discussions led to the agreement on store sales and closeouts for the remaining 103 stores.

## The CompUSA Network

In 2005, CompUSA started a customer loyalty program called The CompUSA Network. For every dollar spent at any CompUSA store, the customer received 13 points. Rewards included an Epson photo printer and a Canon Digital Rebel SLR digital camera. However, in June 2006, sales of The CompUSA Network membership cards were suspended pending further investigation onto the operation's effect on customer retention and "program awareness among low-visit customers."

On August 24, 2006, CompUSA announced the end of the Network Reward program. All customers were notified of this and issued coupons for the remaining reward value, as well as their original purchase price. They were also offered a refund of the original purchase price in the original form of payment, however this option removed any remaining reward points.

## Controversies

## Product rebate offers

On [March 11, 2005](#), the [Federal Trade Commission](#) settled charges against CompUSA on the issue of [rebate](#) problems. The FTC alleged that CompUSA engaged in deceptive and unfair practices relating to rebate offers made for both its own branded products and QPS products. CompUSA paid no additional fine and only had to pay out any cash rebates that it owed, unless it had substantiation for erroneous rebate claim.<sup>[7]</sup>

## CompUSA-owned brands

- [Norwood Micro](#)
- Master Power
- CompUSA PC

## Slogans

- "The Computer Superstore." (1997 - May 2003)
- "Where America Buys Technology." (May 2003 - July 2005)
- "We got it. We get it." (July 2005 - present)

## Puerto Rico slogans

- "Where Puerto Rico Buys Technology." (May 2003 - July 2005)
- "Lo Tenemos. Lo Entendemos." (Translation: "We have it. We understand it," essentially a [Spanish](#) translation of the current US slogan.) (July 2005 - present)

## Closings

On or immediately before February 28th, 2007, CompUSA retained the services of [Gordon Brothers](#), a company that specializes in [liquidation](#), for the purposes of closing 126 stores nationwide.<sup>[8]</sup> The closing locations were chosen based upon their overall performance, profitability, and proximity to more successful competitors such as [Best Buy](#), [Fry's](#) and [Circuit City](#). Among the CompUSA stores that were liquidated, were every [Long Island](#) location, every store in [New Jersey](#) (except the [Mount Laurel](#) store), all of the stores in the [Chicago area](#) ([downtown Chicago](#), [Schaumburg](#), and [Skokie](#)), all [Minnesota](#) locations, two [Florida](#) locations (including one of the two [Miami](#) locations), all locations in [Missouri](#), over two-thirds of stores in [California](#), including all stores in the [Bay Area](#) (except two in [San Francisco](#)) [Los Angeles](#) and [San Diego](#) areas (except Santa Barbara), all stores in [Michigan](#) (except the [Lansing](#) Superstore), all stores in the [Washington DC area](#) (except Columbia, MD), all the stores in [Georgia](#) (except the [Augusta](#) Superstore), stores in the [Philadelphia Area](#), all stores in [Western Washington](#), all stores in [Phoenix](#), the Columbus, [Ohio](#) location, the [Milwaukee area](#) store in [Brookfield](#), one store in [Littleton, Colorado](#) (a [Denver](#) suburb), and a majority of stores in the Dallas/Fort Worth and Houston, Texas area.

During the liquidation process, the stores typically offered discounts starting at 5 percent to 30 percent off of retail prices, ending at up to 90 to 95 percent. The liquidation process was completed on May 14th, 2007, and all stores were completely shuttered by the following Friday. At the time of the closings, there were internal rumors circulating that additional stores would possibly face closure.

CompUSA has also failed to negotiate an early terminations for the leases of some of the closed locations. One such store in Woodbury, MN, has an eviction notice posted on the front doors, stating the rent for Sept 2007 (\$39,700) was not paid to building's owner, Robert Muir Company. <sup>[9]</sup><sup>[verification needed]</sup> It also claimed attempts to contact CompUSA Inc. were not answered. The building is leased through July 2011. The terms of the lease include a full buyout upon eviction or cancellation, meaning CompUSA will be forced to payout nearly \$1.8 million to buyout of the lease. <sup>[10]</sup><sup>[verification needed]</sup>

On December 7th, 2007, The CompUSA company was sold to an affiliate of Gordon Brothers Group, a liquidation group, that would work on closing out the remaining 103 CompUSA stores (Including all 3 in Puerto Rico) following the holidays. These stores are scheduled to hold store-closing sales during the holidays as key stores in certain markets would be sold; the stores left unsold would be closed. The Gordon Brothers Group would also attempt to sell the company's online and technical service, CompUSA.com and CompUSA TechPro respectively. <sup>[11]</sup>

## References

1. <sup>^</sup> ["CompUSA to close remaining stores"](#)
2. <sup>^</sup> [http://wrightreports.ecnext.com/coms2/reportdesc\\_COMPANY\\_C484HN000](http://wrightreports.ecnext.com/coms2/reportdesc_COMPANY_C484HN000)
3. <sup>^</sup> ["CompUSA To Buy Good Guys", About.com, September 29, 2003](#)
4. <sup>^</sup> ["CompUSA Names New CEO", Yahoo! Finance, September 1, 2006](#)
5. <sup>^</sup> ["CompUSA seeking buyer, paper says", CNN Money, September 13, 2006](#)
6. <sup>^</sup> ["CompUSA Announces Realignment Strategy", Press Release Feb, 2007](#)
7. <sup>^</sup> ["The Rebate Debate: Why Were They Late? FTC Settles Charges Against CompUSA", Federal Trade Commission, March 11, 2005](#)
8. <sup>^</sup> [http://www.CompUSA.com/locations/closing\\_stores.asp](http://www.CompUSA.com/locations/closing_stores.asp)
9. <sup>^</sup> <http://www.robertmuircompany.com/tamarack/index.htm> (see leasing plan NW) [http://www.co.washington.mn.us/info\\_for\\_residents/courts\\_and\\_supporting\\_services/court\\_administration/](http://www.co.washington.mn.us/info_for_residents/courts_and_supporting_services/court_administration/)
10. <sup>^</sup> Public Records: Stillwater, Washington County, MN
11. <sup>^</sup> <http://www.signonsandiego.com/news/business/20071208-9999-1b8bizbrfs.html>

## External links

- [CompUSA company website](#)
- [CompUSA Puerto Rico website](#)
- [CompUSA Business Sales website](#)

- [The CompUSA Network website](#)
- ["The Gutting of CompUSA" Commentary by David Pogue](#)