

TWEETER ETC.

On August 16, 1996, Sandy Bloomberg, founder and CEO of Tweeter etc., reflected on the recent history of his small, upscale New England retailer of consumer electronics. Tweeter had grown from a 13-store chain with \$35 million in annual sales in 1991 to a 21-store chain with \$82 million in annual sales in 1996. Bloomberg had always attributed part of this growth to Tweeter's "Automatic Price Protection" policy, which had been implemented in 1993. Under Automatic Price Protection (APP), Tweeter monitored local newspaper ads and automatically mailed a refund check to a consumer if an item purchased at Tweeter during the past 30 days was advertised for a lower price by a competitor.

Two recent developments in the marketplace gave Bloomberg reason to reflect on APP, however. First, on May 16, 1996, Tweeter ventured outside its traditional New England base and purchased a controlling interest in Bryn Mawr Stereo, another small, high-end consumer electronics chain based in suburban Philadelphia. One year earlier, Bryn Mawr had adopted Tweeter's "Automatic Price Protection" policy, but up to the time of Tweeter's purchase, had failed to see any significant impact on sales. Second, on June 16, 1996, Nobody Beats the Wiz ("The Wiz") opened a 50,000 square foot electronics retail outlet in suburban Boston, the second of ten outlets planned for the New England market and the first in Greater Boston. The Wiz, a nationally recognized New Jersey-based discount retailer, threatened to change the playing field in the already highly competitive New England audio and video consumer electronics market.

Three years earlier, Tweeter's introduction of APP had received national press coverage in *The Wall Street Journal* (see Exhibit 1). Now, Bryn Mawr's seeming lack of

success with the policy gave Bloomberg cause to question the impact of APP. Moreover, whatever its past impact, Bloomberg wondered how effective the policy would be in a market increasingly dominated by large discount retailers such as The Wiz.

The Consumer Electronics Industry

The United States Market

In 1995, consumer electronics was a \$30 billion industry in the United States, as measured by manufacturer sales (see Exhibit 2). The previous ten years had seen the market grow at a 5.6% compound annual rate, with future growth projected to be strong through 1998. While industry data on retail sales was unavailable, it was widely believed that retail margins averaged about 30% across product categories.

At the retail level, consumer electronics were distributed through a variety of channels, including specialty electronics stores (e.g., Tweeter), electronics/appliance superstores (e.g., Circuit City), mass merchants (e.g., Wal-Mart), warehouse clubs (e.g., Sam's Club), department stores (e.g., Macy's) and mail order houses (e.g., Sound City). Exhibit 3 provides an overview of these channels. Exhibit 4 shows the distribution of sales across channels for select categories of consumer electronics.

The New England Market

With a population of 13.2 million, New England represented 5% of the U.S. consumer electronics market. In 1996, there were 8 retailers in this region with market shares in excess of 2% (see Exhibit 5). By far the two largest were Lechmere (35% share) and Circuit City (19%).

For decades, Lechmere had been the region's most popular retailer of consumer electronics and home appliances, growing to 28 stores (averaging 50,000 square feet) throughout New England and northern New York by 1995. Selling televisions and stereos since the 1960s, Lechmere had become, for many New Englanders, the only place to consider when buying video

Tweeter etc. Company History

The Formative Years: 1972 to the Mid-1980s

and audio equipment. Historically, such attitudes had been reinforced with well-informed salespeople, good customer service and fair pricing on a wide variety of entry and middle-level products. In 1994, Lechmere was purchased for \$200 million by Montgomery Ward, a privately-owned, national mass merchant with approximately \$6 billion in annual sales. While Lechmere stores continued to operate under the Lechmere name, many consumers believed that the level of customer service and salesperson knowledge had decreased appreciably under Montgomery Ward's control.

In contrast to the regional legacy of Lechmere, Circuit City, the nation's largest consumer electronics retailer, only arrived to the New England market in early 1993. However, their New England presence quickly grew to 15 full-sized stores (approximately 30,000 square feet) and 6 smaller "Circuit City Express" stores (approximately 3,000 square feet). With a reputation for knowledgeable salespeople and good service, Circuit City topped \$5.5 billion in sales across more than 350 stores nationwide in 1995. Although Circuit City's offerings included personal computers, medium to large home appliances, audio tapes and compact discs, approximately 60% of their total sales were derived from the sale of video and audio equipment.

At the other end of the spectrum was Cambridge Soundworks, with less than a 1% share of the New England market. Founded in 1988, Cambridge Soundworks specialized in the design, manufacture and sale of their exclusive line of medium to high-end stereo and home theater speakers. Accounting for 69% of their total revenues in 1995, these speakers regularly received positive reviews in the audio and consumer electronic magazines and were often rated as a good value for their \$200 to \$600 per set price tags. The bulk of Cambridge Soundworks' remaining sales consisted of popular brand-name audio electronics, such as receivers by Harman Kardon and CD players by Sony, which complemented the sale of their private label speakers. While still only a niche player in the region, Cambridge Soundworks had grown appreciably in recent years, with revenues increasing from \$14.3 million in 1993 to \$26.9 million in 1995. Having traditionally relied on catalog sales (67% of total sales in 1993), much of this growth was due to the opening of a series of small retail outlets in 1994 and 1995. By the end of 1995, Cambridge Soundworks had 23 retail locations throughout New England (15 stores) and Northern California (8 stores), and revenues were divided between catalog (32%), wholesale (13%) and retail sales (55%).

The competitive environment was quite different when Tweeter first arrived upon the consumer electronics scene in 1972. In the early-1970s, 21-year-old Sandy Bloomberg had been working at Audio Lab, a hi-fi repair shop and components dealer located in Harvard Square in Cambridge, Massachusetts. While at Audio Lab, Bloomberg became entranced by high quality audio components.¹ At that time, the high-end stereo market was only just developing in the United States, with few consumers beyond the hobbyists and avid audiophiles even aware of the increasingly high quality of stereo components available to the general public. In 1972, Bloomberg traveled to Europe where he witnessed and was encouraged by a more mainstream acceptance of high-end stereo components. Shortly afterward, Bloomberg opened his first Tweeter etc. in the storefront of his cousin's industrial music business located near Boston University.

Within a few years of Tweeter's founding, the U.S. stereo components market tripled and the Boston market became littered with a number of small independent retailers, of which Tweeter was only one. At the time, there were two major stereo retailers in the Boston area—Tech Hi-fi, started in 1963 by two MIT dropouts, and Lechmere. Tweeter avoided direct confrontation with either retailer by initially focusing on the student market, serving their more sophisticated tastes for higher quality stereo components. Bloomberg's business philosophy was built on a commitment to value, quality, and service.

By 1979, Tweeter had expanded to six stores in the Boston area and one in Rhode Island (see Exhibit 6 for a chronology of Tweeter's expansion). These stores averaged 6,000 square feet in space, although some, such as the Harvard Square store at 2,000 square feet, were significantly smaller. At about this time, Tweeter expanded its product line to take on high-end video equipment, principally in the form of color televisions.

¹Stereo components are separate audio devices that can be combined to form a single stereo system. For example, a component system might consist of a receiver, a CD player, a cassette deck, and one or two pairs of speakers, all separately purchased to obtain the best of what each manufacturer has to offer. Typically, component systems are more flexible (components can be added or upgraded with ease) and capable of higher quality sound than "rack systems" or "compact systems," which offer prepackaged componentry.

Much as Bloomberg had anticipated, the general population's knowledge of and demand for high-end stereo and video equipment continued to grow through the mid-1980s. This growth was aided by strong regional and national economies and by the introduction of new technologies (e.g., Video Cassette Recorders [VCRs], Compact Disc [CD] Players). These conditions helped to solidify Tweeter's positioning at the high-end of the audio and video market.

By the end of 1986, Tweeter had grown to 13 stores throughout eastern Massachusetts and Rhode Island and by the late-1980s, Tweeter's share of the New England consumer electronics market had grown to almost 2% overall, and close to 5% in the Boston area.

During this period, Tweeter continued to be recognized as a retailer of high quality, high-end audio components and video equipment, with knowledgeable salespeople who offered high levels of customer service. Two of their advertising slogans during this period were, "We don't carry all the brands, only the ones that count" and "Some hi-fi salesman can sell you anything, and often do." Tweeter customers generally perceived that they were paying a premium price for the products they purchased, but were receiving the best customer service in the region for that premium.

The Shake-Out Years: Mid-1980s to 1993

The euphoria of the mid-1980s was short lived, however, as three factors contributed to an overall decline in the New England electronics market in the late-1980s and early-1990s.

First, the market growth of the mid-1980s led to new competitive entrants, especially at the lower end of the retail market. In 1985, for instance, two Michigan-based chains, Fretter Superstores and Highland Superstores, both warehouse-like electronics chains, opened four stores each in the Boston area. Second, by the late-1980s, household penetration for color televisions, VCRs and many other home electronics had grown appreciably, thereby limiting future growth in those product categories. Third, the once growing U.S. economy came to a screeching halt in 1987 and 1988, with New England among those geographic regions hardest hit.

These factors combined to have two major consequences. First, not all retailers survived. The first to falter was Tech Hi-fi, which found itself financially overextended just as competition was heating up. In 1985, it declared bankruptcy and closed its 11 Massachusetts

stores. The demise of Tech Hi-fi was followed six years later by Highland Superstores (10 New England stores) and in 1995 by Fretter (15 stores), both of whom also suffered from being financially overextended.

The second major result of the increasingly competitive environment of the late-1980s was increased price promotion. Traditionally, the New England electronics market had been characterized by four major "Sale" periods during which retailers discounted certain products to draw consumers into their stores—a Presidents' Day Sale in mid-February, a Father's Day Sale in June, a "Back to School" Sale in early-September, and a "Wrap it up Early" or "Pre-Holiday" Sale in mid-November. For the remainder of the year, product prices remained relatively steady, with only limited advertised price discounting.

Beginning in 1988, however, as the Boston economy bottomed out and consumer electronics sales growth flattened, Lechmere initiated an ongoing series of weekend "Sale" campaigns in which they would cut prices on select items on Friday, Saturday and Sunday. In order to retain their market shares, Tweeter and most other major retailers followed suit. As a result, the weekend "Sale" became a commonplace event, and consumers began to expect price discounts when purchasing audio and video equipment. In some cases, sales people would even tell customers not to buy on Wednesday, but rather to wait until Saturday when the desired item would be 20% off. During this period, it was not uncommon for 60% to 80% of a retailer's sales to occur on Saturday and Sunday.

As consumers increasingly focused on price in their purchasing process, Tweeter's profitability suffered. Noah Herschman, Tweeter's vice president of Marketing, described the problem in the following fashion:

The consumers just wanted price, price, price. But, we didn't carry entry-level products, like a \$139 VCR or a \$399 camcorder. We carried the middle and high-end stuff. So people would look at our ads and they would look at Lechmere's ads. Lechmere would advertise a \$139 VCR, and we would advertise a \$199 VCR. They'd have a \$399 camcorder, and we'd have a \$599 camcorder. Even though their middle and high-end equipment sold for the same price as ours, we seemed to be more expensive to the inexperienced consumer. Our print advertising was actually driving people away—doing more damage to our business than if we never ran it.

In response to the profitability downturn, Tweeter attempted to compete on price as well as product quality and customer service. For instance, Tweeter began to

carry Sherwood audio components, an entry-level brand comparable in price to the low-end offerings of Lechmere, Fretter and others. In addition, Tweeter began to stock the lower-end models of brands it had been carrying only at the middle and high-end, such as Sony. Nevertheless, the majority of Tweeter's product line was still in the middle to high-end and included brands such as Denon, Alpine, Kenwood, Klipsch and Boston Acoustics.

To further aid in this price-based competition, Tweeter joined the Progressive Retailers Organization in 1988, a buying consortium founded in 1986 that consisted of small high-end consumer electronics retailers throughout the United States which combined for over \$1 billion in annual sales. As a result, Tweeter was able to obtain prices from manufacturers that were comparable with those obtained by its larger competitors.

Despite these efforts, the public perception of Tweeter remained unchanged. Customers continued to view Tweeter as more specialized and more expensive than Lechmere and the other New England retailers. While most consumers still recognized the high level of service Tweeter provided, many believed that such service came at the expense of higher prices, something they were increasingly less willing to accept. As a result, Tweeter's sales and profitability began to deteriorate starting in the early-1990s (see Exhibit 7). Tweeter's plight was exacerbated by Circuit City's entrance into the New England market in the spring of 1993. Circuit City's media-blitz advertising and fierce price competition further focused consumers' attention on price as the primary determinant of product choice.

A Change in Strategy: August 16, 1993

Frustrated by Tweeter's financial performance, Sandy Bloomberg, Jeff Stone (Tweeter's recently hired president and COO), Noah Herschman and the rest of the Tweeter management hashed out possible competitive responses at a management retreat in the spring of 1993.

In preparation for this retreat, Tweeter had conducted a number of focus groups in the months leading up to the retreat. Herschman boiled down the results of these focus groups into the two sets of insights.

First, individuals shopping for consumer electronics in the New England area displayed the following general characteristics and behavior:

- On average, consumers actively thought about purchasing a new product one to two months before actually making the purchase.

- On average, consumers visited two to three retailers prior to purchasing a desired product. The factors most cited by consumers in their selection of stores to visit include newspaper advertisements (cited by 70% of consumers), past experience with the store (50%) and recommendations of friends and family (40%).
- Eight out of ten consumers checked newspaper advertisements for product availability and price information when in the market for consumer electronic equipment. Virtually all of these consumers delayed purchase until they saw the desired product or class of product advertised in a newspaper circular.

Second, individuals who were familiar with or considered purchasing at Tweeter displayed the following specific characteristics and behavior:

- Four out of five consumers viewed Tweeter as being more expensive than the major competitors in the market (i.e., Lechmere, Fretter). However, most of these consumers reported that if price were not an issue, they would prefer to purchase their desired product from Tweeter.
- Of all consumers who visited Tweeter in search of a product, 60% also visited Lechmere, 45% also visited Fretter and 20% also visited Sears in the course of their product search.
- One in three consumers specifically came to Tweeter to figure out what to buy and then went to Lechmere or Fretter, believing they could get a better price there.

These focus groups also allowed Tweeter to characterize four types of electronics consumers in the New England market: the "entry-level customer", the "price biter", the "convenience customer", and the "quality/service customer":

Entry-Level Customers The *entry-level customer* was interested in buying the cheapest item in a given category and was relatively indifferent to product quality and customer service.

The Price Biter The *price biter* was very cognizant of price, but was also concerned with product quality and customer service. Price biters were more focused on getting the "absolute best deal" than on getting the "absolute lowest price" in a particular category.

The Convenience Customer For the *convenience customer*, price, service and product quality were of secondary importance to shopping convenience. A convenience customer tended to shop in a store such as Lechmere or Sears because it was familiar and/or because they could purchase products in many different categories (e.g., luggage, jewelry, camera equipment, housewares, etc.) on the same shopping trip.

The Quality/Service Customer For the *quality/service customer*, high levels of product quality and customer service were of primary concern and price, while still important, was of secondary concern. Some retailers referred to these consumers as “BBCOs”—“Buy the Best and Cry Once”.

Herschman estimated that while this final group represented only 10% of the total New England customer base, it accounted for 70% of Tweeter’s clientele. Exhibit 8 provides Herschman’s estimates for the distribution of customers for Tweeter as well as for the other major competitors in the New England market.

Armed with these insights, Bloomberg and his team used the spring management retreat to completely revamp the marketing strategy for Tweeter etc. This new strategy was announced to the public on August 16, 1993 and was referred to by Herschman as a “three-pronged attack” to restore price credibility at Tweeter.

Abandonment of the “Sale”

First, in a radical departure from the practices of its competitors and from their own historic behavior, Tweeter eliminated the use of the “Sale” to build store traffic and promote consumer spending. Herschman explained:

We were getting killed by the big players—Lechmere, Circuit City and Fretter. Every weekend, everyone was having a sale, but on different makes and models of product. This made it almost impossible to compare prices across retailers. This worked in favor of the big stores, who were already perceived as low priced, but it was killing us. Even though we were competitively priced, because of our high-price image, no one was listening. And even more frustrating was the fact that our increasing reliance on the weekend “Sale” drew attention away from our unique selling proposition—high quality products and great customer service.

Thus, as part of Tweeter’s new strategy, Sandy Bloomberg and Jeff Stone decided to do away with the weekend “Sale” and move to an “Every Day Fair Pricing”

strategy. They vowed to set Tweeter’s prices competitively and to look to policies other than the “Sale” to communicate its price competitiveness to potential customers.

Automatic Price Protection

As the primary means to communicate their price competitiveness, Tweeter instituted “Automatic Price Protection” as the second prong of their “three-pronged” strategy. “Price Protection” or “Price Guarantees” were an oft-used retailing tactic intended to assure customers that they were receiving the best price available on any given product. In its typical form, if a consumer purchased a product at one store and later found it for a lower price at another store, the consumer could return to the first store with proof of that lower price and get reimbursed for the difference. Typically, these price protection policies were in effect for 30 days from the time of purchase and promised to refund 100% of the price difference, although some retailers promise refunds of 110%, 150% or even 200% of the price difference.

Over the years, this form of price protection had led to some interesting battles amongst retailers. In New York City, for instance, the consumer electronics retailer Crazy Eddie advertised “We will not be undersold. Our prices are the lowest—guaranteed. Our prices are insane.” At the same time, its primary competitor, Newmark and Lewis, advertised a “Lifetime low-price guarantee” which promised to rebate 200% of the price difference if a consumer found a lower price at any time during the life of the product. Both stores declared bankruptcy in the 1980s.

As of 1993, most of the major consumer electronics retailers in New England practiced some form of price protection. For instance, Lechmere, Circuit City and Fretter all offered a 110% refund for a period of 30 days. In contrast, Tweeter offered a 100% refund for 30 days. Jeff Stone, president of Tweeter, estimated that Tweeter refunded \$3,000 to \$4,000 per month to its customers under this price protection strategy. One industry expert estimated that across all price protection programs, only about 5% of consumers entitled to a rebate actually followed through and redeemed that rebate.² Often cited reasons for this low rebate redemption included the effort needed to physically track newspaper ads and to travel back to the retailer to obtain the refund.

²The Wall Street Journal, August 17, 1993, p. B6.

On August 16, 1993, Tweeter took price protection one step further. Under Automatic Price Protection, Tweeter took it upon itself to track the local newspapers and send out rebates. If a consumer purchased an item at Tweeter and it was advertised for less in a major local newspaper within 30 days, Tweeter automatically mailed that consumer a check for the difference. Tweeter's APP covered individual items priced at \$50 or more and applied to price differences of \$2 and greater (see Exhibit 9 for Tweeter's advertised explanation of their policy). In addition to APP, Tweeter retained and extended their former price protection policy to 60 days and renamed it "Regular Price Protection."

Operationally, APP was administered by a specialized department at Tweeter's corporate headquarters in Canton, Massachusetts. A staff member would physically check every issue of eight major newspapers in the New England area for price advertisements from Tweeter's competitors. These papers included *The Boston Globe*, *The Boston Herald*, *The Cape Cod Times*, *The Danbury News Times*, *The Hartford Courant*, *The New Haven Register*, *The New London Day* and *The Providence Journal*. If any product carried by Tweeter was advertised by a competitor, the price and model number of that product and the date of the advertisement were entered into the Tweeter database. This information was then cross matched against Tweeter sales data to check for purchases of that product at a higher price within the past thirty days. If any such purchase was found, the computer generated a check for the difference and automatically mailed it to the purchaser within five days.

A Change in the Marketing Mix

The third prong of Tweeter's "three-pronged" strategy to restore price credibility was a shift in their marketing mix away from print advertising and toward television and radio advertising as well as direct mail and product catalogs.

Over the years, Tweeter's marketing budget had typically run at about 8% of gross sales. Under their old "Sale" based promotional strategy, the vast majority of this marketing budget was dedicated to newspaper advertising in the form of weekly "Sale" announcements. In FY 1993, for example, 80% of their \$3.1 million marketing budget was spent on newspaper advertising, with the remaining 20% split between radio advertising, direct mail, market research and in-store promotions.

With the elimination of their Sale-based strategy, the Tweeter marketing mix changed significantly (see

Exhibit 10). Most noticeably, the choice of media and message shifted from newspaper advertising which focused on "Sale" prices to radio and television advertising which focused on Tweeter's price competitiveness and Automatic Price Protection policy.

In conjunction, Tweeter instituted a direct marketing campaign which revolved around a 50- to 100-page seasonal "Buyer's Guide", which provided product descriptions and prices for all of Tweeter's major products. Produced four times per year, by 1996 this guide was mailed to approximately 325,000 individuals. Herschman estimated that of these 325,000 recipients, 270,000 had made a purchase at Tweeter within the past 18 months. It was believed that 90% of those who purchased some item at Tweeter ended up on this catalog mailing list for at least a period of two years. Buyer's Guides were also made available to consumers at each of Tweeter's retail locations as well as at various musical events sponsored by Tweeter, such as the summer outdoor concert series at Great Woods in Mansfield, Massachusetts.

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By most accounts, Tweeter's shift in strategy had a positive effect on financial performance. Sales almost doubled in the three years since the institution of the new strategy, from \$43.7 million in FY 1993 to a projected \$82.3 million in FY 1996. A breakdown of 1996 sales across major product categories, by percentage, is shown in Exhibit 11. Part of this recent growth could be attributed to an increase in sales per store, with same-store sales increasing by 50% between 1993 and 1996, and part could be attributed to an increase in the number of stores from 14 to 21 over the same period.

The Impact of Automatic Price Protection

Immediately after the announcement of Tweeter's new strategy, the media response to APP was extremely positive, with articles in *The Wall Street Journal*, *The Boston Globe* and *The Boston Herald* all extolling the virtues of the Tweeter's unique price guarantee. There were a few skeptics, however:

... most suppliers sell retailers products that are not available elsewhere in the market. Thus, there is little chance that many items will qualify for the refunds.³

³*The Boston Globe*, August 17, 1993, p. 35

... the impact will be more one of perception than of massive price refunds, in part because Tweeter's moderate to high-end products don't overlap with many other retailers.⁴

Other observers disagreed. Edgar Dworsky, the Massachusetts assistant attorney general for consumer protection commented:

It's a brilliant idea. The problem with price protection guarantees has been that it's the consumer's burden to find a lower price somewhere else. Tweeter's going to do the watching for you. I just hope they don't lose their shirts.⁵

By the end of 1995, Tweeter had mailed a total of 29,526 APP checks totaling over \$780,000 (see Exhibit 12). It was not clear to Sandy Bloomberg what to make of this number, however. For instance, if Tweeter's prices were competitive, why were they sending out any checks?

An added concern for Bloomberg and his management team was whether Tweeter's message of price competitiveness was reaching potential customers. While routine price comparisons suggested that Tweeter was competitive on price relative to its major competitors (Exhibit 13), some recent surveys indicated that many customers still perceived Tweeter as being more expensive (see Exhibit 14). In addition, few consumers seemed to understand the essence of APP and most were unaware of that it was Tweeter who offered it (see Exhibit 14). In looking at this data, Herschman noted the difference in customer attitudes between those who were aware of Tweeter's APP policy and those who were not.

The Purchase of Bryn Mawr Stereo and Video

APP was only one of the things on the mind of Tweeter management in spring and summer of 1996. On May 16, after several years of friendly discussions, Tweeter finalized the purchase of Bryn Mawr Stereo and Video, a privately-owned consumer electronics chain headquartered outside of Philadelphia, in King of Prussia, Pennsylvania. Using a similar high-end, high-service strategy as Tweeter, Bryn Mawr had grown to approximately \$35 million in annual sales over 13 stores located in eastern Pennsylvania, New Jersey, Delaware and Maryland.

Tweeter planned to retain the Bryn Mawr name to capitalize on its brand recognition, while merging management across the two chains.

Not surprisingly, Bryn Mawr faced many of the same competitive challenges as Tweeter. Long known for its high-end merchandise and superior service quality, many consumers held the perception that Bryn Mawr was not price competitive with the large electronic superstores operating in the Mid-Atlantic region, such as Circuit City, Best Buy and Nobody Beats the Wiz. To fight this perception, at Bloomberg's urging, Bryn Mawr adopted Tweeter's Automatic Price Protection in September of 1995. Unlike Tweeter, however, Bryn Mawr failed to see any appreciable increase in sales through the time of their purchase by Tweeter. While some at Tweeter attributed this shortcoming to Bryn Mawr's less aggressive campaign to advertise APP and its features, it gave others cause to question the role of APP in building sales.

Nobody Beats the Wiz

Another issue that concerned Tweeter management in the summer of 1996 was the recent entry of Nobody Beats the Wiz into the local market. On June 16th, The Wiz opened a sleek new 50,000 square foot retail outlet in Saugus, Massachusetts, their first store in the Greater Boston area and their second in Massachusetts. In total, The Wiz had plans to open ten stores in the New England market over the next several years. Lon Rebackin, vice president of real estate for The Wiz, noted:

This is a priority market for us. In the short term and the long term, we will be a player in New England.⁶

A privately held company with over \$900 million in sales in 1994, the Wiz was the third largest consumer electronics retailer chain in the United States, offering a wide selection of audio and video electronics, as well as personal computer hardware and software. The Wiz operated a total of over 50 stores in New York, New Jersey, Connecticut, Pennsylvania and most recently, Massachusetts.

The Wiz was known for its monstrous marketing campaigns touting rock bottom prices, a strategy they had used with great effectiveness in the New York metropolitan market. These campaigns often included noted sports stars as football's Joe Namath and basketball's Julius Irving. In addition, The Wiz was generally recognized as offering intensive customer service. They also

⁴The Boston Herald, August 17, 1993, p. 1

⁵The Wall Street Journal, August 17, 1993, p. B6

⁶The Boston Globe, June 7, 1996, p. 38

offered 110% price protection for 30 days on all items except camcorders and cellular telephones.

Publicly, the competitive reaction to the entry of The Wiz was understated. Harlan Platt, a professor of finance at Northeastern University commented:

They're marvelous at creating the perception that they're giving customers the best deal of all. But the New England consumer is more worldly and wise. I wouldn't be surprised to see The Wiz withdraw and seek greener pastures.⁷

In commenting for Tweeter, Noah Herschman claimed:

It's a great time to be in Boston when The Wiz comes in. They only generate interest in the product category. But the people we sell to are enthusiastic about what we have. Our niche is more the personal touch.⁸

Privately, however, Tweeter's management was concerned that the entry of The Wiz could lead to a new

round of price wars, much like those of the late 1980s and early 1990s. Bloomberg could not help but wonder whether APP would continue to be an effective policy under those circumstances.

The Future

Having reviewed the events of the recent past, Sandy Bloomberg found himself back where he had started. He had always believed that Automatic Price Protection had played a major role in Tweeter's growth, but now Bryn Mawr gave him reason to question that belief. Even if he could attribute Tweeter's recent success to APP, however, the entry of The Wiz had the potential to reshape the competitive playing field in the increasingly crowded New England market. Sandy wondered what role Automatic Price Protection would play in Tweeter's future competitive positioning.

⁷*The Boston Globe*, March 1, 1996, p. 65

⁸*Ibid.*