

## Exhibit 1 Summary of Focus Group Findings

Excerpts from focus group report:

...People shop around for electronics products. They frequently begin with Circuit City because of its extensive selection – an attribute that appeals to men. *Where* people buy is often chance – it's wherever they are when they think they have enough information to make a purchase. They buy *if* the product they have decided on is available *on the spot*, at the right price.

Consumers believe that prices do not vary from store to store and they are not attracted to promises such as a 120% price refund based on lower prices elsewhere. They think such promises as puffery. They have negative attitudes toward bait 'n' switch and they do not like to be traded up.

They begin their shopping with the Sunday paper to find out what products are available at what prices. Sales events will attract customers to stores. Once the consumer is in the store the sales person's demeanor, approach to and treatment of the customer is critical. Customers want caring, knowledgeable and organized sales people. They dislike superficial friendliness, pushiness and efforts of sales people to trade them up or sell them service contracts. The sales person should be highly knowledgeable, listen to the consumer and follow up with the customer after the sale is made.

Stores should have a wide selection, but not one that is overwhelming. Displays should be attractive and grouped by category in order to facilitate comparison shopping. Displays by brand would help consumers evaluate how all components of a system would appear in one's home – this was especially important to women as they are less concerned with price and more concerned with how the products will look in the home, i.e. whether they will blend with their decor. Men are more concerned with price, the brand name and the quality of the sound. Men enjoy shopping for electronics much more than women do and frequently, husbands narrow their product selections to a few before taking the wife in the store to look at the products.

Although men tend to be more knowledgeable about and interested in home theater, other respondents confused it with stereo television. Analysis of the research results indicates that home theatre may be in most homes in the next 5-10 years and that respondents are willing to pay about \$3,000 for a system, exclusive of the television. To exploit the opportunity to sell these systems, it will be necessary to have good, long term relationships between sales people and customers as most customers will have to buy components over several purchases. To demonstrate home theatre, there should be a separate, in-store viewing area in order to give customers the "feel" of home theatre...

## Exhibit 2 Demographic Profile of Shoppers

Demographic	Total %	Purchased in the last 12 months Riley's	Circuit City	Sears	Shopped Not Purchased at Riley's	Not Shopped Profile Not Purchased Riley's
<u>Sex</u>						
Male	56	56	59	60	72	43
Female	47	44	40	28	47	
<u>Age</u>						
21-34	33	41	38	26	37	21
35-54	49	43	55	59	50	56
55+	18	16	7	15	13	23
<u>Education</u>						
High School or less	45	45	33	30	39	47
Some College	21	20	24	24	24	21
Graduated College or more	34	35	42	46	37	32
<u>Income</u>						
Less than \$30,000	30	26	24	21	25	39
\$31,000 to \$49,000	36	40	34	35	36	30
\$50,000 +	34	34	42	44	39	31

### Exhibit 3 Advertising Awareness and Sources of Advertising Used

Type of Respondent	Top of Mind Awareness <sup>1</sup>	Total Unaided <sup>2</sup>	Total Store Awareness	Ad Awareness
<u>Riley's Customers</u>				
Purchased from:				
Riley's	34 <sup>3</sup>	87	99	64
Circuit City	74	98	100	89
Sears	61	85	NA	NA
<u>Total Shoppers</u>				
Purchased from:				
Riley's	21	67	99	59
Circuit City	35	73	100	81
Sears	26	61	NA	NA
<u>Source of Advertising Awareness</u>				
	Riley's	Circuit City		
Radio	39	25		
Television	61	79		
Newspaper	68	72		
Mail	3	4		
Other	5	4		

<sup>1</sup> Top of Mind = First Store mentioned by respondent

<sup>2</sup> Unaided = Researcher provided no clues to help respondent answer

<sup>3</sup> Percentages

## Exhibit 4 Shopping Behavior

Number of Stores	Purchase in Past 12 Months									
	TV	VCR	CAM	Stereo	Car Stereo	PC	Appliance	Phone		
One	45	39	44	22	27	56	31	41		
Two	42	40	31	56	51	22	44	29		
Three	9	16	25	16	16	19	18	24		
Four	4	4	--	6	3	4	5	6		
Purchase of Selected Products at Riley's in Past 12 Months										
Number of Stores										
One	56	41	NA	22	27	NA	17	NA		
Two	33	27	NA	56	46	NA	51	NA		
Three	8	27	NA	11	18	NA	26	NA		
Four	2	--	NA	11	9	NA	6	NA		
Purchase of Selected Products at Circuit City in Past 12 Months										
Number of Stores										
One	26	25	NA	25	NA	NA	39	NA		
Two	57	50	NA	63	NA	NA	54	NA		
Three	3	19	NA	13	NA	NA	8	NA		
Four	4	6	NA	--	NA	NA	--	NA		
Shopping Behavior Between Riley's and Circuit City in Percentages										
	Purchased at Riley's					Purchased at Circuit City				
Shopped Bud Riley's	100					57				
Shopped Circuit City	73					100				
						16				

## Exhibit 4 Continued

Total Items Purchased in Past 12 Months

	Riley's	Circuit City	Sears	Other
TV	28	22	13	14
VCR	15	19	10	16
CAM	9	3	5	6
Stereo	12	25	4	9
Car Stereo	6	11	5	9
PC	1	1	8	15
Appliance	26	11	52	18
Phone	3	8	4	13

## Exhibit 5 Main Reasons for Purchase

	TV	VCR	CAM	Stereo	Car Stereo	PC	Appliance	Phone
Price	68	57	65	61	57	46	49	43
Service	2	3	--	1	2	10	5	3
Return	1	3	--	1	4	--	6	2
Sales	2	2	--	1	2	6	4	5
Selection	14	15	15	22	18	21	17	14
Store	3	9	8	4	5	6	9	7
Misc/Other	11	11	10	9	13	8	9	24

### Total Reasons for Purchase

	TV	VCR	CAM	Stereo	Car Stereo	PC	Appliance	Phone
Price	80	74	68	80	64	60	69	53
Service	10	6	5	11	4	21	14	5
Return	8	8	5	8	13	2	12	7
Sales	8	9	8	12	7	17	14	16
Selection	32	33	25	40	34	38	28	24
Store	7	17	15	13	9	8	14	16
Misc/Other	21	14	18	19	30	19	24	36

### Main Reasons for Purchase by Store

	Riley's	Circuit City	Sears	Other
Price	73	80	73	77
Selection	27	34	39	31
Service	6	7	9	6
Sales Staff	4	6	9	3
Store	8	9	12	17
Return Policy	4	6	17	5
Miscellaneous	17	21	24	25

## Exhibit 6 Mean Store Ratings by Place of Purchase

Attribute	Mean Store Ratings				Shopped/Not Purchased BR
	Riley's	Circuit City	Sears		
Overall shopping satisfaction	5.25	5.29	5.33		4.49
Low prices	4.85	5.20	4.11		4.04
Wide product selection	5.28	5.69	5.24		4.85
Wide brand selection	5.12	5.70	5.07		4.91
Quality merchandise	5.47	5.66	5.38		5.31
Good/convenient location	5.49	5.12	5.28		5.39
Trustworthy/caring sales staff	4.90	4.68	4.60		4.51
Advertised merchandise available	5.28	5.28	5.16		5.08
Non-pushy/aggressive sales staff	5.05	4.85	4.93		4.57
Knowledgeable sales staff	5.21	5.16	4.85		4.47
Hassle free return policy	5.02	5.47	5.51		4.90
Provides quality service	5.05	5.22	5.44		4.32
Has attractive financing offers	5.30	5.00	5.03		4.55
Quick delivery	5.13	5.31	5.08		4.92
Sales staff greeted in timely manner	5.26	4.96	4.86		4.64

## Exhibit 7 Cross-Store Comparisons

	Riley's	Circuit City	Sears
Convenience	.80 <sup>1</sup>	-.20	0.00
Sales and Service Department	.20	-.20	.01
Low Prices	.10	.38	-.50
Scope of Selection	-.18	.48	-.30

<sup>1</sup> Scale runs from -1.0 to 1.0; data is relative rather than absolute



## Exhibit 8 CREATIVE STRATEGY

### Brand/Store Overview

Positioning Statement Riley's is the source for ...

Marketing Objective Re-position chain to...

Competition Circuit City and Sears

### Creative Focus

Current Belief Price is the most important reason for purchase followed by selection and service.

Consumer Proposition As a major player in the electronics and appliance business, Riley's offers a true value for the consumer dollar. Value is measured in terms of better prices, good selection and considerate service before and after the sale. As a competitive edge, Riley's ...

Support Elements<sup>1</sup> Riley's carries top name brand merchandise at better prices, offers special financing and provides superior service after the sale through the largest service center in North Carolina. Consumer trust is built by Riley's generous exchange and refund policies.

Desired Belief Riley's is...

Store Personality

Executional Considerations

Primary: print with emphasis on multi-page inserts. TV.

Secondary: Radio, direct mail.

<sup>1</sup> These are facts that about the store that can be used to support the advertised image.