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## Interview with Barry Judge from Best Buy



**Adrian Bye:** So, today we are talking with Barry from Best Buy, who is the Vice President of Marketing and, I guess, Chief Marketing Officer for Best Buy. Barry, thanks for joining us on the call.

**Barry Judge:** Pleasure.

**Adrian Bye:** Maybe you could just tell us a little about you, who you are and where you come from.

**Barry Judge:** Well, as you said, my name is Barry Judge. I've been at Best Buy, for, I'd say, about 9 years now. My role is that of the Chief Marketing Officer of the company. As with many people, probably in a round about way of getting to where I am, I certainly didn't set out to have this kind of role. I got to Best Buy, actually through the internet, about 9 years ago, as I said. Dot-com was the place to be in marketing, and a group of people were brought into the company to try to blow up the retail. At that time, everybody thought that the dot-com was going to take over at that moment for retail stores, so that's what we were brought in with the mandate to blow the

company up. That's kind of what got me into the company. I fashioned myself to be...I like to be in a changing and fast-moving environments, that wouldn't necessarily be what a \$40-billion company would be, but that's how I got there. I found that the company covered some retail, and have been successful for over 40 years. It has that in its DNA. It changes quickly and fast, and we're responding to the competition and the consumer almost everyday, it seems like, so that sort of environment is what attracted me. Before that, I was in a start-up company called Caribou Coffee, was there from essentially 1 store to 150 stores. Before that, I was a packaged goods person, so I worked on pretty big brands like Coca Cola, Gatorade, and Pillsbury. Now, I'm in Minnesota, Minneapolis ... I'm Canadian, actually, and I moved to the States when I was 5, and grew up...

**Adrian Bye:** Where from in Canada?

**Barry Judge:** Toronto. Grew up in Connecticut, so I'm sort of an East Coast kind of person.

**Adrian Bye:** So, you must feel at home being in Minnesota. It's almost back in Canada, isn't it?

**Barry Judge:** Yes, if I had grown up in Canada, probably, but I feel more at home in the New York area, actually. I'm getting to like the Midwest a lot. I went to business school in Chicago and worked there for 5 years, and I've been here for about 15, so I'm getting used to the Midwest, but it took a while. I talk too fast for the Midwest people. Good place to be with 3 kids, 2 dogs, so it's a good place to raise a family.

**Adrian Bye:** Do you plan on staying in Minnesota?

**Barry Judge:** You know, I'm going to ride this thing out, got a couple more years left in it, hopefully, and then I'm open to the right opportunity, actually, I could be moving on after that. This wouldn't be actually where I choose to live of all places. I'd rather live in the Caribbean, actually, where you are.



**Adrian Bye:** You know what, I think you need to pick your time. I think you need to live in Minnesota in the summer, and then in the Caribbean in the winter. Something like that, because it gets really hot here.

**Barry Judge:** Yes, two or three places would be ideal.

**Adrian Bye:** I know one guy who spends his summers in Toronto, and winters in Florida, and that might be a good setup.

**Barry Judge:** That's right.

**Adrian Bye:** I'm fascinated to see that you turned up on Twitter. I've been using Twitter for a while. I've noticed over the past 12 months. Well actually I've been using Twitter more for like 3 to 4 months, but I've noticed over that time that I've been actively using it that more and more of the guys in my network, in the MeetInnovators network are showing up on Twitter. Some of them are using it pretty informally, I even see some CEOs of some of these companies...these are decent sized companies doing \$200-300million a year, are like getting drunk and twittering. I'm curious at what prompted you to turn up on Twitter.

**Barry Judge:** I've only been using it for about 3 weeks. What prompted me to use it, I'm in marketing is I'm trying to understand where communication, people and culture, all these things are going. I read about it, but I wasn't really participating in social media at all, MySpace, Facebook, really anything. But our company is trying to adopt a lot of open architecture kinds of philosophies, so we're very focused not only on the what we do but on the how we do it, and the how we do it is trying to figure out how everybody in the company feels like they can contribute. Everybody's point of view is valid, so there is this big effort around how we use collaborative tools to facilitate that happening. So, within the company, we have a number of them. One of them, I don't know what you know from Twitter, but this thing called BlueShirtNation, which we launched a couple of years ago, two guys launched it. I gave them the backing, but I really don't know what's going on. This is the website where, outside the firewall, employees could talk about whatever they want to talk about. It could be an honest, genuine dialogue about what was good or bad about the company. An example of how it's used was we changed our Employee Discount Policy about 9 months ago around a couple of different things, and there was just an outrage on BlueShirtNation about it, and we actually ended up changing the policy as a result of all that conversation that was happening. From that, we have had a number of other tools. We've got something called the Water Cooler, which is an online forum, more focused on specific questions

versus a kind of being place where you hang out, which is what BlueShirtNation is. Then we've got this thing called the Prediction Markets, which is actually on Wall Street Journal last week, which is employees trading fictitious stocks, and the stocks are things happening in the company, whether they are going to succeed or not, whether they are moving forward or not. So, it's a way the free market gets information to people, because sometimes you don't get told what's really going on. We also have something called The Loop, which is an idea forum, where you stick your ideas out on the site, and people can add to them, subtract from them, you can invest them with fake money, or real money, in the case when I have real money out there. So, all of that kind of activity intrigued me. I said there's a couple of people in technology. You know we sell technology. We fashion ourselves as a technology company in some ways. A couple of people who are heavily into social media, know that I'm up for things, so they essentially told me, "You got to get in Twitter." I started doing it, and I said, "This feels weird. I don't know what I'm trying to do here." They sent me the Zappos guide neophytes trying to get on Twitter, and he said he felt weird, so I felt akin to that. Started doing it, and some people followed, and I'm normally pretty just East Coast direct, transparent, honest. I started talking about things that we're doing on the company, and a bunch of Best Buy people jumped on, and I don't even know how they got hold of me, and some other people jumped on. They set up a blog for me, so I'm writing a blog.

**Adrian Bye:** The CEO of Twitter twitted out that you had joined Twitter, so I saw that and started following you, and figured that you wanted to get some social media presence, that's why I set the interview.

**Barry Judge:** Exactly. So, anyway, I've been jumping in for about a month now. I feel like I've struck a new vein of things that I can learn about, and just participating in it that you see so many more possibilities than reading about it, and you can just see how it's going to change the way we work. It's like an inflection point of some sort. I don't know what it is yet. But I'm seeing, maybe we'll get into this in the interview, just see so much possibility in it. That's what got me going, and I'm more of an advocate now to participating. I find myself talking about everybody I know, I'm not sure if that has happened to you when you first got involved, but it's very interesting.

**Adrian Bye:** My first Twittering was actually from...I started it, tested and got it working from Cuba. I think I'm probably the first person to use Twitter from Cuba. I was pretty excited about doing it. Yes, they're still there, like about a year and a half ago. I took a trip to Cuba. I'm Australian. I can do that, and got it working from a cellphone there. I was actually able to post from the web, from Cuba, on Twitter, which is a little bit shocking, to do that since Cuba is a really shut-down country. So, one of the interesting things about Twitter is that absolute enablement of communication.

**Barry Judge:** Because of the mobile piece, yes. Interesting.

**Adrian Bye:** I'm curious...obviously, we don't know where Twitter is going. There's potential, a lot of value in there. What kind of value are you seeing from it for you? Where do you see any potential for Best Buy?

**Barry Judge:** So far, it's a way for me to get information, I might either not normally get or get it faster. So, one example was we made some mistake. A few weeks ago, we sent an email. We're doing a test on a program, and we're testing it on about a thousand people. The email about the program was supposed to go to a thousand people, and the mailing house that we use actually sent it to about 6.9million people versus a thousand. So, all of a sudden, I have this application in my office actually that monitors the key social media sites, a big monitor that scrolls like a stock ticker. I stare at it a little bit when I'm spacing out a little bit, and I

happen to see all these posts about the program Rewards on Black Card. I was like what? I couldn't figure out why, because I knew it was going to a thousand people. I didn't actually even know when it was going, but I didn't even know it would create so much chatter. I didn't know what to think of it. Then I started realizing there was something wrong, so I ended up calling up the people that ran the program, and I said, "what's going on?" They didn't actually know. Then they called the mail house, and they found out. Through that process, I became very concerned about consumer reaction. The people that I was working with on this program, because they weren't monitoring the same way I was, it didn't feel as real to them, because it was sort of clinical. I felt I was reading the consumer issues. So, I think our response was more transparent about what happened, and our response was also trying to be more empathetic I think than it would have been. So, that's one example. Another one is our recent acquisition of Napster. So we bought Napster, or we had some kind of agreement with them, you know, due diligence coming to buy them. Actually, I talked about it on Twitter. I posted a blog entry on my blog about why we bought them. I became very aware that Napster is one of those visual brands that people have a real opinion about. Either they like it, or they don't like it. But it touched my nerve. So, when I posted my entry, in several hours, I got over a hundred additional people following me on Twitter. That never happened before, I'd only get about 20 or 30 a day. But I got over a hundred people in like two hours, so I realized something was going on, and I read the responses to my blog and some of the ideas on Twitter. Then I realized that the people that are actually running our digital strategy internally, they have a lot of input that they could be getting that I don't think they are getting. So, we had a conversation the next day with myself and a couple of other people there, the social media people. I think it's going to change. The idea that we came up with is no one really knows where digital music is going, and no one's happy with it. We have no vested interest because we don't have a digital music business really. Why don't we think about using communities to develop our strategy? Because they're the ones that care, they also know how hard it is. Why don't we have some point of view of what we should do? But why don't we open up the development of that strategy to Twitter and other places? We'll see, but I think there is a real connection with that idea, with that business theme. Selfishly, not only do we hope to come up with some ideas, but I think they could help the Best Buy brand a lot if we built it really in that way. It wasn't a marketing gimmick, but we really did build it that way.

**Adrian Bye:** Do you think it will work with Napster? I mean there have already been companies that acquired the Napster brand and tried to do things with it, and hasn't really gone very far. Do you think that is something that will really work?

**Barry Judge:** I don't know. We'll see. I think one difference is we're a pretty big company, with lots of resources, money and people that we can throw out, and a commitment of trying to figure out how we can participate digitally. One advantage we have is that we sell one of every three devices, PCs, to people, so there's an opportunity to talk about digital services, digital kinds of content at the point of sale. So, there's an opportunity there. Additionally, we've got about 80 million people in our consumer database, and we've got about 30 million people in our Rewards Zone Program. So, there's opportunities for us if we have a valuable proposition that we can connect on it. We'll see if we come up with a viable proposition, but I think we've got the touch points that it's possible.

**Adrian Bye:** Yes, you own a lot of consumer relationships, so I guess it's how far you can take that. Have you done other things like this where you sold something that you've made internally rather than being a distributor?

**Barry Judge:** That's a very good question. Thinking about the Napster business in a number of ways. One of them is as a brand. Another one is as a platform. A third way is to get more digital DNA into our company. I think we're trying to, like many other people, figure out what's the point of digital. Is it about customer relationship strengthening? Is there a business model in there? I think we're going to participate and try to figure out those pieces to the point of whether we've actually been more than a middleman, essentially is what you said. Yes, we have been, we've got about 10% of our sales through our own private labels. We've got 4 or 5 private labels that we develop our own products. We have the number 2 selling television in America, partially as a result of a number of people that run through our store. I think that is indicative of what we could do if we come up with a decent value proposition. In addition, all of our services businesses are essentially done by us. Geek Squad is our brand, our people. Most of the other competitors in the space are third partying their service, but that's actually our brand. So, these are good examples of doing it, but certainly that is not typical. So, it will take a little more effort.

**Adrian Bye:** That's an interesting point. I guess Walgreen and some of these other will have private label of their own, they license, I don't know, they buy them very cheaply from other companies that produce pills and things like that and then sell them in quantity under the Walgreen brand. Is that the sort of stuff that you guys do as well, or are you trying more for making new things like trying to get Napster to work?



**Barry Judge:** I think we do both. So, we work with just like Sony or Panasonic or whomever. We work with plants and we produce, essentially we all use the same 4 or 5 plants in Asia to create televisions or create DVD players, whatever it happens to be. We do that. We do try to differentiate. Some of it is just good, better, best that essentially knock off somebody else. But

then, when we can figure out how to bring something into the market that no one else brings, then we do. Our portable DVD player is the number one selling DVD player in America, and it's got features that nobody else has. It's focusing on mom. It's got a bunch of spill-proof features that nobody else has. It has remote control shelves that nobody else has. It's got things that nobody else has. We've got wireless speakers that nobody else has created. I think we're trying to move more into that value chain. We're not going to be the leader because we don't have the R&D that all the manufacturers have, but we are creating that anew. And yet, I think we are innovating in a big way in the services business. We just came out with a premium, we call it black tie protection, premium assurance/warranty products just last week. So I think there are examples of

innovating and of doing things new. There is always an opportunity to essentially cut up, manufacture and sell our own label.

**Adrian Bye:** Well, I wish you all the best on the Napster deal. It will be great if someone can get it to work. On Twitter, have you seen that there is a user called Comcastcares?

**Barry Judge:** I haven't seen that one. Is that Comcast?

**Adrian Bye:** Yes, it's Comcast. It's a guy. I think his name is Frank, and he's somewhere in Comcast. I think he's authorized, like at the top levels of the company. So basically, when people go around complaining and screaming about Comcast and whatever they've done, they can go and get in touch with him, and he's the guy then that goes and at some level of authority, to rectify things internally. So, he's sort of helping manage a little bit the Comcast brand on Twitter.

**Barry Judge:** We have somebody in our company pool I believe in the Customer Care area that do the same thing, and I am noticing that a lot of brands do that. HomeDepot does that. AT&T does that. We're out there. I think we're trying to understand what the conversation is about our brand. I don't know if we're going to start fix things based on what we hear on Twitter in terms of that direct issue. We do, but also, it certainly helps us understand that extent on issues exist.

**Adrian Bye:** You're in a tough position in a lot of ways. Best Buy is the supplier to, it's got to be a supplier to a large percentage of bloggers who are very vocal and active on what they say. They get a lot of rankings in Google, so they have a lot of power. How on earth do you work with that sort of thing?

**Barry Judge:** What do you mean? I'm not following the question.

**Adrian Bye:** Well, there can be a lot of complaints around the web. I see praise about Best Buy, but I also see a lot of complaints on sites like Consumerist. How do you get in and work with that kind of stuff? That's a tough position to be in, is it not?

**Barry Judge:** I think what is important is. We might have about a five hundred million transactions a year, and way more than a billion interactions, so the chances of getting everyone of those right is pretty remote.

**Adrian Bye:** It's obviously not going to happen, but that's the thing. It's the complaints that are going to stand out.

**Barry Judge:** I think the important thing is we want to make it easy for people to complain because we want to know what's going on. The only way we can actually address anything and get better, because chances are we can get better. We are not going to be perfect, just as we discussed. No one will be perfect, but we do believe we can get better. We think we've gotten better, and we continue to get better. I think the conversations happening on the web are the real ones. I don't always agree with them, but it is what is. They're out there. I think to that extent we can encourage people to tell us what they think, the better we're going to get, and that's what I mentioned earlier why I'm on social media, just to hear the real stuff. As the CMO, I don't hear the real stuff often, always. I wish I did. On Twitter, I'm finding not only are customers telling me the real stuff, at least what they think, and it's a slice of customer, not every kind of customer is on Twitter. But the

employees that go on Twitter, I have a different kind of dialogue with them than I would just seeing them in the elevator. So, hearing the real stuff is what is important. You could do something about it.

**Adrian Bye:** Are you familiar with the site consumerist.com?

**Barry Judge:** Oh yes, absolutely. They have an agenda.

**Adrian Bye:** Because I've seen you guys on there so much.

**Barry Judge:** It's good to know what's going on. Again, we're not going to change the point of view of a specific editorial, which is what the consumerist is about is exploiting situations, in a way, that drives readership, so it's one of those places. It's not the ABC of the consumer. It's kind of the fringe, but it's important to know what's going on over there, so we look at it. We read it. We'll respond in a way that's true to who we are, but we also don't necessarily agree with all the editorial that's written on that site.

**Adrian Bye:** That's interesting. So, you do want all these stuff out in the open, the good, bad and the ugly, so that you can work to address the things you feel are problems, and keep managing the business as best as you can according to your values.

**Barry Judge:** I think what is important, as a retailer in this space, is for people to trust us. The only way people will trust us is we need to be behaving in a way that we are trustworthy. I think part of that is sharing really what being honest, genuine and open about what's good and what's bad, what's working and what's not working. Basically, I think people give us credit if we are trying to make things better. We're trying to improve. We're hearing what's going on. There's a lot of legacy in our industry, not always owning up to really what's going on and giving half-answers, shying away from things. As a company, we've done a lot of work around re-engineering that thought, and I think this is part of it just acknowledging, what's good and what's not so good. We want it all, and I think with how we could use social media going forward is maybe we can start somehow getting all those conversations on our websites. It's not hard for people to see the people about what's being said about Best Buy, both the good and the bad. Because it's being said. Whether we want to acknowledge it or not, it's being said, so why not make it easy.

**Adrian Bye:** Then you can learn from it, and in cases where necessary, fix it.

**Barry Judge:** Let's make it easy now. Robert Stevens, the founder of GeekSquad as he looks at Best Buy, he said to me, and it always sticks to my head, "Let's make it really easy for customers to complain. We want to hear it, then we can do something about it, so let's do all we can to make it easy." So, to me, this would be another an example of making it easy for people to complain.

**Adrian Bye:** It's a little different when it's online, though, and the stuff sticks forever, and thousands of pages of complaints.

**Barry Judge:** But then you know what, I think the experience is getting better. It's improving. We address things. I think we'll get credit for that, too.

**Adrian Bye:** I think you're right. I'm interested in your online store. Do you do a large percentage of your sales through online? I know that was something you started at Best Buy, wasn't it?

**Barry Judge:** Yes. Honestly, I can't remember whether we talk about our specific sales online or not. I can look, after this interview, whether I'm allowed to say what are actual sales are. It's significant because in the US we do about \$35B in total revenue, so you can imagine that we do a lot of business online as well given the products that we sell. So, it is significant. We're one of the largest retailers online as well as the largest offline. We're stronger in certain categories, naturally, you expect that. When you look at our value proposition online, part of our value proposition online is that we have stores, when you think about trying to differentiate versus Amazon. So, products that lend themselves to having an offline component like I want to go look at a television and see how it works, I want to lift up the notebook and see how heavy it is. Those kinds of businesses we do better online. Businesses where you get a lot of stickiness built in like Amazon does with the personalization and basically all the history that they have been able to build up and make that site better and better for you. We don't do as well in those businesses. But it's important for us to acknowledge what's going on, so it's going to continue to go on. We don't think stores are going to go away ever. We do know that the direct base selling via the internet is going to become a bigger slice of the mix going forward, so we are doing a lot to invest, not only invest by dot-com, but also, I have talked about this a little bit on Twitter, I'm going to blog about this hopefully this weekend, is looking at alternative brands that we can launch online, with a different value proposition with Best Buy the brand is known for.

**Adrian Bye:** Alternative brands...

**Barry Judge:** Different brands. Different ways of competing online that a multi-channel brand can't do. That's one opportunity. At the end of the day, some people just don't like Best Buy, it's another opportunity. So, we want to build a bigger share of the pie. Potentially launching or buying another brand that is not Best Buy, it might make some sense.



**Adrian Bye:** Yes, that could be a great strategy. We use that online sometimes with internet marketing stuff, bought some particular site that's selling well. You're going to get knocked off anyway, so you might as well knock yourself off, and get the extra traffic running that way. So, I guess that's deploying the same strategy to retail.

**Barry Judge:** In a lot of ways too it's easier. Well it's not necessarily easier, but you can envision going national online faster than you can with a store. Most store brands, when you actually dig in and look into them deeply, they've been around 20-30 years because they bounce around for like 10 years trying to figure out



what their idea even is. Then, as they get the idea, then you have to scale up stores. Stores are expensive to build, and it takes a while to identify geography so that advertising can make sense. So, if we had a killer retail store base brand right now, it will take us 15 years to roll the thing out across the country. No one has enough money to, and it takes a while to build awareness too. In some ways, you can do it faster online, interestingly.

**Adrian Bye:** So, online you have your online stores. You are doing online sales. Do you have much of an affiliate program? Are you doing a lot of affiliate sales?

**Barry Judge:** We do pretty good business that way. We're spending a lot more time, honestly, figuring out how to make our website more relevant, more shoppable because the bigger impact for us is how the website, even though we sell a lot online, is how the website actually impacts in-store sales, retail store, brick-and-mortar sales, whatever you want to call. So, we spend a lot of time building up our feature set online so we can help our offline business. I wouldn't call us a leader in affiliate marketing. We do a decent business, but more of our time, we spend on how we can actually help you figure out what you want to buy in our stores.

**Adrian Bye:** To give you a comparison, I talked on some numbers with some guys that are doing a billion dollars a year, and they talked about in the 20% of their volume coming from affiliates.

**Barry Judge:** That's about what we do. And we're bigger than a billion dollars online.

**Adrian Bye:** Right, obviously your size is bigger. In \$35B a year in revenues that will put you \$3.5B in affiliates?

**Barry Judge:** No, I meant 20% of our online business, not 20% of the total.

**Adrian Bye:** Fair enough. You do a lot of work with direct response marketing. How does direct response fit in with Best Buy, because obviously, you do have a brand. You do a lot of branding advertising.

**Barry Judge:** Direct response is huge. As I mentioned earlier, we have 29 million people, for sure, in our Rewards Zone loyalty program. So, over 50% of our sales are run through with using our card, and that is a tremendous source of understanding consumers, better than we would if we didn't have that card. In addition, a few months ago, we launched the silver tier within our Rewards Zone program in which we are building into experiential benefits, return policy differences, when you call us on the phone, you get a special number, guaranteed access on certain kind of short inventory products like Wiis. So, within that, there's a lot of direct marketing that goes on. In addition, we've built a number of different models, very predictive in terms of who will respond to direct marketing offers, and who won't. So, during the year, we do about 8 programs where we invite people in for sales during the 12 months of the year based upon understanding the future value as well as who will respond to direct marketing. As well, we do a number of trigger programs. So we have a pretty good understanding. Once you buy product X. Let's say you buy flat panel television, we know in the next 12 months the kind of purchase pattern, the kind of products that you are likely to buy based on the history of other people who bought that product, and we'll send that email or direct mail inviting you to buy the product that you are probably going to want. So, I would say 25 to 30% of our mix is in direct marketing.

**Adrian Bye:** So, you have very common direct marketers on staff, and that is an important part of your organization.

**Barry Judge:** Yes.

**Adrian Bye:** You mentioned the card where you're tracking purchase behaviour and analyzing and understanding people better. How does that work? Like what do you actually end up understanding? What sort of patterns do you end up seeing?

**Barry Judge:** Well, we understand, first of all, how much a customer is worth to us. That's important because it helps us understand as it gets more customer specific investments versus mass investments. We can spend more money on retaining this actual customer versus another customer that might come in once or twice or three times a year. Additionally, we use it to understand not just frequency of purchase but profitability. We know, with our entire customer database, we mail them essentially signed profitability every one of them, so we recommend the best sales, top best sales, bottom best sales, there's a lot of interesting stuff in the top best sales and the bottom best sales. The top best sales are interesting because they are the most profitable people. The bottom best sales are also interesting. First, we lose a lot of money on those people, but they're not necessarily bad customers. They're actually good customers. They are buying all over the store. They end up buying things that aren't that profitable for us, so the opportunity with them is trying to figure out how. They are very engaged with us. How do we put more profitable ideas in front of them than the ones that make us lose money? So, it helps us understand customer specific investments. Then, because we have an understanding of what people are doing, we can do much more of the direct marketing, and then lastly, help us understand when our sales are up or down in a particular business or geography, we can understand who we are up or down with, then that helps us fine tune our promotional strategy even on a mass basis.

**Adrian Bye:** Really, I have very little understanding of retail. My experience is all Internet based. Although you talk about your marketing mix thing, 25-30% of the overall company's marketing, in fact, a Best Buy store is like a little direct marketing test pool where you're like testing all kinds of stuff all the time to see what works.

**Barry Judge:** Yes, exactly. That's kind of what I talked about earlier about creating an open architecture culture. It's what we want and get into in a sense of it's not my responsibility to come up with all the marketing ideas. If we can really enable a culture where people believe and feel accountable, it's like if they need to come up with their own marketing ideas, then all of a sudden you have versus 25 people in the Marketing Department trying to come up with stuff. You got 150,000 people across the company trying to come up with stuff. Every store. And every store has a plan, then they get some things from the corporate office, but they also have the responsibility to come up with things that the corporate office can't see because there's no way of centralizing.

**Adrian Bye:** Didn't that how McDonald's came up with the Egg McMuffin?

**Barry Judge:** Is it? I don't know. Could be.

**Adrian Bye:** I thought it was something like that. Some stores started doing it, and it just worked really well. They didn't like it initially. Then finally it works so well, that they just rolled it out everywhere.

**Barry Judge:** It makes sense. I think the corporate office can come up with lots of things but to think they come up with everything. We all live in Minnesota. I'm not sure how that would be possible, so to the extent that we can do that, that's kind of the big bet we're making is really trying to enable it to happen for real.

**Adrian Bye:** But then you have to do that while still protecting the brand and the customer interest.

**Barry Judge:** Yes, I think that you do that by providing bumpers, so we've got a brand idea, and we've broken the brand idea down into five sort of ways it's brought to life. But they're big ideas. They're not telling you to do this, do that. They're ideas around. One of our promises is called "Never Leave You Hanging" so I know we leave people hanging. You can read the consumerist; you can read Twitter, but we are trying to get better at never leaving the customer hanging. So, as the store takes that as our mantra, they can act in a moment, and in a way consistent with that. Because everything is happening in a retail store in a moment. You're in front of them, as a consumer, and things are happening. If they can remember these broad-based principles in their head, more often than before they can make the right kind of decision.

**Adrian Bye:** What you were talking about the card is very interesting. So, you have the card. You can look at member data. You can see which are the more profitable lifetime customers. And so then when you understand who they are better, you can then target your outbound advertising better both branding and direct marketing focused to attract those people, can't you?

**Barry Judge:** Yes.

**Adrian Bye:** So, therefore you can afford to pay higher dollar amounts to reach those people; therefore, you are more competitive in buying that media which helps grow the store in the market that you promised.

**Barry Judge:** We can understand profitability by customer. There's a stat. We were just working on this yesterday. We actually are making too much money on the customers that are most profitable. We should be investing more in them, and making them hopefully more loyal with how we are investing and experiential improvements like the return policy that we talked about. Then trying to figure out how the people who are draining dollars, how we can make them more profitable. Then the middle people spend less on them because they are not contributing much at all.

**Adrian Bye:** You've almost taken it too far.

**Barry Judge:** Yes, exactly. But the idea is that the people that are most loyal, make sure that they don't go anywhere, so make sure you invest in them. Because they're going to drive your business going forward. You can't lose those people. I'm sure most businesses are the same way. If you lose one of those customers, you need to get 80 new customers. It's always that way. So, you shouldn't just treat them like everybody else. You treat them differently, and then you have a better chance of holding on to them. You treat them hopefully better.

**Adrian Bye:** You know, this is how we do everything online. A site like Facebook, for example, try a new feature, and then they'll test it or optimizing something like user engagement, and they'll be able to see in a pretty short period of time, with a new feature if engagement is going to increase or decreases, and that can help them decide whether or not to keep the feature. It's the same sort of metrics driven testing. That's really interesting.

**Barry Judge:** It is. It is faster online. But you can still do it in the store.

**Adrian Bye:** Well, you guys have so much volume, too. Just roll out in a couple of stores and that gives you the answer, doesn't it?

**Barry Judge:** Yes, you can read it. But we are seeing a lot of geographical differences, too. It's interesting. That's why another reason why I think we have to build a culture where everyone has to contribute because there's becoming more and more differences geographically than we have ever seen before. The US is like 8 countries.

**Adrian Bye:** How would you group the different regions? What are the differences?

**Barry Judge:** Well, I think ethnicity is big, so that's a big factor, as well as the underlying economy. The kind of business that we're in, the underlying economy is critical. We had this crazy week last week, right, but the housing market is not bad everywhere. Where the housing market is better, like in Texas and really the Southwest, not all the way to Arizona.

**Adrian Bye:** Texas, except for Galveston, right?

**Barry Judge:** Yes, exactly. Even with Galveston, now after the hurricane, their going to get all that insurance money, and that's actually going to be a very big growth area now for us because people are going to rebuild their homes. People are building homes or moving, that's good for us. So, the point there is even if you are thinking about making investments in labor or mass media, whatever, you are not going to get the same return, even if they have the same message, because the underlying economy and because of the ethnic differences. The underlying economy isn't just housing, it's the kind of industry that are doing well, not so well, the tech savviness of the people, etc. So, even within. One of our territories, the MidWest, that's Chicago, Indianapolis and Detroit, those three markets are performing very differently, the competitive sets different. I mean there's all kind of factors. So, that's another reason why it just can't be done centrally, it has to be done locally.

**Adrian Bye:** Do you have an account at Facebook?

**Barry Judge:** No, I don't. I might get one now that I got this Twitter thing is going.

**Adrian Bye:** You should. A lot of my MeetInnovators guys are on Facebook. So you can add them all. Facebook, there's two approaches for internationalizing that I've seen. One is to just pay a big company or a company to go and do all the international versions of your site. Facebook is doing a different way, which I find really interesting. I have heard some complaints about it, but it seems to be working now. Where they say OK, we are now making every single language in the world, and those of you who want in particular random African language that not many people speak, you can just go in and do all the translation yourself. So, it's some sort of peer review process that the version goes through at various levels until it's finally ready, and then they roll it out. They initially rolled it out on the Spanish language version. I think there were some problems with it initially, but it seems, as far as I can tell, they are ironing the bugs out, which means the localization for Facebook will be done locally everywhere in the world, so they will end up with every single kind of really localized language, which sounds like a little bit similar to what you're talking about with some of the marketing you are trying to do with Best Buy.

**Barry Judge:** Yes, that's fascinating. Like I said before, I think that's a great idea. It has to allow for some sort of localization now. We don't think you can pick Best Buy up and stick it all over the world and it should be exactly the same. We need the core, the brand, the big picture brand is the same, but the way it's brought to life in a particular culture should be different.

**Adrian Bye:** I'd give you an interesting example I've seen. My local gym is Gold's gym. It's a big American brand. I'm here in the Dominican Republic. They won't let them play reggaeton, which is the local music which is really popular which I personally can't stand but everyone seems to really like it. They won't let them play it because it's considered their corporate style, and it's not allowed. So, here in the DR, where people actually would really like to hear it, they're not allowed to. I guess that's sort of the allowances you're talking about.

**Barry Judge:** Yes, that's interesting.

**Adrian Bye:** Obviously, people will be listening and reading this. There's a couple of guys that has very big traffic websites, doing multiple billions of impressions per month, and they're the sort of guys that would love to engage you guys in some sort of a branding campaign. How does that sort of thing normally work? How do they talk with you about it? And how do that sort of thing happen?

**Barry Judge:** Usually, it will be through our ad agency, which is AvenueA. So, typically, we get a lot of opportunities. We pay lots of money, and typically the filter is through them. We give them a strategy, and they figure out how to bring it to life.

**Adrian Bye:** You work with the ad agency and then you come up with an overall plan, like a media plan, and how it looks, then the ad agency goes and does the individual filtering of all that.

**Barry Judge:** Exactly. Honestly, I don't do it. I could find out. We spend over \$500 million a year in marketing, so I don't get involved on all the different ways to bring it to life. I couldn't possibly do that. Too much.

**Adrian Bye:** I can imagine. One of the things that's really interesting with some of the websites. There's interviews that we've ran talking about this where they love branding campaigns from a company like Best Buy because they can just have a certain number of CPMs and then just stick them up on the site, and they'll burn through those really, really quickly with no real perceivable returns. You don't particularly look for a call to action or anything like that. You just want the banner in front of people. From your perspective, you are the marketing guy on the line and you end up paying for all this stuff. How does that work for you?

**Barry Judge:** We use advertising for different purposes. Some purposes are for we want people to click, and we're trying to drive engagement during that moment, or we actually look at within a 7-day period. Other times, we're trying to drive an impression. With the products that we sell, we are also trying to get top-of-mind awareness, meaning, you might not be ready to buy a television today when you see an ad from us, but 3 months from now when you start thinking, it pops in your head you want to buy a television. We want to be there in your head. So, advertisement is done for both purposes. Actually, in mass media we try to be more general and talk about Best Buy the brand because most people aren't interested in buying a specific product next week. There might be people who are ready to buy a product, but the percentage of people who want to buy PC is like only 10% of the people. The people who want to buy TV is another 10% of the people. If we get really specific in mass media, then we're kind of turning off everybody else and just focusing on the 10%. If we

can land the brand idea, we can bring all of the consumers thinking about buying whatever it is they are thinking of buying. Online is more targeted, so typically, there's less awareness building stuff online. We actually are trying to drive an action to our website.

**Adrian Bye:** Generally, online you are moving to always driving some kind of action.

**Barry Judge:** Generally, because again, people are getting more specific. You think about it; we call it the purchase funnel. Broad-based media, we don't know who we're attracting. We're just trying to land just the general idea. Specific sites can give us an idea that people are in a certain mindset, so typically we are trying to get them to do something. It isn't always buying. We want to move them through the purchase funnel. So, if you're in consideration, meaning you're just thinking what to buy, we might get you to the next phase which is I want to buy versus I have to buy. Because when you think about buying a television, the typical thought process takes like 6 months from idea generation of I want to buy a television to actually buying one because people are thinking about what they want to do for a while - researching and studying, so we're just trying to move them along wherever they're at.

**Adrian Bye:** What percentage online now would you say is based around action rather than just branding?

**Barry Judge:** Online I'd say is high, about 90%.

**Adrian Bye:** I'm impressed. That's really good to hear. Very cool. Alright, is there anything we haven't talked about that you'd like to talk about.

**Barry Judge:** No, I'm just good.

**Adrian Bye:** Cool, well Barry, thanks very much for your time.