Best Buy Holiday Sales Fall, Shares Skid

Associated Press

MINNEAPOLIS (AP) — Best Buy said Thursday that a key sales barometer fell during the holiday shopping season, stung partly by weakness in the U.S. and a retail environment heavy on promotions.

Its stock dropped more than 28 percent in premarket trading.

Best Buy Co. said comparable store sales dipped 0.8 percent for the nine weeks ended Jan. 4. This was better than the 1.7 percent decline in the prior-year period.

The consumer electronics company defines comparable store sales as sales at stores, call centers and websites operating for at least 14 full months as well as revenue related to other comparable sales channels.

President and CEO Hubert Joly said in a statement that there was a lot of competition on price during the holidays and an "intensely promotional" environment. He added that Best Buy's business was also hurt by supply constraints for key products, a drop in customer traffic and a disappointing mobile phone market.

The metric fell 0.9 percent in the U.S. compared with flat results a year ago. One bright spot was online sales, which climbed 23.5 percent. This was better than the 10 percent increase a year earlier.

Internationally, the figure edged up 0.1 percent versus a 10.3 percent drop in the prior-year period.

Best Buy previously cautioned that it expected tough competition during the holidays. The season is critical because it can account for up to 40 percent of a retailer's annual revenue. Before the holiday season started the company had already been working on cutting costs, adding employee training and matching online prices to get customers into stores.

Total revenue for the nine-week period slipped 3 percent to $11.45 billion from $11.75 billion. Domestic revenue declined to $9.75 billion from $9.91 billion, while international revenue fell to $1.7 billion from $1.85 billion.

Joly said that Best Buy's holiday performance renews the sense of urgency around the company's transformation. He said that key priorities heading into fiscal 2015 will include: lowering costs faster and more deeply; growing its online business at a quicker pace; continuing to improve the customer experience; improving marketing efforts and growing its Geek Squad services business.

Shares of the Minneapolis company declined $10.68, or 28.4 percent, to $26.89 in premarket trading after sinking more than 30 percent earlier.

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