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## Web Breathes New Life Into Failed Retailers

By MIGUEL BUSTILLO

The retail graveyard is filled with venerable names that were felled by the recession. Now, some risk-taking companies are trying to profit by bringing brands back from the dead.

**Systemax Inc.**, best known as the parent of Internet computer-parts retailer [TigerDirect.com](http://TigerDirect.com), gambled by buying the rights to the names of two deceased store chains, [CompUSA](http://CompUSA) for \$30 million in 2008 and [Circuit City](http://CircuitCity) for \$14 million in 2009.

Now as the economy crawls toward recovery, Systemax is opening [CompUSA](http://CompUSA) stores in Houston, Chicago and other major markets after successfully testing the concept in Florida. It already revived [Circuit City](http://CircuitCity) as an Internet retailer last June, and is contemplating a brick-and-mortar rebirth for that brand as well.

"Recession hurts, but it also creates opportunities that would not have existed otherwise," said Systemax Chief Executive Richard Leeds.

"We have a tremendous amount of excitement around our company now because of these acquisitions.," he said. "We picked up two iconic retail brands for well under \$50 million. That to me is the bargain of the century."

The resuscitation strategy is freighted with risk. The titans of U.S. big-box retailing, [Wal-Mart Stores Inc.](http://Wal-Mart Stores Inc) and [Best Buy Co.](http://Best Buy Co.), are aggressively chasing the same electronics market share that Systemax is targeting, as are a host of established regional competitors, notably Midwestern chain [Hhgregg Inc.](http://Hhgregg Inc)

So far, Systemax's gambit to grab tarnished but better-known retail names is paying off. It reported an 84% rise in fourth-quarter profit March 8, largely because of the new [CompUSA](http://CompUSA) stores and [CircuitCity.com](http://CircuitCity.com). Its share price increased to a record a day later.

The Port Washington, N.Y., company—which was founded by the Leeds family in Queens in 1949 as a seller of business supplies and went public in 1995—reported record annual revenue topping \$3.16 billion for the fiscal year ended Dec 31.

By contrast, [RadioShack Corp.](http://RadioShack Corp.), with its ubiquitous electronics stores, had annual revenue of \$4.28 billion.

Wall Street analysts are starting to pay attention to Systemax, a rare instance of an Internet seller that is using its online know-how to open brick-and-mortar stores, at a time when most retail chains are gravitating to the Web.

"Now people know who they are," said David Strasser of Janney Capital Markets. "A lot of retailers are watching what these guys are doing with [Circuit City](http://Circuit City) and [CompUSA](http://CompUSA) very closely, to see how far they're going to take it."

Systemax executives say they are now confident that they can leverage the [CompUSA](http://CompUSA) and [Circuit City](http://Circuit City) names to expand their business. But as the economy bottomed out in 2008, they admit doubts crept in.

"We agonized over this," said Mr. Leeds, 49 years old. "We were looking in the mirror saying, did we make the right decision?"

Systemax had already started testing a handful of stores under the TigerDirect name in the U.S. and Canada before purchasing the assets of CompUSA Inc. after its owner, Mexican billionaire Carlos Slim, chose to close the struggling business rather than take it into bankruptcy.

Systemax bought CompUSA's name, Web address, customer lists and the rights to 16 of the most attractive store leases. CompUSA's Web site never went dark, transferring from one owner to the other without interruption, and Systemax soon turned its U.S. TigerDirect stores into CompUSA outlets. (TigerDirect still operates stores in Canada.)

When the economy crashed in fall 2008 and Circuit City Stores Inc. shuttered stores and eventually declared bankruptcy, Systemax executives pondered the wisdom of betting on a faded famous retail name only to see more electronics chains biting the dust.

Systemax ultimately chose to double down by buying Circuit City and its list of 14 million customer email addresses, even though its Web site had been shuttered for months and had to be restarted.

But TigerDirect business-unit head Gilbert Fiorentino recognized Systemax couldn't just replicate failed businesses, no matter what bargain price Systemax paid. So the company set out to reimagine the store experience at CompUSA by using its understanding of Internet commerce to create an in-store Internet portal system Mr. Fiorentino dubbed "Retail 2.0."

It essentially brings the best of online retailing into stores, allowing customers to look up product reviews and user manuals, and even surf to rivals' Web sites to check prices, via keyboards right in front of the flat-screen television sets they are considering for purchase.

Many retailers including [Sears Holdings Corp.](#) are setting up similar systems, but experts say Systemax's model is more sophisticated than the competition's, showing Systemax's e-commerce experience.

Few shoppers at a recently opened Houston location seemed aware that CompUSA was now a different company than the one they frequented years earlier. But several said the store looked like an improvement over what they remembered.

"Not bad at all—it might be better than the old CompUSA," said Shamil Rasheed, a 35-year-old information-technology expert, who was making his second visit after buying a GPS system.

"It looks like they have better prices than they used to," said Mircea Ionescu, 28, a doctoral student in mechanical engineering who attends the University of Houston.

Systemax executives declined to disclose how many CompUSA stores they envision in addition to the 34 currently in existence. But they vow to mix aggressiveness with caution, noting that overexpansion helped topple the brands they eventually bought for a relative song.

"Where did they fail, and what can we do differently?" Mr. Leeds said.

"One trap we don't want to fall into is rushing into bad real-estate decisions, because when we examined their data that was a big part of what went wrong."

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