



Why Circuit City Failed, and Why B&H Thrives

Many companies that have gone bust didn't die because of the recession. They failed for one reason:
They treated customers poorly

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When Circuit City went kaput in January, I didn't waste my time on the chain's so-called going-out-of-business sale. First of all, Circuit City never had anything good in stock, even before it decided to go out of business. A year ago, I looked at the retailer's entire selection of laptops, and all I found were these huge, ugly, shiny things festooned with garish stickers announcing that they had "Intel Inside" and were "Vista Adequate" and "Y2K Ready." Also, I had read on the Consumer Reports website that Circuit City's liquidator had actually raised the price on many items for the going-out-of-business "sale."

Truth be told, I don't think I ever bought anything from Circuit City anyway. On weekends, I would occasionally wander into the local branch, attracted like a moth to the bright wall of plasma TVs. When I actually needed a new TV, however, I found the Circuit City salesperson to be so aggressively unknowledgeable and remarkably useless that I fled to Best Buy, where I was helped by a cheerful, 20-year-old twerp who knew everything. I later learned that in 2007, Circuit City had fired the chain's 3,400 most experienced salespeople and replaced them with generic, untrained, near-minimum-wage workers.

So it was no surprise to me that Circuit City failed. The chain's CEO, in an e-mail, blamed the demise on "poor macroeconomic conditions" -- an assertion that was repeated by The Associated Press, which cited "the expanding financial crisis" for the liquidation.

You know what? I don't buy the argument that the economy caused Circuit City's failure. Take one look at its competitors, and you know that the market for consumer electronics and computer equipment remains strong, even in this economy. You can walk into any Apple Store and see large crowds of people lining up to buy computers and iPods. But enough has been said about how wonderful Apple is. I want to tell you about another first-class consumer electronics retailer -- a much smaller business you probably haven't been to, unless you live in New York City or are a professional photographer or an avid hobbyist. It's called B&H.

B&H opened in 1973, and it's an amazing place. If you are in Manhattan, you should visit the store, on Ninth Avenue at 34th Street. The first thing you will notice? The place is humming. Originally a camera store, B&H has grown to carry more than 250,000 items, including all kinds of pro audio, pro video, and computer gear. The company is closely held and somewhat press shy, so it's hard to know how successful it is. "Our business remains strong, particularly considering the overall economic climate," a spokesperson says. I suspect that's an understatement. The store is always packed with customers, browsing through hundreds of varieties of camera bags with every possible combination of lens compartments; the room full of telescopes; and, of course, enough lenses to burn all the ants in the Sahara to a crisp. The electronic superstores in Tokyo's Akihabara district are the only other places where I have seen so much gear under one roof.

And what a roof it is: The whole operation is a crazy Willy Wonka factory. If you want to check out a product that's not on display, a salesperson orders it by computer terminal from a vast stockroom in the basement. Moments later, as

if by magic, the product arrives at the retail counter, via an elaborate system of conveyor belts and dumbwaiters. You can try out the gear, see if you like it, and, if you do, the salesperson puts it in a green plastic box and places it on another conveyor belt, which runs, above your head, to the pickup counter. There, an employee bags your purchase. Meanwhile, your salesperson gives you a ticket, which you take to a payment counter. After you have paid, you get a different ticket that you take to the pickup counter to get your merchandise.

At first, this all seemed like incredible overkill to me. But then, as I thought about it more, I developed a theory as to why B&H operates this way. With all the expensive electronics and cameras and lenses and laptops floating around the store, the system creates a series of checks and balances -- typically, five employees are involved in every purchase -- in order to reduce shoplifting and employee theft. That it works at all is not the most amazing thing about B&H, however. The most amazing thing is that the prices are so low that I don't even bother to comparison-shop anymore.

No, wait: The most amazing thing is that the salespeople at B&H really know their stuff. When I recently bought a portable digital recorder, the salesperson knew that some gear was not compatible with flash memory cards larger than 2GB and spent a few minutes surfing the Web to make sure that the 8GB card I wanted would work with it.

No, wait: The most amazing thing is that I have often gone into B&H to purchase a specific product, only to be talked into something cheaper. For example, once I went in to buy a field video monitor to use for some interviews I was conducting. I expected to pay \$600 until the salesperson said, "Why don't you just get one of these cheap consumer portable DVD players? They have video inputs, they work just as well, and they're under \$100." This was no accident. "The entire premise of our store is based upon your ability to come in, touch, feel, experiment, ask, and discuss your needs without sales pressure," B&H's website says.

But wait: The conveyor belts, the prices, the smart salespeople, the fact that they recommend cheaper products almost as a rule -- none of these is actually the most amazing thing about B&H. Really, the most amazing thing is that because the owners of B&H are Orthodox Jews -- Hasidim, in fact -- the store closes every Friday afternoon for the Jewish Sabbath, and on Jewish holidays. Moreover, B&H's website, which reportedly accounts for 70 percent of sales, shuts down, too. Bhphotovideo.com is, to my knowledge, the only major online retailer that closes for 25 hours every weekend.

Even as competitors like Circuit City go bust, B&H remains packed with loyal customers. And that makes me very happy. For a business owner, there's nothing more satisfying than watching honest dealers expand their operations while the schmucks, with their going-out-of-business markups, go down the drain. It's inspiring to know that starting with the premise of treating your customers well really does pay off.

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