

## Best Buy 2005 Annual Report Glossary

**AOP** (Adaptive Operating Platform) a rethinking of the SOP (Standard Operating Platform) that empowers store employees to make informed decisions on how best to serve our customers

**appliances product group** includes major appliances, microwaves, vacuums and housewares

**ASP** average selling price of a product or service sold

**catalog** entertainment software titles that are no longer considered new releases

**close rate** the estimated percentage of shoppers who leave the store with a purchase

**comparable store sales (comps)** a measure of sales growth at stores and Web sites operating for at least 14 full months, as well as remodeled and expanded locations. New stores and relocated stores are included in the calculation after 14 months

**consumer electronics product group** includes TVs, DVD players, MP3 players, speakers, cameras, camcorders, car stereos, home theater systems, shelf systems, personal portables, satellite systems and accessories, and satellite radio installation

**cost of goods sold** includes the cost of products and services; physical inventory losses; mark downs; certain vendor allowances; customer shipping and handling expenses; costs associated with operating our distribution network, including payroll and benefit costs, occupancy costs, and depreciation; freight expenses associated with moving merchandise inventories from our vendors to our distribution centers and from our distribution centers to our retail stores; and handling and delivery costs associated with our online and direct-to-customer businesses

**Counter Intelligence Agent** a member of the Geek Squad who is posted at the precinct inside a Best Buy store

**CPFR** collaborative planning, forecasting and replenishment – a tool to improve customer availability of products or in-stock levels

**customer availability** the measurement used to assess the effectiveness of all of the outputs of the supply chain in making Best Buy's product offer available on a daily basis across all of its channels

**customer centricity** a business model that teaches employees to think about customer needs first and products second, and empowers them to build offerings and experiences that solve customers' unmet needs

**customer segment** a group of customers with similar behaviors, needs and expectations for products and services

**customer-facing incentives** pricing, mail-in rebates, loyalty incentives and financing incentives used to drive customer traffic

**DDC** delivery distribution centers, which handle appliances and big-screen TVs

**DC** distribution centers, which handle most inventory to be delivered to the stores

**direct sourcing** involves the retailer working directly with the manufacturers of the products. Direct sourcing can enhance efficiency and reduce costs by shortening delivery time and improving availability of inventory for the customer, while also accelerating time to market for new products

**domestic segment** includes the results of U.S. Best Buy stores and Magnolia Audio Video stores

**Double Agent** a member of the Geek Squad who helps people embrace technology at precincts in Best Buy stores and who patrols the streets of their jurisdictions

**DTV** digital television, including plasma, LCD and microdevice TVs

**DVD** digital versatile disc (or digital video disc), refers to hardware and software used for storing and viewing digitally prerecorded movies or other digital video content

**entertainment software product group** includes movies; CDs; video game hardware, software and accessories; computer software; and entertainment subscriptions

**fiscal quarter** a business period of three fiscal months (5 weeks, 4 weeks and 4 weeks, respectively), which for Best Buy always ends on a Saturday

**fiscal year** a business calendar including 12 months; Best Buy's fiscal year ends on the Saturday nearest to Feb. 28

**Geek Squad** a rapid-response, 24-hour computer support task force; the conduit between technology and the human race

**global sourcing** directly managing the flow of products from the manufacturer to the stores, rather than relying on consolidators or other intermediaries

**GO** grand opening of a new store(s)

**gross profit** revenue less cost of goods sold

**gross profit rate** gross profit divided by revenue

**HDTV** high-definition TV or ATSC devices or video content certified by the ATSC (Advanced Television System Committee)

**home office product group** includes computers, printers, scanners, paper, ink and accessories, as well as wireless communications devices

**international segment** comprised of Future Shop and Best Buy operations in Canada

**lab store** a store that conducts research and development on customer segments and new value propositions for them

**market reaction price** in-store price changes made in response to local competitors' prices

**MP3** short for MPEG layer 3, an encoding and compression scheme that allows for efficient storage and playback of digital audio content, such as used by iPods

**NSO** new store opening

**operating income rate** operating income divided by revenue

**POS** point of sale, when the customer is in the process of paying for a purchase

**precinct** a Geek Squad technology resource center within a Best Buy store

**PRP** Product Replacement Plan, a contract that provides for replacement of products generally with a retail selling price of \$200 or less, usually covering three years after the purchase

**PSP** Performance Service Plan, a contract that covers service and repair for products, usually for a period of three to five years

**P2P** Process to Profits, a late-1990s Best Buy initiative that included advertising effectiveness, inventory management, sales proficiency and total solutions selling

**revenue** includes all point-of-sale revenue and other revenue, net of rebates, returns and expenses for Reward Zone points earned. Same as net revenue, sales or net sales

**Reward Zone** our customer loyalty program that awards discount certificates to customers who shop regularly at our stores

**ROIC** return on invested capital represents the rate of return generated by the capital deployed in our business. We use ROIC as an internal measure of how effectively we use the capital invested (borrowed or owned) in our operations

**segmented store** a store using the customer-centric operating model, including enhanced training, expanded assortments, a new labor model, new fixtures and capital investments

**SG&A** selling, general and administrative expenses, including: payroll and benefit costs for retail and corporate employees; occupancy costs of retail services and corporate facilities; depreciation related to retail, services and corporate assets; advertising; vendor allowances that are a reimbursement of specific incremental and identifiable costs to promote a vendor's products; outside service fees; long-lived asset impairment charges; and other administrative costs, such as credit-card service fees, supplies, and travel and lodging

**SG&A rate** SG&A expenses divided by revenue

**shrink** the loss of inventory, such as that due to damage or theft

**SKU** stock-keeping unit, an indication of the depth of assortment

**Special Agent** a member of the Geek Squad team patrolling the streets protecting and servicing any computer

**SOP** standard operating platform, a part of Best Buy culture that relies on documented processes for handling many aspects of the business

**supply chain management** the coordination of inventory management, the merchandising group and logistics to manage the flow of products from the vendor to the customer, and the flow of information among all of these functions

**street date** date an item is first available for sale

**tailored market assortments** product assortments based on local customers' tastes and prior purchases

**TCO** total cost of ownership, such as information technology expenses as a percent of revenue

**value proposition** a set of products and services bundled together to meet a specific customer's needs (e.g. same-day installations)