



RadioShack®

C O R P O R A T I O N

Investor Conference

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Agenda Part 1: Targeting Key Customer Segments & Differentiating The Brand.

- Targeting Consumers Everyday Needs & Targeting Families Distinctive Wants Through Research
- Strategy: Deliver the Solutions Strategy with Tailored Products, Services, Offers and Advertising
- Benchmarking Current Customers' Perceptions
- Advertising Campaign Effectiveness Against Key Targets (Celebrity Campaign Status)
- Key 2003 Initiatives
- Brand Positioning Strategy: Personal & Family
 - Creative Sneak Preview
- A Plan for CRM & Micro-marketing

Agenda Part 2: Doing So Cost-Effectively

- **Advertising Accountability & Metrics**
 - Traffic
 - Sales to Advertising Correlation
 - Media Effectiveness/ROI
- **Key 2002 Improvements**
 - Media Mix Shifts
 - Aggressive Negotiations
 - Promotions that Drive Multiple Sales
 - Integrating & coordinating Advertising with Merchandising & Replenishment

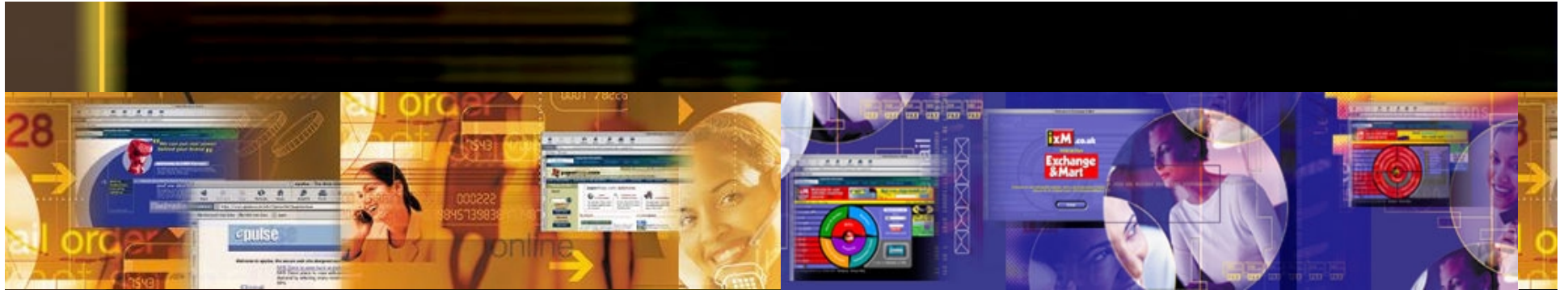
Research Plan: Consumer-Centric Decisions

Research will Play a Key Role in Achieving Our Strategic Plan Objectives

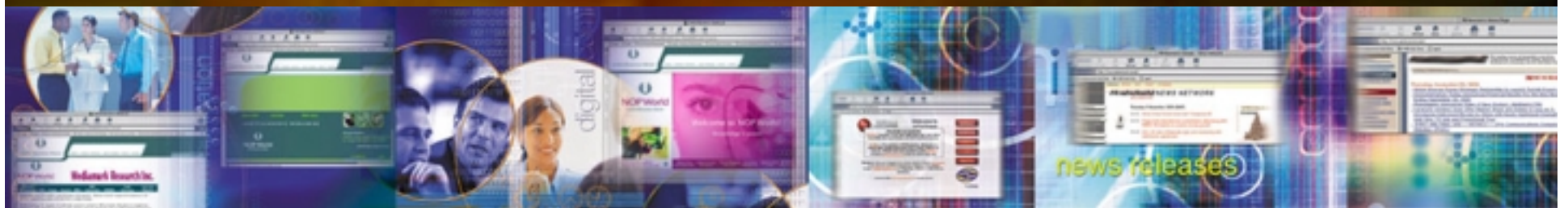
Strengthen 3 Key Areas of Research:

- **Consumer Trends/Mindset/Brand Health Tracking**
- **Category & Competitive Research**
- **Knowledge of Customer with a "Customer Segmentation Study"**

Continue Media Effectiveness Research



Segmentation Research



Why People Buy at RadioShack

Different Groups Have Different “Missions” that Determine What They See when They Go to Radioshack

Loyalists: 7.5% Of Households

- **Give Radioshack 57% of Their Money Spent on Electronics**
- **Lonely, Old Single & Empty Nest, Dependent (Not Tech Savvy), Low Spending (3% Of Total), Etc. – Not Good Target**
- **These People Consider Radioshack for All Products – But Only Account for 26% of Our Business**

Why People Buy at RadioShack

Other Groups See Radioshack As:

- A Store to Aspire to (Split with Wal-mart Today)
- Declasse (Versus Best Buy, Circuit City)
- Just for Parts
- Good for Cell Phones
- Good for Accessories
- A "Christmas Toy Store"
- A "Hobby Shop"
 - Ham
 - Weather

Segmentation Process

Started by Looking at Segments Based on Different Aspects of Life Stage, Lifestyle, Attitudes, and Behavior:

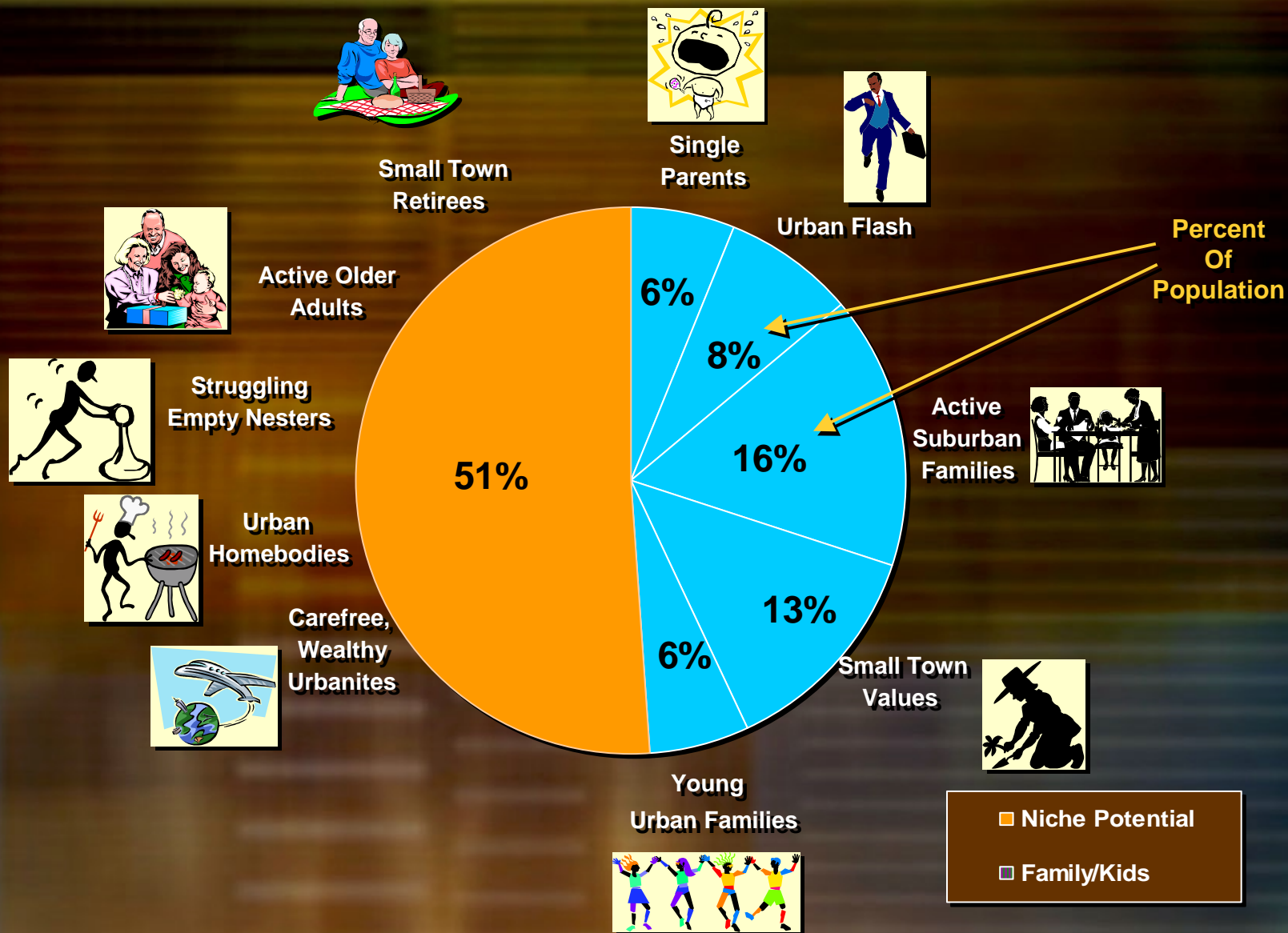
- Values
- Product Usage
- Shopping Attitudes
- Retailer Preferences
- Activities/Lifestyle
- Product Ownership
- Tech. Attitudes
- Retailer Visits/
Purchase/Spend
- Life Stage
- Purchase Intentions
- Retail Shares

After Understanding Each "Component," We Went on to Try Combinations: E.G.:
"Activities, Values, and Product Usage" (Amount Of Time Spent)

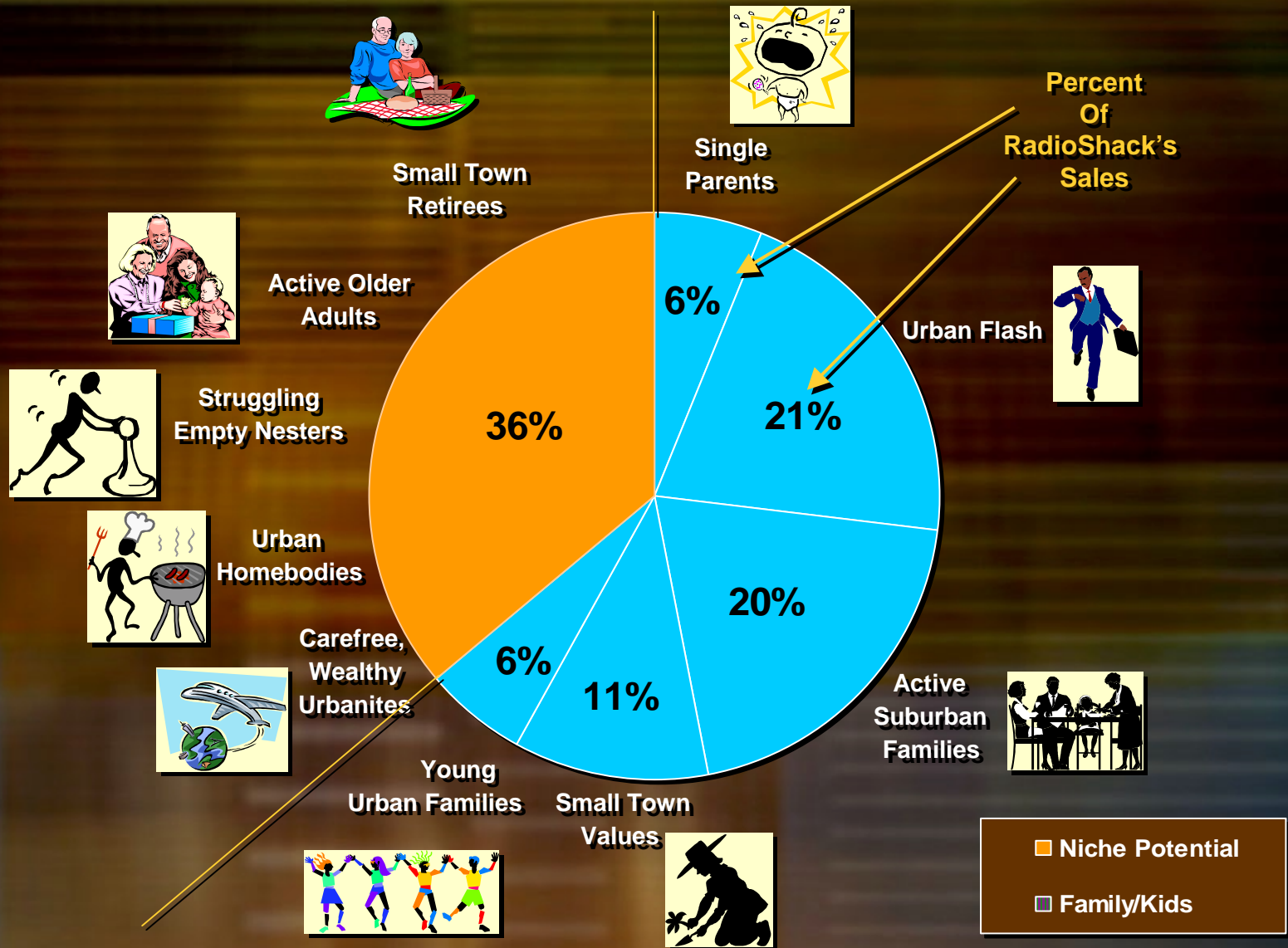
In Total, Tried 22 Different Approaches to Segmentation, and Looked at More than 150 Specific Consumer Groups

The Approach Which Gives the Best Overall Understanding of Consumer Behavior (and Targets for RadioShack) Combined Life Stage, Basic Human Values, Geo-demography, and Retailer Visits, Purchases, and Spending

Family Groups Account For 49% Of The Population,



3 Key Family Groups Account For 46% Of CE Spend. 37% Of The Population, And 52% Of RadioShack's Sales



Urban Flash "Denzel & Danielle"

Electronic Tinkerers



City Residents
Mix of Ages
Tech Fashionable & Trendy
Caucasian (66%) &
African American (21%)

Spend Time With

- | | | |
|----|----------------|----------------------------------|
| 1. | Audio Products | ▪ Audiophiles, portable & home |
| 2. | Comm. | ▪ Home & cell phone, pager |
| 3. | Gaming | ▪ Kids: VCR, audio |
| 4. | TV | ▪ Interest in cell as home phone |
| 5. | PC | ▪ DVD & VCR movies |

Where they Live

- Other City Centers
- Metro Market Images

Values

- Fun Seekers
- "Party" people

Lifestyle

- Electronic tinkerers
- Sports – watch & play
- Music
- Entertaining guests, eating out, bars/clubs
- Commuting & working

Personality

- Optimistic
- Buried in responsibility
- Spontaneous
- Not financially secure

Valuation

- | | |
|----------------------|---------------------------------|
| ▪ 8% population | ▪ \$765 avg. spend (Index 168) |
| ▪ 14% category spend | ▪ 13% RS share of segment spend |
| ▪ 21% of all RS \$ | |

Urban Flash "Denzel & Danielle"

Highest Breadth of Product Purchase Interest



Strong interest in accessories

Shopping Attitudes

- Enjoy browsing
- Unique products
- Try before you buy
- Someone to tell me my needs

New Product Orientation

- Looking for emerging products, to entertain myself

Product Facts

Products Owned

High:

- RC vehicles, elec. & music toys, HH games
- DVD
- Home security
- Elec tools, hand tools, meters
- Mini disk

Uniquely High:

- MP3, headphones, radios, AIO stereo
- Webcam
- Rechargeable batteries
- Radar detector, scanners, weather radios, spec calculators
- Pagers, home automation

Purchase Intent

High:

- Radios, headphones, component stereo, boombox, MP3, karaoke
- Color printer, laptop, CD ROM, mics.
- Specialty batteries
- Video game system
- Camcorder
- Standard TV, universal remote
- Office products, purifiers, weather radios
- Tools & meters
- Internet Broadband

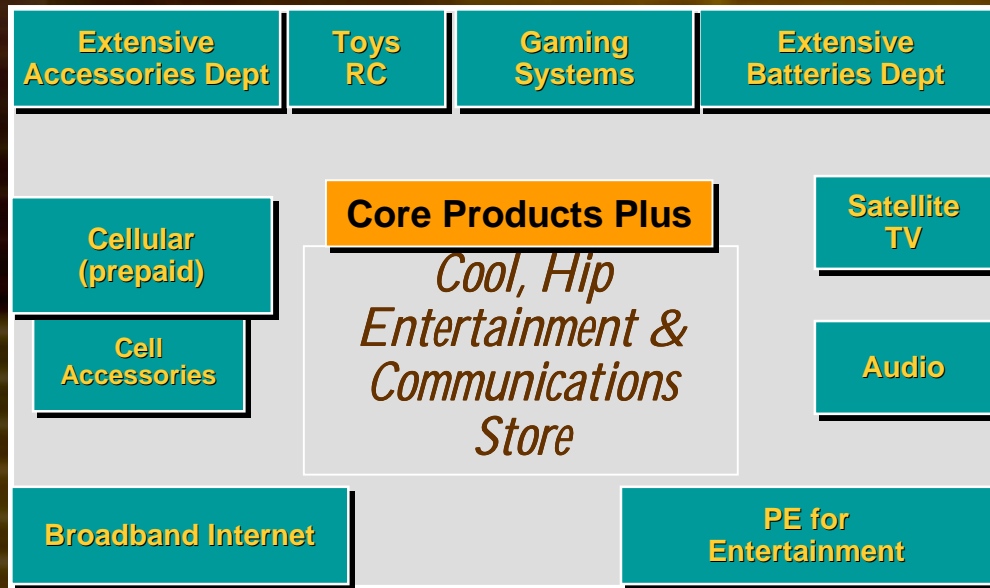
Uniquely High:

- Web cam, photo printer, flat screen, DVD burner, zip drive
- Cellular service
- Prepaid cellular, free LD, maps, free nights/wkends, text msg
- Smoke detectors
- Cordless telephone
- Digital camera
- AIO stereo
- VCR

Urban Flash "Denzel & Danielle"

Store Concepts

Key Differentiating Departments to Emphasize



- Hip & fun atmosphere
- Unique cool products that you can try out
- Browser friendly, help when you need it
- Good price/value
- Larger stores, greater depth/breadth
- De-emphasize TV, PC & peripherals, camcorder

Retail Realities, and Implications

Tech Motivations

- Fashionable/trendy
- Enjoy talking w/friends about it
- More innovative
- More options for entertainment & hobbies
- Mainstream adoption

Competition

- Higher spending at Kmart
- Higher favorability for Kmart, Circuit City, Wal-Mart
- Lower spending and favorability for Best Buy

RadioShack Position

Strengths

- 2nd highest favorability rating
- Convenient locations, in & out quickly, salespeople, electronics specialty

Weaknesses

- Price-driven segment
- Selection, try before buy, promotions, buy online, latest models (vs Big Boxes)
- Value, returns/exchanges, shop often (vs discounters)

Active Suburban Families "Dale & Gale"

Strongest breadth of purchase interest in accessories



Highest breadth of product ownership

Shopping Attitudes

- Research products heavily
- Compare prices in printed materials
- Brand very important
- Internet research & purchasing
- Impulse buyers

New Product Orientation

- Enrich family's lives
- Fun with family/friends
- More productive
- Interest in emerging products

Product Facts

Products Owned

- Highest breadth of product ownership
- Highest PC, peripherals, PDA
- Exceptionally high on DVD player, camcorder, FRS
- Highest on cell phone, boombox, headphones, digital camera, digital tire gauge, home security system, projection TV
- Gaming systems

Purchase Intent

- Strongest breadth of purchase interest in accessories
- Second highest breadth of purchase interest
- Laptop, PDA, photo printer, AIO, CD burner
- FRS, portable CD/MP3, Gameboy, digital camera, special batteries, rechargeable batteries, PDA, science toys, elec keyboard
- Cellular accessories & PC/printing supplies

Small Town Values "Jack & Diane"



Shopping Attitudes

- Prefer store purchase over Internet
- Prefer stores where salespeople help
- Go out of way for low prices
- Special financing

New Product Orientation

- Home/family more safe
- Fun with family/friends
- More quality family time

Products Owned

High:

- Cell phone, prepaid cellular
- FRS
- Portable CD/MP3, handheld recorder, boombox, karaoke, headphones
- Portable TV, TV/VCR
- Camcorder, digital camera
- PC, color printer, basic components
- Weather radios
- BP hand tools
- Kids music, CDs, VHS movies, games

Uniquely High:

- Video game systems, Game Boy
- RC vehicles, elec. toys, electronic keyboard & music toys
- Satellite dish, personal video recorder, universal remote
- Mini disk, handheld TV
- Pagers

Purchase Intent

High:

- RC vehicles, elec. & music toys
- Gaming devices & video games
- PC & basic peripherals
- PC supplies
- Child safe Internet content
- AM/FM radio, digital clock
- I/O thermometer

Uniquely High:

- None

Initial Conclusions & Recommendations

- RadioShack Should Have Different Types of Stores, to Match Local Neighborhoods and Consumer Groups
- Families with Children are the Biggest Spenders on Electronics: RadioShack Should Put Increased Focus Against Them, Especially Families with Teens
- RadioShack's Image Is Somewhat Muddy; This Should be Addressed with a Separate, Specific Brand Image Ad Campaign

What About Advertising?

- As Stores Become More Differentiated, the Need for a Common Defining Element or Theme Grows Stronger
- RadioShack's Overall Image is Somewhat Muddy
 - Have Been a Brand in Flux
 - Different Things to Different People
 - Radioshack is a Secondary Retailer to Most Consumer Groups, Used to Fill in Purchasing at Other Stores
- Most of Our Advertising is Tactical, with Little Dedicated Brand Positioning
- Brand Image Tracking Shows:
 - Our Lead on the Attributes Where We Win is Not as Strong as Other Retailers'
 - Several Measures are Showing Declines

Solution: The “Family” Campaign

Use a Brand Image-building Campaign, to Associate Radioshack with the Idea of “Family”

- “Heartland” Brand with Middle-american Values, yet Contemporary
- Relevant for almost All Consumers, Even if They Don’t Currently have Children
- Warm, Personal Service; We Treat Customers Like Family
- New Tools/Products that Keep Families Connected and Improve Their Lives
- Others Can Sell Them Bigger Stuff, We Will Sell Them More
- Family of Employees
- Builds Interest, Sense of Shared Values with Key Targets
- Successfully Positions Us Against Wal-mart (A Primary Competitor), In an Area Where We Can Win (More Credibility)



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Benchmarking Key
Customers' Perceptions

Brand Health Tracking & Market Awareness

- Quantitative Research Done on Key Brand Attributes
- Also Track and Contrast with Key Competitors
- Cross-tabulations Against 3 Key Customer Segments

49 Attributes Tracked

1. A place you like to visit
2. Friendly employees
3. Good value
4. Experts in the latest technologies
5. The best products
6. Dependable
7. A store you hold in high regard
8. Fair return policy
9. Cares about customers
10. Convenient locations
11. Good selection
12. Youthful
13. A leader in consumer electronics
14. A relaxed environment
15. Good at explaining things
16. Well organized
17. Easy to find things I'm looking for
18. Good warranties
19. Can get in and out quickly
20. Responsive
21. Will help you choose right products
22. Not too cluttered
23. Inexpensive
24. Good place to compare products
25. Popular
26. Professional
27. High quality products
28. Not arrogant
29. Provides prompt assistance
30. Can provide service and repair
31. Not understaffed
32. Not overpriced
33. Honest
34. Not hard sell
35. Good selection of accessories
36. Different from other stores
37. Growing
38. Makes technology clear and simple
39. Carries major brand names
40. Unique products
41. Products and services you want
42. Up-to-date
43. Not old fashioned
44. Cool-looking stuff
45. Will take time to help you
46. Leading edge products
47. Always carries the items they advertise
48. Knowledgeable salespeople
49. Good corporate citizen



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Testing Current Advertising
Campaign Effectiveness
Against Key Targets

Extensive Qualitative Testing: Howie & Teri Still Have “Legs” Most Noticed/Liked In Category



Extended Family Has Extended Life, Reach, And Clutter Breakthrough Of Campaign



Urban Flash favors V&V and Daisy, Small Town favors H&T and ...

Newest Family Member to really put the Shaq in RadioShaq – Strong with All 3



New Celebrity Family Campaign Extension



- Recently tested literal celebrity family concept with great success
- Vanessa Williams, Rick Fox and family premiere in April TV spot
- More credible when celebrities include their children
- A great example of a family RadioShack products helps to stay together, even when not together
- April's "Family Connections" Sale

2003 Initiatives

- **Huge Up-lift In “Every Day Needs” Accessories Advertising Every Month**
- **New Product Launch Campaigns Behind “Flagship” Accessories Solutions (E.G. 6 In 1 Remote Control)**
 - **Unique Packaging, Simplified “How To” Booklets, In-store Training For Consumers, and On-line 24/7 Support After The Sale**
- **New & Innovative Product Launch Campaigns Behind “Flagship” Family Wants Solutions (E.G. Environizer)**

2003 Initiatives

- **More Diversification in Sales Events**
 - “Family Communications Sale vs Wireless Sale”
 - Associates Accessorizing Sales Insures Profitability and Complete Solution
- **Mass Media Buying More Targeted to Families (Local and National)**
- **Micro-marketing Programs with Tailored Messages And Offers**
- **Clear Positioning of Our Offering Versus the Competitors’**
 - Accessorizing the Industry
 - Personal Electronics Solutions
 - Solutions Designed to Help Families



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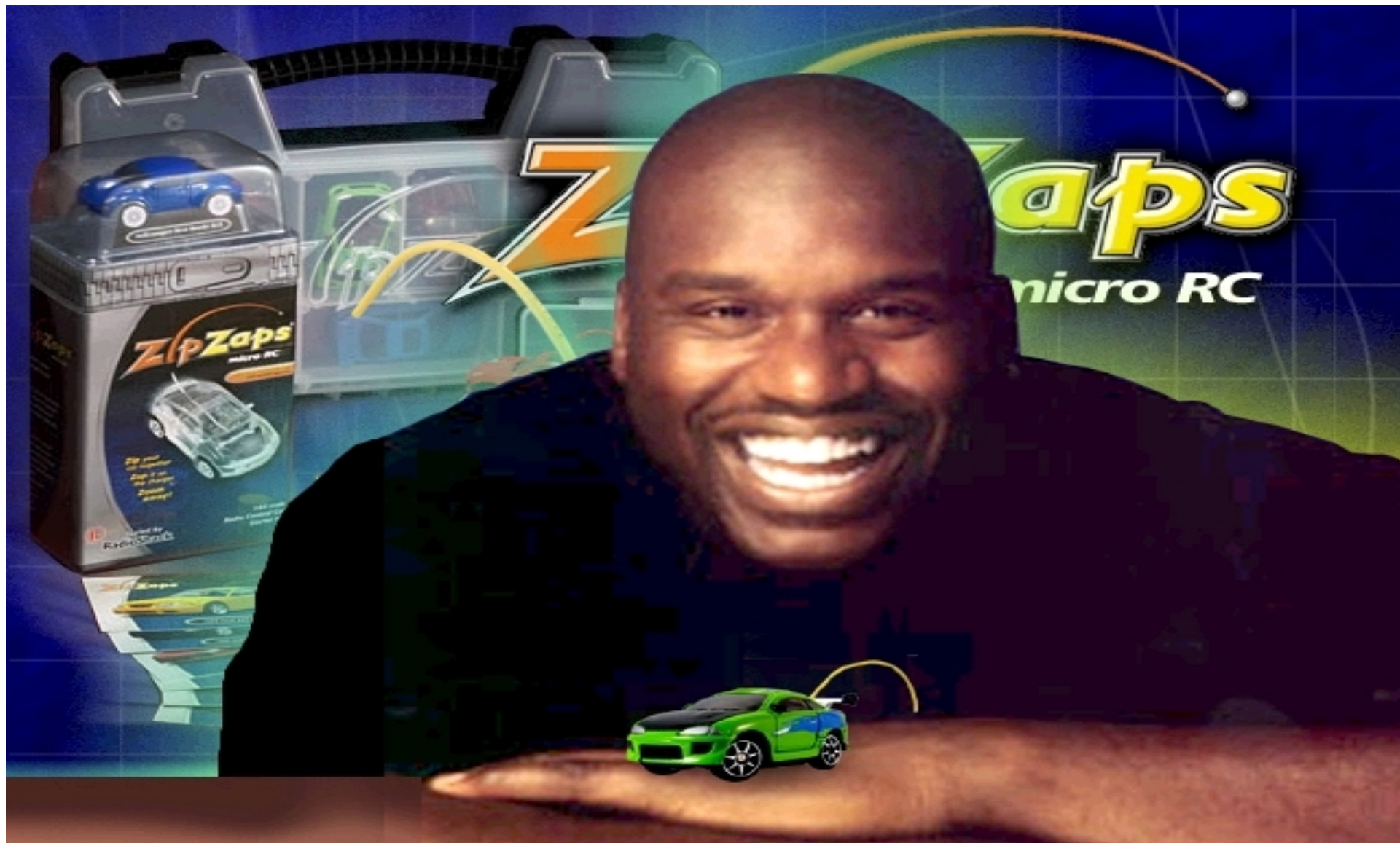
Brand Positioning:

- Now Accessorizing The Industry
- Personal Electronics Solutions
- Solutions To Help Families

A photograph of Shaquille O'Neal, a large African American man, smiling broadly and looking to his right. He is wearing a black leather jacket and has his right hand near his face. The background is a large, cluttered warehouse or storage area filled with numerous cardboard boxes and shelves. The lighting is somewhat dim, with a blueish tint in the upper left.

Shaq Attack

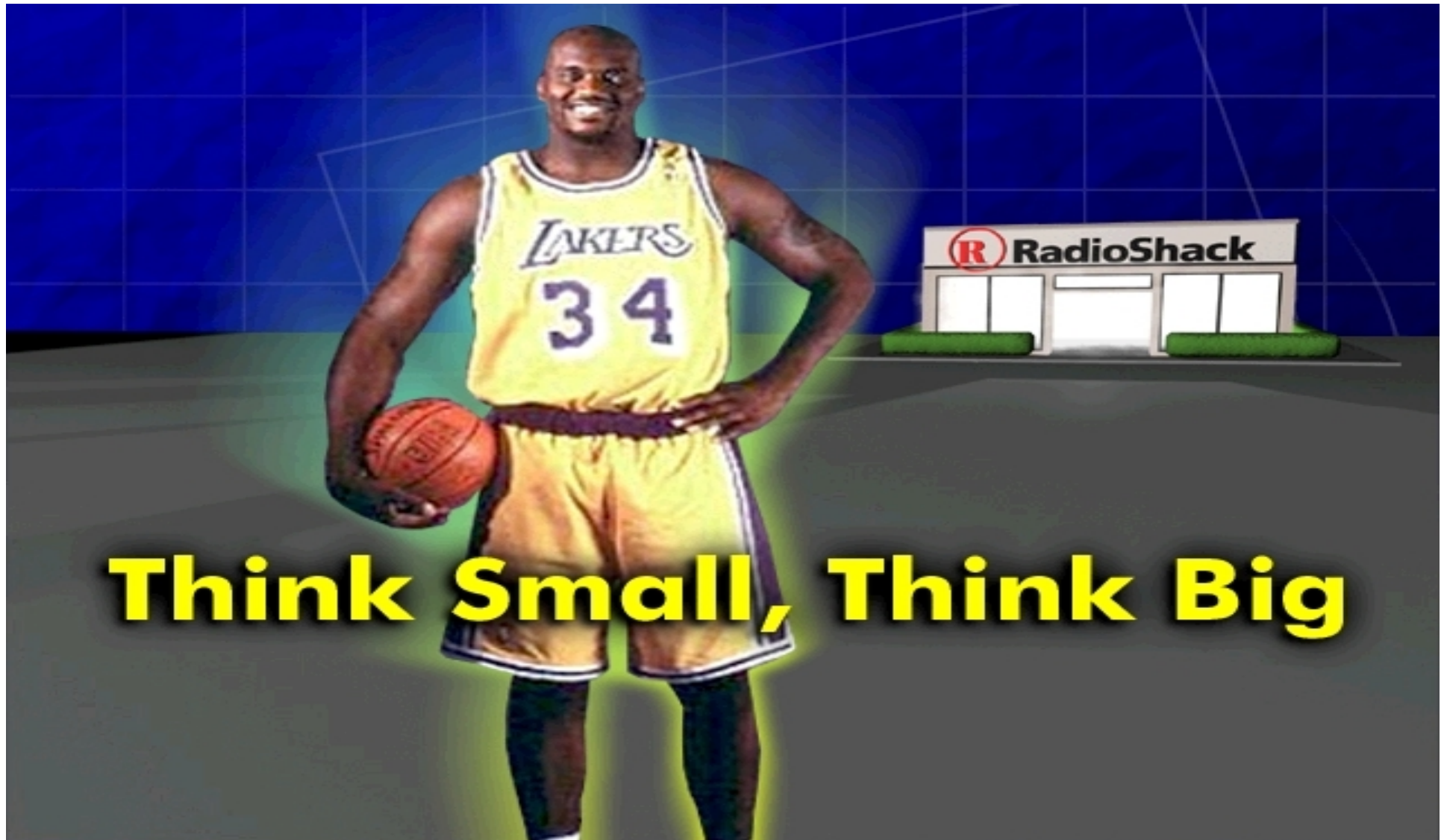
- Last Two Quarters of '02
- First Two Quarters of '03
- Brand & Tactical Messages



- Shaq Loves Kids and Toys
- Kids LOVE Shaq



- New & Innovative Products Research with Kids Indicated Huge Hit
- Will Resume Aggressive Advertising when Supply Allows
- Big Promotion Tied to X-men 2 and Fast & Furious II in May & June



Think Small, Think Big

- The New Strategic Thread
- Credible and Based on Brand's Heritage and yet Plenty of Room for New yet Selective Product/Accessories Growth



- **Think Small, Think Big construct:**
 - Small Stores in Every Neighborhood in America
 - Intimate Setting for Answers to with Complex Electronics Purchases



Think Small, Think Big

- **Post-Retrofest, Bigger Selection of Accessories**
- **Answers/Inventory to Get the Right Ones for Your Product Whether You Bought it From Us or Not**

A woman in a call center environment is looking at a computer monitor. A hand reaches in from the left side of the frame. The background shows other computer monitors and office equipment.

Big Answers & Personal Service

- Brand Continuity and Brand Utility Expanded



- Small Store with Big Selection of Personal Electronics
- Wireless, MP3, PDA, Micro-Speakers, FRS
- Greater Opportunity to Accessorize All these Sales

SHAQ '03 TV

- “Watch Closely/Shackcessories w/ SHAQ”
- “Watch Closely/Personal Electronics”



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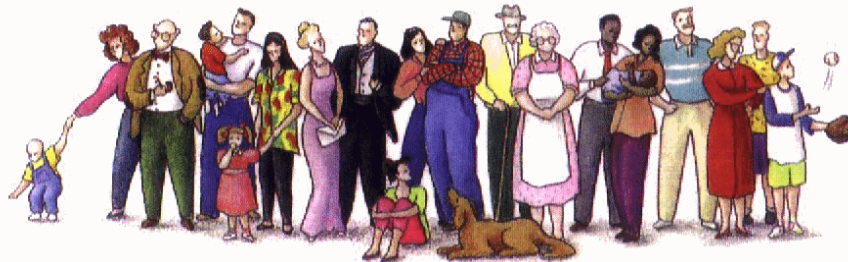
**The CRM Plan:
Using customer knowledge
management and micro-marketing to
create valued solutions & meaningful
relationships**

Segmentation makes our Solution Strategy Actionable



= By database & web marketing (*what we sell*)

Score database by segments: version flyer to “*dominate cost-effective solutions*”



= By media & message (*how we sell*)

Media & messages addressing “*everyone’s routine electronics needs*”



= By in-store experience (*how customers feel*)

Stores, and associates that address local “*families’ distinct electronic wants*”

Dominating through *Return On Insight* in 2003



Radioshack Needs to Develop Data and Capabilities *"To Implement Technologies that Enable Processes, Provide Customer Intelligence and Performance Management Information"*

Radioshack Needs to Plan & Execute Programs & Actions to *"Create Innovative Ways to Timely Deliver Customer Value and Anticipate Customer Needs/Wants"*



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Do All This More Cost-Effectively

- Tracking/Working Advertising's ROI
- Cutting Costs with Frugality & Focus

ROI Measurements Help To Make Advertising More Cost-Effective

- **Traffic Counters (up double digits since December)**
 - Mystery Shopping Associate Compliance, Studying Speed of Transaction and Check-Building Success
- **Sales to Advertising Correlations**
- **MMA (Media Market Analysis)**
 - Examples

Improving Advertising Mix Effectiveness

MMA Analysis

ROI

USA Today

\$6 to \$7

Direct Mail Flyer

\$4 to \$8

Broadcast

\$5 to \$7

Newspaper Insert

\$1.2 to \$2

ROP

\$0.50

Key 2002 Cost-Efficiency Improvements

Media Spend

- Ad Spend Flat vs Year Ago yet Added More Trp's with Aggressive Up-front Negotiations
 - Buying Strategy Change from Quantity to Quality ...
"Fish Where the Fish are"
 - Increased Flyer Circulation, More Radio and USA Today's.
- Cut Costs in 2002
 - Flyer / Insert Production
 - Re-used Many of Our TV Spots
 - Filmed Some TV in Vancouver and Dallas
 - Renegotiated Production Markups
 - Cut Post Production by 25%
 - Promoting with Partners to Defray Costs (E.G. Samsung/Radioshack 500 NASCAR Race)

Key 2002 Cost-Efficiency Improvements

- **Radio Programming: Purchase Highly Rated, Reach-oriented General Music, Talk and Syndicated Programming**
 - Fox Sports, Jim Rome, Delilah, Rick Dees, Dan Patrick, Jeff Foxworthy
 - No Rush Limbaugh, Howard Stern Or Dr. Laura
- **Purchase Schedules During Key Traffic-generating Days and Time Periods**
 - Wednesday Through Sunday Rotation
 - Operation Escalation Focused Friday Through Sunday
 - Heavy AM/PM Drive-time and Weekend Concentration



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