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4-24-2012

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### Recommended Citation

Johnston, L.D. 2012. "Target should acquire Best Buy". *MinnPost*, April 24, 2012.

<https://www.minnpost.com/macro-micro-minnesota/2012/04/target-should-acquire-best-buy>.

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# MINNPOST

## Target should acquire Best Buy

By [Louis D. Johnston](#) | 04/24/12

As Best  
Buy's



MinnPost illustration by Christopher Henderson

Target should acquire Best Buy

problems mount, there's **growing speculation** that the company could be purchased in a leveraged buyout. Here's a Minnesota-based solution: Target acquires Best Buy.

Last week **I wrote** that retailers must look closely at the talents of their people and the capital they have available to them and then answer a key question: How can we best use these resources? Target and Best Buy are both asking this question, and a merger may be the best answer, not only for the companies but for Minnesota's economy as well.

Best Buy has too many large stores, needs a stronger presence on the Web and has a middling reputation for good in-store customer service. Target could remake its electronics sections into Best Buy mini-stores and apply its strengths in customer service to these boutiques. They could also set up free-standing Best Buy locations in smaller towns or in strategic areas of large cities; these would have the backing of a strong Target- Best Buy internet presence and be smaller than existing Best Buy

stores.



Best Buy brings to the merger its brand and experience selling electronics, computers and major appliances.

Best Buy's biggest asset, however, is Geek Squad. Imagine Geek Squad available in Target stores to deal with customer problems! Target could expand the Geek Squad brand to in-home service in a wide range of products that Target already sells.

A key factor in making this work would be the creation of a strong retail presence on the Web. This would allow the new Target to do something similar to what JC Penney is doing: telling customers that they can buy whatever they want online or in a store, return it by mail

or in a store, and that the price will be the same every day regardless of where they do their shopping.

To do all of this, Target and Best Buy must integrate their corporate structures. This is where both companies being located in Minnesota helps the most. Physical distance and regional cultures often spell the death of mergers that look good on paper. The fact that both companies are based here in Minnesota minimizes these problems.

This is also a win-win for the Minnesota economy. All of the experience and intellectual capital of both companies would remain in Minnesota and the gains of the new company would be gains for Minnesota.

## A Minnesota precedent

In the early 1980s, Northwest Airlines and Republic Airlines were both based in Minnesota. (The large Delta Air Lines building complex on the north side of I-494 at 34th Avenue S. was Republic's maintenance facility and headquarters.) Airline deregulation, which began in 1978, hammered existing airlines and forced them to revamp their operations into hub-and-spoke systems rather than relying on non-stop flights.

Republic had hubs in Minneapolis/St. Paul, Detroit and Memphis along with a fleet of short- and medium-range aircraft (primarily DC-9s). Northwest's hub was also Minneapolis/St. Paul, but its focus was on long-distance flights, including service to Japan. (Remember the name Northwest Orient Airlines?) Northwest had a roster of large, long-haul planes such as the DC-10 and the Boeing 747. It made sense to merge the two companies to create an airline that could compete both domestically and internationally.

I think Target and Best Buy are in the same position as Northwest and Republic in the early 1980s.

**Purchasing Best Buy and then creating a seamless customer experience in stores and on the Web built on the strength of both companies might even put Target on the edge of the next evolution of retailing.**

MinnPost | 900 6th Avenue SE | Minneapolis, MN 55414 | 612.455.6950

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