The promise of the long-awaited digital revolution has finally been fulfilled. Flat-panel televisions, MP3 players, wireless laptops, cell phones with Internet browsing capability, wirelessly networked computing devices for the home, digitally controlled home appliances, and more are no longer the toys of a future generation. They are here today, and Best Buy wants to sell them—all of them—to anyone with the money to burn on such luxury items. In addition to all the gee-whiz electronic merchandise, the company still sells coffee makers, vacuum cleaners, and washing machines, albeit slightly more expensive ones than before.

The new digital gadgets, however, are fast crossing the threshold from expensive luxury items to affordable common electronics. The upside is that more customers are able to buy such products; the downside is the negative pressure put on prices and revenues. If any retailer can find a way to survive and turn a profit in the fiercely competitive electronics and home appliance industry, it’s Best Buy. Twenty years ago, when it operated under the name Sound of Music, a tornado ripped through its flagship store, and the company held a “best buy” sale to liquidate its merchandise and cover the costs of repairs. The success of the sale was the impetus for the name change to Best Buy, and the opening of its first superstore in 1984 marked the beginning of “big box” retailing as it is known today. Nine years later, the new look national chain surpassed Circuit City as the number one retailer in the segment. Best Buy’s stores offer a dizzying array of products (its stores have nearly 25,000 separate items) at affordable prices.

Usually located in a small- or medium-sized outdoor shopping centers with other “big box” retailers, an average 40,000-square-foot Best Buy store is large enough to hold ample stock of all available items while still comfortably accommodating customers. Bright lights, concrete floors, wide and easily navigated aisles, oversize shopping carts, and a helpful but unobtrusive staff dressed in blue shirts and khaki pants have put Best Buy at the head of the retail class when it comes to customer satisfaction surveys. Best Buy’s television commercials, which feature the tag line, “Thousands of Possibilities. Get Yours,” communicate an accurate picture of the customer experience. Inside every Best Buy store, a canned deejay plays the latest popular music over the public address system; recently released DVDs play on big-screen TVs; and personal computers, video game modules, home stereo systems, and more are turned on and available for customers to tinker with.

The ability to connect with its customers has brought Best Buy a 16 percent share of the $130 billion North American market for electronics and related devices. It now operates 600 stores in the United States and plans to open 60 or so new stores each year for the near future. Competition, however, is stiffening. Best Buy’s main threat now comes from discount superstore Wal-Mart, whose share of the market has climbed rapidly to just 5 percentage points behind Best Buy’s. That development, combined with a downward pressure on prices for electronic devices similar to the pressures in the PC industry, has forced Best Buy to explore new and more profitable ways of meeting the needs of the market.

The firm’s latest initiatives include selling more upscale and higher margin merchandise, hiring highly trained sales “consultants” to assist with more complex and expensive purchases, staying open for longer hours on weekends, outsourcing lower end items to China, and selling installation and connection services for its products. Those who prefer to shop in their pajamas can check out the possibilities online at BestBuy.com. Best Buy is also selling home entertainment packages direct to upscale homebuilders in cities such as Minneapolis, Dallas, and Las Vegas. For a nominal surcharge as low as $1,000, Best Buy will install, connect, and integrate the system while the house is being constructed, leaving the home’s new owner to sit back and enjoy the show.