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Digital Convergence @ RadioShack

RadioShack Fast Facts

- **7000 stores (5000 company owned)**
- **94% of the population lives within 5 minutes drive of the stores**
- **Services Retailer - # 1 retailer of wireless phones, satellite radio**
- **Knowledgeable sales force**
- **\$5 Billion in sales**
- **Product sourcing presence in Asia for over 40 years**

Digital Convergence

- What does it mean to RadioShack
 - Provides entry into new businesses
 - Back to the Future – Lead and help shape the market for new products and services
 - Not about the technology but about a seamless experience for the consumer
 - Leverages our core competency as a services retailer
 - Provides unique positioning in the market

Digital Convergence

- Convergence for RadioShack is about the customer
 - Consumers always being connected
 - Consumer convenience and easy servicing
 - Access to the same services from different devices regardless of transport - PC, Wireline, Wireless LAN, Mobile Handsets
 - Personalization, mobility and marrying content with digital devices
 - Satisfying consumer wants and needs

What has RadioShack done to structure itself around digital convergence and innovation?

- **Established corporate development team and processes to support innovation and bring new businesses to market**
- **Established formal and more robust ties to innovation opportunities from external sources**
- **Leverage the RadioShack value chain**



RadioShack Value Network

Value Network

Concept to Commercialization



RadioShack is Now...

- **Actively seeking innovative products and breakthrough technologies from sources like venture capitalists, entrepreneurs, universities**
- **Reorganized to make markets for new technologies and ideas**
- **Tapping core competencies throughout the organization and leveraging the RadioShack value chain**

Sourcing Technology Innovations

Business Partners

IP Law
Firms/Consultants
Carriers

Centers of Excellence

Academic Incubation/
Research Labs
Plain Sight Systems
U of Texas

Early Stage Medium Sized

Securinex
Mobility
JAMDAT

Venture Capitalists

Mayfield
H02
Novak Biddle

OEM's/ODM's

IP/R&D/
Shelf Techs
Motorola

Discovery



Invention

Innovation

Innovation Teams

Technology

Vetting

- Is there a large and growing addressable market?
- The potential for high margins – 50% plus
- A solid platform of defensible intellectual property
- Experienced inventor and/or strong management team
- Innovative technology/service/product that leverage RS assets and strengths

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RadioShack Knows How to Make Markets

- Helped make the market for wireless CDMA digital technology
- Created strategic alliances with Sprint PCS and Verizon Wireless
- Quickly became the #1 wireless retailer in America

The Process is Working

- Sourced iGo™-branded battery chargers from Mobility (announced in Fall '03)
- Elected to expand beyond vendor/buyer relationship to co-develop products using their IP
- Seized the opportunity to form a powerful new distribution alliance with Motorola

Mobility's *iGo*TM Solution



10 adapters
combined

EverywherePower
& DualPower

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Ignition

Research & Innovation Lab

Value Network

Concept to Commercialization





IGNITION

an environment designed
for innovation

- *Research*
- *Design*
- *Prototyping*

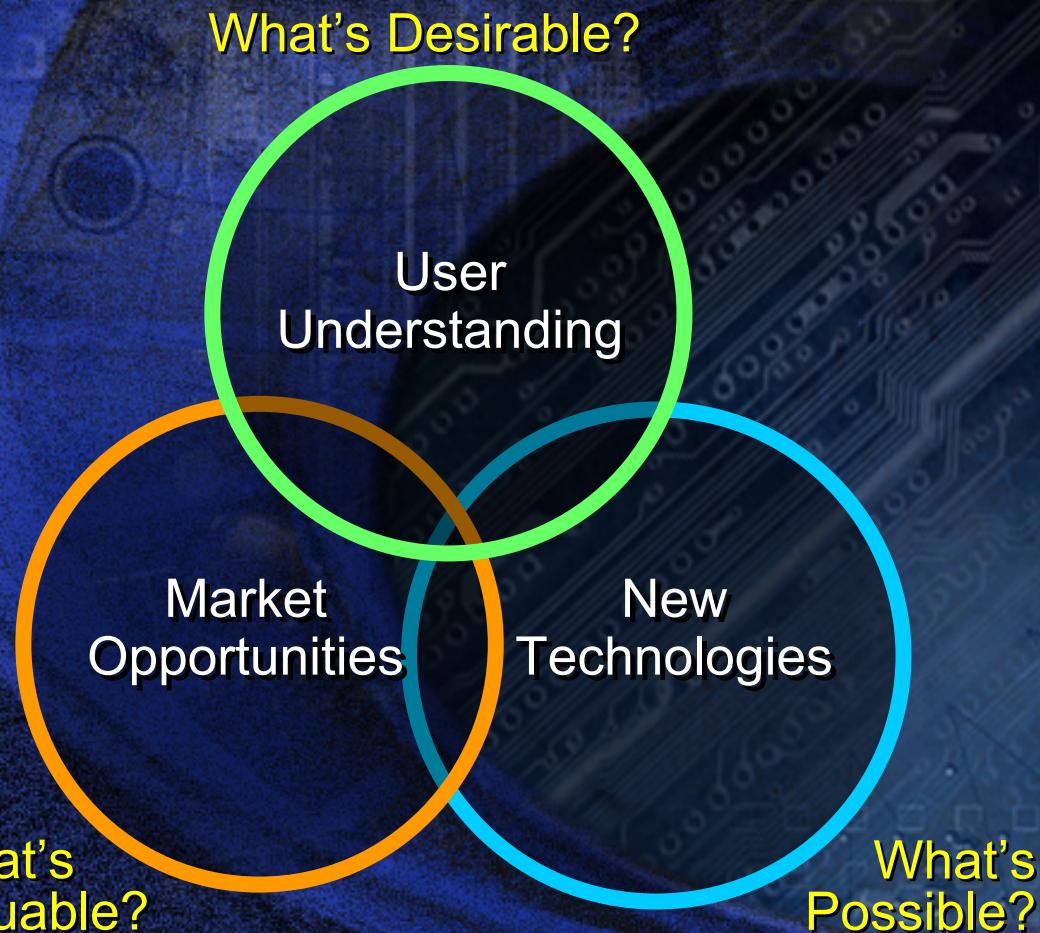


Discovery Process

Ignition employs a discovery process that uses both creative and evaluative tools to:

- *Systematically replace speculation, opinion and bias with data, information and insight*
- *Identify the needs and wants users can't articulate or perhaps, don't realize they have*
- *Continually expand the possibilities for solutions in the form of new products, services or businesses*
- *Identify and select the best alternatives*
- *Test and validate offerings*

Ignition's Unique Approach



We have learned that the best new product ideas are based on real user need.

The more you learn about user behavior and activities, the more customer focused the design team, the more valuable and desirable the final product .

User Understanding:

Curiosity Surrounding People and their Everyday Lives



Observing
what People DO
vs
what People SAY

What's Desirable?



Keeping an
Eye out for
Emerging
Shifts in
Behavior

Understanding Cultural
and Social Context

Case Study Discovery: A New Category Cinego

Discover user needs around the family and high-content TV viewing. Ignition's research showed **key dynamics** are:

- Some proud-to-own factor of large TVs
- Large TVs sometimes viewed obtrusive
- Some applications for mobility of viewing



Prototyping Studio



Working Side-by-side

Ignition now has a Research & Innovation Lab
in RadioShack's New Corporate Headquarters

Working side-by-side to incubate new ideas and
enhance existing ones through better design



Value Network

Concept to Commercialization



RadioShack's Objectives

- Build an ongoing pipeline of innovative products and services
 - *Sourced from OEM's, ODM's, business partners and private equity groups*
- Lead the market by innovating and aligning strategically with partners

RadioShack is Actively...

- Patenting, licensing new technologies
- Capturing value through equity participation
- Leveraging our OEM's Research and Development
- Collaborating with universities to commercialize IP
- Cultivating affiliations with private equity and venture capital to accelerate market adoption



RadioShack