

# Analysis of circuit city

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Consumer, evaluate whether the replacement of highly paid workers with lower-paid workers did or did not cause Circuit city to perform so poorly.

I do not think that Circuit City performed poorly merely as a result of the replacement of highly paid workers with poorly paid workers. Stating that the organization's performance was pegged on employee pay is too simplistic.

Figure 1 and Figure 2 below are used to support this argument.

### Figure 1: Circuit City Chart

Figure 1 shows that as Circuit City's stock prices increase, customer satisfaction (ASCI index) decreases and vice versa. Assuming stock prices truly represent the financial performance of the organization, and also that there is a correlation between worker pay and customer satisfaction, interpreting Figure 1, one could argue that Circuit City gets higher returns when customer satisfaction is low. In this case we would expect Circuit City to have performed better with the poorly paid workers who offered poor service.

On the other hand, Figure 2 shows that the only time stock price increase / decrease corresponded with a similar increase / decrease in customer satisfaction (ASCI index) was between 2006 and 2007. This Figure shows no correlation between stock price and customer satisfaction.

### Figure 2: Best Buy Chart

Best Buy and Circuit City are in the same industry thus we would have expected their graphs of similar variables to display similar correlation between stock price and ASCI index unless there are other factors affecting the curves. For this reason, we find it inconclusive to state that the

replacement of highly paid workers with lower-paid workers did or did not cause Circuit city to perform so poorly.