



THE STOCK MARKET GAME.

Ticker's Tales

Investors Know Best

Imagine going back to prehistoric times, when dinosaurs like typewriters and dial telephones populated the earth. In the primeval days of 1977, for example, The Stock Market Game was just a newborn. No one had yet heard terms like "Web," "logging on," or "text messaging." Nor had anyone ever seen an Easter basket with a Best-Buy gift card nestled among colored eggs and jelly beans.

Computerized gift cards were unheard of back then, and there was no consumer electronics store called "Best Buy." That began to change in 1983, when Richard M. Schultze picked "Best Buy" as the new name for a store he cofounded years before in St. Paul, Minnesota.* Known initially as the Sound of Music, the company sold only audio components systems for homes and cars. But Mr. Schultze had bigger ideas for the company. When receiving its new name in 1983, the company had already expanded into video products and appliances.

But it takes money to grow a company, so in 1985 Best Buy (symbol BBY) held an initial public offering (IPO). By selling its first shares to the public that year, the company raised \$8 million to invest in its growth. In the following year, 1986, it raised more than \$30 million in a second offering of new shares to the public. But when fierce competition trimmed the

company's earnings and stock price, Mr. Schultze responded. He pioneered a new type of well-stocked, "grab-and-go" superstore that offered hassle-free shopping with product specialists who didn't work on commission.

Best Buy Vs. The Stock Market

Growth of Each Dollar Invested, April 1985–Feb. 2008



Vertical axis measures equal proportionate changes. Amounts exclude reinvested dividends. Source: Yahoo!Finance, <http://finance.yahoo.com/?u>.

The company grew rapidly in the following years, although intense competition often put its earnings and stock price on a roller-coaster. By continuing to innovate, however, the company rose above its competitors and joined the Fortune 500 largest American companies in 1995. Today, Best Buy has more than 1,200 retail stores in the U.S., Canada, and China and employs about 140,000 employees. Unlike 30 years ago, today's investors know Best.

*See the following for the company's history: <http://www.bestbuy.com>; <http://www.answers.com>.

Write Now

Suppose in April 1985 you had invested \$500 in Best Buy and \$500 in the S&P 500. What were the values of the investments in February 2008? Would investing in Best Buy today be a good investment? Explain.

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