

## Pop Talk: Album and record stores vanishing

by *George\_Varga*

Playing guitar and keyboards in the bands Via Satellite and The Album Leaf is a hands-on experience for Drew Andrews. So is buying albums.

"There definitely is an attraction to flipping through the CDs and looking at the artwork," said Andrews, 28, of San Diego.

THE LAST REVOLUTION - Bucking national trends, Lou's Records in Encinitas, Calif., still draws loyal customers who buy albums in person, rather than download them. From left are Nikki Ferris, 21; Marcos Brooks, 19; and (at rear) Sean Slingerland, 21. CNS Photo by Don Kohlbauer. ALBUM BUYING - Taang! Records founder Curtis Casella partly credits his San Diego store's success to collectors seeking original vinyl records. CNS Photo by John Gastaldo. "I like going to stores like Thirsty Moon and M-Theory because the people who work there always have good recommendations, especially for more obscure artists I don't know much about. I always go to the independent record stores where I can buy directly from somebody who will benefit."

But the opportunities for hands-on album buying are becoming increasingly rare. Or, in some cases, impossible.

Radiohead recently released its new album exclusively as a digital download at whatever price (if any) fans want to pay.

The top English art-rock band's move bypasses both its former record company, EMI, and myriad record stores around the world that sold Radiohead's previous releases.

Never mind that 89 percent of total album sales in this country (229.8 million for the first half of 2007,

according to Nielsen Soundscan) are still made in stores.

Approximately 750 record outlets closed nationally in 2006 (adding to the 550 closures in each of the two preceding years). Only about 3,000 record stores now operate in the United States, down from 12,000 in 1992.

At the same time, album sales dropped nearly 16 percent in the first half of 2007, the biggest six-month decrease yet after years of dramatic declines.

"There are a lot of contrasts and conflicts, but no clear answers," said Ed Christman of Billboard, the record industry's oldest weekly trade magazine.

"Like newspapers, the record industry is in transition from physical to digital. But the digital has yet to offset the decline in physical sales, which are declining because of CD copying and unauthorized peer-to-peer file sharing."

Regardless of the causes, consumers who don't want to download music or order it online have fewer and fewer options. And if their tastes extend beyond the limited, hits-only inventory available at Wal-Mart and Best Buy - now the nation's two largest retail outlets in which to purchase CD albums - their choices are even more limited.

Last month, the once-pioneering international Virgin Megastore chain was sold by its founder, Richard Branson. It was the latest sign of how badly record stores are faring in an age of iPods, ring-tones and the downloading of music by consumers who have little interest in obtaining albums or individual songs anywhere but online, legally or otherwise.

"It's a scary situation," said Curtis Casella, the founder of Taang! Records, the independent label and store he founded in 1984 in Boston. "But it's a transitional period. There will always be a market for music, it's just a matter of how to sell it."

Make that how and where.

Borders, which is primarily a bookstore, has emerged as the chain with the largest selection of new albums in many regions.

Tower, which grossed more than \$1 billion in 1996, filed for bankruptcy in 2004 and again in 2006 before going under late last year. All 89 Tower stores were closed.

Wherehouse, another large chain that once had a strong presence, also filed for bankruptcy. Some of its stores were acquired by Trans World Entertainment, although only seven Wherehouse outlets are now operating nationally.

Musicland, which operated 800 record retail outlets, many under the Sam Goody banner, imploded early last year. Trans World scooped up 335 of the most profitable Sam Goody outlets, but there was still a net loss of 465 stores.

For many younger consumers, who live in an almost exclusively online world when it comes to getting music, it really doesn't matter if there are any record stores at all.

"I like to get music on my computer because it's more convenient," said San Diego singer-songwriter and

guitar teacher Anna Troy, 23.

"Pretty much all my students have iPods, even the 6- and 7-year-olds. That's proof right there they probably don't shop at stores for their music."

But music lovers who do shop at indie record stores often pay a price.

While many retail stores typically charge \$15 or more per CD, songs on iTunes typically sell for 99 cents each, and \$10 for an album.

The "big box" stores, such as Wal-Mart, Best Buy and Target, which sell many other products and derive only a fraction of their overall profit from albums, can also sell new albums for \$10, thanks to major discounts they receive from record labels (some of which even provide new albums free of charge for promotional reasons).

Wal-Mart's clout is so great that The Eagles' upcoming new CD - the band's first new studio album in 28 years - will be sold exclusively at its stores. Such exclusivity is becoming more common, as the latest album by Paul McCartney was initially sold only at Starbucks.

Then, there's Prince, who took an even more novel route for the release of his latest album, "Planet Earth," in the United Kingdom, where it was first available only in The Mail on Sunday newspaper. Similarly, sales of his 2004 album "Musicology" were boosted by his tour that year, with the price of each ticket including a copy of the album (which was handed to each concertgoer).

Record stores are now stocking the new McCartney and Prince albums. But their inability to sell them during

the first few weeks of release, when sales usually peak, presents yet another obstacle.

"Our new-release business is about 60 percent of what it was in 2004," said Lou Russell of California, who in 1980 opened Lou's Records in Cardiff before relocating to Encinitas in 1982. "The reason is because of all the 'big box' mass merchants that sell releases - like Gwen Stefani's second solo album last December - at below-cost prices that I can't compete with."

Lou's stocks 40,600 album titles, most in CD form, some on vinyl. By comparison, a typical Borders store stocks 14,000 albums. Best Buy, which is considered to have the deepest music inventory of the big-box stores, has no more than 2,000 albums in stock at each location, according to Geoff Mayfield, Billboard's senior analyst and director of charts.

"And that's in an industry that generates thousands and thousands of new albums every year," Mayfield said. "The traditional record store environment has more selection and is more supportive of artist development and lesser-known acts. In the diminution of the number of record stores, we've lost a lot of independent stores. But the really smart and astute ones still survive."

"Our used album business is holding up well," said Russell, whose store includes a separate building for used albums and DVDs. "Our new business is currently not profitable. But we have other products that help us get to profitability, like T-shirts and accessories. And we're starting to bring in toys."

"There are loyal customers who love shopping in record stores. It's part of their cultural experience that they don't want to have to give up."

Beth Wood contributed to this article.

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