Retailers say they're under Stones's thumb

By Steve Morse, Globe Staff, 11/11/2003

When it comes to the Rolling Stones right now, big portions of the music-selling industry can't get no satisfaction.

Music retailers are peeved that the Stones have signed a multimillion-dollar deal giving one giant chain -- Best Buy -- exclusive rights to sell the Stones's new four-DVD concert set, out today.

Coinciding with the peak holiday record-buying season, the deal has provoked an angry protest from shutout retailers who are now pulling Stones records off their shelves -- in some cases entirely, or at least enough to send a message of disgust.

"It's obnoxious," says Mike Dreese of Newbury Comics, a 24-store chain based in Boston that recently yanked 30 Stones albums out of its bins. The chain left 15 titles intact, but raised the price on those by $3 each to further punctuate the message.

"If we're going to be treated like second-class citizens, then we're not going to do the Stones any favors," Dreese says.

Though record sales are down 6.5 percent this year, so-called "big-box" stores like Best Buy and Wal-Mart, which also feature everything from appliances to computer software, sell more records than any other retail outlet. Best Buy, a Minneapolis chain that owns nearly 700 stores, accounts for 13 percent to 15 percent of national record sales, according to Billboard, the trade magazine for the music industry. This has smaller-chain owners like Dreese squawking about an "uneven playing field." He says the music industry should explain why it is cutting out longtime retailers such as Newbury Comics to go with a company like Best Buy, which "also sells washing machines."

The Rolling Stones DVD set, entitled "Four Flicks," will be marketed "like the debut of a motion picture," says Best Buy's Gary Arnold, a senior vice president for the chain. Full-page newspaper ads, together with TV commercials on network and music cable stations, and direct mail advertising, are all part of the effort to push the product, which sells for $29.99.

"We're celebrating this. We're not just sticking it in the back of the store," says Arnold, who confirms that the DVDs represent a "multimillion-dollar" campaign ensuring that Best Buy has exclusive rights to sell the set until at least the end of February.

That's an unprecedented period for an exclusive, other retailers say, and it raises fears that more such moves could have a devastating effect on the industry.

"If there's just one or two of these deals a year, then that's not a big thing," says Dreese of Newbury Comics. "But if there's going to be 100 of them, that's going to crush some retailers."
Josh Bernoff, an analyst covering entertainment for Forrester Research Inc. in Cambridge, says the newfangled deals have arisen from the "ugly" climate in the music industry.

"Sales are down because of file-sharing, and the number of stores open is shrinking. There is less money to go around and everybody in the distribution chain is trying to take it out of somebody else's hide," Bernoff says.

He cautions, though, that the Best Buy move was an "experiment" and that not many artists would qualify for such exclusives.

"Would you do it for Madonna? Maybe. Would you do it for Springsteen? Maybe," Bernoff says. "But you're not going to see this with every record that comes out because it's too hard to manage." Best Buy, which started negotiating with the Stones last winter, is increasingly aggressive in chasing exclusives. Last summer the chain secured a one-month deal to market a new single by the Eagles, a post 9/11 track called "Hole in the World." And it has had previous tie-ins with Sting, 'N Sync, and U2, for which it had a two-week exclusive a couple of years ago to sell U2's "Elevation Tour" DVD.

"U2 will never be the same band to us again. We'll never forget that," Dreese says.

In Best Buy's defense, Arnold says other stores are headed in this direction as well. He cites a Target exclusive this year for a joint album by Justin Timberlake and Christina Aguilera.

Meanwhile, the retaliation continues. Circuit City, a chief competitor of Best Buy, just canceled a Stones catalog promotion set to begin this month, according to Billboard. Trans World Entertainment, which operates 940 stores (including FYE, Coconuts, and Strawberries), is cutting the 72 Stones titles it usually stocks back to just five.

And the reaction has been even more severe in Canada, where retailers Pindoff Record Sales, Sunrise Records, and the 100 HMV Canada stores have pulled all Stones products off their shelves indefinitely, Billboard says. The Stones camp has expressed surprise at the developments, but not regret.

The band's tour promoter, Michael Cohl, who brokered the deal under his company name of TGA Entertainment, says the Best Buy exclusive helps the band's fans because they can get the four-DVD set for the "amazing price" of $29.99.

"The other offers we received from alternative distributors would have had the product being sold for at least $20 to $30 higher to the consumer, something which was unacceptable to the Stones and TGA," Cohl said in a statement. The DVDs feature a documentary of the band rehearsing for their last tour in Paris and Toronto, leading up to opening night at Boston's FleetCenter (with rehearsal footage at the FleetCenter and Gillette Stadium, together with just the first song played at the FleetCenter opening). The five-hour set goes on to include concerts taped at New York's Madison Square Garden, London's Twickenham Stadium, and Paris's Olympia Theatre.

The filming is state-of-the-art, and the project was produced and directed by Marty Callner, who also directed many of Aerosmith's most famous MTV videos.
The latest retail outrage is seen as jealousy by some Best Buy executives. "They're upset that they're not a part of this," Arnold says. "But Best Buy deserves to deliver this to the customer."

Best Buy also recently landed an exclusive (but is not saying for how long) to market the new John Mellencamp DVD, "Trouble No More: The Making of a John Mellencamp Album." "And we're going to be doing more of these things," Arnold says. "But I can't tell you what they are yet."