STUDY SHOWS SELL-THROUGH NOT LIVING UP TO EXPECTATIONS

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• Large chains are becoming more efficient at maximizing rental turns.

• A significant amount of point-of-purchase material is never seen by the consumer.

Tim Baskerville of Video Marketing says the study was an attempt to "see what makes buyers from different classes of trade tick. It's the first survey that attempted to look at the different channels of distribution and compare how they operate in a systematic, numerical way."

Of the sample, 15% earned no revenue from selling prerecorded cassettes.

"It's startling that you could have that many stores not attempting to sell anything," says Baskerville. "Even more dramatic is that 49.5% reported that their sales revenue from prerecorded was no more than 5%. We're talking about a growing sell-through market—but if that is true overall, a lot of stores appear to be giving it lip service."

The survey indicates that 1986's promotional video product has been feeding rental inventories.

Baskerville acknowledges, however, that for larger chains, sheer rental volume might be masking sell-through dollars. Another factor is that sell-through in 1986 was largely a fourth-quarter phenomenon.

In terms of selecting product sources—whether direct or through wholesalers—the entire sample indicated that the most important issue was getting delivery on time, followed by fulfillment of the order. Price ranked third, except among the larger chains, where it was the second priority.

Respondents were asked to rank their priorities. After price, they ranked as follows: good sales staff, p-o-p availability, co-op advertising, wide selection, and distance.

"The field is extremely competitive," says Baskerville, "and nothing will tick a retailer off more than being told by a supplier that delivery of a hot title will be delayed by a day or two."

The co-op element, according to Baskerville, revealed some dramatic contrasts among different classes of the trade, particularly between large chains and small operators.

"We found," says Baskerville, "that mom-and-pop retailers were baffled and frustrated by co-op and tended to write it off as a waste of time, whereas the larger chains often made decisions about which distributor to go to for special promotions because of co-op. There were many horror stories in the survey about how clumsy the whole co-op system is."

Questions on p-o-p revealed "that much of that material is discarded and never used." The sample showed that 43% of p-o-p material is thrown away or never used—significant in light of the huge expenditures studios lay out for its creation and mailing. Of the larger chains, 59% tossed out p-o-p material. P-o-p material was more appreciated by the mom-and-pops.

"The studios," says Baskerville, "are, in effect, throwing out a large amount of money. We don't have a solution, however, since the smaller stores do use it and find it very valuable."

Another significant survey finding, says Baskerville, is how much more efficient the large video chains are becoming in maximizing rental turns per unit compared with the mom-and-pops—128.7 vs. 75.1 turns. The finding seems to deflate the notion that the mom-and-pops can maintain dominance through specialized knowledge of product.

"The large chains," he says, "are continuing to take a big chunk of the business away from the mom-and-pops—and as long as they are becoming increasingly more sophisticated in moving inventory from store to store and expanding, it does not bode well for smaller dealers, particularly in two years, when VCR unit growth slows."

Also revealing, says Baskerville, is how valued the distributor relationship is, even to large chains.

On the distribution front, says Baskerville, it might have been believed that the market was hurtling toward direct distribution, but "when you start talking to these large accounts, you realize how much value the distributor adds with inventory control, computer tracking, and speedy delivery.

"It's likely, even when stores could get a better deal buying direct, they will continue the distributor relationship. Of course, if a supplier wants to go direct, that's different."

Looking at the survey overall, Baskerville says, "There's a lot of fear out there among all classes of retailers. The mom-and-pops are scared to death that they will be run over by the mass merchants, and the larger retailers think they are not going to be treated fairly because supplier policy has been geared to serving the mom-and-pops.

"Everybody thinks everyone else has some secret advantage and is being favored."

One other hot topic that came up was the time window between the initial release of an A title and its re-emergence as a low-price title.

"Retailers were particularly emotional about this issue," Baskerville says. "By not being told when the product is being re-released, they feel they might be getting stuck in many cases, having too many rental copies that they can't unload in time."

GOLDMAN EXTENDS RCA/ARIOLA CONTRACT

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that the Interworld/Ariola operation has strong centers of activity, including Germany and the U.K., but views much of it as "kind of hanging out there by itself without a cohesive approach. It's a little chaotic."

In choosing between major acquisitions and a slower, carefully nurtured pattern of growth, Goldman says he is likely to lean toward the latter approach. But he does not rule out buyouts and would "not shy away from major acquisitions if they were available under favorable [economic] conditions." While associated with Arista, Goldman played a key role in setting up Arista/Career Music, which under the direction of Billy Meshel has evolved into a "very profitable" venture.

The RCA Record Club was not part of the original joint venture between Bertelsmann and RCA. However, in acquiring the remaining 75% of RCA it did not already own from General Electric last December, Bertelsmann added the record club as well. Goldman says the record club is "doing very well, but on the other hand there's a lot to look at with the tremendous growth of mail order in the U.S. and other parts of the world." Goldman is talking "fresh ideas," but, reflecting the highly competitive nature of record club operations, he declines to be more specific.

With regard to the RCA/Ariola label situation in the U.S., Goldman comments, "I anticipate a good year in 1987. 1986 was a cleanup year, one in which things from the past came home to roost." He adds that the label's artist roster was pared, and in "painful" actions many veteran employees left under a voluntary retirement plan.

The perception of the label, flying high with the success of Bruce Hornsby, among others, is "totally different from a year ago," says Goldman. As a result, he says, high-quality musical creativity is being brought to the label.

According to Goldman, the company's regained strength in the marketplace is evident in yet another way. He says, "For the first time in many years, RCA executives in our home office and in the field are being intensely recruited by other labels."

NASHVILLE WORKS TO AVERT MUSICIANS-UNION STRIKE

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an agreement that contains a provision [the 25,000-unit exemption] that cannot be costed out. That is the gigantic question mark.

"It appears that no one—not even the record companies—can know what the impact will be because they so jealously guard the statistical information. So we do not know how many titles will be removed from the obligation to contribute to those two funds with the 25,000-unit exemption. If an enormous amount of titles are exempted, it could be an enormous cutback."

He adds that from the statistics he does have, however, the drop in funding should not be too substantial.

Collins says the 435 recording musicians eligible to vote on ratification in Nashville stand little chance of prevailing in the face of Los Angeles' more than 2,000 voters. All told, Collins says, there are 6,000 eligible voters.

Representatives of the Montreal and Toronto locals were the first to walk out on the negotiations when the 10% cut was proposed by the recording industry. They were then joined by Los Angeles and New York, leaving Nashville as the only nonwalkout in the dealings.

Collins says he met with 45-50 of his members Jan. 9, just before resumption of the negotiations, which had stalled in November. The members agreed to accept a cut if that meant not striking, but a majority did agree to strike if the record labels decided to cut contributions to the funds altogether.

WHITNEY, LIONEL ARE BIG AMA WINNERS

Family Ties. The Judds celebrate their two American Music Awards victories backstage with Mickey Gilley, left, and James Ingram. (Photo: Attila Csupo)

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years ago by brother Michael Jackson's "Don't Stop Till You Get Enough."

Alabama won for favorite country album for the third time in the past four years. The platinum perennial also won as favorite country group for the fifth consecutive year. This ties Barbara Mandrell's five-year lock on the favorite country female vocalist award from 1981-85 as the longest winning streak in the history of the awards.

After a one-year interruption, Mandrell won the country female vocalist award again this year, while Willie Nelson took the equivalent male award for the fourth time in the past six years.

Here is the complete list of winners.

Pop/Rock

Album: "Whitney Houston," Arista.

Material Honor. Madonna shows off her award as best female video artist at the American Music Awards ceremony. (Photo: Attila Csupo)

Single: Billy Ocean's "There'll Be Sad Songs," Jive/Arista.

Male Vocalist: Lionel Richie, Motown.

Female Vocalist: Whitney Houston, Arista.

Duo/Group: Huey Lewis & the News, Chrysalis.

Video Single: Lionel Richie's "Dancing On The Ceiling," Motown.

Male Video Artist: Billy Ocean, Jive/Arista.

Female Video Artist: Madonna, Sire/Warner Bros.

Video Duo/Group: Huey Lewis & the News, Chrysalis.

Soul/R&B

Album: "Whitney Houston," Arista.

Single: Janet Jackson's "Nasty," A&M.

Male Vocalist: Lionel Richie, Motown.

Female Vocalist: Whitney Houston, Arista.

Duo/Group: New Edition, MCA.

Video Single: Whitney Houston's "Greatest Love Of All," Arista.

Male Video Artist: Lionel Richie, Motown.

Female Video Artist: Janet Jackson, A&M.

Video Duo/Group: Kool & the Gang, De-Lite/PolyGram.

Country

Album: Alabama's "Greatest Hits," RCA.

Single: the Judds' "Grandpa," RCA.

Male Vocalist: Willie Nelson, Columbia.

Female Vocalist: Barbara Mandrell, MCA.

Duo/Group: Alabama, RCA.

Video Single: the Judds' "Grandpa," RCA.

Male Video Artist: George Jones, Epic.

Female Video Artist: Reba McEntire, MCA.

Video Duo/Group: Alabama, RCA.