NEW KIDS, MADONNA, HAMMER DO BATTLE ON CHART

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CATCH-22 FOR MADONNA

Brian Poehner, VP of purchasing for the 120-store Turtle for Music and Vinyl chain, says Madonna, New Kids, and M.C. Hammer albums are all performing well, but notes that there may be a problem with "I'm Breathless" across both Madonna's new and old audiences. A few people can't get over to an adult audience—that's the tough part," Poehner says. "When you go from this disco stuff to doing Broadway, it turns off the kids, but the adults would never go into a record store to buy Madonna."

The singer played at the Nassau Coliseum June 11 and was set to perform a series of shows at New Jersey's Meadowlands Arena (one of which was canceled and another scheduled, due to laryngitis). After the Madonna show leaves town, Rosenberg says he still expects the album to sell well. "Hanky Panky [the album's second single, just released] will be a monster," he says.

MADONNA'S NEW ALBUM

"Madonna's new album is trendy and different from her previous releases, but it still has a unique sound that appeals to a younger audience," says Harold Guifilf, music buyer for the 185-store Disc Jockey Records chain in Owensboro, Ky., says the release of "Dick Tracy" has not had an initial impact on Madonna sales at his chain, where "I'm Breathless" is running a "poor third" to New Kids and M.C. Hammer.

FINANCIAL ANALYSIS OF 5 RETAIL CHAINS

Inventory turnover is an indication of management's ability to control its inventory. For this survey, it is the ratio of the cost of goods sold to average merchandise inventory in a year. The higher the number, the better the performance.

The surveyed company with the highest annual inventory turn is Wherehouse, at 2.91. Musicland, at 1.99, is in the largest chain in the survey, has the second highest inventory ratio, at 2.57. Mall chains like Musicland generally have smaller inventories per store than webs with larger, freestanding stores and, in theory, turn it over quicker than the bigger outlets.

ABILITY TO EXPAND

The debt-to-capital ratio is important, according to analyst David Botsolik of Goldman, Sachs & Co., because "it influences the company's ability to expand and to be financed by dividends and long-term debt by the total liabilities and shareholders' equity."

Spec's has the lowest debt-to-capital ratio—zero—because it has no long-term debt. The highest ratios belong to Musicland and Wherehouse, which took on heavy debt when they were acquired in leveraged buyouts. For both companies, the company's SG&A-to-sales ratio is 37.8%. For Trans World Music, debt is 16% of capitalization.

National Record Mart, a privately held company, operates 101 stores, does not disclose financial data. However, chief executive William Tietelbaum did provide some figures in this survey, although he declined to reveal his company's debt-to-capitalization ratio.

Some industry sources believe that the ratio of a company's selling, general, and administrative expenses (SG&A) to its sales is a valuable measure of how a chain controls its costs.

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