

FINANCIAL ANALYSIS OF 5 RETAIL CHAINS

(Continued from page 10)

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 the average merchandise inventory in a year. The higher the number, the better the controls.

The surveyed company with the highest annual inventory turn is Warehouse, at 2.91. Musicland, which at 825 stores is the largest chain in the survey, has the second highest inventory ratio, at 2.87. Mall chains like Musicland generally have smaller inventory per store than webs with larger, freestanding stores and, in theory, turn it over quicker than the bigger outlets.

The next highest inventory turn is Spec's, at 2.50. The others are National Record Mart, 1.9, and Trans World, 1.84.

ABILITY TO EXPAND

The debt-to-capitalization ratio is important, according to analyst David Bolotsky of Goldman, Sachs & Co., because it "influences the company's ability to expand." It has been computed by dividing long-term debt by the total liabilities and shareholders' equity.

Spec's has the lowest debt-to-capitalization ratio—zero—because it has no long-term debt.

The highest ratios belong to Music-

land and Warehouse, which took on heavy debt when they were acquired in leveraged buyouts. For both companies, debt amounts to 46% of capitalization. Musicland's long-term debt is \$266.3 million; Warehouse's is \$109.5 million.

For Trans World Music, debt is 16% of capitalization.

National Record Mart, a privately held company that operates 101 stores, does not disclose financial data. However, chief executive William Teitelbaum did provide some numbers for 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.

Others, however, discount its importance. Keith Benjamin, analyst with Silberberg, Rosenthal & Co., points out that SG&A "depends on a company's sales strategy."

For example, mall chains pay higher rents than do webs with freestanding or strip-center units. But mall retailers, because they are in high-traffic locations, pay lower advertising expenses. Rent and advertising both fall under SG&A; therefore, in comparisons between mall and nonmall chains, these two expenses can sometimes cancel each other's effect.

This analysis shows that Trans World, which is primarily a mall chain of 442 stores, has the lowest SG&A ratio—28.6% of sales. Musicland and National Record Mart have the sec-

VITAL RETAIL STATISTICS

Retailer	Gross Profit Margin (percentage)	Cash Flow Margin (percentage)	Inventory Turnover (ratio)	Debt-to-Capitalization (percentage)	SG&A-to-Sales (percentage)
Musicland	41.5	9.80	2.87	46	29.2
National Record Mart	39.8	9.60	1.90	N.A.	29.2
Spec's	38.6*	20.7*	2.50	-0.*	31.2*
Trans World	37.8	6.37	1.84	16	28.6
Warehouse	47.0	10.9	2.91	46	38.2

*These percentages are based on the six-month period ended 1/31/90. All others are based on entire years.

Sources: Companies listed and their official 10K and 10Q filings with the Securities and Exchange Commission.

NEW KIDS, MADONNA, HAMMER DO BATTLE ON CHART

(Continued from page 8)

New Kids album to high anticipation on the part of the group's young fans. While "I'm Breathless" continues to top some chains' sales tallies, others attribute the album's flattening sales pattern to its '40s-based musical stylings, which appeal to an older audience that differs from Madonna's usual dance-pop fans.

Although "Please Hammer Don't Hurt 'Em" has been in release for four months, it remains a No. 1 performer at several chains.

Clearly, "Step By Step" is crushing its competition at mall-oriented chains.

"New Kids had a 10:1 ratio over Madonna last week," says Michael Meyer, GM of the 36-unit Record Shop chain based in Sausalito, Calif. "We're right in the center of 30 major malls in the country, and that's where mom and dad leave the kids... Kids lined up Tuesday morning [the album's release day] with their money in hand. They knew it was coming."

While Meyer says that M.C. Hammer held as Record Shop's No. 1 seller last week, "this week, New Kids is going to be No. 1 by leaps and bounds."

"Madonna debuted at No. 1 her first and second week out, but as soon as New Kids came out, they took over," says Lory Shaw, managing director of Chatsworth, Calif.-based Pacific Coast One-Stop, which also operates 10 Tempo Records & Tapes and Nickelodeon retail outlets.

Shaw adds, "The audience is very different for New Kids—they appeal to a younger audience. They're the kind of kids who need things right away."

Dave Roy, senior buyer for 445-unit Trans World Music Corp. in Albany, N.Y., says "Step By Step" enjoyed the biggest first week ever for a new release at the chain, but that M.C. Hammer remains a strong No. 2 seller.

Roy says that "I'm Breathless," the chain's No. 3 title, is still selling strongly, but not like the top two titles. However, he is convinced that "Dick Tracy" will push the Madonna album.

"With the movie opening, Madonna will get a boost," Roy says. "In fact, over the weekend, we got some sales from the movie."

Harold Guilfoil, music buyer for the 119-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.

Guilfoil adds, "We had a run of initial Madonna fans and fans of the first single, and now we're waiting for the next single to show more people it's time to come on board."

CATCH-22 FOR MADONNA

Brian Poehner, VP of purchasing for the 120-store Turtle's Music and Video chain based in Marietta, Ga., says the Madonna, New Kids, and M.C. Hammer albums are all performing well, but notes that there might be a problem putting "I'm Breathless" across with both Madonna's new and old audiences.

"If they can get it 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."

He adds that if "I'm Breathless" catches fire with the older audience the way Linda Ronstadt's similarly styled "What's New" did, "it could happen in a big way and last through Christmas. But I'm sure it has her typical fans disappointed, because they can't spin around to it."

Madonna was the No. 1 seller at 55-store, W. Sacramento, Calif.-based Tower Records and 28-unit The Wiz, headquartered in Maspeth, N.Y.

At The Wiz, Madonna snares the chain's top spot on the strength of her presence in the New York area, according to Jay Rosenberg, VP and merchandise manager of the record division.

The singer played at the Nassau Coliseum June 11-13 and was set to perform a series of shows at New Jersey's Meadowlands Arena (one of which was canceled and another rescheduled, 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.

"Please Hammer Don't Hurt 'Em" charged back as the No. 1 seller this week at Los Angeles-based Music Plus and Miami-based Spec's Music.

"M.C. Hammer's been around a while; he's steadier, more stable," says Mitch Perliss, director of purchasing for 72-unit Music Plus. "We're not getting the dramatic peaks on him, but he did sell more units this week than usual."

"Hammer came up No. 1 again," says Cindy Barr, director of purchasing for the 56-store Spec's web. "It's got to be because there's no cassette single."

FOR WEEK ENDING JUNE 30, 1990

Billboard. CROSSOVER RADIO AIRPLAY™

THIS WEEK	LAST WEEK	TITLE	ARTIST
1	1	POISON MCA 53772	BELL BIV DEVOE
2	2	STEP BY STEP COLUMBIA 38-73343	NEW KIDS ON THE BLOCK
3	6	HOLD ON ATLANTIC 7-87984	EN VOGUE
4	5	RUB YOU THE RIGHT WAY MOTOWN 2045	JOHNNY GILL
5	9	SHE AIN'T WORTH IT MCA 53831	GLENN MEDEIROS/BOBBY BROWN
6	7	MENTIROSA CAPITOL 44533	MELLOW MAN ACE
7	4	READY OR NOT VIRGIN 7-98995	AFTER 7
8	10	GIRLS NIGHT OUT RCA 9174	TYLER COLLINS
9	3	U CAN'T TOUCH THIS CAPITOL V-15571	M.C. HAMMER
10	11	THE POWER ARISTA 2013	SNAP
11	12	NOTICE ME Geffen 4-19946	NIKKI
12	14	BAD OF THE HEART COLUMBIA 38-73339	GEORGE LAMOND
13	17	VISION OF LOVE COLUMBIA 38-73348	MARIAH CAREY
14	13	THE HUMPTY DANCE TOMMY BOY 7944	DIGITAL UNDERGROUND
15	16	SITTIN' IN THE LAP OF LUXURY WIG 31-73266/EPIC	LOUIE LOUIE
16	18	IT MUST HAVE BEEN LOVE EMI 50283	ROXETTE
17	19	YOU CAN'T DENY IT ARISTA 2024	LISA STANSFIELD
18	8	VOGUE SIRE 7-19863/WARNER BROS.	MADONNA
19	20	ENJOY THE SILENCE SIRE 4-19885/REPRISE	DEPECHE MODE
20	22	HOLD ON SBK 07322	WILSON PHILLIPS
21	24	MAKE YOU SWEAT ELEKTRA 7-64961	KEITH SWEAT
22	21	I'LL BE YOUR SHELTER ARISTA 2005	TAYLOR DAYNE
23	23	COULD THIS BE LOVE VENETTA 1509/A&M	SEDUCTION
24	27	MY KINDA GIRL SOLAR 4-74510/EPIC	BABYFACE
25	28	IF WISHES CAME TRUE ATCO 4-98953	SWEET SENSATION
26	15	ALRIGHT A&M 1479	JANET JACKSON
27	25	COUNTING THE DAYS ATLANTIC 4-87898	JOEY KID
28	—	THE BLUES WING 873 994-7/POLYDOR	TONY! TON! TONE!
29	—	HANKY PANKY SIRE 4-19789/REPRISE	MADONNA
30	—	DON'T YOU LOVE ME 4TH & B'WAY 440506/ISLAND	49ERS

THIS WEEK	LAST WEEK	TITLE	ARTIST
1	1	CRADLE OF LOVE CHRYSALIS 23509	BILLY IDOL
2	2	IT MUST HAVE BEEN LOVE EMI 50283	ROXETTE
3	9	DON'T GO AWAY MAD (JUST GO AWAY) ELEKTRA 4-64962	MOTLEY CRUE
4	7	DO YOU REMEMBER? ATLANTIC 7-87955	PHIL COLLINS
5	3	BABY, IT'S TONIGHT REPRISE 4-19859	JUDE COLE
6	5	UP ALL NIGHT CHRYSALIS 23486	SLAUGHTER
7	4	THE BALAD OF JAYNE VERTIGO 876 984-4/POLYDOR	L.A. GUNS
8	8	DOUBLEBACK WARNER EROS. 7-19812	ZZ TOP
9	6	HOLD ON SBK 07322	WILSON PHILLIPS
10	11	ENJOY THE SILENCE SIRE 4-19885/REPRISE	DEPECHE MODE
11	10	I'LL SEE YOU IN MY DREAMS A&M 149*	GIANT
12	14	COMING OF AGE WARNER EROS. 4-19838	DAMN YANKEES
13	12	ALL I WANNA DO IS MAKE LOVE TO YOU CAPITOL 44507	HEART
14	13	CHILDREN OF THE NIGHT EMI 50288	RICHARD MARX
15	15	BANG BANG IMAGINE 34-73380/EPIC	DANGER DANGER
16	16	KISS THIS THING GOODBYE A&M 1485	DEL AMITRI
17	22	I DIDN'T WANT TO NEED YOU CAPITOL 7-44553	HEART
18	19	RISE TO IT MERCURY 875 098-4	KISS
19	28	THE OTHER SIDE Geffen 4-19927	AEROSMITH
20	18	LOVE IS ATLANTIC 4-87945	ALANNAH MYLES
21	21	POSSESSION EPIC 34-73398	BAD ENGLISH
22	20	JEALOUS AGAIN DEF AMERICAN 4-19697/GEFFEN	THE BLACK CROWES
23	—	CHAIN OF FOOLS DGC 4-19693	LITTLE CAESAR
24	17	WHAT IT TAKES Geffen 4-19944	AEROSMITH
25	—	EPIC SLASH 4-19813/REPRISE	FAITH NO MORE
26	23	7 O'CLOCK CAPITOL 44513	LONDON QUIREBOYS
27	—	ACROSS THE RIVER RCA 2631	BRUCE HORNSBY & THE RANGE
28	—	HUNGRY RCA 2637	LITA FORD
29	—	HOLY WATER ATCO 4-98944	BAD COMPANY
30	29	PURE MCA 55816	THE LIGHTNING SEEDS

Products with the greatest airplay gains this week. ©Copyright 1990, BPI Communications Inc. All rights reserved.