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## COLUMNS: Music Reporter

Oct. 20, 2005

### Virgin rolling dice with 2nd Hollywood Megastore

By Chris Morris

The elements were uncooperative Monday, and a good deal of rain fell on Richard Branson's parade at the afternoon grand opening of the new Virgin Megastore at Hollywood and Highland.

Rooftop performances by Gang of Four and the reconfigured INXS were scratched, though the bands did meet-and-greet sessions and signed autographs inside the new 22,000-square-foot store.

Virgin Group founder and CEO Branson also made an indoor appearance: Clad in a blond wig and full W. Axl Rose regalia (as were some 30 lookalikes), he swigged from a bottle of Jack Daniels as Guns N' Roses' "Welcome to the Jungle" blared over the store system. But the swashbuckling entrepreneur was forced to cancel a scheduled rappel down the face of the retail complex.

As that scotched stunt and his colorful history indicate, Branson has never lacked chutzpah. And the ballsiest move he's made in recent memory may be the decision to open a massive new retail store in the heart of Hollywood at the height of an steep industry-wide decline.

Simon Wright, CEO of Virgin Entertainment Group International, understands that opening a store that sells nothing but CDs and DVDs is probably a one-way ticket to disaster in the current climate.

"If we strictly rely on music product, there's going to be a problem," Wright says. "We want to develop a retail concept that has growth potential...This is a store that is more about entertainment lifestyle rather than entertainment media."

Like the nearby 25,000-square-foot Megastore at Sunset and Crescent Heights (of which more in a moment), the Hollywood and Highland outlet sells all the expected entertainment software. But it also offers a wide range of high-margin rock 'n' roll apparel, and has a small department devoted to personal electronics.

The new Megastore's truest competition is probably not Amoeba Music, the retail behemoth at Sunset and Cahuenga, but rather the small T-shirt and electronics shops that cater to tourists on the boulevard. And, located next door to the Chinese Theatre in the heart of the Walk of Fame, Virgin will likely Hoover thousands of out-of-towners through its doors.

As a string of bankruptcies stretching back to the late '90s suggests, high-ticket leases can crush the most formidable music retailer. Tower Records took the plunge on Hollywood Boulevard in the days before its Chapter 11 filing; its outlet store, once located a block away from Hollywood and Highland, is now dark, as are the other storefronts there.

But Wright says of the new store's landlord CIM, "We've had some very strong incentives from the (Hollywood and Highland) ownership...They're the most enterprising landlords I've ever worked with. They're investing in brands like us, and slowly giving that development a real cachet."

Virgin, which now operates 20 U.S. stores (down from a high of 25), hasn't given up on its Sunset location, which has suffered from a lack of foot traffic and competition from Amoeba up the road.

"That corner has lost some of its pull," Wright admits, but he adds, "We've been approached about supporting a revamp of that corner."

Like every other music seller, Virgin has been battered by price competition from mass merchants, from Best Buy in the U.S. to Tesco in Britain. But the company remains committed to staying Mega in the states.

Says Wright, "You lose the specialists, and you lose the diversity of the music."

## ABOUT MUSIC REPORTER

Music editor Chris Morris focuses on news, dish and inside moves in the industry -- from giant labels to the indies. Posted Thursdays.

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