

hoodlums

new & used music

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SECRETARY #85

June 7, 2000

Office of the Secretary
FTC
600 Pennsylvania Ave. N.W.
Washington, D.C. 20580

Federal Trade Commission:

Please reconsider your decision to do away with the Minimum Advertised Price (M.A.P.) policies in our industry. This decision will surely result in the closing of independent music retailers across the country. It almost certainly will result in one or more bankruptcy filings for the big chains as well. I have seen the damage that was done to music retail during the price wars of the early nineties, and it wasn't pretty.

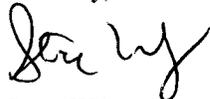
In 1993 I worked for Wherehouse Entertainment (at the time the fourth-largest music retailer in the country) when chains like Best Buy started selling CDs below cost to consumers as "loss leaders". The price wars began. Even with video rental, which is highly profitable, Wherehouse was forced to declare Chapter 11 by the fall of 1995. This was a chain of over 300 stores. If they couldn't compete, then how could an independent retailer with one or two stores going to make it? Thousands were forced to close. What was true in 1993 will undoubtedly be true in 2000.

I understand that the basic logic is that the customer is paying a higher average price now than they were before M.A.P. While this may be true, it certainly isn't because the Best Buys of the world haven't been giving our product away as a traffic builder. The reason is quite simply that the record labels and distributors keep raising the prices. In the past five years we have been introduced to two new list prices for single length CDs, which raised CD prices (and costs) one dollar each time. Of course, the highest price points apply to the biggest sellers...hence the increase in average price paid by the customer.

In a business that is facing the most digital competition on the planet, a harmful ruling from the FTC could be the final straw. The Internet doesn't have sales tax, MP3s are trading for nothing, free music and concerts everywhere, and digital downloading is becoming a reality. Is the music customer really hurting? Are the labels? No, the only one paying the price is the standard brick-and-mortar retailer.

The labels aren't as concerned with this ruling because either way they sell their product. But as a record store owner, my family's livelihood depends on it. Please consider all of the facts from everyone involved before you make your decision.

Sincerely,



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