

Failure Case for ENTR200 Class Discussion

Based on http://en.wikipedia.org/wiki/Tower_Records accessed 12/13/07



Tower Records is a [retail](#) music chain based in [Sacramento, California](#), USA. It currently exists as an international [franchise](#) and an online music store.^[1]

[Starting on October 6, 2006](#), all Tower Records stores in the [United States](#) prior to [liquidation](#) held "going out of business" sales before final shutdown on the night of Friday, [December 22, 2006](#). [Tower.com](#) was purchased by a separate entity and will not be affected by the retail store closings. Two Tower Records stores still operate in [Ireland](#), as well as seven in [Colombia](#), five in [Mexico](#) and a number in [Japan](#) and [Malaysia](#).

History

Tower was founded in 1960 by Russ Solomon in Sacramento. The store was named after his father's drugstore, which shared a building and name with the Tower Theater,^[2] where Solomon first started selling records. The first Tower Records store was opened in 1960 on Watt Avenue in Sacramento, California.



Tower Records on the [Sunset Strip](#)

Seven years after its founding, Tower Records expanded to [San Francisco](#), opening a store in what was originally a grocery store at Bay and Columbus streets. The chain eventually expanded internationally to include stores in [Canada](#), [UK](#), [Japan](#), [Hong Kong](#), [Taiwan](#), [Singapore](#), [South Korea](#), [Thailand](#), [Malaysia](#), the [Philippines](#), Ireland, [Israel](#),

[UAE](#), [Mexico](#), [Colombia](#), [Ecuador](#), and [Argentina](#). The store also established Tower Records stores in Japan, but those stores split off from the main chain and are now independent. Arguably the most famous Tower Records outlet was the one located on the north side of [Sunset Boulevard](#) in [West Hollywood, California](#). Across the street was the Tower Video store, also closed in 2006. In addition to [CDs](#) and [cassette tapes](#), stores also sold DVDs, PSP movies, video games, accessories, toys and electronic gadgets like mp3 players, while a few Tower Records stores sold books as well, such as the stores in [Brea, California](#) and [Sacramento](#). All these product lines are also available at Tower.com,

which got its start in 1995 as one of the first music retailers to set up shop on the Internet. In [New York City](#), twin Tower Records stores operated on and near lower [Broadway](#)—one an annex that sold [vinyl records](#), and the other selling modern items (CDs, DVDs, etc.). The store in the [East Village](#) was famous in the 1980s for selling albums of European [New Wave](#) bands not yet popular in the U.S. and was a noted hangout for teenagers from throughout the metropolitan area.

Bankruptcy

Tower Records entered bankruptcy for the first time in 2004. Factors cited were the heavy debt incurred during its aggressive expansion in the 1990s, growing competition from mass discounters, and internet piracy.^[3] It also had a policy of selling most [Compact Disc](#) recordings at list price.

Post-Bankruptcy

In 2005 the company introduced [TouchMedia](#) scan and listen stations into its stores. These stations allow the customer to scan the bar code of an item, and listen to audio clips from the album in question. As with similar listening stations in other record stores, track samples do not exist for many albums, especially import titles, but most at least have entries with information from a central database, and the majority of more popular titles do have samples.

In spring of 2006, the company introduced the Tower Records Insider program. This program gives the customer a card they can scan during transactions, which can be used to earn coupons/rewards/benefits/etc.

On [June 27, 2006](#), Tower Records launched its own digital download store.^[4]

Liquidation



A liquidating Tower Records store in [Portland, Oregon](#)

On [August 20, 2006](#), Tower Records filed [Chapter 11](#) bankruptcy^[5] for the second time in order to facilitate a purchase of the company prior to the holiday shopping season.

On [October 6, 2006](#), Great American Group won an auction of the company's assets and commenced liquidation

proceedings the following day, which included going-out-of-business sales at all U.S. Tower Records locations, the last of which closed on December 22, 2006. The [Tower Records](#) website was sold separately.^[6]

[FYE](#), a mall based music store chain, had acquired the two historic Tower locations in its home base of [Sacramento, California](#) but later backed out, stating that the "leases aren't what we thought they were". FYE did acquire the lease of the West End Avenue store in [Nashville, Tennessee](#)^[7]. [Rasputin Music](#), a new/used music/video store based in the [Bay Area](#), is expanding in the Central Valley by acquiring the leases on the Tower stores in [Fresno, California](#) and [Stockton, California](#). Tower Records [Stockton, California](#) location at 6623 Pacific Avenue officially closed its doors on [December 19, 2006](#) at 10PM for good. [Rasputin Music](#) replaced it on [April 28, 2007](#). Rasputin also moved into Tower's former [Mountain View, California](#) location and has moved their [Pleasant Hill, California](#) location to Tower's former [Concord, California](#) location.

The Landmark Plaza location in Alexandria, VA was closed on [December 18, 2006](#) and the [Pike 7 Plaza \(Tysons Corner\)](#) location in [Vienna, Virginia](#) was closed on [December 21, 2006](#). The famous 24-year-old [Washington, D.C.](#) location closed a day later, as did the one in [Atlanta](#) at the famous Piedmont and Peachtree Road location. On Friday, [December 22, 2006](#) its last [New York City](#) outlet, located on 1961 Broadway, just a block north of the famous [Lincoln Center](#) on [Manhattan](#)'s west side, closed its doors along with the remaining outlets around the United States.

Russ Solomon will open a record store in the old Tower building on Broadway at 16th Street in Sacramento, said Andy Gianulias, a member of the family that owns the property. The building was a Tower store for 40 years, closing when the legendary chain went out of business in late December, and sits across the street from the site where Solomon began selling records in 1941. In October, Solomon dubbed his new venture Resurrection Records. Andy Gianulias said Solomon may choose a different name. "No way do I have the grandiose idea I can open 100 stores," Solomon said. "That would be foolish. But one or two stores? That's doable." As of May 2007 the former Tower Records at Broadway in Sacramento is being transformed into Russ Solomon's R5 Records.



R5 Records a new store founded by Russ Solomon at the Sacramento Broadway Tower Records location.

Return

On-line merchant Caiman, Inc. recently re-launched the website from its location in the Sacramento area on [June 1, 2007](#). They also plan to re-launch the stores themselves—opening stores in Los Angeles, New York, and San Francisco within the next nine months. They even hired former buyer Kevin Hawkins to assist with the re-opening.^[8] Hawkins, however, along with former Tower employee George Scarlett, has since left Caiman. The Web site remains based in West Sacramento but the departure of these two employees leaves some doubt as to whether the relaunch of the brand will move forward. Rick Ohren, another former Tower employee hired by Caiman, declined to say whether Tower.com would continue operating from the Sacramento area or move elsewhere or whether brick and mortar stores will still open as planned.^[9]

International stores

United Kingdom

Originally **Tower Records** was just a London-based concern, with the store at 1 [Piccadilly Circus](#) being joined by a couple of smaller outlets (Kensington High Street followed by Whiteleys of Bayswater and Kingston). However by the start of the 1990s the chain had grown to encompass a number of other stores, with large entertainment stores also selling movies, books, magazines and games in [Birmingham](#) and [Glasgow](#), as well as a number of smaller stores that had been purchased from rival American retailer [Sam Goody](#) when it had left the UK marketplace (for example of this express format—[Weston-super-Mare](#)).

However with tough trading conditions in the UK market, as well as the company's trouble in the States, the firm followed Sam Goody in retreating from the UK market. The London stores in [Piccadilly](#) and [Kensington](#) were sold to [Virgin Group](#), who for a while traded under the Tower brand at the former site until the store could be fully refurbished, while the other stores were closed.

Japan



Tower [Shibuya](#) store.

In 1979, Tower Records in Japan started its business as the Japan Branch of MTS Incorporated. The following year, [Sapporo](#) Store, the first in Japan opened. In 1981, Japanese subsidiary Tower Records Japan Inc. (TRJ) was established.

In October, 2002, TRJ went independent from the international chain by [MBO](#). The bankruptcy of Tower Records in the U.S. in 2006 did not affect TRJ as it had been completely independent. As of January, 2007, TRJ maintains 81 directly operated store locations throughout Japan, including the Tower Cafes and the [Shibuya](#) Store in Tokyo (moved to the current location in March, 1995) which is said to be one of the biggest music retail outlet in the world occupying selling space of 5,000 m² (9

floors). TRJ also publishes free magazines *Tower*, *bounce*, and *intoxicate* directly and through its subsidiary NMNL.

In addition to being the leading CD retailer in Japan, TRJ is the majority stakeholder in Napster Japan, a joint venture between TRJ and Napster LLC.

Colombia

Tower Records in Colombia operates seven stores, including four in [Bogotá](#) and one each in [Medellín](#), [Cali](#), and [Barranquilla](#). In addition to selling CDs and DVDs, Tower Records in Colombia sells books and magazines and operates cafes.

Ireland

The Irish operations of Tower were bought out in 2003, and consist of two stores in Dublin—the flagship on Wicklow Street, (which was opened by East 17, whose fans nearly wrecked the store when they played) and a second branch which operates as the music section of the main branch of [Eason](#) on [O'Connell Street](#). The Wicklow Street branch is noted as a live music venue as well as music and video retailer.

Israel

Tower Records in [Israel](#) has 43 stores throughout the country. In 2001, the now Israeli Ambassador to the United Kingdom, [Zvi Heifetz](#), became Chairman of Tower Records Israel.

Mexico

Five Tower Records stores in [Mexico](#)^[10] are owned and operated by [Grupo Sanborns](#),^[11] a subsidiary of the [conglomerate](#) Grupo Carso.^[12] Grupo Carso is controlled by [Mexican](#) businessman [Carlos Slim](#).^[13]

References

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5. [^] [Dow Jones Newswires](#). "[Tower Records files for bankruptcy](#)", *Chicago Tribune*, [2006-08-22](#). Retrieved on [2006-08-22](#).
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12. [^ http://www.gcarso.com.mx/GCarso/Esp/Nuestras+empresas/Comercial/Grupo+Sanborns/Grupo_Sanborns.htm](http://www.gcarso.com.mx/GCarso/Esp/Nuestras+empresas/Comercial/Grupo+Sanborns/Grupo_Sanborns.htm)
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External links

Tower Records

- [Tower.com](#)
- [Tower Records Colombia](#)
- [Tower Records Japan](#)
- [Tower Records Ireland](#)
- [Tower Records Mexico](#)
- [Images of DC area Tower Records locations](#)