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## BUSINESS TODAY

### Suit lays out Virgin's slide

By SCOTT VAN VOORHIS

British billionaire Richard Branson's bet that Bostonians would flock to his glitzy Virgin Megastore proved to be a spectacular flop, records examined by the Herald show.

Virgin's surprise announcement last week that it would shed its high-profile Newbury Street store came after a long and dramatic slide in sales, monthly store sale reports reveal.

The once high-flying music and pop culture chain back in 2000 had outdueled Tower Records for the hip locale at the corner of Newbury Street and Massachusetts Avenue near Berklee College of Music and other local colleges, offering up an astronomical \$3 million a year in rent.

By last fall, sales had slid to less

than half the \$20 million a year that predecessor Tower Records had booked there.

Virgin executives put the store on an internal "watch-list" and began brainstorming on ways to revive a faltering CD business under siege from cheap Internet downloading and mass-market merchants like Wal-Mart, records show.

Virgin's struggles in the Hub's retail mecca are detailed extensively in a lawsuit by Branson's firm against its landlord at 360 Newbury St.

"The Virgin Megastore concept was in serious trouble because the music business was down and sales were off," stated building owner and developer Curtis Kemeny in a court filing, recalling a conversation with a Virgin executive. The store, Kemeny recalled



STAFF PHOTO BY DAVID GOLDMAN

**VIRGIN'S STORY:** Store sales reports, revealed in a suit between Boston's Virgin Megastore and its landlord, reveal the chain's struggles.

being told, was "hemorrhaging" money."

However, Virgin offered a much different view in its lawsuit against the building owner and Kemeny's firm Boston Residential, arguing that plans to convert the upper floors into pricey condos were to blame for poor sales.

The designer of the \$7 million megastore fumed that plans to temporarily rip out the third-

floor ceiling to make way for plumbing for condo units upstairs would destroy the store's "wow" factor.

However, Kemeny, the developer and building's owner, countered with sales reports by the megastore that detailed a plunge in revenue that began long before his condo conversion — from \$11.9 million in 2002 to \$6.1 million through October 2005.

### Newbury Comics eyes superstore

Goodbye Virgin Megastore and hello Newbury Comics?

With Virgin Megastore set to leave Newbury Street, Allston-based Newbury Comics sees an opportunity.

The departure of Virgin and its three-story, 46,000-square-foot megastore will open up a pop culture and music void in the Boston area that Michael Dreese, chief executive of Newbury Comics, is eager to take advantage of. Dreese said he is considering opening up a superstore of his own, though it would probably come to less than half the size of Virgin's Newbury Street music palace, set to shut next year.

However, Dreese, whose 26-store chain has built up a reputation as a music venue favored by local hipsters, isn't necessarily eager to take Virgin's Newbury Street store — though he might consider a single floor.

Rather, he is looking for a deal, whether it be in Somerville or Boston.

"When you hear that Virgin is closing, you say let's go out and open a superstore," Dreese said. "Ours would be a pop-culture superstore."

— SCOTT VAN VOORHIS