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Blockbuster Buys 236 Retail Record Stores : Acquisitions: The Music Plus and Sound Warehouse chains give the video 'superstore' giant a foothold in the music business.

October 20, 1992 | JOHN LIPPMAN | TIMES STAFF WRITER

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Blockbuster Entertainment, the country's leading video retailer, expanded into recorded music on Monday by purchasing 236 Music Plus and Sound Warehouse stores from Los Angeles-based Shamrock Holdings.

The \$185-million acquisition satisfies Blockbuster's long-term goal of breaking into the recorded-music retail industry and also gives it a platform for expanding into the fast-growing video game and computer software business.

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The acquisitions of Music Plus, largely based in Southern California, and Sound Warehouse, largely based in Texas, continues Blockbuster's aggressive expansion. In six short years its giant, efficiently run "superstores" have transformed the home-video retailing industry, largely replacing the mom-and-pop businesses.

Wayne Huizenga, chairman of the Ft. Lauderdale, Fla.-based company, said Blockbuster targeted Sound Warehouse and Music Plus because of similar retailing styles.

Analysts said the entry into music retailing will be a good move if Blockbuster can successfully apply its trademark formula of giant superstores that carry a wide range of music titles and appeal to a broad customer base.

"If they were just getting into the pre-recorded music business, I'd say it's not a good move," said Dennis I. Forst, a Los Angeles-based analyst with Sutro & Co. "But if they are planning to do for the pre-recorded music business what they did for videos, then I can have more confidence it is a good move."

Shamrock Holdings is owned by the Roy E. Disney family and has extensive interests in broadcasting and real estate. Last week, the company announced its intention to expand its ownership of radio stations.

Clifford Miller, a longtime Disney adviser and senior consultant to the company, said there was no relation between the two announcements.

"The companies were not on the market," he said. "Blockbuster made us an offer."

Shamrock paid \$132.5 million for the Sound Warehouse chain in 1989. The price paid for Music Plus was never disclosed.

Blockbuster, which reported Monday that third-quarter net income rose 50% to \$41.3 million, recently renegotiated a \$375-million revolving credit facility. A spokesman said the purchase would not dilute earnings.

Music retailing is considered a highly competitive and mature business now consolidated in the hands of a few major regional players.

Shamrock added 55 stores to the Music Plus chain since its 1988 acquisition and about 25 stores in the Sound Warehouse chain. The two chains employ about 4,300 people. Mark Siegel, president of Shamrock Entertainment Group, said Blockbuster expects management to remain.

Blockbuster operates a total of 2,989 stores, of which 1,890 are company-owned. The others are franchises. The company has expanded rapidly in recent years by opening its own stores and by buying local outlets and bringing them under the Blockbuster banner.

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A spokesman said it was likely that Blockbuster would change the name of the Music Plus and Sound Warehouse outlets, although no final decision has been made. In addition, the spokesman said the company's video and music store chains would engage in cross-promotion and advertising.

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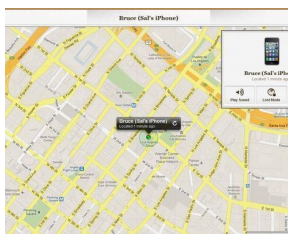
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