

Castle Megastore at Forefront of Next-Gen Adult Retail



Sunday, December 6, 2009

By Steve Javors

SCOTTSDALE, Ariz. -- Upscale adult retail chain Castle Megastore held its annual managers meeting last week that culminated in an A-list panel Thursday afternoon, titled "The Evolution of the Adult Retail Store: Its Products and Services."

Held at the sprawling 40-acre Scottsdale Plaza Resort, the three-day retreat gathered managers from Alaska to Oregon from Castle Megastore's 20 retail locations. The managers, and other employees from Castle's corporate office, listened intently as the panel's industry leaders discussed how the adult retail experience has changed from mom-and-pop jack shacks to upscale couple's boutiques.

Panelists included New Sensations' Scott Taylor, System Jo's Solomon Levy, Castle Megastore's Mark Franks, Wicked Pictures' Steve Orenstein, Dreamgirl International's Christopher Scharff, CalExotic's Al Bloom, Doc Johnson's Levi Ledid, Pipedream Products' Nick Orlandino and Zero Tolerance/Evolved Novelties' Greg Alves. The session was moderated by AVN's Tony Lovett.

ZT/Evolved's Alves kicked off the panel by explaining that successful 21st century brick-and-mortars have flourished by capitalizing on the purchasing power of women, who he said account for 80 percent of consumer spending in the U.S.

"I think, for a while, brick-and-mortars just didn't know how to change and were stuck with the old way of doing things," Alves said. "Ultimately, they were trying to attract women, but I think until recently, they didn't really know how to accomplish that. Now you're starting to see updates from the products purchased from vendors to the store layout to the overall retail aesthetic."

Attracting the women and couples demographic wasn't new territory for Wicked's Orenstein, who's company has been making such movies since its inception.

"Women are not new customers to adult product," Orenstein said. "They've always been there; they just weren't noticed or catered to. That's changed now. Coming to an adult store is an event for women. They consume adult material differently. They aren't the ones downloading free porn on the Internet."

Dreamgirls' Scharff said that the retail experience from the top down has changed dramatically in recent years.

"The window displays are new. Gone are the days where there was just one small neon sign to attract customers," Scharff said. "The store layout has changed, packaged merchandise is different and on display. It's all about getting the merchandise mix right that creates an inviting retail experience where the customer is comfortable spending his or her money."

CalExotics' Bloom, who has held various positions within the industry dating back 40 years, gave the most colorful real-world example of how things have changed for brick-and-mortars, particularly in regard to the toy and novelty sector. Digging into his bag, Bloom pulled out two flesh-colored phallus', and explained "this was the entire stock of novelties at [distributor and retailer] Capitol News in 1970: a 7-inch dildo and a 7-inch vibrator with no packaging! In 1976, they started to come with packaging, and the big innovation was eventually, they came in black."

So how did the customer base evolve from raincoaters looking for the quickest and cheapest way to jerk off to store's carrying high-end toys, apparel and lingerie?

"The younger generation doesn't have the same hang ups about sex as older folks do," Bloom said. And Doc Johnson's Ledid added: "Sex proliferates our culture; you can't turn away from it. That creates an environment where sex is OK and people are more comfortable than ever purchasing adult products."

To further illustrate that point, System Jo's Levy cited Drugstore.com, CVS and Walgreen's stocking of lite-adult products like small finger vibes, sexual enhancers, supplements and lubricants. While it doesn't mean that "Wal-Mart will have a buttplug aisle" anytime soon like Pipedream's Orlandino joked, customers seeing adult products in mainstream retailers makes going into an adult store less stigmatizing.

"Honestly, no one up here has \$60 million dollars in advertising money to market their products to consumers like Trojan's does," Levy said. "But all that advertising 'softens up' the customer for harder adult products and taps into their sexuality. It takes away the stigma people might have from entering an adult store. It's good for our business."

The panelists next addressed their strategies for turning a profit in a down economy. While Scharff and Bloom both said their companies introduced fewer new products this year at lower price points, Levy pointed out that sex was still the cheapest way for individuals and couples alike to entertain themselves. Pipedream also made some cuts to its product releases, eliminating 2,100 underperforming items from its inventory. On the video production side, Orenstein said that Wicked's strategy was about making event movies that customers want to own.

"With consumer spending down, customers are a lot more selective on what they spend their money on," he said. "For us, it's making event products, not random scenes. Big features, parodies, romance movies, interactive DVDs - those products are 'must owns.'"

New Sensations' Taylor agreed with Orenstein by citing the success of his company's parody movies, which he said currently move more units New Sensations' big feature movies did in their prime.

The content producers on the panel also addressed sluggish DVD sales and the reasons why many things that market has plateaued.

"Let's put this to rest: the DVD is not dying," Alves said as Taylor and Orenstein nodded in agreement. "There was way too much supply than demand and the market is now shaking itself out. I think you're seeing less cheap product than before and I think that's a good thing. The crazy years of sales might be gone, but there is still opportunity."

Alves said that in addition to the out of wack supply-and-demand for DVDs, digital piracy has hampered his business. He's filed lawsuits against pirates, and through digital fingerprinting technology, he's tracked down 1.3 million illegal downloads of his company's movies per month.

Castle's Franks cited his company's buying 600 new titles every month to show there are no nails in the DVDs coffin just yet. Franks summed up his philosophy as a retailer owner to close out the panel.

"Make products the market demands," he said. "Castle operates like a big-box retailer. We stay on top of emerging markets and believe that there is a different customer for everything. Decide who you want to be and stick to it."

Later in the evening, Castle threw its yearly holiday party on the grounds of the resort. A large white tent was erected with a DJ spinning, buffet-style dinner and mimes, magicians and jugglers entertaining guests inside.

The party was packed with Castle's managers employees and a who's who of industry players. Attendees included Wicked Girls Jessica Drake and Kaylani Lei, Zero Tolerance stars Courtney Cummz and Sara Sloane, New Sensations contract girl Ashlynn Brooke, Taryn Thomas, Third World Media's Steve Scott, Jules Jordan Video's Scott Justice, Antigua Pictures Dave Peskin and Todd Blatt, Mile High Media's Jon Blitt, Legend Video's Jack Richman and Bruce Mendelson, Combat Zone's Dion Giarusso, Evasive Angels' Ed Smith and TT Boy, Pulse Distribution's Janet Tamborelli, Rob Plarski and Howard Levine, Lucas Entertainment's Justyn Main and Eros' Rafi Maman among many others.

[-] close window