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## Retailing for the Future

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Acme Andersson



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There was a time a person could open an adult bookstore in a dark, forgotten corner of just about any old town and earn a respectable income.

Those days are gone.

A changing of the guard is being felt in every aspect of the adult industry, and the retail level just may be the most affected. This is on the heels of a revolution in adult retailing in recent years: The dim stores on the outskirts and back-streets have evolved into well-lit, consumer-friendly stores that, at first glance, look like any other retail store.

No sooner had the adult retailer cleaned up its act than new challenges for the industry came along. As if competition among brick and mortars wasn't enough, the convenience of the Internet emerged, which has privatized the shopping experience. Today's retailers are in a battle to remain relevant in a society that has an increasing number of consumers shopping from home.

If stores fail to survive it won't be from a lack of product. Just as production companies decry an oversaturated marketplace, the barrage of new releases continues week after week. This has put additional pressure on retailers to stock product that appeals to their clientele (while attracting as little scrutiny as possible from Johnny Law). And a glance at the thousands of products in the catalogs of novelty manufacturers is nothing short of intimidating. Someone has to draw the line while continuing to draw the crowds.

### A Clean, Well-lit Place

The adult retailers' escape from the darkness is well documented. Boutique stores like Babeland and A Woman's Touch and superstores such as Hustler Hollywood and Good Vibrations have changed the retail experience entirely. For decades, adult bookstores were relegated to the pockets of society where they were tolerated only because they had the law on their side (and even then were still frequently harassed).

The Fairvilla Megastore in Florida has been a part of nearly every step of the retail transformation. Opened as a cinema by Bill Murphy in 1972, it became Fairvilla Adult Video, and became the largest adult store in the nation in 1992.

"Bill had an instinctual sense of where things were going," Fairvilla Megastores CEO Tom Berger said. "We reinvented ourselves a few times. We were going to be a store for women, a store for couples and now we're just a store for people."

Each of those steps was a major move from the proverbial closet that retailers had been in since they were established. The old style shops can still be found; some are even still running peep booths, where the audio tracks of dozens of hardcore scenes overlap, filling the dark aisles with the disembodied moans of countless lays. It was not a style that lent itself well to couples, women or even most men.

"I believe Hustler had a lot to do with the changing of the brick-and-mortar stores being much more inviting and going away from the dark, dungeon-like stores that had been so popular for many years," Jimmy Flynt II, vice president of marketing for Hustler Hollywood, told XBIZ. "When Hustler came on the scene with our flagship location out on Sunset Boulevard, all the sudden you had a well-lit store, all glass, everybody could see in and see out, things were displayed nicely. It was a complete 360 to what everybody had become used to."

Flynt said Hustler still has clubs with arcades that continue to do "very well," but "nothing on the scale of the success we've had at the retail level with the Hustler Hollywood stores."

### What to Stock

Once the dirt had been thrown on the grave of VHS it was only a matter of time before porn pundits began penning the obituary for the DVD. The Internet — the source of free pornography for the better part of two decades — seemingly came out of nowhere in the past couple years to take a bite out of the profits of the adult industry.

### Standing Out

Castle Megastore President and CEO Mark Franks said that one of the ways he sets his stores apart is a program he created called "On the Street."

"Every week I have 40 new titles in every store on the manufacturer's street date," Franks said. "My competition can't do it."

They don't have the computers, they don't have the logistics."

Castle was established in 1987, with Franks taking over in 2003 after the company declared bankruptcy. Today there are 16 Castle locations in five states. In an effort to give consumers a predictable product, decisions — every product and its placement — are dictated by the corporate office.

"We're a branded chain, just like McDonald's," he said. "You know what the Big Mac is going to be. It's a consistent retail experience."

That doesn't mean Franks is beyond sensing a change in the marketplace. He's always looking for gimmicks (more on that later) and he's particularly proud of the recent success he's had with the bridal market.

Debra Peterson, director of marketing for Fairvilla, said that Halloween business has surpassed both Christmas and Valentine's Day. When the company was looking at ways to boost sales a couple years ago, they took a try at the costume business — and it worked. They've also established a doggie-style section featuring upscale pet apparel.

"It comes down to an individual responsibility of the store owner to decide what is the customer base, who I want to be and what I can do to build sales in our store and how can I work with this studio or toy manufacturer or clothing line to do it," Berger said.

### **Relations**

One working hypothesis was that there is a disconnect between production companies/novelty manufacturers and retailers; perhaps the relationship wasn't as symbiotic as it could be. Understandably, no one wanted to go on the record saying anything that could upset a business partner. As a matter of fact, when put on the spot with the disconnect concept, many retailers were merciless — and placed full responsibility for improved relationships squarely on themselves. One compared retailers' whining to baby birds in the nest squawking, "Feed me!"

"The part that everybody forgets is they're not each other's customers," Berger said. "There's only one customer, and that's the guy who walks in the door and buys the video or the toy. Everybody else is just profit-sharing."

While the adult industry is better known for an onslaught of product than its care in point-of-purchase (POP) materials, Fairvilla's Berger and Peterson agreed that production companies have been exceptionally helpful when given the opportunity.

"It's also our job to communicate with the manufacturers and studios and let them know the kind of POP we want," Berger said. "I'm going to talk to them about what I need and they're going to help me out. There is a direct relationship between what I sell and what money they make."

Franks was quick to list the major studios that he works with very closely. Perhaps surprisingly, since Hustler Hollywood obviously has a direct line to Hustler Video, it was Flynt who was most forthcoming in suggesting that production companies could stand to get with the times.

"It's still in sort of a time warp," Flynt said. "[Adult marketing] doesn't seem to have changed along with everything else. All the companies still try to do the same old, same old and produce the same type of content and try to do as little as possible to promote their stuff to save money.

"The communication channels are fragmented and that causes a problem. It still has a lot of the atmosphere that comes from the '70s and '80s, that there's not a lot of communication with producers and retailers. It's kind of like everybody does their own thing."

### **Keeping Customers Coming**

"The role of the retailer is to make it enjoyable," Berger said. "The point is that we're trying to attract people; we're trying to show them a good time while they're there, we're trying to make sure that our employees are treating them like friends and family and we're giving them interesting things to look at."

Atmosphere, of course, was the heart of the retail revolution.

"The retailer's job in the brick-and-mortar store is to get exciting," Berger said. "You're going to have to attract people to your business and you're going to have to bring people in and show them a good time. They have to enjoy the experience, that's why somebody comes to a store. FAO Schwarz didn't make their reputation of Fisher-Price, they designed their store and they sold toys within their store."

One of Franks' more popular retail effects has been to bring in a piano player to the company's largest store in Deer Valley, Ariz., in order to bring a Nordstrom-like shopping experience to the store. In fact, he not only got the idea while shopping at Nordstrom, that's also where he got the piano player.

The opportunities are limited only by the imaginations and budgets of retailers. Some stores offer classes and workshops, hold wine tastings and ladies nights, and host speakers and readings, all designed to expand the customer base and promote better relationships with the community.

These are the kinds of tactics that enable brick-and-mortar retailers to differentiate themselves from Internet competitors.

"For years with the profits that people have made in this business they haven't had to get any better," Berger said. "We're in a dogfight now, we're competing. My competition isn't another store. My competition is how somebody spends the leisure dollar."

### **Going Public**

In review, here are some of the basics of bringing your adult store into this bright new century: Turn the lights on, stock DVDs carefully, don't skimp on the costumes and novelties — and customers love parties and pianists. Could it be that easy?

If it seems as though the old-school retailer has been underrepresented in this exercise, you are correct.

There was a story in Detroit's Metro Times earlier this year titled "The Last Peep Show." In putting together the piece, the writer visited a number of adult stores in the Motor City, expecting to be a well-received member of the credentialed media. Ah, naïve mainstream journalist! Try this: "The encounter ended with him cursing at me, picking up a huge purple MagLite and forcing me out the door."

It is the rule rather than the exception that the traditional, old-school adult stores do not want attention, whether it is a newspaper or an industry trade magazine. When was the last time your local news did a puff piece on a porn shop?

But the new breed of adult retailer runs stores like any other retail business. They greet the media with a smile, and they have publicists and press packets. They also understand that much of their potential clientele may be a little nervous coming through those doors for the first time, so they make every attempt to make them comfortable — and hopefully repeat customers.

Not everyone makes it.

"We're seeing more and more adult stores not making it, which used to be unheard of," Franks said. "It used to be, you got into a location and it was just a guaranteed revenue stream. That's over, that's done."

### **What's Next**

There is one way to get today's more open and accessible retailer to clam up: Ask about the future.

Sure, they'll all tell you about locations and displays and store layouts and picking the right location. It's no secret that the adult retailer must make changes, most immediately with DVD sales dropping and no obvious replacement presenting itself. Now that the adult retailer has created a more inviting atmosphere, the next step is obviously stocking the right product. Retailers couldn't be clearer about the challenges that lie ahead.

So what's the secret of surviving the next five years? Franks' quote stands as representative: "I do have some ideas about where the market is going to go, but I don't know if I want to share them."

Since the future is full of secrets, perhaps the panel could agree on the past? There is a simple question that has not yet been addressed: Where were these stores in previous decades? Would it have been possible to open a Hustler Hollywood in, say, 1975?

"They would have locked them up," Flynt said. "That was kind of the reason why the bookstores became what they did; they had to hide in the alleys and behind darkened windows and they were kind of forced to do that. If somebody had tried to do it, it would have never flown because of the perception people had at that time."

Franks was more positive. "Oh yeah, I think they could have," he said. "There were quasi stores that were an offshoot of this kind of store, not as developed, but there were people piddling around with the concept."

Berger offered a concise, but thoughtful, "Who knows?"

"America is a lot more comfortable with sex than they were in the '70s," Flynt said. "It's not Europe yet, but it has come a long ways and there's a lot further to go. Sexuality is as acceptable as it ever has been in America."

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