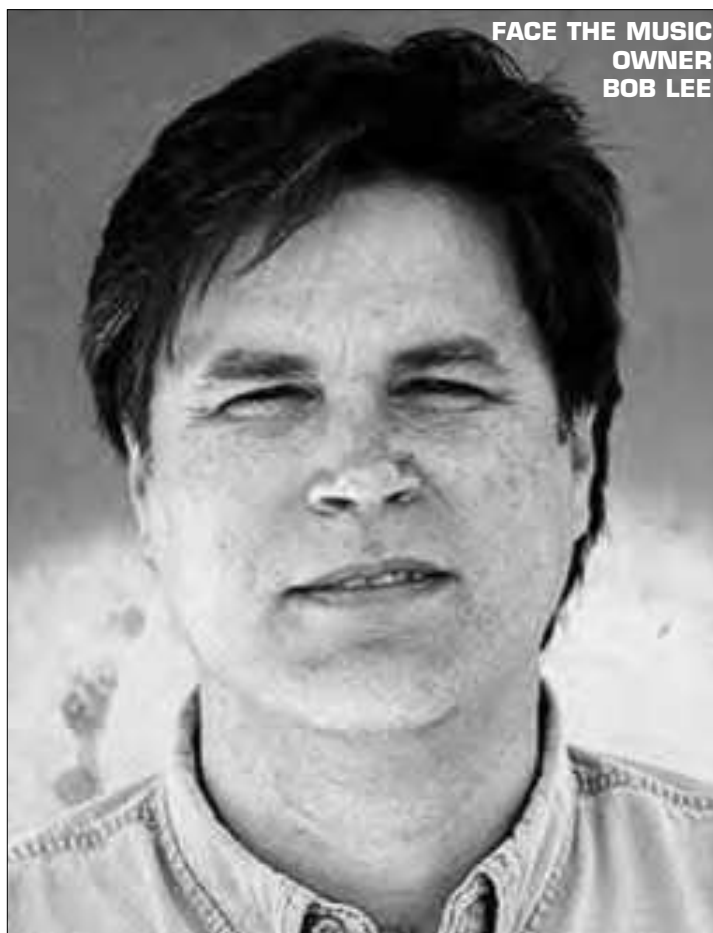


integrated marketing, video and radio play strategies to push first album sales over the 200,000 mark. Despite larger sales by certain individual artists, the rise of online music, fewer overall artists and other industry factors drove national CDs sales down nearly 30 percent between 2001 and 2003. "More than half of my friends in the record business are gone," says Lee.

Face the Music is now back in its original, cramped location. It moved back there in 2001 after four straight years of losses in the other building. The store's revenue continues to decline and is now less than half of what it was at the beginning of 1997. House of Records, another local independent retailer, has seen its revenues fall every year since 1999. "Their business and ours mirror one another," says Greg Sutherland, the buyer for House of Records.

In the early 1990s, it wasn't uncommon for Face the Music to sell several hundred CDs per day. Now, the store is lucky to sell 100 daily total albums.

Lee himself is OK. With the writing on the wall at Face the Music in the late '90s, he started BuyMusicHere, a company that builds online stores for independent music retailers. The service, now the largest of its kind in the U.S., allows retailers to sell their products over the web and market them outside of their local area. BuyMusicHere turned its first profit in 2003.



FACE THE MUSIC
OWNER
BOB LEE

Face the Music is not OK, nor are its employees. Lee says that if he'd had real foresight, he would've closed the store five years ago. The store is barely paying its bills. Employees like Karl Payne, now the store manager, are trying to figure out what they'll do if the store closes.

If Face the Music survives, Lee says, it won't be in its current format. The music business continues in a chaotic free-fall, and he'll need to diversify his operation with other retail merchandise. Small records stores — and maybe even big ones — that sell just music don't stand a chance, he says.

Waterloo Records and Video in Austin, Texas, is one exception. They're an exquisitely run large independent music store with direct access to records from a diverse local music scene. They continue to support local artists and specialize in Texas music, and they've carved out a unique niche. Other large independent records stores such as Eugene's CD World, Green Noise (formerly of Eugene, now of Portland) and Portland's Music Millennium continue to thrive through their niche positions in their markets and the fact that they deal with few middlemen because of their size. Nevertheless, they've experienced lower revenues in recent years, particularly since 1999.

Most of the rest of the small stories like Face the Music, however, are singing their swan song. Pride, says Lee, is the only thing that keeps his store open today.

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More than half of my friends in the record business are gone.

— BOB LEE, OWNER —

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