

Starbucks shakes up entertainment unit

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Starbucks shook up its entertainment division on Thursday in the latest bid by the company to invigorate its sagging sales.

The overhaul comes a day after Starbucks said it would post weaker-than-expected earnings for the second quarter amid slumping sales and a darkening outlook for consumer spending.

In a statement, the chairman and chief executive, Howard Schultz, who has previously taken steps to bolster the chain's coffee offerings, said the company was "committed to examining all aspects of our business that are not directly related to our core."

As part of the changes, Starbucks said Ken Lombard, president of the entertainment unit since 2004, had departed. Chris Bruzzo, the chief technology officer, will take the reins of the division, which selects and markets music, books and other items sold in Starbucks coffee shops.

Starbucks also said it would turn over management control of Hear Music, its in-house record label, to its partner in that venture, the Concord Music Group.

The shift of the entertainment unit to Bruzzo's control underscores Starbucks's interest in pursuing sales of music and other products online. Starbucks struck a deal last year to offer special access to Apple's iTunes digital music through the wireless network at more than 600 locations, with more expected to follow.

Last week, the company said it would offer customers a weekly series of cards that could be redeemed for a free song or music video at iTunes. A similar giveaway last year resulted in more than six million downloads.

Lombard has been the target of criticism that he mishandled Starbucks's effort to expand on its early roots as a purveyor of jazz records and custom compilations. Under Lombard, the company diversified its offerings to include more mainstream fare from artists ranging from Il Divo to James Blunt.

The results were mixed: Starbucks said sales increased by more than 20 percent last year, to about 4.4 million units, but the average number of CDs sold per store in the rapidly expanding chain remained stagnant, according to people briefed on the company's affairs.

Lombard's strategies had also contributed to an internal clash that resulted in the exodus of several entertainment executives. He could not be reached for comment on Thursday.

It is not clear whether the reorganization will alter the style or number of music releases carried on the shelves of Starbucks, which runs more than 7,000 shops in North America.

But the company has been pledging to home in on improving its customers' experience as it tries to reverse a series of financial setbacks.

"It's been apparent that Howard Schultz has come to realize his organic vision for this coffee shop had somehow gone astray, and obviously he's taking stock of everything," said David Sonenberg, a talent manager who has represented several artists with music carried in Starbucks.

In music, he added, Starbucks had an opportunity "that has passed them by where they could really capture the imagination of their customers." If the company can find a way to better "make it part of the Starbucks experience, without question I think they could get it back."

"But it's not going to come easily."

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