



Tuesday, January 6, 2009

Borders counts on new CEO

Turnaround pro will try to revamp the bookseller that has lost \$308M in two years.

Jaclyn Trop / The Detroit News

After double-digit declines in holiday sales, two years of heavy annual losses and an unsuccessful attempt to sell itself, Ann Arbor-based Borders Group Inc. appointed a new CEO Monday in an attempt to turn around the country's second-largest bookseller.

Like other brick-and-mortar book stores, Borders faces competition from online retailers such as Amazon.com, large discounters such as WalMart and Costco, and the proliferation of Web-based digital content. The company's movie and music sales also have waned with the advent of digital downloads.

"Obviously the book business is a competitive one," said Borders Group spokeswoman Anne Roman. "We're facing a number of industry challenges."

Ron Marshall, who founded and ran private-equity firm Wildridge Capital Management for the past three years, will replace George Jones as CEO of Borders. Jones held the position since July 2006 and has been credited with building the company's online arm, borders.com.

Marshall, 54, was chosen for his "extensive financial background, extensive turnaround experience and his book industry/retail experience," Roman said. He helped drive turnarounds at supermarket chain Pathmark Stores Inc. and food distributor Nash Finch Co., where he served in top management positions. Marshall also served in senior management positions at several retail companies, including Dart Group Corp.'s Crown Books division and Barnes & Noble Inc.'s college bookstores.

Although Borders has not announced any strategies to retool its business, goals include gaining a firm financial footing, reducing debt, improving cash flow, cutting expenses, enhancing inventory productivity and improving margins, Roman said.

The attempt to revamp Borders comes as consumer spending on durable goods -- including books -- is at its softest since 1942, said David Schick, a Stifel Nicolaus analyst who follows Borders Group.

"When people don't go out to eat, they don't duck into the bookstore next to the chain restaurant," he said. "It's a tough time for the book business."

Schick said that he is "skeptical" that changes to the company's management will help Borders rebrand amid so many pressures facing the book industry. Turnaround efforts may include reexamining Borders' markets as well as the categories and merchandise it carries, according to Schick.

"They have to face the economic reality that it's hard to grow in this environment," he said.

Borders reported that sales for the nine-week holiday period ending Jan. 3 were down 11.7 percent compared with the previous year. The company, which owns Waldenbooks and the London-based stationery retailer Paperchase Products Ltd., saw \$868.8 million in sales.

Sales for Borders superstores were down 13.6 percent for the holiday period, or \$652.6 million. Borders is in danger of being delisted from the New York Stock Exchange because its share price has traded at less than \$1 per share since Dec. 1. The company has six months to raise its stock price.

The share price hit a low of 35 cents on Dec. 23, compared with a 52-week high of 11.29 on Jan. 29. Shares closed up 13 cents Monday, at \$0.58. The company, whose largest shareholder is New York-based Pershing Square Capital Management LP, posted \$308 million in losses for the past two years combined and was unsuccessfully put up for sale in 2008. The failure to find a buyer is typical of companies across all industries because credit markets have tightened significantly over the past year, according to Schick.

Reports of Borders' bleak quarterly earnings "add to the sense of gloom" surrounding Michigan's economic troubles, said Dana Johnson, Dallas-based chief economist for Comerica Bank.

However, with only 40 stores in the state, Borders' woes are not likely to have a major effect on the Michigan economy. Since Borders is an international company, "its problems are not a reflection of Michigan's problems," Johnson said. "It's not the typical Michigan story."

But the company's Michigan presence is central to establishing a diverse economy in the state, said Scott Watkins, a senior consultant at Anderson Economic Group in Lansing.

"Anytime you read about a failing Michigan company, it's a sore spot for the state," Watkins said.

Borders employs 30,000 people at 1,100 stores in the United States, Australia, New Zealand, Singapore and Puerto Rico.

Other changes at the bookseller include the appointment of Mark Bierley, who joined Borders Group in 1994, to the position of chief financial officer and executive vice president of finance. Anne Kubek, who began her career in 1990 as an assistant manager of the Borders store in Rockville, Maryland, has been appointed Executive Vice President of Merchandising and Marketing.

Borders' efforts toward retooling could bring positive change to the book industry, according to Laura Dail of Manhattan-based Laura Dail Literary Agency. She said Borders could be forced to take a harder look at its shelves and carry "fewer and better titles more geared toward what consumers want."

The shift toward digital reading won't necessarily spell the end for publishers, she said.

"We can still publish whether the product is between two covers or not."

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