

Business

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Borders asks to end cafe pact to save cash

But move may prove too little, too late, retail consultant says

Detroit News staff and wire reports

Borders Group Inc., the Ann Arbor-based bookstore chain operating in bankruptcy, wants to end a licensing agreement with Starbucks Corp. unit Seattle's Best Coffee LLC so it can save money.

The nation's second largest traditional book seller made the request in bankruptcy court Wednesday but requested the papers be sealed "to protect the confidentiality of the sensitive commercial information contained therein."



Borders seeks tweaks to its café experience.
(Associated Press)

Seattle's Best had cafes in 225 of Borders' stores that have closed in bankruptcy, according to a regulatory filing from Starbucks for its quarter ended April 3. According to a summary of Borders' largest creditors, Seattle's Best is owed about \$5 million in trade debt.

"This change will allow Borders to operate its own cafe program, enabling us to reduce the licensing fees we pay, generate significant cost savings and boost cafe profitability," Borders spokeswoman Mary Davis said in an emailed statement. "The change will also provide us with the opportunity to tailor menu items and the café experience based on our customers' preferences."

Chapter 11 bankruptcy protection gives companies the ability to break contracts and restructure their costs, something Borders is doing with this move, Farmington Hills-based retail consultant Ken Dalto said.

While the move is a good way to reduce costs, it will have a small impact on Borders' chances for survival, Dalto said.

"It may be a little too small and a little too late," he said.

The company's most recent financial report showed Borders lost \$479.9 million for the year ended Jan. 29. It filed for bankruptcy on Feb. 16.

In a December 2010 teleconference, Borders said it would transform its stores with more electronic readers, improved children's education sections and partnerships with Starbucks and a division of Seattle's Best that would expand its "cafe experience."

The move came as rival Barnes & Noble Inc. announced late Thursday that online retail, media and communications conglomerate Liberty Media Corp. offered to buy the company for \$17 per share in cash. That amounts to about \$1.02 billion, based on its outstanding common shares as of March.

The offer price is nearly 21 percent higher than Barnes & Noble's Thursday closing stock price of \$14.11. The companies haven't signed an agreement. The deal is still subject to closing conditions.

A Borders shareholder offered to finance a \$960 million buyout of Barnes & Noble in December, but the offer went nowhere.

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