



Business

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Borders chief to exit amid sales dip

Marshall leaving troubled bookseller after 1 year as CEO

Jaclyn Trop / The Detroit News

Borders Group is losing its second chief executive in two years on the heels of another dismal holiday season for the beleaguered bookseller.

Ron Marshall, 55, who replaced former CEO George Jones last January, said Tuesday he is leaving Borders to take the helm at another retailer.

Michael Edwards, 49, Borders' executive vice president and chief merchandising officer, will be interim CEO.



Marshall's departure caps a tumultuous two years for the Ann Arbor company. Borders has pursued a frenzy of initiatives, from aggressive loyalty programs to new store layouts and cost-cutting measures, to weather the recession and stay afloat in a challenging industry.

The nation's No. 2 bookseller also faced a potential delisting from the New York Stock Exchange when its shares fell below \$1, failed twice to find a buyer for the company and closed scores of outlets around the country.

"Driving traffic and sales is the main problem," said spokeswoman Anne Roman. "The company has been open about that."

Sales for the 11-week holiday period ended Jan. 16 fell 13.7 percent to \$846.8 million. At the time, Marshall called the results "disappointing."

Borders' frequent management shakeups and the onslaught of new initiatives spell trouble for its long-term financial health, said Kenneth Dalto, a retail consultant in Farmington Hills. Customer service and employee morale are flagging as the book market continues to shift.

"It's not out of the question that they may not be a company in three years," he said. "The world has changed and their business model did not adapt."

Borders' board of directors does not have a timetable for replacing Marshall, Roman said. Los Angeles-based Korn/Ferry International, will help search for a new CEO.

Edwards joined Borders in September following a stint as CEO for Ellington Leather, a Portland, Ore.-based leather handbags and accessories wholesaler

In a statement Tuesday, Edwards said the Borders team has made significant progress over the past several months and he will continue to work on strengthening the bookseller's finances.

"We have a clear commitment to drive the top line at Borders Group and there will be no interruption of our strategic plans," Edwards said.

Marshall did not identify his new employer but The Wall Street Journal reported it is New Jersey-based grocery chain A&P.

News of the management change pushed Borders shares down Tuesday to close at 92 cents, a 15.5 percent drop from Monday's close of \$1.09.

Roman said Edwards will build on Marshall's progress in trimming costs, promoting Borders' customer loyalty program and downsizing its Waldenbooks specialty chain, from 182 stores to 145. There are 515 Borders bookstores.

The bookseller will continue to strive to become a "high-quality provider of digital content," Roman said, citing a recent partnership with Toronto-based Kobo Inc. to create an application that would let consumers download and read e-books on a variety of mobile devices.

Borders has stepped up its discounts, e-mailing loyal customers almost daily with coupons for up to 40 percent off books and other items. In its stores, the company is reducing multimedia inventory and expanding popular sections including children's, cooking and biography.

Marshall and chief financial officer Mark Bierley helped Borders make operational and financial improvements to increase cash flow, reduce debt and reposition the company to pursue new growth opportunities, including partnerships for e-readers, chairman Mick McGuire said in a statement. He said Edwards and Bierley will continue to focus on reducing expenses, improving margins and driving cash flow.