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CEO's exit is a blow to Borders

Marshall resigns after year as sales slide

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Borders Group can't seem to catch a break. News Tuesday that CEO and President Ron Marshall resigned after just a year on the job means its turnaround, now three years in the making, may not make it, analysts said.

Shareholders pushed down the Ann Arbor-based bookseller's shares nearly 16% to close at 92 cents on the New York Stock Exchange.



Ron Marshall, Borders president and CEO, steps down after a year.
(BLOOMBERG NEWS)

"I think it is one step from bankruptcy or from pieces being sold off," said Ken Dalto, a Farmington Hills-based turnaround expert.

Alyce Lomax, an analyst for the Motley Fool, said a Borders bankruptcy filing would not surprise her.

"This year is going to be a tough one for most retailers. Given the holiday sales report, Borders is having a tough time getting customers in the door."

Borders Group, owner of the Borders and Waldenbooks chains, reported that its holiday sales were down 14% from a year ago.

Sales for the 11 weeks ended Jan. 16 declined to \$846.8 million. Comparable store sales, which excludes new stores, slumped 15% at Borders stores and dropped 9.4% at Waldenbooks.

Michael J. Edwards, who has served as Borders' executive vice president and chief merchandising officer since September, will step in as interim CEO. A search will begin for a permanent CEO.

Marshall's departure leaves Borders' future in even more doubt, Dalto said, because the company has liquidity and cash-flow problems and no clear strategy to overcome the competition from Amazon.com, Wal-Mart and other general merchandisers. He said Borders is at least five years, if not 10 years, late to online shopping.

"Part of it is not Borders' fault. They have been slammed by a changing demographic ... 50% of the people who used to shop in Borders stores eight to 10 years ago are now shopping online," Dalto said.

Anne Roman, Borders spokeswoman, said Marshall was resigning for a new job with a retail company. It is reportedly the Great Atlantic & Pacific Tea Co.

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