



Business

Home | Hotmail | Search | People & Groups | Shopping | Join Xt

- o Business Banking
- o Business Centre
- o Business News
- o Industry Word
- o Management
- o Markets Now
- o Small Business

You are here : XtraMSN > Business > Business News

- | | | | |
|------------------------------------|----------------------------------|-------------------------------|----------------------------------|
| Small Biz Tech | Personal Finance | Tech Toys | Economic Reports |
| Broadband | Small Business | Messageboards | Yellow Pages |
| Tech & Gadgets | | Stock Quotes | Travel |



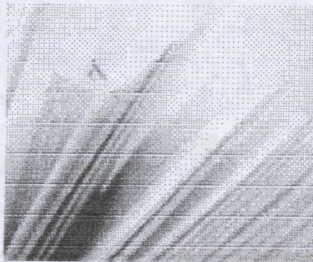
SEARCH WITH TOP:

BROWSE XTRAMSN:

Business

Contact Us

News



Big Bookstore Losses Reported

A major shake-up has begun in the book retailing business after dismal financial performances by the three major players, Dymocks, Whitcoulls and Borders, during the past two years.

Headline

- Property Bo
- Signs Of Eas
- The NZ Busi
- That Was
- The Interna
- Week That I
- BoE To Figh
- To End
- A Top NZ Re
- Agent

Whitcoulls is planning to sue its previous owner, US Office Products, over an overstated inventory when British retailing giant WH Smith bought the chain in June 2001.

Dymocks, meanwhile, is moving its flagship Auckland store to 246 Queen St in July to compete with Borders and Whitcoulls on their own turf.

Financial results filed at the Companies Office reveal losses for all three major book retailers when they filed their latest figures for 2002 and 2003.

In the year to June 2003, Dymocks reported a \$70,287 loss (compared with a \$202,870 loss in the previous period) on sales of \$2.28 million (\$3.7 million in the previous period).

Whitcoulls has just filed results for the 15 months to July 2002. It would have been marginally profitable had it not been for an \$18.7 million write-down on stock, property plant, equipment and other fixed assets such as leases.

In the year to January 2003, Borders reported a \$1.612 million loss (compared with a \$2.28 million loss in the previous period) on sales of \$11.9 million (\$12.6 million in the previous period). Foreign exchange losses were \$597,000, compared with \$102,000 previously.

Whitcoulls and Dymocks claim sales figures have revived in the last six months. All three companies are planning to expand their stores.

WH Smith bought the Whitcoulls chain of 70 stores, its Angus & Robertson chain in Australia, various stakes in New Zealand university book shops and a joint venture with NZ Post of 35 Books and More stores in June 2001 from US Office Products.

WH Smith's Asia-Pacific chief financial officer, Chris Tait, says the company is preparing legal action against USOP over the value placed on inventory when it bought the chain. The action is expected to go to court in Auckland later this year.

Previous Headlines

- Expert Welcomes KLM/Origin Deal
- Property Boom Shows Signs Of Easing
- Nav Spending Down On 2002
- Chillier Future For EU & Nth America
- BNZ Expects OCR Rise
- Map Of US Fed Recalls Bygone Era
- Eu Howls At \$US Drop

Entrepreneur Eric Watson sold Whitcoulls to US Office Products.

In the 2002 results, Whitcoulls Group reported a net loss of \$18.83 million (\$3.621 million previously) in the 15 months period on revenue of \$256.9 million (\$193.84 million for the 12 months for the year to 28 April 2001). This includes property rental.

A note in the accounts says during this period Whitcoulls cleared out and destroyed a significant amount of inventory which contributed to the overall trading loss. Included in the \$18.7 million write-down was \$2.123 million related to stock carried forward from the prior period that "was recorded at an amount greater than its net realisable value."

Directors claimed it was a "fundamental error."

As well as the stock write-off, the company also wrote down the value of fixed assets on the balance sheet by \$9.67 million and other assets and leases by \$6.92 million. These included provisions raised against liabilities existing at the time of the acquisition which the company says were not previously provided by the company.

WH Smith has since sold Whitcoulls' three properties it owned - Cashel Street in Christchurch, Lambton Quay in Wellington and its flagship Queen Street store. It sold the latter in August to property developer Greg Wilkinson. The building has historic status and unused floors above the store are being strengthened for conversion to apartments.

Citing commercial confidentiality, Whitcoulls' New Zealand managing director Ian Draper this week declined to discuss the plans in detail. Whitcoulls now leases all of its stores.

Draper says the Whitcoulls business model is now aligned with that of its British parent. The company had made considerable savings through access to WH Smith stock.

Sales had also lifted through a personalised approach, he said. This included providing book reviews by staff and others, and publishing a Top 100 best books and Top 50 children's book list.

Whitcoulls planned to open new stores in smaller provincial towns such as Matamata and Te Awamutu, he said.

Australian book franchiser Dymocks opened its first store in the Atrium on Elliot shopping centre in downtown Auckland 10 years ago.

It has five New Zealand stores. The three franchises in Auckland and Napier have made money but the two company-owned stores in Auckland (including Elliot Street) have lost money.

The company raised \$1.45 million recently from its Australian parent to relocate Elliot Street to 246 Queen Street.

General manager Paul Sunde said this, and the company-owned Glenfield store, were likely to be franchised. Protracted legal action with a previous franchise owner had stalled growth plans in the past two years but sales had turned around in the last two quarters and the company was now in profit, he said.

Dymocks' Christchurch stores closed last year but the retailer planned

four new stores this year, the first in Palmerston North.

Sunde says the mix of Dymocks' stock had been wrong. Magazines and stationery were introduced to stores recently to increase foot traffic.

US book retailer, Borders has still to turn a profit five years after entering the New Zealand market but it is planning to add to its single store in Auckland, according to book retailing sources.

brought to you by **theIndependent** | subscribe today >>

©2004 Xtra Limited. See policies, Terms and Conditions, Advertising on XTRAMSN.

■▲±82w÷△ü_T▲■▲±83w≈◎°ü_T▲■▲±◎79w≈◎▼Çü_T▲■▲78w≈LüL▲■▲85w≈◎▼Çü_T▲■▲≤◎◎ ■85w≈◎°ü_T▲■▲≤◎◎

Tom Shepherd
welwms @ 5xhealth . Co