

Bertelsmann reorganizes

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FRANKFURT, Germany (AP) -- German media company Bertelsmann AG reorganized part of its Internet empire Tuesday, announcing plans to fold its online bookstore into its book club division as it faces pressure from such rivals as Amazon.com.

The move -- meant to help cut costs and bolster customer traffic -- comes after privately owned Bertelsmann scrubbed plans late last year to float its troubled online book division, bol.com, on the stock market as a separate company.

Launched in 1999, bol.com is Europe's No. 2 online bookstore behind U.S.-based Amazon.com (AMZN: up \$0.63 to \$13.96, Research, Estimates), the world's leader. But the unit has yet to turn a profit, and could sap strength from Bertelsmann's book and music club division, known collectively as Direct Group Bertelsmann.

A mainstay of the German company's customer base for 50 years, Bertelsmann's club division also has become a loss maker in recent years, although division chief Klaus Eierhoff forecast Tuesday that it should return to profitability, excluding bol.com, in 2002.

The question in 2001 is whether you can offer all services to your customers through all channels.

The reorganization will trim costs by slashing overlapping administrative and marketing operations with Bertelsmann's book club division, spokesman Rocco Thiede said. Bol.com also will save money by closing its Danish and Norwegian operations.

Klaus Eierhoff

By knitting the two branches more closely together, Bertelsmann hopes to buoy online sales by attracting more club members. It likewise hopes to snag new club members from customers surfing the Web.

But Eierhoff denied that the move is a step back for Bertelsmann's online business, because he said the new strategy offers customers a better one-stop shop.

"It doesn't matter if in terms of a pure Internet player we are number one or number two," he said. "The question in 2001 is whether you can offer all services to your customers through all channels."

By tapping Bertelsmann's other divisions, Eierhoff said, its offerings would beat Amazon's.

Direct Group Bertelsmann has around 55 million customers in 22 countries,

and includes the company's music division BMG. Bol.com operates in 16 countries, including China and Japan, and offers titles in 12 languages.

Bertelsmann's other holdings include the book publisher Random House, CDNow and 40 percent of barnesandnoble.com (BNBN: down \$0.01 to \$1.94, Research, Estimates).

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