

## Bertelsmann Reorganizes Online Unit

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German media giant 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, 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 has also become a loss maker in recent years, although division chief Klaus Eierhoff forecast Tuesday that it is profitable, excluding bol.com, in 2002.

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

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

said. "The question in 2001 is whether you can offer all services to your customer channels."

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

Direct Group Bertelsmann has around 55 million customers in 22 countries, and the company's music division BMG. Bol.com operates in 16 countries, including Japan, and offers titles in 12 languages.

Bertelsmann's other holdings include the book publisher Random House, CDNow, and 10 percent of barnesandnoble.com.

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