

Indigo looking to expand after major consolidation

Some possibilities include mini stores

BY MARINA STRAUSS
RETAILING REPORTER

Indigo Books & Music Inc. is finally ready to consider an expansion plan after taking the last few years to consolidate its holdings following the controversial takeover of competitor Chapters.

Key among the possibilities are new "mini Indigo" book stores, which would be about one-tenth the size of a superstore, with an Internet cafe and an edited assortment of books, music and gifts, said Indigo spokeswoman Sorya Ingrid Gaulin.

The country's largest bookseller is also considering adding more of its smaller Coles stores as well as some big-box outlets, she said in an interview yesterday.

The 255-store chain had focused on consolidation since the 2001 merger, she said. "Now we're in a position that we're considering growth."

The situation was starkly different a few years ago when the federal Competition Bureau, worried about Indigo's stranglehold over the book retail industry, ordered the mega-chain to unload 23 of its more than 270 stores to other book sellers.

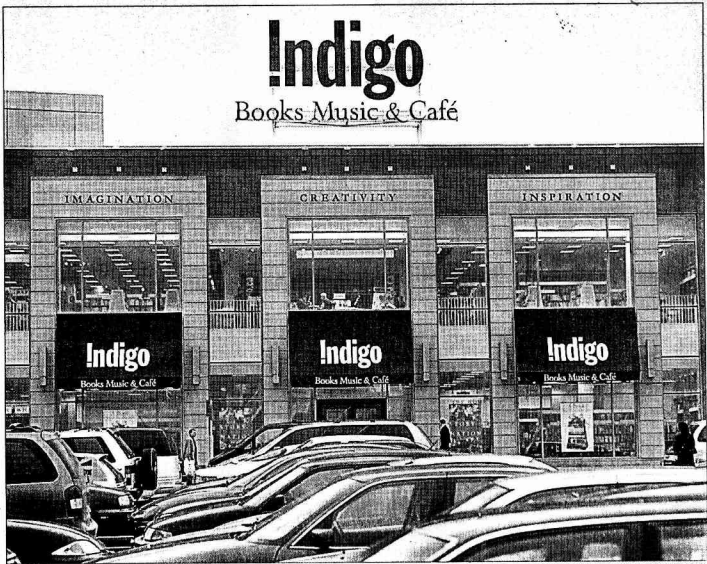
It also prohibited Indigo from opening more stores for two years, among other things.

Heather Reisman, Indigo's chief executive officer, agreed to the terms, but in the end there were no takers for the stores and Indigo shut selected outlets.

At the time, Indigo controlled almost 70 per cent of the retail book market, according to industry estimates.

Today, the proportion is probably less than 60 per cent, said Jacqueline Hushion, executive director of the Canadian Publishers Council, which represents major international suppliers.

She said her members would be



Indigo Books & Music, Canada's biggest bookseller, is considering opening more of its smaller Coles stores and some big-box outlets. The chain is still trying to sell or downsize several of its existing superstores.

concerned if Indigo was looking at a major expansion. "I don't think we're talking anything big," she said.

And while Indigo still has a mammoth hold on the sector, its proportional size isn't quite as big because of the inroads that large discounters such as Costco Wholesale and Wal-Mart Canada Corp. have made in the market. (The Association of Canadian Publishers says Indigo still has about the same market share as it had in 2001.)

Ms. Gaulin said Indigo has no specific plans yet for expansion, or for the number of stores it would like to open. One industry report has suggested the company expects

to add about 10 outlets in the next year, with an eye on British Columbia, Alberta, Ontario and Quebec.

As well, Indigo is still trying to sell or downsize several of its existing superstores.

The retailer launched a mini Indigo at the Edmonton airport in November and the results have been encouraging, Ms. Gaulin said. The store has an Internet cafe with four "stations."

The company is monitoring the store closely, she said. "We're open to this kind of concept — a mini-Indigo. It does indicate our willingness to look into opportunities like that ... We're on the lookout for new locations."

Rick Pennycooke, a retail development consultant, said it makes sense for Indigo to shift to smaller stores because the big-box outlets seem too large.

"They seem to have too much floor space," said Mr. Pennycooke, president of Lakeshore Group. He pointed to Indigo stores carrying more gift items as a way to improve profit margins.

The company now has 73 Chapters, 14 Indigo, 167 Coles and one World's Biggest Book Store.

Indigo reported last week that its third-quarter profit for the three months ended Dec. 27 dropped \$2-million to \$28.8-million as its online division struggled.

THOR KOLEY/THE GLOBE AND MAIL