
Brazil's Major Bookstore Chain Gobbles Up Competition

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Saraiva, a major Brazilian bookstore chain, has bought Siciliano, its competitor, for 60 million Brazilian reais (US\$ 36 million). As part of the deal Saraiva is assuming Siciliano's net debt of 13.6 million reais (US\$ 8.1 million).

Siciliano, a traditional Brazilian bookstore chain founded in 1928, owns 52 stores and 11 franchisees, being present in 13 of the Brazilian states and also in Brazilian capital Brasilia.

According to a note by Saraiva, the operations of both bookstores are complementary, with low overlapping stores. While Siciliano stores are located in important commercial areas Saraiva does not have a significant penetration.

Siciliano not-audited gross revenues in 2007 reached approximately 156 million reais (US\$ 93 million), with 151 million reais (US\$ 90 million) from its retailing operations and 5 million reais (US\$ 3 million) from its publishing business, which include publications under the Arx, Futura, Caramelo and Arxjovem brand names.

The price is still subject to adjustments due to variations in Siciliano's net debt position as well as its working capital between November 30, 2007, and the present date.

According to the press release, "With this acquisition, Livraria Saraiva (1) shows its confidence in the future of the book retailing market and in the growth of the Brazilian publishing sector, (2) fosters an interest in culture by enhancing the purchasing experience of Siciliano's clients, (3) reconfirms its expansion strategy, increases and strengthens its chain, aimed at providing a better service to its clients, (4) seeks scale gains, and (5) increases its client base.

Besides its 36 stores, Livraria Saraiva has an e-commerce website operation, which contributed roughly one third of the Company's gross revenue in 2007. The Super Store concept was introduced in Brazil by Saraiva in 1996 and the company was one of the first online book retailers.

Besides books, the company also offers CDs, DVDs, magazines, stationary, select electronics items and information technology. Its catalog has almost 1.5 million items. In 2007 the firm organized nearly 2.7 thousand events in its stores and received more than 20 million visits.

Siciliano, on the other hand, was founded in 1928 by Pedro Siciliano and, in the early years, sold only newspapers and magazines. The first bookstore was opened in the city of São Paulo in 1942, and it was the beginning of one of the largest bookstores chains in Brazil.

In 1998 the company started its editorial business, publishing children's books and literature in general. Six years later Siciliano acquired the Berkeley Brasil publishing house and entered into the information technology publishing business.

In 1996, these two publishing houses became one, selling content through four brand names: Arx, fiction and non-fiction books; Futura, general business literature, technical and information technology publications; Caramelo, specialized in children's literature; and Arxjovem, whose main publishing lines are fiction and non-fiction books for teenagers.

The following year, Siciliano launched its e-commerce web site.

In 1998 the North American fund Darby Overseas Investments, Ltd. acquired 35% of Siciliano share capital. In 2004 the company started to franchise its brand name.

Today Siciliano has franchisees in the cities of Caxias do Sul (Rio Grande do Sul State), Fortaleza (Ceará), Mossoró (Rio Grande do Norte), Jundiaí (São Paulo State), Rio (Rio de Janeiro), Natal (Rio Grande do Norte), Rio Claro (São Paulo), São Carlos (São Paulo) and São Vicente (São Paulo).

According to the Brazilian Book Chamber (CBL) data, the book industry in Brazil is still very fragmented and its revenue reaches approximately 3 billion reais (US\$ 1.8 billion) annually (2006 data). In the US, Amazon, Barnes and Nobles and Borders together sold more than US\$ 12 billion in 2006.

The National Bookstore Association registers more than 2,600 bookstores in Brazil. The United States has less than 3,000 of them. 1800 stores are shared between the two big chains Borders and Barnes & Noble.