

Flawed Business Model Led Closure of Stationery Retailer Papyrus

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Abstract: Papyrus, famous for greeting card and popular in Northern America as leading stationary chain closed down its operation in June 2020. Papyrus was brought into existence by Marcel and Margrit Schurman in 1950. It had a roaring business since its inception. Papyrus expanded during its heydays and set up over 500 stores across northern America. But organization failed to maintain its glory in digital age. Consumer preference and habits transformed significantly in technology driven time. Digital-based subscriptions, online greetings, instant messaging, pervasive use of social networking sites, social media made a severe dent in demand for greeting cards. Generation Y and Z are more into sending smileys and emojis to convey feeling and extend greetings. Even calendar, planner, schedule have mostly shifted to digital mode. Papyrus overlooked sign of new habits across generations and continued with physical store, greetings card, gift products and stationary items which were not viewed as environment friendly. Over the years, footfall reduced to Papyrus stores, revenue plummeted and it ended up filing Chapter 11 for bankruptcy protection in USA Bankruptcy Court in Wilmington, Delaware. The closure of Papyrus stores in 2020 resulted in unemployment of roughly 1,100 salaried and hourly workers.

Keywords: Digital preference, Erroneous strategy, Greetings card obsolescence, Insolvency, Managerial indecision, Stationary Business, Shrunken margin, Shift in consumer choice.

1. Introduction

Old habits have faded down and given way to new practices in the 21st century. Change is law of universe and it's a blunder to turn a blind eye towards evolving trends. Obstruction to change mostly leads to retarded growth and losing track of progress. People of 21st century live in fast paced digital world and rely profoundly on digital devices and information technology. Exchange of communication is on fast-track in business domain, public affair and personal relationship. People are not oblivious about nostalgic charm of writing letter and sending greetings card but paucity of time drove people to adapt something time tested, effective and economic. Papyrus missed the vital point in their business process and paid heavy price for flawed business model and business indecision.

Papyrus commenced its operation in 1950 with enterprising endeavor by Marcel and Margrit Schurman. In the beginning it was limited to being importer of elegant paper products from Europe and wholesaler of expensive and conspicuous greeting cards and stationery in USA market. It joined the retail foray with opening up of Papyrus store in Berkeley, California in the

year 1973. There was special focus on meticulous dexterity and artistry for its products and it kept on excelling in layout, quality and sophistication of varied offerings. It eventually reached its prime and brought American Greetings, Carlton Cards and Paper Destiny under the wings of Schurman ownership. Papyrus and other brands commanded by Schurman, had greetings cards for all seasons and occasions. There was strong patronage for its craftsmanship, design and aesthetic value. During growth phase, Papyrus made its presence felt in more than 500 locations in northern America. But it failed to keep up the momentum in 21st century. They failed to realize that dynamics of exchanging greetings, extending wishes and conveying messages changed to a great extent. Millennials and Gen Z got something faster and easier to interact being equipped with digital devices, Wi-Fi connectivity and internet network. Digital disruption hit hard to paper based physical mode of greetings. Online greetings card became popular with its creativity, inexpensiveness and faster delivery. Papyrus failed to grasp the paradigm shift happened in greetings business and was compelled to close down physical stores being uncompetitive and inappropriate in modern world.

2. Case Presentation

Papyrus has its share of journey from boom to bust. Fairfield, California based Schurman Retail Group founded Papyrus in 1950 that specialized in stationary products, gift items and greetings card for every occasion. Papyrus became subsidiary of Schurman Retail Group established by Margrit Schurman and Marcel Schurman. At the outset of business, Marcel Schurman Company as it was known in 50s used to import from Europe and wholesaled classy greetings cards and stationary items. Company fared well and expanded capacity with commencement of warehouse, packaging unit and administrative office at Oakland, California in 1965. First Papyrus retail store was inaugurated in Berkeley, California in 1973, It earned a name and received strong patronage from buyers and admirers who purchased and praised the finest craftsmanship and exquisite offerings in the form of greetings cards, gift package and birthday decorative. Company started internal design studio in 1982 and shifted its status from importer to publisher. Dominique Schurman took charge and donned several hats before ascending to CEO stature. Company

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went into franchising retail store business in 1993. It catapulted its progress with 'store within a store' concept in 1999 in collaboration with Macy's, Marshall Fields, Borders Books. Distribution center was shifted to Nashville, Tennessee in the same year and corporate office found its place in new building. Papyrus found a new Hummingbird logo in 2006 that symbolizes delicate dexterity and perfection and clubbed together wholesale, retail and assorted products for better control. Papyrus spread out across USA to make its presence felt in key markets. Papyrus floated its online concept with launch of PapyruOnline.com in 2007. Company went into consolidation with acquisition of Carlton Card Retail and divested wholesale division to American Greetings. In year 2010, Papyrus explored beyond boundary and founded first Papyrus retail store in Canada at Calgary, Alberta. Papyrus focused on physical presence and went ahead with launch of Papyrus Cherry Blossom Vintage stores in 2012 and Paper Destiny at in Ottawa, Canada and Seattle, Washington in 2013. There was emergence of grandiose Papyrus Niquea.D flagship store at New York in the same year. There were two innovative approaches to draw attention of people and usher in more footfalls in two consecutive years such as Papyrus Perks Program and Papyrus Little Treasures concept store plus circle of celebration to felicitate team performance at exotic store venue in year 2014 and 2015 respectively. All these ingenious efforts did not bid well. They failed to receive more footfalls and generate higher revenue. Papyrus joined the bandwagon of retail apocalypse along with Fairway Market, Forever 21, A.C. Moore, Barney's, Pier 1 which failed to withstand the assault of pandemic and economic contraction.

3. Discussion

Schurman Retail Group and Papyrus retail business delayed to comprehend that business dynamics changed to great extent since technology boom happened in last couple of decades. In its progressive time, Papyrus was instrumental in gifting moments of joy and created a ripple of splendor during celebration of numerous occasions. There was noteworthy brand loyalty and patronage for elegant offerings by Schurman run business. Since 2008, business was on a slippery track. Economic recession knocked hard and sounded the alarm bell. Business struggled hard to recapitalize or sell its operation in 2019. In December 2019, suppliers terminated its accord with Papyrus on the pretext that Papyrus would default on its deal. As per US census Bureau analysis of 2020, revenue slid down by 2.7% for greetings card since 2015 and projected negative growth to the level of 2.4% for next four years. In consumer driven economy, retail business was not overlooked or ignored totally. Except food service, gas station provision and automobile facility, remaining retail trade ended on a positive note in US in 2019. So, piling blame on industry downturn or decadence of retail business would be unjustifiable. Tennessee-based Papyrus, famous for premium greetings card and gift items faced severe jolt when extravagant expansion of stores went awry in the backdrop of recession in 2008. Papyrus couldn't overcome the onslaught of recession. The spike in expense on paper, rise in rent and decline in customer demand

resulted in slimmer margin and truncated profit. Over the years, company grappled with difficulty of higher product cost, capital expenditure for renovation and upkeep of stores necessary for in-store experience for elite customers. Business model didn't support diversification of products, customization in offering, exploration of digital avenue and collaboration with other groups. All missed exercise could have cushioned bottom line of business. In stark contrast, Hallmark Cards Inc., which controls 40% of the market share diversified business model so well and reaped the benefit of high ownership stake in Crown Media, ownership of Crayola and partnership with nonprofit enterprise Caring Bridge. Plunging demand for Papyrus merchandises and lack of business diversification led a soaring liability that stood 40% higher than its assets. Absence of prospective buyer and denial of supplier to provide necessary resource material, left no choice but to close down its iconic stores across 254 locations of USA and Canada. It came as a real shock to ununionized over 1000 employees who rendered jobless with filing of bankruptcy protection under Chapter 11 by Papyrus retail business in US Bankruptcy Court in Wilmington, Delaware.

4. Conclusion

Nothing lasts forever. It is applicable to business operation which runs short on change management and foresight. Starting from import business, Schurman paper business and greetings card sale grew exponentially. It successfully served people with refined taste and penchant for exquisite piece of art. Papyrus rode the crest of time and thrived with elegant offerings of greetings cards, stationary items and gifts suitable for various occasion. All merchandises on offer were stylish, fancy, itched the pride of giver and gratified receivers with eye for craftsmanship. But it missed the signal of transformation during digital age and went off the track. Economic recession of 2008 made people price conscious and spendthrift. People cut down heavily on conspicuous consumption. There was change in trend in the developed society and shift in behavior of people. Digital network, smart devices, web-based services brought plethora of options to exchange greetings and interact in time-saving and economic way. Millennials and Gen Z didn't care much about physical exchange greetings, wishes and salutations. Economic slowdown and pandemic restriction dealt heavy blow to retail business. Footfall thinned out and top line growth turned out to be a distant dream. Brick and mortar business across the board kept fighting a tough battle in the time of digital revolution. Many were forced to closed down as physical stores failed to lure away customers with window dressing, façade makeover or ravishing interior decoration. It is time for course correction and getting back to drawing board where retrospection and deliberation can help to figure out whether hybrid model would auger well or it would be apt to take complete digital diversion. Writing on the wall is clear that dependence on mere physical retail shop is not a viable option and may spell a doom for the business which has digital substitutes.

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