Bookseller Borders Group to liquidate, eliminating over 10,000 jobs

Shannon Jones
20 July 2011

In the latest sign of a worsening jobs crisis, Borders Group and Cisco Systems announced huge new job cuts this week. Borders, the second largest book-selling chain in the United States, said Monday that it has abandoned attempts to find a buyer and plans to liquidate its remaining 399 stores beginning Friday, at a cost of 10,700 jobs.

Michigan-based Borders filed for bankruptcy in February and closed about one-third of its 650 stores. Since that time it has continued to lose money and has had difficulty convincing publishers to ship books on normal terms, with many insisting on immediate payment.

Borders had hoped to sell its assets to the Arizona buyout firm Najafi Companies, owner of the Book-of-the-Month-Club. However, Borders creditors objected to the terms of the sale. Borders had set a Sunday deadline to find a new buyer. The company will present its plan for liquidation to a bankruptcy judge on Thursday.

Cisco, based in San Jose, California, announced plans to eliminate nine percent of its global workforce, or 6,500 jobs, in the first half of August. The job cuts will include 2,100 employees who have elected to take early retirement and 4,400 who will be laid off.

John Challenger of the outplacement firm Challenger, Gray and Christmas said the Cisco layoffs were “a cause for concern since the tech sector has generally been seen as one of the more healthy areas of the economy.” Along with the bankruptcy of Borders, the Cisco layoffs are among the largest announced this year.

Shares of Cisco moved higher on the announcement of its planned job cuts, as investors foresee increased profits and greater exploitation of the remaining workers. The company says it plans to slash expenses by $1 billion by the end of the 2012 fiscal year. The company closed its Flip video camera unit in April to focus on its networking business. Cisco is also selling a factory in Mexico that employs 5,000 to Taiwan-based Foxconn.

The liquidation of the popular Borders bookstore chain will be felt by communities across the United States. Borders has some 270 superstores and 130 small store locations. The store closures will leave shopping centers with hundreds of thousands of square feet of vacant space. The closings will increase the vacancy rate at shopping centers with a Borders store to 18.8 percent, according to one real estate analyst.

Borders liquidation will hit Michigan particularly hard. The state is already suffering from a 10.3 percent unemployment rate. Four hundred Borders employees are set to lose their jobs at the company’s headquarters in Ann Arbor. The company began with one store in Ann Arbor in 1971, eventually expanding into a Fortune-500 company.

An Ann Arbor independent bookstore owner told the WSWS that the closure of the nearby Borders “leaves a huge vacant spot in the middle of downtown and one less reason for people interested in books to go downtown looking for books. People go to areas where there are a lot of bookstores. It is going to hurt me as a bookseller.

“The only difference between Barnes & Noble and Borders is that Barnes & Noble beat them to the Internet. My customers tell me that if they know what book they want, they just buy it online. The only way to sell books now is if people are browsing, and you have a staff that really knows books.”

The Borders bankruptcy will also fall heavily on book publishers, who are the company’s chief creditors. When it filed for bankruptcy in February, Borders owed

$272 million to its 30 largest unsecured creditors. The group included Simon & Schuster, Penguin, Random House and HarperCollins. The bankruptcy of Borders will likely lead to smaller print runs and the layoff of employees. Many publishers have staff that work exclusively with Borders, which held 10.7 percent of the US retail book market.

"When you lose literally miles of bookshelves, its going to have an impact," said a spokesman for Hachette Book Group. Borders owed Hachette $36.9 million at the time of the bankruptcy filing.

Michael Norris, a senior analyst at Simba Information, a unit of MarketReasearch.com said the collapse of Borders would negatively impact both authors and publishers. "The liquidation of Borders is an irreplaceable loss of a big part of the book-discovery ecosystem. Thousands of people whose job consisted of talking up and selling books will eventually be doing something else, and that is bad for authors, agents and everyone associated with the value chain in books."

In a statement issued to employees, Borders president, Mike Edwards, blamed the rise of e-books and the global recession for the company's demise. Faced with stiff competition from online bookseller Amazon.com and the Barnes & Noble chain, Borders sales had been declining even before the onset of the recession in 2008. The company had not been able to develop an e-book reader that could compete with Amazon's Kindle or Barnes & Noble's Nook.

With the collapse of the Najafi deal Borders will sell itself to a group of liquidators led by Hilco Merchant Resources and Gordon Brothers Retail Partners. Books-a-million, the third largest US bookstore chain, is attempting to acquire some 30 Borders stores. The Borders liquidation is set to be completed sometime in September.