Office supply giants Staples and Office Depot announce $6.3 billion merger

Nick Barrickman
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Office supply retailer Staples announced Wednesday that it plans to buy its rival Office Depot, leaving only one major nationwide office supply chain in the United States.

The estimated $6.3 billion deal would see the elimination of between 500 and 1000 Staples and Office Depot outlets and the layoff of thousands of workers.

The deal, the latest in a wave of mergers by major American companies, is part of the growing monopolization in all parts of the American economy, from retail to air travel and telecommunications.

The office supply giants are the first and second largest vendors of their kind in the United States, controlling over 3,000 outlets between the two. Both firms had announced a number of planned closures prior to the latest merger decision, citing weak sales.

The planned closures will likely now be increased, as more than half of Office Depot's 1,000 outlets are located within a five mile radius of a Staples store. The announcement follows the 2013 merger of Office Depot with the then third largest office retailer, OfficeMax.

A *Wall Street Journal* blog post commented on investors' attitudes toward the plan, saying, "this isn't a deal that's being executed from a position of strength, and the benefits being touted—about $1 billion worth of cost cuts and promises of new strategies to boost sales—seem relatively tame." The entry continued by adding "once upon a time, the market was big enough for three competing chains. With this deal, the three of them will be under one roof. That's not a sign of a growing market."

The proposal marks the second time that the two store chains have attempted a merger in the past 20 years. A similar attempt in 1997 was rebuffed by the Federal Trade Commission (FTC) on grounds that it would violate anti-trust laws. Advocates of the current plan, rumored to be favored by the FTC, have cited the two retail chain's declining market strength—both have ceded ground to rivals such as Internet retailer Amazon and megastore Wal-Mart—as reason why the prior ruling no longer applies.

The decision to merge the two chains takes place amid a slew of announced job cuts throughout the broader economy. On Thursday, RadioShack, the electronics chain, announced that it is filing for bankruptcy, threatening hundreds of store closures and thousands of layoffs.

This week, the e-commerce giant eBay Inc. announced plans to let go of 2,400 workers this quarter due to "weak holiday sales." Last month, financial service firm American Express announced that it would be slashing up to 4,000 positions, or 6 percent of its workforce, citing the rising US dollar and plummeting oil prices as the reason. Similarly, clothing retail chains J.C. Penney and Macy's both announced they would be closing a number of stores and laying off between 1,600 and 2,500 workers each.

Corporations worldwide have sought mergers as a means to increasingly foist costs onto the backs of workers in the face of the continuing economic and financial crisis. The announcement comes after 2013's $11 billion merger of American Airlines and US Airways, leaving the country with only three carriers with transoceanic routes.

Behind the latest merger stands the increasingly dominant role of financial capital in American life. A *Bloomberg* report details the role played by Starboard Value, an investment group owning stock in both companies, in advancing the slate of mergers between the various office supply vendors. The report notes that the decision to begin the 56 days of talks coincided with Starboard's December 11 announcement of its total stake in both companies.

It notes that Starboard Chief Executive Officer Jeffrey Smith has had a role in a number of other multi-billion dollar mergers within the recent period, adding that such "activist investors have gained influence in recent years," with the hedge fund increasing its assets by $26 billion over last year's profits. The article cites a CNBC interview with Staples co-founder Thomas Stemberg. "I think Starboard set this thing up absolutely brilliantly… I think you have to congratulate them," Stemberg gushed of the hedge fund's role in the merger.