

US: Wayfair, Tripadvisor and other tech companies announce layoffs

Mike Ingram
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Internet retailer Wayfair laid off 550 workers on February 13, including 350 at its headquarters in Boston, Massachusetts. The layoffs represent 3 percent of its global workforce of 17,000.

The 18-year-old company has seen massive growth in recent years with its workforce more than doubling from around 8,000 two years ago. Wayfair has offices in London, Berlin and Boston and is one of the fastest growing tech companies in Massachusetts, with over 4,000 workers in its Boston headquarters.

The *Boston Globe* obtained an email from billionaire CEO and co-founder Niraj Shah which said, “On reflection this last period of investment went on too long.” Shah added, “Through two years of aggressive expansion, we no doubt built some excess, inefficiency, and even waste at times, in almost every area.” According to the *Globe*, an IT team in Wayfair’s Berlin office was let go Tuesday. Employees received a message on Slack around 2 a.m. Thursday saying that certain internal systems were locked so developers could not deploy code or make significant changes.

In a general meeting Thursday morning, hundreds of workers were told they were being laid off. In postings on social media, workers reported finding out remotely they were losing their jobs. The *Globe* reported that workers who were not laid off had to speak with their supervisors and “were told they needed to be more efficient.”

One worker posted on Twitter, “Giant middle finger to Wayfair for classifying those laid off as underperformers. Gross. The majority cut on the iOS side were Level III+. Obvious effort to layoff the highest paid to reduce the overall # let go.”

Wayfair’s aggressive scaling, particularly since 2016—with its workforce quadrupling since that year—was the result of the obsession with growth in the

drive to increase stock market share prices. In 2018, Initial Public Offerings (IPOs) by unprofitable tech companies reached 84 percent of total filings. The previous record high of 86 percent was from 1999 to 2000 at the height of the dot com bubble, which was followed by mass layoffs as the bubble burst and venture capital was no longer available. When ride sharing company Lyft filed with a valuation of \$15 billion last year, the company had a net loss of nearly \$1 billion in the previous year.

Tech site *Recode* quotes Paul Condra, from startup research firm PitchBook, who said, “The rise in unprofitable IPOs reflects the general preference in both public and private markets for growth over profitability.”

Condra said investors “Continue to put a premium on businesses with long-term future expansion or disruption potential.” *Recode* commented, “In other words, investors are willing to buy in now in order to subsidize and grow a company that could make lots of money later. They believe that the companies’ future profits will eclipse these current losses.” *Recode* called this the “Amazon archetype.”

Wayfair has openly tried to model itself after Amazon, which grew massively while barely returning a profit for two decades. According to *Crunchbase*, Wayfair has raised \$385 million in venture capital. With its IPO in 2014, the company was valued at \$3 billion despite never having made a profit. Wayfair reported losses larger than expected repeatedly over the last year. It posted a net loss of \$654.4 million through the first three quarters of 2019. Wayfair’s last quarterly earnings report of October 2019 showed net revenue growth of almost 36 percent to \$2.3 billion but the company still incurred a loss of \$272 million. Following the report Wayfair’s stock plunged nearly

19 percent, losing the company more than \$1 billion in market value.

Much has been made of Boston's inflated tech jobs market, with 38,000 open postings for tech jobs in Massachusetts, according to a report by the Mass Technology Leadership Council. This is used to downplay the impact of the Wayfair layoffs with the expectation that those affected will quickly find new employment. While this will be the case for many, the fear of another layoff down the road will be very real as companies seek to cut spending to satisfy the demands of investors. For the thousands of immigrant workers dependent on tech companies for visa sponsorship, a layoff can mean deportation or worse.

This was highlighted in an interview in the *Globe* with Dharmesh Mistry, a senior research manager at Wayfair in Boston.

"Mistry was taken to human resources, where he was told that he would get four weeks' severance. As an immigrant with a visa, he said, he didn't think he could obtain government approval to work elsewhere that fast," the *Globe* reported.

"To find another company that is going to go on with your green card, in this day and age, no one is going to do that," he said. "My life is over."

The Wayfair experience is indicative of a broader trend within technology companies as investors become nervous about companies staying in the red for too long. The *New York Times* published an article in October headlined "Silicon Valley Is Trying Out a New Mantra: Make a Profit."

The article cites the dramatic drop in share prices for a number of companies immediately after going public. In addition to fitness startup Peloton and online orthodontics company SmileDirectClub, Uber, Lyft and Slack are mentioned before the author comments, "The lackluster performances have raised questions about Silicon Valley's start-up formula of spending lots of money to grow at the expense of profits. (All of those companies lose money.) Public market investors, it seemed, just weren't having it."

"A lot of these highly valued companies have run into the buzz saw of Wall Street, where they're questioning or reminding us that profitability matters," Patricia Nakache, a partner at Trinity Ventures, a Silicon Valley venture capital firm, told the *Times*.

The buzz saw of Wall Street will be ruthless in its

demand for profit and it is the working class who will pay the price.

Prior to the Wayfair layoffs, *Bloomberg* reported in January that Tripadvisor, based in Needham, Massachusetts, just outside of Boston, would eliminate 200 jobs, representing about 5 percent of the total workforce. Travel news site *Skift* reported that the company's Experiences business could be a focal point of cost-cutting as Tripadvisor faces increased competition from GetYourGuide in Europe and Klook in Hong Kong, who have both raised big venture capital money totaling more than \$500 million. Airbnb and Booking.com are also competing in the same niche as Google.

In a third quarter earnings call November 7, Tripadvisor Chief Financial Officer Ernst Teunissan said the company is looking to cut \$60 million to \$80 million from its annual spend.

At least eight Bay Area tech companies have alerted the state government of job losses totaling 1,100 positions. According to a report in the *Mercury News* these include 252 layoffs at Zume, 211 at VMWare and 153 at Intel.

An analysis of job data by the outplacement and coaching firm Challenger, Gray and Christmas reported that technology companies announced 64,166 job cuts in 2019. That number is an astonishing 351 percent increase from 2018 when there were 14,230 job cuts in the industry.



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