

Borders to close 200 stores, including 4 in Michigan

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Borders Group, the nation's second-largest bookstore chain, could shrink to half its size, shed thousands of workers and still struggle in a marketplace moving away from bookstores as it reorganizes through bankruptcy.

The 40-year-old Ann Arbor company filed for Chapter 11 protection on Wednesday with hopes of returning to profitability, but has yet to come up with a strategy to get more people in its stores.

"Chapter 11 will be the last chapter for Borders," said Jim McTevia, a Bingham Farms-based turnaround expert.

Borders plans to shed 200 of its 642 stores with sales starting Saturday.

Michigan stores closing are in Dearborn, Ann Arbor, Grosse Pointe and Utica, which could result in more than 100 job cuts.

Up to 136 additional stores could close and 6,000 workers could lose their jobs nationwide.

The closures add to the commercial retail vacancies plaguing metro Detroit.

Borders President Mike Edwards said he hopes to reposition Borders to be "a potentially vibrant national retailer of books and other products."

Future of Borders is a cliff-hanger for observers awaiting plan of action

With Borders Group heading for bankruptcy protection for so long, the only question now is how it will emerge to fight another day against the likes of Amazon.com, Barnes & Noble and Wal-Mart.

Shoppers, shareholders and industry experts all wondered Wednesday why it took the Ann Arbor bookseller so long to file Chapter 11 and how it can create a bold plan to exit.



Borders Group filed for Chapter 11 bankruptcy Wednesday. The flagship East Liberty store in Ann Arbor is not one of 200 that will close nationwide; four other Michigan stores will be shut. / REGINA H. BOONE/Detroit Free Press

Borders plans to close 200 of its 642 stores with sales starting Saturday. Michigan stores closing are in Dearborn, Ann Arbor, Grosse Pointe and Utica. Up to 136 additional stores could close, the company said.

The move comes after lengthy turnaround efforts -- including layoffs, numerous store closings and arrangements with creditors -- have failed to keep the company above water. Borders has 6,100 full-time employees and 11,400 part-time employees. It has shed thousands of store and corporate employees over the past few years. About 6,000 workers could lose their jobs in the current restructuring.

It had revenue of \$2.3 billion last year and recorded losses of \$168.2 million through Dec. 25. Borders Group stock, which closed Tuesday at 23 cents a share on the New York Stock exchange, ceased trading upon the bankruptcy filing.

Shareholder Lou Kasman, an Ann Arbor-based management consultant, said he owned 1,500 shares of Borders stock. He bought his first shares after Kmart spun Borders off in 1995.

"These guys really screwed up. What I mean by that is they continued to act as if the book market was just great, that it hadn't changed," Kasman said. "They never thought out of the book box."

He said Borders didn't use the space inside its 20,000-square-foot superstores to maximize revenue. For example, it was still selling CDs long after consumers switched to digital delivery of music. In that space, the company could have sold game systems and video games to attract a younger demographic, he said.

"I've been a shareholder so long because it seemed like a winner to me. It was a Michigan business, it's a cultural icon," Kasman said. "I don't think they know what to do."

Shoppers were equally mystified with Borders' strategy.

"We've seen it coming a mile away. It's still extremely sad," said Christopher Wensley, 23, of Livonia and a Wayne State University student who shops weekly at the Borders store in Canton.

"You may have this whole new generation who can't experience a bookstore," he said, adding that many of his friends have already ditched traditional books in favor of digital books on eReaders.

"There are still a lot of us when we think of reading a book, we think of an actual book. When you pick up a book, you enter into a completely different world," Wensley said. "It is something that you can't replicate with anything else." Jane Krause, a retired math teacher who lives in Ann Arbor, bought a French map as well as two cups of coffee at the Arborland store that is slated for closure.

"You can tell the drop-off," she said. "It started in Ann Arbor. I would've thought the itty-bitty stores would close, not the big ones. ... This is bad news. I hope we can recover."

Borders received \$505 million in debtor in possession financing led by GE Capital, Borders said in the filing in the U.S. Bankruptcy Court in Manhattan, the same court that handled the fast-track bankruptcies for General Motors and Chrysler.

Borders listed \$1.27 billion in assets and \$1.29 billion in liabilities in its Chapter 11 filing. The filing said it has fewer than 50 creditors, mostly publishers. The top creditor is Penguin Putnam, which is owed \$41.1 million.

It also said it appointed Ken Hiltz, the managing partner of Southfield-based turnaround firm AlixPartners, as Borders Group senior vice president -- restructuring of the company.

The restructuring could release the company from its brick-and-mortar shackles as it closes underperforming stores and sheds leases, said Ken Dalto, a Farmington Hills-based turnaround expert.

"It won't move as fast as GM. They had more pre-planning and the government to move the pieces for them," he said. "It could take three to four months for Borders. They have to reduce a lot of costs quickly. They have to put all those creditors on hold. It is a big undertaking."