

# Borders end to have ripple effect across country

July 20 2011, By MAE ANDERSON , AP Retail Writer

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(AP) -- What happens when a pioneer like Borders goes out of business? Depends on who you ask.

A day after the bankrupt Ann Arbor, Mich.-based chain said it would seek court approval to sell off its [assets](#) and [shutter](#) its remaining 399 stores, everyone from publishers to consumers is assessing what it would mean if the company that started the big-box [bookseller](#) concept vanished. The move could have a wide ranging - and different -- impact on everyone from authors to consumers to competitors at a time when the industry is desperately trying to adapt to a new generation of readers who'd rather browse on an [electronic book](#) or [tablet computer](#) than turn the page of a paperback.

The biggest changes could come to the [book publishing](#) industry: As Borders stores disappear, the bookselling landscape could rapidly change, forcing authors to look for other places to market their work.

Jennifer Romanello, executive director of publicity at Grand Central Publishing in New York who stopped sending authors to most Borders for book signings after they declared bankruptcy in February says she already looks for alternative places to promote their work.

"It's one less outlet to use in promoting our authors," she said. "There are still other things out there; we see if there's an independent bookstore nearby. But the number of bookstores has been contracting, not expanding, so we're selective where we send out authors."

That ultimately could lead to more business for Barnes & Noble, a 705-store chain and one of Borders' main competitors. In fact, while at first Barnes & Noble revenue could be hurt initially as shoppers flock to Borders' liquidation sales, Barclays Capital analyst Alan Rifkin predicts ultimately the chain could gain \$220 million to \$330 million in revenue, or about 10 percent to 15 percent of Borders annual revenue if the chain closes.

Still, Rifkin said even though Barnes & Noble has more aggressively and successfully pursued the e-book space than Borders did -- with Barnes & Noble's Nook e-reader and e-bookstore -- it still faces the same stiff competition from online retailers.

"As the demand for physical books continues to decline, the need for big-box physical bookstores will likely continue to decline as well," he wrote in a client note.

That sentiment is being echoed by analysts and consumers alike who say the demise of Borders could close a chapter for bricks-and-mortar stores and open a new one for digital reading. To be sure, brick-and-mortar stores have not gone the way of the dinosaur, but some say it's only a matter of time.

Adrian Sierra, 36, a real estate agent from Westchester, N.Y., for instance, walked out of a Borders store in Penn Station in New York without a shopping bag filled with books. He was, however, carrying his iPad.

"I'll miss them," he says, but, "I'm not going to buy another paperback in my life. There's no reason to anymore."

A growing number of customers like Sierra are the reason that Borders liquidation will most likely accelerate sales of e-books, said Forrester

media analyst James McQuivey. He predicts e-book sales will nearly triple by 2015 to \$2.18 billion, with the number of e-readers jumping from 10.3 million at the end of 2010 to 29.4 million by 2015.

"People who read a lot are not just going to suddenly read less just because 400 stores close," he said. "With Borders out of the picture, people might think 'If I'm not comfortable with digital shopping, browsing or buying, I might as well get comfortable with it.'"

Simba Information senior trade analyst Michael Norris disagrees, saying that if Borders goes out of business, it might actually decrease sales of e-books since there are fewer places for people who buy e-books to browse and research new titles physically before they buy electronically.

"Bookstores are a tremendous vehicle for e-book discovery," he said. "We've often tried to quantify the exact number of consumers who 'mooch' off of bookstores, who browse at a store and leave to order a book they find off their Kindle or iPad. It's hard to quantify -- but we know it happens."

Morningstar analyst Peter Wahlstrom said consumers who so-call "mooch" will likely adapt. "Individuals that are pure physical book readers will find another outlet, be it independent bookstores or the Targets or the Costcos," he said.

There are indeed many other places to go to find out about books. Still, some consumers who love browsing Borders bookshelves say it will be hard for them to adjust if the chain closes.

"That whole thing about stumbling across a book, or stumbling across a stranger who recommends a book -- the serendipitous aspect of your literary journey in life - is evaporating as these stores evaporate," said Rachel Simon, author of the New York Times best seller "The Story of

Beautiful Girl," who says she visits her local Borders several times a week.

Started in 1971, Borders once operated 1,249 Borders and Waldenbooks book stores at its peak in 2003. But it failed to adapt quickly to the changing industry and lost book, music and video sales to the Internet and other competition. It filed for bankruptcy protection in February and has since shuttered stores and laid off thousands of employees.

Borders' attempt to stay in business unraveled quickly last week, after a \$215 million "white knight" bid by private-equity firm Najafi Cos. dissolved under objections from creditors and lenders who argued the chain would be worth more if it liquidated immediately. On Thursday, [Borders](#) is expected to ask the U.S. [Bankruptcy](#) Court of the Southern District of New York at a scheduled hearing to allow it to sell off all of its assets. If the judge approves the move, liquidation sales could start as soon as Friday; the company could go out of business by the end of September.

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