Business

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RadioShack finally files for bankruptcy

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RadioShack Corp. has long been a leader in technological advances; however, according to Rebecca Ruiz and Michael De La Merced at The New York Times, the 94-year-old company filed for a Chapter 11 bankruptcy on February 5.

This decision, which took place in Delaware, took few by surprise since RadioShack had not turned a profit in 11 consecutive quarters. According to The New York Times, RadioShack was once the "vanguard of the technological revolution." The company sold an all-electronic calculator in 1972 and sold one of the first mass-market computers in 1977. However, with the rise of e-commerce, its brick-and-mortar stores have become more and more irrelevant. There has also been a decline in cell phone purchases, which has caused third-party retailers such as RadioShack to suffer from price wars and battering profit margins.

In an attempt to save the company, RadioShack hired Joseph Magnacca as CEO in 2013. Magnacca was the former president of Duane Reade Inc. and was credited with reinventing the brand before it was eventually sold to Walgreens, according to Ruiz and De La Merced. The new management did not help, however. The company continued to decline financially. Michael Pachter of Wedbush Securities said the company's problem is its irrelevance.

Pachter said in a New York Times article that "it's your grandmother's store."

RadioShack tried to close 1,100 of its stores in March 2013, but the decision was overruled by its lenders. The company ended up only closing 175 stores. In a rush for cash, RadioShack needed to refinance its debt, which is when one of the company's biggest shareholders, Standard General, stepped in and provided $120 million in liquidity. This kept the company afloat through the 2014 holiday season. According to The New York Times, RadioShack has listed $1.2 billion in assets but $1.4 billion in debt. According to Pachter, the company could survive on a much smaller level, selling prepaid phones in low-income areas.

Despite all of this, the company's stock is still in the positives at $0.24 per share. The New York Stock Exchange has said it will suspend trading in the company while the bankruptcy continues and is seeking to delist it, saying in the same New York Times article, "RadioShack's market value was too low to qualify its stock to trade on the exchange." In the end, the once avant-garde company will soon end its 94-year-long stretch.

COURTESY OF WIKIMEDIA COMMONS

STORES LIKE these were the downfall of RadioShack, but it seems as though the brand may live on with the help of Sprint, which plans to purchase a large number of the brick-and-mortar stores.

Kraft merges with heinz

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In the current economy, some industries are still struggling to survive. One such industry is the packaged foods industry. On top of these economic troubles, industries like this can suffer huge losses if the consumers decide to change their spending habits. Companies like Kraft Foods Group Inc. have started to feel these changes over the last year or so. To try to combat these problems, the company has tried to streamline its organization and cut jobs and costs wherever possible.

Kraft has now decided that the best course of action will be to merge with H.J. Heinz Co. This will create one of the largest food companies in the world. The new company will be the third-largest food and beverage company in the United States and fifth in the world.

This merger will expand the already well-known Kraft brand. Kraft currently owns consumer favorites such as Jell-O, Oscar Mayer and Kool-Aid. One of the problems that faced Kraft recently was the change in consumers' habits, as consumers have started to try to eat healthier. This has caused Kraft to suffer greatly. In response it has moved to change its products, including removing dyes from its cheeses. It has also tried to revive older brands that have begun to fail. Some of these brands include Jell-O and Planters peanuts.

In the new layout of the company, Heinz will have a 51 percent stake in the company while Kraft will only have a 49 percent stake in the new company. When word of this merger got out, Kraft's shares rose 34 percent in the premarket. This raised the value of the company to $49 billion. The new company is expected to have a revenue of about $28 million. Other stipulations of the deal include a dividend of $16.50 per share, which will be paid to the Kraft shareholders. This totals to $10 billion of dividends.

The companies that helped to organize and finance this deal include 3G Capital Partners L.P. and Berkshire Hathaway. This is just one of the mergers or acquisitions that these two companies have staged. 3G Capital Partners acquired Burger King in 2010 for $3.3 billion. Then, in 2014, 3G used Burger King to acquire Tim Hortons for $11 billion. This gave 3G a foothold in the restaurant industry. Meanwhile, in 2013 3G and Warren Buffet bought Heinz for $23 billion. Warren Buffet of Berkshire Hathaway has been financing parts of these deals. In a Wall Street Journal article, he said the companies "are committed to long-term ownership of the Kraft Heinz Company."

COURTESY OF WIKIMEDIA COMMONS

CONDIMENT DISPENSERS like these can be found in almost any fast food restaurant. These are some of Heinz's signature products.

Starbucks addresses racism

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After taking on issues like gay rights, gun control, aid to military veterans and political gridlock, Starbucks CEO Howard Schultz recently announced on March 16 his plan for the company to take on a new challenge: spurring a conversation about racism.

Starbucks hit headlines when news got out that Schultz requested for baristas to write "Race Together" on coffee cups before handing them to customers. In a video shared with employees last week, Schultz encouraged them to "try to engage in a discussion that we have problems in this country in regards to race."

In a March 22 letter to his employees, however, Schultz ended the cup-writing phase of the campaign but assured his supporters that it "was always just the catalyst for a much broader and longer term conversation" about racial inequality and diversity.

Despite a mixed response to Race Together, including some harsh criticism from social media users, Schultz continues to stress the importance of discussing race issues as a means to make society better. He anticipated skeptics at the onset of the initiative. Many criticized it as opportunistic and inappropriate while others questioned if it were even possible for Starbucks baristas to engage in constructive conversations about the issue while busily serving coffee. Could it be successful?

Starbucks stock hit a 52-week high of $99.20 this week after announcing a two-for-one common stock split plan. Under the plan, shareholders will receive one additional share for each common share they own. News got out quickly, especially given the amount of free press the company was receiving after the announcement of its Race Together plan. With this in mind, it can be argued that the Race Together initiative has not particularly hurt the company so far. The media pummeling, however, needs to be taken into account when analyzing the initial success of this initiative. Common criticism describes the campaign as a good idea that has been poorly executed.

Monique Nelson, chair and CEO of UniWorld Group, a 47-year-old multicultural marketing and adverstising firm, said that Starbucks created a great opportunity for an authentic and organic campaign but for it "to just put an edict out: 'Have a conversation about race' is not a good format in terms of execution." According to Nelson, Race Together could have potentially pushed away workers and customers.

Nelson's opinions mimic those of Jennifer Epps-Addison, executive director of nonprofit labor rights organization Wisconsin Jobs Now. Epps-Addison expressed to the International Business Times her opinion that Starbucks should have an independent agency to do focus groups with workers from various geographical areas, like suburbs and urban areas, that have diverse groups of consumers. In this way, the company can better spur conversation with a better understanding of its consumers and a more organized approach.

Nevertheless, Starbucks is continuing to move its Race Together campaign on to other phases. What was once a small Seattle chain of coffee stores is now the world's biggest coffee chain under Schultz, a champion of social issues "to inspire and nurture the human spirit — one person, one cup and one neighborhood at a time."

COURTESY OF WIKIMEDIA COMMONS

BARISTAS ACROSS all Starbucks stores were asked to talk about race with their customers.