

Germany: Quelle's Bankruptcy 'No Surprise'

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The World from Berlin



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Quelle, the 82-year-old German mail-order giant, has gone bust.

Few were surprised by the bankruptcy of German mail-order giant Quelle, announced on Tuesday. Now, some 4,000 people will lose their jobs by November with more layoffs to follow. German commentators blame management for the retailer's demise.

With the announcement that Quelle, the 82-year-old flagship of the German mail-order business, would be liquidated, German officials are now scrambling to find a strategy for dealing with the wave of newly jobless.

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On Wednesday, Rainer Bomba, the head of Bavaria's regional directorate of the German Federal Employment Agency, told reporters that roughly 4,000 of the company's 7,000 employees would be cut by Nov. 1.

Most of the rest of the company's employees will stay on only for as long as it takes the company to process existing orders, empty its inventories and sell off its assets. Quelle subsidiaries in Austria, Switzerland and Russia, where business has fared much better, are still looking for buyers.

Quelle's parent company, Arcandor, [filed for insolvency in June](#) after its request for state aid was rejected. Despite billions in aid given to companies in recent months, the government in Berlin had argued that Arcandor shouldn't be helped because its problems existed prior to the global economic crisis. The insolvency administrator, Klaus Hubert Görg, tried and failed to find an investor for Quelle.

A [a €50 million \(\\$75 million\) credit line](#), pushed through by Bavarian Governor Horst Seehofer in the summer to help the company stay afloat while a new buyer was sought, will likely be paid back in full with funds raised from the sale of company assets.

On Wednesday, German commentators take a closer look at the Quelle bankruptcy.

Conservative **Die Welt** writes:

"For its employees, the approaching end of Quelle Deutschland has been a drama. For years, they've had to deal with repeated attempts to restructure the company, new executives and job cuts -- and they've always been forced to take the rap for the mistakes of the company's management. And now they even have to worry about getting their final paychecks before they join the unemployment lines. Things could hardly be worse."

"The drama was foretold. After the boom in the 1960s and '70s, the company's executives allowed the brand to gather dust. Ten years ago, the company's merger with Karstadt might have provided an opportunity for a new beginning. In truth, combining the mail-order business with department stores and specialty shops created a new kind of presence on the market. But those in charge of the company would have had to

follow through on the merger and really fuse the two companies into one. Instead, they left far too many parallel structures in place. Millions and even billions seeped away. And when the company's owners pushed the eject button on Madeleine Schickedanz in 2004, it was already too late."

The **Financial Times Deutschland** writes:

"If the fall of Quelle was staged as a theatrical drama, it would undoubtedly be panned by the critics. Every single act of the real tragedy follows the same dramatic arc in which the same mistakes are repeatedly made. In a theater, that would be boring. But, in real life, it's tragic."

"Instead of instituting gradual changes in its business model's way of selling things, the traditional mail-order company followed a heedlessly meandering course. In the end, Quelle did nothing to respond to trends in online commerce.... Meanwhile, the company also failed to adapt its product line because its managers were exhausting the lion's share of their energy in the merger with Karstadt."

"Under these circumstances, blame for Quelle's bankruptcy can't be put on Görg's shoulders. But he does bear the blame for shutting his eyes for months and allowing the situation of the corporation's healthier divisions to deteriorate."

The center-left **Süddeutsche Zeitung** writes:

"The banks can only be blamed a very tiny bit for not giving the company more money. It might seem odd that BayernLB and Commerzbank, which were themselves bailed out by the state, would refuse to help rescue their customer, Quelle. But the state had no choice whatsoever when it came to the banks. If an institute like Commerzbank fails, the financial market collapses. If Quelle fails, life goes on."

"Blame for the disaster rests on other shoulders. First and foremost, it rests on the family that owned it, the Schickedanz clan. What her parents Gustav and Grete built up, Madeleine Schickedanz destroyed. She didn't hurt the company by being too ambitious; instead she was passive to the point of being negligent."

"And then there are the politicians. ... During the run-up to the election, populist Bavarian Governor Horst Seehofer was even more irrational than usual. He raked his economics minister over the coals because he openly expressed what many already knew -- that Quelle couldn't be saved. But Seehofer just didn't want to face the facts. ... Today, Seehofer says that he wouldn't be able to look at himself in the mirror if he hadn't helped. But sometimes it's better to look in the books than in the mirror."

The center-right **Frankfurter Allgemeine Zeitung** writes:

"Quelle is history. And it's no surprise. If you're going to use an outdated business model and run your company with a bad strategy, the state's not going to be able to help you. ... Quelle has 82 years of tradition, but it doesn't have a future. The Essen-based executives of Arcandor/Karstadt, its parent company, gambled its future away."

"During the run-up to the federal elections, state-level politicians in Bavaria refused to look this reality in the eye. In this case, it was only in Berlin that you could find people who were raising the alarm and (unlike usual) not willing to throw state money after it. Still, in the end, the state did provide a €50 million loan to allow the company to print its fall/winter catalogue. Seehofer should put a copy of the catalogue on his bookshelf to remind him of what turned out to be a very bad -- and expensive -- decision."

The business daily **Handelsblatt** writes:

"The meteoric rise of (German Economics Minister) Karl-Theodor von Guttenberg to become one of Germany's most popular politicians had many more-experienced politicians scratching their heads and wondering when he would reach his zenith and start his downward trajectory. Quelle's bankruptcy might just mark the point when the Bavarian baron's career made its fateful turnaround."

"Earlier in the affair, Guttenberg was skeptical about helping Quelle and worried about regulatory issues. But then he gave in -- while muttering under his breath -- when Horst Seehofer, the head of Guttenberg's Christian Social Union (CSU), reminded him of the fact that, in political terms, Quelle was not only a Bavarian company but, more precisely, from Guttenberg's home turf in Franconia. From that point on, Guttenberg didn't offer any resistance In other words, the champion of regulatory policy missed yet another opportunity to strengthen his political profile. And he did so knowing full well that Quelle could not be rescued."

-- Josh Ward