

CASE STUDY: Mednikow Jeweler, Memphis, TN

The Client

A fourth generation, family business, Mednikow Jewelers was founded near the end of the 19th Century in 1891 by Russian immigrant Jacob H. Mednikow. The succeeding generation established Mednikow as luxury jeweler that fabricated proprietary, high quality diamond and gemstone jewelry in the company's own workshops.. The next generation modernized the Mednikow business, extending company branded lines to include Swiss watches as well as adding new lines of designer name brand fine jewelry, further increasing the luxury jeweler's appeal to both new and old customers.

Harvard Business School educated, Bob and Jay Mednikow continued to grow the family business through innovation, modernization, and expansion. In 1995, the company opened a second store in Atlanta, GA, located in the area's elite Phipps Plaza, where the business prospered until 2008 when the recession materially reduced the demand for discretionary luxury products like fine jewelry. The severe decline in sales in the Atlanta market, caused us to question the viability of our store in the Phipps Plaza.

The Gordon Company Assignment

To assist Mednikow's management in closing the Atlanta store and liquidate the store's inventory. The scope of The Gordon Company's assignment included:

- Assisting Mednikow's management in identifying and evaluating appropriate, high-end, inventory for liquidation in the Atlanta market
- Developing a sale/cash flow generation strategy for the disposal of high-value, luxury jewelry in the face of a severe recession
- Designing, producing, and delivering in-store communications collateral material, print, and where appropriate radio, and TV advertising material
- Preparing sales, media and staffing budgets along with the requisite daily, weekly, and monthly financial objectives
- Managing and controlling the sale in order to optimize results

Considerations

- Spending by high-end luxury consumers declined materially after the financial crisis
- Consumer traffic was significantly down in Phipps Plaza
- The Mednikow brand was not typically promoted off-price

- Mednikow's management wanted to retain opportunity to reenter the Atlanta market at a subsequent time, which meant the sales program had to achieve the cash flow objectives, but ensuring the continuing good will of former customers too

The Gordon Company Solution and Accomplishments:

1. Leveraged the high-quality Mednikow brand to keep discounts low and maximize sale profitability
2. Rewarded former customers with private sales to maintain strong customer franchise
3. Exploited local market media opportunities and public relation resources to maximize the sale event's exposure to value conscious, luxury buyers
4. Established the Mednikow store as a shopping destination through word of mouth and media, mitigating the effect of low traffic at Phipps Plaza
5. Actual sales increased more than two and one-half times (2.5X) over the original sales projection, generating an increase in gross margin over the plan