

CASE STUDY: JULES SCHUBOT JEWELERS

CASE STUDY: Jules R. Schubot Jeweler's, Chapter 11 Bankruptcy and Company Closing

The Client

A family enterprise, The Gordon Company had earlier assisted the Schubot family implement the company's next generation succession plan through a highly successful retirement sale in 2007. Subsequently, Schubot Jeweler's filed Chapter 11 because of the near collapse of the Wall Street investment banking industry and the immediate onset of a national recession in the fall of 2008.

Founded in 1917 just after World War I, Jules R. Schubot Jeweler's had been positioned as a fine jeweler for Detroit's automobile and business elite, specializing in high quality, fine gold, diamond, and gemstone jewelry. Now with two of Detroit's Big Three automakers near bankruptcy and consumer spending in a double-digit decline, the Shubot family agreed that the business assets must be liquidated to mitigate the company's continuing losses and settle the firm's outstanding financial obligations.

The Gordon Company Assignment

To assist the Schubot family plan, implement, and manage a company closing and inventory liquidation sale

The scope of The Gordon Company's assignment included:

- Developing a specialized sales and marketing plan to monetize the company's inventory that would maximize the cash recovery value of the inventory sold
- Creating a targeted pricing strategy to maximize the cash recovery of the company's inventory, taking into consideration the local economic conditions and individual competitor's product discounts
- Preparing focused in-store signing, collateral material, and as needed, other broadcast advertising material to communicate the inventory liquidation sale
- Developing sales, markdown, margin rate, advertising, and other expense budgets to benchmark the liquidation sales' performance
- Managing and controlling the liquidation sale, daily, weekly, and monthly in order to maximize cash recovery
- Consulting with the Schubot family, in collaboration with legal counsel, to develop and gain court approval of the company's Chapter 11 petition and inventory liquidation plan

Considerations

- The U.S. was in a severe recession that was growing worse daily

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- General Motors and Chrysler were planning prepackaged bankruptcy filings; meaning further immediate declines in luxury spending were inevitable by Michigan's affluent consumers
- The availability of consumer credit was declining as banks were closing credit card accounts and reducing both consumer and home equity lines of credit
- Consumer's awareness of the Schubot Jewelers retirement sale was still high
- Time was of the essence to maximize sales before the end of the 2008 holiday selling season

The Gordon Company Solution and Accomplishments:

1. Assisted the company in successfully filing for Chapter 11
2. Developed a sales and marketing plans, budgets, and management controls that were satisfactory to the court, leading to a favorable motion to immediately proceed with the liquidation sale
3. Created a unique media mix of print, broadcast, and public relations to maximize consumer awareness of the liquidation sale
4. Exceeded sales projections by 193% (173% greater than the earlier retirement sale), while reducing planned markdowns
5. According to Brian Schubot,

This was a very sad situation for my family and definitely took a 92-year old family business into uncharted waters. We were fortunate to have the assistance and experience provided by The Gordon Company team to help us through the bankruptcy process.

The strong start and their deft management of discounts during the entire sale ensured that we received the highest possible return on the company's assets.

All this was accomplished with a sense of dignity appropriate to our family's reputation in the community. While I wouldn't wish this situation on any jeweler, having The Gordon Company to guide us was essential to achieving a successful resolution of our financial crisis.