

DRAFT CASE STUDY: WHITEHALL JEWELRY COMPANY

CASE STUDY: Whitehall Jewelry Company-Closing Under Performing Stores and Toxic Inventory Liquidation

The Client

Whitehall, founded in 1895, was a mid market, mall based jewelry company, operating 387 stores in 38 states. The company had embarked on a repositioning strategy that had numerous effects, including 1) the accumulation of about \$640 million at retail value of unproductive, toxic inventory, and 2) 77 underperforming stores that did not fit the new strategy.

The Gordon Company Assignment

To assist Whitehall management:

- Liquidate \$640 million of inventory at retail
- Close 77 underperforming stores

The scope of The Gordon Company's assignment included:

- Financing and organizing the orderly disposal of Whitehall's unproductive inventory
- Developing a marketing and sales plan to liquidate the inventory through the 77 Whitehall stores to be closed
- Preparing store closing and inventory liquidation advertizing plans targeting individual store closing markets
- Developing individual store pricing strategy based on local market conditions to maximize the cash value from the jewelry liquidation sale
- Designing, producing, and delivering in-store communications collateral, print, and where appropriate radio, and TV creative for local markets
- Preparing sales, media and staffing budgets along with the requisite daily, weekly, and monthly financial controls and objectives
- Managing and staffing the 77 closing stores during the liquidation sale
- Managing and controlling the sale in order to react to changes in local market conditions to optimize results

Considerations

- Jewelry market conditions were poor in 2005
- Mall traffic was a fraction of historical norms
- Management wanted to focus on directing the remaining 310 Whitehall and Lundstrom store brand stores
- Preservation of Whitehall and Lundstrom brand values

The Gordon Company Solution and Accomplishments:

1. Organized a consortium of capital partners to provide bridge financing for the disposal of the Whitehall's unproductive inventory
2. Guaranteed agreed financial return to Whitehall, while assuming operational and expense control for the 77 closing stores

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3. Exploited local market conditions to maximize cash flow by monitoring operating expense to sales ratio's, closing down unproductive stores and shifting inventory to higher productive stores
Varied sale duration by location to maximize returns, while minimizing expenses by terminating sale activity to manage fixed-asset and lease value recovery prgrams
4. Exceeded Whitehall management sale, cash flow, and store closure objectives