

CASE STUDY: Fortunoff Holdings LLC – Court Ordered Inventory Liquidation

The Company

Founded by Max and Clara Fortunoff in 1922, the company was located on Livonia Avenue in Brooklyn, NY. The small neighborhood housewares store became a major regional brand, growing to 20 stores by 2009. Eventually known as “The Source”, Fortunoff sold a variety of distinguished better jewelry brands including, Artcarved®, Elle®, Gregg Ruth®, Jeff Cooper®, Ritani® and Phyllis Bergman®. As “The Source” for branded watches, Fortunoff also offered consumers a wide variety of luxury Swiss watch brands such as Baume & Mercier®, Ebell®, Gucci®, Michelle®, Montblanc®, Raymond Weil® and Movado®;

Fortunoff, also specialized in decorator and home furnishings brands such as Calvin Klein®, Lauren®, Tommy Hilfiger®, and Natutica®; housewares and tabletop brands, including All Clad®, Calphalon®, Cuisinart®, Kitchen Aid®, Emerilware®, Krups® and JA Henkels® as well as china and crystal collections from Calvin Klein®, Ralph Lauren®, Kosta Boda®; Waterford®, Nambe®, Marc Jacobs®, Kate Spade® and Lenox®. In 2005, NRDC Equity Partners purchased Fortunoff, only to file Chapter 11 in 2009, owing over \$72 million to secured creditors.

The Southern District New York Court’s Approval to Liquidate Jewelry Assets

The entire inventory, valued at \$95 million at cost, was ordered liquidated, beginning February 26, 2009 in all 20 Connecticut, New York, New Jersey, and Pennsylvania Fortunoff locations. The jewelry to be liquidated included the entire inventory of fine jewelry, name brand watches, antique jewelry items, and silver pieces. The Gordon Company as part of a joint venture group provided the Estate with a cash guarantee of 88.8% of cost.

Gordon Company Assignment

To consult and collaborate as a partner with a joint venture group of leading national retail liquidation firms:

- To plan the liquidation of Fortunoff’s entire jewelry inventory
- To maximize the recovery value of the jewelry inventory
- To complete the entire liquidation within the allotted time, while minimizing operating costs

The scope of The Gordon Company’s assignment included,

- Designing a sales and marketing strategy targeted at Fortunoff’s unique customer demographic and psychographic profile
- Establishing relevant merchandise pricing structure to maximize the liquidated value recovered for creditors
- Development of rigorous financial plans including sales projections, unit sales, discounts, and margins rates by store

- Providing management and sales personnel to manage the liquidation sale
- Designing, producing, and delivering jewelry department signage and in-store collateral advertising material, and where appropriate, other creative for use in local Connecticut, New York, New Jersey, and Pennsylvania Fortunoff markets
- Developing daily, weekly, and monthly sales, media and staffing budgets
- Managing and controlling the sale in order to react to changes in local market conditions during the sales to optimize results

Considerations

- Rapidly declining sales due to deepening recession
- Time was of the Essence

The Gordon Company Solution and Accomplishments:

1. Developed a satisfactory asset management and liquidation plan for the District Court, Southern District of New York
2. Staffed all Fortunoff jewelry departments
3. Sourced and sold over \$24 million of additional fill-in inventory to maintain the momentum of the liquidation sale, including over \$10 million of jewelry inventory originally planned for sale in Lord and Taylor stores
4. Acquired an additional \$38 million at retail of jewelry inventory for sale in the Fortunoff liquidation event
5. Exceeded sales projections and gross margin expectations
6. Sold every single jewelry item identified for liquidation in the court approved sales plan