

CLIENT

OFFICE FURNITURE DEALERSHIP OF A LARGE ORIGINAL EQUIPMENT MANUFACTURER.

COMPANY PROFILE

LOCATED IN CENTRAL FLORIDA

PRIVATELY OWNED

40 EMPLOYEES

ANNUAL REVENUES DECLINING TO UNDER \$10 MILLION

SERVICES INCLUDED REFURBISHMENT AND INSTALLATION

CHALLENGE

THE COMPANY WAS HEMORRHAGING CASH AT AN ALARMING RATE AND THE OEM WAS EXPLORING THE CURTAILMENT OF CREDIT TERMS TO THE DEALERSHIP AND FORCING IT INTO A LIQUIDATION, OR ELSE ACQUIRE IT AND OPERATE IT AS A COMPANY-OWNED STORE IN ORDER TO PROTECT ITS MARKET SHARE. THE DEALERSHIP REQUIRED STABILIZATION AND AN OBJECTIVE ASSESSMENT OF THE OPTIONS IT WAS CONSIDERING SO THAT IT WOULD MAKE THE MOST APPROPRIATE DECISION.

FINDINGS

THE NATIONAL RECESSION HIT THE OFFICE FURNITURE INDUSTRY ESPECIALLY HARD. THIS DEALERSHIP HAD BEEN SOLD TO ANOTHER DEALER-OWNER WITHIN THE PAST TWO YEARS, BUT THE DECLINING MARKET CONDITIONS AND DEFICIENCIES IN THE LOCAL MANAGEMENT TEAM CAUSED KEY SALES PERSONNEL TO JOIN COMPETITOR COMPANIES IN THE AREA. THE SALES TEAM WAS NOT PROPERLY MANAGED, AND THE ENTIRE COMPANY WAS NOT UNDER EFFECTIVE LEADERSHIP ESPECIALLY CONSIDERING THE HARSH ECONOMIC CONDITIONS. THE OPERATIONS SEGMENT, WHICH INCLUDED FURNITURE REFURBISHMENT AND INSTALLATION SERVICES, WAS PROFITABLE EXCEPT FOR THE OVERLY BURDENSOME LEASE ON ITS SEPARATE FACILITY. THE RELATIONSHIP WITH ITS BANK WAS ALSO STRAINED, WITH LOANS CROSS GUARANTEED BY THE OWNER'S OTHER HEALTHY DEALERSHIP, PLACING THAT ENTITY IN JEOPARDY OF HAVING ITS LOANS CALLED.

RESULTS

THE CONSULTANT PROVIDED INTERIM MANAGEMENT FOR THE DEALERSHIP WHILE THE OEM DETERMINED ITS APPROPRIATE STRATEGY. DURING THIS PERIOD, CASH MANAGEMENT TOOLS AND FORECASTING MODELS WERE DEVELOPED, THE REAL ESTATE LEASES WERE RENEGOTIATED, AND NEGOTIATIONS WITH ITS BANK RESULTED IN A FORBEARANCE AGREEMENT. INTERNAL PROCESSES INVOLVING SALES AND OPERATIONS WERE STREAMLINED, SO THAT ALL FUTURE SALES ACTIVITY WOULD PROVIDE ADEQUATE MARGINS. THE DEALERSHIP WAS SUBSEQUENTLY SOLD TO ANOTHER LARGER GROUP OF DEALERSHIPS.



NOTES:

THE PREVIOUS CASE STUDY WAS DERIVED FROM ACTUAL ENGAGEMENTS IN WHICH LEVEL TEN PROFESSIONALS WERE ACTIVELY INVOLVED OVER THE COURSE OF THEIR CONSULTING CAREERS. THE LEVEL TEN PROFESSIONAL IS REFERRED TO AS "THE CONSULTANT". THE NAMES AND OTHER CONFIDENTIAL INFORMATION ARE NOT DISCLOSED.