



CASE STUDY

Retail chains, Watch Works and Cobbler Plus, saved

Tough retail market conditions have resulted in a number of recent high-profile collapses. These conditions were the same issues facing Watch Works Australia and Cobbler Plus Services when the Director appointed FTI Consulting as Voluntary Administrators.

SITUATION

The companies had a large footprint, operating 120 self-contained kiosks across Australia, providing watch and cobbler repairs and other ancillary services and products for over 25 years. At the time of our appointment, they employed approximately 240 dedicated staff, with an average tenure of nearly 6 years.

Issues faced by the businesses

The companies fell victim to the declining retail industry, with a reduction in customer numbers and increasing costs as a percentage of turnover.

The director sought to renegotiate retail leases and reduce overall costs but he was ultimately unable to implement a turnaround strategy and reduce the companies' cost base. With cash quickly dissipating, the director took swift action appointing voluntary administrators in time for them to be able to successfully restructure the business. This quick and decisive action undoubtedly helped save the business.

OUR ROLE

Our role involved the following key actions:

1. Communication

It was critical to initiate immediate discussions with employees and landlords so everyone knew what to expect from the administrators and that we would deliver on the agreed strategy. We proactively engaged with the media to ensure the right message was put forward and that customers knew that it was 'business as usual'.

These initial communications were critical in providing certainty to all key stakeholders and clearing the runway for the administrators to restructure the businesses.

2. Sustainability

Our other immediate focus was to stabilise the businesses and reduce overheads. This allowed us time to create the restructuring plan. We entered into negotiations for rental concessions from landlords for an interim period to mitigate cash dissipation. We also provided support to area managers to maintain a focus on driving sales.

At the same time, we assessed each store's profitability, where it became apparent that certain stores were not profitable and we needed to right-size both chains to create a sustainable business. Unfortunately, this required the closure of cash flow negative stores, with the stock and equipment moved into the remaining stores. The resized business was now sustainable and a commercially viable operation.

3. Sale

We undertook an extensive marketing campaign and one particular party stood out as providing the best chance to continue trade, offer certainty to employees and mitigate further losses to creditors. After comprehensive discussions we negotiated the best terms for the sale being the final step in a successful restructure.

OUR IMPACT

25-year-old businesses revived, avoiding another retail failure

Our experienced team worked tirelessly to design and implement a plan to create a business capable of giving certainty to all key stakeholders. This resulted in many employees retaining their jobs and protecting their livelihoods.

A saving to the Federal Government's employee entitlement safety net scheme (Fair Entitlements Guarantee) preserving nearly \$900k in employee entitlements.

Landlords received ongoing rent and mitigated significant break lease and makegood liabilities.

Our Strategic Communications experts provided clear and concise messaging to stakeholders and managed the media attention the appointment received.



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