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Regular readers of my COAL series will know that I spent some time working at JC Whitney in Chicago. Given how deeply this brand is ingrained in American automotive culture, I figured I wanted to share my unique insider perspective on the company, especially its downfall (yes, I know that technically J.C. Whitney is still around, but not quite as you'll see). Although I don't usually like to quote Wikipedia in my posts, I'll take some liberties here, since most of the Wikipedia article on J.C. was the author of yours for real. J.C. Whitney began as a scrap yard on the south side of Chicago, formed by Lithuanian immigrant Israel Warshawsky, who came to the US to escape religious persecution. Warshawsky named JC Whitney to give the company a less foreign name. While Israel did well for itself, things really started to pick up when his son Roy Warshawsky joined the business in 1934. Perhaps inspired by the success of fellow Chicago postal ordering giant Sears and Roebuck, it was Roy's idea to expand the business outside of Chicago by introducing a growing mail order catalog business. July 1950 Initially, he began to promote the business with ads in magazines like Popular Science and Popular Mechanics. Many of these ads are available in the magazine archives on Google Books, which I sprinle throughout my post. Business really hit its stride in the 1950s. The ads eventually blossomed from 4 earbuds in the classified section to the full page distributed. With the widespread use of his now iconic catalog, J.C. Whitney has been well on his way to becoming an institution. February 1954 Popular Mechanics Ah, JC Whitney catalog: Pulp paper, intimate pages with tiny print, minimalist line drawings. It's an interesting window into the automotive zeitgeist of the 1950s and 1960s. Indeed, these decades were the heyday of J.C. Whitney. At the time, J.C. Whitney still sold a lot of what we would later call the hard parts. Typically, these are spare items such as alternators, brakes, body panels and even full engines, as shown in the ad above. Almost always made of steel, solid parts are expensive to ship, and have relatively low profits. But of course, it's not the hard parts that made J.C. Whitney famous, but all those wild, wacky accessories. Often made from cheap materials such as fabric or plastic, accessories are cheap to ship, and in later years were manufactured inexpensively in China. Some of our most profitable accessories had gross sales profits in excess of 50%, and sometimes more. Whether these tricks worked or not, it was almost out of business. I'm sure in the depths of life not many people expected paint on whitewalls to look so good and as long as the real thing. They were selling the dream that Joe Lunchpail could have whitewall tires just like his run-down Whenever manufacturers added a new style, technology or security features, J.C. Whitney was always right behind to give wannabes in Rides a new car to watch, whether it's a 1958 quad-core headlights to look for your 1957 car, or a third brake light for your pre-1986 ride. Indeed, with their eclectic range of products and low-budget outreach, J.C. Whitney had something for everyone, and was able to overcome a few otherwise non-intersecting car subgenres: Hardscrabble, down on their kind of luck that should keep their jalopy running with minimal monetary cost. After all, who else will need a VW side starter? Those who like to access your car with styling signals and features more expensive cars. Those who wanted to individualize and customize their cars. Everyone was welcome under the JC Whitney tent where there really was something for everyone. Income inequality? Not here. In JC Whitney, anyone can have a third brake light or continental kit on their car. And so it went on, for several decades. Cracks began to appear on the facade as the combined forces of rising gas prices, primitive electronics and emissions control began to collude to make it more difficult for the average owner to operate on his car, a trend that continues to this day. Indeed, while researching this article, I found that J.C. Whitney filed for Chapter XI bankruptcy in 1979, a fact not well known even to the company's employees. Obviously, they were able to successfully reorganize their debt, but these were the first hints of trouble. The May 1992 magazine ad of the 1980s and 1990s, the lower-margin solid parts began to disappear from the catalogs, replaced by an increasingly chintzy assortment of cheap (but lucrative) Chinese accessories, as the 1992 ad above indicates. Tiny print and homespun art lines are still there, but many of the products were useless junk. Roy Varszowski went out of business in 1991 and died in 1997. Roy's last surviving sister sold the company in 2002 to Riverside Capital, a private equity firm. At the moment, JC Whitney is no longer a family company, but is still in Chicago. While details of the deal were never made public, informed speculation around the office was that the sale was somewhere around the \$60 million figure, for what this time was a company with \$170 million in sales. That was already down from peak sales volumes north of \$200MM in the 90s. In 2006, Riverside made one last attempt to revitalize the business. Riverside acquired my employer, a catalog of accessories for Stylin Concepts trucks, and pushed us together into a shotgun marriage. Riverside correctly determined that the automotive aftermarket business was ripe for consolidation, and realized that J.C. Whitney would be a tool for this consolidation. To this end, they have established the Whitney Automotive Group as a parent holding company. With an eye on other acquisitions and Brand. Riverside brought in a young, hotshot executive from Dell to enhance our online street cred, and created a new new MSA (merger and acquisition) position. We moved into a fancy new dig on the top floor on the corner of Michigan and Wacker Drive, right on the doorstep of Chicago's Magnificent Mile. In an attempt to give the venue a launch vibe, the dress code was softened by jeans, and a de rigueur foosball table placed in the lobby along with a video wall. Roy was long gone when I joined the company, but his legacy was everywhere. Parts of his collection of antique gas pump globes and other cars still adorned the office, along with photos of some cars from his large personal car collection (with a particular fond interest to 30s luxury brands, including the V-16 Cadillac once owned by the King of Denmark). The conference room that housed most of these items was still called Roy's Garage. We had all kinds of great ideas, many of which were long-term bets, that might have paid off if we could wait it out. Among them: Set Pro - While Whitney has long served the DIY (Do It Yourself) market, we thought we could carve out a new niche in the DIFM (Do It For Me) market. We have created a network of installed stores (similar to what makes tire rack) where the customer can pay for the installation along with the product and we would send the parts directly to the installer. Good idea, but we couldn't make enough effort to assemble a large enough network of installers, and we couldn't sell it properly. carparts.com - J.C. Whitney's business is constantly under attack from what we called ankle-biters - small fly-night companies with search engine optimized storefronts and nothing more. No inventory (strictly failing ship), no customer service, and none of our fixed costs. Carparts.com was our attempt to create a no-frills website in the same vein that could compete for the price with ankle biting. In exchange for the bargain basement price, he had no phone number and outrageous top-up fees for the return. He also made very little money. Sears at the time tried to fashion itself into an e-commerce portal similar to Amazon, so we entered into a co-marketing agreement where we will create and maintain an auto parts portal on the sears.com and we will handle the execution. In return, it seems Sears got most of the profit and we just got some deposit dollars of fixed expenses. We spent huge amounts of energy looking at many potential business acquisitions, ultimately not at the expense of a single deal. Readers of this site will be very familiar with the concept of flywheel. A similar concept applies to the core business of any company that, in Whitney's case, was its main auto parts business. The flywheel can take a huge amount of effort to get spinning, but once he gets going, the momentum will keep him spinning cash with virtually no investment, seemingly forever. But alas, eventually slow down, and so it was with J.C. Whitney. With all this effort spent on cultivation and business, core business withered due to inattention faster than new business opportunities grew. The funny thing happened on the road to recovery in 2008: the financial collapse that caused the Great Recession intervened. The loan became non-existent, effectively killing any ISA activity. Worse, we tried to change JC Whitney's prestigious position (with carparts.com moving towards the bottom) at the worst of times. Remember companies that did well between 2008 and 2010? Low-end consumer companies such as McDonald's and Wal-Mart. With JC Whitney we had a brand synonymous with cheapness, and instead of benefiting from it, we ran away from it. Are they still doing it? About this brand: Big companies spend millions of dollars to promote their brand, keeping it top of the minds of consumers. JC Whitney, on the other hand, has spent almost nothing on branding, and as a result, it is fast becoming an ageing brand among the likes of Ovaltine or Prell. People kind of vaguely knew about JC Whitney, but it didn't really resonate anymore. Indeed, the most common reaction I received from people when I told them that I was working for J.C. Whitney got into two categories: Did my dad used to buy from you and you guys are still around? Not the word association you want for your brand. Over the next few years, JC Whitney's core business continued to be a founding company. Customers continued to age and die out of our mailing list (the average age of which was in their 50s). Sales continued to spiral down to about the \$120 million mark, a whole new generation of shoppers who had never heard of JC Whitney went to places like eBay, Amazon and Google for their parts. They say that the only thing more difficult than managing growth in business is managing the downturn. We were shrinking towards being a \$100 million business, but we still had a \$250 million business cost structure. We couldn't cut our costs fast enough, so we ended up piling on debt. We were used to the handle: We borrowed against every asset we had, and got to the point where we were essentially funding the business on the backs of our suppliers. As we continued to delay payments to our suppliers, it got to the point where some of them refused to sell us products or extend us more loans. Everyone knew the end was near. At this point (around the summer of 2010), Riverside announced to the world that they were shopping for a buyer for the WAG. Our ideal result would be an angel investor who would be willing to make the necessary investments to revive our dying brand for the 21st century. Our worst case will be a competitor who will close us and deprive us of two main assets - our brand and our client list. While we had plenty of potential suitors come through our doors (including most brick and mortar auto parts resellers), after all, the result was the worst-case scenario I outlined above. Rival U.S. Auto Parts Auto Parts prior to the acquisition of Whitney Automotive Group (along with all its debts) for \$27.5 million as of August 17, 2010. I thought it was a good price; more, in fact, than I thought that essentially a break-even business is worth by the time you subtract all the liabilities. After the deal was closed, USAP quickly went into a reduction in the number of staff, including the entire WAG executive team. I was one of the lucky ones (along with most of my IT team) who got to spend the next seven or eight months winding down Cleveland and Chicago offices, and migrate all JCW systems to the USAP platform. I have to pay tribute to U.S. Auto Parts for the way they handled the acquisition. I've always felt like an active participant in integration, not just watching from the sidelines. They coped with everything very professionally and made sure that I was taken care of with a decent weekend package. U.S. Auto Parts is not the villain of this part, however. Whitney's wounds were self-inflicted, and USAP was there to pick up the pieces. Indeed, USAP paid a high price for their purchase: Whitney was in a much worse state than the short opening period before the sale closed allowed them to fully realize. Their shares have been stagnating for the past seven years and they are only now returning to profitability. As I hinted at the beginning of this article, J.C. Whitney still exists today, but only as a showcase for U.S. Auto Parts. Apart from the name, there is no longer any connection to the Chicago company founded by Israel Varszowski 102 years ago. The Chicago office is long gone, although a distribution center in La Salle still exists, along with an outlet store, they both belong to U.S. Auto Parts. The general print catalog, which was a huge marketing account, is mostly always in the past. So far, there are only two specialized books, and they are for the largest and most profitable segments: Jeep and Truck. All other specialty catalogs (Classic VW, Motorcycle, Auto) are long gone. Related Reading Autobiography: Confessions of J.C. Whitney Abuser -iPhone of His Time, or How MM's Five Simple Steps Links

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