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COMMENTARY

*Does Tupperware's Chapter 11 Bankruptcy Mark the End to the
"Sales Party" Era?*

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Tupperware is a brand name that has become eponymous with plastic storage containers. Yet, last month, the company voluntarily initiated Chapter 11 Bankruptcy proceedings after facing mounting financial pressures.¹ So, what happened?

In April 2023, Tupperware disclosed in an SEC Report that it was in danger of going out of business.² The company disclosed that additional cash flow was necessary to continue its business operations.³ Four months later, Tupperware announced an agreement with lenders to restructure debt obligations.⁴ This agreement reduced \$150 million in cash interest and \$55 million in amortization payments.⁵ Tupperware sought to use this restructuring to improve their profitability and liquidity.⁶ However, these efforts proved unsuccessful.

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¹ Wyatte Grantham-Philips & Haleluya Hadero, *Tupperware Lifts the Lid on its Financial Problems with Bankruptcy Filing*, AP NEWS (Sept. 18, 2024, 5:41 PM) <https://apnews.com/article/tupperware-bankruptcy-cooking-food-storage-party-0482859639d2f2260fbd6325529034e8>.

² Jordan Valinsky, *Tupperware Stock Plunges After Warning it Could go out of Business*, CNN (Apr. 10, 2023, 3:25 PM) <https://www.cnn.com/2023/04/10/investing/tupperware-trouble/index.html>.

³ *Id.*

⁴ *Tupperware Brands Announces Debt Restructuring*, PR NEWSWIRE (Aug. 3, 2023), <https://www.prnewswire.com/news-releases/tupperware-brands-announces-debt-restructuring-301893197.html>.

⁵ *Id.*

⁶ *Id.*

On September 17th, 2024, Tupperware Brands Corporation (“Tupperware”) initiated voluntary Chapter 11 proceedings in Delaware District Court.⁷ The company seeks approval for a sale that could upgrade its digital presence and protect its well-known branding.⁸ Tupperware plans to continue operating during the proceedings, including paying wages and suppliers for ongoing services.⁹

Tupperware’s lenders oppose this plan, stating a preference for foreclosure on Tupperware’s assets outside of bankruptcy.¹⁰ Three lenders, Alden Global Capital, Stonehill Institutional Partners, and Bank of America cut off Tupperware’s access to \$7.4 million in their bank accounts.¹¹ Additionally, the lenders filed a motion seeking a conversion to a Chapter 7 liquidation.¹² Chapter 7 would allow the lenders to take control of the company quickly without searching for a third-party buyer.¹³

Tupperware made history in the 1950s when it implemented its direct-to-consumer sales approach.¹⁴ Their products were sold primarily by women in their homes through events that became known as “Tupperware parties.”¹⁵ Tupperware parties allowed women to enter the workforce when they could not receive opportunities outside of the home.¹⁶ This direct sales approach proved extremely lucrative for many years.¹⁷ However, in recent years, Tupperware’s sales have seen a steady decline.¹⁸

Tupperware did not sell its products with major online retailers such as Amazon or Target until 2022.¹⁹ Because of its late entry into the digital marketplace, ninety percent of

⁷ *Tupperware Voluntarily Initiates Chapter 11 Processes*, TUPPERWARE BRANDS (Sept. 17, 2024), <https://ir.tupperwarebrands.com/news-and-events/press-releases/2024/09-18-2024-043654053>.

⁸ *Id.*

⁹ *Id.*

¹⁰ Dietrich Knauth, *Tupperware Lenders Oppose Company Proposed Bankruptcy Sale*, REUTERS (Sept. 19, 2024), <https://www.reuters.com/legal/litigation/tupperware-lenders-oppose-companys-proposed-bankruptcy-sale-2024-09-19/>.

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

¹⁴ Erin Blakemore, *Tupperware Parties: Suburban Women’s Plastic Path to Empowerment*, HISTORY (Sept. 19, 2024), <https://www.history.com/news/tupperware-parties-brownie-wise>.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ Michael Grothaus, *Why is Tupperware Bankrupt? Food Storage Brand’s Chapter 11 Filing Reveals How it Failed to Change with the Times*, FAST CO.

Tupperware's sales remained through their direct sales model in 2023.²⁰ If the company successfully finds a buyer through bankruptcy proceedings, the buyer's largest hurdle will be increasing their online sales front and shifting away from the direct sales model.²¹

Tupperware is not the first major direct sales company to face bankruptcy. Earlier this year, Avon, the direct sales empire, filed for Chapter 11 bankruptcy.²² Similar to Tupperware, Avon's sales were done primarily through independent representatives.²³ While Avon's bankruptcy was partially due to lawsuits regarding talc in their makeup products, their failure to adapt to a changing market also played a role.²⁴ Avon's attempts to enter the digital market proved unsuccessful, largely because it diluted their brand identity.²⁵ If Tupperware successfully finds a buyer, they should be careful to protect their brand identity.

The bankruptcy of both Tupperware and Avon are indicative of a larger shift in consumer behavior. In today's fast-paced society, consumers are less willing to meet with sales representatives when they can buy the same product online.²⁶ Younger consumers have purchased online for most of their lives and are easily swayed by social media product endorsements.²⁷ Additionally, consumers have gradually been turning away from plastics and instead turning to more eco-conscious alternatives.²⁸ While there is still a demand for storage containers, Tupperware has failed to evolve its business model to meet consumer habits.²⁹

Tupperware will return to court later this month to request elongated access to their cash accounts during their bankruptcy proceedings.³⁰ Only time will tell if Tupperware will

(Sept. 18, 2024), <https://www.fastcompany.com/91192883/tupperware-brands-bankruptcy-filing-chapter-11-reason-why-direct-sales-fail>.

²⁰ *Id.*

²¹ *Id.*

²² Kate Hardcastle, *Ding Dong, Avon's Calling: The Rise and Fall of the Original Side Hustle*, FORBES (Aug. 15, 2024), <https://www.forbes.com/sites/katehardcastle/2024/08/14/ding-dong-avons-calling-the-rise-and-fall-of-the-original-side-hustle/>.

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.*

²⁶ Kate Hardcastle, *From Kitchen Icon to Cautionary Tale: Lifting the Lid on Tupperware's Challenges*, FORBES (Sept. 19, 2024), <https://www.forbes.com/sites/katehardcastle/2024/09/19/from-kitchen-icon-to-cautionary-tale-lifting-the-lid-on-tupperwares-challenges/>.

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Id.*

³⁰ Dietrich Knauth, *Tupperware Regains Access to Cash for Upcoming Payroll*, REUTERS (Sept. 25, 2024),

be able to pivot into a more modern sales model, or if the former storage container empire will become a thing of the past.