

Chapter 1

A Bit of History

When I first started Quill in 1956, it was with a phone in Dad's chicken store so that he or my uncle Abe could answer it while I was out on the street selling. Many a customer was surprised to hear chickens squawking in the background when they called to place an order.

When a customer called to order office products, in the background they heard any number of odd sounds, at least odd for an office supply company—clucking and squawking, the whomp of the cleaver falling.

In 1998, when we sold Quill to Staples—a terrific, publicly traded company, by the way—our revenues were over \$630 million. We had a complete state-of-the-art distribution center of 350,000 square feet on a wooded 35-acre campus plus nine other distribution centers around the country and more than 1,200 employees.

This book is not about Quill but, more importantly, about the lessons we learned along the way in how to build and run a successful company. It's the story of what hard work, reinvesting every penny possible back into the business, and having a passion for what you are doing can lead to.

It has been a great trip, a fabulous trip, and along the way I've learned a lot about business, most of which you don't learn in an Ivy League MBA program. In fact, to tell the truth, I'm not all that impressed with all those Ivy League MBAs, at least not when it comes to building a business. If your goal is to make lots of money in the various financial dealings or to “flip” companies—simply making money without ever creating anything substantial—then this book isn't for you. Get yourself to a bookstore—there are lots

of books about making money while building nothing substantial. And perhaps an Ivy League MBA is for you. But if your goal, your dream, is to build a business, to make a good living, maybe one day a great living, without having to work for anyone else, then this book can help. This book is for those entrepreneurs and would-be entrepreneurs who may start out with the modest desire of making a living for themselves and their families and, with the right approach, may surprise themselves (as I did) by ending up with a huge company worth a lot of money, while earning a very good living along the way.

There are millions of entrepreneurs in this country, men and women starting and running the businesses that keep our economy churning—landscaping companies, restaurants, construction firms, caterers, consultants of all sorts, manufacturers, distributors, and on and on. (In fact, of the 25,000,000 or so businesses in the United States, only 20 percent have employees, and of these, 89.3 percent have fewer than 20 employees.) All of these men and women have one thing in common: they are willing to take a risk because they want to work for themselves, believe in making it on their own, and have the self-confidence to do so.

They have something else in common: they are the spirit and the future of America. I know that sounds a bit cliché, but it's true. There are few men and women today who can legitimately claim to wear the mantle of our founders and of the American revolutionaries, as readily as U.S. entrepreneurs. We create jobs. We keep the economy humming. We pay taxes, lots of taxes, and we do it all (except the taxes) on our terms.

Also, like the relatively few giant oaks that grow from some of the millions of tiny acorns, our future huge corporations will spring from some of the millions of small entrepreneurs of this country. (As a side note, yes, I am a cheerleader for U.S. small businessmen and women. That's because I love this country and the opportunity it has given me to achieve to my greatest potential. I want to preserve that opportunity for my children and grandchildren.) One of the things I am doing in my retirement is working to get the

teaching of America's founding principles and history into our educational system, particularly on college campuses, where it is much neglected. These are the principles that, among other things, allow and encourage entrepreneurship. When you start a business, three things can eventually happen: the business provides a good living for you and your family; the business grows into a substantial company that you eventually sell or leave in the hands of a successor; or the business fails. The lessons I have learned over more than 43 years may be able to help you increase the odds of the first two outcomes.

I didn't start with a business plan. I started with a need and desire to make a living. It was June 1, 1956. I had no job. I had a new wife and a \$15,000 mortgage (remember this was 50 years ago, so that was a lot of money).

I had been working at one job or another since I was thirteen. I had been a soda jerk in a drugstore, like in the old movies where you could sit at the counter and order a milkshake. I was a delivery boy for a dry cleaner, an usher at a movie theater, a pin setter at a bowling alley. At fifteen, I drove a small truck for a food distributor.

When I entered college, I was able to pass proficiency tests for two courses (college algebra and Rhetoric 101) thus entering the University of Illinois with six credit hours. I then rushed through college by taking 21 hours a semester instead of the normal 15. I paid my way through school by modeling for art classes, washing dishes, and in the summers digging ditches and loading freight cars. My best friend, who later became my accountant and trusted advisor, and I also had a hand balancing act and we performed in clubs, theaters, and county fairs.

When I graduated three and a half years after I entered, I had no idea what I wanted to do. I thought I might want to be a lumberjack, so I drove a car from Chicago to Portland, Oregon, for a car dealer. By the time I got there, I decided I didn't want to be a lumberjack and I took a train back home. But it was a great trip, still one of my fondest memories.

Still not knowing what I wanted to do, I worked in Dad's live poultry store, slaughtering chickens and cleaning their droppings off the pans below their cages. Since then, I've always felt that was a good way to bring a college graduate back to reality. After a few months, I took a job with a suburban newspaper, selling advertising. But after I found out that the owner was lying about his circulation figures, I quit and with nothing else in mind, I went to work for my brother Arnold (who many years later joined us at Quill) in his "cut up" chicken store. One day, an uncle of ours stopped in at the store while I was mopping the floor. "What kind of job is that for a college graduate?" he asked. Then he offered me a job selling for his company, where they manufactured soup concentrates and gelatin desserts for restaurants, hotels, hospitals, and other institutions.

For the next five years, I traveled the country, often being on the road for five or six weeks, then back for a few days and out on the road again. I worked with our representatives in the field who called on distributors and often worked directly with the distributors calling on the restaurants and institutions. What great training this turned out to be. And what a tremendous bird's-eye view I received on how distribution worked in our country. On top of that, my uncle, who was small compared to his main competitor, focused on extreme customer service, something we later emphasized very strongly at Quill.

But after four years, I got married and after another year on the road, home only for a few days every other week or so, I decided that this was no way to have a married life. So I left my uncle and joined a small firm making custom sample cases for salesmen and distributing briefcases made by others. When I joined the company, we set up the distribution portion of the company as a separate division with me as president, with a 25 percent ownership payable from future profits.

The distribution division was basically a mail order operation plus some direct selling (done by me) in the Chicago area. I began to learn something about mail order and began to build some contacts with businesses in the Chicago area. But a year after I started

there, the owner decided to sell the company, including my division. I didn't want to stay with the new owners, whom I didn't trust, so once again I was looking for a career path—not realizing that all the experience I had gotten in the past six years had already put me on that path.

I started applying for various jobs but didn't much care for what I saw. At one firm I evidently failed a psychological test and also asked for too much money. I suspect the test showed that I wouldn't be someone who would follow orders too readily.

In any event, I decided to go into business for myself. But what business? After some thought, I decided that since I had been personally selling briefcases to businesses in the Chicago area, I could still do that. But I knew that was not enough to build a business on. So what else did businesses buy that I could sell? Office supplies seemed an obvious answer.

I thought about buying a small dealer, but I didn't have any money to do it, and besides, I didn't want to have a retail store, which is what most of the small dealers had. I checked around and found a company that had just started a wholesale division selling to dealers. They had a rule that they would sell only to stocking dealers, but with some persuasion, they waived that rule for me. If I would put up a \$300 deposit, they would sell to me and even give me some catalogs to distribute to customers.

I borrowed \$2,000 from my father-in-law, put a phone in my dad's live poultry store, had some business cards printed, and was off and running. I was in business! I had no business plan. I had no sense of how big the office products industry was or how big the potential market was. I didn't have a line on my competition. I just had a commitment to build a business.

From that to a nationwide over \$630 million business with over 1,200 employees in nine distribution centers around the country when we sold the business 43 years later, is the story of Quill and of a great life and a wonderful partnership with my brothers Harvey, who joined me a year and a half after I started and Arnold, who joined us 20 years later.

We built a great company based on unwavering integrity, hard work, and, to borrow a phrase from one of my competitors, a passion for “fanatical customer service.” It’s a company that went on to even greater success after we sold under the leadership of the team we had built, which Staples was smart enough to leave in charge (keeping the young Harvard MBAs they liked to hire out). Now, nine years later, they are doing more than a billion dollars in volume and are a major contributor to Staples’ profits.

Every new business venture is a risk. You can’t become an entrepreneur if you are really allergic to risk. In my experience, there are two types of entrepreneurs: those who notice the risk but don’t let it bother them too much and those who don’t even notice the risk. I was one of the ones who didn’t notice the risk. Thinking back, I realized I should have, with a mortgage to pay and a still-new bride. But I guess, from soda jerk to pin setter to standing on my hands at county fairs to traveling the country selling soup concentrates and gelatin desserts, I had come to realize I could always make a living. Now I wanted to make it on my terms.

And maybe part of not worrying about the risk was being young—I was twenty-seven—and having no children. But I’ve known lots of men and women who have started businesses in their thirties, forties, even fifties. Risk is just a natural part of starting, building, and running a business.

However, and here is the first lesson, once Quill was up and running, we never “bet the entire ranch” on anything we did. We never overextended ourselves. If we couldn’t afford to pay for something and move on if it failed, we didn’t do it. We always were willing to risk some or all of the profits, but never the company itself.

Let me add a quick word about failure. Some businesses fail. That’s as natural as the fact that some seed never sprout or that trees in the forest never grow beyond saplings and even some big ones die. It’s just the way life is. There’s some possibility your business might fail—though I believe if you read the rest of this book and pick up some of the lessons I’m trying to share, it will be a lot less likely.

But if you want to be an entrepreneur, you can't allow the fear of failure to stop you from trying. No man or woman who honestly started and ran a business has ever really been a failure. Their businesses may have failed, but that's different. Relatively speaking, very few men and women out there have what it takes to try to make it on their own, have the guts and the confidence to say, "I'm going to start my own business. I'm done counting on somebody else for my paycheck!" Somebody like that, while maybe their business might fail, they as a person are not a failure. Anybody who has ever started a business and has done so honestly and with integrity, no matter how it ends up, can look in the mirror knowing that he or she did something few other Americans are able and willing to do.

If you never try, you will never know if you can succeed. But if you do try—and succeed—it is one of the greatest things you can do, in my opinion, even better than winning a gold medal at the Olympics.

So now, on to the history of Quill. First, the name. Why did I choose the name Quill Office Products? Remember what I said about American revolutionaries and independence and doing things on my own terms? When I decided to start my own business, my wife and I went to my best friend's home for dinner. We agreed we would not leave until we had come up with a good name. After hours of discussion, we decided on Quill because the Declaration of Independence was signed with a quill pen and I would be selling pens—along with thousands of other items. Years later, I learned that a name is really what you make it through the company you run and how you run it. Many other names could have worked as well, but I still like our choice.

On June 1, 1956, Quill Office Products was officially open. The very first thing I did that day was to go to the bank. Not to get a loan—I'm not very high on borrowing money, doing so only two times over the life of our business and then for only a few months each time. But my old partner in the briefcase business had advised me that I needed a good relationship with the bank as time went

on. So I brought my opening financial statement showing no sales and a balance sheet that showed one used Ford and \$2,000 in cash and showed it to a nice older gentleman who was assigned to be in charge of my account. And every month for the next 43 years we always gave the bank a copy of our financials. This is one piece of advice I would like to pass on. Get the bank involved with your business—the good and the ugly. They become your ally.

Then, with the wholesaler's catalog under my arm, I started knocking on doors. I started out with what I thought was a simple pricing structure—small companies got 10 percent off the catalog price, medium-sized companies, 15 percent, and big companies, or whoever could talk me into it, got 20 percent. In a few years, my brother Harvey, who joined me a year and a half after I started, and I realized that this was a stupid idea, creating nothing but confusion for us. So we changed it to a straight 15 percent discount for everyone. That's another lesson for you. "Keep it simple." Don't overcomplicate things. I tried to follow that strategy throughout my business career. That's not to say you shouldn't embrace technology and new processes. We were, for example, one of the first mail order companies to install automated check readers so that every check that came in from a customer could be batched and automatically applied to the proper account and to the bank for deposit the same day, saving us a great deal of money and speeding up our deposits. I just mean that your strategies and your approach should be kept as simple as possible so you, and just as importantly, your people, understand them.

As one example, I remember, when the business was much bigger, one of our managers came to me saying they needed a new computer program in order to do a particular task. I asked how much the new program would cost us. Hundreds of thousands was the answer. I asked how much it would cost to hire more people to handle this particular task manually. I forget the exact answer, but it was a lot less than hundreds of thousands of dollars. So I told him to forget about the new, complex computer program and go hire more people. See, at the heart of the matter, business is simple.

We just let too many people (you and me included) complicate the heck out of it!

That first month in business, of cold-canvassing all over the city, plus calling on every friend I had who could help, I sold \$960 worth of merchandise and made a \$35 profit after gas and other expenses—not very much. By the time we sold the business, I figured out that we were doing that much volume about every 17 seconds!

There were a couple of things I did back then that, to this day, remain hallmarks of Quill. One is that I busted my back to give the best service possible. Whatever I sold one day I would call into the wholesaler the very next morning. Then, after spending the rest of the morning and a good part of the afternoon knocking on more doors, I would pick up that merchandise from the sales of the day before from the wholesaler and rush back to Dad's chicken store to pack the orders. I'd pile the packages in the trunk of my Ford and rush to the United Parcel depot by 6:30 P.M. so they would be on the last truck going out that day. Since all the business was in the Chicago area this guaranteed that if somebody ordered something on Monday, they would have it by Wednesday.

Each evening, my late wife Audrey would type up the invoices of shipments from that day so they could be mailed the next day and we could get our money as quickly as possible. (Incidentally, Audrey passed away from cancer four years before we sold the company.) Over the years, we got to the point that if someone ordered by 6 P.M., they would have their order the next day almost anywhere in the country and the invoices were sent the *following* day.

"Fanatical customer service"—I didn't invent that term, but we lived by it. No matter what kind of business you are in, you have a customer of some sort. If you don't figure out how to give the customer exactly what they need as quickly as possible (or even faster), somebody else will. And by the way, that fanatical customer service also applies to internal service, how everyone responds to the needs of other employees. That makes an amazing difference in how well your organization functions. You can't give

your customers great service if you don't have great internal service throughout the company.

And through the years, we did just keep it simple: deeply discounted prices and great customer service on good quality merchandise.

The second thing I started doing back in 1956 that eventually defined Quill was direct mail. Within a few months of starting the business I sent out my first advertising piece. It was a penny postcard with five specials rather crudely handwritten on it. I mailed it to 160 people I had called on. Then, during the course of that first year, I followed that up with a series of black and white one-page mailings. I would just cut pictures out of the wholesaler's catalog, use a typewriter to set the copy, and penciled the headlines by hand. For some of the mailings I even included a free sample. Of course the samples were simply a rubberband or a strip of adding machine tape, and so on. Crude as they were, these mailings worked and convinced me that mailings were a valuable selling strategy.

By the end of that first year, I was making enough so that I could write checks for our household expenditures plus \$15.00 per week to cover my expenses and then write a check from the company to cover those personal checks. That was a good thing, to say the least. Up until then, we were living completely off my wife's salary and our small savings account. And, as these things often go, two months after I started the business, she became pregnant with our first daughter. Eleven months after I started the business, I was a father. Talk about pressure to sink or swim! (More, by the way, later in this book on my philosophy about raising a family and growing a business at the same time. Believe me, it's not easy when you are putting in 60-to 70-hour weeks—which is often what it takes to start and establish a business.)

At about that same time, I was trying to convince my younger brother Harvey to join the business. It had been just a few years since he had gotten out of the Navy and he was now married with one child. Also having the entrepreneurial spirit, in September 1957 he quit his job working behind the counter at an electric

supply company and joined me. We agreed we would each draw, \$115 a week salary out of the business, meaning we had to get more business or lose money.

Now that Harvey was with me, doing all the office work from my home wouldn't work anymore. We needed a real office, which we couldn't afford. So we moved to a coal bin. That's right, a coal bin. My wife's Uncle Herb had a two-floor apartment building just a couple of blocks from the chicken store. He had converted from coal to oil heat and had this nice-sized unused coal bin in his basement. We figured it could make a perfect office. The rent was perfect, too—zero. There was just one thing standing in our way: a ton and a half of coal.

So Harvey and I spent a weekend—we would never miss a day of selling and processing orders—and shoveled that ton and a half of coal out of Uncle Herb's coal bin. We did it one wheelbarrow at a time. We'd shovel the coal up out the window, into a wheelbarrow, then into a truck we rented. From there, we hauled the coal to a dump. It took all weekend but we got it done. I remember Harvey and I returned to our homes and our wives wouldn't let us in—we were as caked with coal as miners. We had to strip in the hallway.

But we got that coal bin good and clean and painted it pink and blue. Yes, I know pink and blue aren't exactly the colors you might choose for an office. But just as cost savings would be a matter of life and death one day for Quill, we never spent money we didn't have to. And back then, it wasn't like we had a bunch to spend, anyhow. Harvey had blue paint left over at home from when he painted his son's nursery. I had pink paint left over from our daughter's nursery. And those became the colors for our first office.

The philosophy of never spending money we didn't need to spend stuck with us throughout our 43 years in business. I know too many people who start out their businesses with expensive furniture in overpriced offices. I'm not saying you need to operate out of a chicken store or a coal bin, but I am saying don't spend any dollar you don't absolutely need to. Oh, and by the way, our desks in that first office were old, enamel-topped, aluminum tubular-legged kitchen

tables. I have always thought ours was the traditional way to start a business, except that we hadn't come over from the old country.

Anyhow, the business kept growing. We hired our first employee, a clerical assistant, because we were generating too many invoices for my wife to type up when she wasn't taking care of the children and the home. Fortunately, that first employee didn't mind walking through Uncle Herb's laundry hanging in the basement as she made it to our pink and blue office. Soon, we had to stock some items, for the first time having inventory. Since Uncle Herb and my father-in-law were brokers for hams we could get lots of wooden ham crates for free, which we nailed together into shelving. But it wasn't long before we outgrew the coal bin.

We moved a few blocks away into a storefront space and painted the windows black so that no one would think we were a retail store. We hired a bookkeeper and a full-time person to answer the phones.

We still had no formal business plan but, in our heads, we knew exactly where we were going—sort of. Our mailings continued to grow in size and number. They were also becoming more professional, using a freelance artist for good artwork and using a typesetter for real type. I still selected the products, designed the general themes and layout and wrote all the copy—usually in the evenings or on weekends. Soon, we were getting so many orders in response to the mailings that we had to spend more and more time inside taking orders. Finally, we found ourselves in the office all the time. We had just sort of slid into the mail order business. That had never been part of our planning. Originally, the mailings were just to support our outside sales efforts.

We became the first mail order office products dealer in the country. This led to our first business crisis, our first test of the determination and tenacious focus you need to make a business work. It turned out to be a much tougher test than shoveling one-and-a-half tons of coal.

Here's how it happened. We kept sending out mailings and, over time, they kept getting a little bigger, evolving from those penny postcards to 8-page, 12-page, 24-page, and then up to 64-page flyers. I was still working on them at night, and still writing the copy on an old manual typewriter. We started renting prospect names in addition to mailing to customers and other businesses we'd visited on our sales runs.

Our business was growing and we needed more space to stock items than we had in our 900-square-foot storefront space. So, proving that all things go full circle, we rented my dad's old chicken store. My father, unable to compete with the large grocery chain stores, had gone out of the retail business, becoming a chicken broker, selling chicken meat to manufacturers who used it in their products, such as frozen chicken pot pies. And this, happily, became a really good business for him—more profitable and much easier than the retail business.

Our sales flyers were now up to 64 pages but there was a real problem, one that cut into profits. Each year, we were still sending the full-line wholesaler's catalog to all of our customers. That meant it was sort of the luck of the draw whether we would get an order for something we stocked or an order for something we would have to get from the wholesaler. Not surprisingly, we made more money on a product we bought directly from the manufacturer and stocked. We realized that if we sold more of what we stocked, we could offer customers an even better discount and still make more profit. The margins were that much better if we sold what we got directly from the manufacturer than from the wholesaler.

So we decided to make the investments necessary to produce our own full-line catalog and to stock more items. The wholesaler would become a backup source for items the customer insisted on that we did not stock.

First, we rented the building next to Dad's old chicken store and broke through the walls, giving us the room necessary to stock

more product. It was a chopped-up space with three retail store spaces plus a large first floor space and a basement reached by a stairway inside and a lift from the sidewalk outside. Not an ideal space, but inexpensive and roomy enough for our needs.

Second, we created our own full-blown catalog. I set up a separate office in the new part of the building, locking myself away with an assistant to produce the catalog. Leaving Harvey to run the business, I selected the items for our catalog, did rough layouts, wrote the copy, and worked with an art studio to produce a very professional-looking book. No more clipping pictures from the wholesaler's catalog and using a manual typewriter for type. It took nearly a year (1963) to produce this catalog.

To do all this, we used all the money we had accumulated plus \$20,000 we had to borrow from the bank.

Then we mailed out the catalog and waited anxiously for the results.

Day after day, which became week after week, we waited for what we were sure was going to be an avalanche of new orders. At best, we got a ripple. Business was growing but perhaps at only a slightly better pace than before we sent out the catalog. And that wasn't good enough. Not with a few additional employees to pay who we had hired in anticipation of great results (a mistake and a lesson), more rent to pay, and a \$20,000 note to pay down.

We didn't panic. Not at first. Then, after we had to let one employee go, we met on a weekend evening at Harvey's apartment with our father and my father-in-law. The agenda was what to do next. This was the sink or swim moment for Quill Office Products. My father and father-in-law urged us to get back out in the street and sell. We took a vote. The vote was three to one to hit the streets.

I was the one vote. I said no. I was firm in my belief that now that we were in it, mail order was the direction to go, that was what would make us different from our competitors. I also felt we could grow much bigger, expanding beyond the Chicago area, if we stuck with mail order, if we could make it work. I had started the business in a chicken store. As far as I was concerned, that gave

me the right to be a dictator and ignore the vote. We continued with the mail order business and did not go back to the street.

After about five months, the orders finally began flowing in. The catalog was working. We learned an important lesson from this—nearly everything in business takes longer than you expect. In fact, I suspect that a lot of people in business forget this, or never realized it in the first place, and often give up right on the eve of success.

We came very close to making that mistake. Had we, it would have meant that Quill Office Products, later renamed Quill Corporation, would have remained a small local dealer providing a decent living. And that wouldn't have been so bad. It's just that, by then, my dream had expanded.

We eventually paid off the bank loan and began to accumulate money, keeping our salaries at a basic subsistence level and plowing everything else back into the business for more advertising and inventory. Soon, we needed more space and bought our first building, a 27,000-square-foot office and warehouse building just a few blocks from Dad's old chicken store.

Incidentally, that first building put us into the real estate business. Our accountant insisted we buy it personally, not through the business. This was great advice. Today, after selling Quill, we have a small real estate business and have built and own an industrial park with almost a million square feet of space on land we had purchased around our Quill headquarters.

By this time we were mailing to all of our customers plus 10,000 new prospects nationwide each week. And every six months we were producing a new, full-line catalog. Business really took off.

Within 11 years we had to move again, this time buying three acres of land in a suburb north of Chicago and building a modern one-story building. It was beautiful. Still is. We owned that building and rented it out after we outgrew it just seven years after building it.

At about that time, my brother Arnold, a CPA, joined the firm. So our management team was complete: me in marketing, Harvey in operations, and Arnold in finance.

Very quickly, that new building was too small. Here's how that happened. We were sending mailings once every three months, but because of a two-year record increase in inflation in the late 1970s, we could no longer guarantee our prices for even three months because manufacturers kept raising their prices. We would frequently receive copies of their old price lists rubber-stamped for example, "All prices up 10%." In order to deal with this, we decided to mail our customers *every* month, guaranteeing prices for that month only. To our amazement, as a result of these more frequent mailings, our business grew by more than 90 percent a year for the next two years (of course, later, I claimed that the increases were due to our marketing genius).

We had additional land to build on, but the business was growing so fast, we didn't have time to plan the expansion. So we rented additional space in the industrial park we were in. When we were finally able to spend time planning, we were operating with offices in three buildings and inventory in four others. We knew we had to move again, and started searching for land where we could build the Quill campus. In 1980, we bought an old tree nursery of about 35 acres and began construction on a 110,000-square-foot-warehouse with an attached 50,000-square-foot-office building, which we moved into in 1982. As time went on, we added another 110,000 square feet of warehouse and 100,000 square feet of office space. But I can tell you that before we did that, we were so crammed that we didn't have room for one more person in the office or any more product in the warehouse. We couldn't keep enough inventory to service our customers well without using the wholesaler a lot more than we wanted to.

And this is a critical lesson. We never moved or expanded facilities until we absolutely, positively had to and then not until we knew that we had enough business to *more than* cover the added costs. We learned our lesson very painfully in 1963. Too often,

companies expand because their projections show they will be able to cover the costs—and when they don't, they find themselves in trouble, often having to sell the business or go out of business.

We were growing at a steady clip, always in the double digits. It seemed that the sky was the limit. But then the sky almost fell on our heads when Tom Stemberg created the first office product superstore and others quickly followed. *Their basic model was low, low pricing, buying in huge volumes and forcing the manufacturers to give them low prices, rebates, advertising allowances, and more.*

Staples. Office Depot. Office Max. These were the names that shot fear through the souls of thousands of independent office products dealers. The superstores, because they bought product in such volume, could dictate much lower prices from manufacturers than other dealers could get. As a result, the superstores could sell at drastically discounted prices and still make a profit. Also they may have been operating at slimmer margins, but the large volume of product they were moving made up for it. There was no way that independent office products dealers could match them in price.

At first, many in our business tried to ignore the superstores. They thought they were out of their minds, that the superstores could never sell at such drastically discounted prices and make money. They wrongly believed that nobody could live on such slim margins. They convinced themselves that the superstores would fail. Some even tried to force manufacturers not to sell to the superstores. A few manufacturers actually tried to protect their dealers but with the huge orders the superstores were delivering, eventually all the manufacturers decided to sell to them, usually at more favorable prices.

Just because I enjoyed doing it, I used to write a newsletter that I would mail to all our manufacturers. It became fairly influential in our business. At the time the superstores began showing up in the late 1980s, I wrote that anybody who thought the way to deal with the superstores was to ignore them and wait for them to fail was just putting their head in the sand—and would get it chopped off while they weren't looking. The superstores were going to

completely redefine our business, I wrote. Most office products dealers ignored my warning. Nearly all of them are out of business. Over 15,000 small, independent office products dealers went out of business as a result of this, and our industry changed from a highly fragmented, inefficient industry into a much more organized highly efficient one. The consumers were better served with lower prices and better service.

At one point, there were close to 30 superstore chains. The folks who started and ran these companies came from other discount retailing industries—the food industry, hardware, and others. They came into our \$100-billion-plus industry with an approach that dictated low, low everyday prices with frequent loss leaders, backed by rapid expansion of stores and massive amounts of advertising. They were used to low margins and they were like sharks smelling blood in the water once they understood how sloppy and bloated and highly splintered our industry was.

At Quill, our response was to wait and watch and not to panic. We carefully watched as one after the other, most of the new superstores failed. In the end, three survived: Staples, Office Depot, and Office Max. They continued to grow and became more and more dominant in the industry. One interesting side note of all of this was that, as the first one in the industry to really promote discounted prices, we were always considered the dirty price cutter. But then the superstores won that title and everyone began discounting.

During this entire period, Quill continued to grow and to remain profitable. But then, in 1990, we decided it was time to react. We decided we had to slash prices to meet the superstores' prices. We had made our mark in the business by being the first discounter, but now we had to discount our prices even further. The battle lines were clear and they were drawn along price points.

At the beginning of 1991, halfway through our fiscal year, we gathered our troops—our employees. We told them we were cutting prices deeply on all products across the board, with a few exceptions. The result was that from February of that year until the

end of our fiscal year in September, we didn't make one dime of profit. We did end up making a profit that fiscal year but it all came from the first half.

We also told our employees to slash costs. We were very clear: if we didn't figure out how to cut costs to compete with the super-stores, Quill would not survive. Everybody was focused on cutting costs. We did promise that no one would lose their job! And we promised that, if in our cost-cutting drive, somebody's job was eliminated we would find them another job in the company. How else could you expect someone to suggest a better way of doing something that would eliminate their position? We just figured that our continued growth, pushed even higher (we hoped) by our new, lower prices would absorb these people.

We became as fanatical about cutting costs as we were about customer service. In one instance, somebody came up with the idea of using a different type of lightbulb in the exit signs because they would last longer and as a result we would not have to change the bulbs as often. This saved us \$12,000 a year in maintenance costs. We went from using three trailer loads of packing "peanuts" a day to just one, saving another \$200,000 per year by developing a system for predetermining the smallest size carton we could use on an order *before* it was picked. We also invested \$1 million in a complete desktop publishing system that eliminated the need to out-source design work, saving close to \$3 million per year.

Finally, one of the things we did was to look at the bread and butter of how we make money: direct mail. We examined our mailing strategy closely and found an unbelievable amount of fat. With four, five, and six mailings going out to our customers every month, we were showing the same merchandise in at least two or three of the mailings all the time. The incremental increase in business was great. Our buyers were scared stiff at the thought of giving it up. But we had to ask ourselves, What are we paying to deliver this incremental increase in business? It turned out to be too much. We were losing money on that incremental business.

Not only that, we were mailing everything to just about everyone on our list. We didn't put enough thought into selectively segmenting these mailings. When margins were fat we didn't notice—doesn't mean it didn't matter, just means we didn't notice. Well, margins weren't fat anymore, not since the superstores were putting locations all across the nation and making all consumers—including even large companies—more cost conscious.

So we started cutting the fat out of our mailings, reducing the number of mailings. We got rid of the “multimailers,” mailers stuffed with special offers each printed on a separate piece of paper, which, by the way, our customers hated. And we started to fine-tune our mailings so that we were sending only to “high-return” customers for specific products. For example, we slashed our mailing promoting tax forms from 400,000 to 37,000 high potential customers and actually sold more! We hadn't realized that most companies didn't buy tax forms—their accountants did.

It was a huge gamble, slashing what we charged for products to the point where we made no money. But we felt it was the only chance we had. Obviously, thanks to our ability to cut costs, it worked. By the next year, we were once again making a profit.

A lesson we learned then and that I applied very successfully when I bought another, much smaller, mail order company when I retired, was that there is always a lot of waste. You should always question *everything* you are doing, challenging yourself and your people to find a better, less expensive way to do it.

But there was one rule in our price cutting that we always followed. That rule was that we would do nothing that would reduce the service we gave our customers. We also applied that rule to any other changes we made, including the introduction of new technology.

I hate those automated telephone answering systems where you go from one set of options to the next and then end up with the recording, “Our agents are all busy servicing other customers. Your business is important to us. . . .” Yeah, my business is important to them. If it was so important, they would have a much more user-

friendly system, and they would have enough agents to handle all the calls on the first ring, which was a rule we had.

It was also during this time that we redoubled our focus on customer service, changing our shipping policy, for example, from shipping every order within 8 to 24 hours out the door to any order in by 4 P.M., shipped the *same* day. Then we found a way to turn this into any order in by 6:00 P.M. Chicago time would be *delivered* the next day. To guarantee next day delivery, we opened warehouses around the country. We did it so that we could always stay a step ahead of our competitors when it came to customer service.

The mantra, so to speak, that had always guided Quill expanded now: not only were we committed to doing things right and providing superservice to the customer, we were equally committed to keeping costs down so we could sell at lower and lower prices. It was an equation that worked.

And this equation became simply a way of life at Quill, as routine as breathing: we were always able to find a way to cut costs and, at the same time, improve services. In fact, we learned that changing things to cut costs often resulted in better ways to do things for customers.

The end result was that Quill was the number one mail order office products company in the country.

Of course, as you know, we eventually decided to sell Quill to one of those superstores.

So that's a bit of our story. There's more to it, like the time we went before the U.S. Supreme Court and won in what has become a landmark case on interstate taxation of mail order sales. As we talk more, I'll share some of these stories. But for now, let's move to the lessons learned or, as I think of it, the non Ivy League MBA approach to building a great business.

By the way, you note I just said, "as we talk more." I hope this not-too-long book comes across as a conversation not a textbook. I'm just like you. Yes, right now I have a lot more money, but that

took me 43 years of hard work. What it didn't require was any special degree or some unusually high IQ. My brothers and I were not geniuses, believe me. And I don't believe that most successful entrepreneurs are geniuses. They are simply hard working and highly focused individuals who become very, very good in the area they have chosen.

When young people approach me and ask how to become successful, I tell them to pick a niche and to become the smartest, most knowledgeable person in that niche (very few of us are capable of being smart in many areas) and then to work *very* hard.

What I am is someone who became successful in one such niche, and I want to tell you what I've learned along the way. These are general rules that, I believe, apply to almost every business. And I guarantee you this: listen to what I have to say, the lessons I've learned, and you'll be a more successful business man or woman.

To summarize this first chapter, I'd like to share a quote by Buddha with you: "Your work is to discover your work and then with all your heart to give yourself to it."