

Chapter 1

Rose Blumkin— Magic Carpet Ride

Rose Blumkin became the first-ever female Berkshire Hathaway manager when Nebraska Furniture Mart was acquired by Berkshire Hathaway in 1983. Rose was just shy of 90 years old at the time and still working 60-plus hours per week in the store. You would assume that this change in ownership would signal retirement for Rose, Chairman of the Board of “the Mart,” but she still worked for more than a decade longer, 12 to 14 hours each day, seven days a week, until she reached age 103.

Buffett later joked that he would have to alter the company’s mandatory retirement age of 100. “My god. Good managers are so scarce I can’t afford the luxury of letting them go just because they’ve added a year to their age.”¹

By the time Berkshire Hathaway acquired Nebraska Furniture Mart, Rose was already a successful executive, having founded the furniture

store in Omaha in 1937, at the age of 43, and growing it to a business with an annual profit of \$15 million.

My first encounter with Rose Blumkin was as a customer at Nebraska Furniture Mart in the late 1980s. At this time, “Mrs. B” was well into her nineties and drove around the store on a motorized scooter (Figure 1.1).

She was a tiny woman, standing just four foot ten when she dismounted from her scooter (which I never witnessed). She stopped to speak with customers in her thick Russian-Yiddish accent, encouraging them to make a decision and assuring them that they wouldn’t get a better deal anywhere else.

There are numerous tales of her berating the employees and enjoying lively negotiations with customers. Mrs. B thrived in an era of what would now be considered a “harsh” management style. She was tough, but earned respect from her employees and the community alike.

The Mart was immense even at that time. It now occupies 77 acres of central Omaha with 500,000 square feet of retail space, including a Burger King restaurant. There are also another 500,000 square feet of warehousing and distribution and over 2,800 employees.



Figure 1.1 Mrs. B on Her Scooter in the Carpet Warehouse

SOURCE: Nebraska Furniture Mart.

Most independent and national furniture stores have found it futile to attempt to compete in Omaha with Nebraska Furniture Mart. The Electronic Mega Mart, a separate electronics department, opened in 1994, has grown substantially in recent years along with consumer demand. It occupies 102,000 square feet. The furniture department still consistently brings in the most revenue of the four divisions (furniture, flooring, electronics, and appliances).

Nebraska Furniture Mart added a second location in Des Moines, Iowa, when they purchased Homemaker's Furniture in 2001. A third store was built from scratch on 80 acres in Kansas City, Kansas, and opened in 2003. Next, Nebraska Furniture Mart plans to build a new store in suburban Dallas, Texas. The project, consisting of 1.8 million square feet of retail and warehouse space on 433 acres, is slated to open by 2016.

Although Mrs. B has been gone since 1998, her presence is still felt in Nebraska Furniture Mart and her likeness appears in photos scattered around the store. "My grandmother is still the front man of Nebraska Furniture Mart," says Mrs. B's grandson and vice-president of the Mart, Robert Batt. "She's the symbol of the company."²

Bob started working at the store when he was age 14. On his office walls hang photos and newspaper clippings of many of the major events of the company. There are also several "Going Out of Business" advertisements from competitors' stores framed and hanging on the wall. These, he explains, are displayed so that the company will "never forget about the other stores who put themselves out of business, how it can happen to anyone, and that it must be avoided."³ As he explains, if you forget history, you're doomed to repeat it. And what an interesting history it is. . . .

Dosveydanya!

The tale of Rose Blumkin is a quintessential immigrant's success story. Rose was born in 1893 to Solomon and Chasia (Kimmelman) Gorelick near Minsk, Russia, in the village of Shchedrin (Scadryn/Chadrin). She and her seven siblings (three brothers and four sisters) lived in a two-room log cabin, sleeping on straw mats. Her father was a rabbi, spending his days in religious study, and her mother ran a small general store. "My father was so religious. She had to support us. He only prayed."⁴

Rose later recalled her homeland: “The trees were beautiful. I remember our little house. It was right by the lake. The mosquitoes used to eat us up.” Shchedrin was governed by Russia at that time, but is now part of Belarus. Belarus is remarkably similar in geography to Nebraska, with far-flung horizons stretching over fields of corn, barley, wheat, and sugar beets. Minsk, like Omaha, is an inland river town.

According to the 1897 Russian census, Minsk had 91,494 inhabitants, of which Jews accounted for approximately one-third. The village of Shchedrin was established in about 1844 by over 300 Jewish families.⁵ It consisted of two parallel streets surrounded by farmland and forests. The population was close to 4,000 at the time of Rose’s birth.

It was customary in this village for the men to study and the women to earn a living for the family by selling fruit and vegetables or handiwork. Only boys received an education. Rose never attended school. But she started helping her mother in the store at the age of six and she learned arithmetic. She absorbed a valuable business education from her mother.

As a child, she once woke up in the middle of the night and saw her mother washing clothes and baking bread for the next day. Young Rose said, “When I grow up you’re not going to work so hard. I can’t stand it, the way you work day and night.”⁶

Rose left home at age 13, walking barefoot for 18 miles to preserve the soles of her shoes. She stowed away on a train, and got off at the town of Gomel, 300 miles away, near the Ukrainian border. Gomel must have caused Rose some culture shock. It had a population of approximately 47,000 in 1906, and slightly over half were Jewish.

Rose went from shop to shop looking for a job and a place to stay. “You’re a kid,” one store owner said. “I’m not a beggar,” Rose shot back. With only four cents in her pocket, she asked to sleep in the house that night. “Tomorrow I go to work,” she said. The owner relented and Rose got up before dawn the next morning and cleaned the store. She stayed, becoming manager of the store and overseeing the work of six married men by the age of 16.⁷

She then went to a larger town, got another job in a men’s clothing store, and met Itzik (Isadore) Rosevich (Blumkin), a shoe salesman. They married in 1914. Mrs. B later remembered her wedding day, saying, “My mother brought me two pounds of rice and two pounds of cookies. That was the wedding feast.”⁸

World War I erupted that same year and many inhabitants of Russia fled. Isadore would have been drafted to fight in the Russian army, but was able to emigrate to the United States shortly after he and Rose married. By 1915, Minsk was a battlefield city.

“We didn’t have the money for two passages, and my husband had to go.” Mrs. B said. According to family legend, this was when Isadore changed his surname from Rosevich to Blumkin. The story has it that he took papers off a dead soldier named Blumkin and used them to leave the country.⁹

America had been in Rose’s dreams since the age of nine when she first learned that there were people in the world who did not like Jews. “I hated the Cossacks,” said Mrs. B. “I didn’t want to live in Russia anymore.” She worked in a dry goods store, squeezed every penny, and finally, in 1917, took a train to the Chinese-Siberian border. For three years after Isadore’s departure, Rose didn’t know exactly where he was. She knew only that he was in the United States. It was fortunate that she didn’t delay leaving any longer, however. Minsk was governed by the Russian empire for over 100 years, but Russia had to relinquish Belarus to Germany at the close of World War I in 1918.

“I had no passport. At the China-Russia frontier a soldier was standing guard with a rifle. I said to him ‘I am on the way to buy leather for the Army. When I come back I’ll bring you a big bottle of vodka.’ I suppose he’s still there waiting for his vodka,” she laughed. She made her way from China to Japan and booked passage on the freighter *Ava Maru*, a Japanese peanut boat that made several stops on the way to America.¹⁰ The ship had been in use for several years for the purpose of exporting lumber from the state of Washington to Asia.¹¹

“I bought first class, but they were crooks,” she said. “Took me six weeks to get here. So many peanuts. I thought I’d never get here.” After six miserable weeks, the ship docked in Seattle. Mrs. B had no entry permit. “If you were healthy, you got in,” she said. “And healthy, I was.” She had 200 rubles (\$66) in her purse.¹²

The Red Cross helped Rose to find Isadore in Iowa. “I came to Fort Dotchivie (Fort Dodge) and the people were out of this world. I never knew such a people—how they treated me. The friendship, the devotion, the goodness. I thought that anyone in this country is the luckiest one in the world. To such a people to come. They never knew me, and they treated me like I was their only child. The best people in the world.”¹³

Rose and Isadore lived in Fort Dodge, Iowa, for two years, during which their first daughter, Frances, was born. Rose learned how to cook and keep a house, but she was unable to communicate with any of the locals, so they moved to Omaha where there was a large community of people who spoke both Russian and Yiddish. "I couldn't learn to talk English. Took two years. Didn't know nothing. So, I made up my mind I'm going to a bigger city. I could talk Russian or Jewish. I was dumb. Couldn't learn to talk [English]." ¹⁴

Small Gains

They moved to Omaha and rented a house at 2809 Seward Street for \$7 a month. Isadore opened a secondhand clothing store located at 1311 Douglas Street that made \$10 per week. The house was soon sold by the landlord and they had to move. The house they bought in July 1919 would be their home for 22 years.

According to the U.S. Census of 1920, the Blumkins were living at 2110 Grace Street in Omaha in the midst of a true melting pot of Russian and Irish immigrants, and a majority of native Midwesterners for neighbors. The home is no longer there and the site is now occupied by Conestoga Elementary School. Family members of the 1920 household are listed as "I., Rosie, Francis, and Luie."

By 1922, the young couple had scraped together enough money to send for Rose's family. Two brothers had come to the United States before Rose, and together with the Blumkins they bought passage for their parents, one brother, four sisters, and a cousin. The rest of the family fled Russia and put down roots in Omaha, living for a while in the Blumkin household. Rose's mother lived to age 91 and her father lived to age 75.

The Blumkins had four children in all: Frances, Louie, Cynthia, and Sylvia (nicknamed Baby). The U.S. Census of 1930 lists Isadore's occupation as the proprietor of a clothing store. Frances taught her mother how to speak English after she came home from school each day.

Rose tells the story of how she began to be involved in Isadore's store, "The Depression came and my husband came home and said, 'We'll starve to death. Nobody walks in. What will we do?' I already

had my four children—in 1930.” Often, Isadore would sell clothing at the same price he had paid for it. He didn’t understand how to make a profit. Rose would teach him about overhead costs.

“Well, there’s only one thing to do,” she said. “You buy a pair of shoes for \$3, sell them for \$3.30. Let’s sell 10 [percent] over cost and I’ll come to the store and show you and help you because I did build a big business in Russia for my boss and I knew business.”¹⁵

Rose began retailing right out of the Blumkin home with home furnishings and accessories. This practice continued throughout her lifetime. Visitors to the Blumkin’s house would admire the furniture with attached price tags and lampshades still covered in plastic wrap. If a guest expressed interest in a piece, it was available for sale.

At one point, she printed 10,000 circulars offering to dress a man from head to toe for \$5. The offer was for a full suit of clothes, shoes, socks, shirt, tie, and underwear. The Blumkins made \$800 from that promotion.¹⁶

“Then, in ’37, I got tired of everybody crying Depression,” said Rose. “People used to ask me, can you get me this? That? I used to take them to the wholesale house and sell them 10 above cost. I never lied. I showed them the bill and they all respect me. You should see what kind of customers I have. The best in the world. They build me one of the finest businesses in the country. I always believed in honesty. Anything is wrong, I like to make it right.”¹⁷

Mrs. B opened a furniture store in 1937 with a \$500 loan from one of her brothers. It was a 30- by 100-foot basement room below Isadore’s pawn shop. She called it Nebraska Furniture Mart. “The same day I opened, February 7th, another furniture store was opening. They had orchestra music and Hollywood stars and I only had three-line want ads because I was poor. I did that day a big business . . . I couldn’t get over it,” she said.

She decided to go into the furniture business because “It’s a happy business. When people buy furniture, it’s a happy time. They’re just married. Or they’re older people who are redoing their house and they’re all excited about it.”¹⁸ Rose was 43 years old at the time and her four children were between the ages of 10 and 19. Her oldest daughter was by then away at college at the University of Nebraska in Lincoln.

The Blumkins’ only son, Louie, graduated from high school in 1938 and joined the U.S. Army in 1941. He took basic training and left by ship for Hawaii on December 3, 1941. When halfway there, the ship made a

U-turn and headed back to San Francisco. “At this time we were informed that the Japanese had bombed Pearl Harbor,” Louie later recalled.¹⁹

Louie participated in the D-Day invasion at Normandy. He landed on Omaha Beach on the coast of France to fight the German military forces and then headed east. That winter, he was assigned to General Patton’s Third Armored Division and participated in the Battle of the Bulge, after which he was awarded a Purple Heart. Blumkin ended the war in Linz, Austria.

“One of our great conquests,” he said, “was when we freed the concentration camp in Dachau, Germany. The Germans left before we could get there because they were on the run. It was an extremely emotional experience for me, one that I will never forget because of the conditions of both the camp and the individuals. They appeared as though they had not been fed for months.”²⁰

A bronze statue of Louie in military uniform currently stands guard at the door to his son’s office at Nebraska Furniture Mart. The statue was created by sculptor Ron Wanek, who is also the chairman of Ashley Furniture. He made three bronze statues to honor his mentors in the industry and presented them at the High Point furniture market in 2007.

Perseverance

Isadore and Rose ran their businesses separately. He had the pawn shop and used-clothing store until World War II, when he opened a jewelry store with one of Rose’s brothers, a business that he ran until his death in 1950. After Isadore died, Chasia Gorelick, who still spoke only Russian and Yiddish, moved in with her daughter Rose until Chasia’s death in 1958.

Mrs. B would encounter a fair number of obstacles in growing her business throughout the years. She chose to make a small profit of 10 percent over cost, bend over backwards for customers, and grow the company by selling in large volume. This earned her many repeat customers. It also made her competitors very angry. It wasn’t easy standing up to the established Midwest retail giants in the late 1930s. Everyone was struggling to make a living. Success and power were often gained by intimidation and/or bribery.

The first time she wound up in court was when she and Isadore were selling used clothing. She remembered that “in 1932, we had a

pawn shop, a secondhand store. One guy came in to [borrow] money on a coat. I said, 'What do you want for your coat?' He says, '\$32.' I say, 'My goodness, Brandeis is getting \$100. I'll buy it.' So I bought it and put it in the want ad at \$37.50. And I sold it in one day. The next day, I bought and sold another six. I thought I'd become a millionaire!

"It didn't take long. They filed suit against me—Goldsteins, Brandeis. I sell too cheap. And my daughter was about 14 years old. She came to trial with me. I don't know how to talk good English like her. She says to the judge, 'My mother, when she makes \$2, she's happy. She wants to make a living for the kids. My mother hates to rob people. She wants to be honest with them. She wants to give them bargains and we surviving on account of her because she sells cheap, and all the customers buy from her. What's wrong if she don't rob the people?' The judge dismissed the case and everybody offer her a job."²¹

Later, after starting Nebraska Furniture Mart, Rose attempted to buy furniture wholesale in Chicago. Those early turf wars were still active. "The merchants were very rotten to me. When I walked in Merchandise Mart to buy furniture, to buy anything, they used to kick me out and say, 'Don't bother us. We're not going to sell you nothing. Brandeis and Rogers won't let us sell you anything.' I used to almost start to cry. My face would get red and I'd say, 'Someday you'll come to my store to try to sell to me, and I'll kick you out the same way that you did me.' And my wish come true. Who would ever suspect? Never. I outlived them all."²²

Mrs. B was able to convince Marshall Field's to sell her carpet wholesale at \$3 per yard. She then resold it for \$3.95 per yard. The competition was selling the very same carpet at \$7.95 per yard. Naturally, carpet sold well at Nebraska Furniture Mart. Not everyone was happy about such a great deal. Her competition called her a "bootlegger." Her reply was, "You betcha. I'm the best bootlegger in town!"²³

"Three lawyers from Mohawk take me into court, suing me for unfair trade. Three lawyers and me with my English. I can't afford a lawyer, so I go up to the judge and say 'Judge, I sell everything 10 percent above cost. What's wrong? Can't I give my customers a good deal? I don't rob my customers—I'm making a fortune as it is.' The judge agreed, threw out the case, and bought \$1,400 worth of carpeting from Mrs. B the next day."²⁴ The publicity from this trial was worth far more than Mrs. B could have afforded to purchase in advertising.

When the Korean War broke out in 1950, business slowed down and Mrs. B found that she was unable to pay her bills. She was worrying night and day. A local banker came into the store to buy a cabinet and asked why she was so upset. After listening, he gave her \$50,000 of his personal money as a 90-day loan.

She had to think of a way to earn the money to pay back the loan, so she quickly rented the Omaha city auditorium for \$200 per day and held a three-day sale. She took in \$250,000 from the sale, paid off all her loans, and never borrowed money again.

That same year, Isadore and Rose went to visit her mother in California. Taking a vacation was unheard of for Mrs. B. Shortly after they came back to Omaha, Isadore had a heart attack and died. They were married for 36 years and Rose would be a widow for 48 years. Rose resisted taking any vacations after that and never left the United States when she did.

Mrs. B was once asked if she believed she had had a tougher time succeeding because she was a woman. "Me? No, sir," she answered. "When it comes to business, I could beat any man and any college graduate. I mean I use my own common sense. That's what I use for business, for anything. There is plenty dumb women, and there's plenty of people who use their common sense. It didn't stay in my way one bit."²⁵

Her opinion of women in 1970 was along the lines of her contemporary male business owners and managers. "I wish I could find some women who want to work. They have all kinds of excuses. One day they come in and the next day you don't see them."²⁶

Mrs. B had a rule for the female members of her own family: None of her daughters would work in the business. Only her son, Louie, and her sons-in-law were allowed to work at the store. This was based on Mrs. B's theory of how to preserve healthy marriages and the rule has been followed by the grandchildren as well. The company's current board of directors consists of Warren Buffett and a few male members of the family.

In 1984, a competitor's furniture store legally registered the business name "Mrs. B's Discount Furniture" with the Nebraska Secretary of State. Naturally, Mrs. B filed suit against them, claiming that there was only one Mrs. B and that her name was inextricably linked to Nebraska Furniture Mart.²⁷ The competitor's store eventually went out of business, and Mrs. B would remember that catchy business name for later use.

Mrs. B's sharp tongue and temper didn't get her into too much trouble until she was sued for slander by two carpet installers in 1993.

The carpet installers said she accused them of stealing \$60,000 from her. They were awarded \$10,000. She wasn't surprised by the verdict. She said it was a crooked deal. "As soon as I saw them in the courtroom, I knew the jury would feel sorry for them no matter who was right and who was wrong. They looked like they had no money and everyone knows that I have some money."²⁸

Not all of Mrs. B's battles were fought against financial and legal villains. In August of 1961, half of Nebraska Furniture Mart was destroyed by a five-alarm fire that started in the shipping department. The resulting "fire sale" generated a line two blocks long to buy hugely discounted items that had been exposed to the smoke.

Mrs. B was so thankful to the firefighters who had saved what they could that she gave a television set to every fire station in the city. Television viewership exploded in the late 1950s and by the time of the fire in 1961, 75 percent of households owned a television, nearly all black and white. But Walt Disney debuted his *Wonderful World of Color* show in 1961, prompting customers to seek out the new and improved color televisions—which were sold at Nebraska Furniture Mart.

Tornado sirens in Omaha sounded at 4:29 on the afternoon of May 6, 1975. The tornado cut a swath of destruction a quarter-mile wide and 15 miles long. At 4:45, it took out the entire Nebraska Furniture Mart building and warehouse (Figure 1.2).



Figure 1.2 Nebraska Furniture Mart Destroyed by Tornado, 1975

SOURCE: Nebraska Furniture Mart.

About 100 shoppers and employees were in the store at the time. They took cover in a fallout shelter that had been built during the Cold War years, which probably saved their lives. While property damage in the city was estimated anywhere from \$300 million to \$500 million, remarkably only three lives were lost to the storm that day. The tornado also destroyed a post office next to the Mart, so the Blumkins bought the ground and built on it to expand their business.

Mrs. B gave \$10,000 to tornado relief efforts for those who lost their homes. It was a generous gesture and also a smart bit of publicity. Here was a woman whose business had been destroyed, first by flames and then by wind, yet she remembered those who were less fortunate. "We have turned every tragedy into a positive," says Bob Batt today.

Workaholic Widow

With her children grown and out of the house, Mrs. B devoted her entire existence to growing Nebraska Furniture Mart. She loved the game of selling. She didn't care a bit about the money; it was all about making a sale. As one of the Mart's sales associates said, "Work was her narcotic." Louie came back after the war in 1945 and joined the business, showing the same intelligence and business acumen as his mother. His calm management style balanced out Mrs. B's quick temper and he would often hire back employees who had been freshly fired by Rose.

Mrs. B had a passion for work. Success was already hers by the mid-1950s. She could have quit working at any time, letting Louis and other members of the family run the business, but the simple action of going to work and being productive kept her interested in life and energized.

"When I was poor, I wanted [things], sure. I was ambitious," she said. "I always wanted my kids should have what I didn't have, and I wanted to show poor people there is a future in life. Even if you don't have money, if you try, you could have it. I only had ambition, that's all. Money doesn't bother me. I don't get thrill out of money."²⁹

In 1957, Mrs. B took time out to take classes to become a U.S. citizen. An immigrant from Britain who was a fellow member of Mrs. B's class recalls asking her: "You mean you were here for 37 years before becoming a citizen? How come you waited so long?" "Well, I was busy," said Mrs. B.³⁰

She was busy strategizing, figuring expenses and revenues, and selling to her customers. “I want to do all the business I can and get every customer I can,” she said. “Business is like raising a child—you want a good one. A child needs a mother and a business needs a boss.”³¹ . . . My hobby is figuring out how to advertise, how to undersell, how much hell to give my competitors. I’ll never forget how they treated us when we were poor.”³²

A 1977 local newspaper article, of the sort you see in the human-interest section of the paper, sums up Mrs. B’s temperament and work ethic.³³

Getting Personal

Favorite thing to do on a Sunday afternoon: Visit with customers at my store.

Favorite thing to do on a nice evening: Drive around to check the competition and plan my next attack.

Favorite movie in the last year: Too busy.

Favorite book in the last year: Don’t have time.

Favorite dessert: Fresh fruit.

Favorite cocktail: None. Drinkers go broke. If you want to be in business, be sober.

Favorite singer: Beverly Sills.

Favorite sport in which you take part: Not interested.

Pet peeve: Deadbeats.

Favorite TV show: *60 Minutes*.

Favorite place: My stores.

What one thing most needs to be done, either locally or in our state or nation: Clean out all the lazy ones. There are plenty of jobs for those who want to work. Unemployment payments should be only for the sick and elderly.

Mrs. B was able to stretch out time and delay aging by keeping busy doing what she loved. But eventually her legs threatened to force her to slow down. Rather than accept that, Mrs. B started driving a motorized cart in the store. She had a lot of territory to cover: three square city blocks of floor space on each of two floors. “Besides,” she said, “it’s fun

and I'm making up for lost time. I never had a bicycle or even a kiddy car."

A friend of mine was in the Mart while Mrs. B was zipping through the aisles on her scooter. He watched as she backed into a glass curio cabinet. The entire cabinet and glass shelves all came crashing down behind her. "Why did you put that there?" she yelled at the nearest salesperson. The employee rushed over to clean up the mess, apologizing. It was his fault, clearly, that the accident had happened.

One day in 1990, Mrs. B drove her cart into a metal post and broke her ankle. "I got mad. I drove the cart too fast and I drove into a post." She didn't go to the hospital until the next day when she couldn't stand up. "It was just a crack, it didn't hurt." She was back at work the next day.³⁴ The next year she took a corner with too much speed and turned the cart completely over, gashing her head on a grandfather clock. The wound required several stitches, yet she was back in the store two hours later.

Bob Batt remembered a luncheon where both he and Mrs. B were being honored. The luncheon was dragging on. At about 1:15 Mrs. B stood up and hollered, "What's wrong with you people? Don't you have jobs? I'm going back to work." And she left.³⁵ And as Warren Buffett said during opening remarks at the 1993 Berkshire Hathaway Annual Meeting, "I'd like to introduce Berkshire's managers, except Mrs. B couldn't take time off from work for foolishness like a shareholders' meeting."

Mrs. B developed successful merchandising practices long before they were adopted by mainstream retailers. She established the idea of a discount store making small profits on large volumes, undercutting the competition and giving the consumer a bargain. Sam Walton didn't open his first discount store, leading to the Wal-Mart empire, until 1962.

The company still follows these principles. It is run very fiscally conservatively. Mrs. B always felt that the days of the Depression could return at any time. "We still run the company like the Depression is coming back," says Bob Batt. The administrative offices are no bigger than necessary. There is no debt and, therefore, the company was able to survive the economic downturn of 2008. There have never been any layoffs.

Mrs. B realized that forming a bond with employees was important to retaining them and fostering loyalty. She loved hiring immigrants. To make new employees feel more comfortable, they would be placed in work areas with others who spoke their native tongue. This had the added bonus of training the new employee better and quicker. Rose never forgot how kind people had helped her adjust to a new life in America. Nonetheless, personnel problems arise in every business, and Nebraska Furniture Mart was no exception.

Thieves and Stupes

For about a decade during the 1970s there were two Furniture Mart locations in Omaha. Mrs. B was always devoted to the downtown store where the business was originally incubated and flourished. Then, when the tornado destroyed the store out west on 72nd Street, Mrs. B's initial response was not to rebuild on the site. Those preferences changed and they did rebuild the western store bigger and better, and in 1980 decided to close the downtown store. Says Mrs. B,

The crucial decision was one reason. I had a manager and 20 employees in a warehouse and they were stealing for 17 years. And they divided partnership. I never knew. You know, we trust people. They stole maybe a half a million a year. You know, we made money; we didn't notice as much. We knew they were stealing, but we didn't know so much. A lady comes in and buys a television for \$400, and she goes to pick it up and they say, "Lady, you go take the money back. We'll give you for \$150." She says, "I'm a Christian and I don't buy stolen stuff." She came and told my son and we arrested the three. The three says, "Everybody be our partner. Everything we steal, we split—with the manager, with everybody. So, why should we suffer?"

Anyway, we had a trial for them. We fired them all. They signed a statement who they stole, and how they did, so the judge give them two years probation. He said, "I haven't got no more jail. The jails are full. So I'll give them parole." What can you do? They didn't give me a penny. So when we find out

they steal so much, and when the government was dealing to buy our property you know, for the new Federal Reserve Bank, we sold it too cheap. We decided to have one store, and watch the thieves and not work for them.

We have insurance, even on thieves, you see, you have to put everyone in jail. Some of them got a wife and kids. It's heartbreaking, you know. So, we let them go. Some of them died off from cancer—the thieves. I told them they going to get cancer. I don't like monkey business. And you know, that's what help the success. Only the truth.³⁶

Though she never spent a single day in a classroom, Mrs. B had a savant's capacity for arithmetic. She could not read or write, or even sign her name, but she could work with numbers—in her head! This skill was extremely useful in the carpet department where she spent most of her time. It was an incredible talent that she was blessed with that made selling carpet her specialized niche. As she said, "It's not that I love carpet. I don't love carpet. I just know how to figure the prices."

Larry Batt, Mrs. B's oldest grandson, said, "At the point where a price was about to be decided, a race would commence between her and a salesman with a calculator. The salesman always lost."³⁷

In fact, her skill was witnessed by the entire country on a television broadcast of ABC's *20/20* in July 1990. Bob Brown of ABC interviewed Rose, following her through the store as she drove around on her scooter. He threw out random numbers to her, "Okay, say the carpet's \$12.95 a yard. I want 30 yards. How much is that?" In less than one second, Mrs. B replied, "390."

"And if my room is 12 by 14 feet. How many . . . ?" asked Bob. "Nineteen yards," replied Mrs. B before Brown had even finished his sentence. She performed these feats of mathematical skill at the age of 96! She had little tolerance for salespeople who were unable to keep up with her both physically and mentally. "Such a bunch of stupes," was her favorite expression when referring to them.

Jerry Pearson, a former carpet salesman, said, "People jump when she yells. Her favorite word in describing employees who don't meet her standard is 'stupes.' She has very little respect for anybody whose mind power is lower than hers, and that's everyone. She's the most brilliant

salesperson I've ever met, but she's a lousy manager. She is terribly abusive of her employees. She charms her customers. She's a workaholic. She operates on almost zip margin. She is one tough, feisty woman."³⁸

"Salesmanship is a special talent," she said. "I'm having a very hard time getting good help. They watch the clock, they don't have brains. It makes me sick."

Mrs. B's Hero

How is it that the laidback, even-tempered Warren Buffett would be interested in dealing with the hypercritical and ruthless Mrs. B? He had known of the business and was aware of its success from living in Omaha for many years. He admired the Blumkin's business savvy. In the late 1960s, he had offered \$7 million for Nebraska Furniture Mart, an amount that Mrs. B turned down while calling him cheap. The Blumkins had rejected other offers to buy the store, as well. "Who could afford to buy a store this big?" said Mrs. B.

But two decades later, on his 53rd birthday in 1983, Warren came into the Mart again for the purpose of making Mrs. B another offer: \$60 million for 90 percent of the company. This time, she accepted. The Louie Blumkin family subsequently bought back a 10 percent share and Berkshire's final purchase price was approximately \$55 million. Mrs. B and Buffett shook hands on the deal. No lawyers were involved, there was no audit, and no inventory was taken of the merchandise.

After the handshake, Buffett and the Blumkins put in writing an agreement that was about one page in length. Buffett said, "The document mainly says that we shook hands. If she ran a popcorn stand, I'd want to be in the business with her."³⁹ "First of all, A, she's just plain smart, B, she's a fierce competitor, C, she's a tireless worker, and D, she has a realistic attitude."⁴⁰

"One question I always ask myself in appraising a business is how I would like, assuming I had ample capital and skilled personnel, to compete with it. I'd rather wrestle grizzlies than compete with Mrs. B and her progeny. They buy brilliantly, they operate at expense ratios competitors don't even dream about, and they then pass on to their customers much of the savings. It's the ideal business—one built upon

exceptional value to the customer that in turn translates into exceptional economics for its owners.”⁴¹

Mrs. B viewed the sale as a way to avoid family conflict after her death. She split the proceeds of the sale five ways between her four children and herself.⁴² Only the Blumkin family branch, of son Louie, retained any ownership of Nebraska Furniture Mart, at ten percent.

An announcement of the deal took place at a press conference in the carpet department (Figure 1.3).

The announcement had little impact on the price of Berkshire Hathaway stock. It increased from \$1,145 a share to \$1,155 a share on the day of the announcement. Perhaps Mrs. B’s biggest mistake in her business career was not selling for part cash and part stock. She knew cash, but she did not know stocks, though her sister Rebecca was a whiz in the stock market. She was content with the \$55 million and Buffett was happy to hang onto Berkshire shares, so for them it was a win-win deal.



Figure 1.3 Warren Buffett and Rose Blumkin Announce Their Handshake Deal, 1983

SOURCE: Nebraska Furniture Mart.

But for the sake of entertainment, let's say that Mrs. B had taken just \$1 million of the \$55 million in stock rather than cash on that day in 1983. She would have received around 870 shares of Berkshire Hathaway, today valued at \$87 million. If the deal had been \$35 million in cash and \$20 million in stock (an absurd, but fun scenario to consider), the stock would be worth \$1.75 billion today or \$349 million for each of the five Blumkin family units.

Until Mrs. B's death, there was little evidence of a Berkshire Hathaway presence in Nebraska Furniture Mart. Now, there are photos of Warren Buffett in the bedding department, with a Berkshire mattress collection featuring a deluxe model that bears the name "The Warren."

Of Buffett, Mrs. B said, "My hero is the middle class, the immigrants, and Warren Buffett. He's a genius. I respect him a lot. He is very honest, very plain and his word is as good as gold. I think there's not another one in the city who is so gentle, so nice, so honest, and so friendly."⁴³

Mrs. B spoke regularly with Buffett after the purchase. Today, he is involved in strategic decisions. Having the connection to Berkshire Hathaway is a great asset to the Mart. As Vice President Bob Batt says, "When you have Warren Buffett for your business advisor, it's like getting physics lessons from Albert Einstein."⁴⁴

Buffett conducted an experiment in collaboration between Berkshire subsidiary companies when, in 1990, he placed See's Candy inside Nebraska Furniture Mart. As he reported to his shareholders, it was an instant success.

Last year at the Mart there occurred an historic event: I experienced a counter revelation. Regular readers of this report know that I have long scorned the boasts of corporate executives about synergy, deriding such claims as the last refuge of scoundrels defending foolish acquisitions. But now I know better: In Berkshire's first synergistic explosion, NFM put a See's candy cart in the store late last year and sold more candy than that moved by some of the full-fledged stores See's operates in California. This success contradicts all tenets of retailing. With the Blumkins, though, the impossible is routine.⁴⁵

Shortly after the sale that year, Buffett sent Mrs. B two dozen roses and a box of candy for her 90th birthday. Rose said, "I got a young

boyfriend. And a smart one.”⁴⁶ He continued this birthday tradition for a few years, most often delivering the presents in person. “I just want her to know that I will always admire and like her. I like to see her face when she sees me coming,” he said. The birthday roses for Rose continued until an unfortunate family business conflict erupted.

Multigenerational Relations

The workplace dispute in May 1989 that led Mrs. B to quit the company she founded and start a new competing store was publicized far beyond its true impact. It was, however, newsworthy, and it gave the public another glimpse into the character and persona of Mrs. B. She was applauded on ABC’s *20/20* television show for her nonagenarian chutzpah. It’s even possible that the story inspired other elderly persons or retirees to return to work or become entrepreneurs.

The simple fact is that she got mad one day and walked out of the store. What drove her to this point of exasperation is a lesson in multigenerational interaction. Mrs. B felt that her authority was being eroded by her two grandsons, Irv and Ron Blumkin, who had taken over running the business from their father, Louie. Mrs. B was a hands-on manager. She was aware of everything going on in the store, involving all purchases and sales. There had been a series of small annoyances in the running of the store that aggravated Mrs. B and that probably all contributed to her rash action.

She felt that improving the physical appearance of the store was a waste of money. “All the remodeling is the stupidest thing,” she said. “The customers don’t need remodeling. They need service and attention.” But the final blow came when she wasn’t consulted in a major carpeting decision.

“They had priced carpeting that cost the store \$14 a square yard at \$6,” she said. “I say, ‘How can you do it?’ ” Louie and Ronald Blumkin confirmed that the store had spent \$14 for carpeting it sold for \$6.

“That’s what teed her off, I guess,” Louie Blumkin said. But the decision was correct, he insisted. The carpeting was four years old and the pattern was obsolete. It’s somewhat ironic that this incident would anger the woman whose philosophy had been to sell cheap.⁴⁷ And it now seems rather trivial in the gigantic world of Nebraska Furniture Mart.

“Nobody wanted her to leave,” said her son, Louie. Mrs. B said she was not upset with Louie. “He’s one in a million,” she said. However, she said she has used the name “Hitler” to refer to grandsons Ronald and Irvin.⁴⁸

Of this conflict, Warren Buffett said, “It’s such a marvelous family. And such a generational gap.” Mrs. B wanted to buy back the carpet department from Berkshire. “I would buy it in a minute,” she said. “I would pay him a high price—\$5 million, \$8 million, whatever it takes. If Buffett doesn’t sell it back, I want to run the carpet department for Buffett, independently from my grandsons. If I can’t talk Buffett into either of those options, I can open a new store.”

Buffett declined to respond to Mrs. B’s offers, except to say that there is no noncompete clause that would prevent her from opening another store. She acknowledged, “It probably would be a first for a 96-year-old woman to start a business. But I feel capable of doing it and want to prove to Buffett and my grandsons that I can do it. I could outsmart any 25-year-old.”⁴⁹ Ronald said that he would like to see his grandmother happy and fulfilled once again.

Mrs. B quickly became bored after leaving the store. She hired a chauffeur who drove her around Omaha each day from 9:00 until noon, from 1:00 to 3:30, and in the evenings from 6:00 to 8:00. The driver took her to other stores. She looked in the windows and checked to see how many cars were in their parking lots. It didn’t take long for her to plan her revenge.

By September, she had decided to open a discount furniture store. “I want to be my own boss. Nobody’s going to tell me what to do. I had enough. I’m going to let ‘em have it. Thank God, I’ve still got my brains. I’ve got health, money, and strength and common sense. I know how to beat everybody.”⁵⁰

She placed an advertisement in the *Omaha World Herald* on February 11, 1990, announcing the grand opening of Mrs. B’s Warehouse. It read, “Now I’m starting over again. The same way . . . struggling. The only difference, now I got the money and I don’t need credit. I’ve made terrific buys on good quality merchandise. Come see me for great deals and the best prices in town.” The new store was directly adjacent to Nebraska Furniture Mart in a converted grocery distribution center.

That’s when the television news crews came calling. ABC’s Bob Brown came to Omaha, interviewing Mrs. B for a *20/20* episode that

aired in July 1990. Mrs. B was particularly feisty on the day of Bob Brown's interview. He asked if she would ever retire. She said, "No. I love to be with people. And my customers are so wonderful people. Show me one person 96 years old should go in business. I'm the only one in the country."

"And would you like to see Nebraska Furniture Mart go out of business?," he asked. "I would it should go in a smoke. I like they should go down to hell," she replied.⁵¹ This shocking statement is an accurate representation of Mrs. B's typical response to life. Everything was black and white. Good or bad. Decisions were easily made with a yes or no. There were no grey areas with her.

Says Buffett, "Everything Mrs. B knew how to do, she would do fast. She didn't hesitate and there was no second-guessing. She'd buy five thousand tables or sign a thirty-year lease or buy real estate or hire people. There was no looking back. She just swung."⁵²

She lived by her own set of rules, extremely organized, that gave her and her family's lives structure and a strong foundation. The rules of running her business were similarly simple. Sell cheap. Tell the truth. Fortunately, Mrs. B lived long enough to reconcile with her family. But the first relationship to be patched up was with Warren Buffett. Rose was angry with him after she felt he had sided with her grandsons. They hadn't spoken since the day she walked out of the Mart. But two days before her 98th birthday in 1991, Buffett once again brought roses and chocolates to her at work. "He's a real gentleman," she said, after accepting Buffett's peace offering.

She settled her differences with her grandsons in 1992 and sold Mrs. B's Warehouse to Nebraska Furniture Mart in January 1993 for \$4.94 million with a provision that she could keep control of the carpet department. This time Buffett made sure to have Mrs. B, age 99, sign a noncompete agreement lasting for five years beyond her separation from the company.

"I thought she might go on forever," Buffett said. "I needed five years beyond forever with her. And then I made sure she never got mad."⁵³

"Maybe I was wrong. Maybe I was too hard on them," Mrs. B said of the feud with her grandsons. "I'm very independent. If things aren't run the way I want it, I don't like it. I get mad."⁵⁴

Nebraska Furniture Mart nurtures relationships with multiple generations of employees and customers. Currently, three of Mrs. B's grandsons and three great-grandchildren work for the company. There are also three and four generations of unrelated families who have worked at Nebraska Furniture Mart. Examples of longevity and continuity are evident in all areas of the organization. One of the current employees, Jack Diamond, started in 1954.

Giving and Receiving

Rose Blumkin was extremely generous throughout her life, although she said, "Everything I made stayed in the business. I never had a vacation, never went any place, never made parties. Accumulated penny by penny."⁵⁵ It's true that she did not spend on herself, but she donated money and merchandise to many recipients.

After struggling in the first half of her life, Mrs. B lived comfortably in the second half, but she was never frivolous with her earnings. She lived in modest houses and owned modest cars. Besides her success with Nebraska Furniture Mart, she also had real estate investments that accumulated millions for her when she sold Nebraska farmland to city developers.

Even during the Depression when they were struggling themselves, she and Isadore helped people who came into the pawn shop. In the late 1930s she was visited by a woman who talked about an impossible dream of a Jewish homeland in Palestine. The woman was raising money for that cause, and needed a place where she could call together prospective donors. Mrs. B believed the woman's goal to be doomed to failure, but she offered her own home as a meeting place.

"She was a very good speaker, very bright, very smart," Mrs. B recalled years later. It turned out, of course, that the woman's dream was not impossible. Israel was founded a decade after that meeting in Mrs. B's Omaha home, and the woman who partook of Mrs. B's hospitality later served as prime minister. She was Golda Meir.⁵⁶

In 1956, Mrs. B established the Blumkin Foundation for worthwhile charity and educational purposes. "I like to give to good causes. I believe in giving before I die," she said. If there was a fire or flood that destroyed a home, she would give them new furniture and carpeting. One day,

when a customer at Nebraska Furniture Mart remarked that he was from Fort Dodge, Iowa, Mrs. B immediately gave him a check for \$500 for the Fort Dodge community fund. She was forever grateful to the residents of Fort Dodge for their kindness when she first arrived in the United States.⁵⁷

In 1972, she helped flood victims in Rapid City, South Dakota, by buying up the contents of the Omaha Hadassah Bargain Store for \$5,000. She had the clothing shipped to the flood victims and the proceeds from the sale were sent to medical organizations in Israel for cancer research.

Rose Blumkin received many honors and awards, including the Omaha Sertoma Club Service to Mankind Award; 1979 Free Enterprise Person of the Year from the Rotary Club of Omaha, Nebraska; 1985 Retailer of the Year, Nebraska Chamber Hall of Fame; Distinguished Nebraska Award from the Nebraska Society of Washington, D.C.; and the Omaha Press Club's Face on the Ballroom Floor. This latter award entails the creation of a caricature of the recipient. Mrs. B requested that her portrait be hung in the club next to Warren Buffett's.

She purchased the Astro Theater from Creighton University in 1981 for \$205,000 because she didn't want the building to be torn down. It was one of the few buildings in the Midwest possessing a unique combination of Moorish and Classical architecture, constructed in 1927, and Creighton had plans to raze the structure. All that stood in the way was a designation of the building as a local historic landmark. The university filed a lawsuit against the City of Omaha over the issue.

The Blumkins subsequently donated \$1 million for renovation of the building and there was much discussion about what should be done with it. Buffett also donated \$1 million toward the renovation efforts on the occasion of Rose's 100th birthday in 1993.⁵⁸ Finally, in November 1995, the theater reopened as the Rose Blumkin Performing Arts Center, now commonly referred to as "The Rose."

The year 1981 was also when the Blumkin family helped break ground on the Rose Blumkin Jewish Home, built with \$1 million donated by Rose and her children. On that day, Rose said, "I respect elderly people. I treated my mother like a queen and God repaid me. I want elderly people to be treated right. So I want to give my love to the elderly people, especially those who have no one to care for them.

If I'll be able to live longer, I'll try to do my best to help them all I can. When you get older, you can't take anything with you. Let people think before they die to do the best they can for others while they are still alive. A new home for the elderly will be like adding life to their years. They deserve a *haimeshe* place to live in comfort and dignity and having the Home at the Jewish Community Center will be like reuniting the Jewish family—all the generations will be coming home."⁵⁹

She was honored by the Omaha Public Schools, The State of Israel Bonds, The Omaha Education Association, and The Omaha Fire-fighter's Association. The woman who never attended school and couldn't read or write was the recipient of some distinguished college degrees. In 1984, Mrs. B was the first woman to receive an Honorary Doctorate Degree in Commercial Science from New York University. Also, in 1984, she received an Honorary Doctorate of Law degree from Creighton University.

Rose instilled charitable giving in her children's lives, also, although she wasn't always aligned with their selection of recipients. "My kids have a heart in them to help people who needs. Sometimes, I'm not so crazy when they give to symphony and to the dance. I don't care for it. The arts. I like people who needs it worse. You can't tell 'em nothing."⁶⁰

On Christmas Day in 1987, she went out with her granddaughter and great-grandson to deliver a Meals On Wheels lunch to a housebound woman. Posthumously, the Omaha City Council approved the renaming of 76th Drive, a three-quarter-mile-long street running along the west edge of Nebraska Furniture Mart property, as "Rose Blumkin Drive."

God Bless America

Rose Blumkin's long life allowed her to accumulate numerous experiences in the community and business. She was forever grateful that she was able to come to the United States and loved her adopted homeland. Mrs. B's favorite song was "God Bless America." She would listen to it in her CD player at home and on a cassette tape in her car. "The people who were born in this country don't appreciate all these wonderful things, like those who came from out of the darkness," she said. "I love the United States since the day I come here."⁶¹

“The American people—nobody’s better. Like this country’s people. I wouldn’t talk about liars or thieves—the average middle class are the best people—the ones that work and like to pay their bills. That’s the kind I like. Not the real big shots.”⁶² “I respect the middle class. They stick to their kids. There’s nobody like the middle class in America. Many, many immigrants raised wonderful families. They struggled for something better. I love the American people—the immigrants who went through a struggle.”⁶³

She said she never had any problems with anti-Semitism. “I’ll tell you one thing. I think most of the Omaha people, the Gentiles, built my business. They showed me nothing but goodness and friendship. I never met such a wonderful people.”⁶⁴

On her 100th birthday (celebrated at Mrs. B’s Clearance Warehouse), she said, “All my wishes come true. American people were wonderful to me. They are the best in the world. And I made a success. I never expected that much. I did a pretty good job.”

In the last three years of her life, Mrs. B was in and out of the hospital for pneumonia and heart problems. She was fitted with a pacemaker at age 103.

She had cataract surgery years earlier and had knee replacements. She officially retired in October 1997⁶⁵ and died at the age of 104 in August 1998. Upon hearing of her death, Warren Buffett said, “We are partners. And in most ways, she’s the senior partner. She’s forgotten more than I’ll ever know.”

Green was her favorite color. It appears throughout Nebraska Furniture Mart’s signage and logos. But it had nothing to do with the color of money. She really didn’t care about money. It was the thrill of making a sale that gave her happiness. Many of the 1,000 attendees at her funeral wore green ribbons on their lapels.

Although Mrs. B lived in a time and place that most of us cannot personally experience, there are some parallels to the current economic status that we can recognize. Her perseverance through adversity is a lesson that all twenty-first century entrepreneurs must learn. Having intense passion for whatever you pursue is invaluable and will bring happiness to your life. There are always ways to circumvent roadblocks. And there are times when one must admit that they are wrong—or at least acknowledge that their opinion is simply a differing opinion—and get on with doing what’s best for the business.