



ESTÉE LAUDER PARFUMS

Discover the irresistible fragrances of Estée L

ESTÉE LAUDER

ESTÉE LAUDER

Albert Boscov's second act proves just as promising for his \$1 billion retail chain

BACK FROM THE BRINK

“It was scary as to whether [the hedge fund] really wanted to continue it or whether they wanted to liquidate it. Since I worked so hard to build it, I didn't want to see it disappear.”

Albert Boscov, chairman and CEO, Boscov's

By Samantha Drake • Photography by Bryan Burris

BOSCOV'S

Jim Boscov places several full-page newspaper advertisement layouts in front of his uncle, Albert Boscov. "This stuff has to get out," he says, apologizing for the interruption.

Boscov, 82, the chairman and CEO of the retail department store chain that bears his name, takes out a pen and quickly marks up the pages, revising content and layout. He comments on new items, questions prices and decides to replace a curtain ad with a jewelry ad. Boscov brings up the possibility of snow the following week, which could boost the sale of snow pants. Boscov's assistant is called to check the weather forecast, and she appears moments later, printout in hand.

With the regional forecast for snow changing to rain, the sale on snow pants is a go.

Boscov's is the largest family-owned department store chain in the nation but has a decidedly small-company feel. Ad design, for example, is done in-house, and Boscov still approves all ads himself, among many other responsibilities. "I still meddle with a lot of things," he says.

Low prices, customer loyalty and old-school commonsense have made the Boscov's chain a household name in the Philadelphia region and beyond. Boscov himself is something of an icon in the retail world, with a vast knowledge of a business he truly loves and seemingly boundless energy.

He needed all of those resources when he decided to come out of retirement to save the business from possible liquidation. Although the company filed for bankruptcy in 2008, today, the Reading, PA-based chain of 40 department stores in Pennsylvania, New Jersey, Delaware, Maryland and New York is back on solid ground.

"He's taught the executive group here what it takes to be successful. It's honesty and integrity, better quality, better service and being tireless in terms of looking for value," says Jim Boscov, vice chairman of the company and the son of Boscov's brother, Joseph. "He has incredibly high standards and is always pushing for better – to do better himself and for other people to do better as well, and I think that's the kind of drive that's absolutely essential to succeed because there's competition out there every day."

Reclaiming the company was simply a matter of "remembering who we are," Boscov says.





Catch more flies with honesty

Boscov's father, Solomon, a Russian-Jewish immigrant, arrived in Reading around 1911, drawn in part by the similarity of Pennsylvania Dutch to Yiddish, Albert Boscov says. Solomon peddled a variety of wares on foot, then later by horse and wagon. Solomon's caring nature made an impression on his son; Boscov points out that "my father would get out [of the wagon] so the horse didn't have to pull him up a hill."

Boscov opened a neighborhood store in 1921 at 9th and Pike streets in Reading near the railroad; his growing family initially lived over the store. Albert Boscov says he, his brother and his two sisters played in the store after school and were expected to help out on Saturdays.

"I was about six when I got my first job," says Boscov. He caught flies that came into the store through the front door – 12 flies a day for 10 cents. "But when you're six years old, it's not so easy. First of all, the flies don't want to be caught," he recalls. Boscov didn't make his quota on the first day, but his father paid him anyway.

The first business lesson Boscov learned from his father was honesty. "I knew how hard I worked, and the flies all looked the same, so I kept some of them" for the next day, Boscov chuckles. But his father saw through the deception and gave him a lecture.

The second thing Boscov learned was that "you are successful because people respect you and like you." Developing a good relationship with customers is essential to success, he says. During the Great Depression, for instance, when no one had any money, Solomon let his customers buy on credit. "I don't know anyone who didn't come back to pay him off," says Boscov. "We found that having customer loyalty was very, very important."

Albert Boscov, who became head of the company in 1968 when his father retired, took the one-store business to the next level by opening new locations. The first Boscov's store outside the Reading area opened in Lebanon, PA, in 1972. "We had to get bigger to survive," he explains. "Had we stayed one store on North 9th Street, we wouldn't be here."

Boscov's sells apparel for men, women and children; home furnishings; and appliances. The company has seen the rise and fall of several family-run retail chains in the Philadelphia region, including Strawbridge's, Wanamaker's and Gimbels. Only Boscov's and competitor Bon-Ton – which is no longer family-owned – remain. Boscov's also counts Macy's and discount retailers Wal-Mart, K-Mart, JCPenney, Sears and Kohl's as competitors.

Asked about the store's customer demographics, Boscov quips, "They must be alive. We cut out the cemeteries because the response was lousy." Actually, the primary customer base is people in their 40s to 60s, he says.

"Boscov's is a fascinating place," says Joel Naroff, president and founder of Naroff Economic Advisors in Holland, PA. "It's not your standard retailer." At most department stores, such as Macy's or JCPenney, customers know exactly what to expect.

PERSONAL CONNECTIONS Boscov's three hallmarks of a strong leader

Albert Boscov credits his ability to create personal connections with people, from a chance conversation with a customer to a longstanding friendship with the governor, with a large part of the company's success. According to Boscov, a good leader must:

Communicate. Share your knowledge of the business and make sure everyone in the company, from the top down, knows and understands the organization's goals.

Be honest. Whether this means adopting a strategy of fair pricing or simply demonstrating personal integrity, employees, customers and vendors will appreciate it and reward the company with their loyalty.

Show you care. Bond with employees, customers and others on a personal level at every opportunity. From asking about someone's day or how his or her child is doing in school to making decisions with others' welfare in mind, showing you care will strengthen existing relationships and help foster new ones.

"If there is an example of a real, authentic leader, Al is one. He is passionate and relentless in the pursuit of his goals."

Jay S. Sidhu,
chairman and CEO,
Customers Bank

But at Boscov's, the selection of merchandise varies because the company's relatively small size allows it to take advantage of good buys in the market.

Life after Boscov's

In January 2006, Boscov and his brother-in-law, Edwin Lakin, who was president, both retired. Boscov, then 76, and Lakin, then 82, each sold their stakes in the company. Lakin's son, Kenneth S. Lakin, took over as CEO.

Not surprisingly, Boscov's idea of retirement was a little different from most. Over the next three years, he stepped up his efforts to make Reading a better place to live through the community development organization Our City Reading, which he currently chairs. Among its projects, the nonprofit organization developed the GoggleWorks Center for the Arts and renovated hundreds of dilapidated homes for first-time buyers.

And Reading loves him back, honoring Boscov in 2009 with a bronze statue at the parking garage at 2nd and Washington streets, which was renamed the Albert Boscov Plaza. A stretch of Route 422 leading to the city in Berks County has been called Albert Boscov

Commemorative Highway since 2000.

At the same time, Boscov launched Directlink Technology, a business specializing in high-speed data transport, data center integration and co-location and information technology management and outsourcing services, which he still owns. "It was a nice thing to keep me busy," he says.

What went wrong?

For the next several years, Boscov had no involvement with the family business. "I really disappeared from retailing because if you don't own any stock – and I sold everything – you don't walk in the store and push things around. People don't like that," he points out.

So Boscov watched from afar as the company announced in February 2006 its ill-fated plans to expand by buying 10 department store locations at once from Federated Department Stores, Inc. "They made a few mistakes," Boscov acknowledges. "We opened one store, maybe two stores a year. If it doesn't go well, it doesn't kill you." With 10 stores, you don't have time to work with each individual store, he says.

"They had too much in expenses," Boscov explains. "And the economy tanked at the same time." The economic crisis hit the store chain hard in 2008, with the collapse of the housing market, soaring energy costs, increased unemployment and the resulting drop in consumer spending. "With the economy going to hell, it was all over, really," he says philosophically.

On Aug. 4, 2008, after some vendors stopped delivering inventory to the beleaguered retailer, Boscov's filed for Chapter 11 bankruptcy in a Delaware bankruptcy court. Court filings reported the company had approximately \$538 million in assets

and \$479 million in liabilities.

Boscov didn't get involved in the bankruptcy proceedings until the company was headed to auction, with hedge fund Versa Capital Management Inc. ready to bid on the business. "I thought at one time, when they were thinking of selling, that would be all right, but when it was going to auction, it was going to auction with a hedge fund," Boscov recalls. "It was scary as to whether [the hedge fund] really wanted to continue it or whether they wanted to liquidate it."

It was partly pride that compelled him to buy back the company. "Since I worked so hard to build it, I didn't want to see it disappear," Boscov admits. He also didn't want to see thousands of employees lose their jobs.

"He was on the phone from morning until night lining up all the resources necessary to make this happen," Jim Boscov remembers. "People believed in him because of his successful history."

In the end, Boscov secured more than \$100 million needed to outbid Versa: approximately \$44 million from family and friends and a \$56 million loan from the U.S. Department of Housing and Urban Development (HUD), which was obtained with the help of his friend, former governor Edward G. Rendell.

HUD loans also came from communities where the chain operated stores and contributed to the quality of life. "It was very tangible evidence of getting back the goodwill that he had engendered with the communities over the years," Jim Boscov notes. Community development projects in Boscov store locations outside of Reading including the renovation of the Paramount Civic Center in Wilkes-Barre, PA, which was renamed the F.M. Kirby Center.

The company officially emerged from bankruptcy in September 2009, with Boscov back running the show. He asked Jim Boscov to return to the fold and help run the company. His nephew had worked in almost every area of the family business before leaving in 1990 to start his own ventures, including a buying group for outlet retailers.

Relationship expert

Boscov's basic formula of measured growth and nurturing strong relationships with constituents resulted in banner years for 2010 and 2011. "We had very, very high profits. Much higher than we've had in the past," he says.

Specifically, 2010 saw a 7.6 percent increase in sales, bringing company revenue to just under \$1 billion, says Jim Boscov. "In addition to Albert's genius in terms of driving sales, he also has demonstrated a remarkable ability to add expenses where necessary



Where to shop find a Boscov's near you

With 40 stores in five states on the East Coast, Boscov's strives to maintain its small-company advantages while expanding its footprint.

In Pennsylvania: Altoona, Beaver Valley, Wyomissing, Butler, Camp Hill, Harrisburg, Easton, Exton, Media, Hazleton, Johnstown, Lancaster, Lebanon, Whitehall, Bensalem, Plymouth Meeting, Pottstown, Pottsville, Reading North, Reading East, Scranton, Selinsgrove, Wilkes-Barre and York

In New Jersey: Egg Harbor Township, Deptford, Voorhees, Eatontown, Moorestown, Toms River and Vineland

In Delaware: Wilmington, Dover and Christiana

In Maryland: Frederick, Salisbury and Westminster

In New York: Albany, Binghamton and Clifton Park

"Anything that would make you smile, you try to do the same for the customer. It's the little things that make a difference."

Albert Boscov, chairman and CEO, Boscov's

'Honest pricing'

A commitment to what Boscov calls "honest pricing" has also been a key factor in winning back customers and renewing the company's good fortunes.

but not to let expenses become bloated," he explains.

Boscov resumed his cautious approach to expansion, starting slowly by reopening the Monmouth Mall store in Eatontown, N.J., in October 2011. "We opened one store last year, we'll open one this year, and we'll probably open another one next year," he notes. "We're not a giant corporation. We don't have hundreds of people to move into a store to manage it and run it."

But judicious spending and cost-cutting ultimately means little if customers, vendors and employees have lost faith in the company.

The biggest challenge post-bankruptcy "was getting customers to love you again and getting customers to come back," Boscov says. Many customers returned out of loyalty established from the company's decades-long campaign to woo them.

Boscov's customers have been long used to attentive service, free gift wrapping year-round and the ability to return an item with no questions asked. "Anything that would make you smile, you try to do the same for the customer," says Boscov. "It's the little things that make a difference."

On "VIP Days," vendors conduct cooking demonstrations and other presentations for customers. "Anything like that is just something different. It's an attraction," says Boscov. Back in the day, actors and comedians such as Dorothy Lamour and Morey Amsterdam appeared at store events, a tradition that continues. Most recently, the reopening of the Monmouth Mall Boscov's featured actress Shirley Jones. "She was a lovely person and she did a good job," Boscov notes. "Still looks good, by the way."

Individual stores also offer free or low-cost classes to the public, known as the Campus of Courses, from crafts, to fitness, to business skills. In addition, the stores' auditoriums are made available for use by community groups. It's a great community relations program that also helps lure customers into the stores, Boscov says. At the Reading East location, which also houses the company headquarters in a warren of unassuming offices on the lower level, the winter session recently offered courses in juggling, oil painting, money management and caring for the elderly, among others.



American
Heart
Association®



National Sponsor



Philadelphia Heart Champion



Main Line Health
Well ahead™

SAVE THE DATE May 18, 2012

Philadelphia **Go Red** For Women Luncheon

Chairwoman: Michelle A. Barry, VP, Penn Mutual and
President & CEO, Honor Townsend & Kent, Inc.

Honorees: Eliana Papadakis, M.Ed, Hon. Ph.D
Madame Justice Sandra Schultz Newman

Purchase your tickets now!



Make It Your Mission to fight heart disease, the No. 1 killer of women.

To purchase tickets, visit: www.heart.org/philadelphiapagoredluncheon
For more information, contact: Jennifer Davis at jennifer.t.davis@heart.org

Philadelphia Goes Red Champion



Main Line Health
Well ahead.™



Six months after he returned, Boscov scrapped all company coupons. “The trouble with coupons is there are so many restrictions ... instead of making a friend [of the customer], you end up making an enemy,” Boscov points out.

Big retailers push the manufacturers “to put artificially high tags on the merchandise” so the stores could then reduce the price,” says Boscov. “But people knew it was a lie.” From now on, he explains, “when merchandise is brought in that is overpriced, we will bring it down to where it should be right away.”

“False pricing destroys credibility; you need people to trust you,” Boscov says. “People can shop anywhere.”

Of course, having good existing relationships with manufacturers helped Boscov pull off the “honest pricing” strategy. “The manufacturer screams and yells, and we talk to them about why we’re doing it,” Boscov says. “If you are a good partner and you live by your word, normally you can price things at the right price.”

Building strong connections with vendors helps Boscov and his buyers stay on top of merchandise trends and take advantage of opportune buys. Boscov and his team take a weekly trip to New York and other market locations for face-time with vendors. “We want buyers to be in the market all the time to see what’s happening,” explains Boscov. “You can’t go in four times a year and assume that you know everything.”

Just dropping in on a vendor to say hello helps build a relationship, adds Jim Boscov. “We’re the right size to be able to do that.”

The bus trips are also one way for Boscov to build a rapport with employees, who are known throughout the company as “coworkers.”

“We meet every week with every buyer and assistant buyer, talk about what’s going wrong, what’s going right, and ask for their suggestions. We meet regularly with management [and store managers] on the phone or in person,” Albert Boscov says. Employees know the company’s goals and profitability. “You have to be honest with your people. You have to be honest in the sense of sharing all of the information with them and not being a big shot,” he notes.

The company is known for low employee turnover. Boscov says the key is making people feel valued, pointing out that “we don’t lose many people.” One of his own goals is to connect with his employees on a personal level each day.

“He cares; he genuinely cares,” Jim Boscov says of his uncle. “He addresses issues with coworkers’ concerns in mind. He would say, ‘that’s not fair to our coworkers; we wouldn’t do that.’”

“What the leadership here has learned from Albert – and I would say this was true of Albert, my grandfather and my father – is that the key to any business is relationships.”

Jim Boscov, vice chairman, Boscov’s

Follow the leader

Boscov’s personal success as a leader in both good times and bad can be boiled down to a passion for the business, an unwavering focus on his goals and a knack for building relationships.

“If there is an example of a real, authentic leader, Al is one,” says Jay S. Sidhu, chairman and CEO of Customers Bank in Wyomissing, PA. Sidhu, former CEO of Sovereign Bank, says one of Boscov’s greatest strengths as a leader is that his personal vision for the business is crystal clear. “He is passionate and relentless in the pursuit of his goals,” he explains.

Being an effective leader isn’t easy, Sidhu says. “Everybody talks about it, but Al does it.”

Naroff concurs, saying Boscov knows what he wants. “[Boscov] has a very clear vision and understanding of the market he is going after,” he says. “He knows where he fits in the retailing world and plays to that position.”

But Boscov couldn’t do it without the support and loyalty of customers, employees, vendors and others inside and outside the retail world. “What the leadership here has learned from Albert – and I would say this was true of Albert, my grandfather and my father – is that the key to any business is relationships,” Jim Boscov says simply.

Even though the company is now firmly back in family hands, Boscov shows no sign of slowing down. “I enjoy it, but my wife Eunice doesn’t because retailing takes an enormous amount of hours,” he says.

Far from being set in his ways, Boscov is planning the next store opening, though he won’t disclose where, and increasing sales over the company website. He has a family succession strategy of sorts in place, with Jim Boscov and Kenneth Lakin, director of operations, the most active members in the business and a new generation potentially waiting in the wings.

“Retail is constantly changing, and you have to change with it,” says Boscov, who adds that he is ready to face his next challenge – and looking forward to it. **CEO**