

## The Gold Standard

Making dollars, 99 cents at a time.

**D**ave Gold is a mensch – a rich one. Visit him at the confused labyrinth that serves as headquarters of his multimillion-dollar empire in the decidedly low-rent City of Commerce and you would never guess his personal fortune is estimated at \$650 million.

All around the untidy maze, merchandise is heaped on mismatched credenzas in offices with sagging sofas and stained carpeting. The walls are covered with framed newspaper clippings that double as art. Amid baskets overflowing with clutter are stacks of Scott towels, Eveready batteries, L'Eggs pantyhose and other name-brand items. On Gold's desk, little jars of stuffed olives line up and Rinso detergent boxes form ranks. In a prototype showroom display, under a neon "Gourmet 'Fancy' Food" sign, shitake mushrooms, hearts of palm, chocolate-covered cherries, virgin olive oil and vintage wines line wooden shelves.

The unpretentious tycoon with unkempt hair and disheveled clothes is the founder of the 99 Cents Only Stores, an enterprise with 180 bright, warehouse-style outlets in California, Nevada, Arizona and, most recently, Texas. Fifteen in Orange County include a Lake Forest branch opened in summer 2003 and a Fullerton store that debuted this month.

While the modest mogul claims that 60 percent of the merchandise in his stores is regularly reordered, unpredictable discards of corporate America comprise much of the inventory. For his many well-heeled customers, he seeks out quality, closeout merchandise – fatalities of packaging gone awry and mislabeled goods that mega-retailers like Target and WalMart can't or won't sell. Their loss is this deep discount retailer's gain.

For the grand opening of each new store, Gold employs kitschy promotions similar to the publicity stunt that launched what he says is the nation's oldest, single-price general merchandise chain on Friday, Aug. 13, 1982. On that lucky day, he purchased 13 black-and-white TVs for \$150 apiece



1984 Olympic coin sets that originally sold for \$29.

### The thrill of the hunt

Such creative retailing attracts droves of treasure-seekers who line up for days before new stores open. Ingenious merchandising seems to come naturally to the unassuming college dropout who made it to the Forbes 400 list last year and is reputedly the 37th wealthiest man in Los Angeles.

Rather than hire a PR agency, Gold relies on staff for promotional ideas, such as a Valentine's Day campaign that suggested good and bad romantic gift choices. On the good list: Loveable bras, sweetheart photo frames, Redi-Whip and a 12-count package of latex condoms. On the bad: Listerine, Summer's Eve Douche, anti-wrinkle patches, vacuum bags, WD-40, denture tablets and that same package of condoms.

"We have fun with situations, just like the nighttime comedians do," the 71-year-old merchandising maverick explains.

Pivotal players on staff include Sherry, Gold's wife of 40 years, who heads up the nuptial division. Started as a joke, the stores' wedding accessories sections do a brisk trade in tiaras, guest books, cake cutters and \$9 gift certificates – the latter developed in response to hundreds of calls from mothers and grand-

mothers after a full page newspaper ad touted the new "bridal registry."

The Golds themselves are true proponents of the 99-cent lifestyle: They live in the same house in the same middle-class neighborhood they started out in four decades ago. Both drive Toyota Prius hybrid gas/electric cars because they get 52 to 60 miles per gallon and are environmentally correct. "We'll be less dependent on Middle East oil if we use less gas," says Dave, who leaves home at 4 a.m. six days a week, wearing white socks bought from his stores.

Watching him at command central, you get some idea of the egalitarian empire he runs. He parks in back, in an unreserved space, so visitors

and sold them for 99 cents each to the first 13 customers who entered what was formerly a Mexican restaurant near LAX. The next 13 folks in the store had a chance to purchase microwaves for 99 cents.

The first-come, first-served practice continues to this day. In a trademark play on the single-price-point concept, the first nine customers on opening days can purchase Sharp 19-inch color TVs for 99 cents. At the new Fullerton store, the next 99 had a chance to buy scooters and \$29 NFL sport watches for 99 cents. Other opening-day values included Day-Timer organizers, 4-foot nursery wall hangings, framed official Harry Potter pictures, Josie and the Pussycats backpacks and

will have an easier time finding parking in front. Once inside, no job is beneath him: His first chores are picking up trash and making coffee. He's a stranger to computers and secretarial assistance.

The Gold's three children and a son-in-law help run the show. Daughter Karen is a buyer, Howard runs a warehouse stocked with \$50 million worth of merchandise on any given day, and Jeff is in charge of real estate. Son-in-law Eric Schiffer, a one-time venture capitalist with a Harvard MBA, is president. He helped steer the company toward its IPO in 1996.

### 99 makes sense for employees

Gold went public on the New York Stock Exchange, in part to distinguish his company from other discount stores flooding the market. The move also had something to do with the way Gold treats employees. All workers get stock options after six months. Many, including warehousemen and truck drivers, have paid cash for homes in California's inflated housing market.

While Gold may shun artificial hierarchies and skimp on superficial niceties, he's lavish with the salaries of a dozen buyers responsible for the haggling critical to the firm's success. Most are paid double what they'd receive at more stylish operations, and some take home six figures. Many, like Martha Lopez, who joined as a stocker when she barely spoke English, have risen through the ranks. All enjoy their work.

"It's not just a job; it's a challenge and it's fun," says Daryl Merson, a former buyer for a major law firm. He's been buying 99 Cents Only beverages, paper goods and batteries for 18 years. "You never know what's going to happen on any day."

That's especially true on Tuesdays and Fridays – open buying days that turn corporate headquarters into something as surreal as a Fellini flick. Lining the halls in the standing-room-only crowd are vendors who may wait hours before a buyer looks at their wares. Some are regulars, like 93-year-old William Ostroff, who's been selling soy sauce, vinegar and candy from around the world to Gold for 15 years. Others are foreigners who arrive to unload truckloads of overproduced merchandise that's cramping family warehouses.

In the midst of the chaos is Dave, as everyone calls him, darting between traders munching on bagels he provides. While he's always willing to inspect samples of kitten statuettes or hand-painted bowls, he only buys one in 15 items he's offered.

### A magic number

This son of Russian immigrants got his retail start as a kid, manning his parents' fruit stand in Cleveland. A stint in the Los Angeles liquor store he and his sister bought from their father followed. At that Grand Central Market stand, Gold discovered the magic of 99 when he stocked a shelf with slow-moving wines under a banner offering: "Wines of the World. Your Choice: 99 Cents."

"It was like a magic number," he recalls, remembering how merlots and Chianti that sat on the shelves at 98 cents or \$1.01 suddenly flew off them when priced at 99 cents. Today, he's used that magic number to produce average, per-store sales of \$4.8 million. At his best-performing outlet, on Wilshire Boulevard near Beverly Hills, a steady stream of folks driving Mercedes and

## WHY 99 MAKES SENSE: 9 COOL THINGS YOU CAN BUY\*

	99¢ ONLY STORES	ALBERTSON'S	PAVILION'S
Ry Krisp® Crackers	99¢	\$3.29	\$3.89
Manischewitz® Matzos	99¢	\$3.59	\$3.99
Duncan Hines® Cake Mix	99¢	\$2.29	\$2.15
Hormel® Chili (varieties)	99¢	\$1.79–\$2.29	\$1.59–\$2.29
Lunchables® Fun Fuel	99¢	\$3.79	\$3.59
Pillsbury Grands® biscuits	99¢	\$2.59	\$2.79
Reading glasses	99¢	\$19.99	\$12.99
Eggs (one dozen medium)	99¢	\$1.95	\$3.29
Crest® Toothpaste (6 oz.)	99¢	\$3.79	\$3.99

\*PRICES NOVEMBER 30–DECEMBER 5, 2003

BMW's produces average annual sales that top \$9 million.

According to Deutsche Bank Analyst Michael Baker, 99 Cents Only Stores have the highest operating margin among competitors like Dollar General and Family Dollar, as well as Home Depot and Williams Sonoma. In 2002, the company posted \$714 million in sales, a 24 percent increase from the previous year. For 2004, projections call for \$1 billion in sales.

Squeaky-clean financials mirror the cleanliness of the stores. With zero debt, over \$175 million in cash, gross profit margins of 40 percent and stock that's up eightfold since the 1996 IPO, the future looks promising for the man who doesn't include his CEO title on his business card. "The customer is the CEO," he says.

His empire is documented in "99 Cent," an interior shot of row upon row of goods, taken by renowned photographer Andreas Gursky, on display at the Los Angeles Museum of Contemporary Art. More importantly, Thomson Financial Solutions estimates call for the chain to ring out 2003 with plenty of bang for investors' bucks, with per-share earnings of 99 cents – a number its founder has proven to be golden. **OCM**

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