



# Beating the odds

How PC Richard & Son, the largest privately held appliance and electronics retailer in the country, continues to thrive through 100 years and four generations.

During one of the most challenging economic environments in recent memory, Farmingdale, Long Island, NY-based PC Richard & Son was expanding. In 2009, the appliance and consumer electronics retailer opened seven new showrooms, including its first outpost in Connecticut—all on the heels of the company's most profitable year ever. And in PC Richard & Son's case, "ever" is a long time: 2009 marked the retailer's 100th year in business. How has this privately-held, regional, family—owned and—operated company consistently outperformed, not only against the big-box national retailers that have entered its markets but also in the face of daunting odds against family-owned businesses, where only 3 percent make it to the fourth generation?<sup>1</sup>

"Our company is fairly straightforward, and our business is not truly that complicated, though some of our competitors make it

that way," said Gregg Richard, PC Richard & Son president and the fourth generation of his family's leadership. "For 100 years, we have really focused on one thing: taking care of the customer, before, during and after the sale. These are not mere words, but an ingrained feeling in each and every single one of our employees. Our customers have a choice of where they buy, and it is our obligation to give them a reason to buy from us."

A big-picture perspective on giving customers what they want—when they want it, even if it is not always immediately profitable, even if it means taking a measured, rather than aggressive, approach to growth—has served as the foundation of the company's culture and as the driver of its success throughout its 100-year history. "A.J. Richard (who, in 1925, at the age of 16, took the reigns from his father, PC Richard) really drove the values of the enterprise and passed them along to his sons, Gary and Peter," said Peter Kaplan, partner with PricewaterhouseCoopers

who has worked closely with PC Richard & Son since 1989. "He always told them that no matter how big the company gets, they've got to remember where they came from and to treat everyone they work with as part of the family. And Gary, now chairman and CEO, continues to pass that belief to the fourth generation. They've always stayed true to their word and to their values, and that, in my view, has really governed how they've grown and expanded."

## History repeats itself

"Honesty, integrity, reliability:" These three words are the company's tagline as well as the basis of a business philosophy that infuses a corporate culture and value system that is passed down from one generation of the family to the next. Each generation grows up immersed in PC Richard & Son's culture and schooled in the legends of its long history. And each generation works in every aspect of the company's operation—president Gregg Richard

<sup>1</sup> Family Firm Institute, Inc., 2010

used to drive delivery trucks—giving management a 360-degree view of the company's operations, customers, manufacturers and employees.

The business philosophy that drives management decisions today is based on the lessons learned by prior generations, from owning its real estate (In 1912, PC Richard had landlord troubles and since then, the family has strived to own its locations) to making business decisions that go beyond short-term benefits. "Basically, everyone in the company has a very long-range outlook and is focused on what's best for the customer," said CFO Tom Pohmer. "If we have to lose money on a sale to please the customer in the long run, we will. Everyone understands that we are in the business of making customers, not just making sales." It was this insight that enabled a small hardware store to evolve into an appliance and electronics retailing powerhouse. The idea for that modest, first store was born when A.J. Richard, convinced of the potential of the newly-introduced electric iron, allowed his customers to take these appliances home for free on a trial basis and then introduced payment plans for customers who could not afford the purchase price in one lump sum. It was evident in 1945, when A.J. placed a television in the window of his Ozone Park, Queens store to broadcast boxing matches to the neighborhood. Even though none of his customers could afford a television, and he had none to sell if they did (the war had halted television production), A.J. had the foresight and patience to know that these people would eventually be buying televisions. "We have always tried to be at the forefront of technology," said Gary.

"You could literally say that we sold the first irons, washing machines, dishwashers and refrigerators. And we continue to evolve to sell our customers what they want, whether that means introducing new technology or ways to give them an easier, more interactive shopping experience."

### **More than a sale**

PC Richard & Son's took a long-term approach from the beginning—one that has enhanced its customer relationships—and the company has benefited from this important decision. As part of its customer-service efforts, the company goes to great lengths to continue its connection to customers after they've left the store. "Our appliance technicians go to homes and fix more than 400 appliances every day, and our TV electronics technicians repair more than 300 televisions in homes every day," said Gregg Richard. "That is not a profitable part of our business, nor do we look at it like that. We have been in the electronics service business since we started selling the first crystal radios over 70 years ago. We officially started our very own appliance service business in 2006 because the level of service we were getting from third-party providers was not making a whole lot of customers happy. The appliance manufacturers decided it was an unprofitable business for them, then we became more reliant on small, independent service providers who frankly did not care about the customers the way that we did. So we started the appliance service business to serve our customers ourselves, to give them one more reason to buy from us by continuing to create customer loyalty. This gives us the

opportunity to have our technician at the customer's home, which is the tie breaker, the winning formula that keeps our customers coming back. PC Richard & Son's service center has seen a 45 percent increase in volume since 2005 and now answers more than 50,000 calls per month.

Finding that tie breaker today is more important than ever. In an industry with razor-thin margins and continued price compression, differentiating itself from the competition—including alternative channel Internet and mail-order retailers, who sell over \$20 billion in computer hardware annually—is a top priority for PC Richard & Son. "Right now, we face a lot of different challenges," said Gregg. "As pricing of TVs, electronics and appliances comes down, we need to sell many more units to maintain the same revenue. And when that happens, all of our back-end costs—trucking, delivery, distribution and service—continue to rise." Between 2007 and 2008, retail prices declined about 17 percent for televisions and about 12 percent for computers and peripherals.<sup>2</sup> In this environment, Gregg is betting that he can set his company apart by offering customers a superior shopping experience. "We still feel there are customers who are, of course, concerned about price but who are also concerned with seeing, touching and learning about products firsthand. That is why we've made our product displays so much more interactive, why we deliver and install everything we sell the next day, why we service what we sell—and the reason why we make sure that we have the most knowledgeable salespeople in our industry."

<sup>2</sup> First Research, Inc., 2009

## Making a career of it

At its 100th anniversary celebration in 2009, PC Richard & Son's honored those employees who had been with the company for the longest time. "There were probably 30 who had been with the company for more than 20 years," recalled Kaplan, who added that there was likely another 150 to 250 who had more than 15 years tenure. "When you think about it, these are salespeople in the retail stores and drivers and helpers on the delivery trucks. They are compensated fairly, treated well and given opportunities to grow within the business—to be considered in decisions and for advancement. That is what has made the company truly successful," Kaplan said.

PC Richard & Son requires that all its salespeople participate in a two-week training "boot camp" and offers further product education throughout each employee's time with the company at the high-tech A.J. Richard Learning Center with its stadium seating and classrooms. It's an investment that pays off for the company. "We have people who started with us as stock people when they were 16 years old, and now they are store managers in their 30s with families, houses and cars," said Gary. "You can't buy the years of knowledge and experience they gain from our company and our culture, and that includes really understanding the benefits and features of the products we sell."

In addition to its recognized education and development program, PC Richard & Son enrolls its salespeople in profit-sharing programs. "This makes it to a salesperson's advantage to know all

of the features of different products and how to explain them well to a customer and, if a customer has a problem, to do whatever it takes to solve it," said Pohmer. "It's a very different approach to that of a typical sales clerk. It gives our employees a truly entrepreneurial feeling. The salespeople themselves are building a customer base that is attached to them. We allow them to build a career here, not be here today and gone tomorrow."

## Slow and steady

PC Richard & Son has not only "out-competed" other electronics and appliance retailers, but it has repeatedly survived and even thrived as its competition has struggled and gone out of business. How has the company continued to grow as others like it—including Crazy Eddie, Newmark & Lewis, Trader Horn, Incredible Universe, Friendly Frost, Eldee, Brick-Church, TOPS, The WIZ, Nobody Beats The WIZ, the New WIZ, Home Expo Design, and even Circuit City, the national retailer that went bankrupt in 2009—have failed? "It's about having the patience not to do something too quickly, which is a lesson of experience that has been passed down through all four generations of PC Richard & Son's. It's sort of a tried-and-true approach," said PricewaterhouseCoopers' Kaplan. As the company's home base on Long Island grew and became a bigger suburb, the business grew along with it. As A.J. Richard once explained, "I never intended to force my business to become too big. That was never in my mind. Most of my growth just evolved to keep pace with what was happening in the

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—Tom Pohmer  
CFO, PC Richard & Son

business and the world around me."<sup>3</sup>

A.J. passed that philosophy down to his son Gary, who in 1993 nearly took the company public. That year, one of PC Richard & Son's main competitors, Newmark & Lewis, went out of business, and then-president Gary acquired seven of their locations. "We had a spike in our revenues after taking over those seven stores, and I said 'If there's ever a time to go public, this is it. Our balance sheet would never look so good,'" Gary recalled. So he and CFO Tom Pohmer joined their underwriters on a 10-day road show. "We visited cities around the country and talked with market makers and investment bankers, and after a while it became clear that they had no clue about our business or company. They were asking questions that didn't even pertain to our industry. And I thought, in going through with the IPO, I would be selling the company short. So I didn't do it, and that was one of the best decisions I made. When you're a public company, your business becomes making the investors happy. You're not making decisions in the best interests of the company but in the best interests of the stock price. And I think, indirectly, had we gone that route, we probably wouldn't be in business today."

<sup>3</sup> Smith, Jim H., "Work Well Done" *The 100-year story of PC Richard & Son*. 2009, Greenwich Publishing Group: Old Lyme, CT

Gary passed this philosophy on to his son Gregg, who took the reins of the company in December, 2004. Despite the then-booming economy, Gregg said: “We made a decision not to go after store growth, but to grow from within. We knew that we were not performing as well as we could and that we could get organic growth through our existing stores.” The company embarked on an exhaustive program that evaluated every stage of the customer relationship, from sales and delivery to installation and service. “We knew the right thing to do was to step back and build a bigger, better, stronger company, operationally and culturally. And we did it very successfully.”

When the economic downturn struck, PC Richard & Son had just undergone a three-year period of reinvestment and internal improvements. “We were really in the best shape to take advantage of the opportunities presented by the downturn; we were prepared for our next round of growth,” Gregg said. “So when Circuit City started to struggle, it opened the door for us

to expand into new markets, and we were very prepared for it internally.” PC Richard & Son acquired seven Circuit City showrooms, including its first store in Connecticut in 2009. In 2010, the company is opening another seven showrooms for a total of 14 new showrooms in two years.

Still, the company has no plans to expand beyond its current regional scope. “We get a lot of economies by being regional,” said Pohmer. “Our operations are central to all our 57 retail showrooms, and we can control the whole customer experience, from sales to trucking to installations to repair. If we expand too far out of our region or too quickly, we lose those economies.” Instead, the company has embarked upon a renovation of 30 percent of the floor space in its showrooms. “We have invested heavily in the interior of our existing showrooms, added the video game category and created a partnership with Verizon Wireless to install their stores within our stores. In that way, we’re setting ourselves up for the future,” said Gregg.

Today, PC Richard & Son has its 57 showrooms in the New York tri-state area and more than \$1.5 billion in revenue, making it the largest, privately-owned appliance and electronics retailer in the nation. In addition to its recent expansion, the company has opened a large regional headquarters, distribution center, A.J. Richard Learning Center and service center in Carteret, New Jersey, setting the stage for further growth in the region. “Right now, we are really in the best position we’ve ever been in, and we are ready for the economy to recover and for consumer confidence to return,” Gregg said. “I think we’re going to look back at this time and say ‘This was a pivotal point for our company.’ Yes, there was a serious and difficult recession, but we went into it very strongly, we invested in, and improved ourselves, during it, and we not only survived but came out stronger and really prepared for our next wave of growth. In three or five years, we’ll be able to say that we made some bold decisions that really paid off, and we’re better off for it.”

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