

CHAPTER SEVEN

THINKING BIG, THEN BIGGER

What is the strategy for maintaining a business while getting divorced, while being stalked, while falling in love? I did the most illogical thing. I enrolled in the University of Washington to get another degree. In painting. Why? Blame Joan Baez. She sang a song in the sixties about how the least admirable entity, right up there with the military-industrial complex, was business. The perennial cocktail party question, as we all know, is “And what do you do?” Because it embarrassed me to say I ran a business, I went back to school so that I could answer, “I’m a painter.”

The university allowed me to enroll in a single class each quarter. I’d take a three-hour studio class in the morning and arrive at work with cerulean blue under my fingernails. It took eleven years to get that Bachelor of Fine Arts. They were eleven great years. No matter the ups and downs of business, while I painted, there were no worries. It was me, the canvas, the paint, the brushes, the turpentine, the idea.

Juggling painting, a new marriage, and a growing business made me aware that I needed advice. I needed someone who knew more about business than I did. I needed fresh eyes. I needed a clearer vision. I needed someone with extensive business experience. I had lasted three years and had increased sales, but I had also increased expenses. For instance, I had attended an auction in Monroe, Washington. I remember thinking, “The more I bid, the more money I’ll make!” (A totally irrational thought, but I do recall being overwhelmed with that exact idea.) The

tenth item at the auction was a tray of eight jewelry items. The bid quickly grew from thirty dollars to one hundred and twenty dollars. I won! But, of course, once the excitement and fun of the auction disappeared, I realized I had bid more than the items were worth.

I needed help. I found exactly what I needed in the *Puget Sound Business Journal*. An article, "Choosing a Business Consultant," led me directly to Stephen Fletcher. I called. We talked. We met. I hired him. It was a wise business move.

Stephen Fletcher, who later transformed Stewart Brothers Coffee into Seattle's Best Coffee and made Jim Stewart a multimillionaire, (I'm proud to say I introduced them), was exactly what I was looking for. Stephen loves numbers, ratios, percentages, spread sheets, financial statements, and all of the other hard-nosed, left-brained qualities required to run a business. He is analytical, logical, rational, objective, thorough. He moves thoughtfully and makes considered decisions. As we worked together I learned to respect his ideas, and more important, I learned to act on them.

For instance, Stephen suggested the business have a newsletter. The next week I had a mock-up. Two weeks later we published the first newsletter and three weeks later we were making sales off of the featured items. A year later we hired a professional team headed by Tom Peterson and the newsletter became a staple of the business.

Stephen stated it was time the business had a full-time employee. I put an ad in the Times. We received twenty responses and of those twenty we interviewed six. Don, Stephen, and I interviewed each candidate. Twice. The first interview was very

formal. We three sat behind a table, asked written questions, and gave a numerical score to each candidate. The second interview we served coffee and croissant, play-acted a sale, and learned how a candidate reacted in an easy-going situation. That was an interesting exercise. One young woman had scored high in the first interview, but in the second, when she relaxed, her use of the English language vanished and by the third time she said, "Cool,"

We were ready for the next candidate.

Two interviewees outshone everyone: Lael Hagan and Jim Morgan. Lael, with a double degree in art and history, could write, speak, loved jewelry, was ready to begin immediately. Jim was a music teacher recently ruffed from the Seattle Public Schools. He was charming, pleasant, passed the play-acting sale situation with ease, and had a great sense of humor. Stephen led me to believe that with their energy, skill, smarts, enthusiasm, and pleasant demeanor, they would create enough business to pay for both of their salaries. I hired both. For the next three years we were an unbeatable team. Then Lael won a scholarship to study in New York at the Gemological Institute of America and Jim was hired to teach music in Nuremburg, Germany. Over thirty-seven years I've had the most remarkable employees. Lael and Jim were two of the very best.

One idea of Stephen's scared me to death—a board of advisors. Within these parameters:

- they would be volunteers
- they would be professionals in their own right
- they would meet quarterly, for exactly two hours

- they would have access to all of my books and ideas
- I would serve cookies

I can remember thinking, who would give up precious time to serve on a board of advisors for cookies?

Stephen's answer:

- everyone wishes they owned a small business
- they will be interesting people
- they will enjoy getting to know each other
- they will be flattered that you carefully consider their ideas

Invitations were extended to Vi Kelly (antiques dealer extraordinaire), Sandy McAusland (inventor, engineer), Nancy Davidson-Short (editor of Sunset Magazine), Don Bell (architect, husband) and Howard Breskin (attorney). I invited and they agreed.

The day of the first advisory board meeting I was excited, anxious, apprehensive, and concerned. Stephen assured me the evening was not only going to be interesting and helpful, but, without a doubt, everyone would have a good time. To control my fears, I brewed coffee, laid out a platter of cookies, dusted the cases for the third time, and tried not to watch the clock—all the time convinced no one would show. They did show. As each person arrived, the room grew more comfortable with chatting and at exactly seven-fifteen I asked everyone to fill their coffee cups and be seated. We sat around the three spokes of the jewelry cases that occupied the center of the room. Each person introduced him or herself and, as Stephen suggested, told why he or she had agreed to participate. Vi Kelly, the

antique dealer, boldly said, “I’m here because I’m twice Karen’s age, I’ve twice the experience, and she needs me,” and she raised a finger to make her final point, “No one should make the mistakes I made.” Her words set the tone and the pace. We were ready to talk business.

Over the next two years we discussed every aspect of the business. I opened the books to their scrutiny. Sales. Returns. Cost of goods. The board analyzed pricing, merchandise mix, salaries, employee benefits, cash flow, bank relationships, advertising, customer service—every possible part of the business.

The day came when we discussed whether or not it was time to move the business from the waterfront to a more up-scale location.

Vi suggested, “The islands.”

I thought that wasn’t a very good idea. Bainbridge? Vashon? Whidbey? All of the islands required riding a ferry and didn’t seem populated enough to support an antique jewelry store.

“No! No! No!” Vi cut my objections short. “The Hawaiian Islands!”

What an amazing idea!

The next month Don and I flew to the Big Island with dreams of leisure living, sunny days, tourists with money to spend. We arrived to the smell of plumeria and headed to our hotel. We had high hopes, but we had no appointments and we had no letters of introduction. We visited a half-dozen leasing offices. We came away brochures and kind smiles and the reality that rent on the island averaged \$125 a square foot, about ten times the rent at Pier 70. All in all, the process was interesting, exciting, absorbing. But it was crazy. Once home, we realized we had just had a

great vacation, but we truly did not want to have a business so far away from our roots. We gave up the idea of moving. Seattle was home, and home was where we wanted to stay.

However, the idea had been planted to find a new location. I scoured Pioneer Square, First Avenue, Mid-town, University Village, Bell Town, West Seattle.

I even met with the leasing agent of Bellevue Square, the prosperous shopping mall, in the prosperous city of Bellevue, a twenty minute drive from Seattle. Kemper Freeman, the owner of the mall offered a lease. I considered it for three days and then called to decline. Astonished at my answer, Mr. Freeman invited me to lunch. "This is very strange," he said. "Rarely, if ever does anyone turn us down." He repeated all of the advantages of his mall. He truly wanted to know why I had made such a wrong choice. Facing his enthusiasm, I lost focus. I told him I would consider it again. But, as I drove across the floating bridge, headed home to beautiful Seattle, it was clear as clear could be. Seattle was the city I knew and the city I loved. I wasn't going to fly to Hawaii. I wasn't even going to drive across a bridge.

The proverbial door closing, door opening happened. In the center of the city, Sixth and Pike, I fell in love (falling in love is not the best way to choose a location), with the newly opened Sheraton Hotel.

It was obvious to me they needed a jewelry store. It never crossed my mind that they wouldn't give me a lease. It never crossed my mind that jewelry stores in hotels are usually considered over-priced and tasteless. It never crossed my mind

that I couldn't afford the location. It certainly never crossed my mind that I might not make any money.

I called the Sheraton. I asked to speak to the manager. The secretary answered, "Sorry, Mr. Welly is on his way out of town. You'll have to call back."

I called the next week. Mustering a commanding voice, I asked for Mr. Welly. Not in. I left a message.

Message never returned.

I continued to call. I'd call and he'd have a meeting, or be going out of town, or promise to call back. For over a month, he never called back.

I persisted. He broke. On Wednesday, November 10, 1982 he agreed to meet at 11:00.

Stephen and I prepared a five page business plan, placed it in a slick folder. Made extra copies.

Mike listened. Said he'd have to speak to the owners. Made it clear I needed \$100,000 in merchandise. Made it clear that I would have to do all the tenant improvements. Doubted the viability of a store with only antique jewelry, as he didn't know anyone who wore antique jewelry. To the list of requirements he added that half the jewelry would have to be modern. *Roadblock, roadblock, roadblock* ran through my mind.

I returned to Pier 70 and sent him a thank you note and a twenty dollar bottle of wine.

I waited two weeks and called again. This time he said I'd have to meet with two of the owners: Howard Wright and Jerry Anches. He gave me their numbers to

arrange an appointment. I think he felt I'd never get through, it would take a couple more months, and maybe I would disappear. *Shuffle me off to Buffalo*. I called. Everyone agreed to meet in two weeks in Mike's office. Jerry entered the room: slender, well-dress, handsome in a kind of Al Pacino way, almost shy. Howard Wright followed him: round, hail-fellow-well-metish, boisterous, and friendly. The two of them had questions. They were up-front about the idea that I might not be the right person for their hotel. They were a large chain, didn't I know? What kind of experience did I have? What kind of money did I have?

Stephen and I were prepared. We had a three year budget in place. We had brought ten of the most expensive pieces of jewelry from Vanity Fair. We had rehearsed any questions that we might be asked. We handed them a copy of our business plan:

- cash flow for three years
- business history
- market evaluation
- customer profile

We answered every question and showed them how we would meet all of their demands. At a certain point, Mike stood, leaned on his desk, knuckles supporting him, and said, "It's been a pleasure. We will be in touch with you." Meeting over. We hadn't a clue what they would say or do. We went down to the Sheraton café where I treated Stephen to lunch. I treated myself to a much-needed glass of wine.

By two o'clock I was back at Pier 70 and ordered two large bouquets of roses. One for Jerry. One for Howard.

Negotiations continued for six months.

Like slow molasses, the magic of a lease finally happened. Jerry Anches called to say to come to his office next to the Seattle Center. "Bring your pen!" It took less than five minutes. He shook my hand and then shared the story that the management boys had tried to stop the lease, but Jerry wanted me to know his word was his word and he'd told them, "No, she has our promise. It's a done deal." His parting words were, "Welcome aboard." At the door, just as I was leaving, Jerry said, recalling a conversation we had had during the negotiations, "Karen, I don't want to harp on the subject, but you should know you won't make it if you don't discount." I didn't argue. "I'll think about it." What I didn't tell him was that I had learned enough about discounting, that merchants who discounted created a huge hole in their budgets and irritated customers more than pleased them. Besides what I experienced on a daily basis, my advisory board confirmed my beliefs. We had spent an entire meeting discussing every nuance of discounting. Stephen had shared an article that showed the numbers. You lose when you discount. You lose believability. You lose stature. You lose money. There was no way I was going to discount.

Thirty-seven years later, Jerry walks by the gallery, waves, and calls, "How's it going?" I answer, "I'm still here!" He smiles and gives me a thumbs up! I doubt he even remembers that discounting conversation.