

Not only does one of the richest men in America still commute by bus to Manhattan, garment industry folklore has it that on the day Burlington went public in what was the largest offering in stock market history, Milstein took a subway back uptown with two \$12 million checks.

Burlington Coat Factory's Monroe G. Milstein

Garment District Legend

By Bill Glovin,
Editor

THE chairman, president and chief executive officer of Burlington Coat Factory Warehouse Corp. has a problem. *Forbes* magazine has named him as one of the Four Hundred Richest Men in America and he doesn't much care for the notoriety.

"Everyone knows who Sy Syms is because he wants it that way," he grumbles. "But it's getting harder to walk around my stores without being recognized by customers and employees. It's a gimmick to sell magazines and they're right, but it's also a very unscientific thing. My worth is probably less today than it was two years ago by their standards. I wish they'd keep me off the damn list."

Monroe G. Milstein, 60, reputed to be personally worth at least \$185 million, is a throwback to the days before computers, fancy offices and check signing machines; before green-mail and express mail; before the Federal Trade Commission and home shopping clubs. Resembling a shorter Walter Matthau with a deep voice, when Milstein mentions "Yuppies," it sounds like someone sat him down and forced him to learn the term.

Milstein has been called eccentric, ruthless at times and demanding to work for. "Some people say I'm tough and others will tell you I'm a pussy-cat," he says, shrugging. "During the day, I do admit to getting excited, but I think my bark is a lot worse than my bite. It's gotten to the point where it's impossible to know most of our employees, of course, but I have a great feeling for the people I work with."

When he and his wife first moved from Long Island to New Jersey to be closer to their new Burlington outlet, they lived in a nearby garden apartment. Not one to own a yacht or a



From a single store in Burlington, Milstein has built an off-price empire of 90 stores in 15 years.

sportscar, he generally takes the bus twice a week into Manhattan to visit another office. Milstein once said of his family's immense wealth: "I feel much more secure. I sleep better. But we were comfortable before. We're not ostentatious people."

As the head of a \$380-million off-price retail operation, with 90 stores and 7,500 in-season nationwide employees, it's surprising to find the boss' desk situated in the corner of a bustling, cramped room with three other desks. Busy on the phone in the same office is Mark Nesci, the 34-year-old chief operating officer whose career began as a 16-year-old stock clerk.

"The average employee works part-time and once they finish a task, they stand around like statues, waiting for someone to tell them what to do next," he says. "It's not necessarily their fault but Mark was never like that. He was always looking to do other things. That's the secret to getting ahead in this company and that's the reason Mark is now the No. 2 man."

The other occupants in the room seem to need more quiet than Milstein does. As a visitor enters, Nesci and the others slowly file out. The office is strangely silent. "This used to be my office but space is extremely tight. We're building 440,000 square feet of new offices. Meanwhile, it's just too crowded to have your own office."

Tucked along Route 130 in Burlington, the corporation's headquarters is connected to the original store/factory, one of nation's original outlet-type stores that attracted busloads of shoppers from up and down the East Coast. In 1972, Villager Industries decided to unload the poorly-managed, debt-ridden facility, which was being operated by Jonathan Logan. Milstein, who was looking to branch out from a New York-based wholesale business, bought the factory and everything on the racks for \$675,000 with \$75,000 down and the

rest paid off at five per cent interest.

During seven months of grueling negotiations, Milstein says he realized the retail side of the operation, which had grossed \$1.3 million the year before, had the most potential. Villager ran out of patience, however, and closed the outlet before the deal was struck, despite Milstein's pleas to keep it open. When busloads of anxious and uninformed shoppers arrived, the police had to be called in to prevent an angry mob from storming the building.

It wasn't long before the store was open again under its new owner. "All we had to do was open the doors and let everyone know we were back in business," recalls Milstein. "We sent out Villager's mailing list, did some advertising and we were on our way."

In 1985, that one warehouse store,

"Some people say I'm tough and others will tell you I'm a pussycat."

obtained just 15 years ago for what people today pay for a luxury condo, grossed \$10 million.

RAGS TO RICHES

Milstein's someone, say people in the garment industry, who can smell a deal a mile away. In becoming what the company claims is "the nation's largest retailer of women's coats," he applied a common sense economic formula: buy huge amounts of the name brand goods cheap, keep expenses down and undersell department stores.

Born January 14, 1927 in New York City, Monroe's father, Abe, was a Russian-Jewish immigrant who came to the New World as a four-year-old and went right to work selling newspapers. Eventually, he became a cleaning porter, a physical job that involved hoisting clothers by hand all day on elevators. When business was slow, Abe asked the boss if he could make a sales call. He brought back an order so large that the boss, in disbelief, called the client to confirm the order. The next thing he knew he was a salesman and soon after, met his bride-to-be in a buying office.

"We lived in the Bronx until I was 12 and then we moved to Manhattan," Milstein recalls. "During the season my father would come home 11 or 12 o'clock at night or work right through and sleep on the cutting table. We didn't suffer during the Depression but we had a different appreciation for the

dollar in those days. You didn't buy something unless you needed it."

His father eventually turned the sales job into a coat wholesaling business. Milstein grew up in the business but when the time came, went to college, graduating from New York University in 1946. Abe helped his son open a separate wholesaling company and Milstein's mother, who had been a housewife, worked in his office six days a week for no pay to help him survive in the tough garment district. In 1953, the father and son combined forces. When Monroe decided to take the business retail almost 20 years later, his father advised against it, but went along.

"I owe an awful lot to my parents. They instilled in me the idea that if you keep the expenses down, you'll always survive—the most important lesson of all."

BURLINGTON BOOMS

It was three years before Milstein decided to open second and third Burlington stores in Long Island and Pine Brook and gradually expand by offering different lines of clothing. He also began leasing leftover store space to outside vendors. Today, shoes, linens, jewelry and even juvenile furniture are sold in various stores.

In the beginning, store sites were mostly vacated furniture warehouses or supermarkets, with tile floors and pipe racks. Today's store is more likely to utilize carpeting and chrome racks because it's more economical to maintain. Generally, the stock is five to 10 times as large as the average department store's, with typical discounts ranging from 20 to 60 per cent off regular retail prices. A "more for less" philosophy dominates advertisements, which is handled by Norman J. Stevens Advertising, Inc. in South Orange.

In 1978, revenues were \$24.7 million. Four years later they were \$130.5 million. In between Milstein decided to go against the advice of some marketing experts and bring Burlington to the Sunbelt. The warmer climate didn't

stop people from buying coats—and some of the new stores were quickly among the company's most profitable.

"Manufacturers love to sell to us because we move merchandise and we don't make demands," he says. "The only problem comes about when they're threatened by other retail accounts who don't want to compete against off-pricers like us."

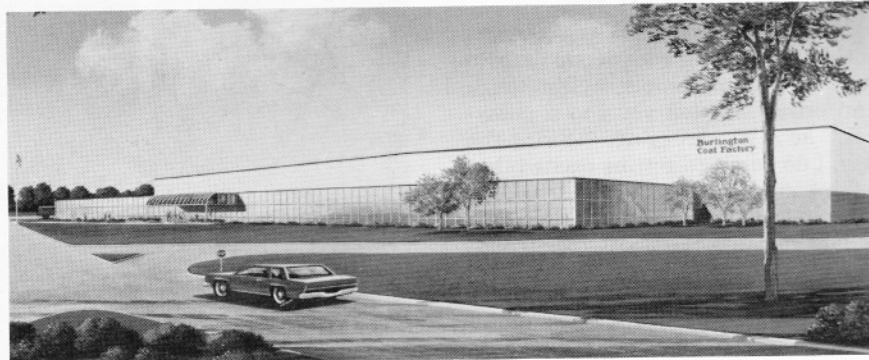
As a result, Milstein has developed a litigious reputation over the years. He's brought numerous suits against manufacturers when Burlington has trouble getting lines and has also taken both manufacturers and retailers to court for price fixing and restraint of trade, which he sarcastically says "are supposed to be against the law." He's even presented speeches before the Justice Department and the FTC on

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the subject, agencies that have been influenced by a wave of economists who think price fixing is good for the economy, he complains.

"These guys want to take away the right of the public to buy for less. We think we're on the side of the angels because if you asked 1,000 people if they wanted the right to buy for less, 999 would say yes and the remaining person would ask you to repeat the question."

Last year a major business publication accused Sy Syms of underselling department stores by purchasing special cuttings from a manufacturer. Does Burlington ever buy this way? "I think Sy Syms got a very bad rap," says Milstein. "What they did was take an exception and make it the rule. Besides, department stores oc-



A new 402,000 square-foot headquarters, national distribution and data processing center on 48 acres along Route 130 in Burlington will be finished by July. Burlington Coat plans to hire 350 new warehouse people and relocate about 40 employees from its New Hampshire-based data processing center.

asionally make special arrangements with manufacturers, which is the same thing. If Syms wasn't a fine merchant who gave value to the public he wouldn't be where he is. We don't buy that way, anyway. Our concept is different in that we purchase all our merchandise up front."

GOING PUBLIC

In 1983, Milstein pocketed \$60 million and retained more than 60 per cent of the stock when he took 38 stores public.

Industry analysts say Burlington's accelerated growth is especially remarkable in light of the fact that there's a noticeable absence of middle management. Not only isn't layers of middle management necessary, Milstein insists, but he relates another typically unorthodox procedure and how it came about:

"Years ago I went to an auction for a large bankrupt coat company which was auctioning off a check-signing machine. Looking at it, I got the feeling that this company got very lax when it came to monitoring their expenses. You don't catch mistakes that you might normally catch with a check signing machine. It was then that I decided never to do things automatically like that. Here, heads of departments okay every single bill and checks are personally signed by me and

Milstein predicts that by 1990, Burlington will reach \$1 billion in sales.

another officer of the corporation. We don't catch every mistake, but we catch a lot of them."

It's not just business procedures that are unorthodox. Recently, the long-time controller took Milstein up on his dare and held his wedding in the original Burlington store.

The boss doesn't show any sign of slowing down either, traveling around the country to visit trade shows and new stores. Keeping him especially busy are plans for the new national distribution center/corporate headquarters, which will be completed by October. It will also include a data processing center, which is moving to New Jersey from New Hampshire. A new store recently opened next to its East Coast distribution center in Secaucus. New Jersey operations employ 950 in-season people. Other stores are in Burlington, Pine Brook, Paramus and



Nesci, who started as a 16-year-old stock clerk, is now Burlington's No. 2 man.

Eatontown-Tinton Falls.

New marketing techniques are also being tested. Burlington has staged one-day Big Sale events in sports arenas and also toyed with the concept of a Burlington Home Shopping Club on television, having offered order-by-phone items on WOR-TV commercials. "We may have a tiger by the tail I'm very interested to see where it goes," he says.

And what was once a strictly family business has evolved to where Milstein admits "you simply must delegate at times. The important thing, however, is that when you delegate, you follow up to make sure those people are carrying things out properly. Just don't delegate and walk away because it's not always done the way you want it done," he advises.

That may be part of the reason two out of his three sons have phased themselves out of the day-to-day running of the business. His oldest son, Lazer, developed the company's computer and security programs before leaving in 1985. A second son, Andrew, who sits on the board of directors, left to become a tax attorney with the New York law firm that also serves as corporate counsel. Youngest son Stephen, still in the business, created and oversees the men's department and assists Nesci in store site location. Milstein's wife, Henrietta, also keeps an eye on the business, having developed the children's department.

Despite losing out to Alfred Taubman in a bid to acquire Woodward and Lothrop, a Washington, D.C. department store chain, Milstein says "our cash position is very good and we've had windows to a lot of opportunities but have grown so far by opening our own stores. If the right numbers come about, we'll make the right acquisition."

Milstein predicts that by 1990, Burlington will reach \$1 billion in sales. Meanwhile, he'll keep his eyes peeled for decent but reasonable furniture for his new office and for any change in the bus schedule. ■