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Glory Days

BOOGIE WAS DIFFERENT. I had never been interviewed by a business owner wearing jeans, what looked to me like a woman's low-cut V-neck T-shirt, and a beard. He asked me a few questions about Steak and Ale and cash management, all appropriate for a Chief Financial Officer candidate. Then he said, "Can I ask you a really important question?"

"Sure, what is it?"

"Are you any good at softball?"

"Why do you ask?"

"Growing up here in Baltimore, I was an all-state basketball player in high school. Before I started Merry-Go-Round my claim to fame was that people considered me the best Jewish athlete in town. We have a company softball team now and we stink. All my friends say, 'Boog, what's going on? You're this big-shot athlete but you have a crappy softball team.' I've decided that everybody I hire has to be a good softball player. Are you any good?"

"Yeah, I'm pretty good," I said.

"Give me some credentials."

I told Boogie that I was an all-star in little league and Babe

Ruth, that I played on a winning American Legion team, and played for the White Sox development team until I hurt my shoulder. I told him the Steak and Ale team won our league championship every year, and my church team advanced to the final eight or final four of the league's March Madness tournaments almost every year.

"Do you have any press clippings on all that stuff?" he asked.

"No," I said. "If there were any press clippings my mother would have had them, and she's been dead for over ten years."

"Okay, well, that's good enough for me," he said.

He walked me over to the office of his partner, Harold Goldsmith.

"I love this guy," he told Harold. "We've got to hire him."

Harold, an uptight businessman, threw up his hands. "Boogie, you can't say that right in front of him! You just eliminated our negotiating power!"

"You're just dumb," Boogie shot back, and then they argued in front of me for five minutes.

"We're going to hire him," Boogie declared, "but with one provision. If he's lying about softball we can fire him with no severance."

"That is the dumbest thing I have ever heard you say," Harold said. "You can't tell that to an executive."

Boogie turned to me. "Are you alright with that?"

"I'm alright with that," I said.

Meet the Partners

In 1968, Leonard "Boogie" Weinglass, a former hairdresser turned leather goods salesman, quit his sales job and opened his first Merry-Go-Round clothing store two blocks from Georgia Tech in Atlanta. It was the perfect location for a hippie-boutique

selling tie-dyed T-shirts, bell-bottom jeans, Sgt. Pepper jackets, and see-through mesh shirts. He partnered with Harold Goldsmith, a high-school friend and short-term roommate at the University of Maryland—where Harold earned a degree in English literature and Boogie attended for a month or so before deciding that college was not for him—to open stores in Baltimore. They struck a deal with shopping-mall developers for more stores and by the time they interviewed me, they operated over twenty stores in Atlanta, Baltimore, Easton (Maryland), Nashville, Memphis, Philadelphia, Cincinnati, and other cities around the country.

They tried to go public in 1973 but their financial systems were in such disarray that their auditor, Peat Marwick, couldn't close the books. Hence, the search for a CFO.

When the executive search firm contacted me about the job I figured I had nothing to lose by taking the interview. I flew to New York and met with the head of the search firm, Jim Bishop.

"I think you're perfect for the job," Jim told me.

"That's great to hear," I said, "and by the way, how did you come upon my name? I'm not in the retail clothing business."

"It's a long story," Jim said. "I presented the two partners at Merry-Go-Round with at least a dozen candidates from big chains like Abraham & Strauss, Macy's, The Limited, Thom McAn, and Casual Corner. But the same thing happened every time. If one of the partners liked a person, the other didn't. I threw up my arms and told them I was giving up.

"Then one of the board members, Jack Ireton, who had been CFO at Gino's hamburgers, suggested we scout out the restaurant business. He said there were plenty of young people running multistate operations very similar to Merry-Go-Round, except they were selling food instead of clothes.

"Would you be willing to go down to Baltimore and meet with the partners?" Jim asked.

“Sure,” I said, and hopped on the train. Harold Goldsmith picked me up and we talked all afternoon about their strategic direction and what they needed. He explained how their financial systems were so chaotic that after months of trying, they couldn't produce financial statements and canceled the initial public offering they had planned. The board of directors told him and Boogie they needed to hire a professional CFO.

I hit it off with Harold and he told me he would be in touch. He called the following Monday. “Can you come back this weekend? I want you to meet my partner,” he asked.

“I can,” I said, “but I was just there. Why didn't I meet him then?”

“It's a long story,” Harold said. “I would like you to come back. I think there's a good fit here. Bring your wife this time and we'll show her around.”

Harold and Boogie had identical offices, the exact same size, connected by a bathroom in between. To get from one to the other you could either go out into the hall and walk around, or walk through the bathroom. On Saturday morning I met first with Harold, then Boogie came in—and that's when he asked me about cash management and softball.

I wanted the job because it fit perfectly with my skills and experience at Steak and Ale, but there were a couple of minor drawbacks. I was 34, six to ten years older than the average Merry-Go-Round employee. Jeanne was not gung-ho about moving to Baltimore. She had close friends in Dallas and a beautiful house with four bedrooms, a fireplace, garage, and in-ground swimming pool. We couldn't find anything we could afford like that in Baltimore. “I thought this was a promotion, but it looks like we're downgrading our housing!” she teased.

Harold called me a few days later with an offer. I was happy with the salary but not the job title: Director of Finance. “That's

not acceptable,” I said. “The recruiter told me the job was ‘Vice President of Finance and Operations.’ I’m a VP now and I’m not going somewhere for a director position.”

“We don’t have any titles like that,” Harold said.

“Then you better make some because I am not interested in that type of job.”

“What the hell is the difference? The title doesn’t mean anything.”

I explained. “It’s simple, Harold. If you hire me as a Director of Finance and don’t like my performance, you could fire me. But from what you have done in the past, you won’t let me go, you’ll hire someone over me and name them VP and they will be my boss. I won’t come without that title.”

I did not realize at the time that Harold was a VP, Boogie was president, and they really did not have any other titled officers.

Harold called back. “Okay, we’ll give you the title, but we can’t give you a car.”

“A car was part of the deal,” I said.

“We can’t.”

“Then give me an extra bump in salary to cover it.”

“I’ll call you back.”

We agreed on a salary somewhere around \$50,000, a little more than I was making at Steak and Ale. I accepted the job and we moved to Baltimore in the summer of 1974.

“Can you produce internal financial statements?” they asked me on my first day.

“I’ve been doing that for years,” I said. “It’s not that hard.”

“Are you sure you know how to do this?” Boogie kept asking. “Because we can’t.”

“I am sure I know how to do this,” I said. “You’ve been doing something wrong.”

“Feel the Fashion Noize”

Just as we went public, MTV (Music Television) exploded onto the cable television scene with eight million subscribers—all young people, all our customers. Alan Charles from our advertising agency came to me and said, “I think Merry-Go-Round has to advertise on MTV. We’ll make a commercial that the kids think is a music video.”

I hadn’t watched MTV but I trusted Alan. We cut a three-year deal for \$1 million a year. “Are you crazy?” Harold screamed.

I said, “We’re in on the ground floor. They reach eight million of our customers, there’s no other retailer advertising on MTV, and Alan has a fantastic idea for a commercial.”

A popular heavy-metal band called Quiet Riot recorded a smash hit in Europe called *Cum on Feel the Noize*. Alan found out that a major English band called Slade had also recorded it. “Quiet Riot hasn’t made a video of the song, and Slade will sell us the rights to use their version in a video if we put their name on it,” Alan said.

The lyrics conveyed the right message, but we tweaked them to say, “feel the *fashion* noise,” and slipped in Merry-Go-Round a few times. The ad ran the week before Thanksgiving, just as the song reached number two on the U.S. charts. Even though “Slade” appeared on the video’s title, my kids’ teenage friends kept coming up to me asking, “Mr. Sullivan, how did you get Quiet Riot to do your commercial? That’s so cool!”

Sales went nuts. We were always happy with 10 percent sales increases, but that holiday season sales soared 44 percent.

Our leather jackets were so popular, they attracted thieves. One night, a band of robbers climbed onto the roof of the warehouse and broke in through one of the skylights. They must have had inside information to know they could enter the building that way.

They set up a system of pulleys to hoist the jackets onto the roof and then lower them into their van in the back parking lot.

What they didn't know is that we had a motion-detecting alarm built into the warehouse floor. The alarm called the Baltimore County Police Department and our warehouse manager, and they met at the warehouse. "Let them keep loading their van," a police officer suggested. "That way, we'll have an open-and-shut case against them." The police and our warehouse manager watched the thieves labor a couple of hours loading some 300 jackets into their van. As soon as they finished and got in the van, on flashed the patrol car's lights. Busted!

Demand for leather jackets reached new heights when we followed *Fashion Noize* with videos featuring a knockoff of the leather jacket Michael Jackson wore in his *Thriller* video. Ken Rodriguez, the first buyer that Boogie ever hired, spoke with the manufacturer that made the jacket. "We made it for Michael," they said. "Lambskin, 27 zippers, and it cost \$750." Ken bought 60 of them and put them on the racks for \$1,500—five times more than any other jacket in the store. They sold out, but we realized we couldn't sell a high volume at that price point.

Using cheaper leather we got the price down to \$700, and then a Korean vendor came to Ken and said, "I can make the same jacket in polyurethane and it will look just like Michael Jackson's."

"How much?"

"I can probably make it for \$15."

We bought everything he had, put them on the racks for \$99, and they flew out of the store.

The hits kept coming. Home runs like the tight-fitting parachute pants Michael Jackson wore, baggy Skidz that looked and fit like pajama pants, and high-waisted Z Cavaricci pants that sold for \$75.

In 1984, two years after *Thriller*, another young phenom burst into MTV stardom with the hit album and movie *Purple Rain*—the entertainer known as Prince. I flew to California to meet with his managers and negotiate for the rights to duplicate Prince's outfits. We couldn't stock enough of them.

Our status as one of the largest advertisers on MTV earned us an invitation to the first-ever MTV Awards show in 1984. It was a crazy party. I had a few drinks, but everybody else was into other things. MTV's CEO, Bob Pittman, introduced me to all the stars, including a little-known singer called Madonna. Her performance at that show—rolling around on the floor in a giant wedding dress singing *Like A Virgin*—launched her to stardom.

We scored not only with the cutting-edge styles from MTV but also with more familiar designs under a private label developed by Stuart Lucas, one of our buyers. On a flight home from a buying trip, he had seen an ad in a magazine with the huge letters IOU. *That would be a perfect name for a label.* "Go for it," I said. We made moderately priced sweatshirts and other casual clothing under the I.O.U. label and they took off.

In 1990, the number one draft pick in the NFL, Jeff George, appeared on the cover of *Sports Illustrated* wearing an I.O.U. sweatshirt. We wasted no time calling his agent, Leigh Steinberg. "We would like to do a fashion shoot for GQ featuring Jeff wearing our clothing."

"I have a better idea for you," Steinberg said. "I represent two other young quarterbacks that were first-round picks. Maybe we can do a series on the young stars in the NFL."

"Who are they?"

"Besides Jeff, I have Troy Aikman and Andre Ware."

"That'll work."

Stuart Lucas then pulled off one of the smoothest negotiation moves I've ever seen. Steinberg asked for \$1million per player.



That was not going to happen. “We can’t pay that,” Stuart told Steinberg. “But why don’t you get in the ad with them?”

“Really? I would love that!” Steinberg said.

We paid each player \$25,000 and sold tons of sweatshirts.

Wins like those propelled our growth. If you bought \$1,000 worth of our stock in 1983, by 1990 you had \$10,000. Every time the stock price reached the mid-twenties I split it three-for-two so more people would think, *It will probably go back up to \$25 so I ought to buy it now*. The four million shares we originally issued turned into 55 million.

My daughter Sheelah did her part to boost the stock price. She loved Merry-Go-Round clothes—and my 50 percent discount. The commissioned salespeople at the Security Square Mall store knew she was my daughter and that she had her mother’s credit card. They made their quotas by bringing a steady stream of items to her in the dressing room and telling her how great they looked on her. One time they loaded her up with an \$800 sale—which was \$1,600 worth of clothes. That’s a lot of jeans and tops

because nothing in the store cost more than \$50.

The minute I hit the front door that night, Sheelah met me and said, “Dad, I bought a lot of clothes today, but I’m taking most of them back.”

Face Time

As a private company, Merry-Go-Round had flown under the radar, even in Baltimore. Boogie was famous—or infamous—but nobody realized how successful we were. A pompous neighbor once asked me, “How can you afford to live in this neighborhood?”

“What are you talking about?” I asked.

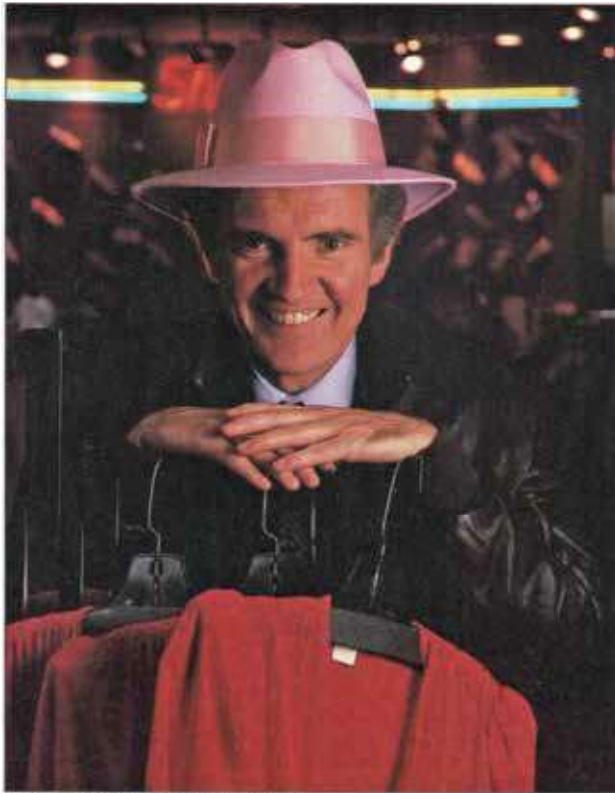
“What does Merry-Go-Round have, five or six stores?”

“You’re short by about 160.”

But when you’re a hot new stock and are mentioned in the same sentences with MTV, Michael Jackson, Prince, and Troy Aikman, the media wants to talk to you. Every time we released quarterly earnings, the reporters called. I hired Mallory Factor, a nephew of Max Factor of cosmetics fame, to manage our public relations.

Mallory pitched Merry-Go-Round to writers he knew at *Forbes* and they came in to do an article. They spent the morning conducting interviews, and I took them to our sample room, where we kept a piece of everything sold in the stores. A pink fedora—it looked like a woman’s hat to me—caught their eye. “Would you put that on for the photo?” the photographer asked. I didn’t like wearing my straw fedoras at Arthur Andersen, and I would never think of wearing a woman’s pink one, but how could I refuse?

In 1987 *Forbes* ranked Merry-Go-Round number 34 on its list of the 200 best companies in America.



I made quite a fashion statement in Forbes magazine, February 13, 1984

Merry-Go-Round President Mike Sullivan. "We aren't making the numbers up."



Positive PR helped drive up the stock price