

[Transcript] Founders / #304: Sol Price (The Founder Who Taught Jim Sinegal, Sam Walton, Jeff Bezos, Bernie Marcus)

One of the most unique things about this podcast is that I know the founder of every company that advertises on founders. All of them listen to founders, so it makes building a relationship a lot easier. And the reason I do this is because I only want supporters of the podcast that live and breathe their product the way I live and breathe this podcast. In every case, we share the same obsession for the quality of the products that we're making and the businesses that we are building. Eight Sleep is one of the supporters of this episode and the founder Matteo and I live in the same city. A few months after I started to use Eight Sleep, I randomly ran into Matteo at a restaurant. I was with some founder friends of mine. I went over and said, hi, when I got back to my table, my friend asked, he said something was hilarious. He asked me who I was talking to. And I said, that's Matteo, the founder of Eight Sleep. And my friend replied, he looks like he gets good sleep. Matteo is living and breathing his product. I never had the ability to change the temperature of my bed before I had an Eight Sleep. I had no idea how much that would improve the quality of my sleep. I keep my Eight Sleep ice cold. It is cold before I get into bed. This helps me fall asleep faster and I wake up less during the night. That feature alone is worth 10 times the price because not only do I sleep better, but it saves me time. In this episode that you're about to hear, sole price is constantly preaching the importance of time management and being very efficient with how we spend our time. Because Eight Sleep helps me fall asleep faster and I have better rest throughout the entire night, I have more time to dedicate to making the podcast. And as an added bonus, your spouse will love it too. My wife and I were just on an anniversary trip and after a few nights at a hotel, she said to me, I miss our Eight Sleep. I told Matteo that too and he laughed. There are very few no-brainer investments in life and Eight Sleep is one of them. Go to eightsleep.com, four slash founders for exclusive Memorial Day savings now through June 6th. They are shipping all over USA, Canada, the UK, parts of Europe and Australia. Get yours now by going to eightsleep.com, four slash founders. Another supporter of this episode and founders is Meter. In the episode you're about to hear, sole price is constantly having to look for new commercial space and expanding from the existing commercial space that he has. Sole was doing this in the 1950s. If he was doing it today, he would undoubtedly use Meter. Meter makes fast, secure and reliable internet and Wi-Fi that's easy to switch on as water or electricity. That is actually why the company is called Meter. There's power meters and there's water meters for every building. There should be one for internet, networking and Wi-Fi. Meter gives your business faster, simpler and more secure internet and Wi-Fi and it works in any commercial space. It could be an office, a warehouse as in sole prices case. It could be a laboratory. It works everywhere. Meter gives you streamlined design and installation, powerful hardware and smart software. All of that is fully managed for you and they provide expert support. One of my favorite things about Meter is how easy they make it for the customer. If Meter was around when sole price was expanding, all of his discount warehouses, all he would have had to do is get in touch with Meter, give them his address and his square footage and they would take care of the rest even better. There would have been no upfront cost to sole, just like there's no upfront cost to you. As a business owner, you'll love Meter because it saves you money. A huge theme in this episode is the importance of being the low-cost operator in your field and your IT team will love Meter because it saves them time and as you expand, Meter grows right along with your business. You can add more space or other locations

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without worrying about expensive upfront costs. You simply pay one monthly rate. Check out their website. It's absolutely beautiful and explains all the value that Meter can provide your business. Go to meter.com forward slash founders. And last but not least, another supporter of this episode and founders is our good friends at Tiny. Sole price is going to wind up, you're about to hear the story of him selling two different businesses. The first business he sells is a headache and a hassle he used to try to travel to Europe. He has to start having all these meetings. The guy winds up buying his company, winds up firing him from his company. He turned out to be an absolute

monster. Tiny is the exact opposite of that. If Tiny was around when Sole price was selling his business, he would have called Tiny because Tiny is the easiest way for you to sell your business. They provide straightforward cash exits for founders. The founders of Tiny, Andrew and Chris have designed their business to be founder friendly. They want to make it easy for founders to sell that want to sell their business without any of the hassle. They can buy businesses of all sizes. They've done deals ranging from as little as a million dollars to deals well over a hundred million dollars. Tiny even makes it super simple to get started. All you have to do is email them. You can email them at high@tiny.com. If you have a business that you want to sell now or in the future, make sure you get in touch with Tiny by emailing them at high@tiny.com. They'll respond within 48 hours. And of course, you can learn more from their incredibly designed website at tiny.com. This is Jim Senegal, founder of Costco, writing in the forward of this book.

About four years ago, shortly before his death, and a few days after we had lunch together, I received a letter from Sole price. Dear Jim, it's always nice seeing you and experiencing your enthusiasm, knowledge, and commitment to your values. You've been very generous about giving me some credit for influencing you. I suspect that's true, but you would have been a great achiever under any circumstance. I related only the first paragraph of this letter because Sole went on to say some very complimentary things that I will keep personal. Upon reading the letter,

I turned to my assistant and said, I've been waiting 50 fucking years for this letter. It was well known that compliments from Sole came around about as frequently as Haley's comment. After digesting the letter, I reflected on the fact that here I was in my 70s and still seeking approval from this guy. What was it about the man that engendered so much admiration and respect?

Not just for me, but from thousands of us who worked with Sole over the years.

Certainly there was his intelligence and creativity, but that's not the complete answer because there are millions of bright people in the world and only a handful make a lasting impact. There was so much more to Sole's leadership qualities that touched all of us and made everyone confident that we would persevere regardless of the obstacles. I started working at Fed Mart, that's a company that Sole founded. I started working at Fed Mart in 1954 while still in college, a path that was followed by many of Costco's current executives. Sole gave us incredible opportunities to learn the business, teaching us the skills and core principles we applied throughout our business careers and then later when we launched Costco in 1983. Sole's teachings had a great impact on our business ethics, our core values, and of course, our merchandising philosophy. He believed in developing strong operating efficiencies and he continually emphasized passing on savings to customers. In 1993, our two companies, Price Club

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and Costco, merged to form the Costco that we know today. We owe our legacy to the retail concept that Sole pioneered with Fed Mart and Price Club, as do all of our competitors in the industry and big box retailers in general. Sam Walton, who started Walmart in 1962, eight years after Fed Mart, was founded, later admitted that he had borrowed many of Sole's innovations. Sole's greatest business legacy was the creation of the Price Club concept that has many as a dozen existing retailers and startups attempted to clone. At one point, a reporter asked Sole how it felt to be the father of an industry, to which he replied, I should have worn a condom.

The fact that he instilled these concepts in so many who were around him is, in my mind, his greatest

legacy. And so that was Jim Cinnigal writing in the foreword of the book that I'm going to talk to you about today, which is Sole Price, Retail Revolutionary and Social Innovator and it was written by his son Robert Price. So I just finished reading this book for the second time. The first time I read it was several years ago. So there's a few reasons I wanted to read this book again. The first is that I'm unbelievably impressed with Costco as a business and then Jim Cinnigal as a founder. And as you'll see as we go through the book, Jim is very adamant. He says, you know, every single thing that he ever learned in his career came from Sole Price. And so by rereading this book, I actually see the origination and like the formation of the idea behind Costco. And another reason I want to do it is because I'm fascinated how so few people know who Sole Price is. Yet I would argue that he's the most influential retailer of all time. If you factor in how many people are on record saying that they took Sole's ideas and applied it to their own life and work, Jim Cinnigal of Costco, obviously, Sam Walton of Walmart, Jeff Bezos of Amazon, Bernie Marcus of Home Depot, the founder of Trader Joe's. It's pretty incredible to think about that Sole's ideas have created literally trillions of dollars of value. And then finally, Sole's a very unusual person. This is a biography written by his son. And in my opinion, the last, the way his son ends the book, the last paragraph, which I'll share with you at the end, is the definition of winning at life. So I'm going to jump right into the book. Most of the highlights that I have or what I want to talk about are his ideas. Sole says like he was like really creative and he had great ideas, but he thought he was a poor, he was poor at execution. And one of the reasons that he identified Jim as the person he wanted to sell Price Club to later on was the fact that he thought Jim was a world-class operator and fantastic at execution, which everybody obviously that's run into Jim has agreed with. But before I get into the ideas and where he, like his ideas for his company Building Philosophy, I want to just touch on a few things in his early life. This is something that's very common. He was a misfit. He just felt the need to prove himself through achievement. So Sole was talking about, he had a physical deformity. So when you look at pictures throughout his book, the older he gets, the like his, one of his eyes essentially looks like it's almost permanently closed and it started drooping when he was a young man and he gave him a lot of like, he was self-conscious about it. So he says, when I was three or four years old, I had an infirmity in my left eye that caused a drooping eyelid. It was something that bothered me and made me self-conscious. The kids tease me a lot. And consequently, I was shy and compensated for this. This is the most important sentence. I was shy and compensated for this by being an overachiever in school. Even at a young age, Sole was very intelligent, but he also had like an aversion to being told what to do. Being an overachiever meant reading at an early age, holding his own with adults in chess, and doing well in school without really trying.

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Sole skipped two grades, but he was mischievous in school. This is, this sentence made me think of the greatest description of an entrepreneur. His teacher told his mom that her son was very smart, but she warned that Sole could go in one of two directions. A career as a gangster or someone who would do much good. That sentence made me think of the greatest description I've ever heard for the mindset of an entrepreneur. They came from a von Schnard. He says, if you want to understand the entrepreneur, study the juvenile delinquent. The delinquent is saying with his actions, this sucks. I'm going to do my own thing. And so that chip on the shoulder that Sole had as a young person, I don't think ever left him. He has this constant desire from achievement and I would argue it stems back to his relationship with his father. So there's this idea that you and I cover over and over again. It may be in every single one of these books, but I think the best way to describe this came from Francis Ford Coppola's biography that I covered back on episode 242.

And it says, you can always understand the son by the story of his father. The story of the father is embedded in the son. This is Sole looking back and describing his father. He said, my father had contracted tuberculosis and the doctor advised him to move to California. From the time he moved to

California in 1927 until he died in 1949, my father never worked again. He received his monthly insurance disability. Now this is a crazy sentence that's coming next. My father lived in grave danger of getting well. The monthly insurance disability payment would pay him \$500 per month as long as he was disabled. If you read between the lines of a lot of things that are happening in this book, it sounds like his dad could have worked and that he was kind of hustling the system. So he could just, hey, I'd rather do nothing and get paid and hang out all day. This winds up giving Sole and his family a bad reputation. Sole winds up meeting his future wife, they're wound up being married I think for like 70 years in high school. And his future's wife's parents didn't think Sole was good enough for their daughter because they thought Sole's dad was lazy. And so I think this is another example of this chip on his shoulder that was there for his entire life. My father didn't do anything except play cards and chess. So they weren't wild about me, this is his future in-laws, and they didn't think I was good enough for their daughter.

So you can already see that Sole has a less than positive view of his dad. And then what happens is his dad's wind up is wind up cheating on his mom. So there's just this turbulent family life that is really interesting because it was solved in Sole's life by picking an unbelievably supportive spouse. And this idea of just having someone who believes in you making an unbelievable amount of difference in the life of an entrepreneur is something that pops up over and over again. In fact, I think Stephen King has the best way to describe this. I'll get there in one second. But this is more about his future in-laws not approving of him and his family. And you'll see, again, he's a juvenile delinquent, you'll see by his response here, to make matters worse, Sole's parents divorced in 1935, further convincing Helen's parents that their daughter should not continue to see him. Divorce in those days, particularly among Jewish couples was almost unheard of. Bella, which is Sole's mother, found out that Sam was in love with another woman. But Sole picked a great spouse. Helen, having been raised in a stable home with nurturing parents, provided much of that that Sole had never experienced with his own family. Sole is in love with Helen. Her parents say, absolutely not. You cannot date this guy. Sole's response is, okay, we're going to go get married. We're going to go elope.

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Sole and Helen, recognizing that Helen's parents would never agree to them marrying, took matters into their own hands and eloped. But before we move on, let's go to this idea that having someone who believes in you makes a lot of difference. And back in episode 210, I read Stephen King's excellent autobiography, obviously one of the best written autobiographies you can ever come across because it's written by Stephen King. And he says something that's fascinating, like how many times do you pick up a book? And at the beginning, they're like, hey, you know, I like to think my spouse, my husband, my wife. And this is what he said, my wife made a crucial difference during those two years. So he is describing, everybody knows who Stephen King is, right? And if you haven't read his autobiography, if you haven't listened to episode 210, what blew my mind is I didn't understand how unbelievably poor and just seeped in poverty that Stephen King was when he was trying to make it as a writer. They lived in a trailer. They couldn't even afford a telephone in their house. Their daughter was second. They couldn't afford the medication. He's got unbelievable stories in that book. And so he's describing that time period. But now, from the perspective of an unbelievably successful and wealthy person, my wife made a crucial difference during those two years. Tabby never voiced a single doubt. Her support was a constant. This reminds me of Soul Price's wife. This is what I'm writing to you. Her support was a constant. One of the few things I could take as a given. And whenever I see a first novel dedicated to a wife or a husband, I smile and think, there's someone who knows. Writing is a lonely job. Entrepreneurship is a lonely job. I'm going to wind up talking to more founders than almost anybody else alive, right? And that comes up when we're going, being a founder is extremely lonely job. Having someone who believes in you makes a lot of difference. They don't need to make speeches. They don't have to make speeches. Just believing is usually enough. And so Soul, in probably life's most important decision, picked the right spouse. I'm going to fast forward. He went to law school. And it's interesting to me, there's so much about reading Soul's experience as a young lawyer that reminded me of Charlie Munger. And so Soul has a line right at the beginning of this chapter that describes his very short law career. And he says, over a period of time, I really learned far more from like my clients than I ever learned in law school, reminding me of one of my favorite quotes by Henry Ford, that true education is gained through the discipline of life. And so I just want to pull out one idea that I think is very valuable. He's a young attorney, has no money, doesn't really have a client base. So how's he going to build up and like his own business, his own book of business, right? He gets clients for his law firm by giving away value for free first. So he's working with these other two older attorneys and what he says, one thing that they learned that the most valuable thing that he learned from them is not like how to like the technical aspects of running a law practice. It's about how everything moves with relationships. And so he says, I became a lawyer in the community for all the Jewish charities. And obviously, I never charged them for it, not charging for one's legal services, especially as a young attorney with no money, struggling to earn a living might not have been so obvious. His pro bono legal work introduced him to many people in the community, some of whom eventually became his clients. Soul is living and working in San Diego at this time. He is 25 years old when the attack on Pearl Harbor happens. And that changes everything in his life. I had developed a reasonably fair practice and was making a halfway decent living. But literally overnight, life in San Diego changed forever. After the attack on Pearl Harbor, the United States government

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did not know whether or not the Japanese were capable of attacking the West Coast. So the Navy announced that it may be it was considered advisable as a precautionary measure to black out San Diego at any minute. So he's describing what going through his life and work with no electricity. All of a sudden, there were total blackouts every night. It's hard to even recall now how inconvenient it was trying to get around after dark without lights in your car, without any lights in the street, and trying to figure out where you were going and how to get there. It was a very, very difficult thing, but somehow we still managed to keep moving. And I really can't recall clearly how we did it. So in addition to having to do his legal work during the day, he has to work supporting the war effort at night. So he's working at this place called Consolidated Aircraft that is making airplanes for the war effort. And really, what I was saying about this whole section that a little adversity goes a long way. This is the start of Seoul's unbelievably strong work ethic. He really starts to get fulfillment from working hard and being productive. And we see him contrast his own work ethic with his father's again, throughout the rest of the war. Seoul was at his law office eight in the morning until noon. Then he worked. He had to drive across town to Consolidated the aircraft company until 11.15 at night. So his work days from eight in the morning till 11.15 at night, he would eat dinner, go to sleep, and then the next morning do it all over again. Seoul did not complain. And said I actually enjoyed the experience. Unlike his father who had managed to find ways not to work, Seoul thrived when he was busy working hard and feeling

productive. This is what I mean about a little adversity going a long way. It's actually good for you. His desire to work hard and get the most out of every hour of the day was not characteristic of his earlier years. Seoul commented that he never worked very hard in school, at least not until law school. Beginning with his early career in law and his work at Consolidated, Seoul would continue to live his life working hard and taking full advantage of every hour of the day. This is also something that he teaches grandchildren. In his later years, Seoul frequently spoke about the importance of time. His granddaughter talks about what she learned from her grandfather. The concept of time was very important to my grandfather. I remember on a couple of occasions talking to grandpa about how I would be able to accomplish certain goals. He explained to me that we always have more time than we think. Then he would take an inventory about how much time you're spending on different things. How much sleep do you get, he would ask. How long does it take you for you to study? How long does it take for you to eat your meals? So many questions about my day. Well, you have enough time, he would say. There are 24 hours in a day, 168 hours in a week. We waste so much of it. There is always time. I thought it's funny because later in the book, it talks about what he'd keep one sign on his desk that said do it now. And so at this point, he's still a young man. I think he starts his first company when he's 40, but what he's realizing is like the value of his legal practice was the fact that he discovered he didn't actually like the law and he wanted to actually, he was much more interested in business. So he says, over a period of time, I really learned far more from my clients than I ever learned in law school. And because I involve myself so deeply in their matters, I think this is where I began to accumulate the knowledge and interest in business. And he also realized that even though a lot of his clients didn't have the like the higher education levels that he did, they were much more wealthy than he was. And they just had this like basic common sense. I just want to give you one example. This is a guy named Isidore Teacher. He was one of Sol's

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clients. He had emigrated to the United States from Scotland when he was three years old. And he had no formal education, but he was very smart. And then Sol also saw that, okay, you don't have to have formal education to be smart in business, but you can be smart in business and bad in other aspects of your life. Sol is very akin to like Ed Thorpe where he was able to be unbelievably professionally successful and without really messing up other parts of his life. Isidore Teacher had a problem picking wives. And he also says some funny stuff here. So he says, Teacher was very successful real estate investor and business person. He wasn't very successful, however, when it came to his marriages. Sol represented Teacher in a divorce that ended up in the court. And so his wife's divorce attorney was threatening to have the court take over all of Teacher's assets. Sol went back to Teacher and told him about the threat. Teacher's response is something that Sol said he'd always remembered. And that's what Teacher said. Well, that's okay if my wife wants to sink the ship. Let her sink the ship. I can swim better than she can.

Teacher's gutsy response made a big impression on Sol because over the years, Sol was never afraid to hang tough in a negotiation. And so it's through Sol's legal practice that we see the very first like kernel of this idea that's going to eventually turn into Costco. And so a major driver of the San Diego economy at this point in history was the Navy. And so Sol sees this very focused niche business that is unbelievably valuable. Navy regulations required sailors to depart from their ships and come back to their ships in uniform. Because the sailors wanted to change into their civilian clothes, once they were on shore, they needed a place to store their uniforms and to purchase clothing. In response, a few enterprising entrepreneurs opened these things called locker clubs. So a locker club is stores that not only had lockers where sailors could store their uniform, but offered a wide range of goods and services for sailors to purchase. The most successful of the locker clubs was this business called the Seven Seas locker club. And so Sol starts studying the business. He says the Seven Seas was another learning experience for Sol. It was an opportunity to see how a large store selling a variety of goods and services all under one roof could be successful catering, this is the most important sentence, could be successful catering to a focused segment of the marketplace, focused segment of the marketplace is what you and I today would describe as a niche. This entrepreneur made a very successful business understanding a Navy regulation and then solving the problem and narrowly focusing on one segment of the market. So that's the first kernel. This is the second one. His father-in-law dies. He's trying to help his mother-in-law like settle their estate. They own a bunch of like commercial real estate. And so her name is Bertha. And it says, so Sol is faced with the challenge of finding a tenant for Bertha's Main Street property. Sol's client, remember this is all, this is, it's amazing how all this relates, all of the relationships that he built when he was practicing law winds up, is what launches his business career. But he's also paying attention. And so in the back of his mind, he's like, okay, well, this is a very interesting business that they were able to build, focused on Navy regulations and sailors. And then he's introduced to another example of this because he's trying to find a tenant for his mother-in-law's commercial property. And one of his clients is like, hey, why don't we go up to Los Angeles? And we check out this thing called Fedco. Fedco is a membership retail store. Remember, you and I know where this ends up, right? This ends up in Costco, but we are three decades in time before Costco is founded. And so this is the

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first time that Sol sees an idea which generations of entrepreneurs after him are going to use is like, okay, well, wait a minute, there is a membership retail store targeted to a specific niche in Fedco's case, they only sold to federal employees. So he's going to see a lot of ideas that he's like, oh, I can use this idea. He's also going to see one that he can actually change. And one example is this is the fact that since Fedco was sold only to federal employees, it was a nonprofit corporation. And there's going to be all these warning signs that, hey, this is probably a good idea that people are not paying attention to. And this is one of them. The Fedco store was doing a brisk business with customers coming from as far away as San Diego. In fact, 5,000 Fedco members lived in San Diego, and we're driving 200 miles round trip to take advantage of Fedco's bargain pricing. You and I have seen this, I think it was Episode 234 that I did on Sam Walton's autobiography. When you have people driving far distances to save money, that is a very, very good sign. And that is something that Walmart had in the very early days as well. Another parallel with Walmart is Sol and his two clients are like, oh, wait, wait a minute, this Fedco type business could be successful in San Diego, we know that because there's 5,000 people in San Diego, they're driving 200 miles round trip just to save some money. And we have a spot where we can put it because we can put this store in my mother-in-law's vacant commercial, it's a commercial warehouse basically. And so since Sol and his two clients didn't have any experience, this is something that Sam Walton did as well, where they call Fedco and they're like, hey, why don't we do a joint venture? And Fedco's like, no, we don't want anything to do with you. And Sol said, in retrospect, we were lucky. If you go back and study the early days of Walmart, he eventually, he initially purchased, pitched the idea, the idea for Walmart to a larger company. In fact, let me read, let me pull up the quote from Made in America. It says, this is Sam Walton writing, many of our best opportunities were created out of necessity, the things we were forced to learn to do because we started out under financed and under capitalized in these remote small communities. This contributed mightily to the way we've grown as a company. Had we been capitalized, or had we been the offshoot of a large corporation, the way I wanted to be, we might never have gone into all these other towns that we went into in the early days. It turned out the first big lesson we learned was that there was much, much more business out there in small town America than anybody, including me, had ever dreamed of. And so in other words, Sam was forced to do it himself, operating under more constraints because he didn't have as much resources. We see the same thing with SoulPrice and his partners, like, well, Fedco was a bigger company, they already know what they're doing. Okay, they said, no, we're still going to figure out how to do this. And Soul talked about this fact that ignorance sometimes is a bliss for an entrepreneur. He says, fortunately, most of us had backgrounds that were alien to retailing. We didn't know what we, we didn't know what wouldn't work or what we couldn't do. I was just listening to an interview with Daniel Eck, the founder of Spotify, unacquired. He said the same thing, like, if I'd known how painful and how difficult this was, he's like, I'm glad I went through it. But if I'd known upfront how difficult and painful it was, I would have never done it. That idea or that experience is very common in the history of entrepreneurship. And so he says later on that, I think they opened the first store for like \$50,000 and they didn't know what they were doing. And later on, when they knew what it was doing, it would cost \$5 million, which is funny. But I do want to go to this idea that Soul, like you and I are just, he's learning machines, constantly studying and learning from

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other founders. And so he has these two stories, he's like, oh, Seven Seas Locker Club, that's interesting. Oh, Fed, Fedco, that's interesting. Then he starts studying this guy named EJ. I don't know how to pronounce his name. So we're just going to say he's the founder of EJ Corvette. There's a new type of retailing. Discounting was launched by this guy named Eugene, who founded this company called EJ Corvette. He opened the first discount store in 1948. And this founder did much to define the idea of a discount department store. What he would do is he would sell products

at deep discounts from the manufacturers suggested fair trade prices. This is very important at this time. And Soul was one of the people that gets these ridiculous, ridiculous laws overturned. There was these things called fair trade prices that said you had to charge the customer. Even if you could sell cheaper, because you had a better cost structure, because you were more efficient, did not matter. There was these artificial like floors on prices that Soul thought was ridiculous. And so the founder of EJ Corvette figured out a way like a loophole to get around these fair trade prices. The way Corvette circumvented the fair trade laws was by requiring that shoppers become members in order to shop. The membership was really just a way of outsmarting the fair trade laws. This is incredible. I love how these like little weird decisions that happen.

Anyway, this happened in 1948. That is 40 years before Costco is invented or founded rather. But this idea, this like this, obviously the one of the benefits are the benefit of Costco is like almost all their profit comes from the reoccurring membership, right? And the fact that they use their size just to buy products so inexpensive and then barely market up, just market up to cover like their very low operating expenses. And so you go to Costco, I mean, you already know this, you go to Costco and you just find a TV that's \$500 cheaper than anywhere else ever. It could be because it's like, we're not making money on the TV, we're making money on membership

fees. And this idea that the membership club for discounters started out as a way to get around a random regulation. And this regulation lasts a long time. This is 1948. The regulation's already been established for quite a while then. I think it's in like the 1970s, where soul and a bunch of other people play a role in getting these ridiculous fair trade laws repealed. It's incredible how these things like echo throughout time. And so this is the reason he was doing this because customers could realize significant savings at Corvettes. You can say the same thing. Customers could realize significant savings at Costco's. A refrigerator might sell for \$400 at Macy's and Corvette sold the same for \$300. Okay, so let's go to the beginning of Fed Mart. Now here's the crazy thing. Fed Mart is literally Fedco, right? It's just like, okay, let's make a membership discount store that's available to only to federal employees only. So it says Fed Mart followed the Fedco template in almost every way, including membership. Soul raised \$50,000 from a handful of investors, including his own \$5,000 as seed money. For most of the investors, a \$5,000 investment was not a lot of money. But for Soul, \$5,000 was a significant amount of money at the time. So at this point that he starts his own company, he's still practicing law, doesn't have a lot of money. He's very concerned. This is something he's concerned with his entire life. I think a smart is capping the downside. Capping is downside risk. So he negotiates their lease. He's like, okay, we negotiated a lease for 10 years. We were so uncertain as to the future of this enterprise that we reserve the right to cancel the lease at the end of one year if it didn't work out. And then this is what I mentioned earlier. Soul is also hilarious, as you saw with the

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introduction with Jim Senegal. So he's very has like this very sharp wit. And he says, I used to say afterwards that when we didn't know what we were doing, it only took \$50,000 to start a business. And five years later, when we were really experienced at running Fed Marts, it took \$5 million to open. So they opened a membership retail store in a warehouse in an industrial area of San Diego. This broke just about all conventions in 1950s retailing. Shoppers had to be military or government employees, and they had to purchase a membership card, and they needed to show their card in order to shop, just like you and I do today when we walk into Costco. And we go back to this idea, it's like, Hey, I have an idea that this will work because we have 5000 people literally leaving our city going to Los Angeles, they'd probably shop here

if they just had them and other people would shop here. So it says from the day that Fed Mart opened for business, the store was an immediate and spectacular success. We had anticipated that we might do a million in the first year, and we did three times more than that. So the customers are happy, but his competitors are not. And we see that sole price is a fighter. He did not shy away from fighting at all. Some of the downtown merchants try to cause problems right before we were about to open a guy came to the Fed Mart. And he said he was a betting inspector for the state of California, who's responsible for seeing that things like pillows and mattresses do not have any deleterious stuff in them. Here comes his betting inspector, and he has this long list of questions. And the questions had nothing to do with pillows and mattresses. I politely and firmly told him to get the hell out. And if he wanted to close this down, take your best shot.

We never heard from him again. And this is the first part of the book where we see that Sol's business philosophy. You're going to see, you obviously see this with Costco today. Sol described his business approach as a professional fiduciary relationship between us, the retailer, and the member, the customer. If you're buying as inexpensively as possible, and only marking up to cover your cost, and making the vast majority of your money just on membership fees, you're in perfect alignment with the customer, as opposed to the person that you're

buying goods from. And the way Sol demonstrated this is obviously a markup of, say, 12% over your costs, compared to 36% or 50% of some other retailers. Obviously, that's better for the customer.

And so I wrote on this page, because it's, Jim Senegal says the same thing, that Sol and Jim Senegal, Sol Price and Jim Senegal are soulmates. And so Sol Price says, our first duty is to our customers, our second duty is to our employees, and our third duty is to our stockholders.

And so by the time FedMart expands, Sol has left practicing law, now he's full time in the business that he founded, he's 40 years old. And it says, Sol made his decisions from the point of view of his own experience, the fact that he was an attorney and not a retailer, and that he was an entrepreneur and not a chain store executive. He was never driven by the need to have the most stores or the most money, but by the desire to give the customer the best deal, and to provide fair wages and benefits to FedMart's employees. And so Sol Price would constantly pay his employees

more than his competitors, because he thought it was the right thing to do. I was listening to a speech by Jim Senegal, who uses a lot of these same ideas. And he said that Costco had 22,000 people

apply for 200 open positions. I think that that was when they were opening a new store.

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At this point, FedMart's expanding their into San Diego, or certainly San Antonio, which is a cheaper cost of living than where the other FedMart stores are, but Sol Price thought it was unethical to pay them less than he was paying other FedMart employees. Employers were paying their employees 50 cents per hour. He decided that the wage should be a dollar per hour. And so it's the result, of course, everyone wanted to work at FedMart. That same idea that Costco has 22,000 people apply for 200 positions. Why would he require FedMart's wages to be twice

as much as competitors? FedMart was paying a dollar an hour to employees in San Diego and Phoenix.

The wage decision in San Antonio was simple. Employees in San Antonio worked just as hard as the other FedMart employees. FedMart had excellent profits in San Diego and Phoenix while paying good wages. Why just not apply the same wage philosophy in San Antonio? And what I wrote here is just keep it simple. I've seen other companies like compensation structure, and it's like you need like a PhD in math to figure it out. Just keep it simple. Oh, we pay them a dollar an hour in San Diego. Okay, we're opening a store, dollar an hour there. Less time to think about it, move on to actually things that are more important. And one thing that you have to love about Sol, that he always felt that he had to do the right thing no matter what. And so at this point, there's still a lot of segregation in the United States, and he's just not with that. He's like, there's no way that I'm putting these provisions in any lease. Sol was negotiating mortgage for the property with a major insurance company when he noticed that the mortgage agreement stipulated that FedMart must maintain separate bathrooms based on race. Sol told the lender that the separate bathrooms provision was unacceptable and that he would not enter into the mortgage agreement

unless the provision was removed. The lender removed the provision. Once again, Sol chose the right way and was able to achieve a victory in the battle against segregation. And I think this idea was like, Hey, I'm just going to do what I think is right, and I'll suffer the consequences, and I'll fight back because I think it's important to me is really like a fact it can affect future generations. So like Costco to this day sells like drugs, prescription drugs, cheaper than almost all of his competitors. If you re if you researched the early history of FedMart, they were the first ones to sell to use like this heavy discounting to prescription drugs as well, that's been copied over and over again. The important part is like human nature never changes last week on episode 303. I told you when Mrs. B was selling carpet cheaper than her competitors, she was literally sued. They call her like a bootlegger or something like that. And it winds up getting thrown out. But people do all kinds of crazy things, again, that are not, they're good, they may be better short term for the business because you're able to charge more, but they're not better for the customer. And I think what Seoul Price realized, which Jim Cindigal realizes, what Jeff Bezos realizes, what Mrs. B realizes, like you should just always go for what's better for the customer. So Seoul winds up saying, you know, I'm going to fight these regulations, these fair trade laws. And he opens the first pharmacy inside of a discount store ever. And he hires this guy named Wayne Mallory, who was a pharmacist. And then he comes over and starts selling drugs cheaper. And his profession and other important businesses in that profession treat him like a trader. Look what they do to this guy. It says Wayne Mallory was said numerous obstacles in opening the very first pharmacy, pressure from local and state

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pharmacy organizations, pressure placed on the wholesale companies not to deliver or sell to FedMart exactly what happened to Mrs. B, difficulty in obtaining a permit from the state board of pharmacy. He was expelled from this is insane. He was expelled from the local and state pharmacy organizations. He received numerous death threats. The hell is wrong with our species.

A rock was thrown through his living room window, and he was treated like a trader to his profession. And so Seoul fights this battle on multiple fronts. And they come around, they come up with an idea of another way to get around these ridiculous fair trade laws. Think about they're going to have their own white label company, like own products. Think about how valuable

like the Kirkland white label brand for Costco is now. Because fair trade laws impacted so many products, FedMart developed a line of private label merchandise. The FM brand was of laundry detergent was about one half the price of the national brand. And so this goes back to his misfit like nature when he was a kid, you don't want us to sell your products for deep discounts, that's fine, we'll make our own. And then again, a version of Costco before Costco, FedMart, like price club after it, and like Costco after that, one of the most important factors is that Seoul, Seoul price believed it low price merchandise with limited selection. Seoul calls that an intelligent loss of sales, which I'll get his idea of intelligent loss of sales, which I get to in a minute. But I wanted to bring up this part. This is what I mentioned that he was, he helped get these ridiculous laws overturned. Because again, at the end of the day, it's just better for customers. It's all we really need to focus on by 1975 consumer demand for lower prices convinced Congress that it was time to repeal fair trade laws. Only liquor remains subject to minimum price maintenance in some states. So what does Seoul do? Seoul told the FedMart liquor buyer

to purchase national brand liquor and to price the liquor at a 12% markup. The state of California challenged FedMart's pricing as a violation of the state's liquor price maintenance regulation. Think about that. Seoul is getting being, just like Mrs. B, Seoul is getting sued for selling too cheaply. FedMart's attorneys argued in court that federal law preempted state law. The judge cited with FedMart. So remember at the very beginning of the book, Jim was saying, hey, this guy positively affected thousands of people's lives. And part of it is because he viewed himself as a teacher. And so at the beginning of this chapter, there's a fantastic quote by Jim Cinegal. And he says, if you're not spending 90% of your time teaching, you're not doing your job. And that's something he learned from Seoul. Jim Cinegal, Costco's founder, started working for Seoul in 1954 at the age of 18. Jim recounted the time that he received a call from a reporter to answer some questions. You knew Seoul for a very long time. You must have learned a lot.

No, this is Jim talking. My response was no, that's inaccurate. I didn't learn a lot. I learned everything. Everything I know. This may be my favorite part of the entire book. Seoul focused much of his attention on teaching. He had a favorite adage that he frequently found appropriate to repeat. You train an animal, you teach a person. Seoul really wanted all FedMart employees to think about and understand why their jobs were important to the success of FedMart. He was not a big fan of procedures and training manuals, because he believed that manuals were a substitute for thinking.

Seoul's emphasis on teaching was expressed in his phrase, alter ego. So it really clicked for me

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when I read this for the second time, that there's a great line that talks about the importance of like essentially the culture of a company is the large part of the personality of the founder, and that Apple was Steve Jobs with 10,000 lives. He is making, at this point in the book, he's making 10,000 Seoul prices, right? So it's like this importance of teaching. Seoul's emphasis on teaching was expressed in the phrase alter ego, a rather simple concept. He used the following example. If the owner of a store was able to do all the jobs himself, greet customers, order and receive merchandise, do the accounting, sweep the floors, et cetera, he would. But the reality is that normally the owner can't do all the work himself. Therefore, he must hire people to help. Then he must teach his employees to become his alter ego, so that they understand the importance of their jobs and perform their jobs as well or better than he, the owner would, if he had the time. He is creating 10,000 alter egos. He is creating 10,000 Seoul prices. Just so happens that one of the alter egos that he created is one of the greatest founders to ever do it in Chim's cynical. And so one of the ideas that he spread to his alter egos, this is something Costco uses. This is something when I read the biography or the autobiography of the founder of Trader Joe's,

like he used as a differentiator in the grocery department, this idea of limited SKUs. And so this entire section is about the logic of limited selection and intelligent loss of sales, which is the term that Seoul put on it. And again, this is one of Seoul's ideas that is widely, widely used today. Seoul proved that it was possible to do more sales with fewer merchandise items, also known as SKUs. Why does limited selection result in higher sales?

Part of the answer lies in what Seoul called the intelligent loss of sales.

Conventional wisdom in retailing is to stock as many items as possible in order to satisfy every customer's needs and wants. The intelligent loss of sales turns that theory on its head, postulating that customer demand is most sensitive to price, not selection. Gotta repeat that. Customer demand is most sensitive to price, not selection. How does the intelligent loss of sales work? Seoul's classic example was three in one oil. So this is oil that you'd use around your house to like lubricate clean and like prevent rust. The manufacturer produced the oil in three sizes.

Most stores carried all three sizes of three in one oil, even though the large eight ounce size was a better value per ounce than the smaller sizes. Most people who need three in one oil would buy the eight ounce size if that was all that was on the shelf. The price is far better per ounce.

It is acceptable for most customers. What about the customer who doesn't buy the eight ounce size? That was the intelligent loss of sales. What does limited selection have to do with efficiency?

Because payroll and benefits represents approximately 80% of a retailer's cost of operations. Fewer items result in reduced labor hours throughout all the product supply channels.

Ordering from suppliers, receiving them at the distribution center, stocking them at the store, checking out the merchandise, and paying vendors.

Put simply, this is so, what an excellent observation by Seoul, put simply the cost to deal with 4,500 items is a lot less than the cost to deal with 50,000 items. And why is low cost so important? The success of Fed Mart and Later Price Club had a lot to do with being the lowest cost operator. Okay, so I want to fast forward in the timeline to where Seoul gets kicked out of his own company. At this point, this goes back to the idea where like, one of the main ideas of the book is like, it's so important. Seoul was unbelievable at everybody around him, said his ideas and his creativity of starting business was, you know, maybe the best ever. But his execution, he just,

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by his own mission, he's like, I'm just not a good executor, not a good operator. It's why, after he gets kicked out of Fed Mart, starts Price Club. And once he really like grows the idea for Price Club, we realize, hey, we got to sell to Costco because Jim's just the best operator in the world. So Fed Mart, because, in part because Seoul shared his ideas widely, they have a ton of competition from world class operators. So you have Walmart, that's already been existence for almost 10 years now, Target, Kmart, and these operators are just operating a lot better than Fed Mart is. So he has this idea where he's like, man, we're running until these problems, business has been going on for, I think, almost 20 years at this point. And so he's looking for like new ideas or maybe eventual buyer. He's like considering a sale or merger of the business, some investment bankers hook him up with some retailers over in Europe. So he flies over to Europe. This is important because one of these winds up being a buyer and the other one winds up giving him an idea that he uses for Price Club, which is really what we're talking about. It's like this is still the prehistory of Costco. This is why I'm holding the book in my hand, why I'm talking to you about it, why I re-read it, because I just have a strong desire to understand Costco at a more fundamental level than I do. And it's surprising not a lot of material out there. So if you have any material about Costco, please get it to me. I'll read everything and listen to anything you find as well. So it says he goes to Amsterdam and Germany. This is hilarious. The first meeting is this guy that's the founder of this, they're called Macro, M-A-K-R-O Stores. This guy lives in a castle in Amsterdam and his business is a membership warehouse, but these are gigantic, much bigger than the Fed Marts where they're over 200,000 square feet. And it's a similar concept where to shop in the store, you have to purchase what they call a passport membership. And so it says, Seoul must have been impressed because when he returned to the United States, he talked about the store at length and in particular the passport membership concept for business customers. To shop at Macro, you had customers required to prove that they were owners of a business. You have to prove that you're owner of a business, then you can buy the membership. So that idea, he's like, oh, I come back. He's like, man, this is a really interesting concept. What if we had a membership discount retailer, but it was only for business customers? That is, that is the idea for Price Club, which is going to come after this. So again, Seoul Price is literally doing in the story what you and I are doing right now, which is learning from other entrepreneurs that came before us. Then he goes to Germany, he meets with this guy named Hugo Mann. Hugo Mann owned a chain of these things called hypermarkets. So hypermarkets is what you and I would know is like a Walmart Supercenter today. But this is way before Walmart Supercenter existed, where it's groceries, it's everything, including food and groceries and perishables. And so the issue that's going to happen in the future that Seoul doesn't know what's happening now is like Hugo Mann, the founder, like wines and dynes, takes him on this beautiful vacation spot in Germany, turns on the charm. This is the biggest thing where time is the best filter. You can fake being a scumbag for six months for a year. You can't for five, 10, 15 years. Your true personality and who you are is going to eventually come out. They had this idea though, they're starting to negotiate with Mann and some of his people and they really don't like them. But they got caught up in euphoria of a big deal. The other way I've heard other entrepreneurs say this in the past is like you should have a no asshole rule. And another way to put this is like

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you can't make a good deal with a bad person. And this guy winds up being a bad person. The negotiation sessions provided plenty of opportunity to gain insight into the characters we were dealing with. But Seoul had decided that Fed Mart had much to gain by reaching a deal with Mann and his group. Later on, looking back on our times with Mann, the warning signs seemed so obvious. But at the time we were caught up in the euphoria of making a big deal. And so Mann is going to buy 64% of the company was like this merger eventually just like this takeover really.

And because he needed money because he's like, okay, well, I'm facing some serious operators, if we get a big influx of money, we can expand and we can kind of fight. That's not going to happen. I mean, you have to avoid this mistake. You can't sell 64% of your company and then be surprised when you get fired, which Seoul does get fired. The first indication of real trouble occurred at the first meeting of the new board. This was the first time the Seoul and I experienced the real Hugo Mann. Rather than the friendly person we had seen, Mann launched into a 90 minute tirade criticizing Seoul and Fed Mart's performance. We were finally seeing Hugo Mann's true character,

a side of him that executives in Germany saw every day. And so immediately after he gets fired from Fed Mart, he starts what he's going to call the price club. So he's like, what do I want to do after Fed Mart? And he realized, well, I can just take that macro like business in Amsterdam and do it here macro operated a membership wholesale business in a warehouse. They sold products to small businesses in a no frills warehouse environment. Its strategy was to offer a wide range of business products at very low prices. Seoul thought just maybe there's a way to have a wholesale business selling to independent business owners. So he's going to have a membership based warehouse business. It's going to have no frills. And it's going to sell business products at low prices to business owners. And if you think about the price club idea, Costco is this, but for everybody, the price club idea was finally conceived,

a wholesale business selling merchandise to small independent businesses. The business owners would come to a large warehouse, select the products from a steel rack displays, and pay either by check or cash. Thousands of small businesses would pool their buying power for shopping at our wholesale warehouse. Now there's millions, I don't know, tens of millions, what a hundred, I don't even know how many Costco members are, let's say a hundred million. In this case, there was thousands of small businesses pulling their buying power together. In Costco's case, there's a hundred million or whatever, 50 million customers pooling their buying power together. That is a very, very powerful idea. And this may be the main idea of the book. Everything that made price club different is what made price club successful.

Price club differed from its competitors because of the number of items offered for sale. The typical grocery or discount store carried about 50,000 different items compared to price club's 3,000 items. Price club was a warehouse with rack storage, high ceilings, and concrete floors. And most importantly, the prices for the merchandise were far less than prices available anywhere else. The operating efficiencies of the warehouse concept and the direct delivery of products from the suppliers to price club made it possible to sell merchandise for less. And so the value proposition to the business owners, real simple, for \$25 membership fee a year, we can pull together the buying power of thousands of you, eventually tens of thousands of you, and then you have your own warehouse. We will handle the buying and the delivery logistics. You just have to drive to the warehouse that you're a member of and pick it up.

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And so the great thing about reading rather obscure books like this, I don't know how many people have read this book, is you discover the origination of like a cultural phenomenon. So there's this funny thing like in Costco lore is the fact that they sell a hot dog and a soda for \$1.50 and they have forever. And if there's just one of my favorite stories about Jim Senegal is what happened, one of the guy that was working for Jim tried to try to convince Jim to increase the price of the hot dog, which I'll get to in a minute. He's just my kind of founder. He's just Jim is my kind of founder. And we realized that idea came originally from Price Club. Price Club was selling a hot dog and a can of soda for \$1.50. The price of a Costco hot dog and soda has remained the same, \$1.50 36 years later. But the thing is now it's 46 years later because this book was published about 10 years ago. So the reason I say it's my kind of founder is said there's this great back and forth where it's like, okay, Jim, we need to raise the price of the hot dog. And Jim's response was if you raise the price of the fucking hot dog, I will kill you. Figure it out. That is a founder that is obsessed with delivering value to his customers. The Price Club is so successful before it sells. It's going to wind up pitting her out before Costco buys it in large part because of competitors that Sol Price actually created for himself. Bernie Marcus, one of the co-founders of Home Depot comes and visits Sol. Sol has this fantastic reputation with world-class entrepreneurs. So this is in 1978, Bernie Marcus came to see the Price Club and to visit Sol. Sol took Marcus on a tour through the warehouse. He suggested to Marcus that he open his own home improvement business using the knowledge and experience he had gained at Handy Dan. Handy Dan had just fired Bernie Marcus. I had done this book, if you don't know what I'm talking about, I think it's episode 45. It's called Built From Scratch, how a couple of regular guys grew the Home Depot from nothing to 30 billion. And I think now Home Depot, since that book was published, was like 300 billion. It's a fascinating story, but Handy Dan was this place where Bernie was working at, got fired from. So he says, hey, why don't you take the hardware knowledge that you had that you gained at Handy Dan and then combine it with my idea. And that is what Home Depot is. Marcus took Sol's advice and with his partner Arthur Blank opened the first Home Depot in Atlanta, Georgia in 1979, blending what Marcus had learned in the traditional hardware business with Price Club's warehouse format. Another competitor that Sol Price made was Sam Walton. Sam Walton is on record saying, hey, I stole more ideas from Sol Price than anybody else. And considering that that Sol, that Sam Walton had studied more retailers than anybody else, that's a hell of a statement. Sam Walton, who had created Walmart by using FedMart as a model called Sol, Walton wanted to come out and have a look at Price Club. Sam was interested in learning as much as he could about the warehouse called business. Sol was open and generous with information. Sam thanks Sol and returned to Bentonville. And in 1983, Walton opened his first Sam's Club in Oklahoma City. Sol was a real believer in the importance of competition, that competition gave the consumer a better deal and sorted out the strong operators from the weak ones. But Sol may have had second thoughts about sharing so much information with future competitors, because his ideas were used by so many startup warehouse businesses. And so if you think about

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one of the main maxims of the history of entrepreneurship that you and I have gone over, over and over again is that bad boys move in silence when they find something that's working, when they find something that's lucrative, they shut up about it. Sol price did the opposite. It all works out in the end because he sells to Costco, but I bet if he could go back and do it all over again, he would have kept his mouth shut. And so then we fast forward in the story and now you have, by this point in time, you have a bunch of people doing the same Price Club playbook, the same, it's just Price Club with a different name. And the problem is that two of these people that are doing this are some of the best operators in the history, some of the greatest operators in history in Jim Senegal and in Sam Walton. And so Jim says here, we owe Costco's legacy to the retail concept that Sol pioneered with FedMart and Price Club, as do our competitors in the industry and big box retailing in general. The Price Company had a seven year head start on Costco's and Sam's Club, but Costco and Sam's were expanding aggressively while Price Club remained tentative. Costco and Sam's were beginning to expand into Price Club markets, and they were outpacing Price Club. That is the difference between being good at ideas and being good at execution. Something I do on a lot of mornings is I listen to a rendition of general pattons, speech to the Third Army to get me fired up and going in the day. And something I'm trying to be for, to make sure that as many people as possible are aware of founder's existence, is to be very default aggressive on promotion and just making sure that people are aware that, hey, you have this fantastic tool that I hope you use throughout your entire career, that in an hour you can download in your brain some of the best ideas of history's greatest entrepreneurs that you can use in your career. And so there's something that I keep on a post-it note and I have saved in my phone as well. It's a quote from this speech by Patton that I probably heard, I don't know, 200 times, 300 times, it's hard to say. And he says, I don't want to get, and this is the difference to me when this is what came to my mind because it's like, when I'm about to read for Patton,

Patton's perspective is very similar to Sam, to Sam Walton and Jim Senegal. And Patton says, I don't want to get any messages saying I am holding my position. Our basic plan of operation is to advance and to keep advancing regardless of whether we have to go over, under, or through the enemy.

And so in this case, in this story, Costco and Sam Walton are going over, under, and through the competition to the detriment of Price Club. So Price is also making some operational mistakes. I said, don't have giant letters on this page. Don't lose your focus. This is a mistake. So always love real estate. The better idea was to dedicate those resources in that time to your core business. The company's management made some poor decisions by opening new locations and markets

where their Costco's or Sam's was already firmly established, so they're getting outcompeted there. In the meantime, Seoul was pushing for the Price Club to become more involved in real estate development. Many retailers wanted to locate next to Price Club to take advantage of Price Club's customer draw. So wait a minute, are you a warehouse club? Are you a real estate developer? Which one are you going to do? They own the real estate, which is smart. But now he's saying, hey, let's build real estate next to our location, become landlords. What the hell are you doing? Some of the company's senior executives and most of the investment community frown on the company's directing so much of its financial resources into real estate development. Real

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estate development was a diversion from the company's core business. Big, big no, no. Focus on your goddamn core business. Real estate development was a diversion from the company's core business. The immediate financial returns on real estate were much lower than returns on the Price Club's operating business. Don't lose your focus. Back to this idea. Seoul had better ideas, but Jim Senegal and Sam Walton executed better. Having pioneered the warehouse concept, the Price Company had lost the initiative to competitors. Rather than sticking to a well planned business strategy, many decisions were being made reactively in response to what the competition was doing. So they're getting beat up on competition and then the worst possible thing that can happen to a human happens. And remember, this book is written by Robert Price. Robert Price is Sam. It's Seoul's son. They worked together for 45 years. Robert Price was a huge, hugely important into the development of the Price Club, learned everything from his dad, and Robert's son, his teenage son, gets a brain tumor and winds up passing away. And so Seoul Price is going to lose his grandson. Robert Price is going to lose his son at the exact same time where they're getting hit from all angles. It's just like, this is what leads them after this, like realizing what is actually important in life really pushes them to sell the business. Aaron's illness changed Seoul and me in ways that we did not fully comprehend at the time. It is not clear when Seoul began to consider seriously the sale of the Price Company. It may have been prior to Aaron's illness, but in the days, weeks, and months after Aaron's death, I came to believe that Seoul must have agonized over how to approach me about the subject. On the one hand, he had a strong sense that it was time to sell. He had always believed that his and my business strength were in the creative area and not in the management side of operating a big business. He was tired of the constant pressure from Wall Street for more growth. And perhaps most important, he was concerned about the burden that I had. The dual stress of losing the person you love most in the world and your business struggling. Imagine like the pressure and how difficult this was, what Robert had to go through. So I'm going to fast forward. They identify they're like, listen, there's only two buyers here. It's either Sam Walton, who had already offered, or Costco. And obviously, Seoul tells Robert, you're going to want to do all the negotiating, but do the deal with Jim. Jim was more predisposed anyway because he had a deep love and affection. First sale price, as I said at the beginning, he's like, I'm 70 years old, still wanting approval from this guy. Still can't believe how impactful this handwritten letter I got after our lunch was. And so Jim Cinegal talked about the first time that he meets Seoul Price. I think this this little story is good to give you an idea of who Seoul was as a person. So he says he began working for Seoul in 1954 at the age of 18 and considered Seoul his mentor. Jim vividly recalled the first time he met Seoul. I was given a call by somebody who was working in a new store in San Diego and they had some mattresses to unload and asked me to help out. I would get paid a dollar a quarter an hour. And so I said, sure, the next day I'm carrying a mattress into the store and I hear a voice, what in the hell are you doing there? Put that thing down before you break your back or worse yet you break something in the store. So I turned to somebody who was there and I said, what ticked him off? And who the hell is he? They said he's Seoul. He's not mad. That's just Seoul. And so then the book goes on to what happens eventually Price Club and Costco merge. But really, this is the most impactful part of the book about life outside of all the great ideas for business that Seoul had. And so I want to get to the end where I said it's one of the best

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ending paragraphs of any book that I've ever read because of it's his, Seoul's passed away by the time his book was published. He died about three years before the book was published. And now you have the son, his son honoring his life. And so as with every biography, you just can't help but put yourself in their shoes and imagine living a life and succeeding a life like this, where long after you're gone, this is what your son or your daughter, the way they honored you, that's more impressive than any of the wealth he built. As much as Seoul's public accomplishments represent a tremendous legacy, his more enduring legacy may be on the impact that he had on the lives of the many people who knew him. All of us can honestly say that there's at least one person who has had a transformative impact on the course of our lives.

For me, that person was my father. Whatever I've learned about business, I learned from my father, everything. He taught me how to think and how to question and how to fall into the trap of assuming rather than checking things out for myself. He also taught me to be humble, to appreciate the unpredictability of life, to care for people, to remain hopeful, and always to be there for people who are in need. Working alongside my father for nearly 45 years, I came to appreciate how unique our relationship was. My father was a strong man who told me that he had to be tough to grow up and survive. He was very smart, opinionated and could make his case with anyone. I had grown up arguing with my father. Our business relationship was not any different. He often said to me that I could drive him nuts. My natural tendency was to frequently take the opposite side of an argument just because I knew nobody else would. As he and I aged, we had fewer of those arguments.

My father was so competent, so responsible and protective that as he withdrew from day-to-day activities, I wondered whether I could ever carry on without him. The truth is that my father and I were very different people, but the greatest tribute I can give him is that he taught me so much, sometimes without my even realizing that a lesson was taking place.

When it was time for me to step up, I was ready. What greater legacy could there be from a father to a son than leaving the gift of life skills necessary to carry on?

Sol was a poster child for the American Dream. His immigrant parents were born in a small Russian village. He was raised in the Bronx and was the first of his family to graduate from college.

He earned a law degree. He became an exceptionally successful businessman and philanthropist. He celebrated 70 years of marriage to his beloved wife, Helen. He was a good father who instilled high values in his sons and he never walked away from responsibility. It doesn't get much better than that. And that is where I'll leave it for the full story. I highly recommend buying the book.

If you buy the book using the link in the show notes, you'll be supporting the podcast at the same time. Another way to support the podcast is to sign up for Founder's Premium. Subscribers can ask me questions directly, listen to the 22 or 23 AMA episodes that I've already made. I'm also making bonus episodes for a bunch of other things I read and I have a lot of plans to add other things to Founder's Premium. That link is down below and available at FoundersPodcast.com.

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