

SUBJECT: RAMBLINGS ON BROOKSTONE HISTORY
FROM: Pete deBeaumont
DATE: 30 August 1976

I suppose the first question would be how did Brookstone come into existence? The answer to this comes in two parts. First off we were living in Worthington, Massachusetts, a village of six hundred people some seventeen miles east of Pittsfield, MA, and what do you do in a place like Worthington? The obvious answer is you have a mail order company. The other half of the question comes from my own background. I was trained at Harvard and M.I.T. as a mechanical engineer and went into the automobile industry starting as an engineer at Packard and then going to General Motors. This was a result of a personal inclination to be interested in mechanical things including doing things with my hands. Ever since I was a little boy I would build ship models or do repair work around the house and get into such things as the making of radio sets. As a matter of fact, I was living briefly in Springfield, MA, in 1926, when I was eleven and that was when I built my first radio, a one-tube affair for which the plans appeared in "Popular Mechanics" for April of 1926 and it worked quite well. Even the coils had to be made on bits of dowel set in a circle on a piece of wood.

So, I had always been a fairly sophisticated home workshopper and this in turn created a frustration concerning the availability of tools. Despite the fact that I was brought up in Manhattan, in New York City, where you would think that every conceivable tool would be obtainable, I had all kinds of trouble. I would walk, I remember, down Third Avenue, in the days when the elevated was still in business going from one hardware store to another looking, let's say, for some kind of a devise whereby I could hold two pieces of a ship model at some precise angle for soldering and gluing. Each time I went in, I could feel defeat staring me in the face, and indeed it was. The clerk would invariably look slightly bored and tell me that he had never heard of such a thing and turn to the next customer.

Another element in the history of Brookstone is the fact that from General Motors, I went into the Navy at the beginning of WWII, and was assigned to the production branch of the Bureau of Aeronautics in Washington. This department was newly organized at the beginning of WWII to serve two purposes. One was to act as the Navy's source of production engineering expertise, so that the Navy might realistically plan the acquisition of aircraft and all of their components on a sensible basis with respect to the production capacity of the contractors. In other words, it was our job to tell the Navy that XYZ Company could make so many engines or so many starters or so many aircraft over a given period of time and at a given rate of increase and we could give them this information with reasonable reality. Our other job was to go around to the various contractors all over the United States who were making Naval aircraft and all of the supplies

and accessories for them and solve their problems. In other words, if a given company were behind schedule, one of us would be sent out to determine why. This might well entail a total examination of the company both from an engineering point of view and from a management point of view. In the case of all of this running around I had contact with a wide variety of industries and I was greatly impressed by the fact that methods of manufacture varied greatly from industry to industry even though the parts themselves did not vary significantly and this also applied to the various tools that were used. In other words, a given industry might have developed a certain tool that would be very useful for their work and another industry doing almost exactly the same thing would have never heard of it. So part of the thinking in Brookstone was to bring together in a catalog these various diverse tools from different fields of endeavor and let them be used by everybody. For example, one of the areas from which we borrowed a number of tools initially was the field of the manufacture and repair of watches, clocks and jewelry. In fact, this is where I found that fixture, Brookstone's #1107, which holds the two pieces just so for soldering or gluing that I wanted so badly way back when I was about fourteen years old.

It was not particularly easy to get Brookstone going. We had a number of shortcomings. Neither my wife nor I had ever had anything to do with mail order and none of us had ever had anything to do with the selling of tools. I felt I was reasonably knowledgeable about quite a variety of tools and what they could do and how they were used and which ones were good and which were not, but I didn't have the slightest idea about which sold better than others or why or when there might be variations in sales volume.

As to mail order, we knew less than nothing and the only way to approach it seemed to be to read everything we could lay our hands on, on the subject. There are perhaps a dozen books in existence that cover mail order and direct mail, or at least that was the number in those days, so we obtained all of those, including some which were well out of print and read them with considerable interest and at first, confusion. Perhaps the best book of the lot was one that was published around 1903 and I was particularly impressed by the fact that about all it needed to be brought up to date was to have the postal rates changed. We also joined the Mail Advertising Club in Boston and also the New England Mail Order Association as soon as we heard of them, and attended all of the meetings. This was a little rough when we started, because the meetings were usually in Boston and since we were flat out here in our work it was necessary, to attend a meeting in the evening, to drive some hundred and fifty miles to Boston after work, attend the meeting and after-dinner speeches, and then head for home, leaving Boston around midnight.

Our first catalog was mailed in the spring of 1965 and we had about five hundred dollars worth of inventory to back up the mailing. We had obtained our names by placing a few ads in magazines, such as "The Model Railroader" and "Workbench" offering the catalog for, I think, ten cents or twenty cents. The reason for the low price was to simply keep the children and lonely hearts from using up our small supply of catalogs. I was very uncertain that we would be able to sell the five hundred dollars' worth of inventory and wondered what I was going to do with three of each of everything in the catalog.

Fortunately, I was in a relatively good position to produce the catalog without spending a vast amount of money on it. I had been a professional writer and editor in years past, and also had done photography on a professional basis and had edited the "Antique Automobile" for some years, the magazine of the Antique Automobile Club of America, and thus I knew something about buying and working with print.

It was also fortunate that I can type. Actually, in a technical sense, I can't, since I use only two fingers, one on each hand, and watch the keyboard. However, the fact is that when I am in practice, I can type about as fast as the average secretary, and with about the same number of errors.

A corollary to being able to type and having business experience meant that I had to do it all alone. We could have hired somebody but we did not know how much work we had and it is not easy to get help out in the middle of the woods. So I guess for about a year, which goes back to a period before we had a business and were setting up to produce the first catalog, I had no secretary and I typed all the correspondence and all the initial purchase orders and all the text for the catalog.

A frequently asked question is, where did you find the initial tools? Did you travel all over the world to find them? The answers to these in both cases are much less glamorous than might be expected. I found the tools by locating in New York and in a few other cities, some dealers in jewelers' tools and at the same time I obtained some copies of foreign magazines which contained advertisements on the part of people wanting to sell tools to the trade, and I simply wrote an immense number of letters of inquiry. This produced a sufficient number of catalogs and price lists to proceed from there and the procedure was in effect to ask for samples, offering to pay for them, if the catalog and price seemed to recommend the product.

Eventually a sample would arrive and about seventy-five percent of the time, it would be so badly finished or so unsatisfactory in use that it had to be rejected. And this has continued to be the case right to the present day in the Brookstone Company's search for the products which meet its standards for quality, not only in appearance, but in function and price.

As far as travel is concerned, we did not leave on any kind of product searching trip for several catalogs at least. And even then we did not go much further than to the hardware show in New York, where we found very little that met our requirements.

Once the catalog had been mailed, and showed some signs of being commercially viable, we began to work extremely hard. This reached a stage during the next several years in which it was twelve hours a day, seven days a week without interruption. We took no vacations and we even began to lose track of some of our friends. In fact, I am sorry to say that one or two very old and dear friends of mine died during this period and I felt very badly that I had not been able to see them for a couple of years prior to their demise. For "entertainment" the big deal in the evening was to listen to

Walter Kronkite's news program, but this was not time off. My wife Deland would put labels on catalogs to be mailed and I would exercise pliers that had joints too tight to send to customers. We did enjoy the break from the daily routine, however, even if the news was not particularly interesting that day.

Our initial operation, so far as fulfillment of orders is concerned, was on the corner of a structure of what is the laundry of our house and there I would put the goods together and into parcels which I would then wrap up and get ready for mailing. In those days we used postage stamps, and this turned out to be a complete pain because, unlike a Pitney Bowes machine, when you are using stamps you have to come up with the right combination to make the postage and I found that I almost never had the right combination and frequently ended up having to take several parcels to the Post Office lacking some part of the postage which I would then buy on the spot along with more stamps which I hoped would keep us organized for the next several days. Volume was not very great, fortunately, perhaps four, five or six orders a day.

Since we really knew very little about this business, I was always trying to learn something. Whenever I went into Pittsfield or some other city, I would stop by at one of the hardware stores and try to find a friendly clerk or owner who would chat about his business and would tell me which products were moving and which were not and if he knew it, why and also what about the seasonal effects. I don't know what I learned, but I must have learned something.

It was also necessary to learn everything about the business. Since we knew nothing, we were in no position to determine at any given moment what records we really needed, apart from those which are part of accounting. We obviously had to be ready to pay taxes and things of that sort if we ever made any money. But all the other records which might be needed in a mail order operation or in any business were unknown, so we simply recorded everything and we continued to do such things on the theory that we might need the information some day and while we would not spend the time or the money to compile this data, we always made it a policy to create the basic information and keep it somewhere so that practically anything we might need could be assembled and analyzed.

Deland made a major contribution to the business at the outset. She decided that she would take care of the bookkeeping, about which I know nothing, and about which she knew nothing. So I bought for her a mail order course in bookkeeping from the Massachusetts Department of Education and she proceeded to do the lessons as they came in and send them into Boston for grading and she did very well, of course, and has worked her way up from this humble beginning to Treasurer of the Brookstone Company. I should also give her credit because it was she who kept me going on a number of occasions when I was completely ready to throw in the towel. It is a characteristic, seemingly, of this business that in its earlier stages, every time revenue increased, so did expense. It seemed to me that the two would never diverge, no matter how many things we sold. Deland, through some woman's intuition, however, thought otherwise, and kept me plodding along.

We had a major advantage over some people who have started small businesses, in that neither of us had a job to interfere with the process of getting going. This enabled us to spend full time on the business. And certainly it was full. Nevertheless, we tried to do everything as economically as possible. I felt very strongly that if we should end up with a failure, we should not have lost a great deal of money. We might well have invested more money in the business, and, as it turns out, this would have considerably accelerated the growth of the business but this might well have been risky. If you remember that we didn't know anything about a mail order business or a business in tools, it is quite possible that had we plunged, in the way of much larger mailings and much larger staff of employees, we might have moved so fast that we would have run right off the rails and had some kind of a wreck. As it is, the annual sales doubled every year, so perhaps that was fast enough.

As soon as the business proved viable, I made the philosophical decision that I would make the business grow as quickly as I could without making it run in the red. The objective here was to get it over a critical size, at which point we could afford a management. I learned thoroughly well in my experience with Navy contractors in WWII, that if you don't have a management you really don't have anything and I certainly felt that from the point of view from Deland and me, the ideal objective would be a company big enough to support an able and well compensated management which could run the company without us. This is the ultimate measure. We definitely did not want to wind up with a mom and pop operation which would continue to grind along in our house in Worthington.

Originally, my office was in the formal parlor in our house and we used the laundry as a packing room and as a stock room. But before long, this proved an inadequate arrangement. Accordingly, we undertook some construction and converted one-third of our medium-sized barn into a home for the business. On the ground floor, I designed a 36' X 15' room which had shelves along one side with lockers below them, and designed it exactly as I would a library. The theory was that this would be excellent for the business: we could keep the merchandise on the shelves, and do the packing on large tables in the middle of the room and could have desks along the sides and this would contain the business for a considerable period and if the business proved successful and moved out of the building, we would have the library left over for our own use. Directly above the library, I built another room of the same size to house my office and workshop in which I did all the product testing. This room also was generously covered with shelves along the walls to store an ever increasing collection of sample products of one kind or another.

We stayed in Worthington until the Fall of 1969, at which time we moved to Peterborough, New Hampshire. Prior to our move to Peterborough, I think the maximum number of employees, all girls, besides Deland and me, was about six. When we moved to Peterborough, none of these people could move since they were housewives with husbands and children in the area of Worthington.

Why did we move from Worthington? Well, Worthington, as I said, has only a population of six hundred, most of which are truck drivers.

There is a curious phenomenon I discovered and that is that the town of Pittsfield, seventeen miles away, despite a population of 55 or 60 thousand, does not supply any labor to a place like Worthington. For psychological reasons the employees in Pittsfield will commute from the outskirts of Pittsfield to Pittsfield businesses, but they will not commute from their homes to businesses out in the country. We never were able to get enough people and it was perfectly obvious that if the company was to grow, this would be an irremediable deficiency. Also, there are no buildings in Worthington suitable for a business larger than would fit into our 36' X 15' two rooms, and it seemed foolish to build a brand new building when the business was barely getting off the ground. I should add that we stayed in Worthington too long as far as space is concerned. Toward the end, we were packed in like sardines and we had merchandise literally all over the house. The cellar was used for stainless steel and other products that would not rust, because it was a little damp down there. We even had #1107 Holding Fixtures, which we were buying in large quantities, stacked up along the wall in the laundry, and since these products were made for us in Japan, this was referred to as the Japanese Wall.

Part of the daily routine was taking the mail to the Post Office, four and a half miles away. This was done by Deland, in our 1961 Jeep station wagon and I would throw the bags into the back of the Jeep. We had no lower class employees except ourselves. It was always a scramble to get everything finished in time to get it into the Jeep and make it in time to the Post Office because our policy from the very beginning of the company was to get every single order out the day it came in, and we did this without fail. The policy also was that the customer comes first under every circumstance, and this meant that if I had to stay up an extra couple of hours answering customer correspondence I would do so. Customers and inquirers got same day service on correspondence too.

In a similar way, we did everything we could to establish first class relationships with our suppliers. We used specially designed purchase orders which we thought were as clear as possible. And we paid bills comfortably within the discount period.

A couple of funny things happened during these years. In one case, we received a letter from a customer who lived a couple hundred miles away, who said that he simply could not understand how we could get his order to him promptly. He then went to express his opinion as to how things were done at Brookstone. He said we had his employee who was assigned the job of filling his order. This employee stood at the door of the establishment, awaiting the morning mail. As soon as the mail arrived this employee would seek out his order, rush it through the works, pack it up put on the postage and take it directly and personally to the Post Office. Another amusing incident was the time when we received a letter from a would-be requester of our catalog who said that he had been observing our advertisement in the "Model Railroader" for quite a long time, and he noted that we had different addresses in the past ten months, and he was not about to send twenty cents until we told him exactly what the address was. Of course, there are no numbers on River Road, and these addresses were merely response keys for the various ads.

Since we were trying to build a reasonable sized company, the one

that would have that good management I mentioned earlier, we did everything we could to provide room for expansion in the way we ran the business. In other words, our procedures, forms and various methods of conducting the business were designed as much to deal with the day to day requirements as to fulfill the needs of the future without major changes. I am happy to say that Brookstone still operates in many of the ways that we did from the very beginning.

Another common question is why did you pick Peterborough? The answer to this is that since we were doing a great deal of importing, it seemed to me that we should be in or near Boston. At about the same time, Richard Gilbert had been hired as General Manager, because the business had grown to the point where I felt that we should have someone helping in the management. So Dick Gilbert was given the job of seeking a location. Remember, I was still working twelve hours a day, seven days a week, so there was no time for me to do it. All of a sudden, Dick told me one day that he had been to Peterborough, New Hampshire, and thought it was a great place to put our business. I was not very pleased, because it was quite a distance from Boston, and, on asking him, I discovered it was also a very small place. Since we had had bad luck with the smallness of Worthington, including such a major factor as trucks not delivering to our address in Worthington and frequently leaving our shipments many miles away, I was hardly pleased at the prospect of repeating this kind of thing. Nevertheless, I drove up to Peterborough to take a look at it, and was immediately delighted. The difference between the two towns is unbelievable, and all in the favor of Peterborough. It was obvious that Peterborough would be a delightful place for our executives and employees to live, that we would get particularly good employees and that Peterborough was by no means too small for Brookstone. And happily, such has proven to be the case.

We started out with something like a quarter of the top floor of the American Guernsey Cattle Club on Main Street in Peterborough, and it seemed to us at the time that this area would last us for quite a while. The Cattle Club told us that we could eventually have the entire floor, which they were only using for unimportant storage, so we thought we had at least ten years or more of expansion room in the Cattle Club. This turned out to be entirely wrong, and it was not too many years before we had to build a building of our own, which has more floor space in it than the entire Cattle Club building does. However, we were very fortunate to get into the Cattle Club. Physically, the building is a very attractive classical Greek style building in red brick, about 50' wide and 200' long and four stories high and it backs into the large parking lot which also backs into both the bank and the Post Office, so it was extremely convenient from an operating point of view. Additionally, the Cattle Club had a computer, which we later began to use for our mailing list and for other purposes. And additionally, the management of the Cattle Club was extremely kind to Brookstone and let us have, for little or no consideration, a number of extremely handy things like typewriters, tables and other odds and ends which we needed very badly.

It was all a little bit rough when we moved to Peterborough in Fall of 1969. We had a mover come down from Peterborough and he gathered up everything we had here and moved us over the weekend we were trying to make the move with as little disturbance as far as fulfilling customers orders was concerned and we came fairly close.

Dick Gilbert, our new General Manager, had unfortunately not been able to report for work at Worthington ahead of the move, and so had not been indoctrinated to Brookstone's way of doing business. He did have mail order experience, from Breck's of Boston, but Breck's was not run the same as Brookstone. At any rate, Dick had the handicap of having to set up everything in Peterborough for a company for which in effect he had never worked for, and he also had a hundred percent green employees, none of which had ever worked with Brookstone or with him before. It was quite a scramble. Deland and I moved to Peterborough, although we actually stayed out of town, and spent the winter up there helping get things going again. In the course of all of this, our printer also put a wrench in our spokes by mailing our entire list all at once. We had asked for a staggered mailing, so that we would not have an overwhelming wave of orders to handle while we were moving into our new quarters in Peterborough, but somebody dropped the ball and mailed everything at the same time. We were swamped. Nevertheless we managed to get most of the orders out the same day, regardless.

As I said, we tried to do everything as economically as possible. We never bought anything new. All our desks, chairs, typewriters and adding machines were bargains sought out at odd places. Brookstone still uses the candy scale which we bought in Springfield from a dealer in scales for grocery stores because not only was it considerably cheaper than a regular Pitney Bowes weighing scale for mailing parcels, but it was actually more convenient and more accurate. For heavy parcels we used an old Post Office scale which was loaned to us by the local Post Office, since they had a more modern one. We tried to be economical in every respect. For example, I would go to considerable lengths to test space advertising by means of classified ads which were written so tightly that they occupied hardly any space at all. It is expensive to use a key in a classified ad because you are paying by the word. So, to reduce this expense, I concocted some keys by spelling Brookstone in various ways such as Bookstone or Bookstore or Brokstone and similar variations. Fortunately, we don't have street numbers on River Road, so we never had to pay for a street number.

We even saved money on some of our printing. I discovered that we could become a dealer in business forms and get them wholesale, so we did, and we were the only customer.

We also saved a pile of money by doing our own photography. Unfortunately, I did not have a view camera and had to do the whole thing with my Hasselblad. This is a very fine camera but it is not designed for closeup photography of products to go into a catalog. However, it did the job. On the other hand, this required taking some of the shots as often as fifteen or twenty times until the result was acceptable. You see, part of the trouble was that I am not an artist, and therefore I was not able to do as good a job of retouching as I might have. I had eight years of experience as a mechanical draftsman and was able to do the necessary as far as straight lines are concerned or those which could be fitted around french curves, but to attempt to use an airbrush to change the lighting on a product was out of the question. The policy on illustrations was that they should be as sharp as possible and perfectly honest. In other words what I was trying to do with both the photographs and the copy for the catalog was to make up for the fact that the customer was at a distance he would have

preferred, of course, to have examined the products physically and to have made the purchase face-to-face over the counter and I felt that we should try to approach that condition as much as possible.

We devised various ways to keep track of things. For instance the catalogs all had prefixes to the catalog numbers. The original catalog, for instance, contained catalog numbers prefixed by 65A. This meant that this was the first catalog of 1965. I was optimistic enough, in those days, to think I might get out more than one catalog in a year, if you can believe it. The fact is that I didn't get out the next one til 1967, and I worked like a dog to accomplish that. The idea of the prefix to the catalog number was to be able to identify a customer order as to what catalog he was ordering from without asking him to provide this information.

We were extremely handicapped by our small size. For instance, lots of vendors would not supply us with products because our orders were too little. The Empire Brush Company is non grata at Brookstone because when we put out our first catalog we had one of their wire brushes in it and when I placed the order they refused it because it was too small, despite the fact that I had previously checked with them as to what their minimum order was. I doubt very much that anyone will put an Empire brush in our catalog again. Another headache was the fact that we had no Dun & Bradstreet listing or rating and lots of people felt we were not even worth answering when we sent in inquiries. A classic example was the Peterson Manufacturing Company, makers of the famous line of vise-grip tools, to whom I wrote when we were in the early stages of creating the first catalog, asking that they send a catalog and prices. The reply, almost word for word, was that they could give us no consideration unless we sent them three trade references and one bank reference. This despite the fact that all we had asked for was a catalog and prices. Later we began to be hounded by Dun & Bradstreet wanting all sorts of information which we did not want to divulge. The reason we did not want to divulge it was that the numbers were so tiny that we felt that we would simply be laughed at and that we would not be looked upon favorably by anyone who got a D & B report on us.

Another question that is asked is how did you manage to correspond with all the European and other foreign suppliers with the language? The answer is that I have spoken French since I was a child, and at various stages of my life I have also spoken German and Spanish and have done some translating from Italian. So I was able to get along well enough. This was not to say that from the beginning of the business I could write letters in any of these languages or easily read replies in these languages. What I mean is that most of them could handle English, some well some poorly, and my problem was primarily around the question of reading their catalogs, which I managed to do with a small collection of dictionaries and my recollections of these various languages. I did do some corresponding in French, which I can do in either direction, but I can not do so in the other languages.

We were able quite early to get some exclusive products for ourselves. The outstanding example is probably the #1107 Holding Fixture. This was originally purchased from one of the distributors of tools for jewelers, and was made somewhere in this country. However, we were never able to locate the manufacturer. Eventually, in the course of scouting around for products we ran across a Japanese manufacturer of jewelers' tools, and then discovered that he would be willing to make the #1107 for us. Accordingly, I asked for a number of improvements in the quality of the product, and the result was that we had by far the best holding fixture in the business, and at a considerably lower price as well. This continues to the present day.

We had quite a lot of trouble with domestic manufacturers not answering our inquiries. This puzzled me considerably, and I could hardly think that all of them were so careful about credit matters that they looked up each and every inquiry in Dun & Bradstreet and instructed their salesmen accordingly. After considerable research the mystery was finally cleared up. It works this way. The sales manager is too important to worry about the day to day business. He is out playing golf. So his secretary is given the job of sending any inquiries that come in out to the salesmen, or manufacturer's rep as the case may be. These men, in turn, look at the address, and if it is in an inconvenient part of their territory, they throw the inquiry away, knowing perfectly well that the sales manager is too busy playing golf ever to follow up as to what happened to any inquiry. At any rate, this was extremely frustrating, because literally hundreds of our letters went unanswered.

Speaking of the incidence of disappointment, it was always extremely high because we had rather high standards for our products. It would go something like this. I would write, let us say, fifty letters to assorted would-be suppliers world wide. These were people who manufactured something or other which I thought had some kind of potential, or they were general manufacturers of tools, and I hoped I would find something interesting in their catalogs. Of the fifty or so letters, I would get perhaps ten replies and then I would go through their catalogs and price lists and perhaps order two samples and when the samples finally arrived in the morning mail, which was always a high point of the day, I would eagerly unwrap the parcels, much like a child at Christmas, and invariably, let us say, one of the two would be an absolute dog. The other would look quite promising so I would run up to my workshop and put it to immediate use to see how well it worked, and most of the time it didn't work well enough and didn't make the grade into the catalog.

That Brookstone is just getting into the store business, and just getting into the gift catalog business, does not mean that these are new ideas. Right from the outset, I felt that we were possibly making a mistake in setting up a company to sell products to men, which is inherent in selling tools. I said to Deland a number of times that we were working on the wrong end of the bank account and that we should be selling the women, who have all the money. Or at least they spend it. As for the store we had in effect had one from the beginning because we had from the outset quite a walk-in trade. The number of people and the number of dollars was not very exciting, since the business was tiny anyway, but primarily because Worthington is really off the map and a long way for almost anyone to come. Besides which, we didn't have any large number of people in the country who knew anything about us at all. But we certainly strongly believed we could eventually get into the store business. We didn't do it immediately here because it didn't seem practical because of the location, and similar thinking prevailed at Peterborough until we got to be of fair size up there.

Part of the basic philosophy from the very beginning was that we did not know whether Brookstone would be an industrial supplier of tools or a consumer supplier of tools or both. Since I am a great believer in letting the market place tell you what the answers are, I decided that we would simply offer the best tools we could find and not set the business up in either direction. The result was that we did a considerable commercial business from the outset and I am still not sure but that we might have been well advised to go commercial from the outset. I think if I had to do it over again, I would have produced two catalogs one for the industrial sales and one for the consumer. A problem we ran into in this respect is that consumer prices are usually higher than industrial net. The reason for this is that industrial companies are expected to order more, and more frequently, and thus they get lower prices. So my problem was, how to sell in one catalog at two prices. The only answer I was able to think of was to offer our products at so much for an order of only one and a lower price if you ordered three or more. The reason for picking three was that I felt that if I offered it for two or more, neighbors might get together on me and I would give industrial net to consumers who should have paid list. A very interesting outcome of this pricing system was that while it didn't seem to have any particularly great effect on our industrial business, it seemed to do very well with the consumers. Evidently the idea of buying three of something, whether they needed it or not, at a comparative bargain, was irresistible.

We always tried to do everything as well as possible, as thoroughly as possible and as completely as possible and as efficiently as possible. I don't mean this in a sense of bragging because I'm sure we were unable to do it that way 100%, but my theory of managing a business is that you should compete with the competition not in just one or two ways, such as price or product or style, but you should compete with them on every possible front or level that you possibly can. In other words, for instance, you have a more attractive letterhead, your billing procedures are more effective, you have better relations with your suppliers,

you have better relations with your customers, you have a better looking building, you keep it cleaner, you hire better people, you simply, in a word, do every single thing you can think of a little bit better and all these fractions of a percent of advantage over the next guy will really add up to something in the end.

I'm probably the only small company president within a few yards of here who is happy to be unnecessary. This was a deliberate policy, I felt that we could not have a proper management in this company, and proper continuance after my eventual retirement, if I continued to be essential to the business. I wanted very much to become unnecessary by virtue of acquiring a management that could get along well without me. It has also been the company's policy from the outset to constantly experiment. These experiments run in various directions. For instance, one of the first experiments we ran here at Worthington was whether or not we should insure parcels. We didn't guess at it, we simply kept track of the number of parcels and the insurance that would have been paid had we insured them and the eventual number of claims, their value, and we simply compared the cost with the expenses. The outcome was that it would have cost us ten times as much to insure the parcels as it would have simply to pay the losses ourselves, and this is the way it's been ever since. Brookstone continues to keep testing all kinds of things both as to internal operation and methods, and as to various means of promotion. The day when the company stops a lot of this experimenting will be the day when it begins to die.

We started out promoting the business entirely by space advertising, primarily because it worked. It worked extremely well for several years and we even made money on it and we acquired quite a number of names thereby, and converted a number of them to customers. The reason we didn't go into lists, at least initially, is that we were too small to be of any interest to any list brokers. In fact, one of the most well known brokers in the business, wrote us a letter in the early stages of the business, when we were corresponding about some possible list to test, that they were discontinuing service, because on reflection it became apparent to them that Brookstone would never need enough names to be of any interest to them. I would not be surprised if at present we rent enough names in and out to exceed the entire volume of business that broker is doing.

As I think of it, with current experience, I am really surprised that we were able to start this business from scratch. If you realize the importance to a mail order company of its list, and remember that we had to start with no names at all, I think it is a little bit miraculous.

I should add that I did all the advertising. We had the same trouble with the advertising agencies as we did with list brokers. We were too small, and of no interest to them whatsoever. The only ones that would pay any attention to us in the early days, were so incompetent that it was obvious that even an insignificant customer was helpful to them. So as I say, I wrote all the ads, placed all the ads, maintained the schedule and this worked out

quite well. However, we did not get back the 15% commission; the publications merely pocketed that, which of course they were entitled to do. I never thought we were big enough to set up a false advertising agency of our own, as have some of the mail order companies that are now of about our size.

We were babes in the woods at the meetings of the Mail Advertising Club and the New England Mail Order Association, of which I am now president. It was very interesting to us to be able to rub elbows with all these expert mail order operators, who had all the answers to all the questions that we could pose. They were very kind to us and I think that membership in these organizations was a vital thing in our educations.

I think another thing that was good for us was the fact that I had not only personally tested in actual use every tool that ever went into our catalogs, but also I had had, as it happens, such a wide diversity of experience in using tools myself for almost every conceivable purpose, that none of these tools that appeared were in any way strange to me or in doubt as to their utility. Looking at some other people in the catalog business I can see that a good many of them evidently do not know their products too well and in too many cases have not tested them.

I am often asked by what magic do I select products for our catalogs, or by what magic do we collectively select products for our catalog so that they are successful. I tell them that in fact we are not successful, we are mostly unsuccessful. It was an interesting point, I think, in the history of the company, when our new employees in Peterborough, a couple of years ago, were getting a little too big for their pants and were beginning to make pronouncements as to which of the proposed products would sell and which would not, with, I thought, much too much self-assurance. So I instituted a rating system in which each product that was approved at a product meeting was voted upon as to its future success in the next catalog. This very dramatically and conclusively proved that none of us knew what we were talking about and that we averaged about two thirds wrong. And there was no member of the group who seemed to have any expertise over the others in forecasting the sales success of any product. This was all very much in keeping with the Brookstone tradition of "don't bullshit, test it".

Do I foresee an end to the growth of the Brookstone Company? Well the answer to that: it depends on the management. There is certainly not a single thing on the horizon which is inherent which would prevent unlimited growth of this company and it ought to be fairly easy to do in fact. There is very considerable room for expansion along the lines presently in hand and certainly it would not be very hard to think of a couple of dozen other ways in which we could expand the company.

Speaking of expansion, I think it is somewhat interesting that Brookstone has gone into a couple of divergences from its regular business, namely the gift catalog and now the stores outside of Peterborough, internally rather than by acquisition. This goes back in some ways to what I did before Deland and I started

Brookstone. I thought I might buy a business, and we spent quite a lot of time looking around at businesses that were available and most of them were not worth buying. The usual situation was, in effect, as if the owner had said, "I started this damn thing and I've never made a dime on it or in fact I've lost a lot of money, but nevertheless it has 'potential' and therefore you should not only buy me out but you should pay me a premium". Well, Brookstone has had a couple of opportunities to make acquisitions and, though I admit that they were not particularly attractive for the most part, the truth of the matter is that I'm not sure that external acquisition is the right thing. It may be in some cases but in most cases it probably is not. Consider for instance the gift catalog which puts us into a totally different business from the one that we've been in, except of course that it happens to be still in mail order and therefore lets us use our accumulated knowledge and facilities, but the price for admission was a maximum risk of somewhere around \$40,000 or \$50,000, and even that was not the real story because to have actually risked that much we would have had to have the trial gift catalog of 1975 be a total flop, and flops are flops but I've never heard of anything that didn't sell anything, so presumably even if we'd had a very bad failure we would have lost only \$20,000 or \$25,000 or less, rather than the whole \$40,000 or \$50,000. Well this is a nice thing, it's inherent in the mail order business. You can start small, certainly smaller than you can start a store, it's costing us a lot more to start the store in Boston than it did to start the gift catalog. The advantage of doing it internally is a combination of the low price of admission and the ability to control the thing from the beginning. By contrast if you go out and buy somebody else's company, either you buy someone in distress and hope that you are right in assuming that you can turn it around, or you buy somebody who is being successful and who therefore expects and can get a premium and then you've got a problem to work down the good will or blue sky or whatever you want to call it that you've bought. And while you may increase your annual sales and possibly your earnings per share by this route, it's questionable just what you've accomplished until you've worked down the blue sky. So anyway, I think the right way to operate for Brookstone, for the moment at least, is by internal growth, though I certainly wouldn't stand in the way of an acquisition if it was clear to me at least that the advantages far outweighed the disadvantages.

This advantage of Brookstone's, or any mail order company's ability to start small or to test, is born out by what happened to us when we started this company. We started with a \$500 inventory. I can't conceive of a store selling much of anything that we might have started in Pittsfield let's say, with only \$500 worth of inventory, not to mention fixtures, a lease, and a few other things. This brings us to another thing which I think is important, at least as far as the general public is concerned. Brookstone seems to me to be a classic example of the fact that despite all the do-goodism, all the liberals, all the leftists, all those people who feel that egalitarianism is the only thing that we should be shooting for and who object very, very much to anybody making any money, Brookstone proves that a couple of people who have a reasonable devotion to duty can, even in this day and age, make themselves some real money by starting up a business of their own, and without a huge amount

of capital either. We never invested any money in this business that's worth mentioning. In other words, this is still the land of opportunity, believe it or not. And what's more, I was quite free to do this. I did not have to get any kind of license or permission to start a business. I didn't have to get any license or permission to do my own importing. I didn't have to get permission to mail my catalogs or in fact permission to do anything. We just went ahead and did it. So at least to that extent it still is a free country. The other side of the coin is, of course, that Brookstone is not a capital intensive business. We did not have to invest a vast amount of money in buildings and machinery, as we would have, for instance, if we had started a machine shop, or a printing plant, or something of that sort. Brookstone was entirely self-financing and operated entirely on internally generated funds until eventually we felt that we had to have more equity from outside and borrowed some \$250,000 from a well-known venture capital firm, which is a very small percentage. We didn't actually borrow it, what I mean to say is that we got financing from them to that extent. What they did in effect was to lend us the money on a convertible note by which they end up with a small percentage of the stock of the company at their option. I think we had to go this route, although I suspect we could have squeaked by without it if we had been willing to sacrifice a little bit of growth.

I should add that our building reflects the kind of thinking I feel is necessary to do things right. When it came time to get into our own building, I said to Rick that I wanted us to design the final building now, not in detail, but that we should lay out the overall planning for the whole building as of 1980 or whenever the whole thing would be built, and then back that up and divide it up into modules, or sections, which we would build one or two at a time until the whole thing was done. And the reason I said I wanted it done this way is that again looking back at some experience I've had in the past, the more usual process would have been to build a building big enough for the present and then to tack on something, and then to tack on something, by the time the thing had been tacked two or three times it would have become a rather abortionate and inefficient layout, and there's really no need to go at it that way.

As to future plans for the company, I would think that it's safe to say that we anticipate that the gift catalog will eventually more than double the present sales of the company, and along with it I would think a comparable profit. I don't know just what the future is for the stores because we've just opened our first one. But I would not be a bit surprised to see us with stores all over the country someday. By all over I don't mean like Rexall drugstores, in every village, but I would not be a bit surprised to see us with stores in principle cities as a beginner.

Do we intend to bring out more catalogs? Well yes, I would think so. Apart from the tool catalog and the gift catalog I can think of several more which we could bring out in the course of the next several years and which like the gift catalog would

initially be tested with a relatively small mailing to make sure that the people out there want us to go ahead and do this. This kind of thing is why I think the future of the company is completely unlimited, or if it's limited, it's limited only by the ability and imagination of the management.