

Carpet One: A Case Study of Cooperative Entrepreneurship
Christina A. Clamp & Innocentus Alhamis
Southern New Hampshire University

Contact Information:

Christina A. Clamp

Southern New Hampshire University

2500 N. River Rd.

Manchester, NH 03106 USA

Tel: (603)644-3103

Fax: (603)644-3130

Email: c.clamp@snhu.edu

<http://www.snhu.edu>

1.0 Abstract

This case study provides an overview of CCA Global Partners and Carpet One, which was the first and still the largest unit of this groundbreaking group. The Carpet One story has caught the attention of many in the cooperative movement in the United States because of its size and successful co-operative business model. The model is also of interest to the field of community economic development. Carpet One has successfully developed a model that strengthens the local small business proprietors through shared services that reduce the work of the member while building an asset for them. Member services are built on a model of buying, marketing and management services for their businesses.

Carpet One celebrated its 20th anniversary in 2005. In 2004, CCA Global Partners was ranked 87th among the top 250 Global Retailers, and 8th among the top 100 Specialty Store Retailers in the U.S. in 2004 by the National Retail Federation (<http://www.stores.org>). Membership in the Carpet One cooperative has grown to over 700 members with over 1000 retail stores in the United States, New Zealand, Australia, and Canada. Member stores offer full service flooring products such as carpet, area rugs, wood, ceramic, and laminate vinyl. Carpet One provides collective buying, marketing and management services to its members. According to the National Cooperative Bank, it is the second largest purchasing cooperative in the United States.¹

Carpet One is a subsidiary of CCA Global Partners, the world's largest flooring group. CCA Global Partners is a shared services company which comprises about 15 affiliated companies of which 14 are cooperatives². These include Carpet One, ProSource, Stone Mountain, Rug Decor, Flooring America; Lighting One; Lender's One and Savvy Formalwear. ProSource, Stone Mountain, and Rug Decor also have franchise operations.

This case study was prepared with financial support from the Cooperative Development Foundation. The researchers initially attended a day long briefing in November 2004 about CCA Global Partners and its affiliated companies. Interviews were conducted with the co-founders and co-CEO's, Howard Brodsky and Alan Greenberg and with Evan Hackel, Senior Vice President of Groups and President of Carpet One. Five interviews were conducted with Carpet One members identified by CCA Global Partners. The member interviews serve to give an anecdotal sense of how some members view their cooperative and are not presented as representative of the views of all members. Internal documents were reviewed on the history of the development of the firm.

2.0 What Makes Carpet One a Cooperative?

It hardly does justice to refer to Carpet One as a purchasing cooperative. More accurately, Carpet One is a marketing, management, and buying organization, structured as a cooperative. Carpet One enables its over 720 members to pool their resources for

¹ The largest is VHA, Inc. a hospital supplier based in Texas that serves not for profit community hospitals.

² See Appendix A: CCA Companies and Support Divisions.

purchasing, marketing and to enjoy the benefits of shared management services. Carpet One is the business name of the cooperative, which is owned by CCA Global Partners. The original legal name of the cooperative was Carpet Cooperative of America (CCA). The cooperative legally changed its name to CCA Global Partners in 2001. CCA Global Partners is wholly owned by the cooperative's members. CCA Global Partners also manages other cooperatives and franchise companies.

Carpet One is a cooperative in every sense. According to Evan Hackel, the President of Carpet One, each member owns one voting share of stock, regardless of how many stores he or she owns or the volume of his or her business. The members elect the board of directors. Members have a common vision and goal to work together. Carpet One's mission is to help its members to be more powerful and more profitable. Alan Greenberg, a co-founder and co-CEO refers to it as "the last vestige of democracy." There are a number of ways for members to be active in the cooperative. There are committees, an advisory board, the board of directors and the annual convention and a trip for members each year. Online and telephone conferencing for regional groups engage a broader base of members.

The Carpet One founders were attracted to the cooperative model because it was a good business model. They believe that the cooperative is very appealing, especially to the independent retailers because it puts everybody on an equal footing. They believe that the ideas of fairness, of one voice and of everybody having a say is a philosophy that is very easy to identify with for members.

Shared services have broad applications as a strategy for businesses and communities say Crooks, Spatz and Warman (1997). Businesses and municipalities have found shared services cooperatives an effective model for accessing services that might not otherwise be available locally. They have the potential to provide these services at a better price and higher level of quality. Shared services cooperatives are owned and controlled by their members. The cooperative is able to use joint purchasing of products or services. Members of shared services cooperatives are also able to use the cooperative to address common problems. The model is successfully used by hospitals, groups of employers to buy health insurance, independent pharmacies, hardware stores, school districts, restaurants, natural food stores and rural electric cooperatives.

Howard Brodsky, the other co-founder and co-CEO maintains that the challenge that other cooperatives serving small businesses in this sector have is that they tend to be run too much as trade associations or not-for-profits. They face difficulties when they compete with the giants like Home Depot and Lowes. Carpet One, according to Brodsky, is run as a for-profit business and the only difference is its shareholders receive dividends based on their purchases and not on the number of shares. The success of this model is that it pays attention to the bottom line as well as serving the members. Carpet One has found an approach that is very compatible with the needs of their members.

3.0 Evolution of the Carpet One Co-operative

Carpet One got its start in 1984 as a cooperative for independent flooring retailers, Carpet Co-op of America³. In 1985, Carpet One was officially founded. It was established with the goal to dominate the floor covering market by creating a unique solution that would allow independent carpet retailers to operate profitably in an increasingly competitive market. Exclusively owned by its member stores, Carpet One started with 13 members who owned independent specialty floor-covering stores. Alan Greenberg and Howard Brodsky, the co-founders and co-CEOs of Carpet One, started working together in the early 1980s as co-chairs of a national flooring association. Both men were Presidents of the American Floor Covering Association and independent retail flooring operators who ran very successful flooring operations in their respective cities. At the time, Brodsky had three flooring stores in New Hampshire and Greenberg had five in the St. Louis area.

They co-chaired a National Billion Dollar Carpet Sales Event which helped them to see what could happen when you combined the resources of independent retailers. The project was to run a national sale in the flooring industry similar to the white sale that is done in linens and white goods. The goal of the project was to sell a billion dollars in ten days in an industry that was doing a billion dollars in thirty days. They met their goal of \$1 billion in 10 days. Out of this experience, they realized that they could work successfully with other independent retailers and address shared challenges in the market.

Brodsky and Greenberg recognized that their business sector was vulnerable to changes in technology and to consolidation at the level of carpet manufacturing with the growth of “big box” stores such as Home Depot and Lowes, which would hurt the independents ability to succeed. While they enjoyed being independent businessmen, they realized that as profitable as they were, they would do better if they operated in partnership in the areas of buying, marketing and management. Brodsky described the external environment that they faced:

It was very difficult in terms of professional marketing, training, and management systems. The entrepreneur -- if it was a million dollar business or fifteen million dollar business- didn't have resources to really compete in the real world. We looked into it and tried to find a model that would work to consolidate the individual entrepreneurs across the country.

According to Brodsky, he and Greenberg did the research to arrive at their model. “We spent about a year looking at different models before we decided whether it was going to be a franchise or whether we were going to startup a co-op.” In their explorations, they discovered that a lot of the owners of franchises resented sending dollars to the franchisor each month. They found that most of the co-ops limited member services to the

³ The information for the history of Carpet One is based on several sources: an interview with Howard Brodsky on February 22, 2005 at the offices of CCA Global Partners. Manchester NH; and internal documents of CCA Global Partners. The internal documents were: “The History of Carpet One, Input Notes” from a meeting with Sandy Mishkin on December 23, 2004; a one page summary of the startup from Alan Greenberg; “CCA Global Milestones”; and “The History of Carpet One” on a 20th anniversary celebration flyer; <http://www.ccaglobal.com>; and the 2004 Annual Report of CCA Global Partners, .

distribution of products. They found many co-ops took a defensive strategic position to keep people in business rather than making them grow and take market shares.

Brodsky and Greenberg concluded that the ideal strategy would be to incorporate the best elements of the franchising and the cooperative models. Their goal was to create a model that could be more than just purchasing, i.e., one that could preserve and foster individual entrepreneurs. The founders conceptualized the model as an equilateral triangle with the business built equally on purchasing, marketing and merchandising, and management services.

1. BUYING – They would buy together in scale and as low as anybody in the industry, but would not take possession of the goods.
2. MARKETING - They would have superior marketing to drive in customers but unlike franchises, not everything would be mandatory. Members would have the flexibility to use only those resources that they choose to use.
3. MANAGEMENT – They would have management and superior systems that would lower the cost and increase efficiency of their operations.

After a year of research and hard work, Greenberg and Brodsky came up with a business model that could substantially increase the profitability of retailers while building a national brand. However, there was a problem of how to finance it. Since this was a new model they knew they would encounter resistance, especially from suppliers. So they had to look good from the beginning. In order to have the pieces in place at launch, they knew it would take hundreds of thousands of dollars. This would have to be raised out of the members and their own resources.

Brodsky and Greenberg were joined early on by Sandy Mishkin, another retailer from Atlanta. Mishkin is a cofounder and president of CCA Global Partners. Together, they launched the Carpet One concept with suppliers at an industry meeting in Chicago in 1984. They knew that the cooperative would be short lived if all the suppliers refused to sell to them. The worry was whether a cooperative could become strong in the presence of hundreds of mills running the show. They received three distinct reactions from the suppliers: some said they would sell to them; others refused to sell to them; while a third group said they would wait and see how successful they were and then decide if they could do business with them. Some suppliers who saw no need for the co-op called other suppliers and asked them not to sell to the cooperative. According to Brodsky, there were three or four mills which were their personal friends. They took the leap of faith to sell to them. The decision was not based on the concept but rather on the friendship. The first few years were challenging because some suppliers did not want to sell to them.

Two weeks after the Chicago meeting, Greenberg, Brodsky and Mishkin pitched the idea to retailers at a meeting in Atlanta. They invited retailer friends and acquaintances. They introduced their idea to a group of 13 retailers. They assured them that if they joined, they had a ninety day guarantee. If they had a problem, they could walk away. Members were attracted to the cooperative because of the positive reputations of Brodsky and Greenberg as successful businessmen and Presidents of the American Floor Covering Association;

and by the founders' willingness to fund the startup of the co-op, themselves. All thirteen people joined and became the original members.

Greenberg, Brodsky and Mishkin were very selective in who they invited to join. They decided it was more important to recruit members who were not only good business people, but people that they enjoyed working with rather than opening membership to anyone who wished to join. They would sometimes pass up higher volume retailers in favor of retailers with whom they wanted to build a relationship. Brodsky described how this occurred in the startup. A larger dealer who had 5 stores came to a presentation in Florida and wrote them a check for sixty thousand dollars, (twelve thousand dollars per store). After he walked out, the three of them cheered but later, they questioned whether he was the kind of a person they wanted to work with. They saw him as an arrogant person who they would not want as a friend. So they denied him membership and returned the check to him. In general, the quality of the people they wanted to work with had to resemble the quality of the dealership.

Members paid twelve thousand dollars to join. There was no monthly franchise payment. Members benefited from the group buying power, allowing them to be competitive in the industry, yet they remained independent retailers. Each Carpet One member is an equal shareholder in the cooperative. Carpet One established equity for members whereby members receive dividends monthly. Also members receive rebates on sales.

Throughout 1985, Greenberg and Brodsky strove to build the business from the ground up. They traveled around the country to present the Carpet One concept to potential members. By the end of 1985, Carpet One's membership had doubled, growing to 26 retailers. Interest in the co-op began to explode. By the end of Spring 1986, they had about 50 members.

4.0 Innovative from the Beginning

Carpet One has been a leader in the development of innovations in its sector from the beginning. At its conception, Carpet One introduced several innovative warranties, including the first ever satisfaction guarantee that the carpet would be replaced if the customer wasn't satisfied and a lifetime installation guarantee. These two guarantees gave their members a competitive advantage in the marketplace. This entrepreneurial leadership has been a significant factor in their successful growth. It also has established their role as a leader in the industry.

The wave of product innovations began in 1989 when Carpet One launched its GOOD AS GOLD program for members. In this program, carpets were independently tested and verified as Good as Gold, to ensure carpets against matting and crushing. They became the first one to recognize that matting and crushing on a carpet were considered equally important to stain resistance. They provided a ten-year insurance policy against crushing for their customers. This increased sales by 25%. Generally the concept of an insurance

policy protecting appearance put members in a great competitive position because it was so successful.

Over time, Carpet One developed different branding strategies. They went from mill labeling to private labeling to private branding to industry branding to consumer branding cycle. Mill branding was labeling done under the manufacturer's name. Private labeling gave the retailers products under an exclusive name but the same product could be sold by competing dealers. Carpet One retailers wanted exclusives so that they would not be selling the same product as other dealers in their area.

During 1987 to 1990, Carpet One grew at an average of 75 retail locations per year, and these were good dealers, the "cream of the crop" of middle to high-end retailers. Carpet One shifted to private branding. Private branding gave Carpet One control over product attributes and quality. This was possible because the company was now dealing in higher volumes of product. Carpet One became a brand name on its carpets. StainMaster Select, a high end product, was introduced to help members compete and prosper in the stain market. Then in 1995, Carpet One shifted to industry branding when it secured the exclusive license to Bigelow, the oldest and most respected carpet manufacturer in America. It became the first retailer ever to license a mill name. In 1995 Carpet One launched Bigelow Invincible, a breakthrough product with durability and the industry's first 25 year warranty and lifetime installation guarantee alongside the 1993 Scotchcare 3M program a ten-year stain protection warranty that put the company at the forefront of the industry and attracted new Carpet One members. This has allowed Carpet One to avoid the costs of warehousing their inventory. Manufacturers ship direct for Carpet One. More recently as the market has shifted so has Carpet One, keeping its members positioned to stay ahead of the consumer preference curve with the introduction of consumer branding such as Liz Claiborne.

New enterprise development was another area of innovations. In 1994, Stone Mountain's Carpet Mill Outlet debuted under the Carpet Co-op umbrella to serve the growing consumer segment that demands quality products at value prices. Much of the development of new enterprises focused on expanding into market niches not served by Carpet One - wholesale, factory outlet and high-end decorator.

Since inception Carpet One has continued to hold conventions. By the period of 1987 to 1990 the role of conventions was solidified. Carpet One began a tradition of careful, systematic and analytic growth by means of bringing members together twice each year to evaluate and implement sometimes major, sometimes minor, improvements in their products, performance and profitability. Conventions are an opportunity to present new products, for strategic planning with members; and to tap the members for their assessment of current products and services. The conventions value to the members continues to this day and the ultimate goal remains the creation of greater equity value for the members.

In 2001, Carpet One was the first to offer store displays, organized around categories of floor covering rather than by mill. They offered their customers a powerful

merchandising system, SELECTAFLOOR, to help simplify the buying process and take the guesswork out of selecting floor coverings. SELECTAFLOOR systems create a smooth and efficient selling environment that allows customers to easily assess their needs based on lifestyle, taste, and budget and quickly evaluate and compare products. The latest initiative in this area is “Destination: Carpet One” which is a store design initiative to create an informed but simplified shopping experience.

5.0 Giving Members the Entrepreneurial Edge

Carpet One operates in a highly competitive industry. As an innovative leader, they have been able to provide members the resources to compete on pricing, quality and service against the big box stores. The member stores have the advantage of a nationally recognized store name and unique brands targeted to a precise consumer niche. Members benefit from lower buying and operating costs. Other benefits are expert marketing and merchandising programs; retail brand building and exclusive store brands; proprietary products; a wide variety of training programs through CCA University; operating programs such as consumer finance; property insurance, wireless phone services and office and computer supplies; and, communication technology and a common operating system.

Carpet One has been able to successfully build on its strengths as innovators to compete successfully against the competition. Strategies that have worked well for Carpet One include the licensing of exclusive brands such as Bigelow in 1996 and the use of extended warranties on the products. Carpet One stores exclusively retail the LEES for Living® carpet which features a 25 year stain warranty and Good Housekeeping carpet. They also obtained an exclusive product placement for Liz Clairborne Flooring.

Carpet One entered international retailing in 1996, by negotiating with InCarpets of Queensland, Australia to join Carpet One as the first non-North American members. InCarpet added 26 stores to Carpet One. They were joined in 1995 by the addition of Carpet One Canada. In 1996, retailers in New Zealand joined Carpet One. The development of international markets has also contributed to their ability to compete on volume.

CCA Global Partners is currently ranked as the 16th fastest growing company in the world with \$8.7 billion in sales.⁴ CCA Global Partners is also ranked 87th in the top 250 Global Retailers for the period 1998 – 2003(<http://www.stores.org>). The National Retail Federation ranked them 8th in the top 100 list of specialty store retailers in 2004⁵. This success is built on a commitment to service. According to Brodsky, “What we create together is somehow stronger than anybody could create individually”.

⁴ January 2005, section 2, <http://www.stores.org/pdf/GlobalRetail05.pdf>

⁵ <http://www.stores.org/pdf/04%20AUG%20TOP%20100%20chart.pdf>

Table 1: Cooperative Firms in the Top 250 Global Retailers Based on Retail Sales

Cooperative Firms	Country	Ranking
Coop Italia	Italy	51
Coop Kobe	Japan	224
Coop Norden	Sweden	58
Coop Switzerland	Switzerland	66
Cooperative Group	U.K.	104
CCA Global	U.S.A.	87
Eroski	Spain	115
John Lewis	U.K.	85

Table adapted from <http://www.stores.org>.

CCA Global Partners has identified areas for new venture development or emerging sectors where markets are dominated by independent retailers who are vulnerable to market consolidation. They have entered the bicycle and mortgage industries for this reason. The model has been successfully used in the development of fourteen other cooperatives which are modeled on Carpet One but which contract for services with CCA Global Partners.

6.0 Recruitment of Carpet One Members

Carpet One members are individual proprietors of carpeting and flooring retail businesses. They are recruited to the company by CCA Global Partners staff. According to Brodsky new members should satisfy certain requirements in order to be recruited. These include certain size of the dealer, certain market size, the credit worthiness of the dealer and the dealer's reputation.

Hackel summarized the process of selecting members:

We have a membership team that solicits people for membership. We review the applications for a lot of reasons besides their financial strength. We do an analysis. We look at how fast they pay their bills. We look at prospective stores inside and out, to make sure they are high end enough; to make sure that the stores are large enough, we look at the mix of distribution, or suppliers and things of that nature. We look at references from the people in the industry, about their characters, how well they perform their businesses, and then lastly we look at the market shares.

This criterion has been consistent since the start of the cooperative. Brodsky and Greenberg focused on selecting members who they could trust and who were quality people running quality businesses. A chart developed by CCA Global Partners summarized the qualities sought in the owners: empathetic, professional and knowledgeable people with a passion for business. The owners should be straight shooters committed to the best service. They should be innovative, honest, confident

“real” people who respect and like their customers. They should like to work in a team and be smart business people. Those are the qualities that Carpet One seeks in recruiting new members.

Tony Leonard’s story captures the recruitment experience typical of the members we interviewed. He is a member from San Ramon, California.

They contacted us in their screening ... in 1989. At that point in time we decided not to purchase the products from Carpet One. They approached us again in three years time and asked us to attend the symposium at the St. Louis headquarters offices and it was at that time we decided to join. Primarily, we had an interest in them because [of the] private labeling. They had a story that was very valuable, marketable or sellable. What they did is they took manufacturers warranties as those warranties existed and those manufacturers’ regular product lines and they extended them.

So if, for example, a manufacturer was willing to give a five year warranty on permanent staining on the carpet, for example, Carpet One will turn around and offer extended warranty to seven or ten years...we thought they were doing a better job. They were ahead of any competitors in terms of merchandising programs which involved as I said this private labeling program.

... the buying power of the co-op was one of the things that was highly counted as in the marketing efforts... The problem is that the manufacturers were selling all their products to any dealer who could afford to buy [their] sample book whether they had opened credit or sold in the rebate system. So the landscape was becoming densely populated with dealers and retailers who had the same access to the same products we had...

When we saw the growth and development they had done from the time we looked initially in 1989 and actually joined in 1992, [it] was outstanding

Leonard’s recruitment story was typical of four of the five members interviewed for this case study. The fifth member, Richard Akel, the owner of Design One Carpet One, had a cousin who already belonged to Carpet One. He was impressed with what he saw and approached Carpet One himself.

My cousin was a member of Carpet One and he told me about it and from there I decided to be a member... I was motivated by the road map that they provided to the members, i.e., how to be successful in business... I met with Brodsky, Greenberg, and Mishkin and after meeting with them, I realized that Carpet One was an organization that I could learn a lot from and benefit a lot from and hopefully make a lot of money... I moved from making no money to making a lot of money.

In our survey of members, we encountered a couple of cases where the member of record is now retired and the store is run by employees. Some members have more than one store. There are some members who started their own business and some second-generation members. The average owner, according to Hackel, is a \$3 million dollar operation with about 12 full-time staff members in sales, warehouse staff and office operations. A random review of an additional 20 member websites confirmed these characteristics of member stores.

7.0 The Cooperative Financial Structure

Carpet One is a dividend rebate cooperative. Each member pays a membership fee to join the cooperative. Members pay \$2000 for their voting share. They also pay about \$60,000 for a package of services to redesign their showrooms and for training. This can be financed over four years and may be paid out of their rebates. When members leave, the membership fee of \$2000 is returned. Members are required to purchase 80% of their products from Carpet One. They are also expected to maintain good credit and be reputable.

Carpet One pays a traditional patronage dividend based a member's purchases and fair share of cooperative expenses. Hackel explained how the rebate account works:

We look at all the members' purchases and determine what percentage a member purchases out of total purchases of the co-op. So for example, a company that has two percent of all the purchases of the co-op would get two percent of the expenses. The difference between their earned rebate and the expenses is their patronage dividend.

So, consequently, a member that is a bigger volume member who purchases more from the group receives a bigger dividend because he also receives a bigger share of the rebate.

What is interesting about it is that rebates on the products are not necessarily the same. Some products may have big rebates some products may have small rebates. So a member that manages the purchases towards higher rebate earnings could have a bigger rebate than someone who has low rebate items because they are going to share the same expense. The rationale behind this system is that a member that buys more uses more of the services and receives more of the benefits of the co-op.

Additionally, Carpet One has an innovative system for sharing the company profits with its members which is a script dividend. A script dividend is an additional dividend that is paid to the members in the form of an "IOU". A member collects the "IOU's" until such point that they have accumulated \$100,000. After they have accumulated a \$100,000 any additional script is paid to the member in cash. However, if a member leaves the cooperative, they receive any script funds that are due them. This enables members to accumulate equity which is valuable to them at the time that they retire.

Members pay taxes on the rebates but CCA Global Partners does not. The script payments are only made to cooperative members based on the profitability of Carpet One.

8.0 Members Reflections on Membership

All of the interviewed members praise the value of membership in Carpet One. All admitted that Carpet One gave them the ability to have a better quality of life. Carpet One membership helps them to be more profitable. It does much of the work that people would have to do for themselves, if there was not a cooperative, observed Linda Martinho of Mashpee MA. Martinho realized that after belonging to Carpet One for a year that she and her siblings who own three stores had learned how to be profitable:

All the business I had done in prior years, I was killing myself working all kinds of crazy hours working on lower margins just to try to keep the customers happy, but I wasn't making the store any better or building our business per se because we weren't profitable enough to be building the business to make it better for the customer...

I learned from Carpet One that it was okay to be profitable and that people were doing business with us because we were giving them the service and they wanted to do business because they were getting the quality and we didn't have to give it away. It was okay to make a profit. I learned that basically from Carpet One. It was okay to make money as long as you were giving them the service and they were coming to you because of the quality of the workmanship.

Martinho also found that the co-op eliminates the isolation so common in the small business entrepreneurial experience. Members in a cooperative do not compete with one another but are in touch with one another. They can be in touch by phone or through online conferencing. She talks to other members all the time.

Bob Mastrocola of Bradford Carpet One joined Carpet One in 1995. At the time, he was approached by other suppliers as well as Carpet One. "There are retailers and other groups that approached us, but Carpet One impressed me because it was a retailer that knew retail and knew what the retailers needed and their program satisfied the retailers' needs..." Mastrocola summed up the benefits he has realized from his involvement with Carpet One:

They take everything that we would have done and (make) everything we do sound better, more professional. Because of the private labeling program we have been able to increase our profit margins by 3%. The things they do, and the things you can do alone – you just can't get time to do all that they do. They have economies of scale.

Tom Brown had similar concerns to Mastrocola. Carpet One had attempted to recruit him for years but he didn't want to join at the beginning. He used to buy from other vendors

and he feared that joining with Carpet One could affect his freedom. He didn't want someone to tell him what to do in his business. He used to buy Mohawk and was assured of exclusives in his market. Mohawk then began to sell the same product but under different names to other retailers in his area. So he had to change his modus operandi, and join the co-op. "I didn't need them until when I got into them and found it was just unbelievable what they do for their dealers."

Brown describes the founders of Carpet One:

Brodsky and Greenberg are very trustful people. They are trusted because of their integrity. That is something being smart, that is something working smart. Management you know is an art, and they got that, but they have a high degree of integrity. And I'm one of those who believe that the nice guys don't come in last. If for no reason a person can stand in the mirror and stare, and look at themselves in their eyes. And these two guys are the living proof. Their words are good

When asked about the benefits that he has gained from being in Carpet One, Tom had the following response:

I just wanted protection. That is all I wanted. I run my own business. I'm smarter now (laugh). That is what I wanted. I wanted to continue to protect my markets. I got so many other things I didn't even know I wanted from them... I grew from 3% to 5.7% net profits for the last two years.

Tony Leonard of San Ramon, CA, agrees with this assessment:

They had the best in our view and in our opinion they had the most compelling story in terms of offering the retailers all of the various components that will enable the retailer to look and act and operate his business as if he was a member of some larger entity... Because they offer different kinds of components the merchandising, the marketing, the buying, the rebate program, all these things were done by Carpet One in a way that certainly surpasses any thing that was offered by any other group. They were the most professional and then also they were trying to maintain relatively high standards of membership. And we consider ourselves in that category, very sophisticated high caliber – good retailer...

Carpet One has made us more profitable. It gives us an ability to increase our gross margins, it has made us more effective advertisers and merchandisers, elevated us in terms of how we are appreciated by our vendor partners, it has increased the level of service treatment that we receive from the manufacturers because of being related to Carpet One and it has increased our profitability in terms of the way we receive rebate and scripts, and continue to be coming in the higher volume levels than what we anticipated.

These testimonies from members are further supported by Carpet One's own surveys of members. CCA Global Partners has an independent survey conducted of all staff and division members annually. In the July 2004 survey, members were asked if their business benefits from being part of the division. A strongly agree to agree response was registered by 85% of Carpet One members in the US; and 79% in Canada. Negative responses of disagree to strongly disagree were recorded by only 3% of Carpet One members in the US and 9% in Canada.

9.0 CCA Global Partners Shared Management Services

In addition to the member benefits exclusive to cooperative members, Carpet One members have the ability to pick and choose which of the programs and services they will use. This is a distinct advantage over many franchising operations and even many purchasing cooperatives which have a fixed set of services. Hackel explained why they adopted this strategic approach to member services:

We have a belief that if we provide the services we should be receiving compensation. And that if we provide services and give to our members' gratis, it will be used less, and have less value. Every service we have we design them in a way that members will pay the fair cost for those services. This achieves two things. One it compels the company to produce good services of real value because members can choose to purchase them or not, and two, it incentivizes the company to be very efficient in the development and production of programs and services.

In other cooperatives where they tend to give away services, the services are really paid for by lower dividends. Then the dividends are not being affected that is why we can afford to pay out higher dividends. I think it has improved the quality of our programs. And our members utilize our programs more because they are paying for them; they are choosing to pay for them.

CCA Global Partners and Carpet One have programs to assist members with store design; merchandising; technology services; credit and financing; exclusive consumer brands; and major and national accounts. CCA Global Partners provides the following services to all the participating retailers:

- Lower buying and operating costs
- Expert marketing programs
- Retail brand building
- Exclusive brands
- Proprietary warranty programs
- National brand advertising and public relations
- Fully integrated display and merchandising programs
- Common operating systems
- CCA Global University, a comprehensive, results oriented corporate training department offering management, leadership, sales and product education

➤ Web services, including Web sites, intranet and information sharing
Members of the affiliated companies use these same services.

10.0 Lessons from CCA Global Partners for Local Economic Development

Purchasing and shared services are considered an important area for new cooperative development according to a recent study commissioned by the National Cooperative Business Association, titled “Cooperative Development Trends and Policy Opportunities.” The study recognizes that the pressures from big box stores on independent businesses will drive fragmented sectors to look for synergies to protect their market share and to secure competitive prices on goods and services. CCA Global Partners has successfully done this not just with Carpet One but in other areas of new venture development as they have converted franchises to business cooperatives. It is a proven model for preserving small businesses in sectors that are undergoing consolidation pressures.

This is a model that addresses the challenges of small business people. It gives them advantages of large firms without being a large corporation. The National Cooperative Bank offers the following description of the purchasing cooperative sector in the United States:

Today there are 250 purchasing co-ops in the United States. Combined, they represent thousands of business owners and generate billions of dollars in revenue every year. Purchasing co-ops run the gamut of industry. They can be found in grocery, metal, electrical, hardware, lumber, plumbing, drywall, and pest control, to name a few.

Purchasing co-ops like Carpet One, have the ability to bring together groups of small scale entrepreneurs to compete successfully in consolidating business markets. Nadeau & Thompson (1996:34) see these business cooperatives as key to preserving small businesses and Main Street America in the United States. These businesses would fade into extinction without the entrepreneurial leadership and advantages provided by their cooperatives. Instead, they can remain competitive and effective business leaders both locally and through their cooperative nationally.

In this final section, we summarize the key advantages of the Carpet One model. The CCA Global Partners approach to new venture development has been a successful approach to developing new cooperatives. Carpet One, according to Hackel, believes that “if you can figure out how to help the independent business person make their weaknesses into strengths, you have an effective model for a cooperative”. The fact that they have done this successfully and profitably for 20 years is a powerful case for their value as a model for continued study and replication. It is a very strong model for strengthening small to medium size businesses. Brodsky notes that this model will not work in all sectors, but where consolidation threatens the local entrepreneurs or where a franchise is failing, it is a model that may enable them to not just fight back but to grow and thrive.

Like most small businesses, these are not large generators of new jobs. Each store employs an average of 12 full time staff. Since the stores are profitable, they are able to provide good pay and benefits to their staff members. A survey of job postings on the Internet found that sales positions listed from \$30,000 to \$90,000 per year based on commissions and included health insurance and profit sharing or a retirement plan. Additional employment is created for installers. The installers are subcontractors in this industry. According to the Bureau of Labor Statistics, the median hourly wage of carpet installers in 2004 was \$16.39 (<http://www.bls.gov/oco/ocos203.htm#>)earnings. Hackel estimated that total employment generated by Carpet One in the United States is in excess of 20,000 people.

This is enhanced by a two tier entrepreneurship model. CCA Global Partners has the resources to gauge new market trends and innovations and provides entrepreneurial leadership to the members. Carpet One is able to assess the market; and to develop new products and services. In turn, the members know the local markets best. They are able to work with the staff to insure that those innovations are tailored to the local market.

A holistic approach to member needs is a clear strength of the Carpet One model. Everyone interviewed in this study spoke about how Carpet One anticipates the full range of needs that the store owners have. This holistic approach that includes marketing and merchandising, purchasing and management services assures greater profits and stronger business operations. It eliminates the isolation so often experienced by small business people and frees members from having to be expert in all aspects of the business.

The full range of business management services, group discounts on insurance, the advertising campaigns and training to improve the skill sets of staff give the owners more time to focus on their business and more time for their personal lives. The interactions with other members allow for peer learning as well as reduce the isolation of the members. All this suggests that there are important lessons to be learned from CCA Global Partners' holistic approach to providing services to members. Their model is consistent both with the individual entrepreneurs who run the retail stores and with the competitive nature of their sector. Members are able to strengthen all aspects of their businesses with the aid of trusted and professional support services.

Another key advantage is the flexible menu of services provided to members. The decision by Carpet One to not provide bundled and fixed menus of services distinguishes it from most other business cooperatives. The successful use of market mechanisms in the use of fees for services ensures that members get what they need and are not forced to use what they don't need. As Hackel noted, this creates a very effective feedback mechanism for assessing what services should be maintained.

The finance structure of Carpet One is another key advantage. The ability to retain profits for investment in new venture development and to also have profits to return to members distinguishes Carpet One's model both for its ability to fund new development and to reinvest in innovations in the company. All too often, working capital is a major

challenge for cooperatives. The Carpet One model has created an effective model for meeting the capital needs of the cooperative both for growth and for current operations.

Credit unions already have a shared services cooperative, Financial Services Center Cooperative for the purpose of creating delivery systems that are convenient for members and to develop enhancements in products and services. The cooperative provides mapping and marketing services, network support, training, and regional user group meetings (<http://www.fsc.com/>). The Carpet One example could suggest other areas for collaboration for credit unions as well as other cooperatives.

From the perspective of community economic development, this approach also builds assets for the members, retains local businesses and preserves locally owned and controlled businesses. The members are able to do more for their staff because they have more resources to work with. They can have the advantages of a national scale enterprise while preserving the advantages of a neighborhood enterprise that is locally owned and controlled.

Small business developers have a lot to learn from Carpet One Model. The model strengthens the capital position of the businesses through the development of equity in the cooperative. The rebates and script further enhance the capital position of the members. The blend of cash and script contributes both to the members' bottom line as well as a ready source of capital for CCA Global Partners to support its continued growth.

The Carpet One model is also a model worth examining for nonprofits. Nonprofits could readily adapt the shared services model to the provision of services or to lower administrative costs. Shared services can be found already in organizations such as NeighborWorks America where the intermediary is able to raise funds, provide training and other benefits included discounted insurance for its members. A successful example of this is the New Hampshire Community Loan Fund's statewide Individual Development Account program of matched savings for income eligible people. The program links the loan fund, participating financial institutions, community organizations and participants in the state's LEAP program (Life skills for Employment, Achievement and Purpose). The community partners are linked by a list serve and participate in quarterly meetings where partners are able to learn from each others' experiences. The loan fund provides technical assistance to the community partners and is able to raise the matching funds for the program. The shared services model lowers the costs of raising the match money. It also raises the quality of services through the technical assistance, peer learning and training. Instead of each local community organization having to develop their own program and raise all their own funds, they only have to work on covering their operating costs. The outcome of this approach is a support structure for participants, more training resources, lower delivery costs to the local agency, and greater coordination of resources and information. It also provides participants with the ability to access the services in their local community.

Applications of this could be made in other existing sectors. Community development corporations (CDC's) might look at whether they could achieve greater efficiencies by expanding their current efforts at collaboration through their state associations. State associations routinely provide members access to technical assistance, conferences and training, public sector advocacy, public and private sector linkages, public policy advocacy and group insurance products. CDC's find it difficult to raise operating funds. Shared services could potentially lower administrative costs in other areas such as housing development, property and asset management and human resources.

One question that this study raised was whether this is a model that could be adapted for fostering the development of small businesses in other sectors. The CCA Global Partners experience has been that you can take this into other sectors as they have done with bicycles. However, the model has not been used for developing new businesses but rather as a model for preserving existing businesses. The members are owner-operators of already established businesses. It is untested as a model for new business startups. According to Brodsky, although many member stores are located outside of the major cities, the model works in urban settings as well. In conclusion, Carpet One has a model that is able to successfully compete with the large "big box" stores in rural, suburban and urban areas. It strengthens the buying power of small business people and gives them a competitive advantage.

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Robert Mastrocola, Carpet One member & owner of Bradford Carpet, June 20, 2005, Saugus, MA.

12.0 Appendices

Appendix A: List of Carpet One Member Websites reviewed as part of the study

Appendix B: CCA Companies and Support Divisions December 31, 2005

Appendix C: Teaching Guide for Use of the Carpet One Case Study

Appendix D: Top 250 Global Retailers (<http://www.stores.org>).

Appendix E: Top 100 Specialty Store Retailers (<http://www.stores.org>).

Appendix A: Review of some member websites and articles about member stores.

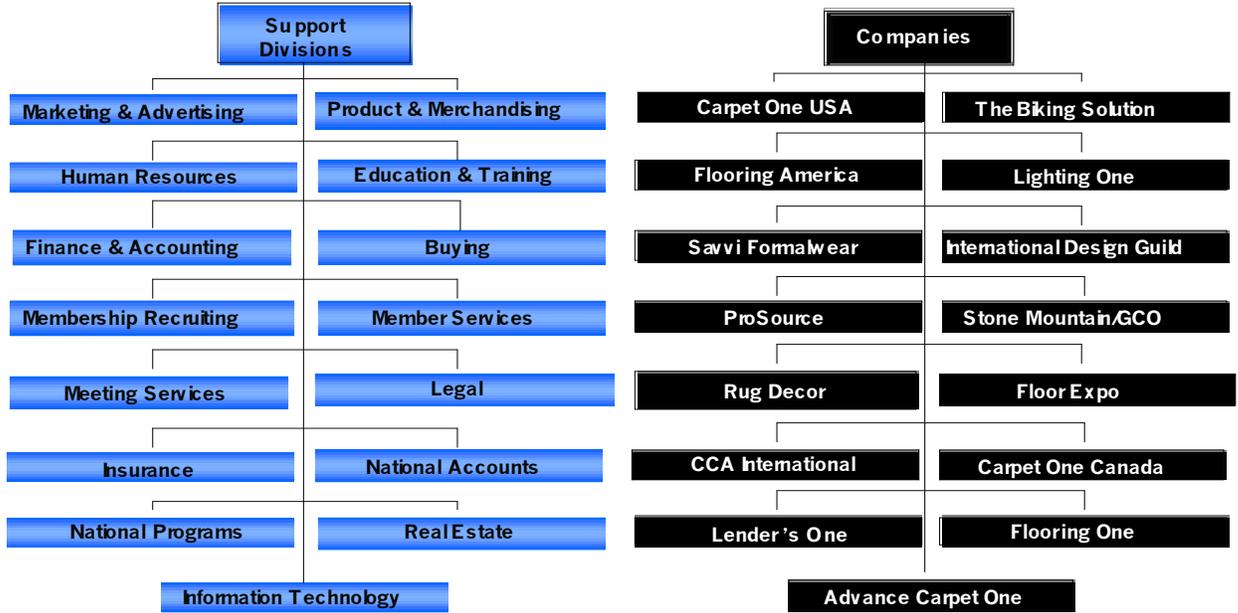
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7. Hicks Carpet One, San Antonio, TX <http://www.hickscarpetone.com/history.htm>
8. Independent Carpet One, Westland MI <http://www.independentcarpetone.com/aboutus.asp>
9. Iowa Carpet One, Urbandale, IA http://www.iowacarpetone.com/about_us/index.htm
10. Kerns Carpet One, Milwaukee, WI <http://www.kernscarpets.com/about.asp>
11. Kensington Carpet One ,AB, Canada Calgary
<http://www.calgaryplus.ca/portal/profile.do?profileID=83588>
12. McCrorie Carpet One, Port Angeles, WA <http://www.mccrorie.com/history.html>
13. Meelan Floors Carpet One, Yorkville, NY <http://www.meelanfloors.com/about.php>
14. Pucci’s Carpet One, Fredonia, NY
<http://www.gotopuccis.com/default.aspx?StoreID=49817&location=flooringandcarpetone>
15. Rochester Linoleum and Carpet One, Rochester, NY, in Wu, A. “Pelusio’s Seek to Floor Area” The Democrat and Chronicle, March 11, 2006.
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16. Royskouff’s Carpet One, Moline, IL
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17. Sandpoint Furniture Carpet One, Ponderay, ID <http://www.sandpointfurniture.com/aboutus.html>
18. Tile Etc. Carpet One, Littleton, NH <http://www.tileetcscarpetone.com/>
19. Tolliver’s Carpet One, Chandler, AZ
<http://www.designbiz.com/net/CompanyAbout.asp?CompanyID=59241>
20. World of Carpets, Santa Rosa, CA <http://www.worldofcarpetscarpet1.com/aboutus.html>

Appendix B: CCA Companies and Support Divisions



CCA Global Partners



CCA GlobalPartners 12/31/05

Appendix C

Teaching Guide for the Capital One Case Study

This case can be used as a teaching tool for various audiences. It should work well with students who are new to cooperatives as a way to acquaint them with a case example of a cooperative. The case also can work with more advanced audiences who wish to develop a deeper understanding of Capital One and its success as a purchasing and shared services cooperative.

The case method presents students with the case to read. They are then asked to discuss the case. At times, you may present the case without a predetermined script or focus for discussion. The case is then presented as a participant centered exercise. The intent is to encourage students to use the case as a framework for developing their leadership and teamwork skills. Case material can also be used with discussion prompts. This teaching guide provides some suggested questions for guided discussion of the case.

Section I: Guided Discussion Questions for Cooperators

The Carpet One case can serve as a framework for a group of cooperators to examine their cooperative in comparison to Carpet One. Some suggested areas for discussion follow. The guided discussion can use all or selected questions depending on the time and interests of the group.

- *Carpet One as a Cooperative*
 1. What are the characteristics of this cooperative?
 2. What is your assessment of it as a cooperative?
 3. What do you think of their approach to member selection?
 4. How does this compare to your ideal of how a cooperative should operate?

- *The Financial Advantages for Members.*
 1. How does Carpet One structure financial incentives for members to purchase goods and services from the cooperative?
 2. Does your cooperative create an opportunity to build an asset for individual members?
 3. How does this financial structure strengthen the equity position of Carpet One?

- *Membership Services*
 1. How are member services structured in this case?
 2. How does this compare to your cooperative?
 3. What are the advantages to a menu of services where you are only charged for the services you use as opposed to a fixed package of services?
 4. Do you see disadvantages to this approach?
 5. Are there services identified in the case that might be useful to develop in your own cooperative?

- *Cooperatives and Globalization*
 1. Carpet One has expanded into global markets. Should cooperatives expand internationally?
 2. What are the challenges to cooperatives when they operate internationally?
 3. How might cooperatives work together in addressing the challenges of globalization?

- *Cooperatives and Entrepreneurship*
 1. How has Carpet One strengthened the ability of their members to succeed as small businesses?
 2. Are there lessons to be learned from their approach?

- *Cooperatives and Marketing*
 1. Carpet One has utilized a number of marketing strategies. What are they?
 2. How do they compare to the strategies used in your cooperative?

Section II: Guided Discussion Questions for Students of Cooperation

The Carpet One case can serve as a framework for a group studying about cooperatives for the first time. Some suggested areas for discussion follow. The guided discussion could use all or selected questions depending on the time and interests of the group.

- *Carpet One as a Cooperative*
 1. What are the characteristics of this cooperative?
 2. How are the cooperative principles operating in this cooperative?
 3. What is your assessment of it as a cooperative?
 4. What do you think of their approach to member selection?
 5. How does this compare to your ideal of how a cooperative should operate?

- *The Financial Structure.*
 1. How does Carpet One structure financial incentives for its members to purchase goods and services from the cooperative?
 2. How does this financial structure strengthen the equity position of Carpet One?
 3. What are the ways that Carpet One differs from other cooperatives in how it has structured itself financially?

- *Membership Services*
 1. How are member services structured in this cooperative?
 2. What are the advantages to a menu of services where you are only charged for the services you use as opposed to a fixed package of services?
 3. Do you see disadvantages to this approach?

- *Cooperatives and Globalization*
 1. Carpet One has expanded into global markets. Should cooperatives expand internationally?

2. What are the challenges to cooperatives when they operate internationally?

➤ *Cooperatives and Entrepreneurship*

1. How has Carpet One strengthened the ability of their members to succeed as small businesses?
2. Are there lessons to be learned from their approach in developing other cooperatives?

➤ *Cooperatives and Marketing*

1. Carpet One has utilized a number of marketing strategies. What are they?
2. How do they compare to the strategies used in your cooperative?

Section III: Cooperatives and CED

A third group that can learn from the Carpet One case are students of community economic development. An instructor might begin with the case and guided discussion then have students participate in a simulation of how they might create a share services cooperative with community based groups and nonprofits in their region.

1. Can you cite any examples of how CED organizations collaborate with each other to share services?
2. What lessons can be learned for strengthening communities from this case?
3. What are some ways that nonprofits might adapt lessons from this case?
4. Is Carpet One a model for local small business development?
5. How might this model be adapted for use with other sectors?
6. What role can cooperatives play in community economic development?

Top 250 Global Retailers Alphabetical list

NAME OF COMPANY	DT RANK 04	NAME OF COMPANY	DT RANK 04	NAME OF COMPANY	DT RANK 04	NAME OF COMPANY	DT RANK 04
84 Lumber	229	Dairy Farm International	169	KESA Electricals	100	Rewe	11
Advance Auto Parts	165	Daiso-sangyo	213	Kesko	90	Rite Aid	36
AEON	22	Dansk Supermarked	112	Kingfisher	43	Ross Stores	144
Ahold	8	Darden Restaurants	118	Kintetsu Department	205	Roundy's Retail	231
Albertsons	15	Debenhams	198	Kmart	29	Ruddick/Harris Teeter	235
Aldi Einkauf	10	DeCA (Defense Commissary Agency)	114	Kohl's	61	S Group	92
Alticor/Amway	128	Dell	65	Kojima	135	Safeway	41
Amazon.com	116	Delhaize Group	30	Kroger	5	Safeway, Inc	14
Arcadia Group	197	Dillard's	81	LeRoy Merlin	110	Saks	103
Army & Air Force Exchange Services	83	Dixons	56	Liberty Media/QVC	121	Schlecker	97
Asbury Automotive	142	dm	207	Life	175	Schnuck Markets	249
Auchan	18	Dohle	233	Limited Brands	69	Schwarz Group	16
Autogrill	166	Dollar General	89	Linens 'n Things	238	Sears	13
AutoNation	34	Dollar Tree Stores	204	Lithia Motors	248	Seiyu	77
AutoZone	124	Douglas	221	Littlewoods	183	Shanghai Friendship	164
Avon	91	E Leclerc	25	Loblaw	46	Sherwin-Williams	168
Axfood	189	Edeka	24	Longs Drugs	129	Shimamura	215
Barnes & Noble	105	Edion	177	Lotte	80	Shinsegae	119
Bed Bath and Beyond	130	El Corte Ingles	44	Louis Delhaize	62	ShopKo	182
Beijing Gome Home Appliance	230	Empire/Sobeys	75	Lowe's	19	Shoppers Drug Mart	184
Belk	244	Eroski	115	Luxottica Retail	226	Shoprite Holdings	146
Berkshire-Hathaway Retail	242	Esselunga	157	LVMH	171	SHV/Makro	178
Bertelsmann	220	Family Dollar	126	Manor	218	Skylark	188
Best Buy	28	Fast Retailing/Uniqlo	222	Marks and Spencer	45	Somerfield	78
Best Denki	217	Federated Department Stores	40	Maruetsu	185	Sonae/Modelo Continente	145
Bic Camera	148	FOCUS Wickes	214	Marui	150	Sonic Automotive	106
Big Lots	136	Foodland	154	Massmart	196	Soriana	172
BJ's Wholesale Club	95	Foot Locker	125	Matsumotokiyoshi	236	SPAR Austria Group	102
Boise/OfficeMax	139	Fuji	227	Matsuzakaya	181	Staples	68
Boots	79	Galerias Lafayette	98	May Department Stores	47	Starbucks	170
Borders	159	Gap	38	McDonald's	49	Stater Bros.	209
Brinker International	158	Giant Eagle	161	Meijer	54	SuperValu	60
Burlington Coat Factory	202	Globus	137	Menards	109	Systeme U	74
C&A	108	Golub Corp./Price Chopper	225	Mercadona	82	Takashimaya	72
Canadian Tire	133	Group 1 Automotive	147	Metcash	93	Target	7
Caprabo	241	Grupo Gigante	199	Metro	4	Tengelmann	21
CarMax	140	GUS	67	Metro (Metro-Richelieu)	152	Tesco	6
Carrefour	2	H.E.Butts	57	Michaels Stores	187	The Big Food Group (Iceland)	216
Casey's General Stores	240	Hankyu Department Stores	176	Migros Genossenschaft	55	The Pantry	210
Casino	27	Heiwado	190	Millennium Retailing Group	70	TJX Cos.	48
CBRL Group	250	Hendrick Automotive	234	Mitchells&Butlers	237	Tokyu Department Store	180
CCA Global	87	Mitsukoshi	88	Musgrave	155	Tokyu Store Chain	245
Celesio (Gehe)	195	Hennes & Mauritz	107	Neiman Marcus	193	Toys'R'Us	52
Charming Shoppes	243	HMV Group	191	Next	149	United Auto Group	86
Circuit City	64	Home Depot	3	Nordstrom	96	Uny	63
Coles Myer	37	Hudson's Bay Company	113	NorgesGruppen	153	V.T. Inc.	132
Colruyt	160	Hutchison Whampoa/AS Watson	94	Norma	201	VendexKBB	117
Compass	141	Hy-Vee	134	Odakyu Electric Railway	239	Walgreens	17
CompUSA	99	IAC/HSN	246	Office Depot	71	Wal-Mart	1
Conad	122	IKEA	50	Otto (Otto Versand)	53	Wegman's	173
Controladora Comercial Mexicana	174	Inditex	120	Outback Steakhouse	212	Wendy's	223
Coop Italia	51	Intermarché	12	PAM	228	Wesfarmers/Bunnings	211
Coop Kobe	224	Isetan	111	Pao de Acucar	163	WH Smith	200
Coop Norden	58	Ito-Yokado	20	Pathmark	143	Whole Foods Markets	186
Coop Switzerland	66	Izumi	167	Payless ShoeSource	206	Williams-Sonoma	208
Cooperative Group	104	Izumiya	192	PETSMART	203	Winn-Dixie	59
Costco	9	J Sainsbury	23	Pick 'n Pay Stores	138	Wm Morrison	76
Couche-Tard	131	JCPenney	32	Pinault-Printemps-Redoute	39	Woolworths	31
CVS	26	Jean Coutu	194	Publix	35	Woolworths (UK)	156
Daiei	42	Jerónimo Martins	162	RadioShack	127	Yamada Denki	73
Daimaru	101	Jim Pattison Group	232	Raley's	179	Yodobashi Camera	123
		John Lewis	85	Reitan	151	Yum! Brands	84
		KarstadtQuelle	33	Retail Ventures	219	Zale	247

TOP 100 SPECIALTY STORE RETAILERS

Rank	Company (Headquarters)	Sales (000)			Income (000)			Stores			Comment
		2003	2002	Change	2003	2002	Change	2003	2002	Change	
1	Best Buy Minneapolis	\$24,547,000	\$20,946,000	17.2%	\$705,000	\$99,000	612.1%	767	1,890	-59.4%	Bundling goods, services to boost margins
2	Gap San Francisco	15,853,790	14,454,709	9.7	1,030,187	477,457	116	3,022	3,117	-3.0	Bounceback: record earnings in Q1 of this year
3	Staples Framingham, Mass.	13,181,222	11,596,075	13.7	490,211	446,100	10	1,559	1,488	4.8	Expansion in 2003 is paying off in 2004
4	Office Depot Delray Beach, Fla.	12,358,566	11,356,633	8.8	276,295	310,708	-11	1,099	1,038	5.9	Tech products boosting same-store sales
5	Toys "R" Us Wayne, N.J.	11,566,000	11,305,000	2.3	88,000	229,000	-62	1,500	1,595	-6.0	Geoffrey concept puts less stress on toys
6	Circuit City Richmond, Va.	9,745,400	9,953,530	-2.1	(89,300)	82,300	—	599	611	-2.0	Buying InterTAN in Canada
7	Limited Columbus, Ohio	8,934,091	8,444,654	5.8	716,810	501,739	43	3,911	4,036	-3.1	In the midst of a stock re-purchase program
8	CCA Global Partners* Earth City, Mo.	8,000,000	6,015,000	33.0	N.A.	N.A.	—	3,200	2,750	16.4	Flooring exclusives keep things humming
9	CompUSA* Dallas	6,250,000	6,000,000	4.2	N.A.	N.A.	—	295	225	31.1	Could use a caring corporate parent
10	Barnes & Noble New York	5,951,015	5,269,335	12.9	151,853	99,948	52	2,356	2,117	11.3	Bill Clinton's life isn't a Harry Potter adventure
11	AutoZone Memphis, Tenn.	5,457,123	5,216,431	4.6	315,668	251,790	25	3,219	3,068	4.9	Pushing west with warehouse in Terrell, Texas
12	OfficeMax Cleveland	5,000,000	4,775,563	4.7	N.A.	73,724	—	975	990	-1.5	Keeping low profile under Boise Cascade
13	Foot Locker New York	4,779,000	4,509,000	6.0	207,000	144,000	44	3,610	3,625	-0.4	Completed acquisition of Footaction chain
14	RadioShack Fort Worth, Texas	4,649,300	4,577,200	1.6	298,500	257,800	16	7,042	7,200	-2.2	Wireless products pushing performance
15	Blockbuster Dallas	4,533,500	4,460,400	1.6	(983,900)	(1,627,600)	—	8,900	9,100	-2.2	Viacom ready to cut Blockbuster loose
16	Bed Bath & Beyond Union, N.J.	4,477,981	3,665,164	22.2	399,470	302,179	32	581	496	17.1	Riding the home-buying "cocooning" wave
17	Ross Stores Newark, Calif.	3,920,583	3,531,349	11.0	374,551	201,178	86	568	507	12.0	Playing it close to the vest in back half of '04
18	Borders Group Ann Arbor, Mich.	3,731,000	3,514,700	6.2	122,100	111,700	9	1,225	1,249	-1.9	Waldenbooks comp sales slip

*Sales/Income figures are estimates