

COMMENTARY

Editorials, letters, columns and other opinions

Learn the Rest of Sol Price's Amazing Story



COMMENTARY

Gary London

One of my favorite occasional Saturday fun activities is to wander around Costco. I make sure I am hungry so that I can sample the free food bites. But I just like to visit every aisle in the 120,000-square-foot warehouse and see what they have. I spend too much time in the wine section, almost as much time looking at gadgets.

And I always buy too much food, paper goods and other staples.

It's a perfect menu for a retailer to make money. And Sol Price invented it.

This is a memorial story to honor Sol Price, who died Dec. 14. He left behind a legacy unmatched certainly in San Diego, and rarely matched in America. He was a pioneer, much the same as Steve Jobs and Bill Gates were pioneers. Much the same as Henry Ford was a pioneer.

He changed an industry, or at least the "rules of the game" in retailing. While an attorney by training and early profession, he saw the opportunity in retailing. Maybe this was because his name was so perfect — Price. If you didn't know there was a Sol Price, you probably thought that his Price Club was a company name, not a surname.

Sol Price created, and then created again, and then again, the "warehouse" retail concept. The idea of walking into a members-only warehouse retailer pushing a very large cart, self-serving, and stocking up on EVERYTHING, overspending and filling the brim of your car trunk, well, that seems so normal to all of us today.

Sol Price invented it. Not only did the concept work — and not incidentally made him very rich — but his approach to retailing created a paradigm shift in the retailing sector.

He first conjured up the idea of this type of retailing at FedMart, long ago gone from its Midway location on Sports Arena Boulevard. He moved on from there to create the Price Club. Eventually, the 200-store Price Club chain was sold to one of his protégés who made it into a Costco. And it still is.

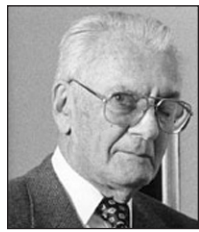
Along the way, Sol received visits from Sam Walton, who went on to invent Wal-Mart. And I am sure he consulted with many heads of state in the retail sector wishing to clone the warehouse retail concept for their own niche.

Yet, the other reason we honor him is because he embraced the very epitome of the perfect model for lifetime success: first do "well," and then do "good." He accomplished both. Part of the reason is that he presented himself with the means and the compelling urge to accomplish both. The other reason is, passing away last month at the age of 93, he lived a very long life and was able to play out his goals far longer than most.

Retailing, Sol Price Style

The irony of today's retailing is that while Costco and Wal-Mart are prospering and expanding, many of the other so-called "big boxes" have failed, as have much of the real estate-based retail sector, in these challenging economic times.

Many big boxes have left big holes in the shopping centers they have dominat-



Sol Price

ed. And they are not likely to come back or be replaced by other retailers with big box dreams.

The retail model has fundamentally shifted, in at least two ways. Economically pressed retailers mostly cannot afford the big boxes. They have to shift back to small boxes and boutiques. The retailing sector is moving toward efficiency, trying to crank up the revenue-per-square-foot model, which means stuffing more goods and services in a smaller space. That is the future of retailing. It is a fundamental paradigm shift — again — in the retail sector.

The other push factor has been the incessant competition from Internet-based retailers. Just as once upon a time consumers would not walk into a warehouse to shop. But we ultimately grew accustomed to this self-serve, no frills, discounting environment.

There was once a time when we were downright suspicious about shopping on the Internet. That was the era when the concern was whether to give a "virtual" retailer our credit card number. That was so last century!

Today's consumer is so comfortable with non-real-estate-based retailing — e.g. the Internet — that it is this virtual retailing that is providing the competition to traditional retailers.

Yet along the way, even geeks like me love our free samples, our roves down the cement aisles, the surprises around the corner, and brace for the inevitable three-figure expenditure at checkout.

It remains a way of life. And Sol Price created it.

On Real Estate

But Sol also pulled off something else that was fairly brilliant. When he sold Price Club to Costco, he kept the real estate. Throughout the years, as he built Price Clubs throughout the United States, he bought the real estate. In fact, he overbought on the theory that there was intrinsic value in owning the real estate.

"He always believed that the retail would have interim value, but underneath it was long-term value," stated Jack McGrory, who stewarded this real estate empire on behalf of Price Enterprises. "Sol bought larger parcels beyond what the Price Club needed, and developed it. It was a retail and real estate play at the same time."

Sol accomplished two things, addressing the present and future. He created an income stream for Price Enterprises that has to be the envy of every investment house, every real estate investment trust and every pension and insurance company across America. He turned his company into an institutional coupon clipper — a euphemism that, roughly translated, involves the act of collecting a monthly rent check without having to do much. It's a nice business.

Most of these Costcos are strategically located in metropolitan areas throughout America. It is good real estate. If something bad ever happens to the Costco model, the Price Entities-owned real estate is still there, waiting for the next land-use idea. That's also a nice business.

In the end, he was right. The intrinsic value of the real estate was the foundation of the rest of his empire.

Redeveloped A Neighborhood

Sol Price was a local product, born and raised near San Diego's City Heights. This is not incidental, because ultimately Sol's gift to San Diego, with all of that success and money, was to use it to bootstrap the redevelopment of the neighborhood he grew up in.

Along the way and during the many years of Sol's life, City Heights changed from the pre-World War II vintage cottage homes occupied by middle class, mostly white households. It became a multicultural, much poorer, run-down, troubled community.

"City Heights is a classic melting pot of immigrants, persons starting out in this country, landing in this neighborhood. This is a community in need. It's a port of entry," said McGrory.

Sol single-handedly decided to renovate it. Now, I don't mean that literally. Along the way he got lots of help and cooperation from an energized and competent staff. Neighborhood groups, and certainly the city of San Diego cooperated and smoothed the way.

But when the dust settled, the Sol Price dream of taking the initiative to privately catalyze the redevelopment of a neighborhood resulted in an urban village master plan, which included the development of a police station, adult education facilities for the San Diego Community College District, a library, an Albertsons shopping center (with developer William Jones), 116 townhomes, and a 120,000-square-foot office building. Adjacent to this, they built a 151-unit senior apartment project and 30,000-square-foot immigrant health clinic. Under construction are 92 more apartments over retail. He also set up a partnership with San Diego State University and city schools to conduct education programs.

None of these accomplishments were accidental, and they were all integrated.

The charity is a fund holder in the real estate. The real estate is the source of the income for Price Legacy Corp. In other words, the income stream in the "for profit" assets goes to the charity, which is primarily focused on the redevelopment of City Heights.

Today, Price Charities is a substantial shareholder in Price Smart, a South American spinoff of Price Club that Sol and his son, Robert Price, created. The charity owns 4 million of 30 million shares generating about \$2 million a year in income.

Robert Price is chairman of the board of Price Charities and continues to oversee the redevelopment work that Sol started.

This is the "do good" part of the life story. If I might suggest the obvious, it's a pretty good model for all of us to emulate.

And it is why I wanted to write a "rest of the story" obituary of the passing of a great man.

The announcement of an important man's death on all of the national news programs rarely happens for a local. The last time I can remember that happening was on the passing of Jonas Salk. In his own way, Sol Price saved a lot of lives.

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