

A MOST UNLIKELY SUCCESS STORY

How Sam Wyly made Michaels the premier arts-and-crafts retailer in the United States

From “1,000 Dollars and an Idea” by Sam Wyly

Sam Wyly had never even set foot in a Michaels store when he purchased the company for \$8 million in 1982, yet he knew simply by looking at the company’s balance sheet that it was a great entrepreneurial opportunity. The company had \$4 million in cash and no debt, and annual revenues of approximately \$10 million. In 2006 when Wyly and the Board sold Michaels Stores, Inc., their annual revenue had grown to \$1.24 billion. The deal brought Wyly and the other shareholders \$6 billion, a 30% premium over the market price.

Here are just some of Wyly’s insights that led to Michaels’ domination of the arts-and-crafts market:

- He could see that Michaels was solidly in the black with the balance-sheet strength to expand.
- He saw that Michaels had a loyal and growing customer base that would continue to grow while new systems were incorporated to assist its expansion.
- His purchase automatically took care of one of the company’s biggest problems – a power struggle between the previous owners. His steady hand and optimistic outlook empowered the executives to focus on building the customer base, expanding the brand name and growing the company.
- He recognized the importance of store location, secured prime real estate and expanded quickly from 6 stores to over 100. Michaels bought independent stores in key markets and smaller chains across the country, to secure the market west of the Rockies.
- Michaels became its own supplier: By bringing the picture-framing operation in-house and selling pre-constructed frames, Michaels eliminated the costs associated with purchasing frames from outside suppliers. This vertical integration, together with the purchase of framing services and art supply company Aaron Brothers, enabled Michaels to become the world’s largest custom framer.
- Wyly recognized that weekly circulars in local Sunday papers were driving customers into stores for sales more than “everyday low pricing” or any other marketing “innovation” would ever do, so he relentlessly refined this advertising method.
- Realizing that the decentralized management Wyly normally preferred simply wouldn’t work for a national retail chain selling 35,000+ products, Michaels centralized inventory and merchandising with systems that tracked real-time inventory, and automatically reordered products as the need arose, eliminating a very time-consuming aspect of store-level management.

To Schedule an interview with Sam Wyly, please contact:
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