

Cabela's:

From home business to World's Foremost Outfitter

The following is partly summarized from a book by David Cabela entitled, Cabela's: World's Foremost Outfitter, published by Paul S. Eriksson, P.S. Box 125, 368 Indian Trail/Dunmore, Forest Dale, VT 05745. See www.cabelas.com for more information.

Cabela's has been called a hunter's and fishers Disneyland. Founded in 1961 by brothers Dick and Jim Cabela, this seller of outdoor sporting goods operates mainly through the 120 million-plus catalogs it mails annually. But its 15 stores, some as big as 250,000 square feet and featuring waterfalls, restaurants and mountain replicas, are main attractions for the Cabela client.

Cabela's is the outdoor enthusiast's dream come true, selling footwear, clothing and gear for fishing, hunting, camping and other outdoor activities and offering outdoor TV and radio shows and even a travel agency. In mid-2004, Cabela's went public and posted a \$65 million income – a far stretch from the company's founding in the kitchen of Dick Cabela's rural Nebraska home.

Humble Origins

In the winter 1961, Dick Cabela accompanied his father in a drive from Chappell, Nebraska to Chicago to purchase products for his father's furniture business. Dick stopped at a place called Walker International and bought some bulk fishing flies.

He had a place in his father's company, Cabela's furniture, where he learned about running and owning a small business. But he also had an idea of his own. After reading *Field and Stream* ads, Dick decided to place his own ad for some of the fishing flies he bought in Chicago.

No one answered his ad. And the flies sat in the Cabela's kitchen pantry, between sugar sacks and corn flakes.

But he persisted and placed an ad in the *Casper Tribune* of Wyoming. Sure enough, his first order came. He went back to *Field and Stream* and offered five free flies with \$.25 postage. Dick received 23 orders, and he placed more ads in *Outdoor Life* and *Sports Afield*.

"Mom never questioned his decision because she knew he was an eternal optimist who would surely succeed," said David Cabela, one of Dick and Mary Cabela's six children.

David tells of Mary Cabela keeping addresses of their first customers on recipe cards – their first customer "database."

After his next Chicago trip, Dick returned with more fishing products: reels, lures, hooks and other outdoor inventory.

In the late fall of 1961, Dick and Mary sent out their first "catalog," a mimeograph of products they could offer, to customers placing an ordering. Unbeknownst to them at that time, this practice is used widely today in the direct marketing industry.

The guarantee listed on their first catalog became a creed they still follow today: *All items listed carry our money back guarantee. If you are not completely satisfied, simply return the merchandise and your money will be promptly refunded.*

In early spring of 1962, Dick and Mary constructed their first “warehouse” in their backyard – a 10 by 10 feet shed. And they hired a typist to help with the increasing number of orders they received for their outdoor products.

At this time, Dick was still working for Cabela’s Furniture, and he and Mary did their secondary business late into the evening and night after the work was done and the kids were asleep. Unable to keep up with labor demands, Dick convinced his brother Jim to move back from Denver to help out in 1963. In the early years, Dick, Mary and Jim put in long hours but never took a salary for themselves. They invested all profits back into their growing business.

Also in 1963, the Cabela’s published their first real catalog of 55 pages.

After moving the company into the basement of their father’s furniture store, the Cabelas were incorporated and Cabela’s Distributing became Cabela’s, Inc.

Growth came in a flurry for Dick, Jim and Mary. And inherent challenges found them constantly learning new things about running a small business. One early roadblock was finding suppliers who would sell to such a small business. Another was the influx of local customers wanting to purchase directly from their warehouse.

As they conquered these and other challenges, they continued to grow, eventually having to buy the USDA building directly across the street from their father’s store in the spring of 1965.

Another early mistake and accompanying lesson learned occurred in early fall of 1965, during a lull in fishing equipment sales. The Cabela’s decided to send out a flyer with housewares for sale. The tactic failed miserably.

Dick Cabela said, “I deviated from the first rule of marketing: Stick with what you know.” Never again would they forget that their core products were for fishing, hunting and outdoor activities.

Also in the fall of 1965, the Cabela’s hired their first full-time employee, Sharon Robison. By 1966 they had three full-time employees who stocked, took orders and helped walk-in customers. From the early years of Cabela’s, Dick has attributed their success to surrounding themselves with top-notch employees.

But they still had to address the fall/winter sales slump. In 1966 they did just that, sending out their first fall catalog with a scene of a mountain lake in fall on front. The catalog included archery equipment, hunting knives, sleeping bags, clothing and optics, among other products they thought would appeal to their loyal audience.

After the first few ads Dick put in *Field and Stream*, the Wyoming newspaper and other magazines, the Cabelas did no more advertising. Outside of sending catalogs to customers, a great deal of their business came from word-of-mouth.

And boy did the business come. There were two ways to measure their success in 1967. Every year they realized significant sales growth from their catalog orders, and 1967 was no exception. Also, they had to make yet another move to the local Legion Hall from their smaller USDA building.

At this point, it became obvious that Cabelas was here to stay.

“Through hard work, honesty, perseverance and a little luck, Dick, Mary and Jim had found that anything could be accomplished,” said David Cabela. “They transformed a humble dream and a belief that there were many others who share their passion for the outdoors into a prosperous and growing business.”

Expansion and Adoption of Technology

Nineteen Sixty-eight was a banner year for the Cabela family. It was the first year that Dick and Jim began drawing a salary from their company.

Then in 1968, once again, they needed more space. Dick finally quit his job at his father's furniture store and dedicated all of his time to Cabela's. Dick and Jim bought the John Deere distribution plant in Sydney, Nebraska, in September of 1968. They didn't use all four floors at first (although the third floor was reserved as an archery range for Dick and Jim to test products!).

Expanding in Sydney helped them reach the mark of one million dollars in sales in 1969, and in 1970, Dick and Jim were jointly named the Small Business Administration's "Man of the Year."

As Cabela's evolved since 1961 to 1971, so did technology. Dick explains changes in technology and customer behavior this way: "You have to be quite flexible and open to change, especially with technology, if you want to compete and survive in the world of business."

Part of this change was accepting credit cards in 1971 and hiring more employees in customer service.

Dick credits the company's many loyal customers to its exceptional customer service. "When customers shop at Cabela's and are one hundred percent satisfied, we cannot only expect them to return, but we can also expect them to tell their friends. When you treat people well, you would be amazed at how quickly word gets out. There really is no better advertising than that of a satisfied customer," Dick said.

After purchasing yet another warehouse in Sydney, Nebraska, for the ever-expanding business, Cabela's finally got rid of their old system of filing customer information on recipe cards. In 1975, they set up their first computer system, which had many glitches, but brought them into new technology at an early stage.

In 1978, Cabela's introduced the option to order over the telephone, and by 1981 the new telemarketing department had 15 employees.

In 1983, Cabela's buildings and warehouse totaled 300,000 square feet – a large cry from the shed in Dick and Mary's backyard 22 years earlier.

It was time yet again for more expansion, more flexibility and more change. "Twenty-five percent growth per year was more than we had anticipated and it appeared that there was no end in sight to this steady growth," Dick said. "We had quadrupled our business from 1979 to 1984, and we did not have a choice but to expand. We already employed over 400 full-time employees in a town of only 6,000. If we were going to be able to sustain our pattern of growth, then our expansion would have to be to another city which could handle our employment needs."

Beyond Sydney, Beyond Catalog Sales

The Cabela's moved the bulk of their state-of-the-art telemarketing department to Kearney, Nebraska, in 1986. In Kearney, the Cabela's found an established warehouse facility and lots of college students willing to do the tedious job of telemarketing.

They also opened a retail store in Kearney with a wildlife display, similar to the Sydney store. These retail spaces were becoming tourist stops, with more than 250 mounts and live native Nebraska fish in over 4,000 gallons of water in three aquariums in Kearney alone.

They needed massive space to display their massive number of products. In 1961, Dick and Mary offered only one product: a set of hand-tied flies. By 1998, Cabela's offered

more than 90,000 products, 45,000 of which were designed and manufactured specifically for Cabela's.

When the Cabelas first started their company, they didn't intend on doing much retail business, rather focusing on direct marketing through their catalog.

But in 1991 they built a showroom retail space in Sydney, where the catalog came to life. Encompassing 75,000 square feet and 52-foot ceilings, the store featured 500 mounted animals, an 8,000-gallon aquarium, and a mountain display with 40 game mounts from throughout North America.

Cabela's now became a major tourist attraction, with more than 800,000 people visiting in 1998.

After the success of the Sydney and Kearney stores, Cabela's looked outside of Nebraska to further expand. In the spring of 1998, they built a 700,000-square foot distribution center and retail center in Prairie Du Chien, Wisconsin. And they also built a 150,000-square foot showroom in Owatonna, Minnesota, which even rivaled the Sydney store with its mounts, aquariums, a restaurant and a live bait shop.

The company went from no retail in 1961 to 16 percent of sales from retail in 1998. Also in 1998, Cabela's was named Ernst and Young Entrepreneur of the Year in Retail/Consumer Products. In 1999, *Fortune Magazine* named Cabela's one of the top 100 Best Companies to work for.

And expansion did not stop there. Their fifth retail outlet opened in Minnesota and more followed in 15 more states. Wherever the Cabelas saw a market for hunting and fishing products, they were there.

The Dundee, Michigan, store is one of the largest, and part of a 150-acre complex which hosts hotels, restaurants and service stations and more than 600 employees coming from the local area. The store also includes boat and auto services, an auditorium and educational center, a walk-through aquarium holding 60,000 gallons of water, interactive firearms and archery training, a shooting gallery for children, dog kennels, a horse coral and a very big parking lot.

In 1998, Cabelas.com was launched and immediately profitable.

And in 2000, *Forbes* listed Cabela's in their Top 500 Private Companies.

But they wouldn't be private for long.

Going Public

In June of 2004, Cabela's took another business leap, ending up on the New York Stock Exchange as "CAB." Their 2004 sales were \$1,556 million, with an income of \$65 million. At that time, the company had 7,830 employees. Cabela's core industry is still sporting and recreational equipment retail – from their stores, catalogs, Internet and TV sales. But they also have a lending wing.

Dick Cabela attributes their success to a list of factors, but at the top of that list are loyal customers and good employees.

The Cabela customer is definitely in a unique niche. Traditionally male-oriented, the outdoor sporting arena has been pleased to see the large influx of women. In fact, Cabela's very first customer – ordering those hand-tied flies – was a woman!

Why are Cabela customers so loyal?

Dick said, "I don't think there is any one reason ... Right at the top of the list would have to be the products themselves. Our buyers and sales people all use our products for their outdoor excursions and are very knowledgeable when it comes to answering questions.

Exceptional customer service and the 100 percent satisfaction guarantee are also very important. I think more than anything, the people we hire keep the consumers coming back. Our typical employee is just as passionate about their outdoor gear as most of our customers.”

But Dick, Jim and Mary’s entrepreneurial spirit inspires their employees, and their customers.

Dick and Jim said they do not remember their family doing anything else but being merchants, so running their own business seemed quite natural to them. Their father, A.C. Cabela, owned the furniture store. A.C.’s father came to the U.S. from Czechoslovakia in the late-1800s to start a family farm. He saved money and finally started his own small business running a hardware store in the 1900s.

With the entrepreneurial spirit running in their blood, the Cabela brothers have not only succeed in business, but they have also given back to many communities and causes. And Dick said that their success is based on learning from their many failures. He puts it this way:

“In all the hunts I have ever been on, I have never once been on an unsuccessful one. Even if you return from a hunt without an animal, you do not walk away empty handed. I believe I have failed in many things in my life, but I choose to find important lessons in every failure. If you believe you have walked away from an experience with nothing, then you have done just that, and that is the only way you have failed.”

ESSENTIAL TACKLE FOR A SUCCESSFUL CATALOG COMPANY

Dick Cabela compiled a short list of some of the points he feels are important in the catalog and direct-marketing industry:

- ▶ Customer service – The backbone of Cabela’s.
- ▶ Testing – It’s okay to take risks, but you still must test products and ideas.
- ▶ Time – It takes a tremendous amount of time to get a business started in the early years.
- ▶ Distinctive positioning – Cabela’s found a market that was relatively unexplored.
- ▶ Analysis – Direct marketing has evolved into a science and you must you’re your customer.
- ▶ Flexibility – It’s challenging, but you must swim upstream sometimes to find your own niche in the marketplace.
- ▶ Exceed your customer’s expectations – Never settle for second place in terms of quality and customer service.
- ▶ Controlled growth – Many entrepreneurs find themselves on the road to success, then over-extend their capabilities; Look for long-term growth and solutions.
- ▶ Surround yourself with top-notch people – A company is only as good as those who run it.
- ▶ Honesty – Build your company with integrity.
- ▶ Money – Do work yourself and don’t hire employees until you absolutely need to. Try to put most profits back in the business in early years.