

# Forty Under 40:

In a tough market, retailers with 40 or fewer stores continue to grow

By Connie Gentry, Katherine Field and Marianne Wilson

**Sunflower Farmers Market**

Boulder, Colo.  
20 stores



Mike Gilliland, who founded Wild Oats Market, launched Sunflower Farmers Market in 2002.

COVER PHOTO: JASON INNES, ZUMA PRESS

on page 24. Several of the retailers are profiled here.

**Sunflower:** When Gilliland left Wild Oats, he knew he would eventually get back in the business; he just didn't know it would be the next year.

"I got bored a lot sooner than I expected. But I really love the grocery store business," said Gilliland, founder, president and CEO, Sunflower Farmers Market, Boulder, Colo.

Gilliland built Wild Oats into a \$2.2 billion company before resigning as CEO (the company was acquired by rival Whole Foods Market in 2007). With Sunflower, he is tapping into a new vibe, one that especially resonates with consumers in today's harsh economic climate: value.

"I couldn't have predicted what was going to happen back when we first launched," he said, "but it does seem to be the

**S**upermarket veteran Mike Gilliland, who founded Wild Oats Market in 1987, is on a mission: to bring natural and organic food to the masses. Gilliland stepped down from Wild Oats in 2001, and one year later he was back in the game with a new

concept, Sunflower Farmers Market.

The 20-store natural-foods grocery chain is on *Chain Store Age's* first-ever ranking of the 40 fastest-growing chains with 40 or fewer locations. For the complete list, which is based on year-to-year sales, see the chart starting

right time for us."

With a tag line of "serious food ...silly prices," Sunflower targets consumers who want to eat healthy and are interested in natural and organic foods, but can't afford — or don't want to pay — the higher prices typically associat-

# Small Chains Flourish

ed with such products.

In many ways, the chain is a more-affordable, downsized (the average footprint is 20,000 sq. ft.), no-frills version of Whole Foods. Sunflower stores are bright and upbeat, but are fairly simple in design.

"There's nothing fancy about us," Gilliland said. "In terms of atmosphere, we're comparable to Trader Joe's, but with a few more bells and whistles and a higher level of finish. For instance, we have a service meat department, and we also offer lots more produce."

Indeed, produce, with an emphasis on organic, is one of the chain's strong suits, accounting for approximately one-third of its sales and floor space. Another is its private-label line.

"We carry about 350 private-label grocery SKUs and another 350 in the natural-living segment," Gilliland said. "All told, private label accounts for about 10% of our total SKU count and 20% of our sales. Our plan is to add about 100 private-label SKUs annually."

Value pricing is key to Sunflower's strategy.

"We try to kill everyone on price, especially on produce," Gilliland said. "It's our loss leader. We even beat Wal-Mart when it comes to produce prices."

A low-cost economic model is the engine that drives the company. The chain keeps its overhead low, with basic store fixtures and furnishings. It buys big, and buys produce by the truckload directly from farmers.

"We self distribute, which is usual for a chain our size," Gilliland said. "Ninety percent of our produce

comes direct through our own warehouse, which helps us keep the prices down. It also makes for a fresher product."

A simple store build-out and no-frills store environment helps minimize construction costs.

"We use a lot of recycled equipment and recycled real estate sites," Gilliland added. "On average, we're able to build a new store for less than \$2 million, so we don't need a big return."

Former Wild Oats veterans comprise more than 90% of Sunflower's management team.

"That's also helped," Gilliland added. "We're all able to capitalize on the relationships we had built up with farmers and suppliers."

Sunflower expects to open eight stores in 2009. Expansion, at least for the foreseeable future, will be limited to where the chain's existing 20 stores are located, in the West and Southwest.

"We plan to grow at a rational or reasonable rate," Gilliland said. "You learn from your mistakes, and one of the mistakes we made at Wild Oats was growing too fast."

The chain, which is one-third owned by La Jolla, Calif.-based Pacific Corporate Growth, generated roughly \$200 million in revenue in 2008. Gilliland expects to do \$300 million in 2009.

Small-town retailers can produce big-time results., as is the case with Home Hardware Center, based in Winnfield, La. With all of its units sprinkled in small towns in Louisiana and Mississippi, Home Hardware Center caters to contractors, do-it-yourselfers and homeowners. The chain was launched in 1984

**Home Hardware Center**  
Winnfield, La.  
15 stores



Home Hardware Center operates stores in small- to medium-sized markets that big-box stores overlook.

by Jim Smith, a small-town Southerner himself, who saw a niche for a home center retail operation that could out-serve the big boxes.

"We have found success in these small- to medium-sized markets where,

*This list is a ranking of the 40 fastest-growing retail chains with 40 or fewer locations. The ranking is based on the year-to-year sales growth of each company for its last two completed fiscal years. For private companies, the sales figures are estimates.*

frankly, people don't really like the big-box home center stores," Smith said. "And, because these are generally underserved markets, it has been a good niche for us."

Six of the Home Hardware Center stores are in small towns in Mississippi; nine are in Louisiana. Merchandise offerings are deep — from tools, paint and hardware to electrical, lawn and garden, and sporting goods — and the retailer approaches \$40 million in annual sales through a combination of its bricks-and-mortar stores and an online catalog.

Home Hardware Center's growth has come through a combination of ground-up development and acquisition. According to Smith, five of the 15 stores were new-build and the remaining 10 were acquired.

"In several cases, we acquired competitors and then merged their operations into ours," he added.

This year will see continued growth, despite a down economy. On tap for early this year is another acquisition. Smith plans to continue to watch for opportunities to build or acquire to further boost the chain's store count.

"Also, we are remodeling two locations this year — one in Louisiana and one in Mississippi — and adding larger sales floors to both," he said.

Staying true to the company's tag line, "where customer service is always #1," has been key to Home Hardware Center's success, according to Smith, as has maintaining an unwavering focus on its core market of small-town customers seeking small-town personal service.

"That's where we came from, and it's how we will continue to grow," Smith added.

## Forty Under Forty

Rank	Company	Headquarters	Current # Stores	Current Sales*
1	Home Hardware Center	Winnfield, La.	15	\$40,000,000
2	Tree Top Kids	Washington, D.C.	11	10,000,000
3	Delaware Valley Hockey Supply	Bristol, Pa.	4	3,000,000
4	Wayne Oil Co. Inc.	Goldsboro, N.C.	15	19,500,000
5	Harrison's Workwear	Greer, S.C.	3	2,000,000
6	PetPeople	Encinitas, Calif.	18	4,000,000
7	Mannco Enterprises Inc.	Lakeland, Fla.	17	18,900,000
8	Sixty USA Inc.	New York, N.Y.	26	29,700,000
9	bluemercury	Washington, D.C.	26	57,800,000
10	Valley Co-Ops	Jerome, Idaho	6	70,000,000
11	C-A-L Stores Inc.	Idaho Falls, Idaho	13	56,000,000
12	Sunflower Farmers Market	Boulder, Colo.	20	125,000,000
13	NuCara Pharmacies of Iowa	Conrad, Iowa	18	39,000,000
14	Star Nursery	Henderson, Nev.	12	75,000,000
15	Audio Dimensions	Oklahoma City, Okla.	10	14,300,000
16	Rasputin Music & DVD's	Berkeley, Calif.	10	14,300,000
17	Road Runner Sports Inc.	San Diego, Calif.	22	84,000,000
18	Illuminations	Petaluma, Calif.	21	18,200,000
19	Lezzer Lumber Co.	Curwensville, Pa.	11	120,000,000
20	Lakes Sewing Center Inc.	Mesa, Ariz.	5	5,500,000
21	Agland Co-op Inc.	Canfield, Ohio	8	46,289,000
22	Allen Lumber Co. Inc.	Barre, Vt.	5	35,000,000
23	Party Galaxy	Oklahoma City, Okla.	8	10,000,000
24	Theisen Supply Inc.	Dubuque, Iowa	17	50,000,000
25	True Religion Apparel Inc.	Vernon, Calif.	39	29,200,000
26	Grand Appliance & TV	Zion, Ill.	9	38,600,000
27	Pharmaca Integrative Pharmacy Inc.	Boulder, Colo.	23	72,000,000
28	Buffalo Exchange Ltd.	Tucson, Ariz.	36	54,800,000
29	Overland Sheepskin Co.	Fairfield, Iowa	13	24,000,000
30	Hawaii Planing Mill Ltd.	Keaau, Hawaii	3	66,875,000
31	Little Professor Book Centers LLC.	Ann Arbor, Mich.	25	27,500,000
32	Running Supply Inc.	Marshall, Minn.	29	125,000,000
33	Video Land	Houston, Texas	10	40,500,000
34	Dunn Tire LLC	Buffalo, N.Y.	27	60,000,000
35	Sprouts Farmers Market	Phoenix, Ariz.	32	160,000,000
36	Ziegler Lumber Co.	Spokane, Wash.	7	65,000,000
37	Smyth Automotive Parts Plus	Cincinnati, Ohio	20	22,000,000
38	Navarro Discount Pharmacies	Medley, Fla.	31	325,000,000
39	Northgate Gonzalez Market Inc.	Anaheim, Calif.	29	362,500,000
40	H Mart	Lyndhurst, N.J.	25	480,000,000

\* Sales for most recently completed fiscal year.

\*\* Sales for previously completed fiscal year.



Source: Chain Store Guide (a division of Lebar-Friedman, Inc.) a data-powered research including methodology used to compile this report, contact [info@csgis.com](mailto:info@csgis.com).

	Previous Sales**	Comments
	\$2,500,000	<b>Home Hardware Center:</b> Launched in 1984 as a small-town retailer serving the contracting trade, DIYers and homeowners. Company has grown through acquisition and new construction from four employees to more than 200.
	1,591,000	<b>Tree Top Kids:</b> Online and bricks-and-mortar retailer of children's toys, books and clothing. With a strong pro-community focus, the company formed its own foundation to support local educational institutions and anti-poverty programs.
	1,300,000	<b>Delaware Valley Hockey Supply:</b> Ice-hockey and in-line equipment and apparel retailer has four Pa. stores and a thriving online business that generates \$3 million in annual sales.
	8,500,000	<b>Wayne Oil Co. Inc.:</b> Privately held petroleum company is parent to chain of Hasty Mart Convenient Stores.
	900,000	<b>Harrison's Workwear:</b> The 30-year-old, family-owned retailer specializes in workwear apparel and industrial footwear.
	2,000,000	<b>PetPeople:</b> A 4,000-sq.-ft. footprint and a supply of unique pet products are targeted to attract consumers turned off by mass-market pet retailers.
	10,000,000	<b>Mannco Enterprises. Inc.:</b> Independent owner/operator does business as Greg's Hallmark Shoppe.
	16,000,000	<b>Sixty USA Inc.:</b> The New York City-based division of the Italian premium denim and sportswear company operates stores here under the Miss Sixty banner.
	31,300,000	<b>bluemercury:</b> Fast-rising beauty chain features all the best-known upscale brands in skin care, fragrance and makeup, and also offers an array of on-site spa services, from facials to waxings.
	42,000,000	<b>Valley Co-Ops:</b> Farm-supply cooperative does business as Valley Country Store in the river valleys of southern Idaho. Focus is on high service, which includes home delivery of fuel and feed.
	34,000,000	<b>C-A-L Stores, Inc.:</b> Founded in 1959 as a farm- and ranch-supply retailer, C-A-L has expanded its offerings with clothing and grown its base to include the non-agricultural shopper.
	82,800,000	<b>Sunflower Farmers Market:</b> Value-oriented natural goods and organic products supermarket retailer.
	26,100,000	<b>NuCara Pharmacies of Iowa:</b> Owns and manages community pharmacies with a focus on one-on-one service and creative health-care solutions. Its NuCara New Image Boutiques offer post-breast-surgery prosthetics, clothing and accessories.
	51,000,000	<b>Star Nursery:</b> Began as Southwest Landscape Supply in 1983 and renamed itself Star Nursery three years later. Its retail/commercial nursery outlets and online store are geared toward the do-it-yourself landscaper.
	10,000,000	<b>Audio Dimensions:</b> High-end electronics retailer specializes in home-theater systems.
	10,000,000	<b>Rasputin Music:</b> Reputed to be the largest independent chain of record stores in the extended San Francisco Bay Area of California; a cult-like fan base is drawn by rare albums and videos as well as new and used CDs, DVDs and games.
	60,000,000	<b>Road Runner Sports Inc.:</b> Launched 25 years ago by an avid runner, the company has expanded its wares from high-quality running shoes to apparel and sports nutrition.
	13,000,000	<b>Illuminations:</b> Sells high-end candles and related home-decor items through stores, catalog and the Web.
	87,000,000	<b>Lezzer Lumber Co.:</b> Building-materials supplier for both commercial contractors and homeowners jousts with the national home improvement centers by offering 24/7 online account access, job-site visits, a moulding and millwork division, and an online catalog.
	4,000,000	<b>Lake Sewing Center Inc.:</b> The 43-year old company sells sewing machines as well as vacuum cleaners and craft supplies, and also runs an annual embroidery and quilting conference. Also has a Web site, called sewshop.com.
	34,001,000	<b>Agland Co-op:</b> Sells animal feeds and fertilizers at bricks-and-mortar stores and drive-through locations.
	26,100,000	<b>Allen Lumber Co.:</b> Established in 1888, company is a fifth-generation-owned supplier of building materials and repair needs.
	7,500,000	<b>Party Galaxy:</b> Discount party superstore retailer.
	38,500,000	<b>Theisen's Supply:</b> Founded in 1927, stores sell home, farm and auto supplies.
	22,500,000	<b>True Religion Apparel:</b> Premium denim maker known for its fit and style, expanding via freestanding retail boutiques.
	30,000,000	<b>Grand Appliance &amp; TV:</b> Chain has offered discounts on appliances and electronics for more than 75 years.
	56,000,000	<b>Pharmaca Integrative Pharmacy:</b> Combines traditional pharmacy services and offerings with natural health and beauty products and consultation in nutrition and naturopathic medicine.
	43,000,000	<b>Buffalo Exchange Ltd.:</b> The fashions are always stylish, if second-hand, at Buffalo Exchange Ltd., a resale chain that is finding a growing audience for its mix of trendy, brand-name apparel, shoes and accessories.
	19,118,000	<b>Overland Sheepskin Co.:</b> Known for its quality and craftsmanship, this family-owned company sells a wide range of products for men, women and children, along with items made out of sheepskin for the home and car.
	53,500,000	<b>HPM Building Supply (Hawaii Planning Mill):</b> Founded in 1921 as a small lumber milling company known as Hawaii Planning Mill, it has grown into a multi-branch building-supply center.
	22,000,000	<b>Little Professor Book Center:</b> With a staff that knows and loves books, Little Professor Book Center is a franchised operation that puts an emphasis on personal service.
	100,000,000	<b>Running Supply Inc.:</b> Family-owned chain with product assortment ranging from automobiles and apparel to hunting and fishing supplies.
	32,400,000	<b>Videoland Inc.:</b> Privately held, family-owned and operated consumer-electronics chain operates locations under Home Theater Store banner.
	48,300,000	<b>Dunn Tire:</b> Billed as the largest, fastest-growing tire-distribution company in upstate New York and northern Pennsylvania, Dunn Tire entices customers with 30-day satisfaction guarantee, coast-to-coast coverage, road-side assistance, free flat repairs, free rotations, free alignment checks (with appointment) and convenient hours.
	130,000,000	<b>Sprouts Farmers Market:</b> Targets natural-foods enthusiasts with its wide assortment of organic foods and vitamins and supplements. Known for its fun and easygoing atmosphere.
	53,000,000	<b>Ziegler Lumber Co.:</b> The home improvement and building-materials chain, which locals call Ziggy's, serves customers throughout Washington and Idaho.
	18,000,000	<b>Smyth Parts Plus:</b> Wholesale and retail automotive parts, paint, equipment and accessories company has locations throughout the greater Cincinnati, Dayton and Columbus, Ohio metro areas.
	268,000,000	<b>Navarro Discount Pharmacies:</b> With product and service offerings tailored for the busy Hispanic family, Navarro holds an impressive 17% share of the drug store market in South Florida.
	300,000,000	<b>Northgate Gonzalez Markets:</b> With a large service meat department, bakery, tortillería and prepared foods and a sizeable selection of domestic and imported Latin-American grocery goods, Northgate seeks to provide an authentic Mexican homeland experience to customers.
	400,000,000	<b>H Mart:</b> One of the largest distributors of Asian foods in the United States, H Mart's full-service supermarkets combine Asian/Korean food products, an impressive seafood display with produce and American staples. Also featured: on-site Asian restaurants.

company that provides sales and marketing solutions for the retail and restaurant industries. For more information,

**P**harma Integrative Pharmacy, founded in June 2000 and based in Boulder, Colo., is revolutionizing the drug store sector, much like Whole Foods and Wild Oats Markets reinvented grocery retailing. By combining conventional prescriptions with natural and complementary health solutions, Pharmaca is serving the growing demand for natural, holistic health care and an educated, more proactive approach to wellness.

The company, which added six new stores in 2008, operates 23 pharmacies in

**Pharmaca Integrative Pharmacy**

Boulder, Colo.  
23 stores



Pharmaca Integrative Pharmacy combines traditional pharmacy offerings with natural alternatives.

Colorado, California, New Mexico, Oregon and Washington. The chain plans to open five to seven locations in 2009.

“We also look forward to increasing our direct-marketing efforts next year with the launch of a customer-loyalty program and e-commerce,” said Mark Panzer, COO, Pharmaca Integrative Pharmacy. “Our mission remains to be the trusted source for integrative health and wellness solutions.”

Reinforcing the company’s credibility and commitment to quality care, stores are staffed with registered pharmacists as well as licensed health-care practitioners, including naturopathic doctors, homeopaths, estheticians and herbalists.

“Pharmaca’s model is perfectly suited

to serve the health-care needs of today’s health-conscious consumer,” Panzer explained. “Our diverse product mix and certified staff of practitioners and pharmacists allow customers to take control of their health and easily find the health-care products that work for them.”

Although the privately held retailer does not disclose its sales, recent reports have pointed to strong performance. For instance, the flagship store in Boulder has reported consistent annual growth of approximately 20%.

Unlike most drug store retailers that have the majority

**C**elebrating its 35th anniversary this month, Buffalo Exchange offers the ultimate in resale retail. The stores provide a fashion mecca where consumers can not only buy vintage clothing, but also can bring their own apparel, footwear, jewelry and accessories for trade or cash on the spot. Eighty percent of the inventory is recycled from previous owners, and about 20% is purchased new to represent the latest in trendy fashions.

The criterion for purchasing used clothing from consumers is quite simple, explained Buffalo Exchange cofounder and president Kerstin Block: “It just has to be something that someone else would want.”

In the current economy, a retail store that allows consumers to make money as well as purchase quality product at discounted prices is a winning model. It helps that fashionistas of all ages and income brackets are embracing frugality with a newfound zeal.

Also, since Buffalo Exchange opened its doors in 1974, the negative perception of resale has faded, especially among young shoppers attracted by the connection to recycling,

“Our stores actually do better in poor economic times than in good economic times,” Block said.

“However, this is the most severe economic downturn we’ve seen in our 35 years in business, so there has been some slowing in some stores. But people are getting rid of clothes like they are going out of style and cash is king.”

Overall, however, Buffalo Exchange is thriving. Same-store sales for 2008 were up 14.1% through the month of November, and total revenues for that period were 15.2% above the previous year. Sales in 2007 topped \$49.4 million and were forecast to reach \$55.8 million in 2008.

The company opened one new store in 2008, located in the heart of Manhattan, and has projected that three stores will open this year. Block said the markets being considered are Baltimore, Boston and Honolulu — all new addi-

of sales from the pharmacy and a lower percentage, typically around 25%, of sales from the ‘front-store’ merchandise, Pharmaca’s revenues are more evenly split between higher-margin product in the front of the store, roughly 60% of sales, and the pharmacy, roughly 40% of store totals.

In March, Pharmaca was awarded \$20 million in additional growth capital. The financing, led by Highland Capital Partners, the Highland Consumer Fund and Physic Ventures, was earmarked to support the company’s plan for accelerated expansion. At that time, Pharmaca anticipated adding as many as 12 new stores per year, but is now looking at a slightly more conservative plan for this calendar year with about half that many new stores on the agenda.



**Buffalo Exchange**  
Tucson, Ariz.  
36 stores

Buffalo Exchange customers can trade their own goods for merchandise or cash on the spot.

tions to the company's portfolio.

In 2007, Buffalo Exchange opened its first store in Minneapolis, plus locations in Bellingham, Wash.; Chicago; Houston; and Nogales, Ariz.

"Our vision is to keep growing on a slow, steady, pragmatic path," Block said. "We finance all of our growth in-house, and we open at least one new store every year, although some years we have opened as many as four or five stores."

One of the key values espoused at Buffalo Exchange is protecting and preserving the environment by reusing and recycling clothing, which makes a modest dent in the amount of textile waste, estimated by the E.P.A. to have reached 11.8 million tons in 2006.

For the 2008 holiday season, the company also introduced new bioplastic shopping bags, made from all-natural, corn-based materials.

**R**oad Runner Sports has been providing quality fitness products to all levels of exercise-oriented people for more than 25 years. What keeps the company winning the retail race, however, is not only that it sells the right products at reasonable prices, but also its philosophy for serving the customer. Road Runner Sports strives to establish one-on-one relationships with each customer, as if the stores were equal parts retailer, personal trainer, coach and cheerleader.

Company founder and owner Michael Gotfredson, more commonly titled Chief Runner, has grown the

business from a garage start-up in 1983 to 22 stores and a healthy e-commerce presence. In addition to distribution centers in San Diego, and Columbus, Ohio, Road Runner Sports operates neighborhood stores in Arizona, California, Colorado, Maryland, New Jersey, Oregon, Virginia and Washington.

Last year, the company

**Road Runner Sports**  
San Diego  
22 stores



Road Runner Sports puts an emphasis on fit and selection.

introduced a custom-designed running-analysis center in every store to help customers quickly and easily identify the best running shoes for their individual needs.

In announcing the new "Shoe Dog" system, Road Runner Sports noted, "Every year, two-thirds of runners are sidelined by injuries from overtraining

and running in shoes that fit improperly."

"The key to a lifetime of enjoyable, injury-free running is wearing shoes that fit an individual's feet perfectly and address the runner's unique foot mechanics," Gotfredson said.

To accomplish that perfect fit, Road Runner's in-store fit experts learn each customer's specific fitness level and goals, then take computerized pressure readings of the customer's footprints and analyze their foot mechanics as they run on a treadmill. The company supports its fitting system with a 60-day guarantee: Customers can return the shoes after running in them for 60 days.

The privately

held company does not release sales figures, and Gotfredson prefers not to discuss his company's growth plans. However, the company, which opened two new stores in 2008 and three stores the previous year, is expected to maintain this pace. ■

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