

**Interview with George Robert Herberger**

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**Central Minnesota Historical Oral History Collection**

**St. Cloud State University Archives**

**Interviewed by Calvin Gower**

**Gower:** This is an interview conducted by Calvin Gower for the Central Minnesota Historical Center, on October 23, 1973. Today I am interviewing a Mr. G. Robert Herberger who founded the Herberger Store business in St. Cloud in 1927. Mr. Herberger, would you tell us something about the background of your father and mother?

**Herberger:** My father was born in St. Cloud in 1870 and about ten years after that in 1880 his family moved up south of Osakis on a large piece of land my grandfather had acquired. My grandfather--when he was in St. Cloud--had a blacksmith shop and freight line that ran from St. Cloud north to what was then Fergus Falls--still Fergus Falls. My father came from a large family of twelve children and they cleared the wooded land south of Osakis. Approximately 900 acres, and developed a farm there. My mother was born the same year and she was the first white child born in what is Pine City in the eastern part of Minnesota. My father's parents both came from Germany and my mother's parents both came from England.

**Gower:** Now would you tell us when you were born and where you were born please?

**Herberger:** I was born in Osakis, Minnesota in 1904. My father, who had moved in from the farm south of Osakis, had acquired a mill in Osakis and at that time he was nineteen years of age. That would be 1889. A year or two later, he also acquired, no, the very same year, he acquired a small department store in Osakis. So he operated the mill and the department store, starting at

age nineteen. A few years later he sold the mill, and expanded the department store in the town of Osakis. As I grew up in Osakis, I worked in my father's store in the grocery department, men's department, the shoe department, and women's department for many many years, so I learned the business first hand. Then I heard about it over the breakfast, lunch, dinner table directly from my father, so I gave me quite an advantage to be exposed to a man who knew so much about retailing. Even though my father operated out of this small town, and the population then was 1200 people and still about 1200 people. My father had expanded his operations and, at one time, had as many as ten stores in various small towns throughout Minnesota and in Wisconsin. He later sold practically all of those stores and devoted his efforts in his later years to farming, at one time he had something like fifty farms that was during the Depression years and he acquired those at very low prices and operated them during that period. So he never left retailing, he started his first store at age nineteen, and when he died at age 86 he was still operating the same store in Osakis, Minnesota. That would have to be a record for continuous operation by one merchant by one store.

**Gower:** So then you grew up in Osakis and lived there until your early twenties or so?

**Herberger:** Yes, although I did go to school occasionally in Hollywood, California, I finished high school in Hollywood, graduated from Hollywood High School in 1922. At that time like many high school and college students I had a dance band which helped put me through school, and I played in the summers in the resort areas of Minnesota. During the winter when I'd go to high school or college I also had a band, so that provided some of the money for tuition and other expenses.

**Gower:** Would you say then that it was because of your father that you went into department store business?

**Herberger:** Definitely. Because without the guidance that I got from him, when I was a teenager I wouldn't have had that head start on experience. At all times during my school days I knew exactly what I wanted to be when I finished school, and that was to be a merchant. So everything I did was more or less in that direction toward that, which was highly advantageous.

**Gower:** Just one last question about your father and mother. They lived in St. Cloud for a number of years, did they?

**Herberger:** My father was born in St. Cloud in 1870, but he left here in 1880, when he was just a youth of ten years of age, and he lived south of Osakis on a farm until he was nineteen, which would be nine years later in 1889. Then he moved into Osakis and started in business and he met my mother, who was then living in Osakis. Her father had been killed when she was just an infant and so my father and mother got married when they were both in their mid-twenties.

**Gower:** Okay, very good. Then you came to St. Cloud in 1927, at least you started this store here. When did you come to St. Cloud to get going with the business, and why did you come to St. Cloud?

**Herberger:** I had been working for Eily Walker Dry Goods Company in St. Louis doing selling of merchandise at wholesale and display work. We had heard about a bankrupt stock in St. Cloud which operated for many years under the name of Housins and I think the name was Housins Dry Goods Company, so my father and I came to St. Cloud and checked in the inventory and we bought the stock and we sold the inventory. We made a substantial amount of money so I thought it would be a good place to start a small, modest, department store which we did. We

had the sale of the bankrupt stock in the spring of the year, we remodeled the building and we're still in one of those buildings and we opened the store officially in August of 1927.

**Gower:** Had you been in St. Cloud much before that?

**Herberger:** No, just having driven through here on various trips from Osakis to Minneapolis, but I'd never spent much time here. After we opened the store in 1927, and that was not a very buoyant economic period of the country. But our sales increased and our volume increased and we needed more space. So then we expanded into the downstairs area and we almost doubled our floor space in what we call the Masonic building which we have rented from the Masonic Temple organization since 1927. Then a few years later we leased the building next door and expanded into that and we just about doubled our sales organization and we occupied the main floor first and then the downstairs store and this was in 1934 and the Depression was still with us so we never had the advantage during these early years of operating in what one would call good times, it was mostly a depressed time.

**Gower:** This is a very general question and you can do with it what you want. Could you say how you think St. Cloud has changed since you came here in 1927? Just in rather general terms?

**Herberger:** St. Cloud in 1927 was as it is now, a very fine city. However, it was a rather quiet area and very conservative and not a fast moving area in any respect. That is retailing or industry wise or any other respect. The population was fairly static at that time. The college was one of the mainstays of this area. At that time, in 1927, I believe it was called a teachers college after it was originally called a normal school. Subsequently, it was changed to St. Cloud State College. I do not recall the exact number of students they had in 1927, but a guess would be and the records would indicate the true facts, there might have been as many as four hundred students at

what is now the St. Cloud State College. The way out of the city was exactly the same as it is now only on a, not such a vast scale. Population of St. Cloud was probably, in 1927, probably 25,000 at the most, and the present time it's more than double that and, of course, we are the hub of central Minnesota now. St. Cloud was a delightful place to live in and I lived here with my family until 1947, then we moved to Chicago.

**Gower:** Did you think that St. Cloud would be a good place for your business to grow when you started here in '27, or was it more that the opportunity was here because of the place, the other business going bankrupt and so on?

**Herberger:** Well, in those days, you didn't analyze an area the way you do now, where you come in and take counts and go into a tremendous amount of research. The reason I came here in 1927 was because of the opportunity to acquire this inventory. St. Cloud was not a fast moving city but it was conservative and it was a good place to make a mighty good living, which we did all during those years. As soon as we came out of the Depression, then I decided that I wanted to expand and we started acquiring additional stores, and first one was a store in Watertown, South Dakota that I purchased from Marshall Fields and Company. That was in the early '40s, 1942. 1943 I acquired another department store in Hibbing, Minnesota, and in 1944, one in New Ulm, Minnesota, two stores down there which I combined in 1945, Rice Lake, Wisconsin, and then we acquired other stores but in 1947 my expansion program was somewhat interrupted, when I took on the presidency of Butler Brothers headquarters in Chicago, which at that time was the largest wholesale company in the United States. However, I did not divest myself of my holdings in the Herberger stores and I ran Butler Brothers as president and/or chairman of the board for several years but also maintained my ownership, which at times was as much as 100% of the Herberger stores during that period. Then after I resigned as chairman of the board of Butler Brothers, I

stayed on their board for a matter of eight or ten years after that time, I decided to expand Herberger's again and at that time I took several of our key people in as stockholders and that program I have followed through and now there are perhaps, at least, well there are over 100 or our people own stock in Herberger's. Then last fall, October 1972, I made a rather bold move, at that time my stockholdings were over two thirds of all the stockholdings and I worked out a program with the assistance of Prudential Life Insurance and First National Bank of Minneapolis where by our people, our key people, would and did take over the ownership of the Herberger Company. So right now, we are in a very unique position where our operation is owned by the key employees. I doubt that there is any other similar organization in the country as large as this where the ownership is vested in the top employees of the company. I'm still very active in the company, but only in an advisory capacity and I do not own any stock, but I devote a lot of time, in fact, since last October, my work load with the company probably increased rather than lessened but I like it that way, and will probably continue on that way permanently, I hope so at least.

**Gower:** Now, how was it that you began to let others in on the stock, I mean you owned 100% of the stock until what time?

**Herberger:** In 1950, I owned 100% of the stock and then I had a few key employees and I asked them or invited them to acquire as much stock as they could. I think probably they might have acquired as much as 10% of the stock at that time and during the '50s more stock was acquired, and we enlarged and we had more employees and by 1972 and key employees owned approximately one third of the stock and I owned the other two-thirds through a corporation that I owned 100% of.

**Gower:** Now, when you were buying up these stores in other towns then those were really becoming part of the company that you owned here in St. Cloud at that time. Is that correct?

**Herberger:** Yes, our formula for acquisition of department stores was to seek out existing stores who are probably owned by second or third generation people who probably didn't know or understand or liked the department store field. So most of our acquisitions in the 1940s and the 1950s and even some in the 1960s were through that method of acquisition. However, there are so few, so called independently owned department stores left, it's almost impossible to expand in that manner. So we are now expanding and have been for quite some time, in starting stores in shopping centers or in downtown areas and I doubt that there are going to be any more department store that we will or can acquire from present owners, because the merchandise situation has changed so dramatically and drastically in the last twenty and thirty years. Those stores just don't seem to exist anymore. Furthermore, we would rather start with brand new stores, new buildings, and the shopping center method seems to be our route for expansion in the years to come and we are, our company is on a definite expansion program in the upper Midwest states, we will confine it to these states, and we're looking at locations in Montana, the Upper Peninsula of Michigan and Nebraska, and western South Dakota and places of that type.

**Gower:** How many stores do you have in the Herberger network now?

**Herberger:** We have eighteen units and seven of them are large fabric operations with an average square footage of about 15,000 square feet. Those are large volume fabric stores, they are not department stores but they supplement our department stores. However, our future is not in the fabric store field, because the field has become rather crowded in recent years. Our future is definitely in the department store area. We are going to aggressively pursue an expansion

program of one or two or even three stores annually of department stores and our department stores are the independent type stores, even though we are a group or we might sometimes be called a chain, although we don't like that word, and we feature in many cases, branded merchandise on the first and second floors. Popular price downstairs stores and our format would be quite similar to Dayton's in Minneapolis, which is nationally known. Our stores are people orientated and not only for the people who for us, we are a very closely knit family, our employees, we do an awful lot for our employees, and we have no obligatory retirement program like most stores do, we like to have our employees stay on and work as long as they wish to. The fact that our employees own our stores is a definite indication of how we feel about employees. When this decision was made last year to sell the stores to the employees, the stores could have been easily sold or merged with large chains, but my thinking was that if we pursue that method that the identity of our employees and of the stores could very well be lost because of an impersonal out of state ownership owning and operating the stores.

**Gower:** Do people in every one of your stores, are there people in every one of your stores who are in on the ownership now then?

**Herberger:** Every single store has a stockholder or two or three or more. Every manager owns stock in our company. I would estimate that 80% of our stock is owned by 25 of our people. The balance is thinly scattered amongst our other people. At the present time we have about 1,200 employees.

**Gower:** Now you went from 1927 to the present and this was through the 1930s, did you have any time there when you were in serious financial trouble because of the Depression?

**Herberger:** No, every year we made good money, which is awfully hard to relate to the Depression years. But the opportunities and the acquisition of merchandise were so prevalent during those Depression years that we worked that avenue very hard. It was definitely a buyer's market and we had terrific turnover of inventories and we would buy merchandise and sell it as fast as we could because of the shortage of money and we found that people, even when there was a Depression on, people were economically minded and if they had good values you would do good business. During that period, many many retailers went into bankruptcy. But we found that the reverse was true, and that we did make a lot of money otherwise we could not have expanded in our present location or accumulated the money to expand in other locations. So while the Depression was a tragic situation, the reverse was true for us because our earnings didn't indicate any red figures in any year at any time.

**Gower:** You said a little while ago that there's been such dramatic changes in merchandising in the last 20 years or so, could you describe what you mean by that?

**Herberger:** The most dramatic change is in the ownership of department stores and as I said the independent department stores, that is a family-owned department stores have more or less passed out of the picture completely. When we started this store in 1927, every single town had one or two so called independent family-owned department stores. That was the way most merchandise was sold. Then the chains came along and produced very rough competition and many of these loosely operated family department stores couldn't withstand the competition. So they were forced to sell out or go out of business and the distribution of merchandise now was entirely different than it was in the '20s or even in the '30s. In the future, I don't think it's going to be possible for a small independent department store to ever exist because there are no factor in the market--the buying market--and that's important. Also, there's no incentive for good

people to stay with a firm of that type. Because the future of a single department store, it would be very clouded. I can't imagine good and young men, for example, who are looking for a future to spend many years with some firm where it was quite obvious that there would be no future because they couldn't expand and they wouldn't expand and most family-oriented stores were that way. Those few that are left practically all of them are single units being run by second, third and fourth generation people and most of them are not being run in a satisfactory manner.

**Gower:** You said a little while ago that didn't like the word chain there. Now here's a question, if you don't like the question you can reject it. Is this what happened, did you with your operation, sort of move in the direction of the chain stores in order to compete with them? Is that not a fair notion?

**Herberger:** The reason we don't like the word chain is that connotation is that it is a cold, impersonal, type of operation. I think the word group is far better. In the various cities in which we operate, we never boast about the fact in the press, in advertising, or to our customers that we own many stores. We think that the average consumer in the average city that we're in, couldn't care less about whether we have one store or a hundred stores, and there is no purpose in us stressing that point. The managers of our stores in the various cities usually stay there just as long as they want to. We do not move people around like the chains do, with a game of chess, we want our managers to be a very important part of the life, the cultural, the religious, the civic, the business life of the cities in which they're in. I think that in every single city in which we are in that our manager at one time or another has been the president of the retail association, been on the Chamber of Commerce board, is active in his church, and active in things that make a city grow. We're proud of our contribution into these cities in which our stores are located. Many of

our managers have never been moved or will unless the desire to go out of where they are located now.

**Gower:** Just one last question along this line. You do have purchasing through for all of the stores through a central group or something like that, don't you?

**Herberger:** Here in St. Cloud where our central office is and has been since inception, we have a strong team of merchandizers that are in the New York market at least once a month. They do the purchasing, the procuring of merchandise. Then that merchandise is sent-- We also maintain a New York buying office where these people headquarter when they go to New York. That merchandise is sent to the various stores and we have a very closely knit organization. So that when merchandise arrives in certain stores we know immediately how fast it is selling and then we check into the reorder possibilities and all the merchandising is handled through St. Cloud although our merchandising team, these men visit our stores frequently so they are in extremely close touch with what is transpiring in our various stores at all times. Also our central office is here, and we've had a computer, a large one for many many years and all the billing is done out of here. All the paying of bills is done out here. Payroll is done out here, unit control is done out of St. Cloud. All of our advertising originates out of St. Cloud, with a good advertising staff, that is mailed out to the stores. Now the store managers and the department heads in the stores can change that if they wish to, to conform to something they have in their various towns. So we are not standardized, we are not stereotyped; we are very flexible and we want to continue to be that way. Our stores are tailored to the cities in which they are in, and not tailored to some ideas that are set and firm that we might have. We're very flexible.

**Gower:** Now you left St. Cloud in 1947, I believe, to go to Butler Brothers in Chicago, even though you did not give up your ownership in Herberger's, of course. When did you go to Arizona and then would you describe some of your business activities there please?

**Herberger:** We had been vacationing in Arizona for many vacation periods during the '40s. When we were in Chicago we would fly out with my wife and three children and myself and fly out and spend a week at Thanksgiving and a week at Easter time in the Phoenix area. We fell in love with that country out there and I started acquiring land even before we made the move into Arizona. We officially moved into Arizona in 1950 although I commuted for many many years between Arizona and Chicago and Minnesota. I would make that trip once a month and initially I would spend three weeks in the Midwest and one week in Arizona and then over the years that reversed itself so I would spend one week in Chicago and Minnesota and three weeks in Arizona. Then in 1958, eleven years after I joined Butler Brothers, the ownership of the firm, the control changed to a New York firm and I didn't want to stay with the firm and go to New York for a monthly board meeting, so I resigned. Then I made my trips to Minnesota once a month during the wintertime and since our summer home is up in Minnesota near Alexandria, I devoted practically all summer to the stores and travelling around. So there was a lot of man hours and time spent in the department stores here and there still are. Now if you'd like to know something about our operations in Arizona, I started acquiring land right near Phoenix in the early '50s and the Korean War, because of its moratorium on construction, slowed things down for me out there in 1952. But after that was settled and long before the movement, the big movement of population took place in Arizona, in Phoenix especially, I was acquiring rather substantial parcels of land and I'm referring to parcels of as much as 4,000 acres. After acquiring land for several years, the opportunity to make some sales were presented and I did some developing in

the '50s and some selling although I thought it was too premature then to really try to merchandise the land. During the 1960s, we acquired more land and did more developing and our volume out there went up as high as \$5 million dollars a year in land acquisitions and sales. Our youngest son, Judd, became a builder of condominiums and homes in about 1964. After he had managed a resort development that we had in Arizona, and he still is in that building and construction business. Fortunately, our oldest son, whose background was architecture and engineering, joined up with me over three years ago, which made it possible for me to expand our operations especially in land development, the shopping centers, which we own, the water companies which we own. We have one rather large water company that I started twenty years ago, that is going to be condemned and taken over by the city of Scottsdale and the city of Phoenix this year and next year. It's a very sizable operation so we've had several water companies out there and our oldest son, Gary, is quite an authority on water companies because of his engineering backgrounds. Nevertheless, we will be more or less out of business within a few years' time because of the condemnation proceedings which are pending. We currently out there are doing a lot of land development and this is for builders. For we will acquire a piece of land or develop a piece of land we have acquired last year or ten years ago or some period of time we will put what we call the offsite improvements in the roads, water lines, and underground utilities and turn those parcels over to builders who will build them up and pay us out for the lots when the houses are completed and sold. We are buying much much more land now than we are selling because we think that the future of land out in Arizona is great, has a great future. About 100,000 people a year move into the Phoenix area so to our way of thinking the land needs and requirements are great and we want to be in a position to provide these needs for many many decades. Our inventory of land is very heavy and we intend to keep it that way.

**Gower:** Just a couple questions in connection with this. Was this land, or is this land, because you still have a lot, was this, was this, primarily around Phoenix there?

**Herberger:** Much of our holdings have been around Phoenix although we have operated in land in about seven different counties in Arizona. For example, we acquired a ranch in eastern Arizona of 26,000 acres. We developed that in 40 acre parcels and sold those off over the years. We chose to operate in the Phoenix area because of this population growth factor, other areas of Arizona are not growing to that degree and we would rather be where the action is, and the action is where the people keep moving in every year and they will need new homes and new shopping centers and that type of thing. So that's where we chose to operate, although we do not confine our operations to the Phoenix area.

**Gower:** I think maybe we should get it on tape here. What is a water company?

**Herberger:** In Arizona, water companies initially are started usually by individuals or small corporations, whereas in other states such as Minnesota in most instances the municipality expands their existing water company. Out in Arizona, it is impossible to drill a well for a home because of the depth of the water table. So you drill a high priced well in some cases, one well with all of the fittings including a million gallon tank costs as much as \$200,000. Well, most municipalities are not about to do that type of thing initially when development starts in sparsely populated areas. So, individuals and corporations do that work. However, as the city expands and moves out in the direction of population and as the population increases then the cities historically have acquired water companies, either by negotiation or condemnation and they become a part and a parcel of the municipal water system. It's a rather unique arrangement and

in the Southwest, water companies are quite well known, but up in the upper Midwest because of the water table they are an unknown factor.

**Gower:** Okay. Now you have been involved in a number of cultural activities. Could you just describe a few of those for us please?

**Herberger:** We have always believed that wherever you live, you should become an integral part of that community and contribute back as much as you can financially and in men and women hours to the growth and the good of the community. As soon as we got a foothold in the Phoenix area we started to get active in various organizations. One example, which might be one extreme example, is the Phoenix Symphony Association. I was asked to join the board of that more than twenty years ago, when the symphony was only six years old. I've been on the board ever since and currently am vice-chairman of the board. My wife has been the president of the Women's Guild and has been on the board of the American Symphony Orchestra League nationally. Our oldest son, Gary, is immediate past president of the Men's Symphony Council. His wife, Jeannie, is the past president of the Women's Symphony Guild and she also has just been appointed to the National Board of the American Symphony Orchestra League. I use that as an example, now we've done just about the same thing in the Phoenix Fine Arts Museum although we haven't been quite that active as far as holding office is concerned. We were also the founders, co-founders of the Phoenix Chamber of Music Society. I've been on the board of the Thunderbird Graduate School of International Management, which is the only school of its type in the United States. We have 800 students there and they are graduate students from other universities throughout the United States and the world in fact. They go to this school for twelve months. This is a non-profit corporation, I'm very proud to have been part of that for the last twenty years, and I hope to be part of it for many years to come. There are many other civic,

cultural, and religious activities that we have been involved in and we thoroughly enjoy. One of my principle hobbies is supplying parks to the city of Phoenix. So far, we have given two parks to the city of Phoenix. Currently we are working on five other parks, and for the long-range view we are working on one large downtown park which will cover an entire city block. If we can formulate plans for that, that will be an outstanding park of which we can all be proud. I'm not an authority on agriculture or horticulture or anything like that, I do enjoy beauty and I like to be able to provide beauty for other people. I think parks are one way to express it, and I'm trying to encourage and I intend to encourage other families in the Phoenix area to do the same thing. My position is that if such a thing could be done on a national scale, we'd have a better America in which to live.

**Gower:** Is this cultural activity of yours partly because you are a musician, also, was your wife a musician?

**Herberger:** Yes, my wife was a musician, too. She was in Alexandria, Minnesota, where she went to school. She was first violinist in the symphony orchestra and we've always enjoyed music and taken a very active part in music even when we lived in St. Cloud. But we were quite limited in those days because there wasn't too much music being offered here other than the concert series.

**Gower:** Now would you say just a little bit about your association with the Republican Party?

**Herberger:** My association with the Republican Party started during the mid-30s when there was really violence in Minnesota, done by labor union organizers and agitators. There were killings in Minneapolis, which most people don't even remember about, people who weren't around then probably haven't even read about. A group of us became very concerned about what

the future of this area was going to be. We got behind a young man named Harold Stassen and put him in as governor. He later on, he became overly aggressive and ran for the presidency a couple of times, and while he was brilliant man at one time, his desire to get too far too fast was his downfall. However, we, and I say we because my wife was very active in Republican politics in Minnesota and in Arizona and I have been active in primarily in fundraising. I had never had a desire to be in a political office, appointive or elective. I figured the least I could do to support the cause I believed in was to raise the money for candidates that I believed in. Over the years I raised a good many millions of dollars for candidates running for office if I believed in those candidates.

**Gower:** This concludes this interview.