



[outlook leadership 2011]

# Feeding the Soul

Photos by Scott Mitchell

**S**ure, you could say that Outlook Leadership 2011, held in August on the gorgeous cliffs overlooking the Pacific Ocean, comprised three outstanding days of educational sessions and networking. And you could say that the preceding weekend, with yoga on the beach, bird-watching tours and all-around relaxation, was a wonderful way to start this conference. But you also might want to say that our industry did much more than that: Almost one-third of conference attendees helped to pack more than 50,000 meals for the CARRE Foundation's spotlighted charity, Feed My Starving Children.

So for many of the 400 folks who spent multiple days at the Terranea Resort in Rancho Palos Verdes, Calif., the conference meant more than just meeting and greeting and doing business. Read on for our coverage, and check out our photo album of this phenomenal event.

OUTLOOK LEADERSHIP 2011

# The Great Restructuring

Huffington, Bowles offer salvos to the U.S. financial mess

By Samantha Oller || [soller@cspnet.com](mailto:soller@cspnet.com)

**W**hile economists say the Great Recession ended in the summer of 2009, for many Americans its effects continue to stubbornly linger. Indeed, some believe that the economy is actually undergoing a fundamental, permanent change.

“What’s happening now is we’re going through a profound restructuring,” said Rich Karlgaard, publisher of *Forbes* and moderator of a general session panel that brought together two Democratic heavyweights—Erskine Bowles and Arianna Huffington—to discuss the state of the economy.

Bowles, former chief of staff for the White House during the Clinton administration, co-chairs the Obama administration’s National Commission on Fiscal Responsibility and Reform with former Republican Sen. Alan Simpson. Both men agree that to stimulate growth, the deficit is a priority for the country.

“If the country doesn’t act now, we will face the most predictable economic disaster in history,” said Bowles. “Deficits are like a cancer—they will destroy from within.”

Bowles pointed out that 100% of all of the federal government’s 2010 revenues were consumed by mandatory spending on entitlement programs and paying interest on the nation’s debt.

However, “We can’t simply grow our way out of the problem,” he said. “We can’t tax our way out of the problem. We can’t just cut our way out of the problem.”

Instead, the Simpson-Bowles commission proposed a plan that was three-quarters spending cuts and one-quarter revenue increases. It would cut \$4 trillion from the deficit—the minimum amount required to stabilize the debt as a percentage of the gross domestic product (GDP), Bowles said. However, there is one eco-



**No End in Sight:** *Forbes* publisher Rich Karlgaard (right) moderated a panel with Arianna Huffington and Erskine Bowles, who both argued that stimulating demand in this sluggish economic recovery has proven nearly impossible.

nomie force for which the commission did not have a plan for reviving.

“It’s hard to imagine where demand will come from,” Bowles said. Consumers are highly leveraged and small businesses have no access to capital, he said. Big businesses are sitting on their money, state governments are cutting spending, and the federal government “has shot its arrow.”

Huffington, co-founder and editor-in-chief of *The Huffington Post*, is most disturbed by what has happened to the middle class. “Middle-class families can

no longer believe their children will do better or the same as them,” she said.

She also faulted banks for getting off easy in the wake of the 2008 bailout. It’s easier for banks to make money by investing in toxic derivatives, she argued, instead of creating jobs. “We’ve gone from a country that makes things to a country that makes things up,” she said.

Like Karlgaard, Bowles believes the current economic slump is not part of a cyclical recession, but that the country is going through a structural contraction. He predicts growth to remain sluggish over the next five to seven years and remain in the range of 1% to 2%, with unemployment sticking between 7% and 9%. Huffington’s forecast was similar, while Karlgaard predicted stronger growth and a change of president in 2012.

Huffington wants more leadership from the White House. She considers Treasury secretary Ben Bernanke to be a “complete and utter failure,” saying that the Federal Bank has done nothing to reverse unemployment.

Asking if cutting the deficit or creating jobs is more important is an artificial question, she said: “We can’t lower deficits without creating jobs.” Huffington said Americans must look to themselves to find the basis for recovery.

“We live in a local economy, so what can we do for ourselves and our neighbors?” she asked. “If we tap into it, I believe profoundly that we can turn things around.”

# A Balanced Industry Outlook

Strong foodservice numbers counter regulatory challenges

By Samantha Oller || [soller@cspnet.com](mailto:soller@cspnet.com)

**T**he state of the industry is pretty good," said Jeff Miller, president of Miller Oil Co. and NACS chairman. That's thanks in part to the adaptability of retailers in the face of strong economic headwinds, he said. Miller cited some new figures from the NACS CSX database to back up the assessment.

According to NACS CSX figures comparing January through May 2010 with January through May 2011, total c-store sales rose 22%, with fuel sales providing much of the momentum, up 28.7%. Fuel gallons rose 0.6%, a noteworthy if modest increase in light of sluggish U.S. demand. In-store sales rose 2.0%, despite a 2.4% drop in cigarette sales. Here, foodservice provided the lift, with a 6.5% increase.

On the profit side, fuel gross profits rose 7.6%, while in-store sales were up 3.7%. Again, this was despite a 4.6% dip in cigarette gross profits and because of a 9.3% jump in foodservice gross profits. In regard to the negative numbers for cigarettes, Miller said that last year at this time, the category was emerging from the effects of the SCHIP increase. "We're coming back to a normal trend," he said.

Examining some notable increases under expenses, credit-card fees grew 26.6%, repair and maintenance costs rose 11.5%—likely because retailers are trying to extend the life of current equipment as opposed to buying new—and supply costs grew 7.1%, possibly fed by the increase in foodservice sales.

Gross-profit dollars for prepared foods leapt 11.5%. One area of concern: hot dispensed beverages, which saw sales off 0.5% and gross profit dollars down

2.8%. Miller suggested competition from QSR heavyweights such as McDonald's and Dunkin' Donuts was really starting to have an effect on the channel. As an area for potential growth, he mentioned cold coffee products, which he said generate one-half of Starbucks' sales. However, these products are typically "dressed" with whipped cream, syrup and other toppings, a tough element to duplicate in the self-serve environment of c-stores.



**State of the Channel:** NACS chair Jeff Miller described the state of c-store sales as "pretty good" for the bulk of 2011.

Miller then highlighted a few wider trends for retailers to consider, including:

► **Impact of the Internet:** Whether it's online cigarette sales siphoning business from c-stores or mobile apps that enable consumers to find the cheapest gasoline in town, the Internet's effect on this channel is only beginning to reveal itself.

► **Nutrition and Foodservice:** Miller said the failure to manage food waste better in the industry's foodservice programs "is not only poor management but socially irresponsible." He also encouraged retailers to make healthy living a part of their

company culture, citing that Miller Oil pays a \$500 bonus to employees who quit smoking or lose weight. If they accomplish both, they receive a 5% reduction in their health-insurance premiums.

► **Tobacco Turmoil:** As the FDA continues to finalize the details of its regulatory oversight of cigarettes, Miller highlighted the experience of c-store retailers in Canada who contended with not only a big increase in taxes but also the category being forced to go "dark." As a result, 30% of cigarettes sold in Canada today are contraband, Miller said. "Tobacco is a moving target" in the United States, he said. While menthol appears to be in the clear, the fate of graphic warning pictures on packs of cigarettes is not, as a lawsuit by several tobacco manufacturers works its way into courts.

► **Debit-Card Aftermath:** Retailers "won a hell of a victory on swipe fees," Miller said, pointing to the fact that the Federal Reserve's reset of debit interchange fees will free up approximately \$800 million. While the industry didn't get the size of reduction in fees it had hoped for, it still persevered against a heavy lobbying effort by banks.

Miller said the retail industry used to be able to interrupt "bad legislation" and neutralize it before it hit the books, but this has gotten more difficult as the current administration is attempting more legislation through regulation; that is, if a legislative battle is lost, there is an effort to introduce regulations that will have the same effect. It requires retailers to be especially vocal to their government reps. "If you're not involved, you get lost in the shuffle," Miller said.

# Find Right People, Listen—and Focus

Selecting the right employees, teaching and investing in them and listening and engaging with those employees—as well as your customers—emerged as key themes during a session on retailing excellence.

For example, Travis Sheetz, vice president of operations for Altoona, Pa.-based Sheetz Inc., said, “Finding the right people is really the basis of our business—and until you do that, you can’t do anything else.” The company interviews five people for every one person it hires, and it offers pay that is in the 90% range in the areas where it operates. Also, those hired quickly learn the meaning of TCF, or total customer focus, a company mantra.

The perspective of Adam Sparks, general manager of company-owned and -operated stores and president of San Ramon, Calif.-based Chevron Corp.,

comes from being primarily a large oil company, with a smaller retail business. The company gives employees a focus during their shift, such as clean pump islands, for which they are held accountable.

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For Gus Olympidis, president and CEO of Valparaiso, Ind.-based Family Express, a focus for employees is on the “art of listening.” One customer went into a Family Express location, distraught because she had inserted a gas pump nozzle upside down and got gasoline all over her shiny new red car. The clerk offered

her a free car wash.

Another customer, weeks later, made the same error, and was “in a terror” because of a skin condition. The same clerk later sent flowers to that customer. The situations had similarities, but the outcomes were different. Olympidis said, “The core capacity to deliver the solution was predicated on effective listening.”

Eric Chester, founder and CEO of Lakewood, Colo.-based Bring Your A Game to Work, said employers should also listen to what their employees have to say. He suggested one client add a three-question survey to each paycheck, which increased employee retention and productivity. The questions were: What do you like about working here? What don’t you like about working here? If you could change one thing, what would that be?

—Linda Abu-Shalback Zid

## Getting to ‘As Good as It Gets’

While gasoline continues to be a traffic driver at many convenience stores, retailers need to learn who their customers are and appeal to their other needs, according to David Portalatin, director of industry analysis for The NPD Group, Port Washington, N.Y.

Second-quarter 2011 data from NPD shows total consumer traffic at c-stores is down 4.2% total. But stores with major oil canopies lost as much as 7% of their traffic. “You can no longer be in business just to allow gasoline to be the sole traffic driver into your retail store,” Portalatin said.

In a custom study conducted by NPD for CSP’s Outlook Leadership Conference, Portalatin segmented customers according to popular romantic comedies—fitting

because c-stores are working to woo those customers, he said. Customers were asked to identify themselves by statement, as well as help identify the opportunities for retailers by describing their perfect c-store.

► “I like to shop at convenience stores and make purchases from them several times per week.” These “As Good As It Gets” customers account for 12% of the respondents. Their perfect c-store would include a drive-thru window to buy tobacco, lottery and energy drinks. Entertainment media availability would also be a nice characteristic.

► “I do not mind shopping at a convenience store, but I only shop there because it’s convenient, I am in a hurry, or if there are no other choices nearby.” The “No Strings Attached” group accounted for the

majority, 58%, and therefore represent the greatest opportunity. Drive-thrus again were a “perfect” characteristic, in addition to bright lights, modern equipment and healthier food and drink choices.

► “I do not like to shop at convenience stores and prefer not to purchase from them.” The “He’s Just Not That Into You” consumers (30%) said they would seek cleanliness, grocery-store prices and friendly and helpful cashiers.

Many of the respondents actually named stores like Sheetz and Wawa as their perfect convenience store. “So what that tells me is there absolutely are some retail offerings in the marketplace that do engage the consumer and establish a passionate commitment and following,” Portalatin said.

—L.Z.

# Green Sheen

CSP honors Spinx, Boyett, Thorntons for environmental stewardship

By Steve Holtz || [sholtz@cspnet.com](mailto:sholtz@cspnet.com)

In the three years since CSP launched its Environmental Stewardship Awards, “sustainability” has moved beyond a catchphrase, and the ideas that were transformational at that time have now become foundational to business.

Stewart Spinks’ interest in environmental projects began much the way many of his innovations started: by understanding what consumers want.

When Spinks, CEO of The Spinx Corp., first installed pay-at-the-pump in the early 1990s, he got a big hug from a customer who appreciated the fact she no longer had to haul her children into the store each time she got gas.

Ever since, Spinks’ determination to spur similar reactions has led to numerous innovations—from fresh food to cash acceptors in the pump, what he calls “making life easier for customers.”

But it’s environmental stewardship that has taken hold in a range of projects—from energy-efficient lighting and car-wash-water recycling to motion-sensitive lighting, skylights, E85 and, most recently, being among the first retailers to test electric-vehicle charging at his stores in South Carolina.

“The simple matter of fact is that this is a viable alternative for automobiles in the future,” Spinks said. “But we haven’t figured out how we collect [on it]. ... We just want to send the message to the consumer that if this is what you prefer, we’re there to take care of it for you.”

Retailer Thorntons Inc.’s commit-

ment to environmental stewardship comes in the form of a promise: a “Green Promise” to consumers that highlights how the Kentucky-based chain is helping the environment.

“We’re telling our consumers that we want to be environmentally friendly. We’re trying to do more recycling, LED lighting, using less electricity in the store, but still having the store bright and safe,” said John Zikias, vice president of sales and marketing.



Boyett (left), Spinks and Zikias

E85, biodiesel, LED lighting on the canopies and in the cold vault, separate dumpsters for trash and recycling, and daylight harvesting or the use of natural light whenever possible to cut down on electric lighting in the company’s stores: The list goes on as Thorntons finds green design equivalent to smart design.

“People say, ‘I didn’t know you were doing these things with LED lighting,’” Zikias said, “and in a lot of cases, that’s what we want. We want them not to notice the difference that we’re using LED lighting in the vault—only that it looks a lot better.”

During early discussions about capitalizing on the growing green trend, executives at Boyett Petroleum’s Cruisers stores outlined 117 ideas.

“We cut our paper use by 75% in the office,” said Dale Boyett, president of Boyett Petroleum. “But we wanted something that would get us out into the community so the community would know we were green.”

With this goal of localizing its environmental efforts, Cruisers developed the “B Green” initiative, which takes the form of a recycling program with immediate and recognizable results. In this case, those results came in the form of local dog park.

With fliers posted in stores and local radio stations as co-sponsors, Cruisers has also held several B Green Recycling Days, during which the chain, working with the Modesto Junk Co. and others, collected paper, bottles, cans, scrap metal, electronics, printer cartridges and more to

raise money by selling the scrap for recycling. Boyett Petroleum matches all the money raised, donating it to the City of Modesto “adopt a park program.”

Twenty tons of recyclable waste and \$30,000 later, for Cruisers, the partnership has had another remarkable result.

“It’s great public awareness,” Boyett said. “At this point, when Modesto has an Earth Day [event], the person they contact to do all the recycling is the local petroleum company. ... That’s a 180-degree change from what people would think of a petroleum company being.” ■

# Working on First Impressions

Mystery-shop participants discuss elements that win customer loyalty

By Samantha Oller || [soller@cspnet.com](mailto:soller@cspnet.com)



**Service Call:** CSP's Mitch Morrison (left) talks shop with Darcy Paulsen of Service Intelligence, Dan McMahon of Sheetz, John Zikias of Thorntons and Dave Henninger of The Pantry.

In its several years of existence, the CSP-Service Intelligence Mystery Shop has evolved from a special project that rated chains' operational compliance to one that highlights the power of stellar customer service.

In a breakfast panel moderated by CSP group editor Mitch Morrison, three retailer participants in the annual mystery shop joined Darcy Paulsen, senior director of business development for Service Intelligence, in parsing the many factors that, combined, win a customer's loyalty.

Dan McMahon, executive vice president of operations for Sheetz Inc.—winner of the 2011 CSP-Service Intelligence Mystery Shop—said the chain's strong showing is indicative of the culture established inside each Sheetz store.

"You can't rule-book everything," McMahon said. "You have to make sure the store environment is conducive to that behavior." Sheetz, Altoona, Pa., led a field of 10 chains in customer service and exterior cleanliness. It also ranked in the top three or four brands for most of the 27 metrics examined in the mystery shop.

"We have to use empowerment," although retailers must give their employees the tools, said John Zikias, vice president of sales and marketing for Thorntons Inc., Louisville, Ky. For Thorntons—which clinched third place in the 2011 mystery shop—delighting the customer is a core value. In the past, however, store employees did not know what they were allowed to do to meet that objective. To make it easier, Thorntons added a "delight the customer" button to its POS so employees could

account for any discounts or merchandise gifted to unhappy customers.

Paulsen agreed that “you can’t rule-book everything,” but said that employees do need to be coached on customer service. “Connect the dots between what their role is and what the company is trying to accomplish,” he urged.

The Pantry Inc., Cary, N.C., has been building customer loyalty through promotions aimed at supporting the military and celebrating college sports. Dave Henninger, vice president of marketing, said both are examples of “passion points.” The “Salute Our Troops” donation campaign is on track to generate more than \$2 million to support the USO, Wounded Warrior Project and other military support organizations.

Meanwhile, the Battle for Bean Street coffee promotion—wherein customers buying a cup of coffee can choose between a Duke University, North Carolina State or University of North Carolina basketball-themed cup—has proven another success. The company’s

Kangaroo Express brand ranked tops for having the cleanest coffee areas in the 2011 mystery shop.

“If you can find a passion point, you can take buying a cup of coffee to a whole new level,” he said.

When asked to share an “Achilles’ heel” of the customer experience, Hen-

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**“Connect the dots between what [the employees’] role is and what the company is trying to accomplish.”**

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ninger highlighted restroom cleanliness: “We have to find people who get hospitality. ... We have to build a people culture that has great restrooms.”

Zikias of Thorntons said suggestive selling is an area for improvement. The chain actually ranked first in suggestive selling, although its rate was 38.9%. Indeed, all of the participants in the 2011 CSP-Service Intelligence Mystery

Shop scored below 39% for suggestive selling—although some, such as QuickTrip, have a policy not to suggestive sell.

McMahon said speed of service needed some work at Sheetz. “We’re trying to balance customer friendliness with speed,” he said, citing that most customers will tolerate slower service as long as employees apologize for the wait and keep them informed. Part of the challenge is the inherent time-consuming quality of Sheetz’s made-to-order sandwich offering.

“It’s like being the 10th car in the drive-thru,” he said of waiting for a made-to-order product; that is, you sacrifice speed for another benefit—in this case, a custom-made product. However, customers still expect service to be “fast enough.”

Paulsen observed that from the perspective of a customer waiting in line, each actual minute feels like 3 minutes. “Once you build the customer experience, they’re more flexible with that,” he said.

# Food Trucks: Driving Opportunity?

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If Ray Villaman's friends told him decades ago that someday he'd be in the food-truck business, he would have told them they were crazy.

Back then, Villaman, president of Los Angeles-based Mobi-Munch Inc., thought of them as the so-called "roach coaches" and "hot trucks" that provided a quick bite for construction and industrial workers.

But in 2008, everything changed when Roy Choi, who couldn't afford to start a brick-and-mortar restaurant, launched his Kogi BBQ Taco truck. Promoting the truck and providing where it would be located using Twitter and Facebook, Choi had more than \$2 million in sales his first year. Today, Choi has five trucks and more than 80,000 followers on Twitter.

More than that, however, in Los Angeles alone, there are now 4,000 licensed food trucks, with many gourmet trucks as part of the "modern food truck movement." (The Mobi-Munch website helps customers track 400 of the gourmet trucks.) Villaman said, "Many people thought it was a fad; it's a trend and it's here to stay."

Food trucks might be seen teaming up with venues, such as popular bars, that don't serve food, or providing catering for events. They're also often invited to the parking lots of big-box retailers, such as Home Depot, "because they know it's a draw, they know it's a traffic generator," Villaman said.

And therein lies the opportunity for c-stores. While Home Depot might seek the traffic a food truck can bring,

a c-store with a parking lot in a prime location could take advantage of that traffic, as well as make a profit from the truck itself. "If your property is that valuable, these food trucks would pay anywhere from an average 8% to 10% of their sales back to the business that invited them to that property," he said.

Food trucks are not without their challenges—such as vendor and inventory management, maintaining and servicing trucks and stocking and cleaning trucks. But, Villaman said, "What a nice situation to be in where you're mostly serving as a landlord because you have the right location and you have a high visibility—and there's a multitude of cuisines you can provide to your customer and take a cut of their sales."

—L.Z.





**On the Trail:** Herman Cain, 2012 Republican presidential candidate, was raised in Atlanta by two exceptional, hard-working parents. After years of measured success, including a degree from Morehouse College, stints at Coca-Cola and The Pillsbury Co., and his eventual rise to CEO and president of Godfather's Pizza, Cain was named president and CEO of the National Restaurant Association. Today, he is a humble presidential candidate fighting for the rights of the small-business owner: "Americans can't wait for this economy to grow on air," he said. "They simply can't keep waiting. Stay involved. We can no longer be passive. Stay inspired."



**Think Global, Act Hyperlocal:** Suppliers and retailers need to adopt a local mentality to tap into and win the loyalty of today's consumer, said Lisa Bradner, chief client services and growth officer for ad agency Geomentum. Bradner highlighted the growth of mobile devices and the importance of viewing a store's neighborhood from both a physical and virtual basis. The four keys of success: let your local geography guide your promotional activity; measure your effectiveness; treat customers like guests and approach them with messages strategically; and offer dynamic, interactive promotions that encourage customers to return.



**Inspired Challenge:** Yvonne Camus trained for hours upon hours daily, then trekked through the jungles of Borneo in the televised "Eco-Challenge" with a broken wrist, all while the single mother of twin boys.



## Feed my babies:

Attendees of this year's CSP Outlook Conference put a few spare hours to good use, packing meals for hungry children all over the world. Feed My Starving Children is a not-for-profit organization that is committed to feeding hungry children's spirits as well as bodies. A single bag of food provides highly nutritious meals for six children and costs around \$1.44 to produce. Attendees together raised nearly \$15,000 for the charity and packed more than 51,000 meals. For more information on the charity, visit [www.fmsc.org](http://www.fmsc.org).





After a day's worth of valuable education and inspiration, attendees of CSP's Outlook Conference cozied up to a warm fire, and put on their dancing shoes for an evening of fun. While some had their palms read, others sat for caricature—while others mustered all their courage and participated in a rousing bit of live-band karaoke. Who said c-store leaders were all work and no play?



