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The Best Little Chains in America

pg. 38

Pumper's Premium Stores Greenville, SC

Mid-Atlantic Petroleum Properties Rockville, MD

Chevron

Top Star Express



"If you're going to be in a rock fight," says the president of this South Carolina chain, "you need some rocks." The biggest "rock" in his pocket: a strong unbranded fuel offer.

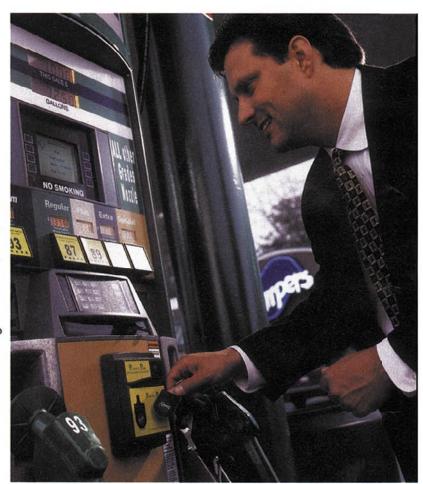
The quest for loyalty

Where it's been

im Farish got his start in the business dispatching fuel trucks for an uncle who was a CITGO distributor. He eventually bought a small fuel distributorship of his own and spent several years installing pumps and tanks for dealers. He built his first store in 1995 and branded it CITGO, then began buying dealer locations when his customers either wanted to—or had to—sell their businesses.

By the time he was ready to build his fourth store, Farish had acquired other brands, including Exxon and Conoco. When he tried unsuccessfully to negotiate branding deals for the fourth station, Farish decided to develop his own: Pumper's. He ultimately decided to convert all of his stores to the Pumper's brand—even though he had to pay dearly to get out of his brand contract. With a difference of up to a nickel in rack price between branded and unbranded fuel, Farish believes it was the right move at the right time.

"If you're going to be in a rock fight," he says, "you have to have some rocks."



Pumper's Pass uses technology similar to ExxonMobil's Speedpass but allows customers to collect points—based on gas and product purchases—they can then redeem for merchandise and discounts.

What it's become

he chain's original store in Greenville, SC was the last of its 14 units to be converted to the Pumper's brand—mainly because Farish was "scared to death" to mess with what had been his highest-volume store, pumping well over 150,000 gallons a month, with another \$90,000 a month in merchandise and car wash sales. As it turns out, Farish was fearful for

nothing: The store now pumps close to 250,000 gallons a month, and inside sales have also increased.

While the Pumper's brand is his creation, Farish has never been shy about borrowing good ideas from other retailers—competitors and otherwise. For example, Farish makes sure his unbranded fuel prices make a bold





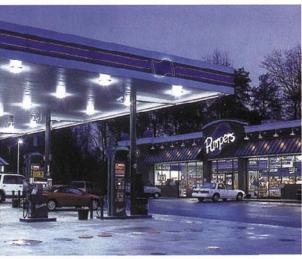
statement to customers by using gigantic price signs a la RaceTrac Petroleum.

Farish went to school on fountain by observing stores operated by Tulsa, OK-based QuikTrip.That's why in his newer stores the fountain is a focal point of the store, with dispensers inset into a huge, brick-face fountain wall. There are 26 heads for maximum variety, and two kinds of ice (cubed and crushed). In-store pricing and signage give a subtle nod to Wal-Mart; candy bar promotions are 2 for 98¢ rather than 2 for \$1, for example.

Tricks of its trade

here is one weapon in Pumper's marketing arsenal that Farish has not borrowed from anyone—Pumper's Pass. Pumper's is among the first retailers in the nation to install this electronic loyalty program that uses technology similar to ExxonMobil's Speedpass but allows customers to collect points—based on gas and product purchases—they can then redeem for merchandise and discounts. The keyfob is linked to a credit card of the customer's choice for billing, although cash customers can still swipe their keyfob at the point of sale to earn points for their purchases.

As with any new technology, Pumper's has experienced a learning curve in terms of implementation and marketing. Farish initially tested the program in two stores beginning in April 2000, and while it worked fairly well, he quickly realized he would have to take a different approach if he were to recoup his start-up costs. In addition to the equipment, those costs include approxi-

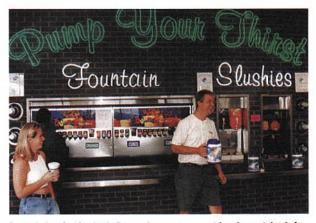


Two ways Pumper's gets 'em in the door: Clean, bright, well-merchandised stores (above) and Pumper's Pass (left), an electronic loyalty program that generates repeat customers through the purchase of prepaid "clubs" for coffee, car wash and other key product offers.

mately \$7 for every keyfob transponder he gives away as well as a part-time pump island attendant to explain the new system to customers.

"Mobil is not in our market, so people don't know about Speedpass," Farish says. "They don't understand the technology and there was not yet enough perceived value for them."

Farish determined that the way to increase that perceived value—and recoup some of his costs—was to give away the keyfob when customers purchase a "club." For example, customers who buy a "Coffee Club" buy five cups of coffee at the regular price and then get two cups free; the keyfob is then encrypted for seven cups of coffee. Farish developed similar "club" programs for car wash, fountain and frozen drinks, with prices ranging from \$4.95 for the coffee club to \$21 for the car wash club (buy two premium washes and get two free).



Fountain is a focal point in Pumper's new stores, with a dramatic brick-face presentation and 64-oz. tankers to satisfy even the thirstiest customers.





Wash sales at this Greenville, SC store are one-third higher than washes at other stores, due mainly to the structure's "curb appeal," Farish says.

"This way, you know the customer is a repeat customer," he says. "If you have the Pumper's Pass and use it, you understand the benefit of it. If we get people to use it two or three times, we'll get them hooked."

Even with the club plans, however, Pumper's still wasn't getting enough customers "hooked." With 12,000 customers walking through the door every day, the chain

initially averaged just 10 club sales a day. That's when Farish decided to take advantage of all the media attention surrounding high gasoline prices. Instead of redeeming Pumper's Pass points for merchandise only (a gallon of milk, 2-liter or 12-pack of pop, for example), Pumper's began offering cash discounts on fuel purchases. Customers could now exchange 50 Pumper's points for \$1 off their fuel purchase.

"On a normal day we get about five redemptions," says Farish. "When we began offering cash discounts on gas, redemptions exploded to more than 50 a day." Club sales also picked up once the gas discount was added to the program. Overall, the wash club has been the most successful, nearly doubling car wash sales at some locations.

Pumper's uses a simple incentive plan to encourage associates to sell the club plans: The company has made it a condition of employment. "We require each associate to sell a minimum of one club per week," Farish says. "That's a target we feel they should be able to reach with a minimal amount of effort."

Farish estimates that Pumper's now has approximately 4,000 keyfobs in circulation for its 14 stores. While the number of clubs he can offer is limited "only by my imagination," Farish says, a better strategy for exploiting the technology may lie in using the customer data it gathers. "Eventually I'll be able to link customer information to purchases and use that data to do some direct marketing," he says.

Where it's going

y the end of the year, Farish will have renovated the only two stores that have not yet received substantial upgrades. He also hopes to find the right vendor to implement scanning and a centralized pricebook by then. Beyond that, he will look for small acquisitions that fit into Pumper's relatively tight 35-mile radius.

But he also worries about the local economy. The textile business that is so critical to much of South Carolina's economy is in such bad shape that it's beyond recession; plant closures have become common. "My fear is that the economy, at least in this area, is a little slower than the numbers really show," Farish says.

Still, he takes comfort in the cost advantage that unbranded fuel offers him, and he plans to continue tweaking Pumper's Pass. He looks forward to the day when economies of scale and enhanced marketing support make the system more cost-effective. "It's not a 'build it and they will come' type system," he says.