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## Game of Porcelain Thrones

Beaver Aplin and Don Wasek have built a Texas-based empire of Texas-size convenience stores that have a cultlike following. Now they want to extend their reach across the Southeast.

BY PETER CARBONARA

The insight that runs beneath the rise of Buc-ee's convenience stores is this: You can get a lot of people to pull off the highway and spend money if you guarantee them an immaculate place in which to heed the call of nature. As one Buc-ee's billboard proclaims, "Your Throne Awaits. Fabulous Restrooms—32 miles."

The quiet success of Buc-ee's—*Forbes* estimates that the privately held company had revenue last year of \$275 million—is based on several shrewd decisions. Owners Arch Aplin III and Don Wasek have targeted an affluent market segment—they don't discount,

and they don't allow commercial trucks at their gas pumps. They have nurtured the cultlike following that has grown around their brand. They've fattened their margins with lots of private-label merchandise. And they've taken advantage of years of low interest rates to finance an expansion that is designed to make them a power across the Southeast. So far, the chain, based in Lake Jackson, about an hour south of Houston, has 32 stores and plans for 2 more, including one in Daytona Beach, Florida, its first venture beyond Texas. The company has also been shopping for land in Alabama.

While most Buc-ee's locations are the size of a typ-

**Leave it to Beaver: Aplin, along with partner Wasek, has turned Buc-ee's into not just a convenience stop but a destination.**







**Cleaning up:** To get to the restrooms, you have to walk past Buc-ee's branded goods.

ical convenience store (about 3,000 square feet), its 12 “travel centers” are enormous. The latest is now under construction off a new highway interchange in Katy, half an hour west of Houston. It will have more than 100 gas pumps and 52,000 square feet of retail space. It will employ more than 200 people and feature what may be the largest car wash in the world. “The *Guinness Book of World Records* people are checking on that,” Aplin says.

The main attraction, however, will be the toilets. The nearly finished restrooms in Katy, like those in Buc-ee's other travel centers, were designed by Aplin himself. The men's and women's rooms will have spacious entryways decorated with Texas-themed maps and memorabilia. They will have high ceilings and bright lighting, finished with sandstone-colored tiling. The men's room will have 30 urinals and 12 toilets, the women's room 28 toilets. Each stall will have walls, not thin dividers, and a surprisingly heavy metal door. And they will be patrolled 24 hours a day, 365 days a year, by uniformed employees whose only job is to keep them pristine.

From the bathrooms to the branded caps and T-shirts to the brass beaver near the entrance, a big Buc-ee's feels less like a convenience store than a Texas-themed amusement park. “They are becoming a destination,” says Greg Lindenberg, the editor of *CSP* magazine, which covers the \$550 billion con-

venience-store industry. Jim Fisher, a Houston convenience-store consultant—Buc-ee's is a former client—says, “My granddaughter came down from Indianapolis to visit, and I asked her, ‘Where do you want to go?’ The first word out of her mouth was ‘Buc-ee's!’” And in a *Bon Appétit* magazine story last fall proclaiming Buc-ee's “the best rest stop in America,” Texas restaurateur and celebrity chef Tim Love said, “When a new Buc-ee's opens, it's like a new roller-coaster ride. You just want to go in and see it.”

The first Buc-ee's opened in 1982. Aplin, 58, known universally as Beaver—a nickname bestowed by his mother—was fresh out of Texas A&M and working at his father's construction company. When Beaver opened a standard-issue, 3,000-square-foot convenience store in his hometown of Lake Jackson, he says, “I didn't have anything particular in mind.” Three years later, he teamed up with Wasek, who had his own convenience store in nearby Brazoria. Today they each own 50% of Buc-ee's Ltd., and they have clearly defined roles.

While Aplin focuses on construction, expansion and marketing, Wasek, 59, who shuns the press and declined to speak to *Forbes*, manages operations. People who have dealt with Wasek describe him as smart, cautious and hands-on. “Don gets to work at 6 a.m., while Beaver is a little more laid-back,” says Lou Congelio, the Houston adman who designed the bill-



boards that helped put Buc-ee's on the map. Neither is much for the spotlight. "Maybe because we're southern," Aplin says. "We're not out to talk about ourselves or make a big splash." Indeed, while much about Buc-ee's is proudly excessive in an everything-is-bigger-in-Texas way, Aplin is merely life-size. He wears Buc-ee's cowboy boots, but the beaver logo is usually hidden under his business-casual chinos.

In 1985, Aplin and Wasek started adding locations across Texas. Their motto then, as now, was "Clean, friendly and in stock." But Buc-ee's was just another convenience store until 2006, when they decided to expand a location to 17,000 square feet. Aplin says there was no big idea at the time; the store had done well, and real estate in the area was cheap. Over time, however, Aplin and Wasek started to model new locations on truck stops. The idea was to imitate the size and volume but cater to passenger cars, luring drivers with gasoline and, of course, restrooms. In 2012, they opened a 68,000-square-foot store on Interstate 35 near San Antonio.

Most convenience-store revenue comes from gas sales—60% of Buc-ee's revenue, for instance. Profit margins on gas, however, tend to be in the low single digits, while margins on things like Doritos and beer can be more than 30%. Given that math, the Go-liaths of the industry, like Japan-based 7-Eleven, make

says, most of it borrowed: "The investment is so high that the return is actually way less than on a conventional-type store." But making those stores and their palatial restrooms a destination, he says, is what established the Buc-ee's brand.

To reach those restrooms, of course, customers have to walk past endless aisles of snack food and candy, refrigerator cases filled with beer and soda, self-serve drink and coffee stations, a big horseshoe-shaped "Texas Roundup" BBQ stand and glass counters containing more kinds of jerky and fudge than should exist. The big stores are also stocked with Texas-themed tchotchkes, clothing and outdoor gear. Aplin says 10% to 12% of the packaged food sold at Buc-ee's is Buc-ee's-branded. *Forbes* estimates that Buc-ee's profit margin on major-label items is 32%, while its margins on Buc-ee's-branded stuff is 40%. Overall, *Forbes* estimates, the company managed to take a 35% gross profit margin on in-store sales (everything but gas). According to the National Association of Convenience Stores, the average convenience store made 33.5% on in-store sales. Last year, the NACS says, the average convenience store operator had overall net profits of 1.8%. Aplin says Buc-ee's did better than that but declined to be more specific.

The expansion into other states is a bet that interest rates will stay low long enough for the owners to plant the Buc-ee's flag from one end of the Gulf Coast to the other. Aplin is confident his Texas-centric brand can be adapted to work elsewhere. It helps that Buc-ee's is in a retail sector that, so far anyway, has remained e-commerce-proof. As long as people drive, Aplin says, they will have to stop to fill up, use the toilet and eat. And keeping traffic flowing in and out of the stores will remain a constant concern.

Aplin has noticed, for instance, that many customers leave their cars and go inside while gas is pumping, creating a line and backing up traffic at the pumps. He's also noticed bottlenecks inside his stores, specifically outside the restrooms. While men march right up to a stall to see if anybody's inside, women don't—sometimes causing a line to form in the entryway even when stalls are vacant. "I haven't figured that out yet," he says, but he recently invested in a startup that is developing a system of signal lights that would go over each toilet door and be linked to a display in the entryway. \*

## HOW TO PLAY IT BY WILLIAM BALDWIN



Which retailers will survive the age of Amazon? Buc-ee's, selling gasoline and beer, isn't easy prey for competitors with drones; neither is the publicly traded **Casey's General Stores**. Used-car lots like **CarMax** can also thrive in a digital world. But plenty of retailers remain vulnerable. I recently put in an \$86 online order at

Home Depot and was appalled to see the stuff arrive in five separate packages; clearly this outfit is in over its head on logistics and software. Pharmacies are Jeff Bezos' next victims. CVS will be crushed when he shows customers how to save money on prescriptions.

*William Baldwin is Forbes' Investment Strategies columnist.*

money on volume, operating large numbers of modest-size stores. Sam Susser, who founded the Stripes chain and built it to around 650 stores before selling to Sunoco's corporate parent in 2014 for \$2.4 billion, says, "We never cared about margins; it was all about increasing the velocity of [inventory turnover]."

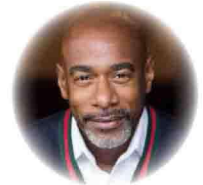
Aplin and Wasek decided to go a different route. Taking advantage of low interest rates, they borrowed heavily to finance those gigantic stores. "We have a lot of debt," Aplin says, but declines to say how much. The Katy store will cost about \$17 million to build, he

## FINAL THOUGHT

\* "The state of our surroundings tells us the condition of our souls." —LAILAH GIFTY AKITA



## MARGIN PROPHECY



## "MAN-CAVE NIRVANA"

Hollywood screenwriter **Michael Elliot** wanted men to be able to get manis and pedis without feeling uncomfortable. So he opened Hammer & Nails.

### How did friends react to the concept?

Laughter. Only two people believed it would be successful, and I'm married to one. I was invited to be on *Shark Tank*. No one believed in it. Kevin O'Leary's parting words were "It'll never work."

### Then what happened?

I received over 800 requests for information on franchise opportunities. I was able to convert seven viewers into angel investors. Six invested \$25,000 for 2.5% each; one invested \$50,000 for 5%.

### What does a Hammer & Nails look like?

It's got a cedarwood vanilla candle on the front desk. You get a complimentary glass of scotch, a personal TV and noise-canceling headphones. We're man-cave nirvana

### Where do you stand now?

In June, we opened our first franchised location, in Miami. We'll likely open a new Hammer & Nails every month. We've sold 232 licenses.

**If you can get to 200 stores within five years, that'll amount to around \$140 million in system-wide sales.**

Correct. In five years there are only 100 shops and we're doing \$70 million, that's not bad from a first shop on Melrose Avenue.

—Amy Feldman