Operation: Convenience Store Turnaround

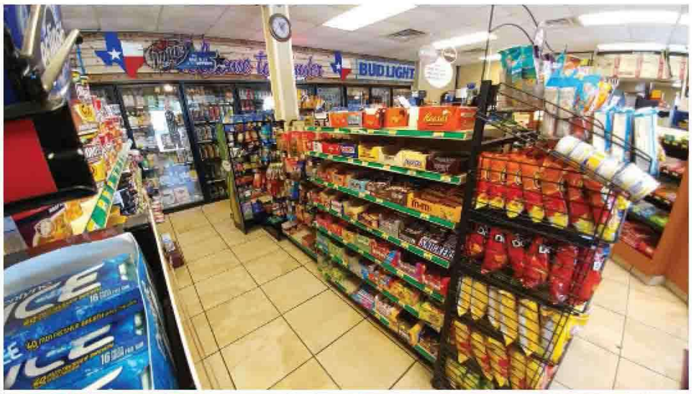
Roy Strasburger and his team transform once-failing small operators into success stories

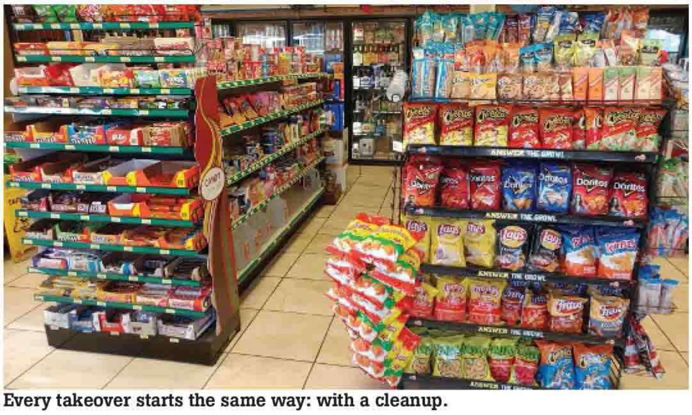
By Danielle Romano

Low in-store sales, high employee turnover and declining gross profit margins are just a few of the problems Roy Strasburger, president of Convenience Management Services Inc. (CMSI), may encounter when he and his team take over a convenience store and gas station.

Temple, Texas-based CMSI's mission, simply put, is to operate retail locations for those who don't want to operate them, or don't have the expertise or infrastructure to operate them properly. However, an operational takeover is never all that simple.

In many instances, CMSI encounters small operators whose businesses are failing in multiple aspects — from meager food quality, to poor customer service, to outdated store aesthetics — and need to be turned around in order to survive and then thrive in today's competitive retail environment.





Every takeover starts the same way: with a cleanup.

Strasburger recently sat down with *Convenience Store News* to talk about one of his success stories: a once-failing Southwest U.S.-based small operator and fuel distributor. (The name of the operator is not being disclosed out of respect for client confidentiality.)

Located in a rural area roughly 20 miles from a major city and situated on a major state highway, the 1,500-square-foot site features typical c-store fare; eight fueling stations; and a made-to-order restaurant, whose menu mainly consists of all-day breakfast and grilled items, as well as a pizza program. The store's core demographics encompass households with $18,000-$35,000 annual incomes, Hispanic consumers, younger families, and commuting workers.

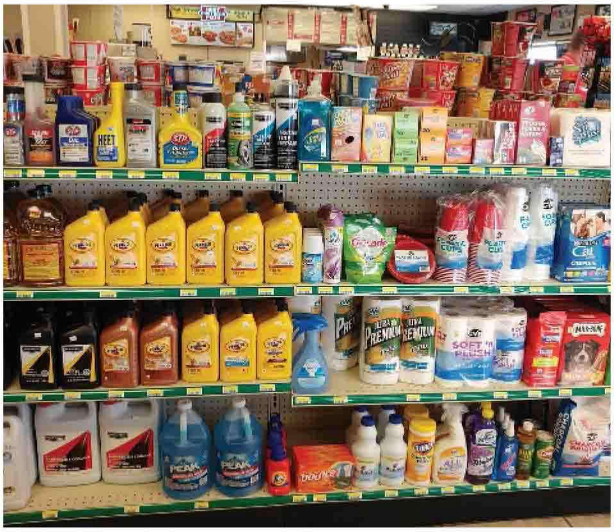
When CMSI took over in 2015, this gas station/convenience store site had been in operation for 10 to 15 years, but was facing a number of challenges, such as declining fuel gallons at the forecourt and low in-store sales, particularly at its made-to-order restaurant.

Operationally, the store lacked general cleanliness, and had poor customer service, declining gross profit margins, no discipline when it came to efficient pricing, countless out-of-stocks, and low employee retention.

THE TAKEOVER BEGINS

According to Strasburger, every takeover starts the same way: with a cleanup.

The CMSI team removes all products from shelves, which are then sanitized. Next, gondolas are removed and the area under and surrounding them is cleaned. Then, working their way outside, the team clears the premises of any litter, cleans fuel pumps, and pressure-washes the forecourt.



Out-of-stocks and cleanliness were among the issues addressed.

Speaking From Experience...

Roy Strasburger, president of Convenience Management Services Inc., has four key pieces of advice for convenience store retailers who are struggling:

- **Be proactive.** "Try and look at your store as if it weren't your store. Look at it with a fresh set of eyes, especially if you're constantly at the store," he advises. "Bring in someone who will look at what needs to be done and do it."
- **Understand that out-of-stocks are not a good thing — especially for small operators.** "If you don't have it, you can't sell it. If something is sold out, yes it's good [because you made a sale], but it's not good because the product cannot be sold again until it is back in the store," according to Strasburger. "Control and invest in backstock, especially for grab-and-go foodservice. This can drive additional sales."
- **Employee training is critical.** "This doesn't always apply to small operators, but you can empower employees by letting them know what they're supposed to do. It makes them happier and ultimately results in a better customer experience," he said.
- **It is possible to win customers back into the store.** "There's basic advertising, cleaning the store, and word of mouth. Be careful not to target just Bubba. From a presentation point of view, we don't think we're successful until we get a good amount of female customers back in the store," Strasburger concluded.

"Anything that requires elbow grease, we do," Strasburger explained.

At this location in particular, all signage was removed from the windows. The biggest issue CMSI found during the cleanup process was that signage cluttered the windows, making it difficult for customers to see into the store and creating a gloomy atmosphere from the inside out. Once all signage was removed, the team made paint touchups outside the building, and replaced lights both inside and outside the store to create a more comfortable environment, especially for female shoppers.

Just from the cleanup alone, CMSI began receiving positive feedback from customers.

"The first comment from customers when CMSI took over was how much better the store looked overall and how nice it was to be inside," Strasburger recalled.

To conquer its second-biggest issue — low employee retention — CMSI put the gas station/c-store's employees through a relatively extensive training program that covered how to properly operate equipment, cleanliness, customer service, and day-to-day operations. Employees learned that operationally, the store functions at its best when litter is picked up from around the parking lot and fuel court daily, and a constant cleaning rotation inside the store is kept.

"We found that the more someone knows about their job, the more comfortable they are and can meet job expectations," Strasburger commented. "When you have a staff that wants to stay with you, employee retention becomes less of a problem."

From there, employees were taught how to create a system of "build-tos" — what CMSI refers to inventory and stocking as. The system helps track what items are in-store and what items are and aren't on the shelves so employees know when to contact their distributor, McLane Co., for a reorder. Prior to CMSI's takeover, this store did not have any inventory system in place.

Tying into the implementation of build-tos, CMSI improved the store's relationship with its direct-store-delivery (DSD) suppliers. Before CMSI, the DSD suppliers would short the store because the relationship was not properly maintained, according to Strasburger. Now, "proactive" talks have led to fully stocked shelves and a proper inventory at all times.

With the build-tos in place and the DSD relationships on track, CMSI undertook the store's margin control problem. Without a scanner, store clerks were guessing prices on most items. "Ninety-percent of the time, this leads to lower prices and ultimately a decline in margin pricing," Strasburger stressed.

CMSI amped up the store's fuel pricing strategy, too. Although the store's owner is a fuel jobber and ultimately controls the fuel's pricing, CMSI now conducts price surveys twice a day, every day, to evaluate the market and what the store's key competitors are offering. In some instances, the owner will change the price based on the data collected by CMSI.

The 1,500-square-foot rural store fulfills many needs.

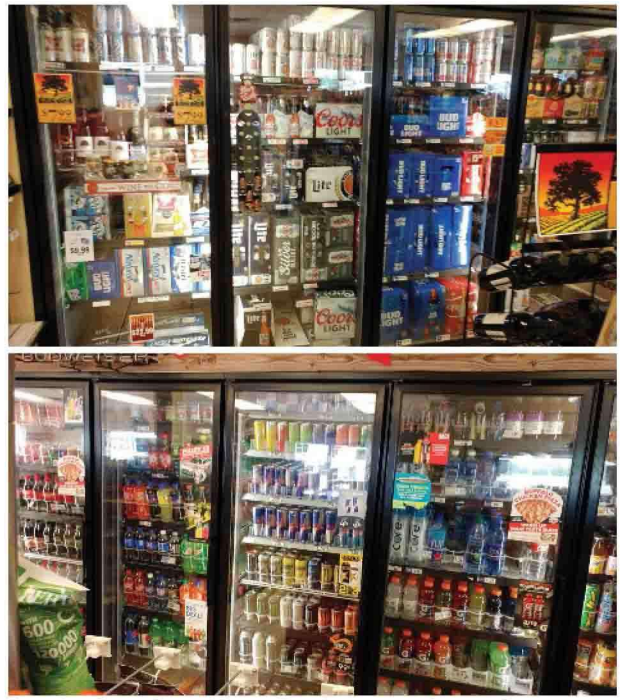
Moving to the store's foodservice offering — which can be a success for convenience stores if executed properly — the business was struggling here as well. For starters, the menu for the made-to-order restaurant was too broad and included too many items. It deviated from what the store's core customers wanted and liked. To combat this, CSMI reduced the menu by 40 percent over six months to only include basic items that would resonate with shoppers.

Next, foodservice employees went through proper training to obtain health permits, which they didn't have before. CMSI also cleaned the store's small seating area and added low-cost decorations to make the space more inviting and warm for customers interested in consuming their made-to-order food on the premises.

"We weren't trying to recreate Cracker Barrel, but we wanted to make it more comfortable than sitting under fluorescent lighting in the middle of a convenience store," Strasburger noted.

GETTING BACK ON TRACK

A store's turnaround hits its biggest impact around year three, in Strasburger's experience. The first three months of a takeover center on "physical" aspects, like training, cleaning, connecting with suppliers, etc. After 90 days, the majority of those elements fall into place (e.g., better training and more aggressive hiring practices). By six months, the store will see a real impact.


Proactive discussions with suppliers have ensured proper inventory.

Six months into CMSI's takeover of this Southwest operator, inside sales were up by 20 percent. One year later, inside sales were up by 35 percent, and fuel gallons increased 15 percent. Gross profit margin improved 6 percentage points. Strasburger expects the business to continue sales increases of 2 percent to 4 percent annually.

In regards to foodservice, the store is up to 30 items from its reduction of 20. Specials run on rotation to see what customers are interested in and what they respond to. The store has also become a breakfast and coffee stop for local farmers and "local men of a certain age" who fuel up, buy items to take with them and buy a cup of coffee daily, according to Strasburger.

"Not only have we increased sales, but we've created an enormous sense of community," he commented, noting that the store will remain committed to not offering Wi-Fi or taking on a "Starbucks-y" approach in order to avoid overcrowding in the parking lot and allow customers on the go to come in, easily make their purchases and be on their way. CSN