



# Planning for Strategic Growth

Parker on his plans for the next decade and how he intends to become a multibillion-dollar company

By Greg Parker

**T**his story begins with the incalculable value of my study group. With the best intent at heart, we challenge each other to become more strategic, more thoughtful and more creative in our approach to business. Founded by Western Washington State University economics professor David M. Nelson, this approach has helped Parker's reach remarkable levels of success.

Several months ago, Quinn Ricker, president of Ricker Oil, did a deep dive into the Parker's financials and found little to improve, because we have the highest profit per store of any group contributing data to CSX.

With that, he focused on our balance sheet and asked me some hard questions: Where do we want to be in five years? What do we want our company to look like? What is our desired level of growth and our appetite for risk?

Quinn presented these questions—and many more—at our study group meeting, facilitated by Quinn and his mentor, Rick Deneau. They then traveled to Savannah, Ga., to discuss their ideas about growth at Parker's with our executive team. They challenged us to dig deeper, think bigger and take the necessary steps to grow strategically.

Their challenge really resonated with my team and me. Given our strong debt-

to-equity ratio, our negative break-even cents per gallon and the fact that we have approximately as much cash on hand as we have debt, we decided to make a commitment to grow Parker's in a more robust and aggressive manner.

I want to grow Parker's from a \$500-million company to a multibillion-dollar company over the next decade. My goal isn't to achieve a specific number of stores by a particular date. Instead, I'm looking for a steady 20% return on investment for every dollar spent and am planning to operate the most profitable stores possible. I'm determined to move Parker's from the *Inc.* 5000 list of the fastest-growing private companies in America to the elite *Inc.* 500 list, underscoring our position as a national business leader.

Growth, by definition, involves challenges and risks. What is the smartest strategy for preparing for strategic growth? What are the steps involved in preparing for a major expansion? How can a company expand without sacrificing core values or compromising brand strength?

## Increasing Bench Strength

The first step in preparing for growth is to improve your bench strategy. I'm a firm believer that no company can succeed without having a strong team in place.

That's why as we prepare for strategic

growth over the next several years, we're hiring the industry's best—controllers, directors of operations, HR experts, IT wizards, directors of foodservice, directors of facilities and maintenance, loyalty program managers, category managers, merchandising managers, supervisors and store managers—to expand our team. We offer great career opportunities for the right "Type A" leaders who want to take their career to the next level.

We currently have 400 employees and are relocating our corporate headquarters in Savannah to prepare for our expansion. However, more important is that we're changing our mindset to accommodate thoughtful, strategic growth.

I'm confident the Parker's paradigm will work on a grander scale, benefiting our customers as well as our employees. We've developed an incredibly successful business model, which has been well received across the board, based on our companywide commitment to quality and customer service.

In every community where Parker's does business, we raise the bar, offering bright stores, clean bathrooms, friendly staff and signature Parker's products such as fresh-brewed iced tea, ice-cold lemonade, gourmet-coffee bars and chewy ice. We target our stores to the working mother, who is the most time-starved cus-



## ➤ Greg Parker

**Title:** President and CEO of Parker's

**Hometown:** Collins, Ga.

**Age:** 59

**Education:** Bachelor's degree in political science from the University of Georgia

**No. of years in the c-store business:** 37

**Business motto:** Listen to the customer.

tomter. She wants clean stores, wide aisles, easy-to-find merchandise, bright lighting and a helpful staff. And that's what we deliver at every Parker's location, every day.

For the past two years, *Inc.* has recognized Parker's as one of the fastest-growing companies in America, putting us on an elite list with some of the nation's name-brand corporations. We're proud to be at the top of our class and to exceed our own high standards for success.

However, we simply can't grow fast enough by building new stores. The reality of the land acquisition process and the red tape associated with permitting can put store openings on a longer timetable than is desirable. That's why we're developing a plan for a series of major acquisitions, coupled with organic growth.

Fortunately, growth serves as an opportunity to learn and to reflect. At Parker's, we're taking a deeper look at who we are and what we value most.

### Is Bigger Better?

There are more than 150,000 convenience stores in the United States, all of which offer similar goods and services. The reality is that we're in a mature industry with an oversupply of product.

The c-store industry is facing diminishing profits in key areas such as gasoline and cigarette sales. Gas consumption is down more than 8% from its peak in 2007, which is hurting many retailers. We can't outrun the bear, so we have to confront the challenges our industry faces head on to outrun our competitors.

Let's face it: We all sell gas, cigarettes, packaged beverages, beer, salty snacks and candy. What differentiates a successful retailer in an industry with razor-thin profit margins is an uncompromising commitment to quality and an understanding of relationships. Relationships matter at Parker's, which includes our connection to customers, the community, our suppliers, our business partners and our employees.

There are many businesses that have compromised talent in pursuit of growth.

The Home Depot was lauded for having experts at every aisle who could assist your every home need. However, as the company rapidly expanded, the quality of personnel couldn't keep pace.

Fundamentally, we are facing a critical question: How do we embrace ambitious growth without undercutting our demands for the very best talent? One tool we use is StrengthsFinder by Gallup, which enables us to match the best employees for the right positions within our company. When we work with an employee's natural strengths, we're able to get better performance on the job, coupled with increased employee satisfaction.

With interest rates still relatively low and the economy rebounding, now is an ideal time for growth. At Parker's, we've been fortunate to operate with virtually no debt. We have almost as much cash as we do debt, but we aren't afraid to borrow money strategically to fuel our expansion.

Is it always better to be bigger? Not necessarily. Larger c-store companies certainly have more buying power, which translates into lower prices from vendors and, in turn, higher retail profits. More stores translates into more revenue and more potential profits, but it can also mean a higher risk of failure.

Like the classic double-edged sword, growth can impart strength or it can lead to a company's demise. Companies that grow too quickly and without preserving their core values are vulnerable to failure. Branding messages and execution can become diluted. Company leaders can lose touch with key team members. These are key challenges when a company is in a major growth phase.

Smart growth involves planning and preparation, long before more stores are added to the company ledger sheet. There are nuts-and-bolts considerations related to financing, as well as big-picture ques-

tions about what it really means to be successful.

## Preparing for Growth

One of the first steps is to get your finances in order. Consult with experts from a number of different financial institutions and get preapproved for financing. At Parker's, we're preparing for acquisitions of up to \$100 million, which requires strategic planning and creative financing.

Unfortunately, there's a perfect storm brewing in the c-store industry, one that threatens to knock many companies out of the running: the increasing cost of health care for salaried employees. At Parker's, we expect it will cost our company nearly \$1 million annually to fully comply with the Affordable Care Act. That's certainly a bitter pill to swallow, and not every company will be able to absorb these extra health-care costs, especially when factoring the diminishing profits of gas and cigarettes.

The resulting fallout will bring opportunities to expanding companies. While we at Parker's plan to build new stores, we will take a closer look at acquiring existing stores and chains on a case-by-case basis.

To be successful, we've established key performance indicators, or KPIs, for our business, and we review those numbers daily, weekly, monthly and annually to make sure we stay on track. Look at three-year averages for metrics such as gross profit per labor dollar and break-even cents per gallon to make sure your numbers are trending in the right direction.

I truly believe that when you make success measurable, you make it achievable. Set clear, measurable goals to ensure long-term success, particularly during an expansion. Establish a dashboard to measure success and monitor it often.

## The Importance of Technology

## Parker's by the Numbers

**Corporate headquarters:** Savannah, Ga.

**Number of stores:** 32

**Number of employees:** 400

**Annual sales:** \$500 million

**Debt to equity:** 0.97

**Percentage of debt:** Less than 50%

**Break-even pool margin:** -7.69 cents

**Gross profit dollar per labor dollar:** \$3.08

**Direct store operating expenses as a percentage of gross profit:** 45%

**Number of PumpPal members:** 75,000

**Percentage of all gas sold to PumpPal members:** 32%



Technology is key to succeeding in the 21st century marketplace and is a critical piece of the puzzle when it comes to corporate growth.

I'm obsessed with technology and am proud to use the latest technology at the pump, at the cash register and in our communication with customers. It's a tool that encourages customer loyalty and, in turn, helps forge an emotional connection with consumers.

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**“When you make success measurable, you make it achievable.”**

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Parker's was the first c-store company to use LIFT technology to quantify the customer service experience at the point of sale and to enhance suggestive selling. We can make our customer service even better, thanks to this simple, easy-to-use technology. Since we started using LIFT, we've increased our suggestive selling by 5.5%.

I'm also a big fan of PeopleMatter, a recruiting, training and on-boarding program that helps us manage staff and optimize productivity. In fact, I believe in this technology so much, we've decided to invest in it personally. PeopleMatter allows us to exchange information with

our team about special offers or deliver an “atta boy” for a job well done. Our employees can ask for days off or make specific scheduling requests through this user-friendly platform, which has resulted in reduced turnover and increased team communication.

I'm not a technology guru by any means, but I do understand the consumer and am always focused on how to deliver the ultimate experience to Parker's customers. My biggest strength is finding solutions. I'm relationship-driven and tend to work best by finding smart technology partners and making the most of that relationship. I'm not afraid to challenge people to push the boundaries of technology to find new and innovative solutions to meet consumers' changing needs.

Right now I'm focused on KickBack Rewards and cultivating loyalty through real-time offers delivered on customers' cellphones as they set foot on a Parker's property. It's amazing how many opportunities technology presents for us to engage our customers. Pat and Renee Lewis, the force behind KickBack Rewards Systems, are two of the brightest minds in the industry and are making an invaluable contribution with their state-of-the-art technology.

In addition, National Payment Corp. (NPC) has been an important technology



**Market Days:** Greg Parker plans to keep his “brand promise” with exceptional service and well-designed stores that keep customers coming back.

partner, helping us with our customer loyalty program and with the creation of our PumpPal card, a branded debit card offering our customers up to 10 cents off on every gallon of gas. Instead of paying fees to credit-card companies, we made a conscious decision to put that money back in the pockets of our customers.

Since the PumpPal program’s inception in 2011, we’ve saved Parker’s customers nearly \$3 million. Plus, we think we

have the highest incidence of use of any proprietary debit card in the industry, and that’s an achievement we’re proud of.

### Commitment to Quality

At Parker’s, quality isn’t a program, an initiative or a motto—it’s our operating model. Everything we do, from ordering inventory to managing POS transactions, is based on a commitment to top quality.

So how do we ensure this core compe-

tency as we seek a bullish growth strategy?

► **We expect our staff to behave like owners, not employees.** It’s important that our team members buy into our company’s growth strategy. We underscore the importance of growing together and encourage an owner mindset. When employees show up for work with an owner mindset, they are personally invested in quality. Get everyone on board with the growth plan early in the process to ensure success.

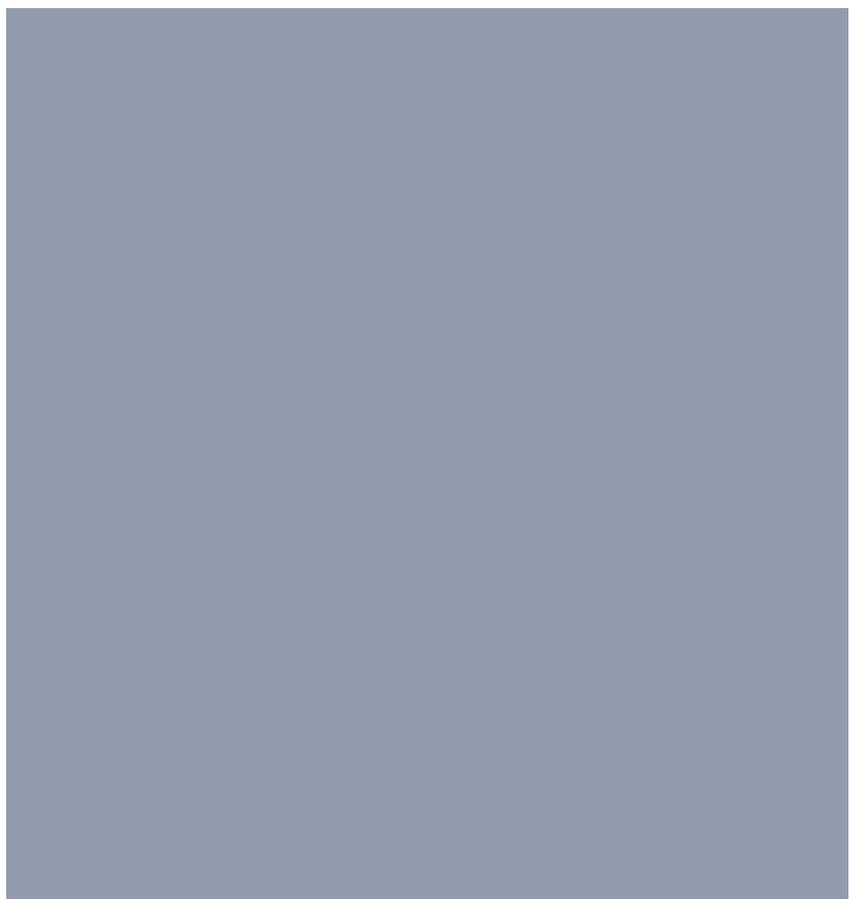
► **We reward excellence.** At Parker’s, we believe in rewarding employees and encouraging upward mobility within our organization. We have a commitment and a legacy of building talent and reducing turnover. Most of our management team has worked at Parker’s for 20 years or more.

► **We identify key metrics for success.** When you make success measurable, you make it achievable. As anyone who knows me can tell you, I’m metric-centric. I worship data and spend a lot of my time analyzing numbers, comparing metrics and learning from the information we all have available at our fingertips. Develop a scorecard for success and keep evaluating your company’s performance in key areas.

► **We establish systems to ensure quality.** At Parker’s, we have processes that facilitate individual quality accountability, as well as consequences for failure to deliver to expected standards. We do not tolerate poor quality in any area of our business and take swift action to remedy quality issues.

► **We communicate with our team.** Our company is only as good as our team members. When we are in a growth mode, it’s critical to keep lines of communication open and to develop new methods for communicating information to our employees.

► **We keep our brand strong.** Let’s face it: We’re all operating in a crowded marketplace with an oversupply of product.



Profit margins can be razor-thin. If we don't define our brand, someone else will define it for us. Ultimately, our brand is our promise to our customers. And that's a promise we have to work hard to fulfill every day.

► **We cultivate loyalty.** We can have the greatest company in the world, but if we don't have loyal customers, we don't have a solid business model or the potential for growth. I believe one of the keys to our suc-

cess at Parker's is our emphasis on loyalty. More than ever, it's important to forge an emotional connection with consumers. Customers have so many choices in today's marketplace. Developing an emotional connection creates the "stickiness" that keeps our customers coming back.

► **We embrace technology.** It gives us a competitive edge and serves as an important tool for growth. Technology also helps better serve our customers, maximize sales and create a sense of community around the Parker's brand.

► **We remember to give back.** No matter how big our company is, we know it's important to give back to the communities that support us. Our Fueling the Community Program gives back 1 cent of every gallon of gas sold on the first Wednesday of the month to area schools. We live in an age of empathy. Customers prefer to patronize companies that support their communities and are connected to the places where they do business.

### **To Expand or Not to Expand**

At Parker's, we're focused on smart growth and are looking for the very best professionals in our industry. If you're interested in the opportunity to take your career to the next level, I hope you'll consider joining our team at Parker's.

If you're a c-store owner, now may or may not be the best time for your company to add new stores to your portfolio, or perhaps for you to consider selling and cashing out at positive terms.

We believe in this industry and we are positioned to grow. If your business is one you feel we should look at, let me know. Every company has different needs, challenges and goals. Whether you decide to grow your company or to sell, I wish you every success.

Only you can answer these questions. ■

