



Eat Here; Get Gas

Petroleum Marketers Heat up the Branded Fast-Food Market



Burgers, submarine sandwiches and other nationally recognized fast-food items are on a roll at petroleum marketers' sites, and few expect the trend to slow any time soon. That's fine with fast feeders, who have allocated masses of personnel and money to woo these small-business people to their franchise camps. With the saturation of markets for traditional single fast-food stores, the focus of branded fast-food companies is changing and non-traditional sites are at the top of their new agendas. As the president and chief operating officer of Westbury, N.Y.-based Nathan's Famous Inc. told *The Wall Street Journal*, "You used to open a restaurant, advertise and ask people to come to you. Now, the strategy is to find out where people already are and bring your product there."

And just where are the people? The people are buying gas. From interstate travel centers to rural corner stations, petroleum-marketer sites have the customers and fast feeders want them. Many marketers are taking advantage of the situation and co-branded sites are popping up everywhere.

Going Up?

Veronica Harris-Powell got in on the ground floor. The owner/manager of Harris Oil Co.'s Main Street Exxon in Spencer, W.Va. missed riding the wave at the beginning of the c-store trend and resolved not to miss the boat twice.

Deciding to convert two service bays to a fast-food outlet was the first step; choosing a franchisor was the second. Harris-Powell looked at Subway Sandwiches and Salads, Taco Bell and several other fast feeders before deciding on Blimpie International Inc.

"Everyone is sick of greasy burgers and pizza; they want healthy food," says Harris-Powell. "Every day people say, 'Thank you for bringing healthy food to my kids, to my family.'"

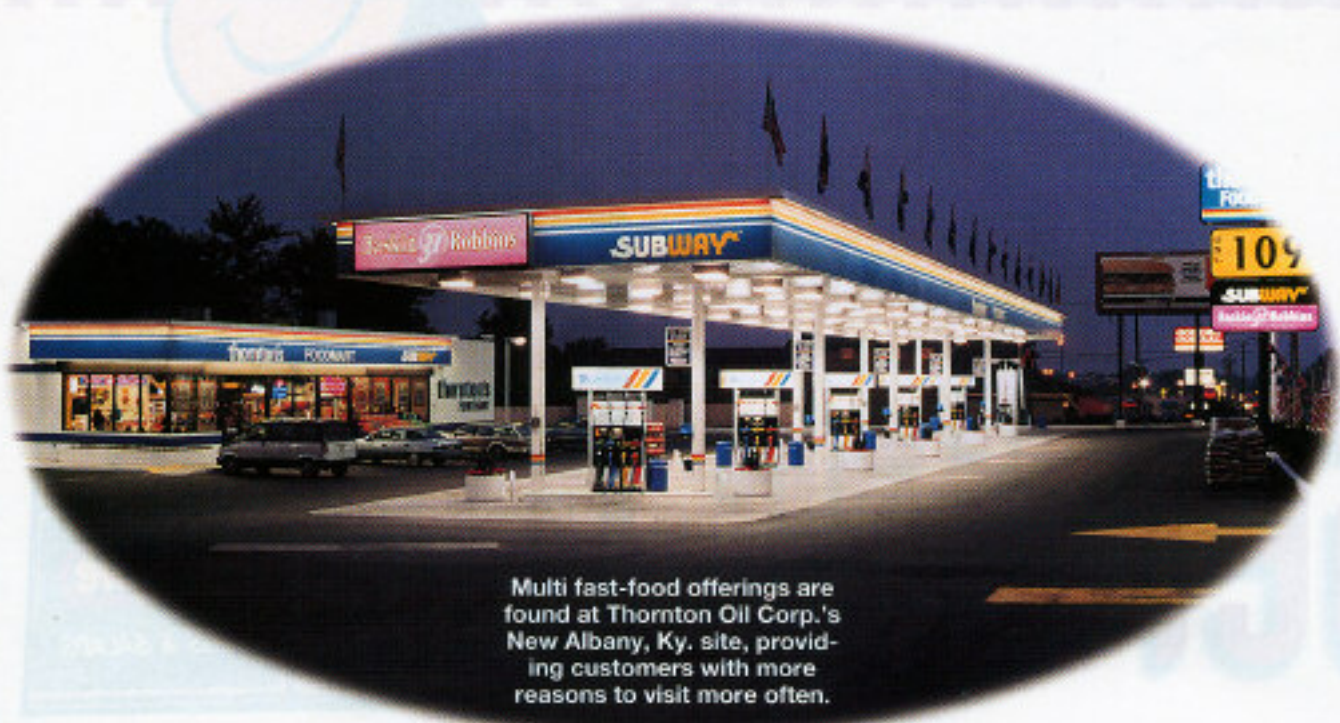
At first, Blimpie wouldn't give Harris-Powell a franchise, as her site was "too small-town." Through traffic and population data and sheer determination, however, she convinced them to let her try.

Harris-Powell underwent extensive training, both in classrooms and in stores. In late October 1994, about a week before her Blimpie site was to open, area and district developers from Blimpie came in and worked some 20 hours a day training staff and getting things ready for the grand opening.

From day one, customer response has been unbelievable, says Harris-Powell. She opened her Blimpie site with six employees and, by day three, she was managing 15 workers. "I knocked [Blimpie's] socks off; they didn't expect me to do half of what I'm doing," she says.

Harris-Powell attributes her success to three things: an excellent product, "killing" the town with good customer service, and being "hometown people in a hometown business."

By Lauren Hauptman



Multi fast-food offerings are found at Thornton Oil Corp.'s New Albany, Ky. site, providing customers with more reasons to visit more often.

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The Hometown Advantage

Victor Allara, president of Pikesville, Ky.-based Coleman Oil Co., dba Happy Mart, also gives some credit to the rurality of his sites for the tremendous success of their branded fast-food concepts. Of 18 sites, six currently have branded fast food, with 10 more planned for this year.

"We're in a rural area, so we became the fast food for the county," says Allara. "When we have our grand openings, it's a social event."

A firm believer in multi-concepts, Allara notes that virtually all Happy Marts have more than one fast-food offering under roof. A franchisee of Burger King Corp., Taco Bell, Baskin-Robbins USA Co., Subway and Long John Silver's Inc., Allara chooses what he thinks is the best of a category in each area and combines them according to the customer base. "We give the customers more than one alternative to get them to come back to the sites more than once a week," says Allara, whose in-store traffic has increased 15 percent to 20 percent since the installation of branded fast-food programs.

The Blimpie outlet at Harris Oil Co.'s Main Street Exxon in Spencer, W.Va. has far exceeded its owners' expectations.

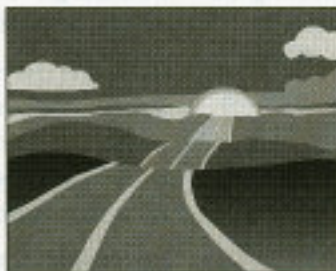


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Up the Right Tree

National advertising, brand awareness and proven support and operations systems are key reasons why petroleum marketers are turning to the biggest fast feeders, and why George Thelen, president of Food-N-Fuel Inc. of Minnesota, looked into becoming a Subway franchisee. Unfortunately, he "found Subway to be squirrely to talk to. They were on one planet; we were on another."

"They wanted to run the sites themselves and we wanted to be the franchisee," Thelen recalls. "And they wanted a \$180,000 investment with a lease with a 30-day cancellation clause — who would do that?" (Subway representatives say they do request a cancellation clause in franchisees' lease agreements, though they claim \$180,000 is too high an estimate for a smaller, non-traditional site. They also say they are focusing a great deal of attention on non-traditional sites and try to be as flexible as possible with potential franchisees.)

So, in 1987, Thelen became a franchisee of Orion Enterprises Inc. and now offers Hot Stuff Pizza and/or Smash Hit Subs at 16 of his 100 outlets. Orion operates sites at two additional Food-N-Fuel outlets.

While Thelen admits sales may be lower because it is not a nationally known brand, he thinks he is better off for two reasons: First, customer traffic was not a problem for Food-N-Fuel, so the customers were already in-store; second, Thelen says, "Those big guys can take 5 percent to 8 percent of sales for a franchise fee and Orion has no franchise fee, so I make more money this way."

Parental Guidance Suggested

In deciding to go with branded fast food, marketers do have several ownership decisions to make. Partnering with an established franchisee may result in fewer headaches, but the tradeoff is loss of both control and profits. For marketers, these are key issues and, consequently, the trend seems to be toward marketers becoming fast-food franchisees themselves.

Branded fast-food programs were a hot item for petroleum marketers last year, and, according to *JPM's* 1995 Buyers' Intentions Survey, fast food will be the hottest area of expansion for petroleum marketers in the months to come.

Dealing with the branded fast-food companies is akin to dealing with branded oil companies, something a growing number of marketers are doing. But what is it like

for those die-hard independents?

"It's kind of...different," chuckles Paul Menk, senior vice president of Augusta, Ga.-based Smile Gas Inc., an independent. Of Smile's 60 southeastern sites, eight have Blimpie programs. The franchise situation is different for both sides, says Menk. "Sharing profits off the top with the supplier is different for us; but it's different for [the fast-food companies] too. They are used to more single-unit franchisees. We are established business people. We don't penny pinch — we already know how to run a business."

Coleman Oil's Allara agrees: "[The big fast-food companies] may be after petroleum marketers, but I'm still not sure if they're really in that niche from the corporate side," he says. "Sometimes they are a little selfish. We know what we're doing — we're

already running four or five businesses under one roof. We just have to explain it to them so they get it."

Having Yourself Committed

The one common attribute among petroleum-marketers-cum-fast-food-franchisees is an extreme amount of dedication. Every one of these success stories recounts a total commitment of time, money and staff, and that commitment is the key piece of advice they offer to other marketers considering the potential positives and perils of branded fast food.

When asked if he is nervous at the prospect of opening and running 30 to 40 fast-food sites in the next year or so, John Cooper, manager of branded food for Nashville, Tenn.-based Mapco Petroleum Inc., responded, "No... well...not anymore. A year ago, I thought it could be a mistake. Now I think we'll do great. But, if we hadn't made such a strong commitment, it just wouldn't work." □



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