



# Amazing Race



Photos by Leita Cowart

# *An exclusive look inside RaceTrac's low-price, high-value formula*

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**“Y**ou’re either Neiman Marcus or you’re Wal-Mart.”

That’s what the man behind the curtain at RaceTrac says of his chain’s intrepid and unwavering position as one of the country’s leading gasoline discounters. But this former NACS chairman and industry maverick today captains a business that has evolved into one firmly entrenched in convenience and positioned internally to carry on its legendary competitiveness.

The venerable 250-store Atlanta-based RaceTrac Petroleum Inc. and its independently operated chain of 275 RaceWay locations has fully embraced its petroleum-convenience destiny, creating state-of-the-art units fortified with scan-tailored merchandise and beverage sets, on-the-go foodservice and a management infrastructure designed to instill and support a customer-first focus.

That’s the physical aspect. Over the past eight years, RaceTrac executives have built the philosophical roadmap, a culture anchored in the thought processes of its leader, Carl Bolch Jr.

At 65, Bolch has no intentions of leaving the company his father founded almost 75 years ago, but today he has in place a management team, including daughter Allison Moran, senior vice president of operations, that has largely taken over the day-to-day operations.

“We’re all here for a short duration,” Bolch

says in an exclusive interview with CSP. “Soon they’ll be the ones making all the decisions, and I have confidence in them.”

But make no mistake: RaceTrac is still very much Carl Bolch, and probably even more so today than ever. Through interviews with coworkers and industry colleagues, it’s obvious that the chain and the man share a basic template of considerable duality: where advances are as bold as retreats, where an independent network runs successfully alongside direct operations and where, at least by c-store standards, a retail formula can be as much Neiman Marcus as Wal-Mart.

It’s a formula that has held back the most aggressive of market entrants, who take on RaceTrac at their own risk. It has allowed for confident new builds, with at least six stores opened since the spring and more set for completion by year’s end. And it has, in just the past three years, accounted for more than 60% growth in annual revenues to reach \$8 billion today.

Essentially, Bolch has developed a support structure for large-format, 12-MPD c-stores offering low-price fuel and considerable in-store discounts. “It’s that combination of value price and [store] presentation that surprises people,” says Bolch, who declares time and again that many of the decisions that led RaceTrac to this place were simple ones.

“[The store] told you whether you should operate it yourself, put it in the hands of an independent operator or get rid of it,” he says.

**TEAM RACETRAC:**  
Clockwise from left:  
Mark Reese, Jason  
Groff, Max Lenker, Carl  
Bolch Jr. and Allison  
Moran

## Milestone Years

Though RaceTrac Petroleum officials say evolution at their chain occurred in increments, several milestones in the company's history are apparent:

### 1934

Carl Bolch Sr. opens first independent gas stations in St. Louis.

### 1958

Carl Bolch Sr. acquires Oil Well Co., Opp, Ala.

### 1967

Carl Bolch Jr. joins the company.

### 1960s

Company introduces self-serve gasoline to Georgia.

### 1976

Company relocates to Atlanta.

### 1987

The chain opens its first 4,000-square-foot store.

### 1987–1989

Carl Bolch Jr. serves as president of SIGMA.

### 1992

Total store count reaches 300.

### 1999

Company accepts credit cards.

### 2000–2001

Carl Bolch Jr. serves as NACS chairman.

### 2003

New product line of prepared foods and fresh sandwiches rolls out.

### 2004

RaceTrac credit card launched.

### 2005

Annual revenues hit \$4.8 billion.

### 2009

Chain to celebrate 75th anniversary.

“There’s no magic.”

And perhaps no magic exists behind a ground-up, one-store-at-a-time growth strategy, except that over two or three decades, one can build an empire of individual profit generators.

“When I joined the company in 1974, we had 17 stores and did \$50 million in sales [annually],” recalls Max Lenker, president of RaceTrac, and widely recognized as the other half of an almost superheroic duo. “Today we’ve grown the revenue side from \$50 million to \$8 billion.”

Growth in the minds of RaceTrac executives focuses on store profitability and market logistics vs. multiples or Wall Street expectations (which, as a private company, it can ignore). Here are some of the chain’s growth mantras, with many leading to diversification beyond its gasoline roots:

**10%.** This target of growth is a general figure that floats, applying at times to numbers of stores and at times to internal metrics that take into account same-store revenues, margins and profits.

**Foodservice.** Though having only a small amount of on-site preparation today, the company has a new focus on gourmet sandwiches and

island counter space for coffee and roller grills.

**Fill-in growth.** New-store builds are occurring in markets where RaceTrac currently operates, tapping into distribution efficiencies.

**People-focused.** The chain has invested in a layer of management and supervision designed to support its team-focused, customer-centric work ethic.

**Discount strategy.** Leveraging its buying power to gain a competitive advantage, RaceTrac intends to uphold its low-price promise at the pump.

From a competitor’s perspective, RaceTrac’s command over the minutiae of petroleum/convenience retailing has certainly grown, but more important, outsiders say the chain simply “got it” early on. “Carl identified long before most [chains] that it’s not all about brands [or even] convenience ... but affordability,” says Bill Douglass, CEO of Douglass Distributing, Sherman, Texas. “In this day of \$4-a-gallon gas, his boxes are doing just fine.”

Doing just fine for RaceTrac means a constant drumbeat that in many ways ignores the vicissitudes of the nation’s economy. The company has opened six



**“[The majors] forced us into the discount business. At the time we worked on those low-price disciplines, and that has defined us. We’d be foolish to abandon a reputation in our brand that has been tested and refined for well over 50 years.”**

**CARL BOLCH JR.** *RaceTrac Petroleum*

new stores since the spring and plans several more before year's end.

"We've definitely been hurt by the [sluggish] economy because there's not as many dollars in the market," Lenker says, though revenues for newly opened stores are reportedly surpassing expectations. "But we're a private company that takes a long-term approach. If we made daily decisions on when to open and shut stores based on how the economy is doing, we'd never grow."

### RaceTrac Today

New RaceTrac stores today average 4,000 square feet, with 20 to 24 fueling positions and ample room for drivers to navigate the forecourt. The c-stores are set on the back of the property and, though fully stocked, incorporate an open central area to accommodate peak hours.

The chain's latest push is on-the-go



**GAS RETAILER AT HEART:** A prominent display of fuel pumps harkens back to RaceTrac's roots as solely a petroleum retailer.

meals. One of the larger elements in the stores today, says Mark Reese, vice president of operations, fuel pricing and maintenance, is a sandwich cooler that offers items made daily as well as salads and fresh fruits. Offers such as 99-cent spicy chicken-finger sandwiches and cheese-stick snacks are among the fast movers.

Roller grills offer hot dogs, taquitos

and eggrolls, with options for early risers including breakfast taquitos and hot breakfast sandwiches. Freshly made cookies and baked goods are also on the menu, although on-site preparation is limited.

The company does not have its own commissary, but it makes arrangements with distributors such as Temple, Texas-based McLane Co.

## RaceTrac by the Numbers

As a privately held company, RaceTrac Petroleum gives out little in terms of internal numbers, but here are a few that may shed light on an otherwise notoriously reticent chain.

**10%**

An annual-growth percentage that can at times refer to store count but more often to same-store profits, revenues and margins

**250**

The number of RaceTrac stores focused on the corporate image and disciplines

**275**

The number of RaceWay locations that are independently operated

**99 cents**

The price of a chicken-finger-with-cheese sandwich in a RaceTrac store

**\$8 billion**

Annual revenues

**54**

The number of meeting rooms in its corporate offices, what executives refer to as its "Store Support Center."

The meeting rooms provide semiprivate areas in an otherwise open office space.

Inc., so that in many cases, stores receive multiple deliveries during the week. Though spread through the Southeast, RaceTrac has distribution arrangements covering its major markets: Dallas-Ft. Worth; southern Louisiana; Atlanta; Orlando, Fla.; Tampa, Fla.; and southern Florida.

Officials would not go into RaceTrac's specific promotional and merchandising policies, but Reese says, "Quite honestly, we're having a great time. We know where cigarettes are as an industry, but everything else has taken off for us: foodservice, coffee, fountain, single-serve beverages ..."

The chain's scanning system, which has been online for about four years, handles incoming sales data and identifies fast- and slow-moving items, which in turn are the basis for new orders. "It really allowed us to evaluate sales on a per-SKU basis rather than retail pool [numbers]," says Jason Groff, vice president of operations and special projects for RaceTrac. "It allowed us to cull through and remove areas and groups of products not profitable for us, and focus on brands and product segments where we see a positive impact on the bottom line."

Groff, who oversees special projects at RaceTrac, says much of the company's information-technology efforts are focused on supporting in-store and field employees. Some of these projects have included store diagnostics, employee work-time tracking and Internet-protocol communications. "I wouldn't say we've had one single 'special project,'" Groff says. "We've had a series of little projects tied around the theme of helping our [employees] work together to create a better experience for our customers."



**"We live our values and integrate them in every conversation we have."**

**ALLISON MORAN** *RaceTrac Petroleum*

### Human Investment

Both Groff and Reese say the company places a special emphasis on its employees, having developed a support infrastructure designed to communicate and nurture a team-based, customer-

focused level of execution.

In its major markets, the company has a layer of managers and supervisors specifically dedicated to finding and training store staff. Store managers in these markets don't have to hire and train, with staff at the field level supervising new hires as they go through the training process live in the stores.

"We believe in carrying our values through to every member of the organization," says Moran, who graduated with a bachelor's degree in psychology from Denison University, Granville, Ohio, in 1990 and worked her way up the ranks at RaceTrac through its human-resources department. "We live our values and integrate them in every conversation we have." (See sidebar, p. 93.)

The one-on-one customer experience at the store level is critical to success in retail, Moran says, citing how



**EASE OF MOVEMENT:** Though stocked on average with 4,000 SKUs, RaceTrac stores have aisles wide enough to accommodate customers at peak traffic times.

having a positive attitude, an openness to change and a team-building approach are qualities they seek out in new applicants. “You depend so much on customer interaction, so investment in people is critical, not just financially but taking the time and living the culture,” she says.

Bolch describes that layer of management as a large but key investment, saying that RaceTrac employees have a lot of latitude to solve customer issues. Moran recalls a specific instance that seems to come right out of Nordstrom lore, wherein a customer complained that his favorite sandwich was out-of-stock. “Our manager apologized and went out to another RaceTrac nearby, picked up that sandwich—along with a bag of chips and a fountain drink—and brought it all to that particular customer at his workplace,” she says. “I think we definitely kept that customer coming back to RaceTrac, thanks to the manager’s willingness to go the extra mile for the customer.”

Another story Reese recalls involved a stoplight near a store’s location. “Customers would complain to the store that the light stayed red too long,” he says. “The employee actually went to the municipality and petitioned to change the light. And he got it done.”

In addition to a sophisticated hiring and training infrastructure, managers



**EXERCISING EFFICIENCY:** Employees practice values of efficiency and “doing more than what is asked” at the store level.

## Communicating Culture

About 10 years ago, executives at RaceTrac Petroleum defined their culture, taking the time to put into words the core values they used to determine company direction. The values they wrote remain a key part of the company’s guiding philosophies.

### Honesty

- ▶ I act with integrity.
- ▶ I admit my mistakes and am accountable for my actions.
- ▶ I am willing to speak up and have difficult conversations when needed.
- ▶ I prefer directness to politics.

### Respect

- ▶ I honor the opinions of others.
- ▶ I listen actively and communicate respectfully.
- ▶ I am willing to voice my concern when an action is not aligned with our values.

### Positive Attitude

- ▶ I demonstrate an ability to change course and overcome obstacles with energy and enthusiasm.
- ▶ I am willing to go the extra mile for the customer.
- ▶ I consistently do more than is asked.
- ▶ I am able to diffuse a negative situation.

### Efficiency

- ▶ I value time and demonstrate a sense of urgency.
- ▶ I use resources wisely.
- ▶ I prioritize tasks appropriately and adjust priorities when needed.

### Teamwork

- ▶ I can be counted on to do what needs to be done.
- ▶ I work with team members to solve problems and to try new ideas.
- ▶ I communicate openly with team members.
- ▶ I support team decisions.

and supervisors can participate in incentive programs that include bonuses and an annual trip to a resort location for RaceTrac's top performers. Large photos of area managers who have achieved the highest level of excellence grace the corporate office's main training room, with faces changing monthly.

At the corporate level, a move to new offices three years ago prompted a new floor plan, one that embodies the company's open culture and does away with most private areas. Waist-high cubicle partitions define work spaces, so offices and people sit in open view. Even Bolch and Lenker, RaceTrac's iconic leaders, work within sight of colleagues at all levels of the organization. The four floors in these leased offices boast 54 meeting rooms, each with at least one glass wall to further promote openness.

In fact, openness and honesty, what Lenker identifies as two of RaceTrac's core values, have been critical aspects of RaceTrac's success. "People on our team are contributors," Lenker says. "The idea carries the day, not the per-



**"People on our team have no problem handing [a bad idea] back to me when I haven't done my homework and vice versa."**

**MAX LENKER** *RaceTrac Petroleum*

son. And people on our team have no problem handing [a bad idea] back to me when I haven't done my homework and vice versa. If someone is shooting from the hip, that argument will get bounced back, hard."

**The Independent Option**

The honesty that comes from a store's sales, volume and profit figures also accounts for the operational duality that exists with the RaceTrac and RaceWay brands. Bolch says the two came

to exist via acquisition, with his father having developed both a direct-op and an independent arm.

Today, the company owns and operates RaceTrac stores, while RaceWay locations are run by independent operators. Bolch points out that "RaceWay operators have more latitude to adapt their stores and their offer to their surrounding communities."

Some of those independent operators run "more complicated" sites than RaceTrac, with a few having extended foodservice offers, he says. But more important, annual reviews help Bolch and his team decide if a store is best operated directly, through an independent operator, redone or sold.

When asked about the case for operating both vs. one or the other, Bolch says both provide him with ample reasons to continue in two directions. "You can run a group of stores with a tight discipline and be successful, but you can also be successful by bringing in that entrepreneurial [element with an independent operator]," he says. "The trend in our industry is to move toward independent operators; 7-Eleven and the major oil companies are doing it."

Two other elements that tie back to the company's petroleum-retailing roots are its geographic spread and its discounting strategy. Bolch explains the company's reach across the Gulf states as an attempt to avoid the vulnerabilities of depending on a single market. As for RaceTrac's long-heralded—some competitors might say loathed—reputation for an aggressive discounting strategy at the pump, Bolch is blunt. "We've always competed with businesses that were far bigger, with ad budgets well in excess

**What a Difference a Decade Makes**

In a little less than 10 years, RaceTrac Petroleum has been able to significantly boost its revenue numbers and gallons sold without a proportionate increase in its store count. Between 1998 and 2007 its store count rose 22%, but its gallons sold rose 69% and its revenues tripled.

| Year | Store count | Gallons sold  | Total revenue |
|------|-------------|---------------|---------------|
| 1998 | 426         | 1.091 billion | \$1.6 billion |
| 2007 | 521         | 1.846 billion | \$6.3 billion |

Source: RaceTrac Petroleum



**ROOM WITH A VIEW:** Low partitions at RaceTrac's Store Support Center exude the company's culture of openness.

of what we could afford," he says. "That forced us into the discount business. At the time we worked on those low-price disciplines and that has defined us.

"We'd be foolish to abandon a reputation in our brand that has been tested and refined for well over 50 years."

At press time, an informal drive around the Atlanta area showed competitive differences being anywhere from 3 to as much as 10 cents a gallon, with RaceTrac in the range of \$3.50 per gallon.

Over time, its position as a discount leader has become self-sustaining, with Lenker saying that gasoline pricing is a matter of scale. "Our gasoline [strategy] only evolved as our appetite got bigger," he says. "If you're moving 10 million gallons a month, that's one thing, but if you're moving 100 million a month, you can buy a cargo [ship's worth of product]. As our appetite grew, it afforded us the opportunity to buy in a different way."

And his competition would expect nothing less. "Their philosophy on gaso-

line is they're not going to let anyone get below them, and that's not going to change," says Sam Turner, president of Compac Food Stores, Dalton, Ga. "We all have these big price signs, [so our prices] are out there in good times and bad. But [RaceTrac] has been very consistent in what they do, and that consistency long-term pays off."

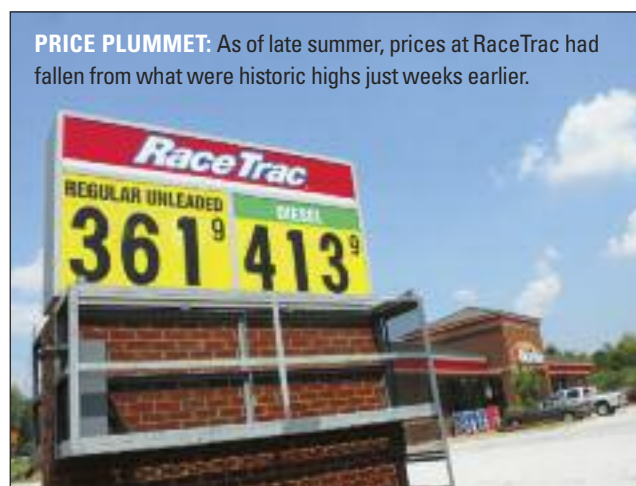
Jim Smith, a former retailer and current president of the Florida Petroleum Marketers and Convenience Store Association, Tallahassee, Fla., says RaceTrac has always been an aggressive marketer. Smith characterizes the chain's development as taking middle-of-the-block locations and saving on real estate but also allowing for proper ingress and egress to

encourage business. "When you do that, you don't have as big a burden to meet when it comes to profitability," he says. "Of course, they've refined what they [do over the years]."

If Bolch had actually held onto stores that defined his step-by-step process, RaceTrac's evolution would be evident. "But I've already sold off all those stores," Bolch says.

Though he declined to provide a count of exactly how many stores he has closed or sold over the years, Bolch says store count has never been his focus. "You go to the NACS Show, and everyone always asks you how many stores you have," he says. "I'm more interested in individual stores and what the sum of those individual stores is doing on a periodic basis. We ask, 'What can we learn from the stores we have, and what stores do we need to get rid of? Where have our successes been?'"

In a move that would become more in vogue in the early 2000s, Bolch has always embraced the idea of letting go of the "dog" stores. "When I started in 1967, the 100 stores that we had did the sum total that one of our really good stores does today," he says.



**PRICE PLUMMET:** As of late summer, prices at RaceTrac had fallen from what were historic highs just weeks earlier.

### Six Vending Machines

Lenker recalls the days when convenience retailing, at least from the perspective of a company that started out as Carl Bolch Trakside Stations out of St. Louis, was six Coke machines by the restroom. "Most of the time it was six empty machines because they were a lot of work to load," he says. "You had to roll the change and take it to the



**NATURAL CHOICES:** In-store technology has helped RaceTrac identify fast-moving items.

bank. It was labor-intensive.”

RaceTrac’s involvement in convenience grew out of a keen sensitivity to customers and how they responded to what the company developed. Bolch recalls a time when his company moved rapidly from kiosk-style stores to 3,000-square-foot formats. The operations department kept saying the new stores would be too big to fill, but given time, the teams not only filled the new stores, but they also asked for larger ones.

“We started off limiting the size of our stores but got bigger and bigger because customers wanted a greater variety of merchandise and services to choose from,” he says. “It didn’t happen in a milestone manner with us.”

Positioning of the store, canopy placement, size of the box—all of these elements evolved over time, Bolch says. “It was a very gradual and continuous change,” he says. “Our guiding principle is: The marketplace is our teacher. It’s about listening to the marketplace, our customers and our competitors’ customers and find-

ing out what they want and meeting those needs.”

The company embraced the future of c-stores early on, with its first larger-format 4,000-square-foot store opening in 1987. RaceTrac locations today retail 4,000 SKUs with “everything imaginable,” Lenker says. “I can’t tell you what we’re going to sell tomorrow because the market is always evolving.”

### Brutal Honesty

Part of its evolution has been to quickly remove unsuccessful experiments. One

of the earliest ones, Lenker recalls, was a pizza operation. The company built three “store-within-a-store” restaurants. Once open, business boomed, far exceeding projections. But, as Lenker says, customers would leave their cars at the pumps, see the pizza offer and eat inside.

“We saw the fiasco in the parking lot and stopped that business,” Lenker says. “We had built three and shut them down.”

Similarly, another store-within-a-store concept involving a video-rental format came and went, as did its dollar-store venture. Groff says the chain learns as much from its missteps as it does from its successes. For example, he says the dollar-store experience taught RaceTrac which low-cost cleaning items sold well in the store.

“When Carl goes down the wrong path, it doesn’t take him long to figure it out,” Turner of Compac Food Stores says. “He went into [dollar stores] hand over fist, and when he realized it was



**CUP RUNNETH OVER:** A full fountain treatment is part of RaceTrac’s contemporary c-store offer.



**QUICK BITES:** A display bin of fresh sandwiches has moved into a prominent position inside RaceTrac stores.

not the path, he took his lumps and reacted to it.”

Both Turner and Douglass, also elder statesmen in the convenience trade, worked with Bolch when they

**“[In one instance] customers would complain to the store that the [nearby signal] light stayed red too long. The employee actually went to the municipality and petitioned the light be changed. And he got it done.”**

**MARK REESE** *RaceTrac Petroleum*

were on the board of NACS. Bolch served as its chairman in 2000–2001. “Carl is an astute businessman,” Douglass says. “When we were serving together at NACS, he was the biggest single contributor. If you wanted to create a new bylaw, for instance, with his legal background he would deliver the proper verbiage, reading from the screen in his brain.”

Douglass calls Bolch a focused competitor, one who “plays his cards close to the vest.” He remembers when the two of them and their wives spent a long dinner together, “and in those

two or three hours, I got nothing, not one iota of [business] information, from him.”

As far as competitors go, Bolch declines comment on specific chains but says competition helps his company do a better job. Lenker agrees, conveying little fear over new competitors. “Even big chains don’t come into a new market with 100 stores,” Lenker says. “They come in one store at a time, and that’s how you compete.”

### Succession Plans

For those who have watched Bolch and his team through the decades, one of the more prominent questions presently is the issue of succession. Starting with a declaration that the chain will remain a family-run operation, Bolch says he’s fortunate to have three of his five children already involved in the business and a fourth waiting in the wings.

Additionally, he believes he’s built a strong enough team of executives who could—even today, if he decided to walk away—keep the chain on a suc-

cessful path. “One of the major benefits of RaceTrac’s team-based management structure is that it de-emphasizes the importance of any individual decision-maker,” says Philip Gura, general counsel and vice president of the company’s legal department. “We believe that teams make better decisions than individuals. So, while Carl and Max continue to be integrally involved in all aspects of RaceTrac’s business, they are working side-by-side with key team players like Allison, Jason, Mark and others who all benefit from their mutual intelligence, expertise and experience. Our succession planning draws upon the strength of these teams and their members.”

Succession has been a part of Bolch’s business frame of mind since being mentored by an estate-planning professor as a university student.

Ultimately, Bolch says he’s in a business he loves. “You should enjoy what you’re doing,” he says. “That’s what I tell my kids.

“You could put me to digging a ditch and, if that’s the only job around, I’m going to do a good job. But I’ll be thinking about how to get a machine to do it.” ■



### MORE ON RACETRAC

To see RaceTrac executives Carl Bolch Jr. and Allison Moran discuss the tactics, philosophies and future of this iconic chain, visit [www.cspnet.com/tv-racetrac](http://www.cspnet.com/tv-racetrac).