



Chevron photos by Dan Honda

The **WINNER** *and Still* **CHAMPION**

Retail culture propels Chevron's ExtraMile in CSP-Service Intelligence Mystery Shop

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Even as ExxonMobil this spring became the latest major oil to announce its withdrawal from retail, Chevron Corp. remains one of the last to retain both a strong direct-op presence while developing a franchisee base willing to adopt its relentless store-level standards.

Sticking to that dual approach may be showing results in that, for the second year in a row, Chevron's ExtraMile convenience-store format ranked No. 1 overall in the annual CSP-Service Intelligence Mystery Shop survey—even as the concept rolls out to its first crop of franchisees. The methodology of the survey did not differentiate between company-operated and franchisee-run stores, so unlike last year when most ExtraMile sites were direct operations, this year franchisees became a bigger part of the mix.

"It says to me that the franchise system we have in place

to maintain standards is working," says Danny Roden, marketing vice president for the Americas, Chevron Corp., San Ramon, Calif. "[Customers] shouldn't have to see any difference between a franchise and a [company op]. They should just see ExtraMile."

Since ranking first in last year's survey, Chevron has progressed in its methodical expansion of ExtraMile. The company expanded upon its company-op conversions in Seattle and Southern California with the recruitment and training of franchisees in those markets. This year marked launches in Northern California; Portland, Ore.; and San Diego. Today, there are more than 300 ExtraMile locations with an additional 80 in conversion or development, Roden says. While Chevron did not say how many direct-ops it had within those figures, the number of franchisees involved in the mystery-shop survey has certainly increased.

CHEERFUL TEAM: Chevron's Ian Noble (left), Al Norris, Mireya Ortiz, Danny Roden, Paul Casadont and Dan Kinney toast to a hard-fought victory in this year's CSP-Service Intelligence Mystery Shop.

"We are creating a retail culture in a major oil company. I'm really proud of that," Roden says. "We have a very thorough ... and systematic approach, which our franchisees are buying into."

In describing the company's methods and culture, Roden says Chevron has a core cleaning process in terms of the stores' interiors and exteriors. "It goes from the customer back," he says. "It's about great customer service and being clean, safe and reliable in everything we do. We're creating a vibrant retail environment."

Franchisees such as Amardeep Sandhu, owner of an ExtraMile location in Claremont, Calif., says the accessibility and availability of Chevron's franchise team—including executives such as Roden—reinforces a feeling of family. Sandhu joined Chevron last July after 15 years of working with other branded oil companies as well as being an independent. "With other companies, that sense of belonging wasn't there," he says. "Here, it feels as if you are in a home somewhere and you would like to keep it clean."

A sense of investment from top management within Chevron's retail arm is a theme that resonates among numerous franchisees. Kiran Asher, president of Asher Group Inc., Marysville, Wash., describes a "short chain of communications" between franchisees and key corporate decision makers. Asher, operator of three ExtraMile locations and five sites branded with another major, says that in his experience with other multinational companies, "an individual sitting at a desk oftentimes develops the concept, so it might not be practical to execute at store level," he says. "Here, the people involved in the decision-making were with us at the ground level, and feedback was blunt but immediate."

For a retailer who had experience with Chevron prior to his single ExtraMile site, Bijan Hessamian, president of Magnolia Chevron, Long Beach, Calif., says the culture of cleanliness was present during his 10-year tenure as a Chevron dealer. He says dealers had always been exposed to an environment in which mystery shops were the rule. "Even before becoming a franchisee, customer service, cleanliness and verbal greetings were important issues," he says.

Hessamian echoes Sandhu's comments in that he, too, feels a strong commitment to the ExtraMile brand—to the extent that he installed new flooring in his store, an effort that went above and beyond the franchise's image requirements. "It's just me," he says. "I wanted to make sure my store gave the same image as the corporate stores."



OPERATIONAL TITANS: Chevron topped the list in exterior cleanliness and customer service and came in a close second for merchandising and signage.

Overall Performance by Brand

Chevron's ExtraMile	91.2%
Kwik Trip	89.0%
QuikTrip	88.7%
Casey's	88.4%
RaceTrac	86.9%
Composite average	86.9%
Lowest score	82.6%

Source: Service Intelligence

The Metrics

The CSP-Service Intelligence Mystery Shop study measures the customer experience delivered by 10 brands. After reviewing standards and completing training exercises, mystery shoppers answered 31 questions designed to measure brand performance in four key areas, including customer service, merchandising, exterior and interior cleanliness, and employee appearance.

Each brand received 150 total evaluations from March 29 to April 29, 2008. Shoppers completed evaluations during a variety of times of the day and week to paint as complete a picture as possible. The shoppers were asked to buy a minimum of \$10 in gasoline in addition to a \$3 purchase inside the store.

The brands selected included Casey's General Stores, Chevron's ExtraMile, ExxonMobil's On the Run, GPM Investments LLC's Fas Mart/Shore Stop stores, Kwik Trip, The Pantry's Kangaroo stores, QuikTrip, RaceTrac, Susser's Stripes stores and Valero.

In a competition in which fractions of a percent determined rank, Chevron proved resilient in all five of the survey's major categories, taking No. 1 for customer service, exterior cleanliness and for the study's overall standing. The company took second for merchandising and third for both employee appearance and interior brand.

"Winning for a second time is even more encouraging to us and validates a strategy and direction we're growing in," Roden says. "Last year, we said we were not in a rush to deploy and moved in a very ordered and consistent way. And [the mystery-shop results] validate the way we've done it."

One area where Chevron did score lower (in the middle of the pack) was foodservice. That, too, "validates" what Roden says is "the one area [in which] we feel we need to do more."

As for the direction they intend to go in that category, he envisions a grab-and-go scenario, seeing little in the way of prepara-

tion on site. "We're [seeing that] on-the-go food is required and clearly, in this tough economic environment, people are looking for a good deal," he says. "We're looking for something that's [also] enjoyable and nutritional."

A unique merchandising concept that continues to score big within ExtraMile is its HydraZone beverage merchandiser. The oval-shaped, open display that uses refrigerated air to keep single-serve beverages cold has been deemed a success, both in creating a distinctive look for the ExtraMile sales floor and as a way to move product.

"HydraZone has been one of our biggest single successes," Roden says. "It's been strong on energy drinks, waters and the like and [over the last year] continued to be strong. The more locations it's in, customers are seeing it and it's building awareness."

Looking into the future, Roden sees Chevron's direction continuing to move contrary to that of other major oils. (For more on ExxonMobil's announced departure from retailing, see p. 19.) He describes what other companies have done as moving to a greater reliance on the "marketer model," placing retail in the hands of the distributor class of trade.

Chevron itself has a strong distributor structure in place, Roden says. "So it's an important class of trade for ourselves," he says. "But we still strongly believe in being direct-supplied in parts of the West. And we see our ExtraMile offering as being one that can succeed even in the tough markets we're all in."

Despite national averages for unleaded gasoline rising



The Drilldown

The CSP-Service Intelligence Mystery Shop survey grouped its findings into five categories, giving different point totals to particular aspects within the categories. Here are the category rankings.

Source: Service Intelligence

Customer Service by Brand

Chevron's ExtraMile	88.4%
Casey's	87.5%
Kwik Trip	87.4%
ExxonMobil's On the Run	86.4%
QuikTrip	86.1%
Composite average	84.6%
Lowest score	77.9%

Interior Cleanliness by Brand

Casey's	94.3%
RaceTrac	93.4%
Chevron's ExtraMile	93.3%
Kwik Trip	92.1%
Fas Mart/Shore Stop	89.6%
Composite average	90.0%
Lowest score	85.3%



CULTIVATING CULTURE: Franchise development manager Al Norris and Mireya Oritz, a business consultant for the chain's company-operated stores, work to ensure stores meet company standards.

Customer Service

Chevron took home the gold in the customer-service category, followed closely by Casey's, Kwik Trip, ExxonMobil On the Run and QuikTrip, which came in fifth in customer service and third in overall performance.

As part of its customer-service results, Tulsa, Okla.-based QuikTrip—which won the CSP-Service Intelligence Mystery Shop in both 2005 and 2006—finished fourth in a measure of how often the cashier greeted customers, fifth in how often the cashier provided a parting remark and fifth in the percentage of customers who waited less than one minute in line. The chain's middle-of-the-pack standing in customer-service categories probably won't prompt a celebration at the corporate office, but it's not due to lack of effort.

above the \$4-per-gallon threshold, Roden has good news to report. While fuel prices have resulted in “small declines” in store sales at sites not carrying the ExtraMile brand, the converted stores are up from last year. “And new franchisees are seeing significant growth in this type of climate,” he says.

To compete in the current economic environment, the chain is also evolving its promotional efforts to encourage customers to come into the store. As for the future, the plan is to continue the expansion of ExtraMile in Northern California, San Diego and Portland, along with continued growth in Southern California and Seattle, according to Al Norris, manager of franchise development. “The conversion of some of these sites takes time, as does getting the training and the offering complete,” he says. “It's about building scale and presence.”

“We are creating a retail culture in a major oil company. I'm really proud of that.”

DANNY RODEN *Chevron*

“Beyond the mystery shops, we also have focus groups with our customers on what their expectations are,” says company spokesman Mike Thornbrugh. “In addition to that, through our Web group, we've received probably 30,000 to 40,000 responses from customers when we've asked them what they're looking for from us.”

QuikTrip incorporates that feedback into its customer-service strategy. “It's served us well over the last few years,” Thornbrugh says. “We dedicate some of the focus group's time to asking them what their expectations of QuikTrip are in regard to how employees greet you and treat you. The training never stops for customer service.”

The incentive to provide top-notch customer service never stops for many of the industry's leading retailers, with store managers typically earning bonuses based in part by

Exterior Cleanliness by Brand

Chevron's ExtraMile	96.2%
Casey's	94.8%
Kwik Trip	94.4%
RaceTrac	93.8%
QuikTrip	92.3%
Composite average	92.3%
Lowest score	88.0%

Merchandising/Signage by Brand

RaceTrac	92.5%
Chevron's ExtraMile	92.0%
QuikTrip	91.2%
Kwik Trip	86.9%
Stripes	85.5%
Composite average	84.7%
Lowest score	74.5%

Employee Appearance by Brand

Kwik Trip	99.1%
QuikTrip	98.7%
Chevron's ExtraMile and RaceTrac (tie)	96.1%
ExxonMobil's On the Run	96.0%
Casey's	91.3%
Composite average	92.0%
Lowest score	83.3%

store performance in things such as meeting and greeting everybody, how long customers wait in line and store appearance. The bonus plans are designed to ensure buy-in from store managers, certainly, but making certain that the whole staff is on board is much more complicated. La Crosse, Wis.-based Kwik Trip executes its own mystery-shop program, and the results show a noticeable difference in customer service when the cat's away.

"We do a pretty good job when our store leaders are present," says John McHugh, Kwik Trip's director of corporate communications. "One area where we need to improve is when store leaders aren't present and our shift leaders, who are one level lower than store leaders, are in charge.

"In July, we started doing customer-service training for every single shift leader in the company," he continues. "That's almost 1,300 people, and we're holding training sessions in each individual district."

For the second consecutive year, Kwik Trip placed second in the mystery shop. For customer service, it ranked third, including second place for how often the cashier greeted customers and third in the percentage of customers who waited less than one minute in line. "In June, we started an initiative to emphasize the parting comment," McHugh says. "We want to hear things like, 'Come back again' and 'See you tomorrow.'"

McHugh is banking on the "parting comment" initiative working as well as Kwik Trip's "I See Three" policy, which he credits with delivering the high rank in guaranteeing short wait times.

Subcategory Evaluations

The CSP-Service Intelligence Mystery Shop broke down other categories, asking investigators to cite how long they waited in line, whether or not employees provided greeting and parting comments or if a store had at least three varieties of both hot and cold foods.

For greetings and partings as well as waits in line, Chevron Corp. topped the list (with Kwik Trip tying for first in the greetings category). For foodservice, QuikTrip was No. 1 in the availability of both cold and hot food—quite an accomplishment considering that the company recently upgraded its foodservice offer. Here were the standings for these subcategories:

Prepared Cold Food Items by Brand

QuikTrip	100%
RaceTrac	99.4%
Kwik Trip	99.3%
Chevron's ExtraMile	97.9%
ExxonMobil's On the Run and Valero (tie)	97.0%
Composite average	96.0%
Lowest score	88.9%

Prepared Hot Food Items by Brand

QuikTrip	96.7%
Kwik Trip	95.3%
RaceTrac	95.2%
Chevron's ExtraMile	93.1%
Stripes	85.3%
Composite average	84.3%
Lowest score	52.8%

"When there are more than three people in line, store employees have to open an additional register," McHugh says. "No matter what an employee is doing, they have to come out and help. Our customers know that's our policy. When we get complaints, they often specifically reference the 'I See Three' policy."

Customer interaction with employ-

Proportion Who Waited Less Than One Minute in Line by Brand

Chevron's ExtraMile	92.0%
Casey's	90.7%
Kwik Trip	88.6%
ExxonMobil's On the Run	88.0%
QuikTrip	86.7%
Composite average	83.2%
Lowest score	64.0%

Greetings by Brand

Chevron's ExtraMile and Kwik Trip (tie)	91.3%
Casey's	88.7%
QuikTrip and RaceTrac (tie)	88.0%
ExxonMobil's On the Run	86.7%
Valero	84.0%
Composite average	85.9%
Lowest score	77.3%

Parting Remarks by Brand

Chevron's ExtraMile	94.7%
RaceTrac	92.7%
Casey's	92.0%
ExxonMobil's On the Run	90.7%
QuikTrip and Kwik Trip (tie)	90.0%
Composite average	87.3%
Lowest score	73.3%

Source: Service Intelligence

ees also involves staff appearance and adherence to dress codes. Kwik Trip and QuikTrip took first and second, respectively, in that category.

"When we hire, we explain right up front that employees cannot wear excessive piercings or have visible tattoos," says Kwik Trip's McHugh. "Those policies are even explained when they go online and fill out an application.

'Cleanest Restrooms' Goes to ...

The surprisingly coveted title of cleanest restrooms in the annual CSP-Service Intelligence Mystery Shop goes to ... Atlanta-based RaceTrac Petroleum. The 254-store chain beat out Ankeny, Iowa-based Casey's General Stores by a sliver: 0.7%.

"We have great people working in our stores and with field management," says Mark Reese, vice president of operations for RaceTrac. "They're smart, dedicated and hard-working."

The company uses an external source to conduct weekly mystery shops, employs an internal "audit" of sorts using a supervisor-run checklist procedure and a rewards program to maintain store-level cleanliness.

The last time Casey's was included in the mystery shop back in 2005, the chain came in No. 1 for cleanest restrooms. President and CEO Bob Myers attributes the ranking to the diligence of his managers, particularly the women, among the chain's employees.

Myers says female customers are particularly sensitive to restroom cleanliness, and because a majority of store employees and managers are women, he believes the chain as a whole prioritizes that goal.



Photo by Barry Williams

TIDY BOWLS: Atlanta-based RaceTrac Petroleum tops the list for cleanest restrooms in this year's CSP-Service Intelligence Mystery Shop survey.

Restroom Cleanliness by Brand

RaceTrac	90.6%
Casey's	89.9%
Chevron's ExtraMile	89.3%
Kwik Trip	85.3%
QuikTrip and ExxonMobil's On the Run (tie)	79.9%
Composite average	79.4%
Lowest score	59.7%

Source: Service Intelligence

included interior cleanliness, exterior cleanliness and restroom cleanliness. Ankeny, Iowa-based Casey's General Stores Inc. literally and figuratively cleaned up, finishing first in interior cleanliness and second in both exterior and restroom cleanliness.

The whole concept of clean stores and customer service is integral to its culture, according to Bob Myers, president and CEO of the 1,400-store chain. "It is something that is emphasized and reinforced constantly at all levels of our chain of authority," he says.

"I look at every e-mail or comment card that our customer sits down and writes. We know that it's an integral part of customer [expectation]," he says. "All of us, when we walk into a business establishment, want to see cleanliness, orderliness and friendly employees. That is fundamental to the c-store business, so we see that as part and parcel of [what we do]."

Myers says Casey's is a conservative, disciplined company by nature. "We look at operational excellence and are constantly improving upon it," he says. "We know what's key to maintaining standards is proper discipline, training and the appropriate emphasis on those [core elements]."

Myers credits a recent effort to decrease management turnover with improving overall store operations. The effort involved increasing compensation levels and adjusting normal work hours to add more flexibility. "So all of those things, those tweaks ... lead to significant improvement," he says.

And while improving manager compensation came at a cost, fundamentally he does not believe excellence has a price tag. "You could look at it in terms of labor cost or cost of supplies,

We're trying to appeal to a broader demo and soccer moms. They want people to have a clean appearance."

Employee uniforms are a key component of the QuikTrip brand, whether the employee is working at a store in Phoenix, Dallas or Tulsa. "When people come inside, we want them to see somebody who's very smartly dressed in attractive clothing," says QuikTrip's

Thornbrugh. "The last thing you want to see is someone who has tattoos all over himself, smoking a cigarette and on the phone. It's unacceptable."

Next to Godliness

While much of the mystery-shop criteria fell under the umbrella of customer service, just as much weight was given to cleanliness categories, which

but all of those are negligible,” Myers says. “Those are costs that you would absorb in any business to maintain those kinds of standards.”

RaceTrac Petroleum excelled in many categories with regards to cleanliness, finishing at or near the top of the charts. The Atlanta-based 254-store chain bested all competitors in merchandising and signage and even claimed the No. 1 spot for having the cleanest restrooms (see sidebar, p. 50).

The chain employs three programs—a weekly mystery shop, a daily internal checklist and an employee-rewards program—to instill its operational practices. It outsources the mystery-shop process but handles the checklist in-house, using its management hierarchy to execute what amounts to daily cleanliness audits. RaceTrac rewards its employees for excellence in execution of its standards in a number of ways, including an annual contest based on store performance. This past year, RaceTrac took the contest winners, their spouses and guests on a trip to Cancun, Mexico, with the company’s executives.

RaceTrac’s challenge appears to be customer wait times, considering other chains took top honors in that category. “We know our customers’ time is valuable and we are always working to improve our performance,” says vice president of operations Mark Reese. The chain just installed a new point-of-sale system that monitors transaction times based on when the register opens. “It’s been a big push,” he says, “but our employees have responded to the challenge.”

The company stresses continuous improvement in customer service,



Photo by Barry Williams

CLEANING BY NUMBERS: Sheridan Peterson (left) a regional marketing manager for Atlanta-based RaceTrac, goes over a checklist of operational duties with Frances Collins, a store manager.

according to Reese. “Our competition helps us stay on top of our game,” He says. “We know our customers have choices and don’t have to tolerate a poorly run store, so we strive to be the best choice out there.”

RaceTrac is clearly at the top of its game in merchandising/signage. The mystery shoppers were duly impressed, awarding RaceTrac top honors. “We have great training on merchandising [processes] at the store level,” Reese says. “We have internal daily checks to main-

“We’re trying to appeal to a broader demo and soccer moms. They want people to have a clean appearance.”

JOHN McHUGH *Kwik Trip*

tain facings and ‘frontings’ and for keeping shelves full. [In fact,] we have a ‘less than 10 outs’ [rule], and today we’re at an all-time low regarding out-of-stocks.”

Rounding out the top five in the merchandising/signage category were Chevron, QuikTrip, Kwik Trip and Stripes.

Most of the chains involved in the study conduct their own mystery-shop programs that gauge performance in

the same categories eyeballed by the CSP-Service Intelligence study. “The results are real close to what our internal people find,” says Kwik Trip’s McHugh. “Last year, when we got the results, it helped us home in on some areas where we needed to improve. An example is exterior cleanliness.”

While it would be tough to improve on last year’s first-place finish for cleanliness, Kwik Trip gets credit for not being satisfied. The chain dispatches its store engineering department to stores on an “as needed” basis to do in-depth cleaning—power washing, for example—that in-store people can’t do. “We’re getting so heavy into the food business and we think a customer makes a determination about the food offer inside about how the outside of the store looks,” says McHugh. “We think there’s a connection between exterior cleanliness and selling food.”

As part of the same initiative, Kwik Trip’s engineering department gussies up the restrooms. “First, we send our engineering department out to each store to do a deep clean to get them up to the highest quality,” McHugh says. “After that, we started using Hillyard Cleaning Systems in the stores. Now, they should be able to keep it at the

level where store engineering got it. We've been doing this stuff, in part, as a result of the studies."

Room for Improvement

For some companies, lower scores in certain categories were unexpected, to say the least. In the case of Fairfax, Va.-based Exxon Mobil Corp., Thelma Kennedy-Malveaux, pacesetter support manager, says the CSP-Service Intelligence numbers run contrary to the company's internal monthly mystery shop results, which are conducted by a third-party vendor.

"Since 2006, we have seen a significant year-on-year improvement in our external and internal cleanliness from



Photo by Brandi Simons

LOOK SHARP: QuikTrip employees' uniforms are a key component of the store's brand, according to spokesperson Mike Thornbrugh. Employees are required to be "smartly dressed in attractive clothing," he says.

our mystery-shop scores and other extensive site-level surveys," she says. "Over the past several years, we have implemented programs to improve retail execution at all Exxon- and Mobil-branded facilities."

These efforts contributed to what she says is a "step-change improvement in restroom cleanliness as well as customer service."

While CSP is unable to make a scientific comparison between its annual mystery-shop surveys because different chains and stores are involved each year, ExxonMobil's On the Run stores did show improvement in wait times (going from 10th in 2007 to fourth this year) and customer service (from fifth to fourth).

The shorter customer wait times and higher customer-service scores could be attributed to the chain's "Dependable Friendly Service" program, says Kennedy-Malveaux, which was introduced last year. "This program includes all the tools necessary to provide excellent customer service includ-

“The competition is getting very good and our business will not tolerate a poorly run store.”

MARK REESE *RaceTrac*

ing ‘service recovery’ elements, when customers have a less-than-positive experience at our retail stores,” she says.

Other companies who scored lower in certain categories are now looking to see what’s behind the numbers. Corpus Christi, Texas-based Susser Holdings Corp., for instance, saw its Stripes finishing behind the pack in both interior, exterior and restroom cleanliness. It should be noted that the chain has been one of the industry’s major M&A players and is assuming a very diverse lot of stores. Also, despite its inability to top the charts in this year’s study, it is necessary to point out that in this field of big-name retailers, Susser’s overall brand performance translates to an

82.6% score—a B average by academic standards.

“We don’t have a mystery-shop program, but we have unannounced monthly visits so that we can view the store from a customer’s perspective . . . and provide feedback to make the necessary adjustments in the operation,” says vice president of human resources Otis Peaks. “I was a bit surprised and disappointed when I looked at the overall performance of the brand. Once I got into it and looked at some of the specifics, I was surprised we didn’t score better than we did.”

Peaks plans to visit the Stripes locations that were evaluated in the study, and he’ll use the data to iden-

tify root problems. “We have to see if there are any improvements that we need to make across the chain, relative to our training programs,” he says. “We have to ensure that our store managers are clear about what the expectations are in terms of servicing our customers.” ■



MORE ON MYSTERY

For more on the CSP-Service Intelligence Mystery Shop, visit cspnet.com/mysteryshop08.