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## Celebrating Spirit The Birth of a Mission



The big 3-0, the big(ger) 5-0, the silver, the golden ... milestone birthdays or anniversaries are a good time to look back and take stock of where you've been and where you're going.

We at Spirit® are in that mode lately as we look forward to celebrating the 10th anniversary next year of the opening of the first

Spirit® location. I've found myself reminiscing about those days, thinking about the petroleum industry in 2000, the year that the Spirit® brand was created, and about the original mission of the Petroleum Marketers Oil Company (PMOCO). I've also been pondering our industry as it is now and the relevance of Spirit's® mission today.

Along those lines, I've had some enlightening "stroll-down-memory-lane" conversations with a few of the folks who helped establish the brand, and I'd like to share with you some of what they've said.

Anyone who's been in the petroleum marketing business for any length of time remembers the upheaval in our industry in the late 1990s and early 2000s. Slumping oil prices and the need to control expenses were leading major refiner companies to merge with or acquire each other, as did Exxon with Mobil, BP with Amoco and Chevron with Texaco. Also, companies began to consolidate their investments in areas of the country where they had strong positions while ceasing operations in others.

"Marketers had real concerns," remembers Rogers Clark of Sampson Bladen Oil Co., who was then, and is still today, active in PMAA. "Some major oil companies were pulling out of entire areas of the [United States]. Marketers licensing those brands had to debrand their stations and identify new sources of supply."

Rex Gillis of Dutch Oil Co. remembers the aftermath of the BP/Amoco merger. "I had an Amoco station that was right next to a BP station. The BP jobber got the thumbs-up, and I

had to debrand. At the time, I had 14 Amoco stations, and the merged company required me to debrand seven of them. And I had the same situation with Shell and Texaco; I had to debrand two of my Texaco stations."

In 2000, the PMAA board formed a working group to explore ways the association could help marketers weather the crisis. "We sent out a questionnaire to marketers," said Clark, who eventually served on both the interim and permanent PMOCO Management Committees. "We were trying to gauge their interest in forming a new company that would create a national brand that would give them the benefits of a major refiner brand yet with lower branding costs, greater flexibility and other aspects favorable to their businesses."

"The questionnaire got a huge response, greater than to any survey PMAA had undertaken before," recalls Holly Alfano, then-vice president at PMAA. "Brands were just disappearing, and marketers overwhelmingly indicated that a new brand would be well received. They also wanted and needed access to secure, dependable supply. So PMAA established the first PMOCO Management Committee, a volunteer group of marketers and state executives from diverse regions of the [United States]." The committee was charged with creating a company whose mission was to provide marketers with an alternative brand.

The demand for the new brand was immediate. PMAA marketers started licensing Spirit® before it was fully established, asking for a logo, paint specifications, signage and canopies even before they were created. "There was a crazy rush to get it all put together," Alfano remembers. "No one had ever done this before — created a brand specifically to serve the needs of marketers. Those needs were being identified even as the company was being formed." The staff at PMAA worked hard to get Spirit® up and running quickly, which allowed marketers to focus on running their businesses rather than having to develop an image for their unbranded stations.

Larry Ray of R.P.C., Inc., one of the founding members of the PMOCO Management Committee, remembers that the committee initially intended to form a cooperative to strengthen PMOCO's buying power to secure supply. "But it quickly became clear that the buying power wouldn't come together

*"Celebrating," continued on page 36*

er immediately," he said. "Marketers needed the brand right away, so we determined that it was best to leave the supply factor out of it at the beginning."

Rex Gillis was pleased to discover Spirit® as he searched for options for his former Amoco and Texaco stations. "What PMOCO and the Spirit® brand did was to give me a national image with an up and coming company that I could use as an alternative to the major brands."

That, in a nutshell, is the "birth story" of the Spirit® brand and its mission. I'll be staying on this topic for the next issue of *PMAA Journal*, taking a look at the petroleum industry as it is today and the ways Spirit's® mission continues to help marketers succeed. Stay tuned.

### ...Brought Marketing Changes...

While self-serve was introduced in California in 1947 by jobber Ulrich Oil Company, it really didn't spread eastward until the early '70s, when "split-island" marketing became the norm. The average major stations at that time sold 50,000 gallons per month, with the jobber units selling 30,000. Roadside convenience stores were born in 1927, in Texas, but got into gasoline retailing much later. Ambitious jobbers offered profit-sharing "pump-and-tank deals" to the c-store owners. The "big-box" and "hypermarket" entrance into the business also changed marketing drastically. Starting in the late '90s, the majors began to sell off their retail operations to jobbers. Now, jobbers supply almost 80 percent of branded retail.

### ...To Today

From 20,000 to 6,000, from full-serve to self-serve, from three bays to c-stores, and from TBA to donuts, the jobber business has changed dramatically during the last 100 years. (In fact, "jobbers" are now referred to as "marketers.") As for tomorrow ... ?

Well, I hope that explains it, Rob. Thanks for reading.

please contact your local Federated representative. This is a first-come, first-serve program open to both clients and non-clients of Federated. Due to space limitations, it is never too early to sign up. Reservations must be made by August 12.

### Designated Risk Manager Seminar for Petroleum Marketers and C-Store Operators September 12-14, 2011

This seminar will be held at Federated's Home Office in Owatonna, Minnesota. For more information or to register, contact Royetta Spurgeon at 800.533.0472 or by e-mail at [rlspurgeon@fedins.com](mailto:rlspurgeon@fedins.com).

We hope you will take advantage of the Federated Designated Risk Manager Seminar class for petroleum marketers and convenience store operators.

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- Within your geographic scope, identify niches doing exceptionally well, and then research what you could sell them.

It is really exciting to see the P&Ls of companies that are reinventing themselves and their offerings!

Next, to keep your cash healthy, realize that if your credit policies and procedures are more than five years old, they are likely totally inadequate for today's cash-tight environment. To make sure cash keeps flowing in the door:

- Graph DSO trends and set improvement goals.
- If negative trends, then:
  - Review your entire credit policy for overhaul, particularly EFT and collateral
  - Automate as much of your collection process as possible
  - Involve sales and credit in flowcharting current procedures and snags
  - Analyze prior write-offs for lessons learned
  - Insist on an effective risk matrix scoring system for all customer accounts
  - Review credit limits and load hold procedures
  - Insist on override accountabilities (even for the owner!)
- Have your credit manager attend [www.PetroAnswers.com](http://www.PetroAnswers.com) monthly non-recorded credit huddles to get cash-producing ideas from other petro credit professionals across the nation.

Know that taking these steps can make a serious improvement in your vital cash flow.

In summary, check your margins and check your DSO to make sure your company isn't flirting with danger right now. And, if you want to know more about driving your success, I've just finished a new whitepaper, "The 9 Secrets to a Successful Petroleum Business," which you can get free at [www.petrosuccess.com](http://www.petrosuccess.com). Here's to fatter margins and faster cash!