



A New England Revival

Cumberland Farms, Gulf Oil
unveil a 21st century vision

By Steve Holtz
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Just six months into his tenure as president of Cumberland Farms, Ari Haseotes finds himself in the enviable position of opening his first prototype store, a site he hopes will wean the company off gasoline and tobacco while buoying customers long used to the chain's staid image.

"If we keep doing what we're doing today, I personally have real questions about the long-term viability of the business, certainly not next year or even five years from now, but beyond that," Haseotes says. "So we have proactively worked on coming up with a product mix and, perhaps even more importantly, a store experience that we think speaks to the needs of our customers but is also consistent with the external realities and dynamics of the industry and the products that we currently sell."

The effort to bring this new attitude to a 70-year-old chain began more than

a year ago as part of an overall desire by Cumberland Farms to update both its stores and its relationship with sister company Gulf Oil LP.

Glimpse the Future

For many New Englanders who've grown up with this iconic brand, the overhaul both in image and substance is overdue, but it's one expected to be well received. In recent years, Cumberland Farms, one of the 10 largest independent c-store chains in the United States, has watched colleagues Wawa, Sheetz, QuikTrip and 7-Eleven embrace dramatic changes both in exterior design and interior footprint, while many of Cumberland's stores grew outdated and changed little.

But if a recently opened prototype in upscale Farmington, Conn., gains chainwide penetration, Cumberland Farms could soon re-emerge as one of the channel's most progressive com-

panies, with a vaunted foodservice and dairy program that taps into broader industry trends and the company's historic footing.

"We were thrilled," Courtney Hendricson says of the new 4,000-square-foot site in Farmington, where she serves as the town's economic development director. "It's very clean, it's classy, it's modern. It doesn't feel like a typical gas station or convenience store. It had a lot of the extras. They thought of everything in terms of the layout."

In launching the new concept, Cumberland Farms collected ideas from a number of sources and worked with Moseley Group, a food and beverage consulting firm based in Franklin, Mass., to create a store that Haseotes sees as the New England chain's future. "[This is] what we will be doing in the future to keep our business healthy and drive our business," he says.

To get to that point, Haseotes and his



Photos by Ryan Felham

team visited “the best of the best” retail sites across the country to borrow ideas.

He declined to name for CSP those “best of the best,” however.

“We worked with customer focus groups. [And] since we have 7,700 employees, we polled them. In corpo-

rate, everybody had an opinion,” says Joe Petrowski, group CEO of Cumberland Farms/Gulf Oil LP. “Moseley Group shepherded those thoughts and opinions. It was not just design and product placement and product selection, but involved a lot with imaging, and [how]

are we trying to present ourselves as the value proposition to the customer.”

Outside, the look is bright, revitalized and upscale. Inside, as Haseotes puts it, “it’s food-centric.”

“And when I say food,” he says, “I’m including dispensed beverages—coffee, fountain, frozen drinks—as well as . . . fresh foods, fresh bakery products, fresh sandwiches and so on. It’s an experience in the store from the lighting to the fixturing to the product mix

that all just fits together.”

The smokes and salty snacks remain, but a look at the store—from lighting to product assortment—clearly reflects a marketing strategy that targets moms, white-collar workers and an overall broader consumer base.

Toward that end, Haseotes, a young and enthusiastic advocate of the Cumberland Farms brand, says the goal of the company’s research was to determine not only what the new store should include, but also what it shouldn’t.

“I distinguish and put emphasis on both because we studied both extensively,” he says. “We thought about it from end to end in the most detail possible, even right down to the appearance of the restroom signs being consistent and feeling like they belong and fit and are presented in a way that presents a unique and fits-like-a-glove experience.”

Accomplished Gulfer

Over the past two years, sister companies Gulf Oil and Cumberland Farms have carried out sweeping marketing and organizational programs. Those you’ll read more about in this feature story include:

- ▶ Bringing the two businesses closer together
- ▶ Redesigning logos for both companies
- ▶ Reimagining Gulf stores
- ▶ Opening a new Cumberland Farms prototype store
- ▶ Initiating a price-lock gas-price program
- ▶ Developing a loyalty program
- ▶ Re-establishing Gulf as a premium gasoline brand
- ▶ Developing an expanded foodservice offer
- ▶ Developing a secondary gasoline brand
- ▶ Reorganizing its top management

Show and Tell

Think Whole Foods, maybe a bit of Fairway. The feel inside the Farmington store is fresh and airy, not closed and claustrophobic as found in some of the chain’s older, more cluttered formats.

Numerous display cases showcase sandwiches, multiple placements of fresh fruits and a voluminous assortment of bakery products. A wall-length open-air cooler is filled with isotonic, bottled water and energy drinks, coupled with a farmer’s market basket of eggs, butter, cheeses and luncheon meats.

“We also are showcasing what has made us special in New England, which is our farm-based legacy, our focus on best-in-class dairy products,” says Haseotes. “That includes milk, it includes bread, cream, ice cream, cottage cheese, yogurt, things that we’re known for and we take more seriously than most.”

New Horizons

In 2008, Cumberland Farms took in about \$10 billion in revenue, split 60/40 between Gulf Oil and Cumberland Farms retail.

With growth as a focus, both Cumberland Farms, with its 570 stores stretching the Eastern Seaboard from Maine to Delaware and even a few as far south as Florida, and Gulf Oil, with approximately 2,200 branded sites in 11 states, find themselves with healthy market share—about 11% for Gulf—in many areas.

The introduction of the secondary Wave gasoline brand provides Gulf Oil with new opportunities for growth. Because the Gulf brand is limited geographically by Chevron, Wave opens up literal new horizons. Also, as smaller dealers are forced to debrand from Gulf by the new image standards, Wave provides a second, more flexible brand to keep Gulf Oil from losing its business partners.

“On Gulf right now, we have a 5-million-gallon minimum requirement from our distributors, and we’ll be growing that. The volume requirements for a Gulf site right now are 65,000 per month and that’s going to be climbing as well,” says Rick Dery, senior vice president of branded sales and marketing and CMO for Gulf Oil. “On the distributor side, there’s no minimum volume required under Wave.”

At press time, about a dozen Wave-branded stores were open or under transition in the Northeast.

Dery’s reference to volume requirements growing again echoes Gulf and Cumberland Farms’ willingness to make changes for the common good. In the near future, both will launch a new loyalty program that promises crossover marketing with major area grocers and QSRs. Gulf also continues to work out the kinks of a gasoline price-lock program that would allow consumers to purchase gasoline at today’s price to be pumped sometime in the future when prices are higher.



BRAND AWARENESS: Co-branded gas pumps reflect a new, closer relationship between Cumberland Farms and sister company Gulf Oil.

Tom Moseley, president of Moseley Group, said giving a legacy strategy such a high profile was key to making the store design work. “We updated the concept with a new identity, new décor, new food and new packaging,” he says. “Yet we were careful to remain true to the core of the brand. There is tremendous loyalty within the Cumberland Farms customer base, and we worked to extend the brand assets to reach new customers, too.”

For Lily Bentas, longtime CEO of the 576-store chain who stepped away from day-to-day duties last fall, the new store represents a reflection of the company, with a willingness to evolve as necessary.

“We are the dominant c-store player in New England with a long history and heritage, starting with a family farm and dairy business,” says Bentas, now chairman of Cumberland’s board

of directors. “Our new design concept is intended to capitalize on this heritage and bring a fresh, new approach more consistent with the times.”

It will take time for Cumberland’s new image to canvass the chain’s sizable portfolio. But incrementally, customers will see the new design popping up in their towns. And don’t be surprised if newer stores are tweaked from this latest prototype.

“Each time we do a raze-and-rebuild or a renovation, we say: ‘At this point, are there things we can do from a presentation standpoint that we’ve learned from the last ones we’ve done?’ ” Petrowski says.

Even as new sites are planned, he recognizes not all of them will match the 4,000-square-foot site opened in Farm-

ington. “We have an ideal in size, somewhere between 3,200 to 3,600 square feet, but we may end up having sites as large as 4,500 [square feet] and we may have sites that are slightly under 2,000,” Petrowski acknowledges. “We’d like to have them all the same, but either the property in the Northeast, the zoning and citing requirements in the Northeast and/or the demand of the marketplace will require some variance to that.”

For the folks in Farmington, an upper-middle-class community of about 25,000 residents in central Connecticut, the new store is a welcome change from

What Joe Knows

Cumberland Farms/Gulf Oil group CEO Joe Petrowski preaches a culture of transparency, not only for his company but also for the industry. "The joke around the office is that I won't miss the buffet line or an interview," he says.

And when you're that openly opinionated, you're likely to rub a few people the wrong way. But that's OK with Petrowski. "I don't mind someone jumping up and saying I'm full of it," he says. "I think people in the industry who live and breathe this stuff every day have a responsibility to speak about the industry. We're not always right, but we have to speak about it in a way that we think is correct because getting our energy policy right is vital to the United States."

A few samples of Petrowski's home-spun opinions:

On oil prices hitting \$147 a barrel in 2008

"It was part demand, but it was also speculation. And when I say financial speculation, yes, there were some excesses and speculators probably drove it up the last \$20 or \$30 as part of the Newtonian law that a body in motion will stay in motion. I like to laugh that a commodity spiking will continue to spike. In reality, a big contributing factor was the collapse of the dollar and all that was going on [economically] internationally."

On gas prices

"I don't think there's any danger of petroleum prices running away from us right now ... partly because of the economy, but partly because I've seen good evidence that despite prices coming down, consumers have become a lot more energy-conscious than they were in the past, and I think that's a good thing because we're still making strides toward energy efficiency. The world is well-supplied in oil, and I think it'll remain so for the balance of 2009. ... I do think we're going to go down into the \$1.25 range before the end of the summer."

On leadership

"You've got to create a place where people can fail. They aren't hammered for failing; failing is part of that culture. In other words, if you fail because you're not working hard or you fail because you're defiant or disrespectful, that's a failure we won't tolerate. But if you're failing because you tried a concept and it didn't work, you should be rewarded for that because we learned something. There's a difference there."

On developing image standards

"I tend to love the Norman Rockwell look, so I would see some site that was Americana, and I would think, 'That's a beautiful Gulf site.' It was nostalgic of what I saw as a young kid. I love gas stations, so I'm a little bit strange in that fashion. And Rick [Dery, senior vice president of branded sales and marketing and CMO] would say, 'It doesn't fit our image.' So as the corporate CEO, I would say I want to have more sites; I want to have more gallons; I want to flag everybody. And Rick would say, 'No, we can't flag everybody. We have to have standards.'"

On setting priorities

"I'm all for cleaning up the atmosphere and addressing our carbon issues, but I once said I didn't think global warming was, in the short run, as big a concern for me as \$4 gasoline and our dependence on foreign supply from countries that do not wish us well. And I stand by that. That's not diminishing the need to be efficient. It's not diminishing the need to address alternate fuels and the carbon problem. What it is saying is in the short run, if you devastate the economy because we had \$5 gas, that's not going to be good for the environment."



the simple gas-only business that formerly occupied the same address.

"We think our demographic would really support the fact that it is sort of one step above [a typical c-stores]," says Hendricson, the town's economic-development director. As a former Boston resident, she is quite familiar with the Cumberland Farms brand and says the new store's architectural appeal blends well with Farmington's upscale feel and strict zoning regulations.

And she's walking the talk. Hendricson has already made several trips to the store. "I make an effort to go out there because I care that it is clean and it has the products I like," she says. A personal favorite? "I like the fact that they made an effort to provide decaf soda and decaf coffee because I only do decaf. So few stores do that, so I really appreciated that."

Another innovative piece of the puzzle to overhaul the company image is a reworking of the Cumberland Farms logo. With its formerly white print on a blue background reversed and a green leaf added, the new graphic projects the fresh image for which Haseotes, Bentas' nephew, is striving.

Still, Haseotes is prepared to make changes sooner rather than later. "We reserve the right to change our mind," he says. "And while we are extremely optimistic ... we are still in the early stages of development and testing."

My Prerogative

Haseotes' willingness to change his mind could be a second mission statement, after "Making every day easier," for Cumberland Farms and Gulf Oil. The two familiar brands have undergone change and updating over the past two years at paces seldom seen in the

convenience industry.

It started when Cumberland Farms took 100% ownership of Gulf Oil in 2005, bringing in Petrowski, then a member of Cumberland's

board of directors, to lead the way. The fresh changes to Cumberland Farms reflect the updates Petrowski has given the Gulf Oil brand over the past four years.

“When I got on there, [Gulf Oil] had a great collection of downstream assets, a lot of very, very good people and good facilities. We had a large market share in terms of stations,” Petrowski says. “We had an exceptional terminal network and a brand that was very iconic. It’s a 100-year-old brand, so it was well-recognized, and that’s always the first step for a brand.”

In the intervening four years, Petrowski has led, most notably, a redesign of the Gulf Oil logo, a reimage of Gulf Oil-branded sites and the development of a secondary brand dubbed Wave.

“There were really two things I wanted to accomplish [when I first joined Gulf],” Petrowski says. “Where did we see ourselves in the market? And

“If we keep doing what we’re doing today, I personally have real questions about the **long-term viability** of the business.”

ARI HASEOTES

what was going to be our competitive advantage going forward? How had the market for a major oil brand changed over the past 15 to 20 years? And that led us to working on our brand image.”

The Gulf gasoline brand is actually the property of Chevron Corp., which bought it in the mid-1980s but was ordered by federal regulators to spin off certain assets. Cumberland Farms bought the Gulf Oil company but with restricted, regional use of the brand. In 2003, Cumberland Farms sold one-third of Gulf in a limited partnership. When that agreement ran its course in 2005, Cumberland Farms reacquired the entire oil company and brought Petrowski in to manage it. (He added leadership of Cumberland Farms to his resumé in October.)

However, over the years of split ownership prior to 2005, Gulf Oil’s brand status had slipped. “Gulf hadn’t evolved beyond its traditional image for quite a while,” says Petrowski. “I also think there was a perception that we would brand almost anything.”

So when he came on board, Petrowski wanted to get the brand back into the big leagues. Key to that was the executive team he brought in to steer the ship, people such as Ron Sabia, now president of Gulf Oil; and Rick Dery, now senior vice president of branded sales and marketing and CMO, who had seen Gulf and Cumberland Farms mature in previous positions with the companies.

When asked by Petrowski to come back and help revive the Gulf brand, Dery



had a pretty good idea where to start.

“In 2005, the first thing I did was try to recategorize or bring renewed recognition to the Gulf mark,” he says. “The Gulf mark has been around since 1901. We’re well over a century old, but over the last decade, it was viewed as a tired, old brand that really didn’t warrant a second look or even a third or a fourth look.”

Dery says many of the sites in the Gulf portfolio were “the types of businesses that are struggling the most and may not survive this” current economy.

“So we tried to reinvigorate the Gulf mark, reinvigorate the brand, cast some excitement around our legacy, our heritage,” he says. “We’re not losing sight of being a 100-year-old mark, but we wanted to bring it into the 21st century and beyond.”

While optimistic about the opportunity, Petrowski—an admitted fan of the old Americana gas station—says there was some trepidation.

“If you look at branding, there are two trains of thought. There are those companies that keep as much of the traditional images but tweak around the edges, and there are those that radically change what they are and their color scheme and what their value proposition is,” he says. “We wanted more of an evolution of a brand. . . . It’s expensive and sometimes it’s dangerous.”

Again using an outside team,

On the Menu

Cumberland Farms’ new prototype store puts extra emphasis on foodservice. Here’s a look at items on the menu that, depending on how they perform, will be rolled out to older stores as well.

- ▶ Roller-grill hot dogs, sausages and taquitos
- ▶ Flatbread sandwiches
- ▶ Personal pizzas
- ▶ Ciabatta sandwiches
- ▶ Hash browns
- ▶ Prepackaged hamburgers and a variety of sandwiches from a nearby commissary
- ▶ Chocolate milkshakes
- ▶ All fountain drinks 79 cents
- ▶ All hot drinks 99 cents





ONE PRICE: All fountain drinks are 79 cents, and all hot beverages are 99 cents.

Petrowski and his team tackled the project. “Today, we think our presentation and our focus on the street is greater than major oil, mainly because I think major oil has tired of the street and tired of retail,” Petrowski says. “They don’t see downstream as key to their long-term future. For us, it’s our only future.”

Teeing Up Gulf

A new Web site came first, followed by a new tagline: “Life, one mile at a time.” The Gulf logo was updated, a new store image called Sunrise was created, and new minimum image requirements were established for Gulf distributors and dealers.

Today, in addition to supplying gasoline to Cumberland Farms’ 576 stores, most of which are owned and operated by the company, Gulf also supplies 350 assured dealer locations, where Gulf owns the real estate but the stores are operated by third-party retailers. Gulf also supplies another 1,000 locations that are open-dealer sites or distributors.

“We tried to broadcast to our distributors and dealers that trade with us—and, frankly, those who didn’t trade with us—that we are indeed a new Gulf, that we are indeed a re-focused Gulf with a solid business strategy and a renewed commitment to move the brand,” Dery says.

The goal, he says, is getting Gulf back into the top echelon of gasoline brands: “We recognize that in branded petroleum that there are brand strata. There are certain brands that are recognized as premium brands, and then you have the first-tier brands, the second-tier brands and then the value brands.

“Gulf was struggling in that value-brand strata, which was frustrating. The efforts over the last couple of years have moved us up a couple notches. I’ll proudly say to the market that we’re in that first-tier strata today. And the efforts to push us into that premium strata are continuing.”

OPIS chief oil analyst Tom Kloza concurs. “Gulf gets a nice premium for its brand in surveys, thanks a lot to the geography of having stations in the Northeast,” he says. “There’s no question that the new Gulf has pursued a much higher profile. And they’ve done it with a personal touch. The new stations look terrific and there’s a lot more interaction with their jobbers and dealers.”

Kloza, who in full disclosure says he is friends with several executives at Gulf Oil, credits Petrowski for much of the improvement.

“He’s pretty much the antithesis of the modern image that many consumers have for an oil executive; he’s much less like a J.R. Ewing and more akin to the viewer-friendly execs that represent Silicon Valley,” he says. “The strong brand recognition of Gulf was a double-edged sword; people thought of the integrated oil producer/refiner/marketer. Through appearances in venues like CNBC Squawkbox, Fox, Fox Business and the networks, many customers now realize that Gulf doesn’t represent the big multinational, impersonal oil company. It’s a regional company that is better off with low or moderate gas prices.”

And the results of these efforts are telling, as the new image requirements force some dealers out of the system

and lure others into it.

“From October through December, we’ve probably lost 19 sites, but the average monthly volume of the sites we lost was under 20,000 gallons a month,” Dery says. “In the same time period, I signed 23 new sites, and the average monthly volume of the 23 sites that we signed was 89,000 [gallons].”

Dery adds excitedly, “[Gulf is] attracting these major, major branded locations that we never had a hope or a dream of generating any interest in Gulf before. Now they’re taking interest. We rebranded the Massachusetts Turnpike, 11 sites, late in the fall from Exxon to the new Gulf Sunrise [image]. The beacon and the advertising and the awareness that the Gulf mark received after doing that was almost incalculable. We received calls from distributors and dealers alike that said, ‘I love that look. How do I become part of it?’

“In 2005, we were initiating the calls: ‘Please join us. Please join us.’ Sometimes we never even got return phone calls. In 2008 and 2009, the calls are coming to us: ‘Can you come and talk to me about the mark? Can you tell me about your programs?’”

That’s why Petrowski is so willing to make changes.

“I have been accused, sometimes, of changing my mind two or three times a day on something, and I will freely confess that that’s true,” he says. “I have always believed that you have to have respect for the marketplace. You have to base your strategy, your tactics, your policy, your balance sheet, your capital structure—all of those things have to be balanced by the conditions that you’re



HISTORY AND HERITAGE: A bright, open new store invites customers in, while signage behind the counter highlights the fresh-food focus of the site and the heritage of 70-year-old Cumberland Farms.

fighting in and business day to day.”

Not that Petrowski isn't pleased with the progress Gulf Oil has made in the four years since he took over.

“Gulf is the fastest-growing brand in the Northeast, with an 11% market share on sites. We're unlevered [financially], which is a nice thing to be, relatively debt-free,” he says. “So I'm very excited, and I sense that our people are very excited. Everyone's been working very well together.”

Retailer Leo Vercollone, CEO of Duxbury, Mass.-based VERC Enterprises, which recently rebranded 14 of its locations from Exxon to Gulf, says it's Petrowski's drive that makes such success possible.

“Joe has some very ambitious plans in this market, and he's very excited and a very positive individual,” Vercollone says. “It's very easy to jump onto Joe's bandwagon and hope that he achieves [his goals]. We're part of that fan base that hopes that Joe is going to be successful in [growing the Gulf brand].”

Vercollone, who was receiving his Exxon fuel from Gulf, rebranded out of necessity (Exxon was exiting the market) and had no problem signing on with Petrowski's reinigorated brand.

“We had an ongoing rapport with them, and that relationship proved that they were very competent to handle our

business and they were a good company to work with. So we were very comfortable making the switch,” he says.

So Happy Together

When Petrowski says his team is “working very well together,” he refers to the recent decision to bring Cumberland Farms and Gulf Oil—two separate companies under the same ownership—closer together both to save money and to drive growth opportunity.

“It really was driven when we realized there were some cost opportunities in human resources, legal, administrative, credit,” he says. “There were certain corporate services that could be shared, and by sharing, adding some efficiencies, whether you're just buying software or office supplies.”

The two Massachusetts companies, Gulf Oil based in Newton and Cumberland Farms based in nearby Canton, will come together in a three-story building in Framingham, Mass., this month. In addition to financial savings, the reorganization also opens new opportunities for company growth that, separately, weren't possible.

“Today when something comes up for sale, it's never particularly clean. Every sale seems to have a little bit of company-ops at a few properties, a little bit of contract or open dealers, a few

assured dealers, sometimes heating-oil companies, sometimes with terminals, sometimes without,” says Petrowski. “Everything had a little bit of hair on it, so every time we'd look at something, half the project was looked at by our Cumberland side and the other half looked at by Gulf, and the coordination wasn't there for the entire acquisition.”

As a combined unit, such deals are more accessible. As chairman of the board, Bentas says, “The combination of our two brands positions us uniquely for the future.”

Petrowski hints that merger-and-acquisition activity is in the wings. “Right now, many people are yinning when they should be yanging,” he says with characteristic folksiness. “This is the time we ought to be aggressively expanding, not when things are overpriced. ... I'm sure you'll see a lot of activity [from us] in 2009. ... All transactions take two to tango, and I don't control the other guys' movements.”

Additional unit growth will come via new construction as well, according to Gulf Oil president Ron Sabia.

“At Gulf, we're all about growth, and I think we've talked about trying to make our brand as ubiquitous as we can,” he says. “We do have room to grow within our footprint, and, frankly, we're culling through our sites, trying to get the

higher-value, better sites in our portfolio, and we're going to continue to do that."

He and other Gulf executives have had conversations with Chevron, which owns the Gulf brand, to extend that footprint, but as of yet no decisions have been made. "I wouldn't say it's imminent," he says. "I do think it's more likely across the northern tier, a move west rather than a move south, simply given Chevron's competitive position and where Chevron markets."

Haseotes says the new, closer affiliation of Gulf Oil and Cumberland Farms sets up a symbiotic relationship that allows each company to act as a billboard for the other.

"We recognized that we could utilize the company in that Gulf is branded on the majority of the Cumberland Farm retail locations and are proud of that and want to communicate that to consumers," he says. "And likewise, I think that Gulf is able to get more traction in the marketplace with their marketing programs, when Cumberland Farms, which is a good operator, can execute its marketing programs well in the field and be a model for non-Cumberland Farms retail Gulf customers."

Meanwhile, back in Farmington, Haseotes and his crew have long since swept up after the hoopla of the new store's grand opening March 13. A second store with the new design opened a few weeks later. And if Petrowski's infectious desire to make changes for the better and challenge his team is any indication, the next store will be different . . . and better.

"[The Farmington store] isn't the end-all and be-all," Petrowski says in his typical matter-of-fact tone. "As we go through our 600 stores, including company-ops and the chain, we're constantly refining the layout, the look and the presentation. That's what we want to do is create a learning environment. I think you'll see us committing a lot of capital to the Cumberland side of the house, and as far as the Gulf brand, we continue to grow. We've added sites, which in this marketplace is quite an accomplishment." ■



CUMBY'S CLOSE-UP

To see more of Cumberland Farms' newest store,
visit www.cspnet.com/cumbytour.