

# Convenience Store News

WHAT'S NEXT IN CONVENIENCE AND PETROLEUM RETAILING

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*By Melissa Master*

Urban convenience stores face unique challenges, key among them a lack of reasonably priced real estate. But that hasn't stopped Harry Singh, president of Brooklyn, N.Y.-based Bolla Management, from setting up shop in the New York market.

Singh owns 28 gas stations in New York City and Long Island — 21 Mobil stations with five On the Run convenience stores, two Exxon stations and five Sunoco stations with three APlus convenience stores — with one more site under development. But the jewel in Singh's crown is his newly remodeled property in Brooklyn's Gerritsen Beach neighborhood, which has five profit centers: an On the Run c-store, a Mobil gas station with four pumps and eight fueling points, a six-bay repair shop and quick-lube center, a car wash and a residential building with nine luxury apartments.

Does that last one seem a little out of place? "This is what it's going to take to survive in the 21st century — creative profit centers," said Singh. When he purchased the three lots totaling 55,000 square feet that make up the property, one 9,000-square-foot lot had residential zoning. Rather than fight for a commercial permit, Singh built apartments featuring skylights, central air conditioning, marble bathrooms and kitchens, Jacuzzis and balconies. For would-be residents who might be wary of sharing space with a gas station, the apartment building is separated from the rest of the property by a low wall and a garden of raked shells.

In this case, however, a reluctance to live next to a gas station would be an unfair prejudice. In fact, one house in the neighborhood with a direct sightline of the property was on the market for \$750,000 before Singh renovated. After the improved site opened, the asking price bumped up to \$1 million.

"You can always tell one of our sites," Singh said. "It brings value to the neighborhood. We have creative landscaping, a signature image and a safe and clean environment for our customers." In this case, there's an especially stark contrast with a local convenience store across the street, which has peeling paint and a concrete wall covered with graffiti. It doesn't look like that store will last long next to the new operation.

The aesthetic considerations extend to the inside of the property as well. "We take the standard On the Run template and build on it with higher ceilings, higher quality materials, and best-in-class granite bathrooms," said Brett Atherton, franchise operations manager for Bolla Management. Attention to detail is visible throughout the property, from the urns of silk flowers in the restrooms to the slick black counter and furniture in the service bay waiting room. "We want customers to think they're in a Mercedes or Lexus dealership," Singh said. He notes that female customers find the upscale appearance especially appealing.

## **From the Ground Up**

Singh started with one store in Brooklyn in 1989 and has been steadily building his empire ever since. The Gerritsen Beach site represents the achievement of something he has been working toward for 15 years. "If this becomes successful, this is my vision for the future in New York City," he said. "This is what the consumer is looking for — one-stop shopping, where they can get ready for the weekend in 20 to 30 minutes. It's a formula of success for us, the customers and the community."

That's not to say that Singh's sites are all exactly the same: The offerings are carefully tailored by community. Bolla Management's 17 owned and operated repair shops, for example, are more likely to be in urban locations than in the suburban sites on Long Island, where people drive newer cars in less need of repair.

In Gerritsen Beach, however, the service bay and lube shop is a moneymaker. It performs New York State inspections and a full menu of repairs; Singh's son Jay has also started a sideline business called Kings Motorsport that sells rims and auto accessories, targeted at young consumers, which are displayed in the waiting room. Singh expects the repair center to bring in \$120,000 to \$140,000 per month in revenue, second only to his target of \$150,000 to \$200,000 per month for the c-store and ahead of his target of \$80,000 to \$100,000 per month for the car wash.

Those revenues will make up for tightening margins on gas, which continue to pinch despite healthy volume sales. Singh projects sales of 70 million gallons this year for his chain, with a goal of 100 million gallons per year by 2007. "When you have this many stores, you can price aggressively where you need to," Singh said. Still, he's devoting attention to the other profit centers as well.

## **Eating It Up**

In the c-store, coffee takes center stage with Kings Café, an original concept in the Gerritsen Beach store and Singh's store in East Meadow, N.Y. Kings Café is an upscale coffee station where "brewmasters" serve bagels, pastries, Krispy Kreme doughnuts, cappuccino, frappucino and other gourmet coffee products. The concept itself is unique, but what really pulls it together is the signage: Singh hired a graphic designer who, for just \$199, created an original logo for the café. The signage gives the appearance of branded foodservice and makes the station highly appealing.

Throughout the rest of the store, customers will find what Atherton calls "level-one foodservice"; in addition to the usual lineup of snacks found in c-stores, there are products targeted at local demographics, including bakery products like Italian pastries, which appeal to the local neighborhood. There's also a Soft Sensations self-serve ice cream machine serving three flavors of frozen yogurt, sherbet and ice cream.

The combination of Kings Café and a strong foodservice program have made the On the Run store something of a neighborhood gathering place. There are two tables and four chairs inside the c-store; older local residents often come in mid-morning and linger over coffee. "The tables make our neighbors feel welcome," Atherton said.

The store's impressive foodservice program hasn't gone unnoticed. The company has already received calls from McDonald's and Dunkin' Donuts about co-branding on this site and others.

## **It's All in the Attitude**

The full-service car wash is also held to rigorous standards of quality. It was closed for remodeling and reopened a few months ago with a detailing center, an accessory showroom and a 110-foot tunnel with a viewing window. Customers drive their cars up to the entrance, choose from the menu of services, and then go inside to watch their cars being washed or detailed; they pay a cashier at the end of the tunnel with cash or credit cards.

Singh is enthusiastic about promoting the car wash, offering a VIP program and a free external wash with a purchase of \$20 worth of gas. Customers who have not purchased gas or who want more than just an external wash can choose the \$9.95 deluxe wash, the \$14.95 "red carpet" wash or the \$19.95 VIP wash that includes, among other things, a triple-polish wax and Armor All interior treatment.

While the facilities are impressive, it's the service that stands out. When Singh launched the renovated site, he invited the neighborhood for a three-day grand-opening party. "It's a tight community, so they really appreciated it," Atherton said. Singh has also donated money to local schools and churches, and sponsored the Girl Scouts in their bid to clean up the neighborhood, paying for their flyers and donating 2 cents for every gallon sold over three days. When Kings Café was new, store employees frequently handed out samples of frappuccinos — both to build loyalty with customers and to introduce them to a concept they weren't used to finding in c-stores.

The service isn't just good, it's constant. The repair shop and car wash are open from 8 a.m. to 8 p.m., while the gas pumps and c-store are open 24 hours; all of the profit centers are open on Sundays. Singh is considering keeping the repair shop open 24/7 as well, to do quick work during the day and big jobs at night; he's planning to extend hours soon from 8 a.m. to midnight to see how it works.

That sounds like a long day, but it's nothing to Singh. "While other people are out having fun, playing golf, I'm here with my team 12 to 15 hours a day," he said. Investing that amount of time has paid off: Singh estimates that if he were to sell the site today, he could realize a significant return on the money he spent purchasing and renovating the property.

That's not to say, however, that another owner would necessarily do as well with the site as Singh has. "We execute every day. We have the team as well as the infrastructure, with state-of-the-art centralized security and a centralized pricebook," he said. Bolla Management's field staff spends every day going from store to store checking standards, and Singh himself is a very hands-on owner. "His involvement is great," Atherton said. "He can walk into a store and tell you the cost of Twinkies."

**"What we do is not rocket science," Singh said. "Doing it consistently every day that's the rocket science."**