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Family Express to open distribution facility Midwest chain also inks innovative deal with Eby-Brown

By Jennifer Bulat

When Family Express introduced the Cravin's Market fresh-food concept into its 43 stores in 2002, president Gus Olympidis had no idea how it was going to change his business.

After almost two years of success with Cravin's, Olympidis' perishables business was going very well---too well not to be centralized, too well not to capitalize on the stores' central location in northwest Indiana.

So in early December, Family Express purchased a 55,000-square foot building that will be converted into a central distribution facility for the chain's perishables.

Within the same week, the company also signed a new contract with Naperville, Ill.-based Eby-Brown to be Family Express' wholesale distribution partner for dry goods.

The creation of this "distribution hybrid," as Olympidis calls it, falls under the company's goal of operating at below-zero-cents-per-gallon margins on gasoline.

Strategic move

"This whole thing is about extracting costs," Olympidis says. The company actually closed 2003 doing business below zero cents per gallon, he says.

Eventually all of the stores' perishables---including milk, bread, snacks, pastries and bakery, and

Cravins' sandwiches---will come from the distribution center, located south of Valparaiso. The company's locations currently take daily deliveries of sandwiches and bakery from commissaries in the Chicago area. When the distribution center opens, delivery time will be a fraction of what it is now.



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-Gus Olympidis
Family Express

"It's geographically well-suited for what we intend to do," Olympidis says.

The company's No. 1 concern in perishables right now is milk, he says. Since switching to private-label milk, sales have tripled, he says. Innovative marketing strategies, such as posting milk prices along with gasoline prices and using trucks that "moo" when they pull up to the stores, have helped boost sales.

The distribution facility will make delivering milk to the stores more efficient, says Mike Rasnak, vice president of Family Express.

"Right now we're transferring the milk at one of [our dairy's] plants into our

trucks and consolidating the Cravin's orders," Rasnak says.

New partnership

Another way Family Express execs are adding efficiencies to the business is with a unique supply agreement with wholesaler Eby-Brown. While Eby-Brown has supplied product for the

company for the past 10 years, the new agreement puts Family Express in the distribution position; Eby-Brown simply picks the orders and loads them onto the Family Express trucks.

With the new agreement, the Family Express dry-goods delivery trailers will go straight to the stores. This is the first time Eby-Brown has worked out such an arrangement with a convenience store customer, says Al Palma, vice president of sales for Eby-Brown.

The arrangement works, Rasnak says, because it capitalizes on the strengths and efficiencies of both companies. "They do what they do best: They consolidate and pick the orders," he says. "We have an advantage with our stores and the way we can run our routes."

The agreement with Eby-Brown was signed in early December. While the distribution facility has been purchased, it will take some time to get the center up and running. But the wait will be worth it for Family Express.

"Our ultimate objective is efficiency, and to operate at below zero-cents-per-gallon margins," Olympidis says.