

Homegrown Road Ranger hopes to pass \$1B mark

A winning strategy has helped the business become one of the region's largest companies.

By Rowena Vergara

ROCKFORD REGISTER STAR

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ROCKFORD — At the age of 26, Dan Arnold of Rockford opened his first gas station in 1984 on Forest Hills Road in Loves Park with a \$50,000 loan from AMCORE Bank and some help from colleagues who believed in him.

About 22 years later, Road Ranger has ballooned to 48 stations with its self-branded convenience stores that have translated to about \$650 million in annual sales for the company in 2005.

AMCORE Bank, the longtime institution that's been a part of Road Ranger's growth since the beginning, will most likely share another milestone with the company. By the end of the year, Road Ranger officials have set a goal to double its number of stores while hitting — and possibly surpassing — \$1 billion in annual sales. If that goal is met, it would make Road Ranger the largest Winnebago County-based company in sales, larger than such giants as Woodward Governor of Loves Park and Rockford Health System.

Michael O'Brien, the company's director of acquisitions, says the goal is attainable for Road Ranger, since the company switched its focus from the selling gasoline to in-store sales of food, drinks and snacks. It's a conversion most big gasoline station operators are turning to in order to get consumers to not just buy gasoline, but to spend a few bucks on pop, coffee or a deli sandwich as well.

So far, Road Ranger says the strategy is working.

"We make more profit on one of these than a full tank of gas," Arnold said, referring to a 32 oz. fountain drink for 59 cents.

"Gasoline is not where you make your money (anymore)," Arnold said from his office headquarters at 4930 E. State St. His maroon-colored office with gold accents and mahogany furniture overlooks a bustling East State Street with a Road Ranger gas station in the distance.

Arnold said the next growth spurt will be through acquisitions of smaller gas station chains rather than building new stores. The strategic plan is picking up speed already:

By the end of July, all Citgo gas stations under the ownership of Road Ranger will no longer carry the Citgo name. Road Ranger employees were removing signage at the Road Ranger on Bell School Road in Cherry Valley. That means that Road Ranger credit cards and gift cards will be introduced and Citgo cards will no longer be accepted.

The South Beloit Road Ranger Travel Center will include a BeefaRoo set to open by Sept. 1. Off the Interstate 90 tollway, travelers will be greeted with the venerable, homegrown fast-food chain. Arnold called it a "great combination of two Rockford companies getting together."

Across the Midwest, Road Ranger is seeking opportunities for expansion in Michigan, Ohio, Kentucky and Tennessee as well as Missouri, where it has two locations. Road Ranger also has a presence in Wisconsin, Iowa and Indiana. It will add a McDonald's to its Champaign-Urbana location.

The company's last memorable milestone was in 2004 when it bought 10 Clark stations/convenience store operations and five travel centers under the Pilot name. That year, Road Ranger hit about \$400 million in annual sales. Although they now are a larger Midwest gas station chain, Arnold says "we're still a wannabe, a scrapper."

Thoughts on rising prices

At the forefront of all these acquisitions and sales remains the rising cost of gasoline, which Arnold

and O'Brien say fluctuates rapidly without much control. This week, it soared above \$3 a gallon in the Rock River Valley. It has caused many consumers in the Rock River Valley and nationwide to criticize gas-station operators for price gouging.

Arnold believes Road Ranger offers the lowest prices among any other station in the Rock River Valley.

"We wouldn't be here today if we let anyone undersell us. We buy as well as anybody, and we price aggressively," he said.

O'Brien echoed that same sentiment. "As soon as the wholesale price starts dropping, we will gladly put lower prices on the street. This is not something you want in retailing where you're continually raising prices," O'Brien said.

O'Brien said gas operators' costs have been rising for three years straight at a rapid rate, while demand for fuel is one of its highest points. Road Ranger pumps out about 700,000 gallons of gasoline per day.

What's next

So what is the secret to the company's success? Arnold and O'Brien say their sales come primarily from in-store products of coffee, drinks and snacks and gasoline sales are second. In fact, any gas station operator that solely depends on gasoline to drive their profit "probably won't be in business within the next few years," O'Brien said.

Arnold said Road Ranger, which has influential developer Sunil Puri as one of its larger investors, will start offering 59-cent canned pop inside its convenience stores next week in response to customers' requests.

The company also sees a boon in travel centers, a niche that Arnold said is a growth market many retail gasoline stations are not setting foot in. The travel centers, or "the new term for truck stops" as O'Brien called it, mostly cater to truck drivers who are on the roads for long periods of time. Showers, spacious restrooms and drinks in large supply packs are a few features seen in Road Ranger travel centers.

Road Ranger falls within the six largest grouping of travel centers in the country. They operate more travel centers than convenience stores, O'Brien said.

One thing that is staying constant for the company: its location.

About six months ago, Arnold did consider moving the company's headquarters to the Chicago suburbs, but changed his mind at the last minute.

"We rethought it and we said we wanted to remain where our customers are. We would've gained more national recognition and we would have lost contact with our customers so the recognition would have been short lived," he said, laughing. Arnold makes it a point to visit one Road Ranger store every day.

"Rockford is a good place for Ranger because of the professionals here that continue to help us grow our business all these years later," he said.

Staff writer Rowena Vergara may be reached at rvergara@rrstar.com or 815-987-1341.

Billion-dollar firms

The \$1 billion mark in annual sales is a rare mark. Only two companies based in the Rock River Valley pass that level each year.

Regal-Beloit Corp., based in Beloit, Wis., has \$1.4 billion in annual sales. The company is a mechanical motion-control and power-transmission products manufacturer.

ABC Supply Co., based in Beloit, Wis., had \$2 billion in annual sales in 2004, according to Hoovers.com. It's a leading national supplier of roofing, siding, windows, doors and related builders' supplies and is privately owned by Ken Hendricks and his wife, Diane.

Woodward Governor, based in Loves Park appears to be the closest thing to a \$1 billion company in Winnebago, Boone and Ogle counties. Woodward, which makes industrial controls and aircraft engine parts, had sales of \$827.7 million in 2005, up 16.6 percent from 2004.

Source: Register Star research

Road Ranger, LLC

Headquarters: 4930 E. State St., Rockford

President and founder: Dan Arnold

Background: Arnold started Road Ranger in 1984 with one gas station in Loves Park. He sold the chain in 1990 to Phillips Petroleum to pursue real estate development until 1997. The Road Ranger company is only nine years old under Arnold's direction. It considers itself a larger Midwest chain with operations in Wisconsin, Illinois, Missouri, Iowa and Indiana so far. The chain operates more travel centers, however, than gas station and convenience stores.

Past annual sales: \$650 million in 2005, \$400 million in 2004

Projected annual sales by end of 2006: \$1 billion

Employees: 450

Source: Road Ranger