

# Gas seller pursues truck and auto niche market

By Bob Tita  
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Gas station operator Road Ranger LLC is moving into the fast lane when it comes to expansion.

The company wants to boost the number of stations it operates nationwide to 100 by 2008, from 48 stations currently. Privately held Road Ranger added 15 stations in the last two years and expects to open 20 more in the next 12 months.

Rockford-based Road Ranger's strategy is to choose sites in places that have been overlooked by truck stop industry giants like Utah's Flying J Inc. and Pilot Travel Centers LLC of Tennessee.

Road Ranger's current station lineup is focused on the Midwest. Thirty-four of its 48 stations are in Illinois, though its Chicago-area presence — one each in Lombard and Marengo and two in Northwest Indiana — is fairly limited.

Its latest expansion plan will add locations in the Midwest and also Mid-South states such as Missouri, Kentucky and Tennessee.

Road Ranger sees its core customers as a mix of local motorists and regional truckers who often use secondary highways to make pickups and deliveries. Since those truckers typically begin and end their days at a home terminal, Road Ranger's sites don't require dozens of acres of parking lots to accommodate long-haul truckers who want to sleep in their trucks.

"We want to be where the big boys are not," says President Daniel Arnold, who opened his first station 22 years ago. "If a truck has a sleeper (cab), it's theirs. If it doesn't, it's ours."

Months of soaring gasoline prices earlier this year are expected to help push Road Ranger's top-line sales to nearly \$1 billion in 2006 from \$400 million in 2005. But gasoline is a loss leader for Road Ranger and other

filling stations. Fuel, especially if it's priced below competing stations, gets motorists to stop at a station but yields just a few pennies of profit per gallon for station owners. Road Ranger relies on its convenience stores and restaurants to generate the bulk of the company's profits.

## **CONVENIENCE PAYS OFF**

"The stable money is in the convenience stores and running a good restaurant," says Mr. Arnold, 49, who sold his original chain of seven stations in 1990 and restarted the company from scratch in 1997.

Motorists are usually willing to buy coffee, soft drinks, sandwiches and candy bars at a hefty markup in exchange for fast service and convenience. And Road Ranger added fast-food franchises in recent years. The company operates Subway sandwich shop franchises at 15 of its stations and plans to add five more in the coming months.

Industry observers say expansion will allow the company to buy fuel and merchandise in larger quantities, extracting lower prices from suppliers and ultimately generating higher profit margins on everything from gasoline to candy bars.

But with new stations costing as much as \$5 million each, Road Ranger also depends on high customer volume and low overhead to recover its start-up costs. This summer, Road Ranger stopped featuring Citgo gasoline at its stations after concluding that paying to use a well-known brand name wasn't worth the expense. The company gets its fuel from Marathon Oil Corp. and BP PLC and sells it under the Road Ranger name. Industry experts say private-label gas is increasingly common, as big-box retailers like Sam's Club and Meijer open stations with gas under their own names.

## **PRICE MATTERS — NOT BRAND**

"Gas is becoming more of a generic item," says David Sykuta, executive director of the Illinois Petroleum Council in Springfield. "Most people are price-driven on gasoline. There's less emphasis now on having a major flag attached to it."

Mr. Arnold considers Road Ranger's move to dump gas from Venezuelan-owned Citgo particularly well-timed in the wake of customer

outrage over Venezuelan President Hugo Chavez's recent disparaging comments about the U.S. and President George W. Bush.

"It's an example of how quickly you can suffer from who you're branded with," he says. "Our convenience store customers are in a better mood (than Citgo customers) when they walk in the door."

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