



QuikTrip

Perhaps surprisingly, there are a lot of convenience store chains with ESOPs or other forms of broad-based employee ownership. These companies seem uniformly successful as well. While turnover is very high in this business, if a company can reduce that significantly, it can lead to higher customer retention, lower training costs, and better ideas from employees about operating their locations. One of the more remarkable of these chains is QuikTrip, a Tulsa-based chain of 467 stores with 8,500 employees.

QuikTrip operates stores in the Midwest, Southeast, and Southwest. It has had an ESOP for 10 years, but the ESOP is just one of a list of benefits, the most important of which is above-market pay. A store manager in Oklahoma, for instance, makes about \$55,000 to \$60,000 per year. That flows directly from the corporate philosophy of fair play, including paying people enough to make a decent living. All full-time employees (65% of the work force) qualify for health insurance that pays 85% of total plan costs, dental insurance, life insurance (twice the prior year's earnings), and vision care. Part-timers can enroll in a health care plan after 30 days; at their second anniversary, they can enroll in the standard plan offered to full-time employees. QuikTrip matches 401(k) contributions at 50% up to the first 6% employees defer and has a profit sharing plan as well. Vacation benefits are generous, starting at two weeks after one year and rising gradually to five weeks after 15 years for store employees. There is sick pay, tuition reimbursement, an employee assistance program, and many other benefits. All of that is part (if only part) of the reason QuikTrip was ranked 21st on the *100 Best Places to Work For* list this year.

The ESOP

QuikTrip is a closely held company with over one hundred long-time individual shareholders. The Cadieux family is the majority shareholder. The ESOP was set up 10 years ago and recently formally integrated as the match to employee deferrals to the 401(k) plan. Three years ago, the company was nearing 500 shareholders, meaning it would become a de facto public company, subject to all the reporting requirements and Sarbanes-Oxley rules listed companies face, but with none of the capital raising benefits. A variety of options were considered, including entering the public market, but the company decided the ESOP provided a better mechanism. By providing a market for the many small shareholders ready to sell, the ESOP moved the number safely under 500. The ESOP owns 9% of the company. There is a five-year vesting schedule. In 2006, the company contributed \$10 million to the plan.

Bonuses

All full-time store employees qualify for a monthly store bonus, based on store profits and a customer service assessment score. The customer service score is based on a "mystery shopper" program. The bonus can amount to 20% to 25% of pay. Managers receive a small (10% of pay) additional bonus based on employee retention. Part-time employees receive a tenure bonus, with an additional 25 cents per hour for each six months still on the job, plus a 25 cents per hour raise. Because there are so many moving parts to compensation, management describes how pay works in some detail, with an optional "Compensation 101" course available.

Feedback and Promotion

Store managers and assistant managers have access to a significant amount of data about their store's performance relative to other stores, including:

- Cash audit accuracy
- Inventory shrink
- Store profitability
- Customer service scores (based on "secret shopper" visits)
- Attendance

The details provided in the report were developed in large part to respond to employees, who said they wanted more critical feedback about how they were performing.

The scores are a major part of promotion. QuikTrip is unusual in that two-thirds of its corporate management personnel started at the entry job level in a store, including the CEO. Many others started in entry levels jobs in the corporate office. To get a promotion, employees must be recommended by supervisors, who put you on a promotions list. If an employee does not make the list, there is an action plan worked out noting what employees must do to increase their promotability. If an employee goes off the list, they can earn their way back if recommended. Employees who stay in the same position for two years automatically receive career counseling. Some might get transferred to another store (where they may improve under new management, for instance); some will decide to leave, some may not be interested in promotion and are happy where they are. In general, however, QuikTrip would prefer employees move up, such as to an area supervisory job. That may not be true of the customers, however. Surveys found one of the things customers liked best about a convenience store is employees who remember them.

Performance

Kim Owen, HR Director at QuikTrip, says "we expect our employees to treat our customers well. They in turn expect QuikTrip to treat them well. It's a great formula." ■