

# Growing at a Good Clip

The shiny new trucks of Capitol Distributing are a familiar sight on northwestern highways as they service some 250 convenience store accounts in Idaho and five other states. Like its home base of Boise, the company has been “growing at a good clip,” says Capitol Distributing President Cory Jackson. His secret?

founded in 1984, Jackson observes. Life was much simpler then. C-stores could do well selling cigarettes and fuel. Salesmen wrote orders by hand in the field and small trucks and vans were all that was needed for delivery.

Not today. Tobacco sales are declining, fuel costs are climbing, and IT has revolutionized the entire trans-

Today’s client may be gobbled up in yet another acquisition that is part of the current pattern of consolidation.

But business is still business. Providing your customers with the goods and services that they need and want is the key to success. If your customer is a retailer, then a wholesaler must think like a retailer, Jackson says. That’s one reason he looks for retail experience when hiring. His sales personnel have operated stores themselves for the majority of their careers. Their own retail experience factors into the decisions that meet the needs of their c-store clients.

“Our sales folks know what sells and what doesn’t,” Jackson explains. “They know how to set a store and they know how to educate a c-store owner about getting the most out of the store. The owners find that very useful.”

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“Set clear goals and have good people working for you.”

Adapt to the times, he might add. The c-store industry and the role of a wholesale distributor have changed significantly since the company was

action and operations systems. A changing product mix that includes many more food items demands more sophisticated modes of transportation. C-stores are facing increasing competition from other channels.

## AT A GLANCE

### Capitol Distributing

**Headquarters** Meridian, ID

**Number of Employees** 60

**Categories** Cigarettes/tobacco, beverages; candy/gum/mints; refrigerated and frozen foods (sandwiches, dairy, meat snacks, deli meats); cleaning products; paper and plastics; automotive & oil

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### A good fit

Jackson himself has plenty of experience with retail. He joined Capitol Distributing in 2001 after a five-year career with Texaco Refining and Marketing in Phoenix as a retail marketing consultant operating c-stores. His family owns Jacksons Food Stores, one of Capitol Distributing’s largest clients.

A hands-on, people-oriented executive, Jackson tries to spend half his work time out in the field meeting people.

“I love the interaction with customers,” he reveals. “I like to hear their concerns and what they have to say.”

Jackson is particularly fond of the task of resetting c-store shelves and

by Cecelia Blalock

says he gets involved in about 80 percent of new store sets.

He's also a big advocate of AWMA's annual REAL DEAL EXPO, which he's attended for the past five years.

"I always find something new," he says. "I've bought software, stampware, consultants, trucks, ramps and other things I found at the convention. It's good to learn what's going on. My team back home loves it. I come back from the convention with all sorts of ideas and start spending money."

### **Demand for more and different**

The decline in tobacco sales and the changing character of c-stores have created new demands for a wider variety of products, of which both frozen and refrigerated food is a main component. Capitol has expanded the number of SKUs it carries, some of which are traditionally DSD items. The addition of the Lettieries', Deli Express, Mrs. Freshley's and Toronados lines have driven growth in the frozen area. Capitol now offers dairy items, meat and cheese, as well as an expanded beverage selection, fresh fruit, lettuce, onions, and Uncle Ray's Potato Chips.

Greater focus on food drove Capitol to expand its warehouse capacity. In January, Capitol more than doubled its warehouse space by acquiring 3.7 acres of land and a 62,000-sq.-ft. warehouse adjacent to its existing warehouse. Plans call for the construction of a building to connect the two warehouses to create 115,000 square feet of space. Further



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development of the available land could provide up to 150,000 square feet of warehouse space. It's all part of a growth strategy designed to move Capitol from #1 in Idaho to #1 in the entire northwest.

### **Driving business**

Transportation is a key element for any wholesale distributor, particularly when there is food involved. As part of its growth strategy, Capitol invested in new trucks. Each has multiple compartments with individual temperature controls to accommodate frozen, refrigerated and dry goods items.

"It was an expensive adventure but with transportation and fuel costs going so high, the more products you can put on a truck the more you can reduce costs," Jackson says.

The new trucks also are a good advertisement for the company. Image is very important to Jackson. Trucks are cleaned regularly, both inside and outside. Drivers wear clean, distinctive uniforms that bear both an American flag and their name tag. Many drivers like to wear hats so Capitol provides them free to its drivers.



*Capitol uses a number system on its totes to organize the inventory both at warehouse and inside retail stores.*

Jackson admits that appearance is a "pet peeve" of his and that he's a "fanatic" about having Capitol's drivers "look sharp." "It's important when you have anything to do with food," he explains.



*The company expanded its warehouse space in January when it purchased a 62,000-sq.-ft. warehouse adjacent to its existing warehouse.*

Capitol's drivers play an important role in business operations as well.

"Drivers are a key focus of mine," Jackson says. "I meet with them regularly. We have low turnover and I pay them well. The drivers are integrated with our sales people. All of them have cell phones and there is a lot of dialog between them. If we have a problem with one of our customers, the driver is involved in the conversation. The drivers build a good relationship with their stores and often our customers object if we try to switch a driver to a new route. That is one of the reasons we are successful."

### Two-edged sword

Consolidation within both the c-store industry and the distribution industry offers both threats and opportunities. If a c-store client is bought out, a wholesaler can find itself with one less customer. Capitol deals with this

threat by aligning itself with a few key regional c-store chains.

"So far we've been successful with that," Jackson reports. "The stores we work with have been successful. But nothing is certain. We know we could wind up on the wrong side tomorrow."

Another way to combat the consolidation challenge is for Capitol to help its retail partners be as successful as they can by eliminating costs from the system. Vendor consolidation has been one focus. Retailers can purchase supply items like printer cartridges, tank sticks, water pastes, and postage stamps from Capitol, reducing the need to buy from other vendors. The wholesaler is evaluating other products that may help minimize multiple vendors.

"C-stores often have 25 deliveries in a week," Jackson observes. "That is an awful lot. We've worked with other dis-

tributors to see if we can work together to put products on their trucks. It drives costs out of the system."

### The name of the game

Retail customers are asking for and demanding increased levels of IT support from their wholesalers in ordering, invoicing, movement reports, etc. Even the little guys are moving into IT, especially in scanning and backroom operations. Capitol offers reporting systems that take the guesswork out of product selection by showing the top 10 brands in each category along with the 10 lowest selling brands. Invoices can be separated by totes, and totes are labeled with information on the contents, quantity, and total number of totes in each case.

Capitol can provide retail shelf tags with a system that manages pricing once retailers have set pricing guidelines. When a manufacturer changes prices, a new shelf-ready tag is printed and delivered with an order. This is particularly popular with smaller retailers.

"IT has become the nerve center in this industry," Jackson says. "It is very critical. You have to stay ahead of the curve. It's a real challenge and very expensive."

Among the challenges is finding the IT vendors that sell the type of equipment Capitol is looking for.

"There's been a lot of consolidation in the IT world," notes Jackson. "We need an IT vendor that will be there for us. We've spent a lot of money on IT and that will only increase."

With its expanded warehouse capacity and substantial investments in new trucks and IT systems, Capitol is poised for continued growth.

"Idaho and the northwest are the fastest growing areas in the country," Jackson says. "A lot of people are moving here and there are a lot of changing needs. We're right in the middle of all that and we plan to take advantage of it." □

*Cecelia Blalock is a writer based in Jessup, MD.*