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THE WHITE HOUSE

JUN 03 2014

May 12, 2014

Donald Zietlow
La Crosse, Wisconsin

Dear Donald:

I want to thank you for your commitment to the Partnership for a Healthier America in support of *Lets Move!*, and I hope you know how much I appreciate all Kwik Trip is doing to improve the health and wellness of our Nation's young people.

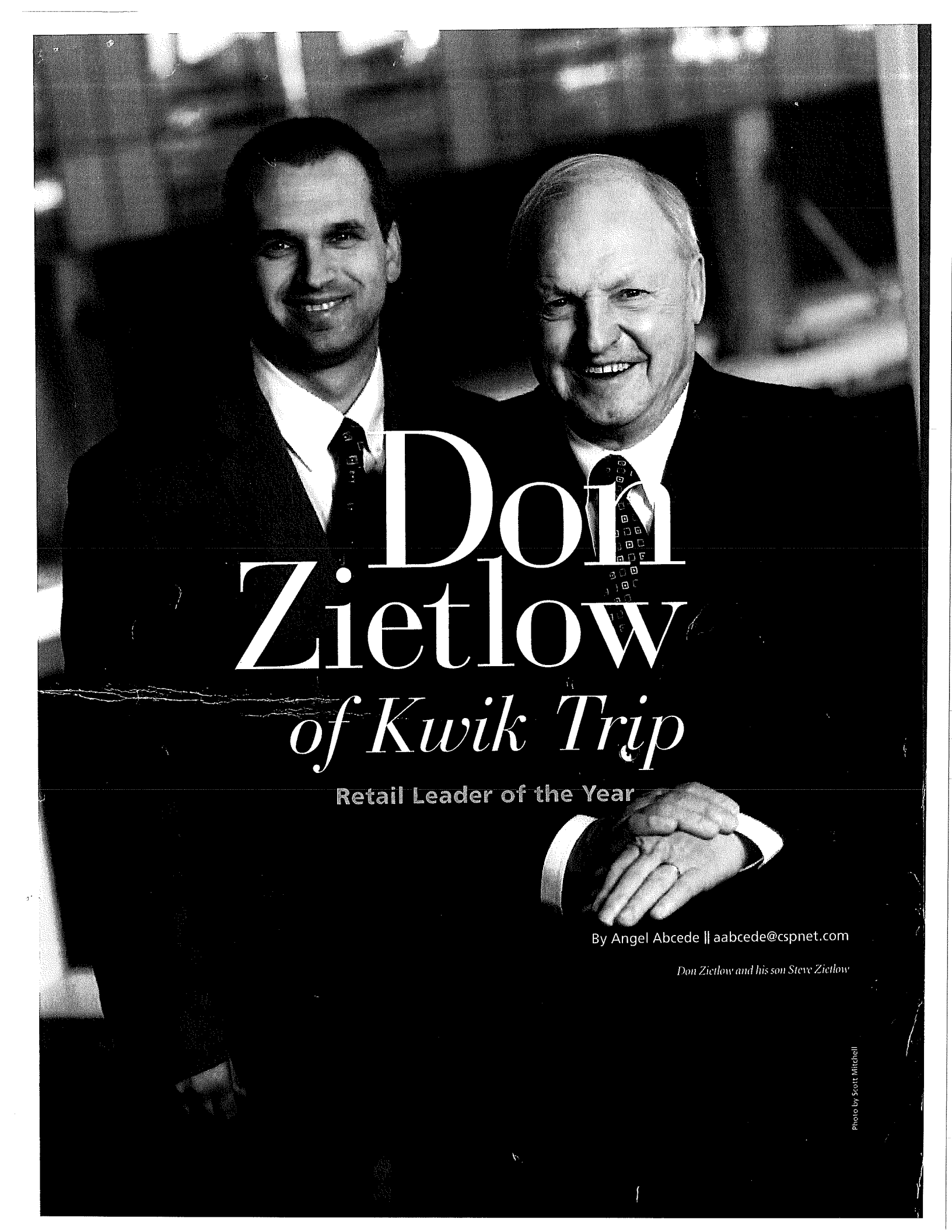
It's hard to believe that it has been four years since we first started our *Let's Move!* initiative. Over the years, we have seen educators, entrepreneurs, law makers, businesses, community leaders, and health care professionals come together to help ensure our children can learn, grow, and succeed. Kwik Trip is helping change the way our country addresses the childhood obesity epidemic, and for that I am incredibly grateful.

As you know, the Center for Disease Control and Prevention released a report showing that childhood obesity rates have declined for some of our Nation's youngest children. This announcement reaffirms my belief that together, we are making a real difference in helping kids across the country get a healthier start to life.

I truly believe our strength as a country and our ability to responsibly shape our future depends on solving this challenge, and Kwik Trip is vital to our success. Thank you again for your leadership on this issue, and I wish you all the best.

Sincerely,

Michelle Obama



Don Zietlow

of Kwik Trip

Retail Leader of the Year

By Angel Abcede || aabcede@cspnet.com

Don Zietlow and his son Steve Zietlow

If any convenience chain were a reflection of its owner, it would be Kwik Trip.

Don Zietlow has built a \$4.2-billion business on selling life's simple necessities and living by the simple rule of doing unto others.

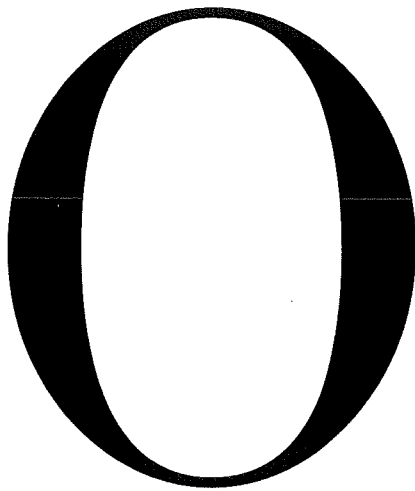
But if life were simple, assembling a 433-store, vertically integrated chain would be commonplace. And there's nothing common about Kwik Trip, nor the people behind its success.

Since its inception in 1965, La Crosse, Wis.-based Kwik Trip has evolved into a regional icon, finding profit in knowing what the customer wants and coming up with the best, most efficient way to deliver. For Zietlow, that meant taking control of the supply chain, spending more than \$1 billion on a foodservice infrastructure and pairing the Golden Rule with a hunger to be the best.

But building a complex, enduring business was never the end goal. For Zietlow, the people who work for Kwik Trip are its most vital resource and the reason the chain strives for excellence. It's their humility, generosity and determination to improve their communities that makes Kwik Trip successful in his eyes.

To that end, Zietlow has practiced a thoughtful yet driven leadership style that led CSP to name him its 2012 Retail Leader of the Year.

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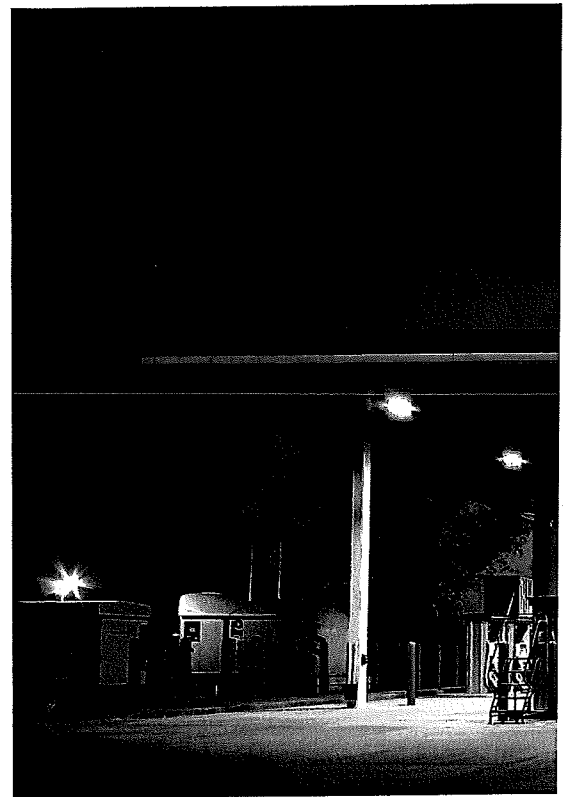
ne of the coolest things in Kwik Trip's bakery/commissary/dairy complex is a new, 20-foot-tall robotic arm that picks up large baking trays with a kind of magnetic suction and moves them from one roller belt to another. It's like something from an automobile assembly line.

Then there's the doughnut-glazing conveyor, the sandwich-packaging machine and, of course, the hulking device that fills thick plastic bags with Kwik Trip milk.

Not that automation is more interesting or important than people, but these formidable machines symbolize a business that's serious about what it produces. Kwik Trip makes what it sells—much of it, anyway. And in that ownership, the chain transcends the mechanical and moves into that hard-fought, hands-dirty Midwestern sensibility: a pride derived from making something yourself.

That's the innate quality resonating from the chain's employees, its leadership and most certainly its owner and CEO, Zietlow.

To know Kwik Trip is to know Zietlow. While a humble person and one to immediately credit his team before taking any himself, Zietlow, 77, has made an indel-



ible impression on the convenience chain he heads. Like every good leader, he leads by example, driven by a combination of simple but undeniable truths: Do unto others, be the best and make a difference.

Zietlow will talk about the backbreaking work he did early in his career: The job as a truck driver that had him up at 4:30 a.m. pulling loads from La Crosse to meat plants in Albert Lea, Minn., and Waterloo, Iowa. The six-day-a-week schedule that had him openly complaining about how hard he worked for so little. The one with the supervisor who

A Kwik History of Time

For a c-store chain to go from five stores to a three-state powerhouse of 433 is no easy feat. Here's a timeline of milestones:

1970s		1980s	
1965 First store opens in Eau Claire, Wis.	1970 Kwik Trip introduces gasoline.	1971 Company grows to five stores.	1972 Don Zietlow and John Hansen establish ownership positions.
		1975 Commissary established.	1980 Warehouse distribution center opens.
			1981 Dairy plant opens in Caledonia, Minn. (and moves to La Crosse in 1984).
			1983 Chain reaches 50 stores.
			1985 Kwik Trip opens first travel center with a restaurant, establishes bakery.
			1986 Acquisitions help chain reach 100 stores.

Future Fuels: As with foodservice, Kwik Trip constantly looks to the future. It opened its new flagship fueling station for CNG and biofuels earlier this year.

KWIK TRIP



told him to either shut up or leave. And when he decided that if he were in the position to properly reward people for their hard work, he'd do it.

But that revelation was more of a focal point, an epiphany for someone already intent on doing good.

Formative Years

Zietlow did not have an easy upbringing. His father, Elmer Zietlow, died when Don and his brother David were boys, and the struggle to make sense of the loss played a big role in who Don became, what would

motivate him at the core.

He had a stutter, one his wife, LaVonne, described as keeping him from putting four words together. (Humorously, she recalls, "It took him 10 minutes to ask me out on a date.") But it also made him a target at school. And it kept him from pursuing the career path he wanted: ministry.

Still, Zietlow grew up with stability, raised by strong women in his mother, Helen, and his Aunt Emma, as well as her husband, Paul. And his Lutheran upbringing introduced role models in his pastors and, in a broader sense, the

church community.

The dueling elements of fortitude and frailty would instill in him an internal drumbeat, a drive to produce, provide and ultimately win.

It led him into business and the trucking position in the 1950s that would focus his drive, taking him from meat delivery to supervising grocery stores. Oddly enough, the success of Kwik Trip overshadows his equally notable career as a grocer: He rose through the ranks to become president of Gateway Foods, then a division of Reinhart Foodservice, Rosemont, Ill.

1990s

2000s

2010s

1989

Zietlow and Hansen become sole owners.

1996

120,000-square-foot warehouse constructed. Kwik Trip reaches 250 stores.

2000

Bakery expansion completed. Zietlow family purchases Hansen family interests.

2002

Work on hot food program begins.

2004

Warehouse and dairy expansions complete.

2009

Kwik Trip wins CSP-Service Intelligence Mystery Shop. Wins twice more over next three years.

2011

First phase of 80,000-square-foot bakery expansion completed.

2012

Don Zietlow accepts CSP Retail Leader of the Year honor on behalf of himself, his family and his employees.

Source: Kwik Trip Inc.

Kwik Facts

Assessing a leader can be a matter of metrics, milestones and minutiae. Here are a few that may merely start to define the breadth of Don Zietlow and his team's accomplishments:

\$4.2 billion
Retail sales in 2011

875 million
Gallons of gasoline sold

433
Total number of c-stores and tobacco outlets

39 million
Cups of hot beverages sold

14 million
Fountain cups sold

13 million
Roller-grill items sold

353 units per store per day
Hot Spot foodservice program

193 units per store per day
Fresh foodservice case volume

Source: Kwik Trip Inc.

Gateway owned five c-stores in the 1960s, which Zietlow bought with a business partner, John Hansen, in 1972. That's when Kwik Trip's true history begins. Reinhart remained a third partner in the business as it grew.

Reinhart would eventually sell Gateway Foods in 1989 and part ways with Kwik Trip. Hansen and Zietlow would be equal partners until 2000, when a divergence of goals—including the continuance of its already lucrative employee-benefits plan—motivated the Zietlow family to buy the company outright.

To ensure family ownership, Zietlow has already transferred the business to his three children: Steve, who manages the petroleum side of the business; Vicky Kunz, who participates in Kwik Trip's donation committees; and Scott, who is chairman of the Kwik Trip board and a physician at the Mayo Clinic in Rochester, Minn. This move and giving the chain's real estate to its employees helped as far as taxes due upon the owner's death, which could potentially force a sale or raise issues with the company's stock.

Risk Taker

In many ways, Kwik Trip became Zietlow's clay, an opportunity to mold a business in the values in which he so believed.

Many talk of how adamant Zietlow can be regarding certain aspects of the business, especially when it comes to visionary, big-picture elements. Zietlow's

grandson, Mark Zietlow, talks of a "confidence" his grandfather has about where the company should go.

"That confidence is a tough thing to get around ... and tough to build and maintain," he says. "It's a tremendous quality, something to be admired."

"Don is a risk taker," says LaVonne Ziet-

"Don will be the last one to take credit when things go right and the first one to take the blame if something goes wrong."

low. Over the years, "his partners clashed over borrowing money. Don said, 'You have to borrow money to make money.'"

Yet one of the things he seems adamant about is being upbeat and having nice people around him. Steve Loehr, vice president of support operations for Kwik Trip, recalls a time when a journalist came to interview Zietlow. Not knowing what the Kwik Trip owner looked like, she hap-

pened to meet a nice gentleman as they both entered the corporate building. He opened the door for her and started a friendly conversation. She was shocked to find out it was Zietlow.

"People are always telling us the thing about our company is: The further up in management you go, the nicer people get," Loehr says.

But don't mistake nice for meek. Nice as a management style, at least with Kwik Trip, means little micromanagement and a ton of trust building. "Don will be the last one to take credit when things go right and the first one to take the blame if something goes wrong," Loehr says. "We'll discuss what needs to get done and he'll get out of our way."

Where does the confidence to let go come from? As much as Zietlow exudes a genuine, caring nature, he's also a numbers person.

LaVonne and many Kwik Trip employees attest to Zietlow's ability to compute numbers in his head. In an interview with *CSP* in 2009, when the chain won the magazine's annual mystery-shop program for the first of three times, Zietlow spontaneously updated a company statistic in his head, adding six-digit figures and coming up with a total. So it's no surprise to find out he enjoys numbers games and has a passion for cribbage.

All this is to say that as much as he trusts in people and his personal faith, he trusts numbers. And numbers don't lie.



Embracing Foodservice:

Kwik Trip has foodservice in its DNA, offering items such as coffee, fountain, burritos, salads, bananas and doughnuts.

Over the past four years, Kwik Trip has managed record profits, even as the rest of the economy struggled through the worst recession in decades.

Vertical Strategy

The numbers and his years as a grocer brought Zietlow to the Holy Grail of vertical integration, with the company seeming to grow at both ends of the supply chain. With acquisitions mounting through the 1980s—17 Wolters Mini Marts in Iowa in 1985 and 54 Kickapoo stores in 1988 in Wisconsin—and new builds putting meat on the chain, as it were, Kwik Trip slowly gravitated toward manufacturing.

Its first commissary was built in 1975, making sandwiches behind the Losey Boulevard store in La Crosse. A few years later, the company bought its first used straight truck. A warehouse distribution center came in 1980, and the bakery in 1985.

Today, the commissary that started out making 24,000 sandwiches a year now

produces 13 million food items annually from a 60,000-square-foot facility built in May 2007. That first truck is now 62 fuel tankers, 49 grocery semis and 35 straight trucks. The warehouse gave way to a new facility in 1996, which the company expanded three times, in 2000, 2004 and 2010—ending up at 220,000 square feet. Also in 2010, the company completed an 80,000-square-foot addition to its 68,000 square-foot-bakery, upgrading with new equipment in the process.

“I’m sure they’d rather be spending money on the stores,” says Doug Ingle, who works in the Kwik Trip bakery. “But they know that to support the stores, you need to throw in money.”

Ingle says that with current improvements, “we’ll be set for what we think is 10 to 15 years, but with our growth rate, that 10 to 15 years amounts to seven or eight.”

Zietlow traces the renewed commitment to foodservice back to 2002, when the company introduced a display case

of food items, called Hot Spot. He knew declining tobacco sales and growing fuel volatility was stifling the business, and that Kwik Trip would have to make a major shift to stay viable.

Over the past decade, the investment into facility expansion, manufacturing equipment, labor and expertise—including the development of an in-house food inspection and testing laboratory—moved into the seven-figure range and turned into one of the company’s biggest gambles.

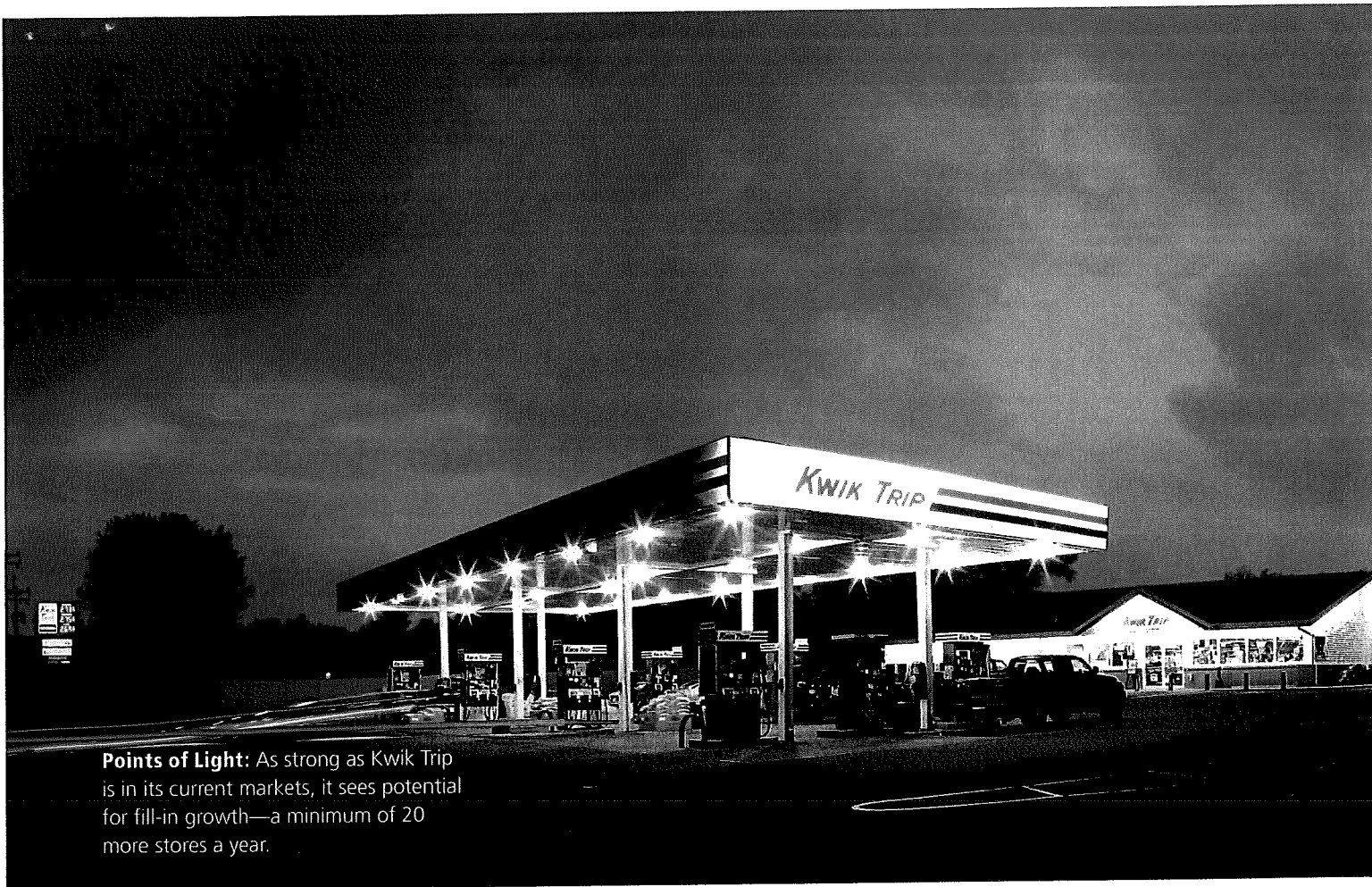
Part of that investment was developing a new foodservice culture. When that shift started, Kwik Trip had a policy of hairnets and gloves for anyone handling food, says Marty Putz, food safety and quality assurance for the chain. But even after training the staff, he would see zone and district leaders not wearing them. “They’d say they were just going in to help for 5 minutes,” Putz recalls. “But we’d say, ‘Aren’t you still making food?’”

A stronger auditing process, as well as a move to hire individuals with a food-handling background, has changed the mindset, Putz says. And with those new hires now rising up into zone and district ranks, the issue of hairnets and gloves is a thing of the past.

Steve Zietlow, Don’s son and head of the company’s petroleum division, never doubted his father’s vision. “With regulations, people not wanting to smoke, we needed to focus where we are getting ... profits from,” he says, “which led us to food and commodities, things we produce that attract the largest amount of people, that every household needs and uses.”

Fresh Secrets

Closely tied to Kwik Trip’s manufacturing advantage is its delivery system. Zietlow says daily delivery is crucial to customer



Points of Light: As strong as Kwik Trip is in its current markets, it sees potential for fill-in growth—a minimum of 20 more stores a year.

perception and the truth of freshness. Every night, trucks make deliveries so that everything with a short shelf life is on display by 5 a.m. Once an item sells, automated processes place a new order at the commissary for the next day.

The Achilles' heel of the paradigm is proximity. With its manufacturing and distribution facilities in La Crosse, the chain can't move past its 300-mile radius, which covers Wisconsin and areas of Minnesota and Iowa.

But Zietlow believes much of the company's current market area is ripe for new builds, seeing no reason why it can't keep its 20-store-per-year growth rate on track into the next decade.

Though outward expansion and density goals appear set, what's offered inside the store is a shifting variable. The company has its stalwarts, including its signature bananas, Glazers doughnuts and \$1 Wednesday cheeseburgers. But it also carries a wide variety of baked goods,

foodservice items and dairy products.

Its bakery produces seven varieties of packaged goods and 48 bakery items. It makes 120 regular-sized doughnuts and 150 loaves of bread per minute, going through 40,000 to 55,000 pounds of flour per day. Its commissaries and kitchens produce pizzas, salads, sandwiches, subs, burritos, soups and yogurt parfait cups. The dairy makes 15 million gallons of milk, 2 million gallons of orange juice and other drinks, and 600,000 gallons of ice cream annually.

Its fruit and renowned 38-cents-per-pound bananas come from global suppliers, moving up from Texas to La Crosse. Kwik Trip has five ripening rooms with 80,000 pounds of capacity, where bananas sit before being trucked to stores.

The vertical integration ultimately means a value price. Besides good values on bananas, other basics, such as eggs, milk and bread, are competitively priced. In a faceoff with area stores from Ben-

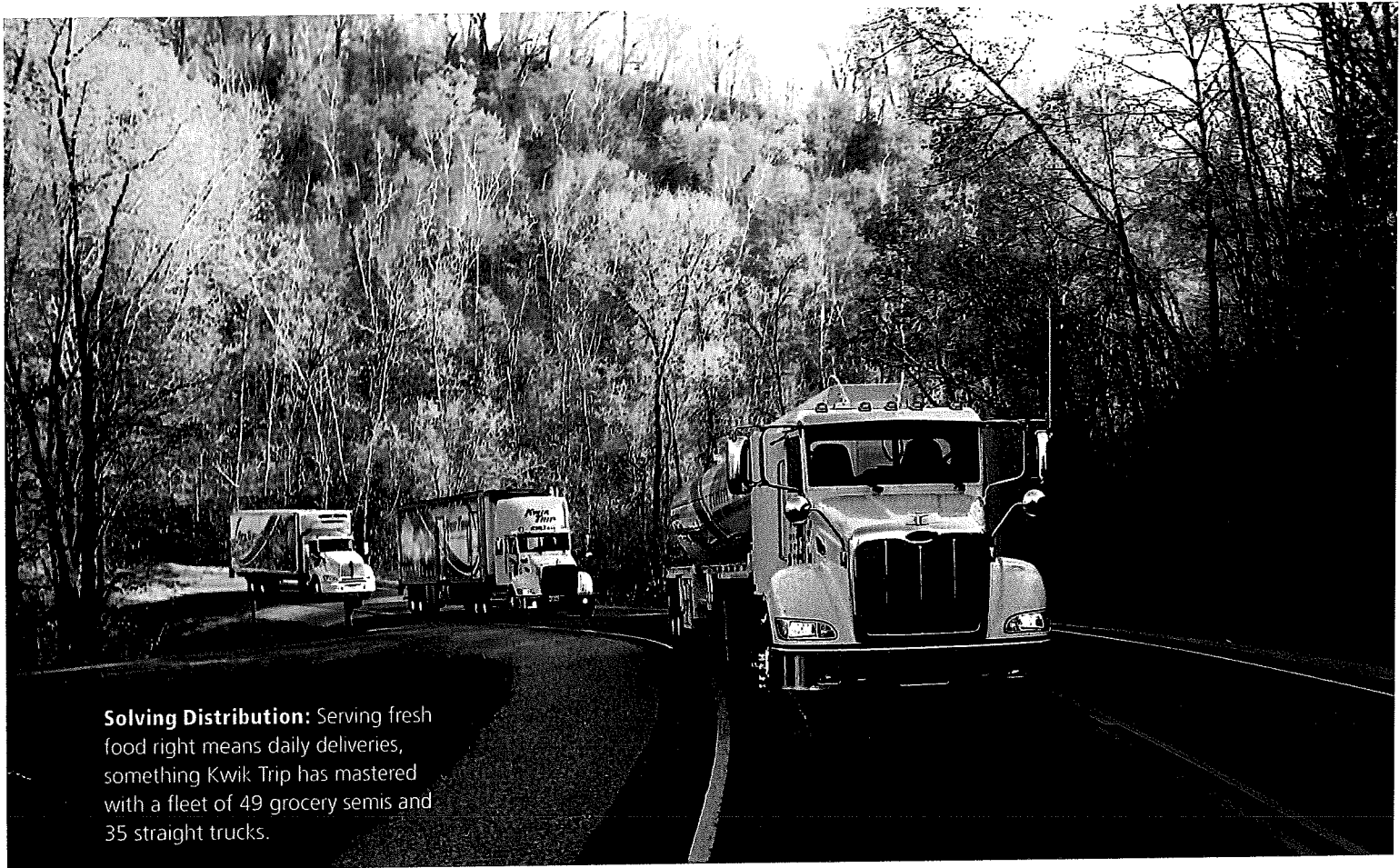
tonville, Ark.-based Walmart, Kwik Trip assessed its prices to be almost 50 cents cheaper on a 2% gallon milk jug, 17 cents on a half-gallon jug of orange juice and 8 cents on a pound of bananas.

While not assuming Kwik Trip will replace that grocery trip to Walmart, Zietlow believes his c-stores will be where people go to replace what they run out of during the week.

"When it comes to commodities, we should be able to buy flour as cheaply as Walmart does," Zietlow says. "You've got to take costs out of the system, and you've got to give value to the customer."

Walking the Walk

That value equation doesn't stop with price. Several years ago, Zietlow suggested to his team that the stores stop charging fees at its ATMs, a stream of income in the millions that would just disappear. "It was a lot of money," Loehr says, but doing so led to higher transac-



Solving Distribution: Serving fresh food right means daily deliveries, something Kwik Trip has mastered with a fleet of 49 grocery semis and 35 straight trucks.

tion volumes, increased store traffic and a ton of goodwill.

Internally, the Zietlow family has established how nurturing, supporting and rewarding its own people leads to the kind of customer service and store-level execution that makes a compelling case for consumers.

In 1989, Zietlow came full circle from his arduous career as a truck driver, establishing the company's 40% profit sharing among employees—an unprecedented amount for any business, in any channel. It has led to one of the industry's lowest turnover rates, 24%—nearly a third of rates for top-quartile companies among non-managers, 66.9%, per the NACS State of the Industry Survey of 2011 Data.

Employees with at least five years of service own Kwik Trip's property, including any store built since 1989. On the employee's fifth anniversary, he or she receives a unit share per year.

Appreciation for the company's benefit packages is certainly a part of why the

“You’ve got to take costs out of the system, and you’ve got to give value to the customer.”

chain has kept turnover low and ranked high among local media for best places to work. But Kwik Trip also has a reputation for growth, stability and strategic vision. Brad Clarkin, warehouse superintendent for almost three years, says the chain is known for “hiring the right people and putting them in the right places.”

New Frontiers

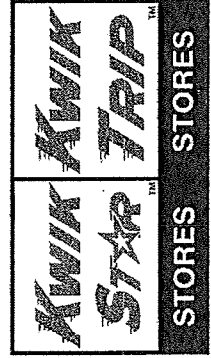
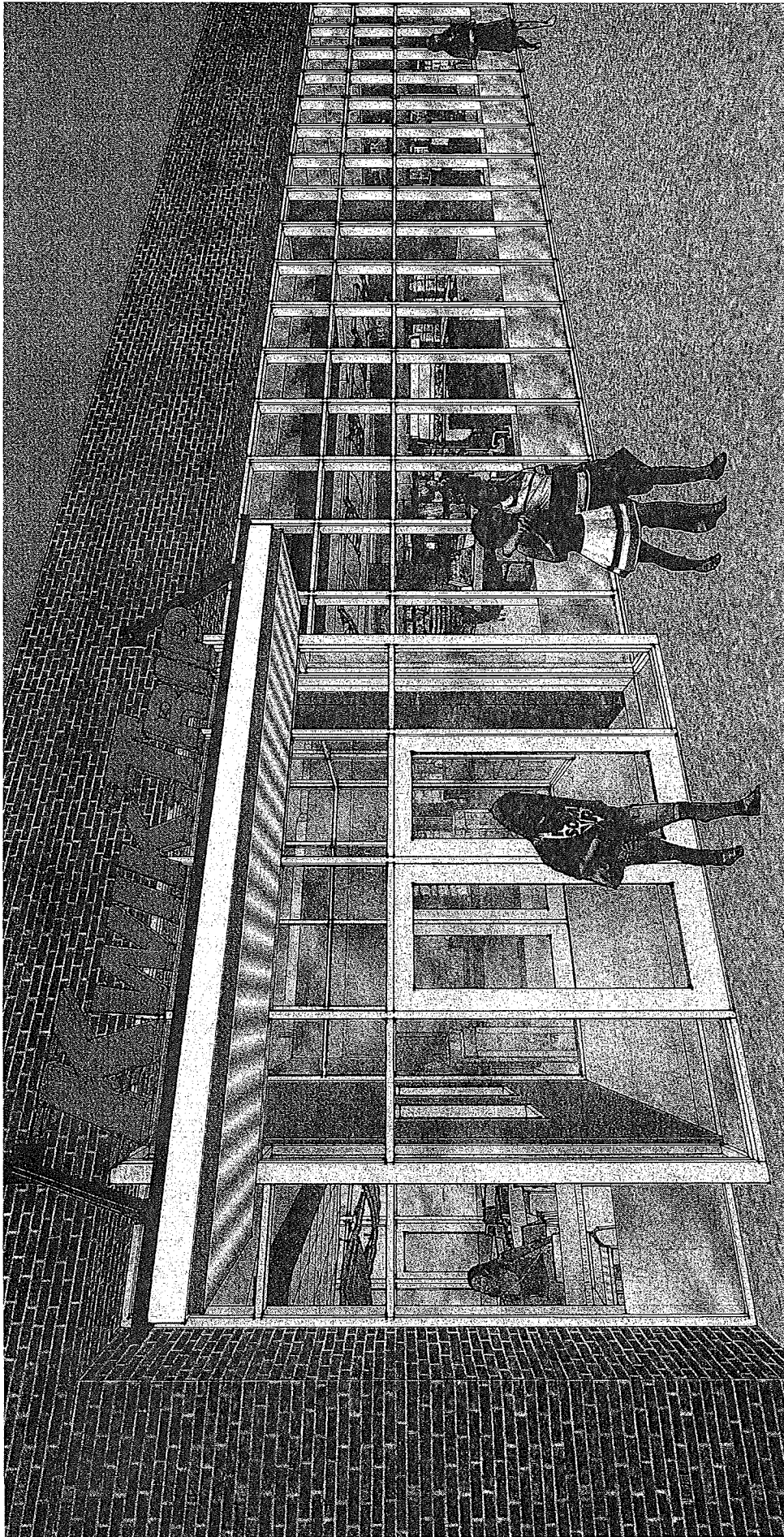
Despite success with both its business model and employee culture, Zietlow and

his management team are loath to rest on their laurels. Already on the proactive front with alternative fuels, the company has begun establishing a network of compressed natural gas (CNG) and liquid natural gas (LNG) fueling sites in La Crosse.

This year, it hosted the first ever Natural Gas Tradeshow and Summit, inviting local fleet owners to its facilities. It unveiled a flagship site in La Crosse near its headquarters. The site, which also sells propane, E85, B5 and B10 biodiesel, is the first of five intended locations.

“If you look at Kwik Trip, at what makes it unique right now, it's not only our network of stores but the ability to build a functional infrastructure,” says Chad Hollett, director of transportation and distribution for Kwik Trip. “The vehicles are here, the technology is here.”

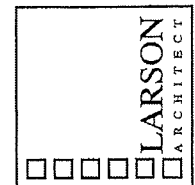
As is the essence of a leader who pervasively instilled a value system and sense of entrepreneurialism into a company destined to support several generations to come. ■

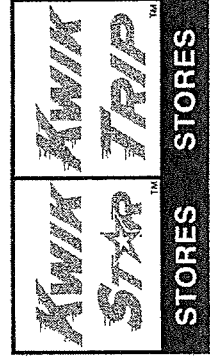
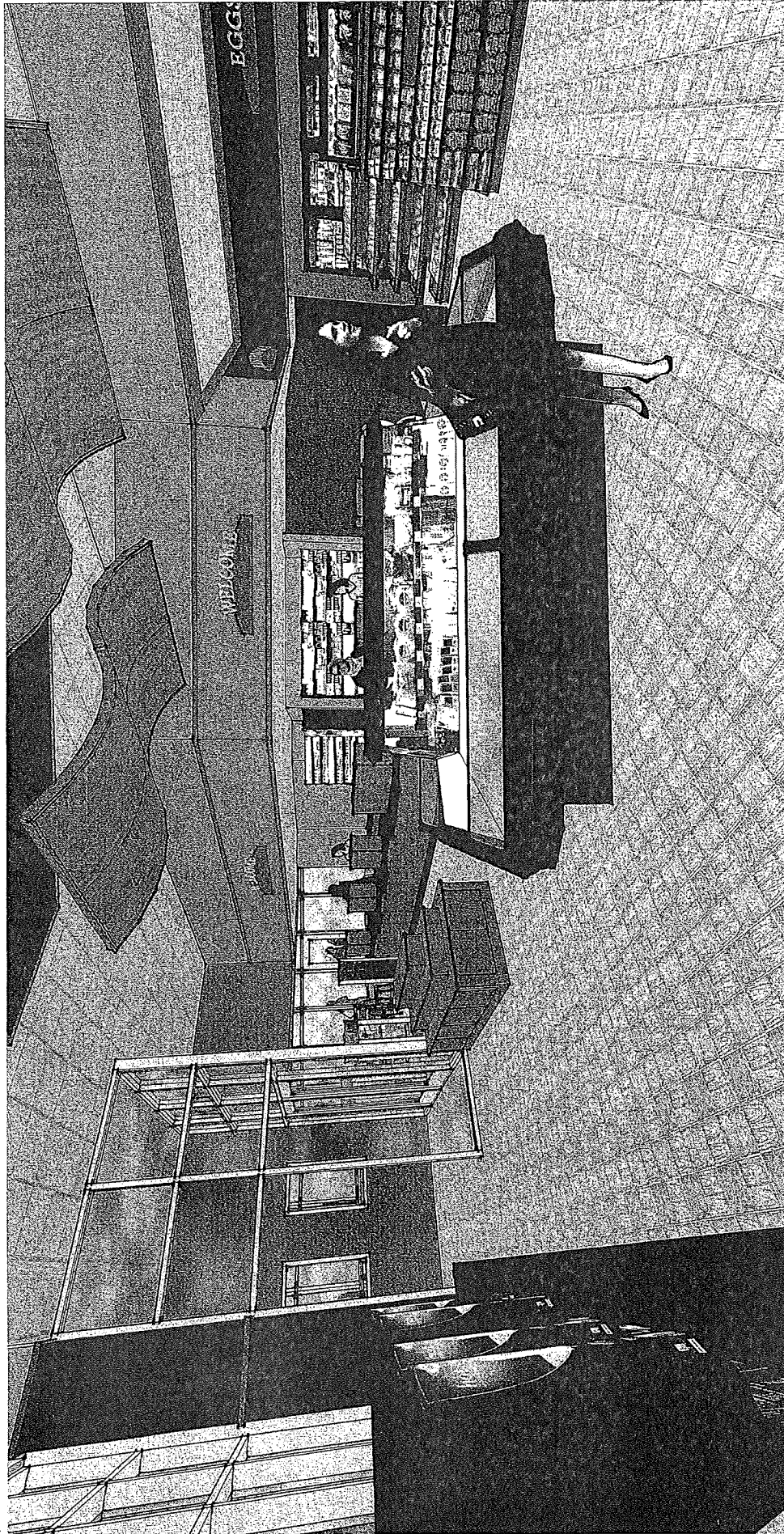


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Kwik Trip - Store #468 - 1401 Monroe Street, Madison, WI
 (9,000 S.F. Store)

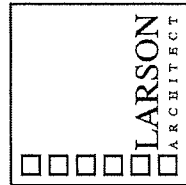
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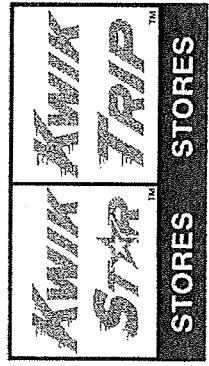
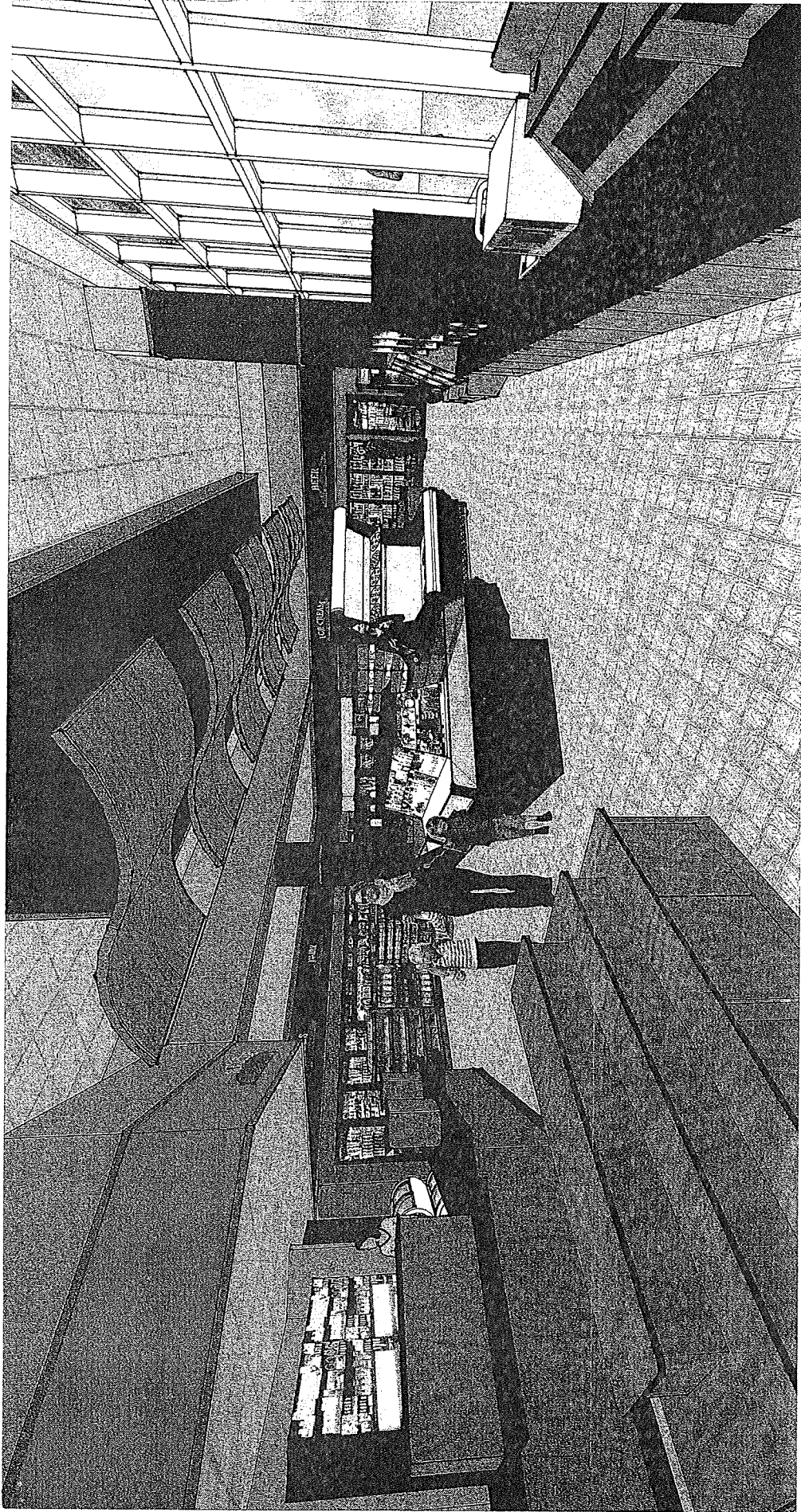




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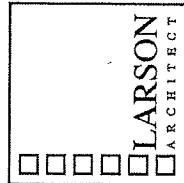
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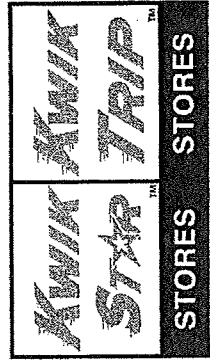
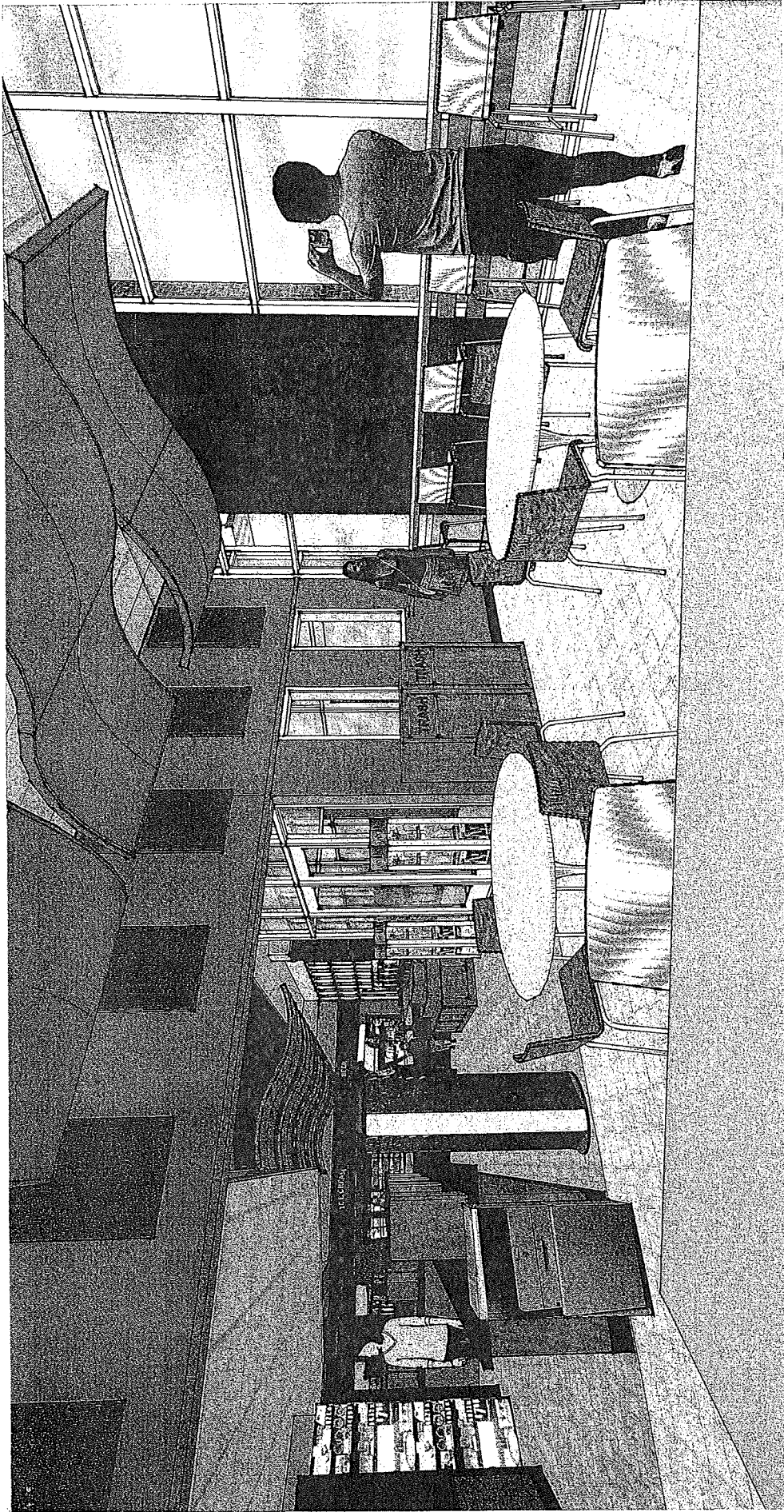




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