

J.T. DAVENPORT & SONS: **Managing Change**

The inside story of how J.T. Davenport & Sons became part of Core-Mark International, and what's ahead for this century-old North Carolina-based company.

BY BOB GATTY

For Mark Davenport, AWMA's 2014 chairman of the board, the past year has been all about change, having sold to Core-Mark International, J.T. Davenport & Sons, the Sanford, NC-based c-store distribution company his family has owned and operated for 95 years.

It was a momentous decision, one reached and executed in late 2012 after long consideration, examination and discussion, and then implemented throughout 2013. But it is a decision with which Davenport was, and remains, "totally comfortable," convinced of its wisdom for the company, its employees, customers and his own family.

Now, as AWMA's 2014 chairman, Davenport is ready to help the association adapt to the industry's changing needs and those of its members, including a complete retooling of its most important financial contributor, the annual convention. He intends to build upon AWMA's past success, leveraging what he sees as AWMA's four major core competencies. (See sidebar.)

How it Began

Now in its fourth generation in the Davenport family, the company was first incorporated in 1917 by John Taylor Davenport, Mark's great-grandfather, originally as a distributor of grain and milk products. Initially, it was based in Moorhead City, NC, but then moved to Sanford because of its centralized location in the state with accessibility to rails, highways and the Cape Fear River where barges moved goods.

The company evolved to become a supplier of small grocery stores, as well as tobacco and candy stores under the leadership of Mark's grandfather, John Thomas. Then, in the 1960s Davenport landed The Pantry convenience store chain located in North Carolina as a customer, and by the mid-'70s Mark's father, Tommy, decided to focus on the c-store trade.

"We had come to a crossroads," Mark Davenport recalls. "Which were we going to be—a grocery wholesaler or a convenience



Mark Davenport (left) and employee Donnie Parker confer in J.T. Davenport & Sons' Sanford, NC, warehouse.

store distributor? They are two different operations, and you can't be both. So we decided to concentrate on convenience stores."

Today, J.T. Davenport & Sons serves about 1,800 customers, mostly convenience store operators, in North and South Carolina, Tennessee, Virginia, West Virginia, Ohio and Maryland. Annual sales have increased from less than \$100 million in the early 1980s, Davenport says, to about six or seven times that in 2013.

"I began thinking about our company's future six or seven years ago," Davenport explains. "I started looking at our business plan, our family plan and a possible exit strategy. We went through the process of trying to buy other distributors and we considered purchasing other facilities. I knew that we either had to grow, or we had to go."

J.T. Davenport & Sons is now a division of Core-Mark International, but Mark Davenport is still in charge.



2014 AWMA CHAIRMAN

Over the years there were approaches from other distributors, but nothing ever seemed right. Then, Davenport began discussing options with his father, now in his 80s, and who was concerned about estate planning.

“I made a list of reasons why we should consider selling and why we shouldn’t. It came out about 3-to-1 in favor of selling. So I got serious about it,” he says. “You’ve got to be convinced yourself. You can’t go into the process and not be willing to pull the trigger. You’ve got to know that you would absolutely do it.”

The Sale

Davenport, had built many relationships and friendships from his years of participation in AWMA and in the Southern Association of Wholesale Distributors. “I entertained discussions with a few of them,” he says, “and I started doing my own research on companies that might make a good fit—how did they treat employees, how did they go to market, how would they fit with our current organization, were they customer-focused versus operations-focused, did they fit with the right ideals?”

MR. CHAIRMAN

As Mark Davenport assumes the chairmanship of AWMA for 2014, he hopes to help build upon the solid work turned in by his predecessors and the AWMA staff to continue to strengthen the association.

“I don’t have plans to do anything differently,” he says. “A lot of good people have come before me, and Scott (Scott Ramminger, AWMA president and CEO) and the staff have done a great job. I don’t expect a bunch of changes.”

But Davenport wants to continue to support and strengthen what he sees as AWMA’s core competencies:

- The AWMA Summit & Business Exchange (ABX)
- The AWMA Marketplace & Solutions Expo (The Show)
- Educational Services
- Networking

“Our government affairs program is essential to our industry and AWMA continues to do an outstanding job there for our members,” he says. “Obviously, I will do everything possible to help this initiative become even more effective, and I want to encourage every member to become actively involved.”

The biggest challenge for the association in the coming months, he says, is to retool the annual convention, an initiative that will first be evident at the Expo in Las Vegas Feb. 25–27.

“This is a very important initiative for AWMA,” says Davenport. “Our industry is changing and we have to keep pace with the needs of our members. A lot of hard work has gone into developing this new show, to make it more relevant for everyone involved. And next year, it will be even better.”

Davenport is looking forward to working with the AWMA board, executive committee and all of the committee chairs. “This is going to be an exciting year,” he says.

Meanwhile, Core-Mark has plans for Davenport’s continued involvement in the industry. “We’re proud that Mark is the AWMA chairman and look for him to continue to represent Core-Mark at these and other events,” says Scott McPherson, senior vice president of corporate development.—*BG*





“There also needed to be a geographic fit,” he adds, “and there needed to be increased opportunity for J.T. Davenport employees. That is the one thing that my dad said had to be.”

After his research and after discussions with Scott McPherson, senior vice president of corporate development at Core-Mark International, which began during a Southern meeting more than three years ago, Davenport decided that Core-Mark was the right fit. “Nobody in our company knew, except our CFO,” he says. “Scott came in and looked at our facility, we signed a confidentiality agreement, we provided numbers, and eventually we decided this could work.”

The next phase was a letter of intent, but Davenport knew he first needed to talk with his parents.

“So I got up the nerve and went to their house for lunch unannounced. I sat down with my folder, my business plan; all the logic was on the kitchen table. They brought lunch over and asked me what was wrong.

“I said nothing was wrong, but that I wanted to sign a letter of intent to sell the company. I explained to Dad what I wanted to do. He said, ‘I trust you. All I ask is all of the employees are taken care of.’ He didn’t want their jobs to be in jeopardy.”

One reason why Davenport felt Core-Mark was such a good fit is because of its decentralized operation, with each of its divisions acting autonomously to best serve the customers in their regions. He felt that would help provide the assurance that his father was seeking.

“I didn’t eat lunch that day because my stomach was in a knot,” Davenport admits. “But in September 2012 I signed a letter of intent. We went through due diligence and closed the sale on Dec. 17, 2012. I signed on the dotted line and we became a division of Core-Mark International. I never regretted that decision, and I still don’t regret it. I felt like I was doing the right thing, the whole time. It’s really like joining a bigger family,” Davenport says. “Now I have 28 other Mark Davenports running their divisions who I can call. That’s nice.”



Warehouse employee Brian Seymore shows off the automated scanning equipment brought to J.T. Davenport & Sons by Core-Mark International.

Now, with the sale having been completed, McPherson says the Carolina Division will gain volume as the company re-organizes its operations in the Southeast to increase efficiency and service, and that its employee base will also likely increase as a result.

For Mark Davenport, it means continuing as division president under an employment agreement with incentives to encourage him to remain at the helm for the next five years and beyond. “I don’t have plans to do anything different,” he says. “As long as they are happy, I’m happy. I don’t know how to do anything else.”

McPherson says the company “has plans” for Davenport. Asked to specify, he laughs. “I can’t say. We haven’t told Mark yet.”

As part of the deal, Davenport retains ownership of the company’s warehouse and office facility in Sanford. “There were tax implications and it means a steady income,” explains Davenport. “But it makes it even more important to me for them to be successful because I’m the landlord. It’s a great tool for both sides.”



After the merger deal was complete, Mark Davenport made certain Core-Mark International was prominently identified on the company's fleet.

Informing Employees and Customers

Next, Davenport needed to inform employees and customers. "I spoke to all employees in groups—they were the first to know. Scott and I met with them and we laid out the reasons and the benefits. Then, we called every one of our customers to let them know."

While employees' initial concerns, naturally, had to do with their job security, once Davenport explained there would be more opportunities to grow and that benefits were better, worries were alleviated. "Many of our

employees asked about the Davenport name," he says. Today, it is still prominently displayed on the company's trucks, signs and business cards followed by, "A Division of Core-Mark International."

Customers' concerns were alleviated when they were assured the key elements that made Davenport successful would remain unchanged—they would keep the same salesperson, the same driver, the same customer support and also benefit from the leverage of a large company like Core-Mark.

On the buying front, Davenport still makes its own decisions locally, although the cigarette program is managed from corporate. In addition, the new division can take advantage of national buying programs available through Core-Mark.

Embracing Change

"We didn't begin any conversion of systems until Oct. 18," Davenport acknowledges. "It was a massive undertaking that involved changing everything, from customer numbers to item numbers; from rewriting EDI transactions to managing credit and accounts receivables. Even the way I do emails and calendars changed from Lotus to Outlook," he says.

"Everything you knew before changes. It was frustrating at times, and it's taken several weeks to get it settled down and for people to get comfortable with the new system. But we never had a late truck go out, and I'm proud of that," he says.

Core-Mark dispatched a sizeable team to J.T. Davenport & Sons to help guide the project; a step Davenport says was essential to success.

McPherson says these types of conversions are always "challenging" and this one was no different. In the warehouse, picking was changed from a manual system to one using radio frequency (RF) technology for inbound and outbound selection, as well as a new batch order select system (BOSS) for full case picking of multiple orders on one trip through the warehouse. The facility will also soon introduce pick-to-light technology, another step in improving the quality of the customers' orders.



Introducing new technology required significant training of all employees, but they are working out the kinks and McPherson is pleased with the progress. “Davenport is an excellent company and we have been able to enhance our own systems by things we’ve learned through this process,” says McPherson. “Their handheld technology for customer ordering was retained and integrated into the system along with numerous other elements to benefit the customer.”

In fact, AWMA’s InfoMetrics data system, in place at Davenport, is being evaluated by Core-Mark and will be retained. “Mark is an advocate of the system and I’ve personally met with InfoRhythm executives to discuss it. This gives us a chance to test drive it and look at it for other applications.”

McPherson also stresses the decentralized method of operation in place at Core-Mark, with each division “running its own show.”

“In all of our acquisitions, we are not just buying a facility. The real value of Davenport is its people, culture and the customers that have been built up over time. That is what is important to us,” he says.

For the Family

The sale, obviously, has significant financial benefits for the Davenport family (Mark and his wife, Mary, have three young children), and allows for the diversification of assets, which essentially had been tied up in the company. “Eighty percent of our net worth was tied up in the business. This is a way of diversifying,” he explains.

It allows his father to complete his estate plan, provide funds to other family members, and provides resources for Mark’s brother and sister, as well. His dad retains his office at J.T. Davenport & Sons, where he comes to work every day, even though he is retired.

The Future

“Now that we have the conversion and the transition behind us, we’re starting to adopt their programs,” Davenport says. “One of the things that was attractive to me is their focus on fresh strategy and execution, not price. It means multiple deliveries a week for salads,



Company employee Thomas Shorb asked to have his photo taken with Mark Davenport. Here it is, Thomas.

sandwiches, all coming through us. We have the physical capabilities already in place, so we are starting to push all of these programs.”

Those capabilities will help Davenport’s c-store customers who want to expand their foodservice operations and compete with self-distributing chains such as Sheetz to do so, he says. “The only way you can do that is with multiple deliveries.”

In addition, Davenport now has access to “a lot of neat tools” provided by Core-Mark, including those to help sales people identify opportunities for customers. The future is also expected to bring added volume to the Carolina Division, a higher head count and an even busier operation than had been the case in the past.

Meanwhile, for Mark Davenport, the pressure of running his own show is gone, replaced, perhaps, by the new pressure of satisfying corporate bosses from afar. But it’s not really like that, he says. “We get to do our own thing and we have a lot of new capabilities. They are great people. What’s not to like?” ♦

Bob Gatty is contributing editor to Convenience Distribution™ and founder of G-Net Strategic Communications. He is AWMA’s vice president of communications.