

February 2011

WASHINGTON

smart

CFE

the
customers
issue

required reading for
growing companies

When it comes to growing
his \$350 million food-service
business, Warren Thompson
has no reservations

software's
softer side

How \$59 billion software giant
SAP shed its techie persona

keep your
clients

Washington CEOs
share their best
retention strategies

10 tech
CEOs

What's next in business
technology?

appetite for
success

Warren Thompson
chairman and president
Thompson
Hospitality Corporation



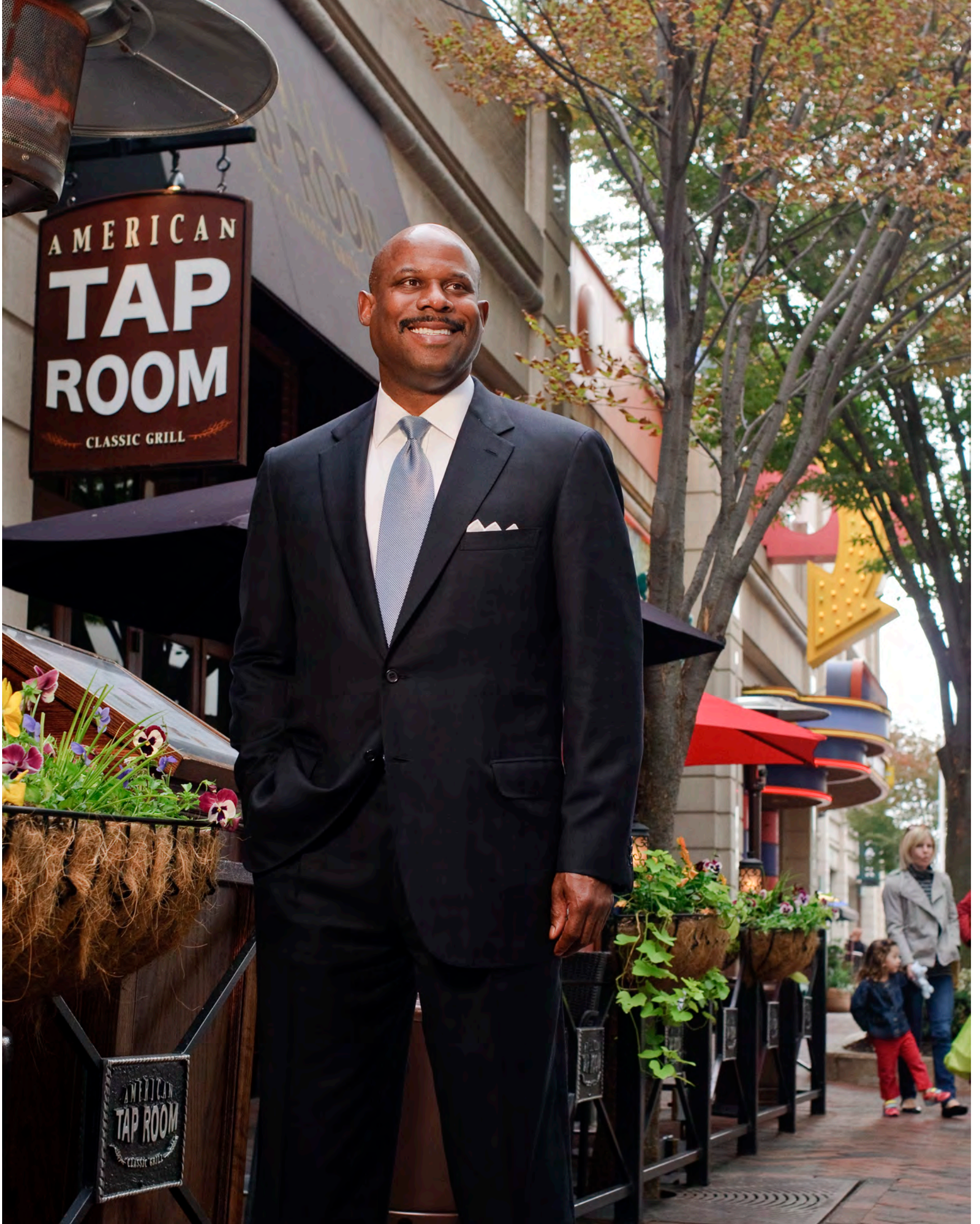
NO RESERVATIONS

KEEN CUSTOMER FOCUS IS AN ESSENTIAL INGREDIENT AT THOMPSON HOSPITALITY

By Jennifer J. Salopek

Photography by Bryan Burris

WARREN THOMPSON
CHAIRMAN AND PRESIDENT
THOMPSON HOSPITALITY CORPORATION





The first thing you notice about Warren Thompson is how focused he is on your conversation, how *present*. Despite the fact that he is chairman and president of a company that earns more than \$350 million in annual revenues and employs 4,000 people nationwide, there are no ringing phones, beeping emails or interruptions. He does not check his BlackBerry. He is thoughtful, responsive, a good listener.

Thompson seems to take a similarly concentrated approach to everything. That approach is informed, perhaps, by the confidence that comes from knowing that he's in the right business, doing the right thing, with people who have his back. He is motivated by his faith in God, himself and his family – and he puts customers and employees first.

The 2004 launch of the Ashburn Car Wash is a great example. Initially a local real-estate play, the car wash has become a learning laboratory, promoting discoveries about market opportunities. As Thompson sought a new venue for applying his company's well-developed food service skills and strategies, he investigated the car-wash industry – an entry could provide a dry run for new mobile fleet services.

Its design and services are the result of Thompson's laser-like focus on the needs of his customers. Research showed that women – the vast majority of retail car-wash clients – didn't want to get out of their cars. Further, car washes in the DC area are busiest in January through March, when it's cold outside. Ashburn Car Wash is completely enclosed, enhancing comfort for both clients and workers. Customers must only exit their vehicles if they're opting for a premium interior service; when they do, there are flat-screen TVs and a play area to entertain the kids. Employees are protected from the weather during grim winter days, too.

The Ashburn Car Wash story encapsulates all that Thompson is about: recognizing an opportunity, seizing it and creating an offering that puts clients front and center.

THE FAMILY BUSINESS

Thompson Hospitality Corporation is the nation's largest minority-owned food service management company, but its size does nothing to dilute that customer focus. When the company lands a new educational food-service contract, it surveys students to find out what foods and brands they want. When THC recently retained a university contract that had been up for mandatory re-bid, students requested a national fast-food service brand in their food court. Thompson arranged for members of the university's student food-service committee to experience a meal at Austin Grill, a brand THC owns and operates. Afterward, the kids voted overwhelmingly to go with Austin Grill rather than their previous request.

"We got lucky on that one," Thompson laughs. "The food was good that day."

Founded in 1992, Thompson Hospitality Corporation is now number eight among *Food Management* magazine's Top 50 Food Management Companies. Its portfolio includes such brands as Austin Grill, Marvelous Market and the American Tap Room; Ashburn Car Wash; and food-service contracts with public-school districts, colleges and universities, healthcare institutions and large corporations.

Business is a family affair at THC. Warren's brother, Fred Thompson, serves as the company's chief administrative officer. It is Fred's job to interface with customer representatives – college presidents, deans and students – after a contract is landed to keep them happy and to keep them coming back.

Fred cites Warren's management style as a key to the company's success. "Warren has the big picture of the company's vision and its future; it's up to us to cultivate his ideas." Fred says that the company's leaders have become increasingly collaborative and that Warren "backs off and lets the team work."

A strategic partnership with Compass Group, the world's largest food-service provider, allows THC to compete for larger corporate contracts. Warren's sister, Benita Thompson-Byas, is vice president for joint ventures and manages the relationship with Compass Group. The partnership has clients in 46 states and four foreign countries. Rather than causing difficulties, Thompson-Byas says the familial relationships work to the benefit of the company. "It's easier because we are related," she says. "We absolutely have each other's best interests at heart. That makes the successes even sweeter."

Thompson learned entrepreneurship at the knee of his father, a school principal, who set a strong example as he pursued ways to supplement his income in Windsor, VA. Together, Warren and his dad raised hogs and sold them to the local Smithfield

packing plant. They focused on customer needs to identify market opportunities, selling Tidewater Virginia produce to mountain-area residents west of Charlottesville and vice versa. Before he was old enough to drive, Thompson was hauling produce around in an old school bus he had purchased. The benefits of self-employment were enticing: "I always had money and freedom," he says. "To me, work equaled economic freedom."

After his first year of college at Hampden-Sydney, Thompson got a summer job at the local hardware store. He was the first black salesman the store had ever had – and he wasn't allowed to ring up sales. He made a quick escape back to self-employment, getting a concessions license for a local park.

"It was so exciting. I never knew what to expect – there was never a dull day. I enjoyed it so much more because it was my business," he says.

Thompson graduated from Hampden-Sydney, then earned his master's of business administration from the Darden School of Business at the University of Virginia. This accomplishment was particularly sweet.

"I decided during my teen years that I wanted to attend U.Va., then eventually gain a seat on the Board of Visitors because my father wasn't allowed to go there. I knew how much he was hurt by that," Thompson says.

Once he'd earned his MBA, Thompson ventured into the corporate world. He worked for Marriott Corporation for nine years in posts from fast food management to airport catering, providing him with a rich diversity of experience. Thompson was permitted to be innovative while at Marriott, introducing national brands to airport food service, but the entrepreneurial life beckoned again, offering Thompson the opportunity to build a company based on his own values.

"I don't expect people to be color blind but to embrace diversity in every way," he says. THC seeks diversity in its customers, focus groups and employees. "The only thing that counts here is performance."

This year, Thompson Hospitality was ranked number 12 by *Black Enterprise* magazine for Industrial and Service companies and was named its 2010 Company of the Year. Warren Thompson was recognized in 2008 as a Minority Business Leader by the *Washington Business Journal*. Although he is proud of his heritage, Thompson says he looks forward to a day when the "minority" label ceases to be relevant.

Thompson realized his personal goal when he became a member of the University of Virginia's Board of Visitors in 2002. "My dad was the main reason I joined the

board, but the other 15 members also represented an opportunity for peer learning,” he says. “The school is in great financial shape, and I got to see the client perspective of the food-service business.” (THC does not hold the U.Va. food-service contract.)

THC’s alliance with Compass brings considerable strategic advantages, including increased purchasing power. “The joint venture adds value to Thompson Hospitality in that it allows us to do business with companies we wouldn’t otherwise be able to,” says Thompson-Byas. THC’s minority status doesn’t exactly confer benefits but may make it more attractive to some clients. Although it’s not a determining factor in any bid, it may give clients a minority spend credit in terms of internal goals. Even so, it’s a label Warren Thompson would like to shed.

“Part of our strategy is to move away from being a ‘minority’ business,” he says.

LEARNING FROM MISTAKES

Thompson made the leap back into entrepreneurship in 1992, founding THC with a leveraged buyout and purchase of 31 Bob’s Big Boy restaurants, which he purchased from Marriott under an advantageous plan that allowed him to repay interest and principal over six years. He moved immediately to convert the locations into Shoney’s restaurants, but the timing was poor. Shoney’s parent company was facing discrimination allegations that it ultimately was unable to overcome. Thompson knew his fledgling enterprise was in trouble. To save it, he had to draw on all he knew about customer service and strategic planning. Since then, leveraging that knowledge has become the hallmark of how Thompson builds his business.

Thompson Hospitality Corporation is a family-run business. (L-R) Chairman Warren Thompson; his sister and vice president of joint ventures, Benita Thompson-Byas; and his brother and chief administrative officer, Fred Thompson.



Photos courtesy of Thompson Hospitality

The story of that early near-failure is told in every article about THC. Does Thompson wish it would go away?

“No,” he says. “It’s how we started – and I learned some valuable lessons from that experience.” Key among them was the realization that he didn’t want to be a franchisee: “You own the business, but you don’t control the business,” he explains. “Although it’s a good way to start, I prefer more control.”

Thompson regrouped, reflected, studied the market and decided to commit fully to a move into the food-service industry. He targeted historically black colleges and universities because they were underserved and represented a market opportunity. He formulated a mission for his company: to provide the best customer experience, delivered by enthusiastic associates in the best possible environment. He landed his first educational contract in 1993. In 1997, Thompson created a new division, Thompson Hospitality Services LLC, when he formed the strategic partnership with Compass Group.

THC’s initial conversion to food service was very successful, propelling the company to \$100 million in sales in less than 10 years. The company tried to develop its own restaurants, with unsuccessful attempts at barbecue, pizza, diner and roadhouse concepts. Thompson estimates that it takes three to five years to develop a successful brand. “The restaurant industry is a mature industry; it’s saturated,” he says. “At this point, it’s just a matter of trading market share.”

After the previous unsuccessful attempts, Thompson wanted to create a brand that was uniquely his. He purchased the American Tap Room in Reston in 2008. He completely overhauled the restaurant, changing the décor, the logo and the image. Whereas the establishment was formerly referred to as “ATR,” advertising and employees began referring to it as “the Tap Room.” Thompson hired an executive chef to drive the revamped menu and confer prestige. He also established a 10-minute lunch guarantee.

Thompson also believes in keeping expectations reasonable. When he purchased the Tap Room, his goal was only 3 percent of the \$150 million Reston Town Center food-and-beverage market, or \$5 million annually. “Our strategy is that it takes only a small percentage to be successful,” he says.

“The sustaining force for us is our willingness to give back to others. IF WARREN’S ONLY FOCUS WERE THE BOTTOM LINE, HE WOULD BE JUST A MAN TAKING A WALK. Nobody would follow him.”

Fred Thompson, chief administrative officer,
Thompson Hospitality Corporation

In the past few years, Thompson also has acquired the Austin Grill and Marvelous Market brands. While the company had no retail outlets or healthcare contracts a few years ago, 8 percent of the business is now retail, and 5 percent is healthcare. Corporate dining accounts for 49 percent of the business and education for 30 percent.

PUTTING PEOPLE FIRST

The success of Thompson Hospitality Corporation is shared among its employees, as is its responsibility. Everyone who reports directly to Thompson has an equity position. Everyone in the company, from hourly part-time employees on up, is eligible to receive a quarterly bonus based on their operating division’s profits.

“This makes everyone entrepreneurial,” Thompson says. “The line server is now conscious of giving the right portions and helping to ensure profitability. Everyone in the unit is pulling in the same direction.”

Employees can use the company’s considerable purchasing power to buy their own groceries. Each month, they vote on five to six items they’d like to buy this way. “It doesn’t cost me a dime except for the administrative process, but it lets them know that we care about helping them stretch their hard-earned dollars,” Thompson says.

Another unique benefit is THC’s scholarship program: The company will cover the costs of the board plan for any employee’s relative enrolled at a college or university where THC provides the food service, a value of \$2,000 to \$3,000 per student per year. About 80 students are currently participating.

“Warren really understands that the people in the field make the business run,” says Jill Brown, vice president of human resources. She was recently hired with the mandate to recruit, retain and develop the best talent possible and to back up those efforts with technology and infrastructure.

“Although we have a large, part-time hourly workforce, we want to create a vision of career paths and opportunities here. Warren’s family outlook does make people feel that they are part of something bigger,” Brown says. On the contract side, THC has one of the lowest voluntary turnover in the industry.

Fred Thompson explains THC’s philosophy. “When we take over an account, we try to retain the workers who are already onsite,” he explains. “They know the lay of the land, and it’s good for our image in the community to employ locally.”

“It’s always a good thing when you can promote from within. Due to the diversity of our business, in sectors and geographies, we can offer opportunities for advancement,” he says. “Although our industry sometimes has a negative image, it’s about much more than flipping burgers. We have all the disciplines.”

Warren Thompson credits his disciplined approach to planning with his company’s success during the economic downturn (revenues grew 15.5 percent in 2009), and with enabling it to meet future challenges. Providing healthcare coverage for all employees is one such challenge Thompson anticipates – and welcomes. The key to his ability to meet it successfully, he says, is just looking ahead.

“The moment President Obama started campaigning, I said to myself, ‘This guy can win, and he will bring healthcare to everyone.’ Our industry has not stepped up on providing benefits to its employees, but one company cannot do it alone. This will force our entire industry to change.”

Thompson estimates that only about one-third of his current 3,300 employees receive healthcare coverage. He also estimates that the new bill will increase his labor costs by 5 percent – or about \$2 million. “Although the food-service industry operates on very thin margins, we know the potential impact and can plan for it,” he says. “If I can’t figure out how to be 5 percent more efficient, then I shouldn’t be sitting here.”

The metric for food service is sales per man hour. If it’s now \$22, Thompson reasons, it will need to be \$24 by the time the law is expected to go into effect in 2014; the key is to increase efficiency while maintaining margins.

“We have to grow differently,” he says. “We added Marvelous Market, Austin Grill Express and the Ashburn Car Wash because they are more efficient operations.

They help to grow the business while addressing the healthcare impact at the same time. I try to manage the labor component of the portfolio so the whole company can generate efficiency and maintain our margins.”

Thompson pursues a simple two-pronged strategy for growth: 1) to grow the contract side of the business, adding new services such as facilities management; and 2) to buy retail brands and put them into nontraditional venues, such as the educational and corporate facilities THS already has under contract.

There’s a tremendous competitive advantage to that. “We own the brand,” Thompson says simply. “We can control the costs, taste and pricing, but there’s also a financial advantage – we pay ourselves royalties. If we buy a brand, we can have 200 outlets on campuses within eight months.”

To stay informed, Thompson reads a lot, trying to stay abreast of population and demographic trends on a macro level. He also serves on several boards, seeking strategic assignments that will help him learn. He served for more than six years on the board of HRH Insurance, seeking to understand the intricacies of benefits and insurance costs. Don Wood, president and CEO of Federal Realty Investment Trust, invited Thompson to fill a vacancy on FRIT’s board after working with him on a cystic-fibrosis fundraiser:

“When Warren bought Austin Grill, it had three leases with FRIT, so he became a tenant,” Wood says. “It became really clear in dealing with him that he is very smart and thoughtful – a true gentleman. We turned to him when our board vacancy arose; he saw the benefit of learning about real estate from the [landlord] side.”

Thompson says he takes fewer risks now than he did 18, 15 or even 10 years ago. His company now well established, it’s not as much about the economics any more. “I love to watch people grow in the company,” he says.

His brother Fred agrees. “The sustaining force for us is our willingness to give back to others. If Warren’s only focus were the bottom line, he would be just a man taking a walk.

“Nobody would follow him.” **CEO**

“I DON’T EXPECT PEOPLE TO BE COLOR BLIND BUT TO EMBRACE DIVERSITY IN EVERY WAY. The only thing that counts here is performance.”

Warren Thompson, chairman and president, Thompson Hospitality Corporation

BY THE NUMBERS

Thompson Hospitality Corporation

- 100,000+:** Customers the company serves every day
- \$350 million+:** Thompson Hospitality’s annual revenue
- 4,000:** Food service professionals the company employs
- 46:** States in which the company provides meals
- 1.9 million:** Guests served in Virginia, Maryland and DC-area restaurants
- 22:** Unique restaurant and retail locations
- 31:** Bob’s Big Boy restaurants purchased by Warren Thompson to launch his business in 1992
- 49:** Percent of THC’s business from corporate dining accounts
- 15.5:** Percent revenue growth since 2009

