

**PROFILE: LYKINS ENERGY SOLUTION**

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**2015 STATISTICAL REPORT**

May | June 2015

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**D. Jeff Lykins**, president and CEO of Lykins Energy Solutions in Milford, Ohio, often heard his father tell a story. "When he was growing up in Cincinnati, his dad—my grandfather—had a gas station," Lykins relates. "One morning in 1963 his dad woke him and his brother out of bed. There'd been a huge snowfall overnight and so they had a job to do."

That morning, father and sons shoveled a path to the station. "They had only one customer that whole day, since hardly anyone was out on the roads," Jeff Lykins recounts. "But my grandfather demonstrated a key value to my father and my uncle: customers come first."

The same commitment has guided the company through nearly 70 years of its history. Yet Lykins believes that the story his father told illustrates another key point. "We've grown to become one of the largest privately held companies, and one of the top ten petroleum marketers, in Ohio. Our annual sales exceed \$1 billion," he says. "But it's not about numbers. It happens in the everyday moments—like when a father and his two sons shovel snow for their customers, even when few people are likely to notice."

That truth gained tangible expression last year when Lykins Oil Company changed its name to Lykins Energy Solutions and adopted the tagline, "Powered by Life." The motto encapsulates the company's mission statement, "To be energy in everyday moments," and its vision statement: "Fueled by our people, inspired by you, energy is being there every step of the way, time and time again, powering the American dream."

Thus, even as customer-centered values continue to be its foundation, a vision to provide energy solutions has constantly pushed the Lykins company to keep on the cutting of a changing industry. From a single service station in the 1940s, to a growing distributorship in the 1960s, to retailing in the 1980s, and to its current focus on wholesaling as a key regional player in today's consolidated industry, Lykins Energy Solutions has come out on top.



D. Jeff Lykins.

### Solutions for Success

Primarily serving the tri-state area of Ohio, Indiana, and Kentucky—but also with operations that stretch into the Midwest and Southeast United States—the Lykins company offers energy solutions to a broad array of customers.

A reorganization in the 1990s established the Lykins Companies as the parent corporation for the various family enterprises. Since 2014, the corporation does business as Lykins Energy Solutions and includes three petroleum-related subsidiaries: Lykins Oil Company, Lykins Transportation, and Lykins Realty. The first, Lykins Oil, was restructured in 2008 to better focus on its core business and today encompasses four divisions: branded fuel supply, wholesale and commercial fuel supply, home heating, and propane.

"The work of our branded fuel division stems from a decision we made ten years ago to exit company-operated retailing and convert our convenience stores to independently owned and operated dealerships," reports Jeff Lykins. That decision, he adds, reflects a recognition that direct retailing requires intense focus to succeed in an increasingly competitive and consolidated marketplace.

"We chose instead to put our focus on supplying fuel," Lykins continues, "while also believing there continues to be a place for small dealers. We can help them grow and, in doing so, help ourselves grow." At present Lykins Energy Solutions supplies some 160 branded retail fuel ►

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◀ dealers in Ohio, Indiana, and Kentucky with BP, Marathon, Shell, and Gulf products.

In providing its dealers with branded opportunities, Jeff Lykins is especially excited about a recently-announced partnership to bring the Gulf brand back to his company's home market for the first time in two decades. The exclusive deal gives Lykins Energy Solutions sole rights

to supply the Gulf brand in the Cincinnati, eastern Indiana, and northern Kentucky areas. "We expect to have over 50 locations branded Gulf in the next ten years," he projects. "To sell such an iconic brand is great opportunity for our dealers."

With all its dealers, Lykins says his company takes an "interactive and consultative approach" to help them

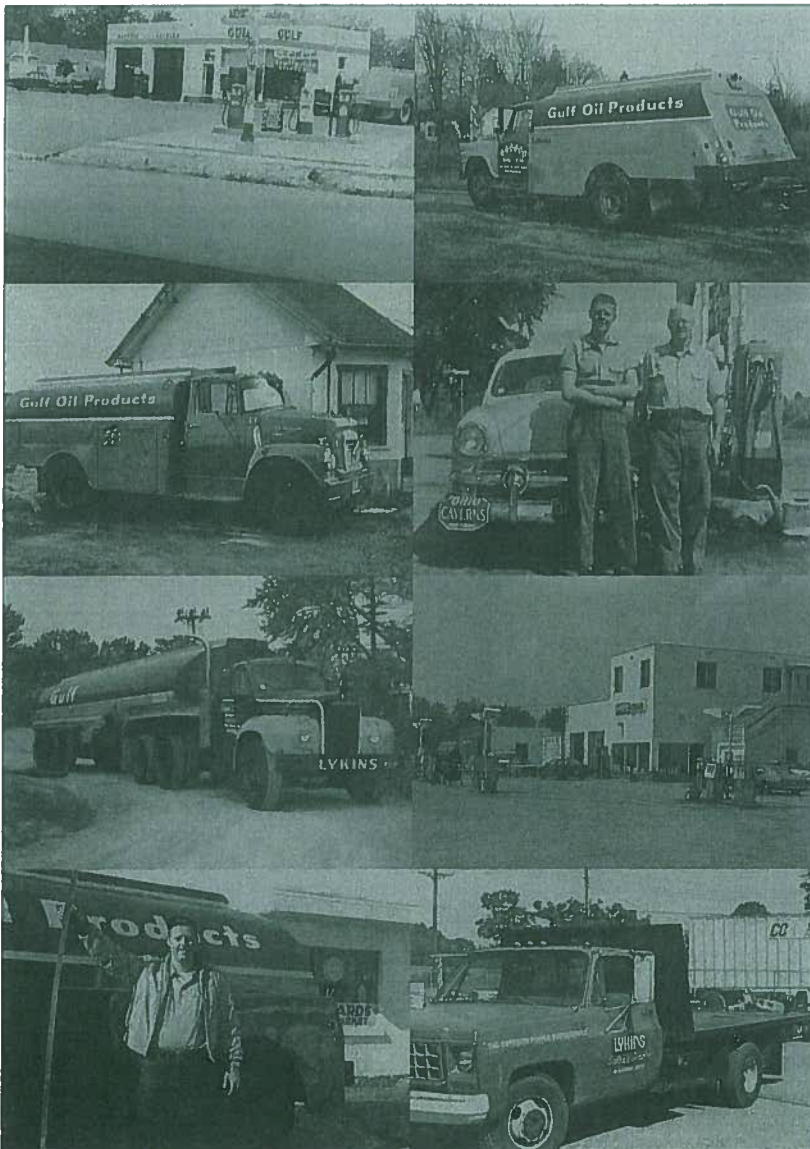
"maximize the value of their brands." In return for a supply contract, "We specialize in working with these independent business owners and investors, whether remodeling an existing site or building from the ground up," he adds.

Moreover, prospective dealers can go to Lykins Realty for investment opportunities through the purchase of vacant land, land with structures, or active retail sites with full gasoline and convenience store operations.

On the sales side, Lykins Energy Solutions aids dealers with services ranging from marketing and vendor negotiation support to providing c-store layouts and plan-o-grams. "We leverage our experience and work side-by-side with dealers to help them build their businesses," states Lykins.

The commercial and wholesale fuels division of Lykins Energy Solutions serves customers not only in Ohio, Indiana, and Kentucky, but 11 other states in the Midwest and Southeast. The latter include Alabama, Florida, Georgia, Michigan, North and South Carolina, Pennsylvania, Tennessee, Texas, Virginia, and West Virginia.

Customers include commercial accounts, fleet owners, farm operations, schools and municipalities, waste management companies, constructions sites, unbranded service stations, and fuel resellers. "We buy from more than two dozen major oil and large independent refiners," says Lykins, "so that customers can access the best products at competitive prices." ▶



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◀ Those customers located in the tri-state region of Ohio, Indiana, and Kentucky receive fuel deliveries through Lykins Transportation and its fleet of company-operated vehicles. Twenty-four satellite bulk plants located throughout the region ensure ample storage capacity and timely delivery. “Our transportation services have also become a profit center for us,” adds Jeff Lykins, “since we’re a common carrier for a variety of other petroleum companies and businesses.”

All commercial and wholesale customers, whether in the tri-state area or beyond, look to Lykins Energy Solutions for help in controlling fuel expenses. Available price risk management programs include fixed-price contracts, fixed pricing with downside market participation, floating-price differential (or basis) contracts, max price contracts, maximum-minimum (or collar) contracts, swapping, and hedging.

“But we feel it’s important to note,” explains Lykins, “that engaging in hedging activities should be viewed as insurance against market volatility and not simply as a pure money-making opportunity. We don’t speculate since we believe that the inherent risk of speculative activity doesn’t meet our customers’ objectives.” Recently, Lykins Energy Solutions provided customers with another tool to aid them in controlling fuel costs. Leveraging the power of the Internet, the company launched an online portal that permits customers to securely access their account information—including balance and aging, available credit, last payment amount and date—and to search for and sort invoices, draft notices, price quotes, and other documents. Information

can be accessed via personal computer or any Web-enabled mobile device.

In addition to various gasoline and diesel blends, Lykins Energy Solutions sells exhaust fluids, lubricants, and antifreeze products. At the same time, the company’s propane and heating oil divisions service both businesses and homes throughout the tri-state region.

“The latest addition to the energy solutions we offer is due to state deregulation of the utility industry,” reports Jeff Lykins. “In 2012, we became a certified retail electric service provider and natural gas provider for Ohio residents and businesses—from Cincinnati to Columbus to Cleveland, and anywhere in between. Basically, we function as an energy aggregator and broker. What’s exciting is that now we provide homes and businesses every energy solution they may need, whether it’s heating oil, propane, electricity, or natural gas.”

### The Lessons of History

Now one of the hundred largest privately-held companies in Ohio, Lykins Energy Solutions started humbly. “My grandfather, Guy Lykins, was a tenant farmer,” recounts Jeff Lykins. “To supplement his income and support his family, in 1948



Don Lykins with sons Jeff and Mike.

he rented a service station in Newtonsville, Ohio, for \$50 a month. It was available because the three previous owners hadn’t been able to make a profit with the site.”

While Guy Lykins operated the station, sons Don and Guy Jr. bought trucks and during the 1950s supplied heating oil to local residents. In 1961, Lykins Oil Company was incorporated; six years later, Guy stepped down as president while Don and Guy Jr. moved into the roles of president and vice president, respectively. By that time, the enterprise had built its first office in Newtonsville, employed 15 people, operated as a Gulf fuel marketer, and sold tires, batteries, and automotive accessories in a two-county area.

During the 1980s, the company moved its 150 employees to larger headquarters in ▶

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◀ Milford, took on the Citgo brand, opened its first convenience store, and entered the fuel transportation business. Along the way, the family's enterprises diversified to include a lawn equipment dealership, lawn care franchise, and lumber store.

At the start of the 1990s, the family began the process of passing the business to the third generation. Don Lykins sold his stock to sons Jeff and Mike, while Guy Lykins Jr. sold his stock to son Ron. Soon afterward, the company expanded into a larger headquarters complex and counted some 300 employees on its payroll. Between 1993 and 1995, the business added the Amoco (now BP) and Ashland (now Marathon) fuel brands to its portfolio and expanded its c-store presence, while selling off its lawn care and power equipment businesses.

"The mid to late 1990s was an important time of transition for us," recalls Jeff Lykins. "We created the Lykins Companies, split it into four subsidiaries, sold off our interests in another transportation company so we could build up our own, and instituted a board of directors so that we could bring

in outside expertise." In 1999, the transition to a third generation was completed as Don Lykins was elevated to chairman of the board and son Jeff Lykins became president.

That year launched a new chapter in another way. "By then," Jeff Lykins explains, "industry consolidation was accelerating. We had to decide whether, and to what extent, we would be players." In 1999 alone, during the first year of his presidency, Lykins acquired four local oil companies. A year later, the Lykins enterprises moved into its current 12,000-square-foot Milford headquarters. Since then, between 2000 and 2014, Lykins Energy Solutions has purchased all or part of 25 oil companies.

In 2005, exactly 20 years after opening its first c-store, Lykins converted its retail sites to independently owned and operated dealerships. Three years later, Lykins Oil restructured its divisions to the current configuration—branded fuels, commercial and wholesale fuels, home heating, and propane—to better focus on its core strengths. Then in 2014, the name Lykins Energy Solutions was adopted to reflect those strengths.

"When we got into the c-store business in 1985," says Jeff Lykins, "the link between fuel and food was the wave of the future for our industry. It was only natural that we'd jump in—and we did a good job. Of course, retail is still a huge part of independent marketing. But today, being successful in retailing requires intense focus. We eventually decided that wholesaling is our core strength and where we needed to focus our energies."

### Investment and Involvement

Though Lykins Energy Solutions no longer has a direct retail presence, it remains a pillar of the community through its many charitable involvements. Taking corporate social responsibility begins at the top, starting with president and CEO Jeff Lykins, vice president and CFO Bob Manning, and vice president for transportation Ron Lykins.

Jeff Lykins and Manning, for example, have both chaired the local chambers of commerce. Lykins has further served the city of Milford as a vice mayor and councilman, and served the surrounding county as a board member of its economic development council and convention and visitors bureau. ▶



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Donald F. Lykins and Guy Lykins Senior.

◀ As a company, Lykins Energy Solutions has long been active in support of Court Appointed Special Advocates (CASA) for Children. In addition, each year it honors company founders Guy and Mabel Lykins by awarding college scholarships in their names to graduates of area high schools. And in honor of Don Lykins, the second-generation president who in 2010 passed away after battling blood cancer, Lykins Energy Solutions sponsors an annual blood drive. "My father had several transfusions over the course of his treatment which prolonged his life," says son Jeff. "Without volunteer blood donors, he would have had a much shorter life."

Similarly, Lykins believes in "giving back to the industry that has given so much to

our family." Over the years he has chaired the Petroleum Marketers Association of America, the Petroleum Marketers Educational Foundation, the Ohio Petroleum Marketers and Convenience Stores Association, and the BP Amoco Marketers Association.

Lykins serves today on the SIGMA Board of Directors and is bullish about the association's contribution to the industry and to his own company. "Given the issues that face us, SIGMA's advocacy efforts are more important today than ever," he states. "Also, SIGMA's professional education programs have been really valuable for us. And the SIGMA meetings are not only a great place to meet suppliers. We always get a lot out of simply networking with other marketers

and exchanging ideas with some of the best operators in our industry."

Sixteen years after taking over the company reins from his father, Lykins believes the best days for Lykins Energy Solutions lie ahead. "We've kept the values that have always guided us," he says. "But the process of adopting a new name gave us a chance to reflect, renew our sense of mission, and sharpen our vision for the future. A lot of thought went into our mission statement: 'To be energy in everyday moments.' We really do believe, as our vision statement says, that 'energy is being there every step of the way' and this commitment is what powers the American dream." **igm**