

CASE STUDY: WAWA INC.

Deep industry experience makes the difference

Overview

Wawa Inc., a privately held convenience store chain, began in 1803, as an iron foundry in New Jersey, and later, after establishing a dairy farm, operated a small processing plant in Wawa, Pa., to produce its high-quality dairy products for nearby customers. After the decline of home delivery of milk, Wawa opened the first Wawa store in 1964, as an outlet for its dairy products and soon expanded to other food offerings and services to address customers' needs. Today, Wawa has grown to more than 700 stores, with 450 offering gasoline. Stores are located in Pennsylvania, New Jersey, Delaware, Maryland, Virginia and Florida and provide their customers a variety of built-to-order hoagies, sandwiches, sides and snacks, specialty beverages, freshly brewed coffee, groceries, fuel, surcharge-free ATMs and more. Its 29,000 associates serve customers the "Wawa Way," by living Wawa's core values: to value people, to delight customers, to embrace change, to do things right, to do the right thing and to have a passion for winning. As Wawa explains, its core purpose is fulfilling lives, every day, for their customers, communities and each other.

Background

After a nearly 50-year relationship with its Big Four auditor, Wawa's leadership decided it was the right time to go out for a bid and gain a fresh perspective on the annual audit and associated fees. The request for proposal (RFP) process included the existing provider and other Big Four firms, along with additional national contenders, such as RSM.

According to Tom Rachubinski, Assistant Controller at Wawa, RSM set themselves apart from the rest of the firms during the RFP oral presentation. "We didn't take our decision lightly in changing audit firms, so we looked at each firm critically," Tom said. "We gave all of the firms a chance to showcase themselves. Most emphasized the idea that they would provide a local team to fit our needs, but RSM took a different approach."

Tom indicated RSM really understood Wawa's specific needs related to their industry, such as fuel business considerations,



and then discussed how they could address those issues, not necessarily with a local team, but by bringing in specialized talent from around the firm that had established experience in the convenience store and fuel spaces. According to Tom, other firms did not demonstrate that deep industry knowledge like RSM did.

"What was impressive to me was that RSM was willing to make the investment in us to assign people in other practices and locations, so Wawa got the best of the best," said Cathy Pulos, Senior Vice President – Chief People and Chief Financial Officer at Wawa. Multiple references from current and relevant clients also resonated with the organization's leadership. In the end, RSM was the obvious choice and became Wawa's new auditor starting with Wawa's 2015 fiscal year-end.

Approach

Engaging a new auditor can be a daunting and somewhat frustrating process for a business, but Tom indicated RSM employed a rigorous, multiday communication exchange, called a boot camp, between the firm's team, including Jamie Woell, RSM partner and engagement lead, and approximately 40 key Wawa associates, and very quickly, specific needs and approaches began to surface.

"It was a unique way to transition us. Rather than solely relying on previous years' workpapers, RSM asked questions, listened to us and then provided a tailored approach to address our fuel business, employee stock ownership plan and other considerations," Tom said. "This pre-emptive process helped us work through any challenges we might have had. In the end, it was a smooth first-year audit. It couldn't have gone any better."

RSM's deep industry knowledge and experience played a pivotal role in the first-year audit, as well. According to Jamie, the team effectively leveraged a number of RSM professionals who had tried-and-true experience with the complexities of the fuel business, specifically in the convenience store space, along with a strong understanding of other relevant industry

issues such as pricing, changing customer preferences, supplier challenges, inventory management and more. "Our focus was to bring the best team together, the most experienced, the best ideas and those who had passion for the industry," Jamie said. "All of that effort was focused on meeting Wawa's specific needs."

Cathy also attributes the smooth transition in the first-year audit to how well the RSM team fit with Wawa associates. "We noticed during the RFP process how similar RSM's core values and cultural attributes were to ours. We saw how they valued their people and clients and were committed to excellence and doing the right thing, very similar to our own values," Cathy said. In addition, she indicated, once RSM was on-site during the audit, team members demonstrated a commitment to Wawa's culture by participating in a community service project. Cathy indicated that involvement spoke volumes of RSM's dedication to Wawa and the things they hold important.

Summing the entire experience up, she noted, "My expectations were high, and RSM delivered."

Outcome

The following was executed by the RSM team.

- Conducted a boot camp communication exercise with Wawa personnel to uncover specific industry and business issues and addressed them in audit planning
- Created a tailored audit approach specifically meeting Wawa's needs
- Engaged specialized firm professionals to meet company-specific needs; i.e., fuel business and employee stock ownership plan
- Encouraged team members to understand Wawa culture and look for ways to engage in appropriate company activities
- Provided audit report on time for the February Audit Committee meeting

+1 800 274 3978

www.rsmus.com

This document contains general information, may be based on authorities that are subject to change, and is not a substitute for professional advice or services. This document does not constitute audit, tax, consulting, business, financial, investment, legal or other professional advice, and you should consult a qualified professional advisor before taking any action based on the information herein. RSM US LLP, its affiliates and related entities are not responsible for any loss resulting from or relating to reliance on this document by any person. Internal Revenue Service rules require us to inform you that this communication may be deemed a solicitation to provide tax services. This communication is being sent to individuals who have subscribed to receive it or who we believe would have an interest in the topics discussed. RSM US LLP is a limited liability partnership and the U.S. member firm of RSM International, a global network of independent audit, tax and consulting firms. The member firms of RSM International collaborate to provide services to global clients, but are separate and distinct legal entities that cannot obligate each other. Each member firm is responsible only for its own acts and omissions, and not those of any other party. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International. RSM® and the RSM logo are registered trademarks of RSM International Association. *The power of being understood®* is a registered trademark of RSM US LLP.