

"Things are going to go wrong, but it's how you respond that makes the difference."

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CEO of the Year

Towne Park

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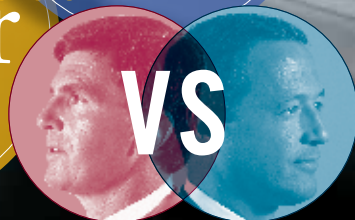
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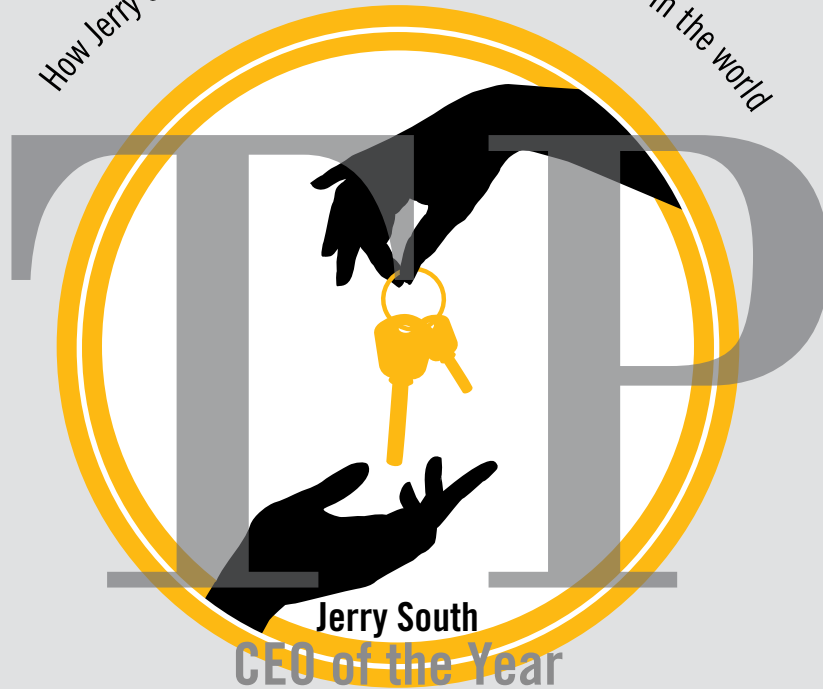
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How Jerry South crafted the largest valet company in the world



**Jerry South**  
**CEO of the Year**  
**Towne Park**

# challenges welcome

By David Callahan  
Photography by Bryan Burris

**Jerry South reckons he could hit a four iron from the top of his office building to the spot they found the car in Spa Creek.** South, who founded Towne Park, the largest valet parking firm in the country, is telling me about the most important 45 minutes of his professional life: the unlikely way he came to know one of his most influential business mentors, a man named Leland Pillsbury.

It was Dec. 9, 1989, the evening of the Parade of Lights in Annapolis. For the uninitiated, the parade is an event sponsored by the Eastport Yacht Club where boats adorned with holiday decorations journey down the city's waterways. It is the city's busiest night of the year. For South, it was a particularly important night. His fledgling company had signed on with the Annapolis Marriott just two months prior. The Marriott, owned by the Thayer Lodging Group, was experimenting with outsourcing its valet service, a very unusual strategic move in the hospitality sector at the time. Valets are the first people to touch a customer and also the last. In the notoriously punctilious hotel business, smooth and courteous curbside service makes all the difference in the mood of a customer walking in the front door. South knew that on this night, more than any other, he needed to be at the top of his game. Lee Pillsbury, primary owner of the Thayer group and the man who signed South's company on in October, was hosting a reception for all his investors, the people who helped him purchase the Marriott and get his company started. It was an extremely important night for Pillsbury, and by extension, an extremely important night for South.

South decided that he would personally manage the ramp that night. In the midst of the chaos caused by the lights parade, a brand new black Cadillac pulled in and a man stepped out, telling South that his name was Nick Mangione. South instantly realized that Mangione's family owned Turf Valley Country Club and that he was one of Pillsbury's most important investors. South handed Mangione a ticket and decided to escort him and his wife inside to see to it that they found the reception without any difficulty. Once assured that Mangione was satisfied,

South returned to the ramp to discover that Mangione's car was gone.

He was happy that his staff was on top of the situation, but he still held the other half of the car's claim check in his hand. He summoned over his manager and told him that somewhere in the garage was a new black Caddy and gave him the ticket to place in the car. A few minutes later his manager came back and told South the car was not there.

"I know it's in there," said South. "I opened the door for the man and his wife and escorted them in – it's there."

Once all the parties were in and the commotion had subsided, South sent his whole crew in to scour the garage. Ten minutes later, the answer was the same – no car. South shook his head and went to search for the car himself as the truth slowly dawned on him. He had been given a chance, a huge business break from Pillsbury. He had the Marriott account less than two months and had personally managed to get one of his key client's biggest investor's car stolen.

It was time to face the music. South walked up to the suite where the investor reception was taking place and knocked on the door. The general manager of the hotel opened the door and South asked if Pillsbury was in the room. Of course he is, she replied, he's hosting the party. "Colleen," South said meekly, "umm, it looks like we got Mr. Mangione's car stolen." She promptly slammed the door in South's face.

The 25-year-old South saw his business future flash before his eyes. Before he could even calm himself, the door reopened and Pillsbury, a man of very large stature, was staring down at South. "Yeah, what is it?" he asked.

"Mr. Pillsbury, we have a problem," South replied.

"Yeah, what is it?" Pillsbury asked again.

"Mr. Mangione's car has been stolen."

Pillsbury didn't hesitate. "No kid – *you* have a problem. What are you going to do about it?"

Those are the words that still ring in South's mind today – what are you going to do about it? His company now takes possession of more than 15 million cars a year. That's 15 million opportunities for something to go wrong. South now knows he's in the "what are you going to do about it" business.

Staring back at Pillsbury, the answer hit him. "I sure do have a problem, Mr. Pillsbury, and I'm going to give Mr. Mangione my car to go home tonight and buy some time to figure this out."

"Good thinking," Pillsbury replied. "What kind of car do you drive?" South told Pillsbury he owned a decade-old 1979 Bonneville.

"Here's what's going to happen, kid," Pillsbury intoned. "We're going to give Mr. Mangione *my* car and you are going to drive *me* home."

It was a 45-minute drive to Pillsbury's house. It was the first time South had any kind of real exposure to the man. "I will never ever get more value, as a business person, as I did out of that 45-minute ride to his house," says South. "The lesson he was giving me and the stories he was telling me about his first general manager job at Marriott and some of the stupid things that happened over and over again that almost got him fired, but what he did to fix those things. Things are going to go wrong, but it's how you respond that makes the difference. In a business and as a leader, there are going to be problems and things that go wrong. How do you respond to those?"

Lee Pillsbury later became an investor in South's company. He served on the board and went on to become one of his most significant business mentors. He personally was responsible for several dozen accounts the company has been able to grow organically.

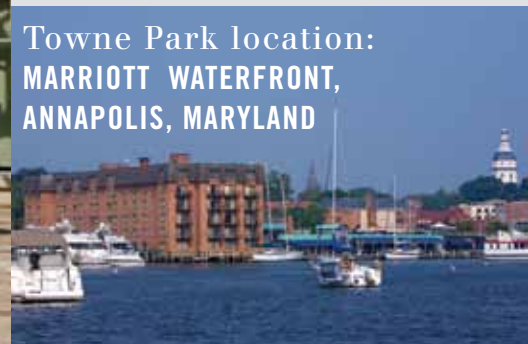
As for Mangione's car, South found it later that night sitting in Spa Creek, the victim of a joyride.



Towne Park location:  
LOEWS PORTOFINO  
BAY HOTEL,  
ORLANDO, FLORIDA



Towne Park location: THE WESTIN, ANNAPOLIS, MARYLAND



Towne Park location:  
MARRIOTT WATERFRONT,  
ANNAPOLIS, MARYLAND

After driving Pillsbury home, he and his partner decided it was time to decompress over a beer at McGarvey's. Several of his crew came along also, and one of the valets informed South that some kid at the back of the bar was bragging about stealing a car from the Marriott, grabbing some beers and wheeling around town before ditching it in the tributary next to Lafayette Avenue. "I'll get the kid," his partner said. "You get the police."

Any businessman knows that "stuff happens." A decade later, Mangione would have his own problems when more than 100 people suffered severe food poisoning at his resort. But the sheer volume involved with taking custody of 41,000 cars per day means that the odds of stuff happening can be minimized, but never completely overcome. The probability curve says that several problems will emerge every day. South's executive vice president of operations, Matt Cahill, relates a story about a lawyer he met in June while playing golf. Cahill had been paired with another twosome, and as he got to know the man, Cahill mentioned that he worked for Towne Park. "Really?" the lawyer said. "You guys wrecked my car." Cahill says he wanted to slink off at the turn, but the attorney seemed appreciative of how things were handled *after* the fender bender.

**"We are half service and half logistics. They tie very closely together. Without a good system, you spend way too much on labor than necessary to get the end result, which eats into our profit."**

Cahill left out the best part. Cahill's boss, company president Dave Nichols, fills me in: "Didn't Matt tell you? He started out as a valet himself. His very first day at work, *he* wrecked a car. The very first car he touched, he backed into a pole and almost just kept on walking."

Now, it should be mentioned at this point that Towne Park is not in the business of wrecking cars. One of the ways you get to be the largest and most well-respected valet service in the country is by *not* wrecking cars. But in order to get that far, you have to have great systems in place for hiring good staff and managing the variables. Part of Cahill's job overseeing operations includes managing a support center that deals with several major problems every day, from loaded guns left in front seats to blown radiators to abandoned vehicles. Towne Park operates valet parking at many major hospitals where, sometimes, the car owner loses the ability to drive or dies. Sometimes they are even already dead. In the mid-1990s, a sedan pulled in to Anne Arundel Medical Center, and the driver jumped out and told the Towne Park valet that his friend was really sick in the backseat. He handed the valet the keys and ran into the hospital. When the valet walked over to the

car and checked the backseat, he found a cold stiff body that had been dead for at least several hours.

Many different things as have happened at South's company over the past two decades, but he says there's always room for more. "It's really amazing how often we find ourselves saying, 'Wow – never seen *that* one before.'...New Orleans is the most interesting market. It's where the weird turn pro."

### LEARNING THROUGH LIVING

One of the ways you can tell that the drive to Pillsbury's house made an impression on Jerry South is that he runs something internally referred to as Towne Park University. As new managers are hired (there are more than 300), they come to the home office for training. During that time, each will have a one-on-one dinner with South. "They spend hours with Jerry," marvels Cahill. "It's important to him that he gets to paint the picture, share the history, talk about the traditions and talk about the future."

It's interesting that South calls his training regimen a university. South is clearly an equal opportunity employer when it comes to who has a shot at moving to upper management. He prefers to recruit up the ranks. Cahill, as mentioned, began as a valet back when the company made about \$1

million in revenue and had 150 employees. Today, he helps oversee a firm that has a \$150 million annual run rate from managing about \$300 million and also has almost 7,000 employees.

That's a pretty good move up for a valet who wrecked a car on his first day, and his story of upward mobility is repeated throughout the firm. It's also been a pretty good move up for the company, which has tripled revenues in just three years and accomplished this feat in the midst of the worst recession the hotel industry has seen in a century. Certainly, three acquisitions have played a role in the numbers, but much of the growth has been organic.

South appreciates what hungry and talented individuals can do. He has a recruiter's eye, and while he values education, he doesn't hold non-degree holders back, believing in what he calls "learning through living." He talks about helping people get to a place they never thought they could professionally. "It's the ability to come in as a payables clerk and earn yourself an ownership stake," he explains. "It's not about how long you have been here that gets you to the ownership table; it's what have you done to make us better?" Like so many successful entrepreneurs I have interviewed over the years, South never finished college himself, though he has a basketful of credits from the University of Maryland and some other colleges. South told me he may go back one day just to finish something he started. I'm

sure Maryland's Dingman Center for Entrepreneurship would be happy to have him.

South grew up in Calvert County and joined the military right out of high school. He credits his training with the U.S. Army for his appreciation for meticulous attention to detail, a crucial factor in the high-level service industry, where the clients' main fear is what will happen to their cars and whether they can trust these strangers with the keys. I asked him what he does to create a little comfort in the customer. "Profile and demeanor are very important as well as our uniformity," he says. "Our guys are sharp, pressed and very professional. You get out of your \$60,000 BMW or Mercedes, and you feel comfortable, as opposed to dealing with some yahoo with his shirt untucked and hat turned sideways who could care less about your 60k Mercedes. So our hire period is very important. We are also meticulous about car inspections and scripting and training."

South's military background is also helpful for the logistical side of his business. Nobody has more complicated logistics than the U.S. military, but Towne Park's logistical needs are no picnic, either. Every single site has unique needs, and South has to construct his company so it can leverage economies of scale while, at the same time, staying extremely flexible and personalized to each location.

### TENACIOUS AS TERMITES

When I first interviewed South, he was heading off for a very nice golfing trip with a few of his top staff and Dave Warnock, a venture capitalist whose company (Camden Partners) invested in South's firm. As it turned out, Warnock was paying off on a bet he lost, but really won. South had bet him he could double the company in two years. He says he will do it again over the next three. "I think Dave knew we could do it, but he likes to throw the wager out there."

As it turns out, what Warnock asked South to double was EBITDA, which he took from \$6 million to \$12 million. If he could do it, Warnock would surrender back 2.5 percent of his company's 30 percent stake – quite a nice carrot. Warnock said he wasn't worried that South would simply borrow his way there. "I trusted him to make good capital decisions," he told me. Two acquisitions plus a healthy amount of organic growth put Towne Park over the top. "It's an extraordinary company," Warnock says.

I wouldn't bet against South's company. You can tell its success goes much deeper than him. Warnock is a sharp investor who has hit a lot of home runs, including Blue Rhino, the wildly popular propane tank swap scheme that put most large-tank-to-small-tank refill operations out of business. He wouldn't invest in a company if the value proposition was anything other than fundamental. The Camden Partners phi-

losophy is all about exploiting inefficiencies in the marketplace, as Blue Rhino's model did. The inefficiency Warnock sees Towne Park exploiting is the advantage of scale. The need for valets is not steady and is subject to wild swings when large events hit on weekends. Only a company with good saturation in a market can handle the ebb and flow. "If a hotel needed four valet parkers every day, they could probably manage it, but it doesn't work like that," he notes. "So what ends up happening is valet parking becomes essentially a cost center and one that's really hard to manage. What Jerry does is go out and say, 'Here's the deal – we'll give you 20 percent of the gross revenues.' So instead of having a business that is a pain in the neck to manage and is a cost center, here's a check every month. If we do a good job, as he's done in every place we go, valet parking rates go up because when you have better-trained people and better service, a higher percentage of people will decide to valet park. You get a company that is the superstar in the business parking your cars. It's a pretty good trade."

In order to pull that off, South had to build a culture that breeds believers. The Towne Park culture may be extroverted, but it has kept the ship going full steam ahead, despite all the balls South throws in the air. The mantra there is "whatever it takes." It sounds good, but it's very hard to actually do. It requires special people. When I asked South about his biggest regret, he spoke about all the great performers and great contributors to the company who are no longer there, something South regards as failure on his part, whether it really is or not. "We didn't put our arm around them, give them the company handshake. Maybe they were a little standoffish to our culture. We're a weird bunch around here. You spend some time here, and you'll ask what time of day we drink the Kool-Aid. If you don't fit into the culture, it's tough."

That culture evolved over time from even before South officially registered his business as a C-corporation in 1988; he was on the prowl for op-

portunities. South likes to hire people as tenacious as termites and then goes about finding buildings to feed them. "The other day, I asked Dawn up in accounting how it was going. She said, 'Great – we are finally catching up. There's light at the end of the tunnel.' Someone else piped up, 'Yeah, and it's Jerry driving the next acquisition right straight at us.'"

South has 65 people working at the Annapolis support center (they don't call it "headquarters"), and it's a good thing he has crackerjack accountants because he needs them. For one thing, his company processes 6,500 claims a year, which may sound like a lot, but is a tiny fraction of 15 million cars – just 0.04 percent. And it was an accounting oversight that nearly sank the company in its first year when South still handled payroll and failed to get good advice. "I traded parking spaces in exchange for a firm's accounting services," he says. "You get what you pay for. I didn't pay anything, and I got nothing." What South neglected to do, and couldn't do under his initial margins, was pay payroll taxes. It's a typical 24-year-old mistake – at that age, paying your *own* income taxes are not habitual yet. He quickly ran up \$100,000 in back taxes and couldn't pay it. As a cash-flow business with no assets, a loan was out of the question. So South went to the IRS, hat in hand, and explained that if they put him out of business, they'd never see the money. A compassionate IRS officer waived the penalties, but he got put on double secret probation (personally and in business) for five years and had a \$50,000 penalty incentive to never miss a payment again. South got some financial help from an early investor named Dave Coombe, a man he'd met while parking cars at

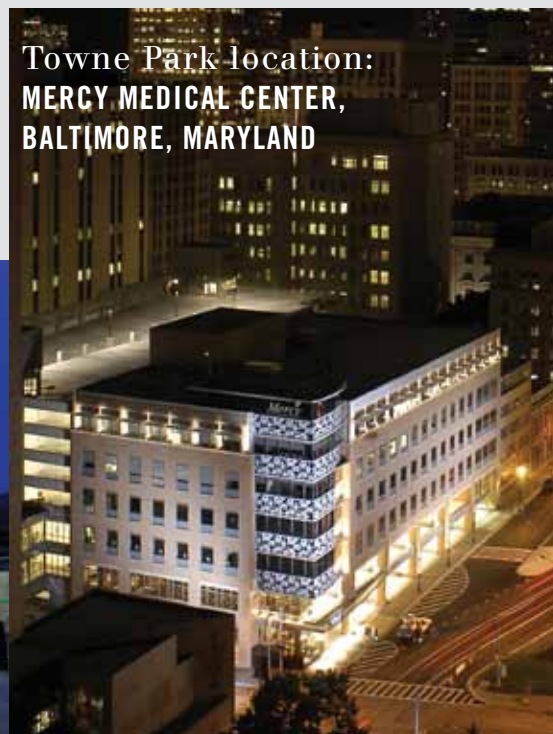
Nunzio's Restaurant. Coombe gave South \$25,000 to get his taxes straight and took a 25 percent equity stake. When South came back in 1998 and asked to buy the stake back for nearly \$500,000 (a 37 percent annualized return), Coombe laughed and told South he never thought he'd see the money again.

Likewise, company president Dave Nichols laughs about the tax fiasco all these years later. "His response to the IRS was, 'How could you let this happen to me? How could you let me get this far behind?' He didn't just not pay because he neglected to do it; he didn't have the money to do it. He had other people that were more demanding at the time. He was barely making payroll." It's part of the reason Nichols has his job. He was hired precisely because South knew himself to be a lackluster administrator and needed someone to build administrative systems for him.

Nichols was general manager of the Seelbach Hotel in Louisville, one of South's first accounts outside of the Maryland market. South arrived unannounced (as is his trademark) on a very bad day in 1998. The hotel had recently changed ownership, and Nichols was irked by an email that he had been sent from headquarters calling for cost-cutting measures because the company was going to miss its second-quarter earnings. Nichols' hotel was actually ahead on revenues, but that was not what bothered him. It was the last line of the email directing him to cut costs, even if that meant cutting service levels to guests. "All my life, I thought that you make your living taking care of guests. I'd always worked for hotel companies run by hotel people. Now it was run by financial people."

Meanwhile, South was outside refusing to leave despite the fact that Nichols had already said he didn't have time to see him and that everything was fine – he was very pleased with how the parking was going. "I know you have to leave that office sometime," South said. "I'll be here when you do." Nichols relented and was soon surprised to hear that South was there to offer him a job. Nichols thought it would be a bit crazy to go work for his valet parking guy, but he saw something he liked in South's

**Towne Park location:**  
**MERCY MEDICAL CENTER,**  
**BALTIMORE, MARYLAND**



**Towne Park location:**  
**ST. LUKE'S HOSPITAL, CEDAR RAPIDS, IOWA**



**Towne Park location:**  
**THE CONRAD, INDIANAPOLIS, INDIANA**



formula for success – do everything you possibly can to take care of the customer, and money will find its way to you. With a payout from the ownership transfer, he had a cushion to gamble and he took the leap. He would soon be seriously questioning that decision.

### ‘NEVER MET A DEAL HE DOESN’T LIKE’

Not much later after Nichols landed in the runway, he learned about South’s penchant for signing up for things when he has no idea how he was going to accomplish them. Cahill puts it bluntly: “Jerry’s never met a deal he doesn’t like.” Cahill says that he and South were atop the Lord Baltimore Hotel and staring out at the Omni when South told him, “The work we do here will earn us that account. You help me get that account and you can sign my paycheck.”

South sensed that getting the Omni, the largest hotel in Maryland at the time, would be a game-changer for his company. He had worked hard to develop a relationship with the general manager, and one night, the two men were playing pool together and South learned what it would take to grab an account that large. The general manager said, “Look, Jerry – I like your company and want to do business

“Profile and demeanor are very important as well as our uniformity. Our guys are sharp, pressed and very professional. So our hire period is very important. We are also meticulous about car inspections and scripting and training.”

with you, but here’s what I’m up against: the other company is going to put money into the deal, and I can’t ignore that. So if you can put money into the deal, I’m going to give this to you.” South said he could meet those terms, and the deal was made over a handshake. There was just one problem – South was a million dollars short.

The Omni’s terms were not completely unreasonable. The hotel wasn’t asking for a signing bonus, as was sometimes the custom; it wanted half the 10-year rent on the garage in advance, in exchange for a 10-year commitment. South came into the office the next day and explained the situation to Nichols. “At the time, we had a line of credit of about \$350,000,” Nichols reveals. “Other than that, we had no resources. We were basically cash-flowing. We didn’t have anywhere to go. I said, ‘That’s great, but where are we going to get the million dollars?’ He said, ‘I don’t have to get it to them for 90 days. Ninety days is a lifetime. We’ll find the million dollars.’ I thought, ‘Oh my God, what have I gotten myself into?’ The sequence was just amazing from there.”

That sequence began with a trip to the company’s bank. South and Nichols put together a care-

fully crafted proposal, which made financial sense, given that the money was simply for an advance on rent. At the meeting, the bankers asked South what he would do if they didn’t agree to fund him. South said he would go find the money somewhere else. “He tells us it’s a violation of your covenants to go somewhere else,” Nichols explains, “and he asks us if we would really violate our covenants with the bank just to grow our business. Jerry said, ‘I think we’ve got to find a new bank, Dave,’ and he got up and we walked out. I thought to myself, this isn’t good.” The bank promptly called Towne Park’s loan. It wanted all the money out on the line of credit back immediately. “Now we’re further in the hole, and we still don’t have the million.”

South realized he would have to raise the money privately by selling equity. By this time, Nichols’ head was spinning. “I hadn’t moved my family yet. I don’t know what we’re doing. I’m wondering if this is a good thing.” South approached some friends, including Steve Bisciotti, and finally secured some funding in the last days. Bisciotti, then the CEO and owner of Aerotek, began his company in the Annapolis area around the same time South did, and the two were longtime friends. The current Ravens

owner took a minor ownership stake (he has since sold his shares back). South had raised \$800,000. He went back and asked the Omni GM if he would accept the figure, and he did.

South’s white-knuckle struggle was worth it. He

had proven he could compete against the large garage players, like Central Parking, and win. According to Cahill, South would have done anything, and pretty much did, not to have to go back on a handshake. Towne Park had turned a major corner, and it now needed someone who could come in and build business systems around an \$8 million cash flow. Fortunately, South had hired just the man two months prior. Nichols moved his family and established a strong relationship with Commerce Bank (now SunTrust). “After seeing that [episode], I realized this was a can-do, make-it-happen company,” he says. “I consider that as the hard part – developing the heart and desire to do better than everybody else. They saw that as the easy part and thought the hard part was figuring out how to manage the business. I remember asking to see the annual forecasts and budgets. They said, ‘We’ve never really done that. Maybe we should do that. Oh my God, are you smart – yeah, let’s do budgets!’ It was my task to put an organizational structure around a driving culture. If we ever lose that, we lose Towne Park. We have a lot of systems, but the magic is the drive.”

### BUILDING THE SYSTEMS

South, meanwhile, thinks the systems are a big part of the magic. He says he doesn’t want to own 100 percent of a \$10 million company – he wants to own 10 percent of a billion dollar company. To do that requires a lot of very strong systems. Building such systems saved him when, once again, South overcommitted. “Doubletree single-handedly exploded our growth from ’95 to ’98,” South recalls. “One of the senior operations execs had an unbelievable experience at this particular Doubletree in Ft. Lauderdale. I heard about it, I got to the guy, and we met and he said to me, ‘I want what you’re doing at that hotel at every Doubletree in the country.’ I said, ‘Yes sir, we’ll give you that one at a time.’ And we proceeded to let Doubletree almost grow us out of business. We weren’t prepared for that kind of growth. I represented that we could handle it, but I left the meeting sweating bullets wondering how we were going to figure this out. I left the room saying ‘yes’ to an order with no idea how we were going to fill it. Doing business locally, we are able to touch every account every day and get to every location every day and touch every client on a regular basis. It’s easier to maintain quality in that local environment. When we were just in Annapolis, I was at every account several times a day and knew every employee. They understood the standards. They understood the expectations, and clients knew that if there was a problem, all they had to do was call me and I’d come running. Maintaining the quality and consistency in remote markets was our challenge early on.”

By 1998, South realized he needed to systematize in such a way that he could hire well and capitalize on economies of scale in a city. Hotels can handle valet parking internally 80 percent of the time. It’s the other 20 percent that stymies them and forces them to use an outside vendor. Towne Park, with several operations in a city, can move valets to another location when a big event is occurring, and they fit right in because they already know the system. “Many hotels, out of desperation or unwillingness to outsource and relinquish that point of contact with their guests to an outside firm, throw labor at it. People, people, people – well, it’s not always people. There has to be a system and a process. We are half service and half logistics. They tie very closely together. Without a good system, you spend way too much on labor than necessary to get the end result, which eats into our profit.”

South says his biggest logistical breakthrough came when he leveraged technology. “We have our own proprietary operating system and computers at location level. What that allows us to do is track cars, retrieval times and employee productivity and reconcile our revenue. We have a handful of basic operating plans and systems that we would em-

ploy at various hotels, depending on the volume of an event – how many cars are showing up. Being able to predict the amount of cars is very critical in our business. Physical plant is another factor that changes every single operating scenario. Physically – what does the front drive look like? How big is the porte cochere? How far away is the garage? How many spaces do we have? Every operation that we have brings along its own physical plant logistical challenges.”

### **THE X FACTOR**

The logistical challenges today involve Towne Park’s new vertical – hospitals. In June 2009, the company acquired Avascend Hospitality Healthcare and immediately thrust itself into the healthcare space in a big way. It already ran a handful of hospital operations going as far back as 1992, but the acquisition catapulted Towne Park into the number two spot in the healthcare space. The move into hospitals takes advantage of a growing trend and creates reliable, recession-proof business. It’s a far cry from where the firm had been only a year prior, when the financial crisis hit and the hotel industry’s sales volumes dropped off a cliff.

South and Nichols laid out a nine-point contingency plan to deal with the downturn. Step nine was “lay off friends.” He never had to go beyond step four. “We had a mantra in late 2008: Let’s grow our way through this. Same-store sales are going to be down, and we know it. If we have enough new business, we can offset that. We learned a lot from our 2008 acquisition [of Mile High Valet in Denver]. That company taught us a few things that allowed us to reduce overhead in the field by a million bucks. In 2009, when a lot of companies went out of business, we beat our budget by over \$2 million. We picked up a few accounts from companies that went out of business, but we outperformed the previous year.”

What South says he learned from the healthcare acquisition was that the opportunity in the hospital space was much larger than the opportunity in the hotel space, and he didn’t realize it. Hospitals are pinching, squeezing and trying to do more with less, but they bring more stability to the business because the hospitals are all busy – their volumes are not down.

Towne Park believes its advantage

rests on the fact that the company cut its teeth on the hotel side, where mistakes and poor service are not tolerated. The Ritz-Carlton and Marriott are not going to allow the first and last touch of their customers to be shoddy. “There have been a lot of players in the healthcare space that aren’t that good but have gotten by because the demand for quality wasn’t there until recently,” says South. “A lot of the ragbag operators have grown despite themselves because it isn’t the Four Seasons saying, ‘Hey, wait a minute. You can’t be like this in front of my facility!’ Those hotels demanded quality that became table stakes for us. Healthcare has a demand for price, fixed costs and other things. We’ve learned that and married it

with our ability to deliver quality, and we’re already the leader in that space. It’s much different, and our challenge is to adapt organizationally to optimize the opportunity and exploit the advantage that we can bring from the way we built our organization. We’re excited – it puts us in a big way into another vertical market without having to learn a completely new business, and there are tons of opportunities with a very limited number of high-quality competitors.”

“Hospitals are unique,” explains Cahill. “The person that you hire, you want to be filled with energy and very Disney-esque – you can have a lot of personality and have fun with it. At a hospital, people aren’t showing up because they want to have a good time. It’s all about care and being helpful. The demeanor is different and the personality is different, and you really get to know the patients because they are often coming back over and over for treatments or physical therapy. You build some strong relationships and connections.”

Cahill’s job is to find a way to manage those hospital’s needs while taking advantage of his company’s unique expertise in using metrics to manage quality control, something he says his team is almost obsessive about. “You have to let it marinate a little bit to see if you’ve got something that’s statistically valid. But that part of it is easy for me. A major difference between a hotel and hospital is at 95 percent of hospital accounts, we are not managing an outside stream of revenue. I see this changing over time. The core competencies we bring are how we recruit, hire, train and deploy talent and how we manage our revenue stream. Not only do we keep data, but we put it in play. That’s our X-Factor on the hotel side. Give me a people-intense business in the hospitality space with revenue, and we can dominate that space. When we fall out of bed in the morning, that’s what we know how to do.”

Because most hospitals don’t bring in revenue from the valet service, Towne Park becomes a cost center instead of a value-add. They are viewed as a patient amenity – a new best practice that they outsource because they don’t want the liability. But slowly, hospitals are realizing how important it is for the person having a hip replacement that they be transferred gingerly to their vehicle and treated well. People select their hospitals for elective surgery, and parking, believe



it or not, figures firmly in the calculus. Towne Park runs a mystery shopping system on the hospital side to test its valets and keep them sharp. The company knows that a hospital administrator that is happy with its valet service adds more stability to the company. Hospital administrators generally stay put and have long careers in one location. Hotel general managers transfer around and are far more transient.

## VERTICAL HORIZONS

If Towne Park is going to grow to \$1 billion, it will likely need to diversify even further into other vertical markets. To some extent it has – it runs bellman services at several hotels. That doesn't mean there isn't a lot of room to grow. Towne Park's strength is that despite its size, it probably only captures a little more than 20 percent market share in Maryland. But it's hard to pin those numbers down. Nichols reckons his company captures better than a 10 percent market share, but even he doesn't know. It's a highly fragmented industry that is prime for consolidation one day, but Towne Park is probably the first company to emerge that could even pull off a series of roll-ups, and it can afford to be very selective. How fragmented is this space? South says there

**“At hotels, you want the person to be filled with energy and very Disney-esque – you can have a lot of personality and have fun with it. At a hospital, people aren't showing up because they want to have a good time.”**

are about 1,700 parking operators in the country right now.

Restaurants use valets, of course, but most of those operations are so small and scattered that the economics are not attractive for a firm like Towne Park. In Baltimore, Towne Park has secured a contract to service all of Harbor East, which contains a bundle of restaurants, shops and hotels. This idea of bundling a dense commercial district using shared garages plays to the company's strength of logistical expertise. Similarly, large shopping malls are starting to use valets. Resorts are building valet services that are more complex and need better logistics.

But there is one vertical market that Towne Park is hunting that, if you'll allow me to set aside journalistic objectivity for a moment, I really hope they figure out. I'm speaking of the airport. South looks at skycap service, and he sees a logistical disaster. Who doesn't? If you are flying alone and try to use skycap service, you can't leave your car, yet have to somehow go stand in a line that is across a security lane. “It's kind of a dreadful experience,” Nichols says diplomatically. “It would be nice if you could pull up to the skycap at Southwest Airlines

and somebody opened your car doors and opened your trunk and checked your bags and parked your car and said, ‘Welcome to Southwest!’ That's how we look at it. There's got to be value there. There's value for the consumer, value for the company, there's value from a service perspective, there's even value there from a homeland security perspective. It's the aggressive approach to providing service to your customers as opposed to simply being reactive.”

## FIX IT FIRST

That aggressive approach to service is the key to Towne Park's success. It all comes back to “what are you going to do about it?” Six months ago, Richard Branson showed up to one of Towne Park's hotels in a rented Lamborghini. The valet pulled it forward 10 feet, but was understandably unfamiliar with the car and accidentally left it in neutral. It drifted down the driveway into a planter. “Here's Richard Branson, the king of service and world-famous entrepreneur, and we've wrecked his \$2,000-a-day ride.” Cahill still shakes his head like he can't believe it. “We had to find him a new rental, pay to fix the old one and pay the rental car company for the time it was out of service.”

When one of Towne Park's bellman dropped Oakland Raiders kicker Sebastian Janikowski's \$500 bottle of bourbon, a team of Towne Park employees scoured the city to replace it. Nobody got fired or even reprimanded because the team came together to find a way to make it right.

Cahill says the ultimate example of fixing a screw-up came when the company landed a gig called the “Velvet Sessions,” something the Hard Rock Hotel in Orlando puts on the last Thursday of every month. The hotel hires a B-list rocker to put on a show in the hotel's lobby and promises velvet glove treatment of guests. Loews Universal, which owns Hard Rock, approached Towne Park because its valet service simply couldn't handle it. Cahill figured his company was operationally strong and told Loews it wouldn't be a problem, and he landed the hotel account. He knew the monthly concert was a big reason for the deal, so he personally went down to Florida to make sure it all ran smoothly. “We had a great plan. But what we didn't know was all the cars came in really fast. It's 1,000 people – probably 650 valet parking cars within 60 minutes – to go to a concert that is only 100 feet into the lobby. We get all the cars in and hotel executives are high-fiving in the lobby saying, ‘Great job! This is why we hired you.’”

The problem occurred 90 minutes later when Pat Benatar shouted, “Thank you, Orlando! We love

you! Goodnight!” Cahill knew he had a problem. “We hadn't even parked all the cars yet. We got them off the front drive, but hadn't parked them all. Cars were still running. They were all over the place because what the guest doesn't see won't hurt them. After everybody gets in, you get organized, get cars assigned and are ready when they come out, but generally you have three to five hours. It was chaos. It was 4 a.m. before they brought the last car around.”

No hotel managers saw the fiasco. They had already celebrated and left. Cahill got up at 6 a.m. and sat in front of the GM's office. The GM arrived and said, “What are you doing here?”

“I wanted to see you,” said Cahill.

“Great job last night,” he replied.

“Uh, not so quick,” Cahill said. “It didn't go as well on the way out as it did on the way in, and I learned a lot. The good news is all the cars got out and nobody's damaged or hurt, but you're going to have some emails on your desktop.”

Cahill made a deal to pay for the next concert. “I had to make it right. We blew it, and that's what they hired us to do. I went and fell on my sword and I had a solution. I had something it was tough to say no to.

“I committed to being back there the next time, which probably wasn't a great offering because I was there this time and it didn't go right. But now it is our signature marquee event, and we have other operators who come to watch it. We have 60 valet parkers and 20 managers. I call it valet poetry. It is really cool to watch – 600 cars in and out with a 90-minute flipover. We developed a lot of best practices out of it. A lot of cool things came out of it as we forced ourselves to get better.”

Cahill says the real test with something like this is catering to the hotel's regular guests. “Can you imagine booking a great Disney vacation for your family and you're checking in during the middle of this thing? Other than all the business and the chaos, it doesn't feel that much different. We have people dedicated to check-ins so that that 8-year-old coming to Disney for the first time still gets that experience.”

## CEO OF THE YEAR

Every year, I get asked how we select our CEO of the Year. The criteria is remarkably simple but rarely achieved. The CEO should be an entrepreneur who has grown his or her business into an industry leader. He should have a clear operating philosophy. He should not just be a success within our region, but should be somebody who leads his own peers – somebody other CEOs in the same space point to and want to emulate. He needs a bullseye on his back.

We think Jerry South fits the bill, and we also think those words from Leland Pillsbury should ring in every CEO's ears, not just his: “What are you going to do about it?” **CEO**