

Friday, Feb. 12, 2010

By Steve Monroe of the Gazette



Barwood CEO Lee Barnes seeks out innovative ways to put the customer first

With snowstorms, terror strikes and tropical storms, Lee Barnes has navigated his taxi business through a lot of adversity over the years. That includes recent struggles to keep his Barwood fleet running efficiently through this winter's historic bad weather.

Barnes said his time was limited this week to talk to the media, because his fleet, based in Kensington, and his customers deserved top priority. The principles that helped him take over the business from his father 35 years ago, and lead it to success, are the same. It is service first, he says, whether it is a snowstorm or rainstorm, prom or New Year's Eve, all part of the estimated 1.2 million rides annually for Barwood.

He did say, though, "This snowstorm has caused the most disruption," compared with other rough times.

"Snowstorms do present a tremendous demand because many people do not want to or can't drive their own vehicles in these conditions," Barnes said. "Although the demand is high, we have a severely reduced supply, as roadways quickly become impassable or are reduced to only one lane. Additionally, our drivers must wait like everyone else for snowplows to clear their neighborhoods before they can get their vehicles out and on the road to service customers."

One innovation that has helped Barwood, and its customers, over the last week has been his company's Web site service, WebRide.

"We began using WebRide in 2002," said Barnes, 56, a native of Takoma Park. "WebRide has been extremely helpful in storm conditions because trips come through electronically and the WebRide trips come through regardless of staffing availability."

The Business Gazette recently talked to Barnes about his business, which is marking its 50th year and has seen revenues in the \$5 million to \$10 million range in recent years.



Do you ever have to refuse customers service in storms like this because of bad roads?

Even during inclement weather we do not want to turn our backs on our customers. Service is based on taxi availability ... if someone is on an extremely treacherous or impassable road, we ask the customer to meet us at the corner of the nearest passable road.

You said despite the demand, snowstorms are not really big business, profit-wise?

No, because expenses increase dramatically during this type of inclement weather. Some of the extra expenses include, but are not limited to, snow removal, hotel rooms for employees and drivers if needed, and travel expenses to bring employees to and from work.

Over the last year you have been involved in a lot of automation, technology upgrades for your cabs and now you have new self-swipe credit card video terminals?

We're very excited about our VTS [VeriFone Transportation Systems] terminals and the progress we're making is great. VTS terminals have been installed in 335 Barwood vehicles. We will start installation on the final 100 in March.

What prompted the new technology?

We are known in the industry as a technology innovator within our national and international trade association. And because we have a good reputation as a well-run business, the technology provider who had worked with us many years before came to us

and said, "Well, I've got something much better, very similar to what they have in New York City, and I would like you to do our program in the Washington, D.C., area."

And will this increase revenue a lot?

There won't be any revenue benefit necessarily, and that wasn't the reason. It was the customer-service focus — the fact that the customer no longer has to give a credit card to the driver. It certainly is a nice benefit that we found that they had the ability even in our market to have the video portion work, so that we could have not only the public service announcements, which are nice because it's good to tout Montgomery County, but also the fact that we could have a potential for advertising revenue. [Through a partnership with Montgomery County, the video monitors display public service announcements. Barwood is to donate more than 60,000 hours of screen time over a year to local agencies and charities.] The fact is that we have seen more customers using credit cards, and because it's so easy [to use], the driver's revenue has increased. Because when people have a credit card — it's a national statistic — they do tip more and we have actually seen that, that the tips are up as much as probably 7 percent more on tips with these terminals.

Are there any security concerns?

Actually, it makes it more secure because nobody touches the credit card but the customer, and we have no access to the data — it goes to secure servers in New York City. But the driver's security is important to me, too ... I want my clients' data to be secure, but drivers not having to have as much cash, that is better. I know Montgomery County is a very safe community — we are very fortunate — but our drivers sometimes have to travel in other communities.

What does the video swipe technology cost you?

They take that out in a per transaction fee. [VeriFone] put the equipment in and they take the risk on the credit card volume.

This follows on other technology improvements?

In 1989 was when we first had our taxicabs that could take credit cards, on mobile data terminals. Since 2002, we've used GPS with the terminals to further improve response times for dispatching, so that we always know where our taxis are, so that when you call one, it is based on whether the customer is going to get the closest taxi, as opposed to one that is farther away. And we are also one of several companies that are going to convert some cabs to bi-fueled propane and gasoline vehicles — they'll be hybrids.

Your cabbies are independent?

Taxi drivers, virtually worldwide, and even in any secondary market, are independent; they either own their own taxi or lease the vehicle from a company or individual. In the very old days in Montgomery County, all the taxis were on commission. You came and

got your vehicle in the morning, came back when you finished and put all the money on the table, and they'd split it up.

My father, being a taxi driver, knew that that wasn't fair because he knew that no matter how much you worked, 60 percent was going to the company. So my father [went to a system] where the fee was fixed at a number where, that way, it was an upside for the drivers.

And he bought all the vehicles?

He bought the vehicles and the licenses. And so we leased the cars and the drivers are independent contractors. Now there are some drivers that own their own cars and own their own licenses and those are called affiliates and we have a high percentage of our fleet, 110 of our 470, are affiliates. Of those, there are probably 30 that don't drive ... they own one or more taxicabs and lease them to somebody else.

You said you were an only child and took over the business from your dad?

Yes ... as soon as he came out of World War II, he became a taxi driver. He was from North Carolina originally but like a lot of veterans, they didn't go back to the country — they came to the big cities. So he came here and then started a cab company in Bethesda. My parents met when my dad was a taxi driver and my mom was a waitress at the Hot Shoppes in Bethesda.

When I was very small, I remember riding in the front seat of the car with my dad. I'll never forget the feeling of a quarter going in my hand, whenever the customer would say, "OK, you did a good job, son, opening the door, here's a quarter." And that was a lot of money then. So I worked in cleaning the taxis, I worked in the garage, did the accounting part of it, because it was a family business, and my mom worked in the business, too. Then whenever I was in college I drove a cab, and some of my high school friends drove a cab.

Then in 1974 I was at the University of Maryland, and my dad had a heart attack. I came back and I took over the business and I've been running it ever since.

Your dad had expanded the business into D.C.?

We had such a good reputation and had people asking us to do more in D.C., and he wanted to grow bigger because you can grow organically but it takes so long, so it's better to grow by acquisition. So he acquired a company and I think the process of that and running back and forth to D.C. took its toll on him. So at 21, I had to take over here, but also take over the D.C. business. But after three years I could just see there was no way to have a sustainable, customer service-focused business there like we had here in the county — it was just too tough going back and forth. If we had the technology we had today, like cell phones, maybe, but not then. So we sold the business in D.C.

You've expanded to other services like executive coach?

Yes, we have executive coach service for Maryland companies and for D.C.-based companies. You'll get a driver that will come in a suit and tie, with a dark blue Cadillac or Lincoln, and the rates are not regulated by the government. Corporations like the fact it's an unmarked vehicle and it's a chauffeured drive.

You also provide transportation for things like Sober Ride. When did that start?

In 1982, it was in Bethesda ... with all the holidays and events especially beginning with Halloween coming up, then Thanksgiving, Christmas, New Year's, then later St. Patrick's Day and the Fourth of July, the idea was to have Sober Ride funded by different organizations, and the driver gets paid by the donations from these organizations to get people home safely from wherever they were. They contract with us to be the exclusive provider here in Montgomery County. The taxi driver gets paid the very next day by us and we bill Sober Ride. But we also provide services for our corporate clients for parties for sober rides, and we send fliers out to remind them that holidays are coming up.

Lee Barnes

Age: 56.

Position: President, Blue Star Group Inc., which includes Barwood Taxi, Executive Coach, Washington Car and Driver and TaxiPlus with a fleet of more than 460 vehicles including luxury sedans and wheelchair-accessible vans.

Education: Attended University of Maryland, College Park.

Organizations: Chairman, Bethesda-Chevy Chase Chamber of Commerce; past president Maryland Taxicab Association, and International Taxicab Limousine and Paratransit Association; Montgomery County Conference and Visitors Bureau; Leadership Montgomery Class of 2000; Montgomery County Workforce Development Group; board of directors, Olney Theatre Center for the Arts.

Residence: Bethesda

Family: Wife, Christine, vice president of operations for Barwood; and three children: Jessica, 28, Lea, 13 and Cameron, 17.

Hobbies: Reading biographies, exercise, going to the movies.