

United Supermarkets Outsources Fuel Management to FuelQuest Fuel Center®

Outsourced fuel management service enables transformation to improved fuel margins and unbranded strategy.

KEY HIGHLIGHTS

Challenge

- Shrinking margins due to uncertainty in fuel prices, supply and volatility

Solution

- Centralized and outsourced fuel management to FuelQuest Fuel Center®
- Adopted unbranded strategy for retail fuel at sites and new convenience store chain

Results

- Improved fuel margins by a double-digit %
- Saved millions of dollars in procurement costs
- Reduced working fuel inventory across sites saving nearly \$2 million
- Saved over \$50,000 from accruing and remitting state excise taxes
- Improved sales volumes by 3% by moving to unbranded fuel
- Increased in-store sales and retention due to competitive pump pricing
- Improved fuel operations enabled launch of the United Express fuel and convenience SBU

AT A GLANCE

Company:

United Supermarkets

Primary Business:

Retail grocery chain in north and west Texas

Founded:

1916, Sayre, Oklahoma

Employees:

10,000+

Headquarters:

Lubbock, Texas

Store Count:

50

DIFFICULT MARKET, DIMINISHED PROFITS



Family-owned United Supermarkets was established in 1916 with its first store in Sayre, OK. With a mission of “Ultimate Service, Superior Performance, Positive Impact”, United has expanded to 50 stores covering 30 communities in north and west Texas. Fuel is a relatively recent business for the 95 year old chain. Launching its

first station in 1996, United began its retail fuel business unaffiliated with a major fuel brand and operating with a spot price procurement strategy utilizing multiple vendors. As its fuel operations expanded, United established 20 branded sites with fuel managed by a distributor partner.

However, operating in markets that OPIS considers among the most difficult in the country from a profit perspective¹, United was also challenged by the last decade’s volatility and uncertainty in fuel prices and supply. The net effect was profit margins that continued to decline until reaching break even in 2007. It was clear that a change had to be made.

In 2008, Chris Bridgford was brought into United Supermarkets to direct its fuel operations. Bridgford’s long experience in petroleum marketing was needed to return profitability to United’s retail fuel business.

OUTSOURCING FUEL MANAGEMENT

Bridgford recognized that among United’s challenges in its fuel operations was an inability to take advantage of competitive prices for its fuel supply. He also identified potential efficiencies in inventory management and financial reconciliation that could improve profitability.

As part of his improvement program, Bridgford began evaluating fuel management solutions. FuelQuest Fuel Center®— an outsourced fuel management service that leverages FuelQuest’s leading Fuel Management System (FMS) software offering— caught his attention. “There’s no shortage of fuel management solutions out there, but the combination of FMS software plus an expert inventory management and dispatch team is very compelling. After looking at their capabilities, I realized that we could spend a lot more money and not do it as well as Fuel Center.” So in 2008, United Supermarkets began a successful pilot of Fuel Center at two of its new retail fuel sites in the Dallas area.

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Chris Bridgford,
Director of Fuel Operations,
United Supermarkets

GOING UNBRANDED

Concurrently, United Supermarkets was nearing completion of its contractual obligations as a branded fuel retailer. The success of the Fuel Center pilot made the prospect of going unbranded particularly attractive to Bridgford. Under his guidance, United Supermarkets issued a comprehensive Motor Fuel & Transportation RFP to select vendors for its fuel supply and logistics needs. The network of vendors would allow United to enjoy competitive pricing advantages, as well as leverage spot pricing opportunities that occurred throughout the day. During the RFP process, Fuel Center enabled valid and consistent comparison of multiple and varied vendor proposals, normalizing pricing formulas so that bids could be competitively evaluated.

With Fuel Center empowering greatly improved efficiency in fuel operations and a robust network of suppliers and carriers, in 2010 United became a licensed distributor and launched its proprietary fuel & convenience SBU, branded United Express. The establishment of United Express reflected the fact that retail fuel had become a profitable and growing business unit within United Supermarkets. Additionally, as a licensed distributor United could take advantage of arbitrage opportunities in fuel trading, adding yet another avenue to increase fuel operations profitability.

BENEFITS

With Fuel Center acting as an extension of Bridgford's team, the retail fuel operation at United Supermarkets has achieved tremendous success. United now enjoys improved visibility into fuel inventory, consumption, and forecasted demand. Orders are placed on-time with the vendor offering the best price, including freight and tax. Invoiced volumes and costs are reconciled against actual delivery records and agreed-upon product and freight rates. And fuel excise taxes are accurately calculated, accrued, and remitted.

Outsourcing fuel operations to Fuel Center has allowed United Supermarkets to compete more effectively and more profitably in extremely difficult local markets. And in a very short period of time, retail fuel at United Supermarkets has evolved into a vibrant, high-yield, and high-growth business unit.

ABOUT FUELQUEST

FuelQuest, Inc. provides on-demand, web-based supply chain management and tax automation software and services for fuel suppliers, distributors and buyers in global downstream energy. Our Fuel Management System (FMS) automates all aspects of the fuel management process from procurement, inventory management, demand forecasting, strategic sourcing and financial reconciliation to margin analysis and environmental compliance monitoring. The FMS solution powers the largest fuel management network in North America. Zytax supplies strategic software automation solutions for indirect tax determination and excise motor fuels compliance for the energy industry. Learn more at www.fuelquest.com or call **713-222-5700**.



¹Top 25 Least Profitable Markets To Sell Gasoline in 2010, OPIS Retail Fuel Watch, December, 30, 2010