

Hy-Vee Relies on FuelQuest's Fuel Management System to Support Rapid Expansion of its Retail Fuel Operations



FuelQuest Enables Hy-Vee to Grow its Retail Fuel Business by Automating Fuel Management Processes and Dramatically Increasing Operational Efficiencies

BACKGROUND

Hy-Vee operates more than 220 retail stores in seven Midwestern states, including Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska and South Dakota. With corporate headquarters in West Des Moines, Iowa, Hy-Vee generates sales of more than \$5.6 billion and ranks among the top 30 supermarket chains in the nation.

CHALLENGE

Hy-Vee set out on a path to establish five retail fuel locations in 2003. At the time, the regional grocer was heavily reliant on outside distributors and carriers to manage the procurement, delivery and financial reconciliation of its fuel purchases.

Hy-Vee is committed to expanding the number of retail sites at existing and new supermarket locations. However, one of the critical success factors was taking more ownership of their fuel supply chain. This included finding ways to automate fuel management processes and streamline operations to lay a technological and best practice foundation that would support their aggressive growth initiatives.

Concurrently, Hy-Vee was adamant about closely managing its overhead costs and capital expenditures tied to the fuel department, a task that fell in large part to two individuals, Joe Weber and Robin Kingrey who would be responsible for establishing an efficient fuel management infrastructure.

"With just two people in the fuel department at the time, we needed a solution that would establish a platform upon which we could scale our operations to meet customer demand. That is when we discovered FuelQuest and began examining the ways in which its solution could help us grow by managing our inventory and order management, and eliminating the need for time-intensive manual processes," said Joe Weber, Fuel Purchasing for Hy-Vee.

STRATEGY & IMPLEMENTATION

At the outset of the engagement, Hy-Vee's primary objective was to utilize the system's powerful order management capabilities to centralize and automate its order information. The FMS solution ties directly to Hy-Vee's carriers' back office systems where all bills of lading and order information can be entered electronically into the system. By utilizing this solution, Hy-Vee is able to displace what is traditionally a series of paper trails and manual processes. With the order management module, Hy-Vee is also able to track and monitor its carriers and inventory through reports in FMS resulting in tighter integration with its carrier network. Additionally, it helps Hy-Vee streamline communications with carrier networks to reduce rework and deliver real-time insight into load status.

As the retail fuel operations expanded, Hy-Vee also began using FMS' powerful delivery reconciliation capability. This allows Hy-Vee's carriers to transmit delivery information including time delivered and load size directly into FMS, which enables carriers to input lifting information like the location, supplier, gallons and product type, as well as the acceptance or rejection of the load. By automating this portion of the process, Hy-Vee eliminates manual data entry on the dispatch, and misplaced orders from "lost" emails, faxes and phone calls allowing them greater visibility into its fuel operations.

Other capabilities Hy-Vee implemented into the system are FuelQuest FMS' invoice reconciliation and freight management module. These solutions give Hy-Vee the opportunity to manage its fuel and freight costs, and payments and accruals, by automatically importing invoices from suppliers, maintaining freight contracts, rates and accessorial charges, and reconciling the tank gauges and bills of lading with supplier invoices. Together, these capabilities help Hy-Vee detect any data entry errors and reduce payment of incorrect invoices so the fuel department can focus on managing exceptions.

RESULTS

Since implementation of FuelQuest's FMS system, Hy-Vee has taken more control over its fuel business processes and successfully grown the business from five stations to 82 stations in just five short years.

During this growth period, Hy-Vee has been able to run more efficiently and has improved the accuracy and timeliness of its inventory management. FMS has eliminated a great deal of the guesswork related to bills of lading, freight costs and invoice reconciliation. By accessing real-time order and inventory information, Hy-Vee has gained greater transparency into its fuel operations and is the reason why it has maintained just two people in the fuel department that run the end-to-end supply chain processes.

Key FMS Results

- Scaled from five stations to 82 while relying on two people
- Created tighter integration with its carrier network
- Facilitates enhanced ethanol blending decisions
- Supported change in fuel business model

"We are still amazed every day that we were able to grow from five fuel stations to 82 with the same two people. This is a testament to the effectiveness of the FMS solution," said Weber. "FuelQuest provides us with the automation and management we need to gain greater insight and control into our fuel operations and will help us continue to expand our business and offer competitive fuel prices to our customers now and in the future."

Also unique to Hy-Vee's fuel process is its sophisticated method of ethanol blending. Since Hy-Vee is in a mid-America market where ethanol blending has been historically a strong factor, the company can decide to either buy blended fuel or buy unleaded 87 and ethanol, and then blend together to make 89. When Hy-Vee chooses to blend the fuel itself, they become the blender of record and can take advantage of tax credits. By using FMS, Hy-Vee can make a strategic decision on whether to blend or not blend.

SUMMARY

FuelQuest's FMS solution provides the infrastructure needed for Hy-Vee to gain tighter integration with its carrier network by minimizing manual labor, and increasing automation and control over its entire fuel management process.

Today, Hy-Vee has scaled its retail fuel business from five stations to 82 by relying on just two people in the fuel department. With the increase in automation and reliability, Hy-Vee is able to increase efficient decision making within its fuel business and focus on continued growth of the company.

Within its fuel department, Hy-Vee plans to continue use of FMS in order to:

- Centralize control and real-time visibility across all stations
- Optimize inventory and dispatch management
- Automate invoice reconciliation and bill of lading verification
- Increase transparency and command over fuel purchase and transport
- Formulate more informed ethanol blending decisions.

By implementing and utilizing FuelQuest's FMS, Hy-Vee has reached its goal of maximizing its resources while at the same time growing its fuel retail business across the Midwest.

ABOUT FUELQUEST

FuelQuest provides fuel management solutions and services that enable companies to improve margins, achieve supply predictability and ensure regulatory compliance in the acquisition and management of bulk fuel. FuelQuest's Fuel Management System (FMS) is the largest fuel management network in North America.