

Fuel management in today's

GOING WITH THE FLOW

unpredictable marketplace.

By Pat Pape, Contributing Editor

SUCCESSFULLY MANAGING A RETAIL fuel operation in today's fickle market can be daunting since price volatility can undermine predictability in purchasing, pricing and sales. Because handling a high-volume, low-margin product like fuel is so complicated, many convenience store operators are turning to technology for assistance.

One of the best ways to maximize fuel profits is to manage retail pricing in a competitive and timely manner, according to Bill Runciman, senior director of gasoline for 7-Eleven Inc. in the U.S. and Canada.

"When the market is active, our goal is to remain competitive," Runciman said. "We may change prices (at U.S. stores) two or three times a day. In Canada, we may change prices eight or 10 times a day."

Recent record fuel prices have forced retailers to reconsider the way they've done business. "We've seen a lot of volatility in the past few years," said Bob Stein, CEO for the U.S. operations of KSS, a U.K.-based software company. "This has motivated many retailers to say that the traditional way of doing things needs to be evaluated."

A HELPING HAND FOR RETAILERS

7-Eleven constantly looks for new ways of doing things faster and more efficiently. Currently, the company makes pricing decisions for each

gasoline grade using PriceNet, an end-to-end software product available from KSS. PriceNet has been adopted by retailers in North America and Europe to help them determine the appropriate retail price for the marketplace.

"We don't price gasoline," said Stein, the former president and CEO of the 1,400-store Dairy Mart convenience store chain in Ohio. "We provide the software and tools so our customers make more informed pricing decisions."

PriceNet includes analytic tools, a menu of configurable pricing rules, a forecasting engine, learning capability and business intelligence and reporting devices. While the system sounds daunting to a non-technical person, Stein insists it is relatively simple.

"Installing the system doesn't involve the stores at all," Stein said. "The system is installed on the client's server giving the retailer the strategy for each location based on the established rules or formulas for that operation. Every day you can set the price of gasoline based on your competitors in the market. Pricing can be centralized at a main office or decentralized at the store level."

At 7-Eleven stores, "a gas price change goes to an in-store processor, and when the store (operator) accepts it, the price automatically changes at the pump," Runciman said.

GIVE THEM A SIGN

While PriceNet contributes to those critical pricing decisions, one

of the most important steps in the price-change process—updating exterior signage—still relies on store personnel.

"The whole nature of retail is execution," said Stein. "And someone has to change the sign."

Last year, 7-Eleven installed more than 250 light-emitting diode (LED) pole signs that permit gasoline prices to be updated remotely. Although the company has not experimented with it, PriceNet can transmit the current prices to those signs automatically.

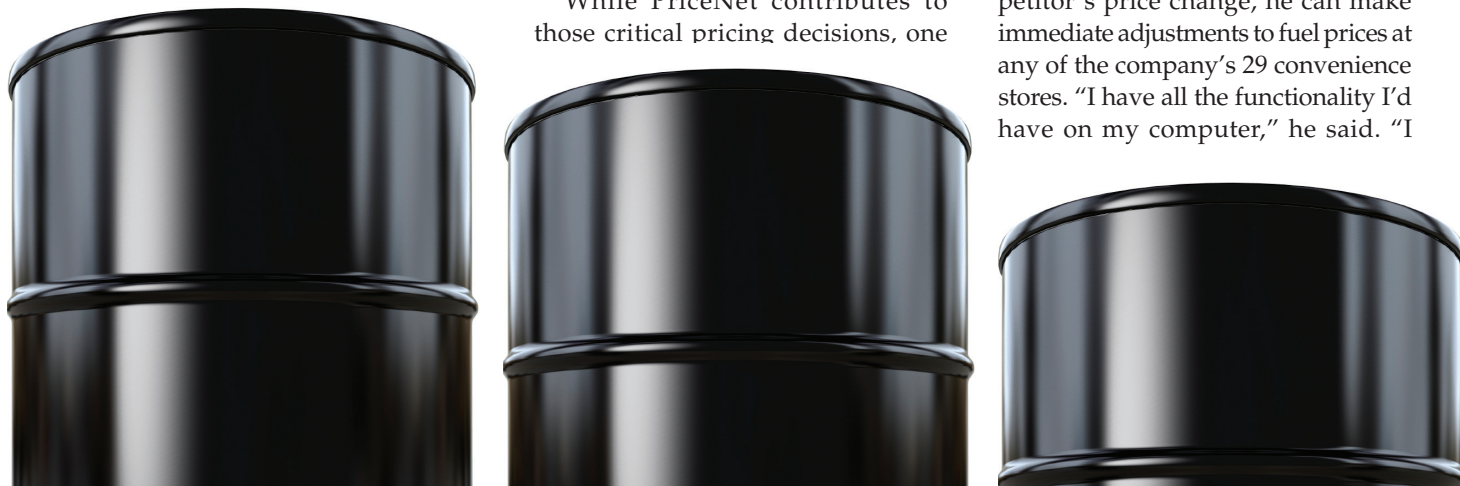
"We're basically exporting a file that can integrate with another technical device," Stein explained. "If the customer desires, we can even interface with their electronic pole sign. We have an open architecture, and we can work with anybody."

JUST A CLICK AWAY

The PriceNet software also is available in a portable solution, which is a boon for fuel managers who spend most of the workday in an auto. Dubbed PriceNet Mobile, the system operates on any Web-enabled mobile device, allowing competitor surveys to be entered for one or more stores.

Quinn Ricker, director of operations for Ricker Oil Co. in Indiana, has used the PriceNet solution for almost two years and added PriceNet Mobile in early July.

Now when Ricker sees a competitor's price change, he can make immediate adjustments to fuel prices at any of the company's 29 convenience stores. "I have all the functionality I'd have on my computer," he said. "I



just pop the price into my PDA, and it automatically creates a price change. And we're right in line again."

Ricker's stores typically see two or three fuel price changes a day, but thanks to the recent volatility in oil prices, six daily changes are not uncommon. He believes the fuel management software helps his company stay competitive.

"We try to be one cent above the lowest-priced competitor in our markets," Ricker said. "Now we can drill down to a micro area and look at our closest two or three competitors."

Ricker admitted that setting up the system was time-consuming, but it's easy to manage once the set up is complete and, most importantly, it has paid off in time savings. "It has eliminated all those phone calls back and forth," he said. "A process like this can really drive efficiencies."

KEEP IT SIMPLE

Houston-based FuelQuest aims to simplify the complexities that go along with the gasoline, diesel and alternative fuels industry.

The company's proprietary software provides for automatic inventory replenishment; dispatching of orders to haulers and suppliers; management of fuel contracts, volumes, and market index pricing; remote delivery data collection without involving store personnel; reconciliation using electronic invoices, management of mandated environmental reporting; store communication regarding daily fuel costs, and automated excise tax filing.

"Retailers use this information to help them make decisions," said Greg Salverson, director of global business solutions for FuelQuest. "It helps them manage procurement and gives them

greater control of their supply chain."

The software can be helpful for any organization that holds inventory, from c-stores to oil companies. Already, FuelQuest has been adopted by a number of major retailers, such as 7-Eleven, Circle K, Sam's Club, ConocoPhillips and Wal-Mart. Considerably smaller operations can turn to the FuelQuest fuel desk, Salverson said, which will use the software to manage the fuel program on their behalf.

A LÁ CARTE SOFTWARE

Another provider, TelePoint of Louisville, Ky., offers gasoline retailers an automated, Web-based system called TelaFuel, which helps them manage replenishment, buying, invoicing, compliance, mobile and scheduler modules.

"It's an a lá carte menu," said Jim Pederson, vice president of sales and marketing for TelePoint. "We'll come into your company and do a discovery document, implement the system and train your staff how to use it."

The TelePoint system monitors the amount of fuel in each store's underground fuel tanks using a separate phone modem at each tank. The goal is to ensure that the tanks never run out of fuel and that tanker trucks bringing a load to the store leave empty. This can be a delicate balancing act.

"The software allows for a lot of 'what if' scenarios," Pederson said.

Some companies purchase the software but only adopt a portion of the system's ability, and Pederson urges them to learn more about it and use it more often.

"Some will use 20% of the software where they could use 50% and realize a lot more savings," he said. "With the price of a tanker now at \$45,000, this increases our value proposition."

Running a well-managed fuel operation will continue to be a challenge for even the most savvy retailers. A comprehensive approach to fuel

MANIFOLD TANK INFORMATION	
Tank Display Name:	UNL 87
Tank #:	UNL 87 (UNL 87)
Last Inventory Time:	08/11/2008 00:01
Last Inv. Reading:	9,500 gal
Usage Since Last Inv:	23,675.67 gal
Deliv Since Last Inv:	5
Est Current Inv:	1,000 gal
Days Left:	1 Days 2 hours
Trend:	-91.4%
[SELECT]	
Tank Display Name:	PRE
Tank #:	PRE (Premium 93)
Last Inventory Time:	08/11/2008 00:01
Last Inv. Reading:	3,500 gal
Usage Since Last Inv:	2,152.33 gal
Deliv Since Last Inv:	2
Est Current Inv:	1,348 gal
Days Left:	1 Days 6 hours
Trend:	-65.7%
[SELECT]	
Tank Display Name:	DSL 3
Tank #:	DSL 3 (DSL 3)
Last Inventory Time:	08/11/2008 00:01
Last Inv. Reading:	2,300 gal
Usage Since Last Inv:	1,076.17 gal
Deliv Since Last Inv:	1
Est Current Inv:	1,224 gal
Days Left:	2 Days 3 hours
Trend:	-65.7%
[SELECT]	

Effectively managing fuel inventory is crucial for marketers concerned about margins. FuelQuest's software offers features such as automatic inventory replenishment, market index pricing and automated excise tax filing.

management requires technology, automation and the right staff to make it all work together.

No matter what brand of software a company selects, technology that is properly used can simplify the many tasks involved and help fuel managers save time in their busy workday.

"We operate 2,400 (gasoline) locations, and you need technology to run that many stores," said Runciman, of 7-Eleven. "Fuel is a high-volume, low-margin commodity, and you have to be as efficient as you can." **CSD**

