



Surviving in Volatile Gasoline Markets

By Mark Hawtin, VP Business Development at KSS, Inc.

Today's gasoline retailing markets exhibit unprecedented volatility in both cost and price. Cost volatility presents a unique challenge to retailers to a large extent because it is invisible to consumers, leaving suppliers with difficult decisions as to when and how much cost change to pass through to pump prices. Whereas price volatility is visible, giving consumers the ability to change their behavior very rapidly. "Survival" is the name of the game and effective management of cost and price volatility are the key tactics. Retailers of all sizes can deal more effectively with volatility by addressing 4 essential components.

3. **Gauge impact on key performance measures** – continuously evaluate success through key performance measures by posing critical questions: are we on target, how do we communicate target progress and alerts, and what adjustments need to be made to make target.
4. **Maintain compliance** – make pricing decisions while maintaining compliancy with internal policies, laws, and regulations. When the pressure is on to make quick decisions it is imperative that the right tools are in place to adhere to federal and state regulations.

1. **Learn from the past** – generate meaningful business intelligence by analyzing information such as fuel cost, competitive activities (price changes, "out-of-stocks"), customer behavior (when, where and how they fill up their tanks), and key economic indicators (price of crude oil, supply & demand, change in fuel specifications, government regulations, taxes and transportation costs) to uncover key trends.
2. **Respond faster and more efficiently** – streamline processes and assess IT systems support to expedite and more efficiently respond to the current market conditions. Address how these processes and systems can be improved. "As market volatility continues to rise it is critical for us to have a flexible and responsive pricing process that enables us to react quickly and deal with new challenges," commented vice president marketing for Alon USA.

"The only source of knowledge is experience."

Albert Einstein



Although pricing technology is available to help, to survive in volatile markets a unique combination of people, processes, and technology is essential. KSS, the leading provider of pricing technology supporting over 20,000 locations worldwide, has over 15 years experience helping retailers identify where pricing process improvements can be made and providing recommendations as to highest priority tasks. For more information contact KSS at info@kssg.com or visit us online at www.KSSG.com.



New Products Make Armac A Great Choice For Visual Solutions



ARMAC, a leading provider of industry signage and focused visual solutions, is adding a unique line up of cool new products to the mix. ARMAC is now printing custom wallpaper and ceiling tiles to further enhance product offerings.

Utilizing our UV flatbed printer, we print your custom graphics directly onto a commercial grade wallcovering. Be prepared to enhance, embellish, and differentiate your retail space. This product requires no overlamine or protective coating, and is printed full color with UV cured inks. Additionally, the wallpaper is installed using traditional hanging techniques for added convenience. Whether you are seeking enhancements for one wall or an entire location, ARMAC is proud to offer this cost effective and very popular product to our lineup.

ARMAC is now printing directly to ceiling tiles to add yet another facet to your advertising space. With full color graphics custom designed to suit your advertising promotion or retail space enhancement, your customers will be looking up to a unique product that is sure to leave an impression. Whether its single panels that highlight a unique product to entire multi-panel landscapes, ARMAC is skilled in the implementation of this one-of-a-kind ceiling transformation. While other companies apply printed vinyl to the tile, we print directly to the material to provide a very cost effective and high impact item to a commonly unused space.

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Private Label Commercial and Fleet Card Programs A Means to Grow Loyalty

By Tom Randolph

While fuel prices are in a continuous state of uncertainty there is still a growing need for fuel for the nearly 40 million commercial vehicles on the nation's roads and highways. Today about 2/3 of these businesses don't use fleet cards and are still using cash or equivalent such as a consumer credit card or in house accounts. So how do you tap into this ever-growing market segment---by incorporating a fleet fueling card product into your card acceptance program this year.

As stated by Mr. Robert (Bert) Nix VP of Business Development at Fleet One, LLC, "With the rise in fuel prices, small business operators are increasingly sensitive to controlling their total fuel cost. They recognize that using cash or consumer credit cards give them too much exposure to misuse. Some merchants attempt to set up house accounts for small businesses with vehicles. This places a financial and labor burden on the merchant. By creating a private label card program merchants are able to offer a feature-rich solution for their commercial accounts while insulating themselves from financial exposure and bookkeeping issues. It is an excellent tool for merchants and the business accounts they serve."

The following research shows that commercial accounts typically pump more fuel, more often and they purchase more inside than the average consumer. It has been stated by a variety of sources that consumers can be price sensitive driven even by a penny or so a gallon. Commercial accounts are less sensitive to the street price and are more focused on convenience and where the card is accepted as well as the amenities that come with a specific site.

- **Fleet drivers represent regular, repeat business**
 - 73% of fleet fueling occurs at the brand with a high degree of brand loyalty even when fueling as consumers.
- **30% of fleet customers make an in-store purchase**
 - Fleet customers spend an average \$38.42 per month in the store. Average c-store spend is \$3.35 per visit.
- **Most fleet customers stay fleet customers for 4 years or more**
 - \$2,000 + for in-store spending per account on average for 1/3 of your customers.
- **Fleet drivers fuel frequently**
 - 1.8 times per week versus 1.1 times with c

If you would like more information on developing a Private Label or Co-Brand Program that is right for your company please contact Tom Randolph at 816.407.7262 or email him at tomr77@swbell.net. Tom is the President and CEO of Tom Randolph Consulting located in Kansas City, MO.

TRC is a management-consulting firm that specializes in strategic planning, strategic partnering, problem resolution, credit card fraud prevention and management solution with a focus on the acquiring side of the credit card industry.

Services include but not limited to the following:

- **Negotiations for credit card processing agreements.**
- **Merchants who need assistance in improving their current operation.**
- **Co Brand Programs and Private Label Card Programs**
- **Merchants who want to work more effectively with the bankcard associations and debit card networks.**
- **Identify and implement credit card fraud prevention programs.**
- **Implementing a pre paid card program.**
- **Negotiations for a co brand card program, private label card program, bankcard and fleet card acceptance and processing agreements.**
- **Identify and launch co marketing programs with card associations and card issuers.**
- **New business development**
- **Client relationship management**
- **Project management**
- **Credit Card Fraud Prevention**
- **RFID Technology**

Are You Getting Enough Money Out Of Your Asphalt?

In the last issue we discussed the tightening transaction window in commercial real estate. In such a climate, it is difficult – yet important – for due diligence service providers to adjust their processes and their thinking in order to accommodate the needs of their clients.

This brought to mind an interesting project that U.S. Surveyor was involved with a few years ago. I was contacted by a chain of supermarkets that was being courted by a private equity firm. Cleverly, the real estate and legal staff at the supermarket company decided to not only request ALTA surveys for their sites, they also wanted to determine how many of the sites had enough property to yield one or more viable outlots. They knew the value of outlots and wanted to be certain each site was properly valued.

The project involved numerous sites in multiple states. Zoning regulations would vary from site to site. Minimum outlot size had to be researched, as well as the minimum remaining parent parcel size. Parking impact had to be assessed in order to avoid putting the site into noncompliance. It was a somewhat complicated project, especially given the time constraints. But, the successful prosecution of the project would bring significant additional value to the portfolio of properties.

In the end, the project was very successful. The deal was done and the company continues to prosper under its new ownership. The unutilized

property had been there for years. Some sites were able to carve out a single outlot. Some larger sites yielded three or four. Perhaps you have one or more sites with some extra space. This out to beg the question, Am I getting enough money out of my asphalt? For more information contact James Francis, MSM, U. S. Surveyor, Inc. (812) 402-7001 ext.222 or jfrancis@ussurveyor.com. www.usurveyor.com.



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Disaster Recovery –

Practical Advice for Business Continuity

The headline events of the early 21st century have seared our collective memories with images of disaster and destruction. Forces of nature, magnitude of violence and basis of risks effecting the c-store and petroleum industry have triggered new respect for preparedness and sparked new urgency for planned recovery. Consider the impact on your business if the following scenarios were to occur:

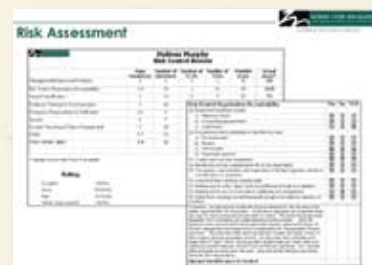
- **Your business is robbed and two employees are injured.**
- **A gasoline tanker truck is involved in a multi-vehicle accident causing injuries and a fuel spill.**
- **Floods damage and close your stores resulting in a workforce reduction.**

Insurance brokers who partner with their clients recognize the answer is not to simply sell or purchase more insurance. The answer is to plan for disaster recovery and prepare for business continuity. This era demands new thinking and new thinking demands business leaders not only identify dangers, but also establish a structured plan ensuring your business and it is success are protected.

Talk to your broker about risk assessments and map out the hazards within your business and your community. The goal of the risk assessment is to establish a benchmark which addresses all potential areas of business risk. Thorough risk assessment involves several categories:

- **natural**
- **neighbors**
- **human**

- **environmental**
- **political**
- **facility life safety and security**
- **data security**
- **customer or employee exposures**



After careful and studied analysis of these categories of risk, evaluate each on the scale of probability and potential impact to your business. How will your organization survive a disaster? Do you have a plan in place? Rate the risks and focus resources on your business threats. Always keep life safety as a priority.

Gerald Johnson
Senior Vice President - National C-Store Risk Solutions

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Holmes Murphy & Associates® founded in 1932 is the 29th largest independent premier risk-management and insurance-brokerage firm in the United States. National C-Store Solutions division of Holmes Murphy offers expertise in human resources consulting, risk-financing, claims management, and loss control services, you can be confident Holmes Murphy has you covered.



Maintenance Aboveground Often Equals Maintenance Underground

When purchasing a C-store with underground storage tanks (USTs), it is important to remember that the level of maintenance that you can see above the ground is often equivalent to the level of maintenance below the ground. In other words, the problems you can see on the surface are often reflective of those you can't see beneath the surface. As with any rule of thumb, there are always exceptions, but this should be a strong indicator to the potential buyer of the present or future problems he or she may be buying. Being in the environmental business, I have witnessed it all too often. We will be conducting a Phase II Environmental Site Assessment (ESA) for a prospective purchaser of a service station and we can almost tell by the appearance of the station what the outcome of the ESA will be. If we see things like cracked pavement everywhere, rusty canopy, rusty dispensers with one or more out of order signs on them, worn dirty floors, and faded and/or peeling paint on the exterior surfaces, these are typically signs that the former owner(s) have been reluctant to spend money to maintain the facility. This reluctance to spend money on maintaining the aesthetics often corresponds to a reluctance to spend money on maintaining the UST system. Although issues concerning the appearance of the station may be readily apparent, there are some things you can look a little deeper into to get a feel for how well the UST system has been maintained.

We recommend first just taking a look at the spill containment. If the first thing you see is liquids inside the manhole cover, you may have some problems. Most spill containment systems are designed with materials to contain spills but not with materials to contain them indefinitely. Therefore, if the current owner has never had his spill containment buckets inspected, they can take on water or contain product and eventually impact the integrity of the spill bucket. For example, during freezing weather the expansion caused by the formation of ice can cause the spill bucket to crack. It is important to remove these liquids on a regular basis. Furthermore, ensuring that dirt and debris are not preventing the manhole covers from sealing properly is also important. One more sign that someone is not maintaining their system is the absence of gaskets on their fill ports. Although it may seem minor to some UST owners, it can be the difference between water seeping into the tanks which can cause more corrosion.

In addition to the spill containment, it is also helpful to look in the submerged turbine pump (STP) sump. It is not good for water or product to accumulate and left inside the containment for long periods of time. Often repair technicians may not put the gasket back on the cover, which results in plastic seated upon plastic, which makes a very poor seal. Most systems have sensors inside the sump to detect liquids but technicians will frequently by-pass the problem if they are called out because of the sensor alarm by tying the sensors to the top of the sump or even just cutting them. An occasional quick inspection by the UST owner can help avoid these problems from being prolonged and resulting in other system failures.

The dispensers are another place to see signs of neglect. A dispenser that has not been serviced regularly will have drips due to leaking seals gaskets, and o-rings. I recently heard of one station manager not having a key to open the dispensers up, which is a pretty good indication that no one has inspected their condition in quite some time. The fuel filters inside the dispensers should be changed every six months at a minimum. Pumps will slow down over time when this routine maintenance has not been performed. You can also get an idea of maintenance issues by looking at the hoses. Hoses that are dry, cracked, with bits of rubber peeling off of them indicate a lack of maintenance performed on the system. Bent or concaved ends of the fill nozzle can indicate the same thing.

These are just a few indicators to warn a potential purchaser that they are likely buying some environmental problems with their purchase. There are many other things you can look for and it is not a bad idea to hire a professional to perform a compliance inspection prior to purchasing a station. The bottom line is that some quick observations ahead of time can potentially save a lot of headaches later. For assistance or more information call Jeff Douthitt at 270 210-7151.

G&J Acquisitions cuts costs by 50% after installing the SafePoint® Solution

G&J Acquisitions owns and operates twenty-five separate gas stations and convenience stores throughout California. The high volume of cash processed each 24-hour period presented the challenge of both a safety liability and an operational inefficiency. Typically, a site manager at a G&J-owned location would be responsible for counting cash at least two or three times per day, and then they would drive to the bank to make a deposit. The whole process took anywhere from one to two hours per day, per site. In some cases, where one manager handled five locations, he/she would spend their entire morning running from site-to-site-to-bank.

In 2006, G&J's General Manager, Kyle Takaki, turned to FireKing Security Group, which (since 2004) has partnered with Loomis (formerly with Loomis, Fargo & Co.) to provide a solution that eliminates the liability that cash carries with it. "We chose the SafePoint® Solution to automate all of our deposits, making them more efficient, and decrease the chances of money being stolen by managers and/or thieves," commented Takaki.

FireKing Security Group manufactures a number of products that span the spectrum of the asset protection industry; including fireproof safes and files, the NKL line of intelligent cash-handling safes, and the Image Vault brand digital closed-circuit television systems. For their SafePoint setup, G&J chose the FireKing NKL Autobank V1 cash handling safe, which is supported by NKL Edge cash management software.

The SafePoint solutions from FireKing and Loomis are designed to save retailers time and money while enhancing the security of a store and its employees. SafePoint eliminates 60% of the risk and labor associated with counting and handling cash manually. Retailers can choose from a basic solution focused on reducing risk, up to a full electronic cash management solution customized according to a company's specific needs. Each of the options includes armored transportation, a safe, installation, maintenance and warranty, and designated levels of cash management services, all for one monthly price.

The SafePoint system also offers remote report capabilities, which affords the retailer the opportunity to review multiple store deposits and more in one centralized. This online option streamlines accounting procedures while offering an additional level of verification of daily receipts. Once retailers deposit

currency and checks into a SafePoint safe, user information, including a time and date stamp is captured electronically. A receipt is printed with each deposit, and reports can be generated for all deposits at the end of each day.

Takaki explains how cash-handling has been improved since 2006. "Now our managers are spending less than 15 minutes a day making deposits. We cut our managerial payroll by 50%, eliminating some ineffective managers while increasing the responsibility of our better managers."

"SafePoint has already paid for itself over and over again. We used to have 1-2 counterfeit bills passed per month, now we've only processed one in two years. Our banking fees are down about 50% as well and most importantly, there is no more missing funds from any of our locations. It gives G&J the much needed piece of mind as well as tangible reduction in cash transaction expenses," said Takaki.

For more information about SafePoint, contact Garry Ash, FireKing's

Director of Cash Systems Sales -- Phone (office): 817.485.4700 * Phone (cell): 817.808.4545* Voice Mail: 800.528.9900 ext. 3340* Fax: 309.417.9854 or garrya@firking.com

About FireKing Security Group

FireKing Security Group manufactures a broad array of security products with best-in-class service and support for businesses around the world. The products and services we offer focus solely on protecting customers' assets, people, and vital information. FireKing Security Group's brands include FireKing fireproof files and safes; Adesco, EXL, McGunn, Meilink, and Gary home, office, and commercial safes; NKL and PerfectCash cash-handling and cash-validating products; and Image Vault digital video security solutions. The New Albany, Indiana-based company is privately held. Additional information about FireKing is available at www.fireking.com.



Strategic Destination and the Balanced Scorecard

How do you define success? If you had to identify one primary result that would indicate overall success for your business, what would that be? Would it be happy customers? Would it be happy employees? Would it be happy owners? Would it be something related to the bottom line?

In developing a balanced scorecard for a business, one of the first steps the management team needs to agree upon is the strategic destination for the business. The strategic destination for the business is the measurable result five years out that the business seeks to achieve as an indicator of overall success. It correlates very strongly with the business' vision.

Before developing strategies for the business, you need to know where you want to go in terms of a strategic destination. There are two components to the strategic destination—the measure and the target. In terms of the first component, the measure, companies typically choose their top financial measure. Some of the ones I've seen include: Net Worth, Net Profit, Cash Flow, EBITDA, and ROCE. The second component is the target. The targets are typically determined one of two ways. The first way is a hard number that management considers a success. The second way is a number based on a relation to competition or industry. Either approach works, recognizing the second approach requires benchmarking and maybe harder to come by. However, benchmarking adds framework to selecting the target and helps businesses gain a better picture of what can be achieved. An example of a strategic destination using the two approaches: Annual After Tax Net Profit of \$5,000,000 by 2013 Annual After Tax Net Profit in the 1st quartile of same size businesses by 2013

The strategic destination is the end game that sets the tone for what strategies need to be pursued and the strategic objectives to address in each perspective. We'll focus on the 4 perspectives in the next issue and some success stories resulting from the focus the balanced scorecard brings to an organization.

In the meantime, does your management team know your company's strategic destination?



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