



# Retailers use data to run smarter operations

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More petroleum retailers are taking a closer look at how they purchase product and are seeking any edge they can. A couple of new technology tools are helping turn a challenge into an opportunity.

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## Subway Corporate Safe Specialists Automated Cash Control System



*For 37 years Subway, the largest submarine sandwich franchise in the world with over 23,200 individually owned restaurants in 80 countries, has been providing entrepreneurs with the means to build and succeed in their own business. In 1997 Subway and TCBY, with well over 3,000 locations worldwide of their own, joined forces that resulted in the marriage of these two stores in many locations.*

*In 2003 The Subway Franchise Group of Chicago, Illinois and an Owner & Operator of a Subway/TCBY store in Huntington, New York began looking at their cash control systems with an eye on improving operations*



# CREDIT WHERE CREDIT IS DUE

NACS TAKES ON CHALLENGE  
OF HIGH CREDIT CARD FEES

-By Angel Abcede

Part informational session, part call to arms, an educational workshop held at this year's [National Association of Convenience Stores \(NACS\) convention and trade show](#) outlined the industry problem of skyrocketing credit card fees and laid out the association's strategy to combat the issue.

Led by Gray Taylor, vice president of research for Alexandria, Va.-based [NACS](#), the session touched upon retailer access to funds won in a recent lawsuit against credit card giants [Visa](#) and [MasterCard](#), an

overview of the fee situation and relief strategies the association is preparing to pursue.

Addressing roughly 75 retailers present at the workshop, which augmented the Las Vegas convention, Taylor said the industry is partly to blame, having allowed in the 1990s the major credit-card issuing associations such as San Francisco-based Visa USA and Purchase, N.Y.-based MasterCard International to create the present situation.

"Fish on, hook set," he said, describing what he feels retailers allowed to happen.

But with other countries, most notably Australia, having pressured credit card companies into charging fees comparable to services rendered, NACS believes that in combination with other retail associations, it can achieve the same goals. In the past, Taylor said the efforts at addressing the issue were monopoly focused and only approached the problem from a legal standpoint. Putting its muscle behind a new coalition of associations, called the Merchant Payment Coalition, NACS advocates a multi-pronged approach using new and diverse tactics.

**3<sup>rd</sup> Largest operating cost behind labor and occupancy**

Credit card companies "will be pressed on multiple fronts," Taylor said, "Including regulatory, legal and consumer."

Taylor said that in a recent trip to Washington, D.C., former NACS chairman Bill Douglass communicated the problem to a legislative committee. Douglass opened lawmakers' eyes to the fact that, in many cases, credit card companies can make more on a

gallon of gasoline than a retailer does, Taylor said. Disseminating information to the public in other ways will also help, he said.

Stan Storti, CFO of [Spinx Co. Inc.](#) in Greenville, S.C., said the issue of going after the credit card companies is not one of exploitation but of fair trade. "We're already under [public] scrutiny for gas prices," he said. "If consumers knew the fee structure," then there would be more focus on

the credit card companies, he noted.

In addition to Taylor's comments, Jeff Shin-

der, an attorney consulting with NACS from the Washington, D.C.-based firm of Constantine Cannon, outlined information necessary for retailers interested in receiving money back from the lawsuit that Bentonville, Ark.-based [Wal-Mart](#) recently won against the credit card giants. The claims cover the time period between 1992 and 2003 and involve overcharges paid on "signature debit" transactions and damages from an "honor-all cards" policy.

**“We are already under [public] scrutiny for gas prices.”**

**—Stan Storti  
Spinx Co., Inc.**

Retailers must be very aware of December 2005 deadlines and should have received information about funds that are available, Shinder said.

**Largest operating cost four years ago**

**7<sup>th</sup>**

proactive in other ways with regard to credit card fees, Taylor noted.

He also noted methods used to determine a retailer's award and ways to go about questioning those amounts.

Besides collecting on damages in the Wal-Mart suit, retailers can be

Retailers should actively seek out ways to address the credit card issue, Taylor emphasized. Gasoline prices are high and forcing customers to use their credit cards. In addition, many credit card companies are offering incentives such as 5% cash back on purchases

to use their cards. Yet another problem is how large retailers like Wal-Mart have recently been able to negotiate discounted rates from credit card companies, giving them a further advantage against smaller retailers.

Part of the problem, says Storti of Spinx, is the credit card companies "lack of sensitivity" in how they have failed to justify their high costs. He said credit card issuers "are clearly unfair." ■

## IMPACT OF CREDIT CARDS

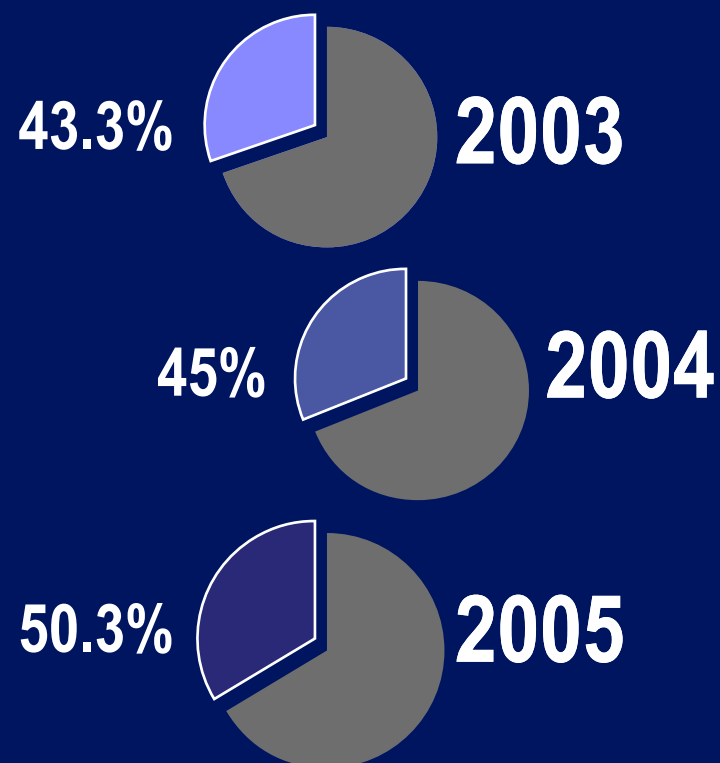
### COST OF CARDS ON THE AVERAGE STORE

- \$30,996 per store
- 7% of gross profit dollars
- 1.27% of total sales

### CENTS PER TRANSACTION

2003	2.3 cents
2004	2.6 cents
2005	3.4 cents

### CREDIT CARDS AS PERCENTAGE OF TOTAL SALES



Source: NACS

## Ways to Save

**Take the following steps to lower your credit card processing costs:**



Encourage personal identification number (PIN) debit use. The rates are lower, but retailers must incorporate the suggestion into the routine of store-level cashiers. The option is also problematic since pay-at-the-pump customers may not receive the extra encouragement (with a potential solution being a prompt at the pump).



Allow discounting for cash. Though done away with as retailers years ago saw little difference in revenue for tiered pricing, those days have gone. The hitch is that many zoning laws mandate posting the higher price.



Review processing contracts. Having contracts broken out into specific costs can help a retailer negotiate better rates for the processing leg of these transactions. While this does not address the larger issue of what Visa and MasterCard charge, it can provide some savings.



Put a limit on what people can charge on credit. While putting a cap on credit card charges of \$50 may sound drastic, it could be a significant help.



Use the automated clearing house (ACH). ACH transactions can be cheaper and link to customers' checking accounts. This alternative could also be the roots of a loyalty program.

# THE THIN RED LINE

## RETAILERS REVEAL SCANNING KNOW-HOW

-By ANGEL ABCEDE

As if implementing scanning weren't hard enough, making use of the volume of data generated at the point of sale can be even more overwhelming. Yet, when harnessed, the power of information can help set the course for success.

"Your scan data will be the GPS for your organization's future track," said Jay Dempsey, director of marketing, [Heritage's Dairy Stores](#) in Thorofare, N.J., referring to global positioning systems commonly used to help people electronically map out driving directions. "Information is power."

Speaking a session on scanning data during the [National Association of Convenience Stores \(NACS\) Show](#) this fall, Dempsey described how the company completed automating its 36 locations this past spring, installing point-of-sale devices at a pace of roughly four to six per month. The process actually gained momentum as employees realized they would no

longer have to manually price product. "It was actually fun," Dempsey said.

Dempsey, one of two retailers to speak during the session, said the implementation had an impact on every level of the organization. Employees had to learn new disciplines such as product shelf labeling and promotional product labeling. Their internal processes also had to change, with the company implementing the NACS-authored category "structure." Following the NACS guidelines helped the company quickly benchmark against industry figures.

Showing two examples, Dempsey pointed out how their stores' sales numbers were below industry averages for "other tobacco products" or OTP, while the company did much better at fluid milk. Heritage's also involved its vendors in discussions about why certain products were doing well and others not, he said. Together, they determined probable causes and optimal solutions as well as discov-

ered what the vendors were seeing in other markets.

The second retailer to speak at the session, Michael Finspach, CFO of Green Valley Grocery in Las Vegas, told the roughly 250 attendees that they moved from a "batch" processing inventory to "real-time, perpetual" inventory.

In his presentation, Finspach displayed a chart where the names of managers falling below certain parameters were highlighted in red. Borderline managers were in yellow and those operating within parameters were in green. With other reports, he can see pie-charts illustrating breakdowns of different categories and drill down for additional detail.

The initial impact of the technology upgrade was organizational. All marketing controls became centrally located and the company was able to make reductions in accounting staff. When it came time to tabulating the benefits, Finspach made note of several:

➡ Shrink. They could more accurately measure shrink as well as obtain specific information on products so they could devise plans to solve those problems. Shrink rates also went from a "guess" to a known number—1.25% for the last completed fiscal year.

➡ Gross margins. In the first year of technology implementation, gross margins rose by more than 3%.

Finspach told retailers not to spend a company's limited resources on detailed information "if the intention is not to act upon the findings."

Dempsey added that vendors are very interested in scan data and such data-sharing can make deals more lucrative.

Ultimately, a well-executed system can bring numerous benefits in terms of shrink reduction, improved sales numbers and employee performance. Basically, Finspach said, "you're holding people accountable." ■



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## New tools help retailers make educated fuel-buying and selling decisions

Generally, the most successful distributors and retailers of petroleum products have always been those who can best benefit from erratic price fluctuations and deliver product through to the customer efficiently. For many, though, the business of buying and selling gasoline has been more about simple routine than detailed analytics.

But the past year – and certainly the late fall of 2005 – has been far from routine in the downstream petroleum industry. And as a result, more petroleum retailers are taking a closer look

at how they purchase product and are seeking any edge they can to turn the challenge of supply disruptions and high competitive retail prices in to an opportunity to attract new customers.

As reported in [CSP Daily News](#) earlier this year, citing findings of a Wall Street Journal report, some 20 percent of independent gasoline retailers are using the futures market to avoid the negative impact of market fluctuations on their cash flow. With fluctuations larger and more frequent this year than in recent years, this number is expected to increase. And, as a result, several new technologies have become available to retailers to help them both purchase and sell product in the most competitive, profitable way.

With petroleum marketers now making purchasing decisions based on hour-to-hour price fluctuations, access to the most up-to-date pricing data is critical. In late January 2006, Omaha, Neb.-based [DTN Energy](#) will launch its new Fuel Buyer Dashboard, an application that allows fuel buyers to have access to real-time pricing information, as well as news, supplier notifications, market information, weather and other information needed to make fully informed fuel-purchasing decisions.

The subscription-based service provides the fuel buyer with a customizable PC “dashboard” with multiple screens and views to enable apples-to-apples comparisons of supply

sources using real-time pricing. For example, the application allows users to set up their own set of suppliers and terminal locations and, based on a specific volume and product mix to be purchased, will instantly generate a list of the best supply sources for that purchase, taking into account the volume of each grade, among other factors.

The dashboard also makes use of DTN’s satellite weather information – DTN is the world’s largest provider of weather information – allowing the user to customize weather maps and calculate and overlay point-to-point distances with a mouse click.

**“There are only three sides to the gasoline pricing decision: raise it, lower it or keep it the same.”**

**—Bob Johnson,  
KSS, Inc.**

“It used to be you’d have to go to five or six different places for all of this information,” says DTN Senior Product Manager Cathy Duncan. “Today, with larger intraday pricing moves, this allows you to buy smarter.”

But while buying may be the more complicated side of the equation, the selling side is clearly the more visible. As former [7-Eleven Inc.](#) fuel buyer Bob Johnson said during a recent CSPNetwork CyberConference ([free recording available, retailers only](#)), “there are only three sides to the gasoline pricing decision: raise it, lower it or keep it the same. The tough part is which one.”

“It’s difficult to apply consistent pricing when you are trying to do it manually,” said Johnson, a senior advisor to Florham Park, N.J. technology firm [KSS, Inc.](#)

To help retailers best understand the impact of their fuel pricing on their operations, KSS has developed an application, [PriceNet](#), that takes into account a multitude of factors to determine the best price for the product at any given time.

The system allows a retailer to determine the price elasticity of a location by competitor, by day of the week, allowing a retailer to determine the impact of a price change at their location will have on both their own volume and that of their competitors.

“It would be virtually impossible to run these price elasticity curves manually,” Johnson says. “Gasoline pricing is simple, but it is extremely time consuming to do correctly and evaluate all the information necessary to make an educated decision.” ■

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