

The Perspective

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PINNACLE
CORPORATION
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The "Other" Out-of-stock

Taking control of inventory
management

2010: A Fuel Odyssey

The next generation
in fuel management



Identity Crisis Resolved:

Say hello to Radar,
the Pinnacle pup!

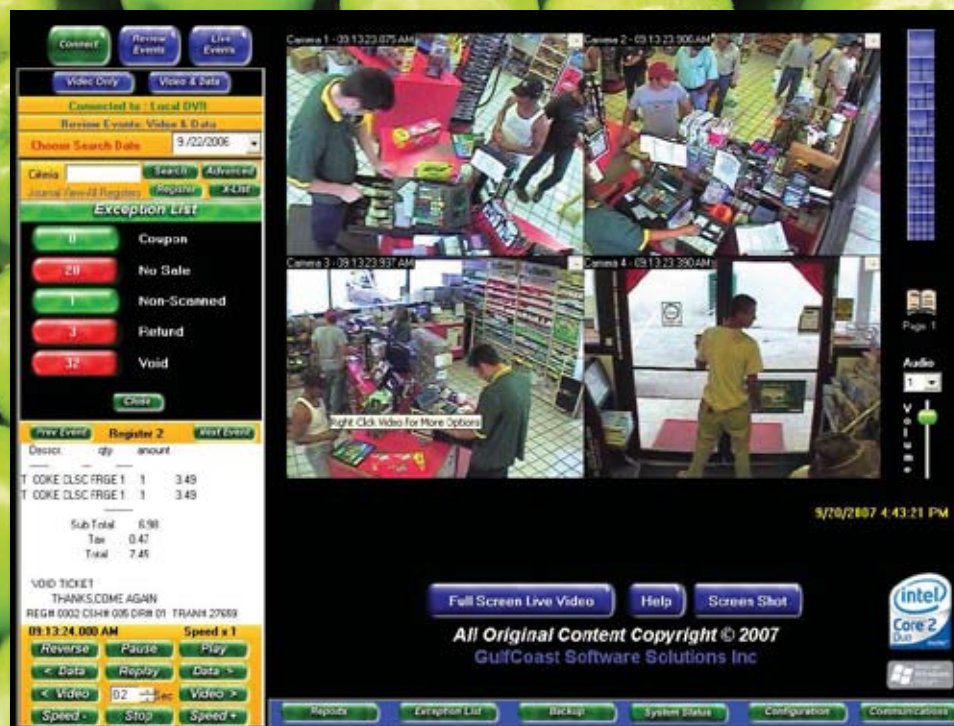
Kwik & Efficient

Gaining
efficiencies by
simplifying the
POS configuration
process

Loyalty & ACH Payments

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retailers AND
customers!

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PINNACLE NEWS
COMING UP...

JANUARY 2010						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

FEBRUARY 2010						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28						



Date	Event	Location
JANUARY 17 - 20	SIGMA/NPN/OPIS EXECUTIVE LEADERSHIP CONFERENCE	Vail, CO
JANUARY 18 - 21	PCATS ANNUAL CONFERENCE	New Orleans, LA
JANUARY 28 - 29	SIGMA IT SHAREGROUP	New Orleans, LA
FEBRUARY 9 - 11	NACS LEADERSHIP FORUM	San Francisco, CA
MAY 2 - 4	PINNACLE SUMMIT	New Orleans, LA
MAY 5 - 8	NACSTECH	New Orleans, LA

From Bob's Perspective

As I write this letter, we have recently returned from Las Vegas where the NACS Show was held this fall. I've found over the years that the NACS Show is a wonderful opportunity for Pinnacle to showcase our products and our people. I thought that this year's show in particular gave us a good opportunity to perform, and we did!

Further, I very much enjoy seeing our many friends in the industry. With the perspective now of nearly 20 years at Pinnacle and 7 years prior to that serving the convenience and petroleum industry, I've had the good fortune to make the acquaintance of many industry folk, and increasingly, their children!

I was particularly pleased to see a client who had sold his stores in the 90's and was out of the business. He is now back in the industry and has asked Pinnacle to evaluate his operations and deploy new technology in his company. I was so delighted that his experience with us in the past was so good that he was asking us back to the altar again!

We at Pinnacle are very much concerned about developing long lasting client relationships. We are focused daily on providing solid value for our clients and looking out - not just for the short term issues that will impact our clients' businesses - but many issues that may take years to mature. We feel it is our responsibility to provide this service, and we take this responsibility seriously.

As we near the end of 2009 (my, this year has gone by quickly!), I want to take the opportunity to wish you a wonderful holiday season and wish you the very best in the New Year.

Finally, please let me know how Pinnacle can be of service to you and your organization!



- [Signature]

Bob Johnson
President
bjohnson@pinncorp.com

IDENTITY CRISIS RESOLVED:

SAY HELLO TO RADAR, THE PINNACLE PUP!



Well, we have finally named our mascot pup after 2 years of being known as nothing other than “the Pinnacle dog”. Say hello to Radar!

Needing help to name the little fella, we looked to our clients and the market for a great name, running a promotion at the 2009 NACS Show in Las Vegas. Retailers were invited to stop by the booth and submit a name for Pinnacle’s mascot dog; and for submitting an entry, participants

were automatically registered in a drawing to win a Dell Mini 10v Netbook. Drawings were held at the closing of exhibit hours on the first and second day of the tradeshow. Winners of the Dell Netbooks were Ronald Gruss of Town Pump in Butte, Montana, and Korrine Rademacher of Rademacher Oil Company in Andover, Minnesota.

“We were very pleased with the participation in our promotion, and received several really creative suggestions for the name of our mascot of 2 years now. Pinnacle, being a leader in the automation

technology industry is always looking ahead to detect and see industry trends and issues that can be addressed or solved through our software. We chose the name Radar because we felt it accurately represented our forward thinking, innovative corporate



Tracie Wilbanks (Marketing Manager, The Pinnacle Corporation) presents a Dell Mini 10v Netbook to Ronald Gruss (Town Pump)

culture” says Tracie Wilbanks, Marketing Manager for The Pinnacle Corporation.

From the names submitted at the NACS Show, we formed a committee of Pinnacle employees to review the names and select the winner; “Radar” was ultimately the chosen name. By definition, Radar is a method of detecting distant objects and determining their position, velocity, or other characteristics by analysis of very high frequency; a sense of awareness or perception. A fitting name for the Pinnacle mascot!

Thank you to everyone who participated in officially naming our little pup! ©



Rosemary Smith (Marketing Coordinator, The Pinnacle Corporation) presents a Dell Mini 10v Netbook to Korrine Rademacher (Rademacher Oil Company)

By: **Tracie Wilbanks**
Marketing Manager
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Loyalty and ACH Alternative Payment Programs:

A Win-Win for Retailers AND Consumers!!

The rage about increasing credit card fees is not subsiding anytime soon. This issue has been the single most repeated topic at any retail petroleum related event I've attended for the past 2 ½ years now, and if you attended the 2009 NACS Show in Las Vegas it's still front and center. In 2008, retailers paid \$8.4 billion in credit card fees, another 10.5% jump from 2007. A 4th straight year for double digit increases in credit card fees to our industry. Retailers continue to give away escalating percentages of profits to the credit card companies.



By: **Drew Mize**
Vice President of Product
Management and Marketing
dmize@pinncorp.com

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Alternative payment methods remain as a hot discussion topic, focusing on how to get consumers to use something other than traditional credit cards as the preferred form of payment. The effort to persuade consumers' use of debit by prompting for a PIN when possible is one element of choice, but the consumer has no incentive. They prefer those airline miles or other incentives offered by credit card providers; not to mention the grace period before their credit statement arrives. Even if you as a retailer are successful in this endeavor, PIN debit transaction fees are still unpalatable when you give in upwards of \$.70 cents to the processor for a debit transaction of 12 gallons of fuel.

TRY THIS!

Avoid traditional credit/debit card transaction fees by offering an alternate ACH form of payment.

An array of "alternative payment methods" is being deployed across the retail sector, as a means to reduce the fees associated with typical credit and debit transactions. Discounts for cash payments, check acceptance, POS split dialing across multiple payment networks, and implementation of a self hosted payment switch to bypass the payment processor to name a few. Although those solutions are effective, consumers are rapidly moving away from cash, consumer use of checks continually declines, split dialing might not be allowed by your payment processor agreements, and a payment switch might not fit your business model.

One alternative with a relatively low implementation cost is offering your consumers an ACH method of payment, tied to an existing card that they already carry in their wallet. In basic principal it allows a consumer to register a non-payment type card with their bank account, assign a PIN, and then use that card as a payment card in your retail locations. The payment transaction is run on the ACH payment network rails and funds are removed from the consumer's account. There are several ACH solution providers in the market that offer this type of solution, and the fees are far below what you pay for a typical credit or debit transaction. In fact, a 12 gallon fill up at \$2.75/gallon, using a fairly aggressive credit/debit transaction fee rate of \$.02 + 2% of the transaction amount, you will give up \$.68 for a typical credit/debit card transaction. Compare that to a flat, per transaction ACH fee in the neighborhood of \$.17, you've just put \$.51 (\$.0425/gallon) back to the bottom line.

Offer a discount to ensure the consumer is incented to use their ACH payment method.

TRY THIS!

Nothing speaks louder though than instant rewards; and when it comes to fuel discounts, consumers border insanity. Some will drive across town to save a few cents per gallon, not thinking about the amount of fuel to get them there. A penny will entice them to make that left turn at a busy intersection. Fuel is probably the closest commodity item that consumers directly correlate to cash.

Offering a consumer a cash discount to use their ACH payment card is far more powerful to the consumer than that plasma TV that they will have to save for 2 years to get. It's an immediate discount, immediate gratification. Using the aforementioned credit/debit vs. ACH example above, offer the consumer a \$.03/gallon discount for using their ACH payment card for payment instead of their credit card and you'll still put \$.0125 per gallon to the bottom line and the consumer is ecstatic about the discount. They feel as if they've beaten the system, being part of some kind of elite group.



Flash Foods promotes their "Go Blue, Save Green" program

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Leverage the consumer's ACH payment method with your loyalty program to keep this payment option front and center in the consumer's mind.

As loyalty programs become more mainstream in our industry, bottom line impact is more evident. When managed well, an effective loyalty program will have dramatic upward effects on profits. Consumers like to use their loyalty card because they are earning benefits for spending money in your locations. They don't forget to pull that card out, they remember it every time they purchase fuel or come to the counter with a cup of coffee.

Leveraging your existing loyalty card that the consumer already carries by adding ACH payment abilities will help promote that form of payment. No additional card to keep up with or hunt in their wallet for, it's right there and they are already going to use it for their loyalty rewards. As if offering a cent per gallon or in-store discount for using their ACH card as a form of payment is not loyalty enough, imagine the consumer draw when you combine the loyalty discount on top of that.

**TRY
THIS!**

Of course there are several considerations that must be evaluated before entering into an ACH payments program for your consumers, more so when combining ACH with your Loyalty program:

- Your point-of-sale will need to have integration support with the specific ACH payments provider that you choose.
- The process for enrolling in your ACH payments program needs to be quick and easy, or they won't use it. Enrollment programs that require any type of mail-in forms create a barrier to consumer acceptance.
- Successful ACH payment programs utilize an existing card that the consumer already carries and is motivated to use. Adding a new card to the consumer's wallet may present a challenge. ©

CLIENT SERVICES SUPPORT TEAM

"BE THE CLIENT!"

2009 has been a busy and productive year for the Pinnacle Client Services Support Team. We began the year with a team commitment to take a hard look at how we deliver information and updates and what we could do to improve on that. With the increase in social networking sites such as Twitter, Facebook, and LinkedIn, and the rapid fire pace at which information is disseminated today, we recognized that these trends would only continue to grow. The team developed a keen interest in what we could do to tap into the existing options as well as exercising innovation and creativity to develop ideas of our own.

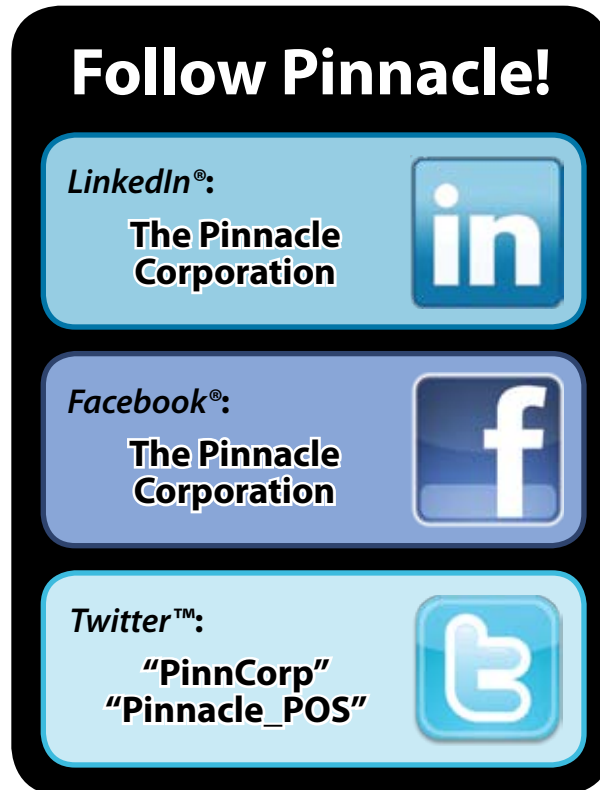
Our year began with a focus on targeting a few key information delivery methods that would provide optimal benefit to our clients. The last thing we wanted to do was implement something that looked good but provided no practical benefit. We quickly realized that to provide the best service possible, we had to acknowledge the necessity of creating and maintaining multiple information delivery channels. That did not deter us, in fact, it generated a great deal of healthy discussion, several brainstorming sessions, and many impromptu 'water cooler' conversations.

We implemented several projects this year that we think will continue to grow and provide benefit to clients. Some of our more noteworthy were Twitter updates, a new Help Desk Updates section for daily updates and important information

on Pinnacle's web site and Pinnchat, our instant messaging application that provides instant access to the support desk. In addition, we created several support related Quick

Reference Documents and also worked closely with our Training & Development group to ensure that we were incorporating information in User Docs that was helpful, easy to understand, and that offered practical tips, suggestions, helpful reminders, cautionary notes, and that had been tested for veracity and accuracy.

Some of the projects that we are currently testing and evaluating for future client use are Wiki, CS Support newsletter, "Did you Know?" product update, blogs, mobile updates, and Podcasts.



The POS Support Team motto this year has been, "Be the Client!". We have tried to approach everything we do from a client's perspective. This has enabled us to expand our knowledge, document critical and important information, support more effectively, and communicate more quickly. The CS Support Team is very excited about the possibilities in the coming year for delivering innovative support solutions that will help our clients stay connected and informed. We are very interested in hearing your ideas and suggestions; if you have any that you would like to pass along to us, please email us at support@pinncorp.com. ©

By: **Debbie McCormies**
Client Services
Palm POS Support Manager
dmccormies@pinncorp.com

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Gaining Efficiencies by Simplifying the POS Configuration Process

A **KWIK TRIP** Success Story



BUSINESS

Kwik Trip Inc. (www.kwiktrip.com) is a privately held company headquartered in La Crosse, Wisconsin, operating 395 stores in Wisconsin, Minnesota, and Iowa. In business for over 40 years, Kwik Trip is one of the nation's leading convenience store chains. Kwik Trip has been a Pinnacle client since 1997—operating under the banners of Kwik Trip, Kwik Star, Hearty Platter, and Tobacco Outlet Plus stores—and has deployed Pinnacle's Symphony. pos manager™, Palm POS™, and Journal Manager™.



CHALLENGE

Kwik Trip's IT department manually configured their Palm POS systems, from setting up devices and managing receipt formatting, to creating PLU buttons and promotional boards. This manual process was quite time consuming and complex with almost 400 stores and at least 2 registers at each store to manage. Every time a change was needed, someone had to go to the specific register and make the change either using a database editor or a text editor for the various configuration files.

Often times, promotional PLU boards were not implemented because the effort involved in creating and distributing the updated boards across the chain was too cumbersome to manage.

GOALS

Kwik Trip wanted to do several things:

- Increase efficiency by removing the complexities associated with maintaining their POS systems manually.
- Implement an easy-to-use graphical system that would allow them to manage their PLU boards across their entire chain.
- Automate the process of sending out changes to the registers at their stores.

SOLUTION

Kwik Trip selected Pinnacle's Symphony. pos manager solution to allow their IT and marketing staff to control all registers from a central point. The solution eliminated individual configuration at each register

// *POS Manager has dramatically reduced the time and cost of keyboard maintenance for Kwik Trip.* **//**

**- Bruce Snyder,
Kwik Trip, IT Retail
Systems**



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and the possibility for registers to get out of sync with the corporate configuration. Symphony.pos manager provided an easy, graphical way of configuring the POS, eliminating the need for direct access of that data at each register.

RESULTS

With the successful implementation of Symphony.pos manager, Kwik Trip has been able to simplify the process of managing POS board configurations and can now preview all changes at the corporate level prior to distributing them to the store level; this new process removes the necessity of managing individual configuration files for each store level register. The complexities involved in managing the POS data have been removed, and the amount of time to implement changes and new promotions has been significantly reduced. ©

// *POS Manager allows us to **very quickly** deploy keyboard changes to support our ever changing Food Service initiatives. It's also **very flexible** and allows for unique layouts by store if necessary.* **//**

- Bruce Snyder,
Kwik Trip, IT Retail
Systems

NEW TRAINING & DOCUMENTATION FORMAT:

“HOW DO I...?”

Pinnacle's Training & Documentation team has one goal in mind: To provide clients with current, well written, easy to access, and easy to use software training and documentation resources. In our industry today, the standard format for delivering training is by answering “How Do I...?” questions. Recognizing the benefits behind the trends seen in recent years with regards to training, we dedicated our resources to introduce a new method of training delivery to our clients, in line with the “How Do I...?” format widely used today. We also recognize the trend of providing these resources online, increasing accessibility and convenience of completing training for various software solutions.

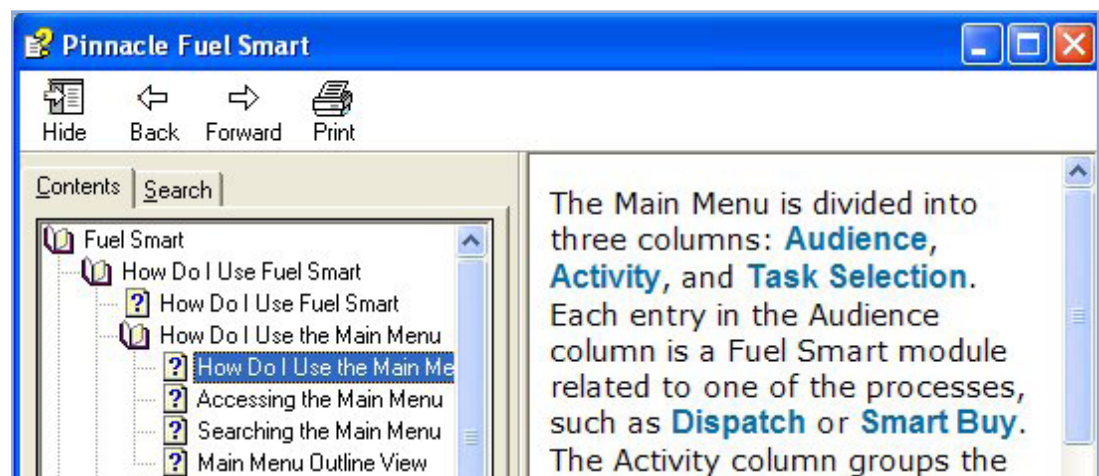
Pinnacle's new training and documentation format starts by asking a question: “How do I accomplish X?”. The answer is then organized around that specific question. The idea behind the question format is that users will be asking themselves these same questions when they are looking for the answer. Once users find their question in the headings, they will find the answer following it.

The text following the question will answer the user's question, using a combination of theories to provide:

- An overview of the task in question
- Necessary steps to perform that task
- Screenshots to illustrate these steps
- Links to other relevant information in the document that will help further clarify the task

The online help format allows us to more easily deliver new content to our end users. Each “page” in the online help area covers a single topic and answers a single question. This

greatly increases ease of use and gives the ability to devote as much space as needed to answering each particular question. The online format also allows users to jump from one topic to another and back again, letting them research and answer as much as needed. Pinnacle's online training tool includes an index, allowing users to search by word, topic or by using the table of contents.



Although our focus moving forward will predominately be on online help, we also recognize the necessity of traditional printed manuals. In many cases, once a company's focus has shifted to online help, printed materials tend to get less attention, therefore letting the information they contain grow outdated quickly. Making changes online is much faster and easier, but sometimes these changes are not implemented in print versions. Determined to maintain accuracy in both our online and print resources, Pinnacle has implemented a tool for single sourcing called Robohelp®. Robohelp® allows us to keep all of our information in a single place and generate multiple formats, including online help as well as the traditional printed manual format. By creating and updating the information in one place, we can ensure all information - whether in the online help area or in the printed manual - is accurate. ©

By: **Jim Walther**
 Training & Documentation Manager
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2010: A Fuel Odyssey

The Next Generation in Fuel Management



The old man stares at a 16 foot measuring stick, a dried up tube of "Kolor Kut" and a bottle of baby powder, longing for the good old days of actually using a stick to "stick the tanks", longing for the days he knew before the machines took over...

Ok, it may not sound exactly like a quote from an Arthur C. Clark novel, but it should...well maybe not. I haven't bumped into anyone who longs for a return of manual tank stickings. After all it can be a fairly nasty process that frequently requires begging or threatening to get someone to go out and do it.

For perspectives' sake, a little history...

1979 - In the News: The war in Afghanistan, the Federal Government bails out Chrysler, Iranian controversy, Captain Kirk and Mr. Spock are saving the Universe at the movies with Star Trek, and the Automatic Tank Gauge (ATG) is introduced.

Now, fast forward 30 years to the present...

2009 - In the News: The war in Afghanistan, the Federal Government bails out Chrysler, Iranian controversy, Captain Kirk and Mr. Spock are still saving the Universe at the movies

with Star Trek, and many of the ATG's introduced in 1979 are still in use!

So some things never change. The wheels of progress sometimes move slowly and in the past, the fuel business would have provided us with a great example of that; with business processes remaining almost unchanged for decades. However, today, our industry is changing and it's evolving at a more rapid rate than most companies can keep up with. With multiple daily rack price changes, dramatic swings in day-to-day fuel prices, credit/allocation disparities, trucking/driver shortages, and dare I say a recession-like economy; the rules of the fuel business game have undergone tremendous changes during the past several years.

Soon it will be 2010, and not unlike previous decades the next ten years will carry a theme, something monumental for which it will be

remembered. Perhaps it could be known as "The Decade of Chaos and Confusion". Without trying to sound like a fear monger, quite frankly the future may be now, ready for your inspection; oil prices are once again on the rise...

So I pose this question: What key events have occurred in the past two years that would make anyone think the US petroleum marketing industry is better equipped to prosper if a repeat of 2008 were to occur? Most likely, our industry will end up worse off than it was in 2008. Inflation is rampant, credit is tighter now than ever, and some world events might lead you to believe that things aren't quite stable. By nature I am a very positive person; give me lemons and I'll make lemonade! It's a futile effort to worry about things that you can't control. But for a moment, focus on one thing that is totally under your control, your very own proprietary information.

Proprietary information can and should be used as a powerful tool to help you operate more efficiently and better prepare yourself for the future. There are many innovations that can assist in making great decisions, one of those you may already own; the Automatic Tank Gauge.

ATG's have been available for 30 years, and for those who have been using them for a while may wonder how you ever managed without them. Most ATG manufacturers built rugged and reliable systems that seem to work forever, many operators have been using the exact same wall mounted ATG unit for 20 plus years.

So what to do with old systems that still work but were built prior to Al Gore's invention of the internet (humor)? Fuel Inventory methods from the past are simply not practical today. In fact, they often times cost you more and can leave you stuck with an excess of expensive fuel inventory that you are then forced to sell at a net loss. By enabling your existing ATG with the internet, you've taken the first step towards implementing Real-time inventory methods.

Real-time inventory is the only practical way to perform "Just in Time" fuel deliveries. By internet enabling your existing ATG and plugging in a little software, you can monitor fuel inventories continuously, creating inventory databases that can then be used to accurately predict precise delivery times. Once you get accurate predictions of delivery times, it becomes more realistic to use a true "Just-in-Time" model for fuel deliveries, helping you avoid the tragic situation of maintaining excess fuel inventories and selling at a net loss.

Once you have real-time inventory capabilities, you can easily couple that with leading-edge Business Intelligence (BI) tools that allow you to see inventory statuses at multiple locations in a single glance on an easy read graphical display. Sophisticated dash boarding tools can display fuel inventory forecasts on an individual location's needs; based on priority or critical inventory status. Why is that important? With the shortage of transport drivers and the necessity to schedule deliveries days in advance, it becomes beneficial to have the ability to tweak the delivery schedule

based on current inventory and location information. Organization of information is critical when dealing with multiple locations and a single person monitoring inventories and scheduling loads. Real-time-inventory coupled with BI technology will let operators know that a delivery is in progress or if a rapid loss (such as a theft) is currently.

30 years ago, the most useful purpose of an ATG was to "Stick the Tank" and report the current inventory levels. Today, not so much; ATG's are still a vital part of the fuel business but have become only a source of information that is then leveraged to aggregate vast amounts of extremely important information that can then be used for environmental, marketing and logistical decision making purposes. Real-time inventory solutions and the variety of Business Intelligence opportunities they represent are some of the best ways to ensure that you are making informed fuel buying and dispatching decisions to move your business into the future. ©



By: **Brian Reynolds**
Director of Fuel Solutions
breyolds@pinncorp.com

Master of Ceremonies

Pinnacle Summit 2010



**Tedeschi Food Shops, Inc. won the 2009
Pinnacle Award for Excellence in Collaboration**
Jack McLaughlin & Bob Johnson

I am excited to announce that Pinnacle has asked me to be the Master of Ceremonies for Pinnacle Summit 2010 in New Orleans. As a long time Pinnacle client and participant in Summit, I look forward to seeing each of you there and filling the role of MC. Each year Pinnacle Summit provides the opportunity to collaborate with fellow Pinnacle clients and to hear about the latest trends and technological advancements within our industry. As Director of Information Services at Tedeschi Food Shops, I know first-hand the value of this event and I can't wait to be a part of what Summit 2010 will have to offer.

I have been recently appointed to the NACS Technology Council and am very anxious to broaden my industry exposure by participating in events such as the Pinnacle Summit.

At Tedeschi Food Shops, a chain of 188 convenience stores headquartered in Rockland, MA, I oversee the IT functions of

our business and I value the information and knowledge that Pinnacle's annual Client Summit has brought to me and the Tedeschi Food Shops organization. If you have not yet made the commitment to attend Pinnacle Summit 2010, I'd highly recommend you reconsider.

Due to the nature of our industry and the issues we all deal with, we are forced to learn to operate with a high level of efficiency. Credit card fees are eroding our margins, fuel prices are fluctuating, fuel volume is down, and the demand for food service is on the rise; therefore, our top-line numbers aren't increasing as we would like. Efficiency is the only answer to combating these issues.

Plan on attending Pinnacle Summit 2010! Not only is it a great time to learn about recent developments that Pinnacle has completed and what's upcoming, but more importantly it's a great time to learn how to use existing solutions more efficiently. A time to network with peers, Pinnacle staff, and partners to discover opportunities for improvement.

Please join me at what is sure to be the best Pinnacle Summit yet – I look forward to seeing you in New Orleans this May!

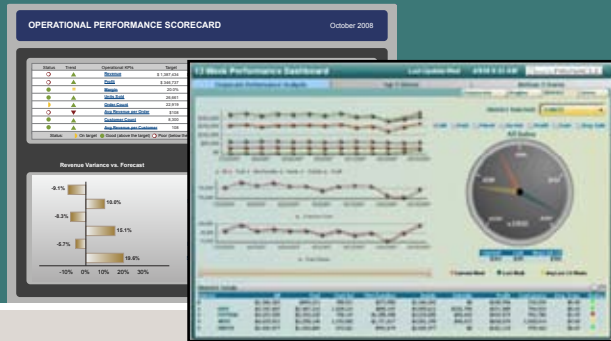
Sincerely,

Jack McLaughlin
Director of Information Services
Tedeschi Food Shops Inc.



See you in New Orleans!

LEVERAGE THE POWER of MICROSTRATEGY Dashboards and Analytics through PINNACLE EPM



MicroStrategy's business intelligence software is embedded in the Pinnacle Enterprise Performance Management (EPM) solution to help convenience and petroleum retail companies analyze product sales performance. MicroStrategy's flexible reporting and analysis tools provide at-a-glance insights to help stores detect and prevent fraud; make more informed decisions on product pricing, promotions and product mix; and track sales performance across categories.

MicroStrategy's business intelligence software enables stores to:

- Evaluate potential fraud indicators, including number of voids, safe drops, returns, and price overrides
- Identify and track instances of fuel "drive-offs"
- Monitor performance of specific product categories over time, in relation to competitors, previous performance, and forecasts
- Analyze the tender used in transactions, such as credit, debit, or cash, to identify prevalent trends

To learn more about MicroStrategy software,
visit www.microstrategy.com

MicroStrategy

Pinnacle Summit

May 2-4, 2010 - New Orleans, LA
Omni Royal Orleans Hotel

This issue of the Pinnacle Perspective finds you at a special time of year, the Holiday Season and for that I wish the best to your company, to you, and to your family. Your business is appreciated and we look forward to working with you in 2010 and beyond. With the beginning of 2010 comes planning for our annual client meeting, Pinnacle Summit. We're headed to the Big Easy this year and what an event we will have. As we have in the past, to maximize your travel investment and time out of the office, Pinnacle Summit 2010 will immediately precede the NACStech Show.

As announced at the conclusion of Summit 2009, I remind you of our Master of Ceremonies for Summit 2010; the one and only Jack McLaughlin from Tedeschi Food Shops. If you've not had a chance to meet or spend time with Jack you'll find him to not only be personally engaging, but he's a great speaker and I'm convinced he will surpass our highest expectations for the event.

We will work hard at Summit 2010 but we will also play hard, and what a great venue to play; there is no place like New Orleans, LA. We have a fantastic hotel for the event - the Omni Royal Orleans, located in the heart of the French Quarter, will provide a great area for our general meetings, speakers, track sessions, and most importantly, the networking amongst other clients, partners, and Pinnacle staff.

New Orleans is packed with opportunities to explore, and with that we are planning Summit with some time for you to do just that. Our event starts on the last day of New Orleans Jazz Fest 2010, this might be a great reason for you to plan on arriving earlier in the weekend to enjoy the town, the food, and the best jazz music you'll find anywhere in the country.

So mark your calendars for Pinnacle Summit 2010. We'll kick things off Sunday evening, May 2, 2010 with an opening reception, and keep you working and playing hard through the afternoon of Tuesday, May 4. More details coming early next year, see you there!

Drew Mize
VP Product Management
and Marketing
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The “Other” Out-of-Stock

Taking Control of Inventory Management



Everyone is aware of what a big problem out-of-stocks can be for your retail business. They aggravate customers, and in some cases, out-of-stocks can cause you to lose a customer if you don't have an alternative product or the brand for which the customer is loyal. As a matter of fact, making sure you have a consumer's item in stock is thought to be the most important driver of loyalty.

The classic example is cigarettes. If customers want Marlboro Ultra Lights and you don't have that (in the right length and box style), they might switch to Marlboro Lights or go across the street to your competitor. The further you stray from their brand, the less likely they are to buy the alternative. And this quickly compounds into a serious problem if you run out of similar products that customers want to buy.

Out-of-stocks can be measured by observation, but it is very difficult or impossible to measure the actual out-of-stock percentage since there is no way to know about every time a customer came in to your store, looked for a product, found a hole where the product should have been, and then left.

One way to get a sense of out-of-stocks is to walk the store and record all facings where an item is out-of-stock. Sometimes this can be done in conjunction with

ordering. At the time of order placement, it's not usually desirable that you are out-of-stock on anything since that would mean that you would continue to be out-of-stock (and risk lost sales) during the order **lead time** (the

amount of time from when the order is placed to when it is received and re-stocked). By recording those out-of-stock items, you

may be able to tweak your order (or your computer-assisted ordering algorithm) to prevent that item from running out in the future.

Perpetual inventory systems are a good way to lower your out-of-stock percentage. They can trigger alerts when stock becomes low or generate a re-order automatically. If your system includes a sales forecasting algorithm, it will accurately predict demand based on several factors such as sales history, weather, seasonality, special requirements, brand loyalty, and safety stock. Compared to a traditional "manual shelf facings and plan-o-gram" approach, the risk of out-of-stocks may go down significantly.

The “Other” Out-of-Stock Explained

There's another kind of out-of-stock that a perpetual inventory system cannot easily catch. This is what I refer to as the

Top Reasons Why Out-of Stocks Occur

1. Failure to re-order or adequately re-order the item
2. Higher than expected sales, such as a special event (a marathon which causes a run on Gatorade®)
3. Inadequate safety stock to accommodate sales variations
4. Lost or stolen merchandise

“other” out-of-stock. It occurs when you have inventory in the store, but it’s not in the right place. A very common example of this occurs with beverage products. Often, the cooler facing is empty even though there may be more product in the cooler or warm product on the shelf or in back-stock. If customers want a single can of Dr. Pepper, it’s unlikely they will be interested in a warm can or purchasing an entire 12-pack. You may entice them to the fountain -- if you have their flavor. But, they may not think to make the connection, and you may have just lost a sale. Oops. We’re out of Dr. Pepper and Pepsi.

Coffee, pizza, and other prepared food can also be a problem. All of the raw materials are there, but the finished product has not been made. Customers may be unwilling to wait.

A good store manager, in addition to a regular schedule for stocking coolers or producing prepared food items, can help. For most convenience stores, that’s the

best option. A computer sales forecasting system can improve the results even more.

The only way a system can identify the “other” out-of-stock is by looking for sales

Tools for Identifying the “Other” Out-of Stock

1. A POS System that captures real-time sales data
2. A system that replicates POS sales data real-time to a data warehouse
3. A business intelligence system that monitors sales data for anomalies that would indicate an out-of-stock
4. A system that publishes alerts to interested parties, such as the store manager, store operations, and the supplier of a product

quantity on hand, it’s the other out-of-stock. Even without on-hand inventory information, you still have a workable solution. The manager can check to see if there really is an out-of-stock. Perhaps additional product can be moved from the back-stock or another shelf location.

If the product really is out-of-stock, steps can be taken to replenish the stock or

transfer items from another location. The sooner the situation can be remedied, the less risk of lost sales.

Thinking of Upside Opportunity vs. Control

Many investments of technology fall into one of two broad categories: those that allow better control and those that drive sales. It’s my opinion that you should focus on those that drive sales with reasonable attention given to loss prevention (ensuring better control).

For example, if your shrink is three percent, the best loss prevention system in the world can only approach a three percent improvement. It is a theoretical limit. However, on the sales side, it may be far easier to make more money by driving additional sales of strong-margin products. There is no theoretical limit to be concerned about – at some point, perhaps the physical characteristics of the location, such as parking, store size, etc. will impose limits. Certainly most retail locations have plenty of room for volume growth.

As many retailers move toward the level of automation suggested above, opportunities like this one, where sales can actually be increased based on the proper use of the available information, are everywhere. ©



By: **Peter Steele**
Senior Vice President of
Development and IT
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Wishing you Happy Holidays
from Radar and your
friends at Pinnacle

