Encompassing Industry Issues

Helping convenience store retailers connect the dots.

Hardware

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UTC Retail

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SOFTWARE | HARDWARE | SERVICE

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UTC RETAIL has been providing retailers with leading edge POS hardware and hardware services for over 20 years

FEATURES

COMING UP...

SEPT 19-21
POC Show
Reno, NV

SEPT 20-22
Pinnacle Summit
Arlington, TX

OCT 1-4
NACS Show
Chicago, IL

NOV 4-6
SIGMA Annual Meeting
Washington, DC

SEPT 2011

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OCT 2011

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NOV 2011

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FROM BOB'S PERSPECTIVE

We believe leveraging technology can deliver a better consumer experience more profitably for our clients.

As complex as the convenience and petroleum marketing business is these days, it's not surprising that the enabling technology can be complex as well! Helping to simplify these complexities is one of the things we are constantly thinking about at Pinnacle. We believe that personal face-to-face interactions play an important role in simplifying the process of using and implementing technology. One of the tools we offer in this area is our annual client conference, Pinnacle Summit.

Preparing for Pinnacle Summit 2011 (September 20-22) is a major focus for our organization at the present time. Annually since 1991, Pinnacle has invited clients to participate in our client meeting as a way to share best practices in all aspects of IT for convenience and petroleum marketing. Certainly we leverage this event to describe our product plans for the future and to provide additional training on the products, but the major value that I've observed over the years is the individual client interactions that occur during the meetings.

We've been blessed over the years to have clients ready, willing, and able to present how they have leveraged Pinnacle technology for their businesses. Both in formal presentations, as well as informal hallway conversations, clients discuss their daily challenges and strategic IT initiatives. What better way could there be to track your organization's IT performance, than by seeing what others in your field are doing and how they are leveraging technology across their organizations? I have heard from many of our clients how much they value the networking aspects of the Summit, and the opportunity it provides them to expand their rolodex (or to reference a more complex technology, their LinkedIn contacts!).

This year's Summit will include some really great networking opportunities during the meeting and at several evening events. I'm confident friendships will be renewed and new ones formed this year, as they have been in the past.

Not a Pinnacle client yet? Please give us a call to discuss in more detail how our clients are improving their consumer experiences with technology! Or, stop by and see us at an upcoming trade event – perhaps the NACS Show in Chicago or the POC Show in Reno.
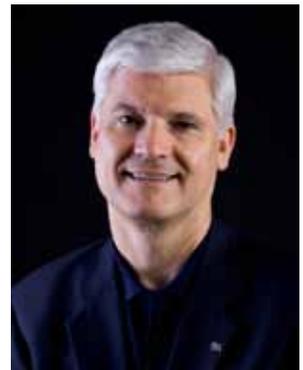
Bob Johnson
President
The Pinnacle Corporation

FROM OUR PERSPECTIVE

LETTER FROM THE EDITOR

It's no surprise that in a struggling economy, the going can get pretty tough for a lot of businesses. Consumers begin tightening up their budgets and re-thinking their discretionary spending habits. I heard just this morning on the radio that consumer debt has significantly decreased over the last year – they said more people are making their credit card payments on time, and in general, putting less purchases on them. People are looking for more ways to stretch their dollar; and what better place to provide them with convenient, budget-friendly solutions to their needs, than c-stores?

Rather than being discouraged by the state of the economy, consider it the perfect opportunity to expand awareness, as well as product and service offerings to your customers. Let them know all the ways YOU can help them get more for their money. Tell them about the money they can save with your loyalty program(s); encourage them to try your delicious food service offerings; remind them to stay connected with you on Facebook and Twitter for special offers. Turn this lemon of an economy into profitable lemonade!

As you read through the articles in this issue of The Perspective – keep in mind that these trying times could actually have a very positive affect on your business. Look for ways to approach top industry issues as opportunities, rather than threats. ©

Rosemary Waldrip
Editor in Chief

WHAT'S INSIDE. . .

Pinnacle Training and Documentation:

During the first 6 months of the year, Pinnacle's Training & Documentation Team:

- **Released over 90 documents to clients**
  - 58 – Retail C-Store documents
  - 25 – Point of Sale documents
  - 4 – Loyalty documents
  - 3 – Fuel documents
- **Held 26 training classes**
  - 7 – Price Book
  - 9 – Auditor™
  - 2 – Palm POS™
  - 5 – Fuel Smart®
  - 3 – EPM™
- **Trained over 100 people**

Pinnacle Products:

Pinnacle's food service inventory management solution, Quick Servant®:

- **Version 3.6 Released – Includes Enhancements for:**
  - Waste entry screens redesigned for easier data entry and flow
  - AP Export from QS Home Office – Several enhancements to the AP export functionality to facilitate export to Microsoft Dynamics GP.
  - GL Export from QS Home Office - Several enhancements to the GL export functionality to facilitate export to Microsoft Dynamics GP.

Upcoming news for Quick Servant:

Reporting, reporting, reporting! We are focusing efforts over the next few months to provide improved reporting in Quick Servant so that clients can better analyze their food service data.

Pinnacle's Web-based accounting solution, Auditor™:

- **Version 3.1 Released – Includes Enhancements for:**
  - Enhanced Exception Management: Exception rules can now be configured by store group, allowing specific store tolerances to be set based on how that store operations. In previous versions, exception management was configured at a global level.
  - Export history purge: As part of our effort to continue making general performance improvements, we have added the export history purge feature to clean out database records for closed fiscal periods.
  - Cash Paid Invoices: The system will now allow clients to create a sales and cash element that will get updated automatically when a cash paid invoice is saved. Previously, the data had to be manually entered in both the invoice area and the sales and cash area, allowing for the potential of a data entry mistake.
  - System Idle Timer: A new setting and feature was added to give users an indication that the system has been idle for a period of time. If the user does not interact with the screen in any way, the idle timer will expire, log the user out, and return them to the logon screen. In previous versions, the user would get logged out without notification and indication of what was happening.

Pinnacle's Web-based daily paperwork solution, Manager Workstation™:

- **Version 3.1 Released – Includes enhancements for:**
  - Item Level Inventory Support: This release includes the OMWS item level features that have been added to the SMWS solution at the store level. Those item level features include: CAO, Handheld Receiving and Audit, Item Count, Shelf Tag Label Printing (Barlabel),and Adjustments by item
  - SMWS Passport POS interface support for NAXML 3.4 and Mix-Match, Combo Item pricing

Upcoming news for Auditor and Manager Workstation – Accounts Receivable module (Oasis MWS clients may know this as Repeating Entry module) to account for station charges and export those to Dynamics GP. This new and improved module will include account configuration and look-up, along with the ability to customize other types of station charges like employee purchases or other reconciliation elements. Beta-ready by October 2011. ©

2012

According to some ancient Mayan interpretations, the world will come to an end in 2012. This is evidenced by their lack of any calculated calendar dates beyond this time...

By: Brian Reynolds, Director of Fuel Solutions

My own belief is that the Mayans just got fed up with throwing all the good looking women into bottomless pits, and chiseling calendars out of rocks for the Golden Idols; everybody quit after they turned in their work for year 2012 and moved to Acapulco to relax for awhile.

While it would be nice to just up and move to Acapulco because the work is getting hard, that option isn't really feasible for everyone. Another (more likely) prediction that may soon come true is not one you hear from the Golden Idols, but from experts such as Goldman Sachs: fuel supplies will be tight by the end of the year, and throughout 2012. As a matter of record, they predict supply will be "critically tight in 2012". (Source: July 2011 International Energy Agency, IEA, 2012 Oil Market Report)

Critically tight fuel supply generally manifests itself in shortages, higher prices, and credit/allocation issues. A higher price alone, by default, reduces credit for obvious reasons. Allocation can also be reduced. Petroleum marketers can wear two different types of hats at the same time - a retail hat and a wholesale hat. A retail dispatcher may be required to monitor inventory, while keeping an eye on sales, and trying to keep an orderly schedule with drivers. Wholesale dispatchers tend to keep an eye on market conditions, worry about credit, allocation and contracts, all while keeping up with carrier availability as well as driver hours and truck maintenance.

So with predictions coming from all directions - everywhere from Mayans to Mavens - certain problems are bound to arise next year. Hopefully it will be something better than "the end of all time"; something less permanent and more easily fixed. Although stressful, fuel supply disruptions and the associated credit/allocation problems, skyrocketing prices, and inventory mismanagement CAN be fixed. Now that we have a prediction for the immediate future, here are…

Ten Ways Your Fuel Operation Can Profit During the 2012 Apocalypse

1. If you're not already, start using Pinnacle Fuel Solutions immediately.

2. Pinnacle Fuel Smart®'s Smart Buy module and its suggested load capability can streamline and make the fuel dispatching process more efficient.

3. Fuel Smart's Contract Management capability assures accuracy in payments and monitors contractual obligations.

4. Getting Bill of Lading (BOL) information to the home office continues to be a industry problem. Pinnacle's Andalé™ provides the means to receive BOL information quickly.

5. Andalé, with its split load/splash blend reporting capability, is a key component in accurate and timely inventory costing.

6. Andalé can speed up the accounts receivable process while minimizing credit and re-bills.

7. Just because a load of fuel got dispatched, doesn't mean that it automatically shows up to its originally intended destination. Andalé records and allows for accurate and timely acknowledgments of delivery, whether or not it got delivered as planned.

8. Fuel prices wreak havoc on inventory valuations. Pinnacle's Dispatcher Workstation™ (DWS) helps to provide a real-time, "just-in-time" fuel inventory management program

9. Drivers (or anybody who needs to know) can access Automatic Tank Gauge information in real-time speeds, which takes the guess work out of current inventory conditions.

10. Not everyone speaks the same language. Pinnacle Fuel Customer Access™ Consigned Dealer module minimizes back office and store frustrations due to language barriers.

Hopefully we have more than a year left to the end of time, but taking advantage of Pinnacle's real-time fuel solutions is one way to make the most of your available time. ©
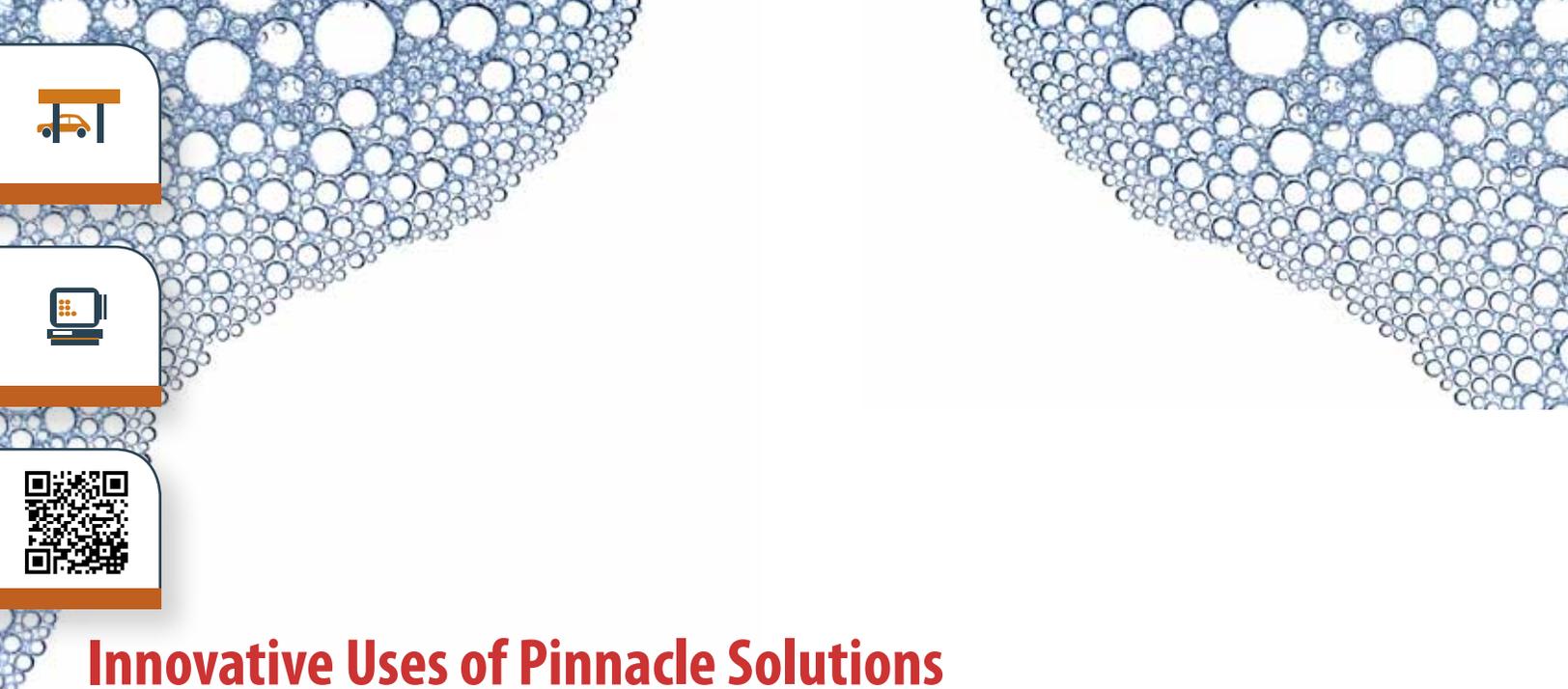
Innovative Uses of Pinnacle Solutions
SELLING CAR WASHES AT THE PUMP

By: Chris Boebel, Director of IT, Delta Sonic

ABOUT THE EXPERT

• • • • • • • • • • • • • • • •

- **Name:** Chris Boebel, Director of IT

- **Company:** Delta Sonic Car Wash Systems

- **Number of Stores:** 28 car wash locations, 27 with gas and c-stores

- **Locations:** Headquartered in Buffalo, New York, with locations in Buffalo, Rochester, and Syracuse, New York and the Chicagoland area

- **Pinnacle Solutions:** Palm, Palm.kiosk, Manager Workstation, Auditor, POS Manager, Price Book, and Fuel Smart

THE PROBLEM

When we sell a car wash, we offer a discount on gas.

We wanted to be able to allow the customer to purchase a car wash (with optional add-ons) at the pump, and have the pump price lower automatically. We wanted to be able to post the discounted price on the street, but could not in Chicagoland until we were able to have the price on the pump match the price on the street. Our owners like to tinker, so any solution needed to be very flexible.

THE SOLUTION

We worked with Pinnacle's development team on a project that:

- Allows us to sell our four car wash packages at the pump. New functionality works with both credit cards or with cash acceptors at the pump.
- Allows us to build a menuing system on our pumps that offers different add-ons to a selected car wash, based on the wash selected. Customers can select multiple add-ons from one screen.
- Allows us to create a menuing system that is dynamic, and that we can define through the POS.
- Allows us to lower the price of gas at the pump based on whether or not a car wash is selected.

BENEFITS OF THE SOLUTION

The solution offers us a dynamic menuing system that is able to keep pace with our owners' updates and changes. It also helps us control gas rebates much more tightly, as the rebate is tied to the car wash purchase. The solution ensures that we can sell add on services with our car washes, and is seamless with the overall operation of the pump. ©

NeXGen
Forecourt Controller

MORE THAN MEETS THE EYE

Transforming Your Station
With the Power of NeXGen

ALLIED
ELECTRONICS, INC.

Insane Interchange Fees
The Endless Circle?

By: Drew Mize, VP Product Management & Marketing

The views expressed in this article are the sole and expressed opinions of the author, and do not represent in any way the opinions or position of any third party including NACS, the Merchant Payment Coalition, any card brand, bank, or financial institution.

The Impact

$9 billion in 2010…that's what you (retail convenience stores) paid as an industry in credit/debit interchange fees last year; compare that to $6.5 billion in pre-tax profits. The numbers are staggering and continue to climb, up $1.6 billion over 2009 (+22%). There is a bit of good news though (if you want to call it that), the gap between interchange fees and industry pre-tax profits was marginally better in 2010 vs. 2009, primarily driven by continued growth in inside sales trends and a 2009 recapture of lost motor fuel sales.

There are enormous amounts of data and articles that detail this information, but the impact is clear – interchange fees make profitability that much more of a challenge when you consider the interchange fees paid on an annual basis as an industry are more than the total industry pre-tax profits (Figure 1).

Industry Credit Card Fees versus Pre-Tax

Billions — y-axis: $0 to $10
x-axis: 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010

Legend:
- Pre-Tax Profit
- Credit Card Fees
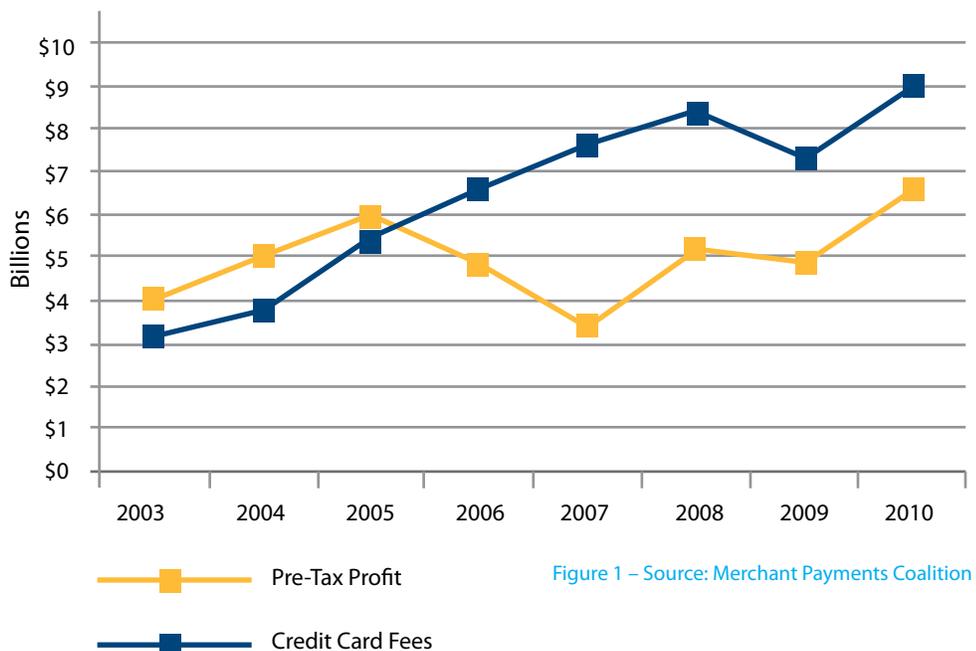
Figure 1 – Source: Merchant Payments Coalition
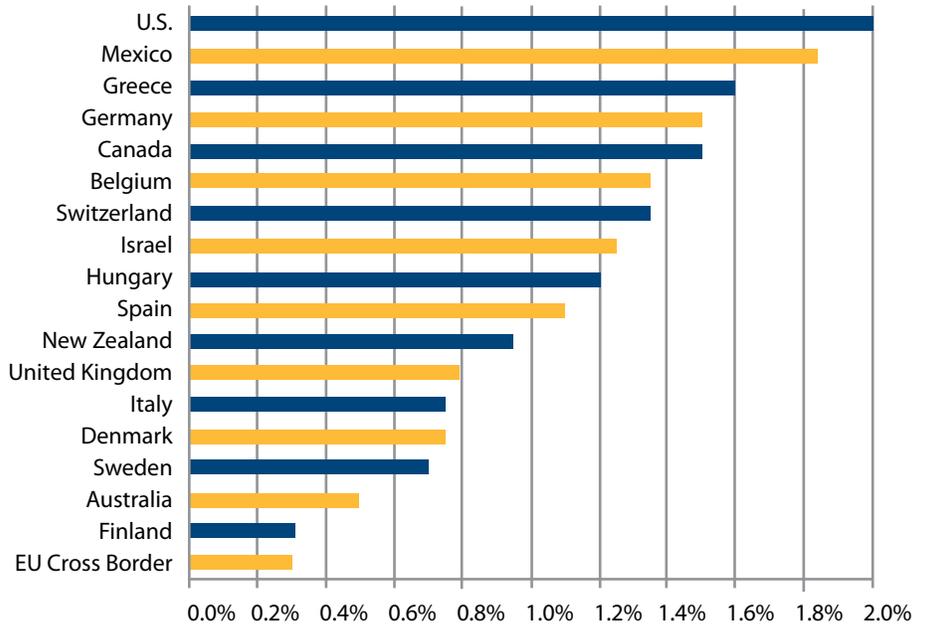
Industry Involvement

Monopolistic interchange policy in the U.S. is partly to blame. And let's face it, Visa and MasterCard (which collectively process roughly 80% of all card transactions in the U.S.) aren't going to lower the interchange rates for the good of the industry. The U.S. has consistently had the highest interchange rates in comparison to anywhere else on the planet for quite some time (Figure 2).

The level of interchange is particularly challenging in the retail convenience petroleum space, given relatively low gross margins on fuel in comparison to other industries, and fuel sales contributing nearly 68% of total store sales. NACS saw this coming in the early 2000s as interchange fees continued to ratchet up, but pre-tax profits were not keeping pace (Figure 1). In 2005, NACS spearheaded the formation of the Merchant Payments Coalition (MPC), a group of not only convenience petroleum retailers but also leaders in the drugstore and supermarket space (we'll refer to this group as the 'good guys'). The MPC set out with a goal to expose card issuers and banks' alleged monopoly on the industry and unfair fee structures to Congress, with an expectation that Congress would act. The marches up Capitol Hill started, the politicking came alive, and the good guys went to bat to defend the industry's position that this continued trajectory could bankrupt the industry. I mean really, the card brands are making more from this industry on processing card transactions than the industry is in whole.

The Industry's Answer Then

Circa 2006, as interchange fees continued to erode industry profits (especially when fuel prices started to rise), retailers began looking for creative ways to lower expenses related to processing consumer payments. This came in many forms, among them:

- **Prompting for Debit vs. Credit** – debit carried a lower interchange rate. But, as time has progressed, issuers have continued to ratchet up debit interchange rates to the point that credit and debit are virtually equivalent.

- **PIN Debit** – prompting for PIN debit lowered the interchange rate even more, but again, the interchange rates have blended to the point there is little

advantage to PIN debit vs. signature debit. In fact, PIN debit interchange rates have increased an average 14% annually since 1995.

- **Check Acceptance** – especially beneficial if integrated with the POS for electronic conversion and deposit to lower the risk of NSF. Helpful in terms of servicing customers that prefer to write checks, but in terms of offsetting interchange fees, it's difficult to convert a consumer that prefers plastic to writing checks.

- **Cash Discounts** – offering discounts for cash payments. And the 70s return, cash is king!

- **Split Dial** – whether switched at the POS itself or at the home office, routing individual transactions to the best rate provider for the particular card transaction ensures the most competitive rate available per transaction instead of an aggregated rate. Still a viable solution, but the vast majority of processors now preclude this in current contracts.

- **ACH Payments** – arming consumers with a retailer branded payment card that is tied to the consumer's checking account, enabling the consumer to pay with that ACH card vs. traditional credit/debit. An attractive solution that carries a flat fee per transaction in the 17 cent range, especially when

fuel prices are high. To the consumer, it feels like a PIN debit transaction because the ACH card is tied directly to their checking account.

The Continued Battle on Capitol Hill

The fight against the card brands and banks (for the sake of argument, let's refer to this group as the 'bad guys') continued to evolve, but managed to keep a seemingly low profile in the public sector until the 2009 timeframe. As a result of the U.S. economic crisis beginning in late 2007, President Obama called for a 'sweeping overhaul' of the U.S. financial regulatory system in 2009. The real politicking begins.

In conference committee, the Durbin Amendment (proposed by Sen. Dick Durban, D-IL) was added by Senate. The initial Durbin Amendment proposal called for debit card swipe fees to be more "reasonable and proportional to the actual cost" of processing the transaction, ability for retailers to refuse taking cards for micro purchases, and the ability to offer consumer discounts for use of cards that would result in a lower processing fee to the retailer. To lower debit swipe fees, the Durbin Amendment would provide the Federal Reserve ability to regulate debit card interchange fees…more politicking. Now the bad guys are starting to pay attention.

Average Interchange Fees

Figure 2 - Source: Merchant Payments Coalition

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law by President Obama, opening the door for financial system analysis and potential regulations. More politicking, and now the bad guys are fully engaged in the politicking and bringing with them the big guns. More politicking, but the good guys gain traction, and on December 16, 2010 the Fed established a proposal calling for a maximum 12 cents interchange fee for debit transactions. The good guys seem to be edging ahead, but wait, MORE politicking…and the bad guys aren't finished!

Spring 2011, the good guys continue the fight in an attempt to retain the upper hand. The bad guys insist they couldn't possibly stay in business with the rates being proposed by the Fed and spend $51 million in politicking dollars to support their cause. The good guys maintain that the bad guys are ridiculous, but they can't afford the luxury of spending anywhere near $51 million in politicking dollars because the bad guys already took a good chunk of their money in interchange fees. Continue with the politicking.

On June 29, 2011 the Fed issues its final decision on debit transaction interchange rates.

Durbin Amendment – "The" Decisions

Many dates, versions, amendments, politicking, and decisions have been made and changed throughout the process. I suspect there will be much more of the aforementioned to come. Specific to this particular article though, a few things related to interchange fees:
When the initial Act was signed into law by President Obama on July 21, 2010, the following became effective:

1. Merchants may impose a $10 minimum on transactions before a consumer may pay by credit card.

Previously, Visa and MasterCard banned this practice in their merchant agreements.

2. Retailers may offer discounts to consumers by specific payment type (cash vs. credit vs. debit vs. check), provided the discount does not differentiate based on specific issuer or payment network (meaning you can't give a discount to use MasterCard vs. Visa).

As the dust finally settled on June 29, 2011, when the Fed issued its final ruling on remaining components of the Durbin Amendment and set an effective date of July 21, 2011 (which has already been extended to October 1, 2011), the following additional provisions were passed:

3. A debit card issuer must provide at least 2 non-affiliated network options for a retailer to choose from, with respect to payment network, to process their PIN debit transactions.

4. The maximum allowable charge for a debit (whether PIN or signature) transaction will be 21 cents per transaction… but don't forget the fine print. Add another 5 basis points (1/2 percent of the transaction amount) for fraud protection, plus another penny if the issuer instills certain fraud protection measures. The definition of fraud protection measures is left to Visa and MasterCard to determine, so you might as well just call that additional 5 basis points 'automatic'.

The Real Net Effects of the Durbin Amendment

So what does all of this come down to? The decision may be viewed as progress but isn't exactly what either side was hoping for. Depending on the source you use, this reform will shave in upwards

of $6 billion in bad guy profitability annually, but is better than what it would have cost them if the original 12 cents per transaction proposed by the Fed had gone through. The good guys were pushing hard for the 12 cents per debit transaction cap, but 21 cents (even with the additional fees) does help although not remotely close to what was initial proposed by the Fed in answer to the Amendment. As an industry you will only recover an estimated $830 million of the $9+ billion in interchange fees per year, vs. an estimated $1.5 billion with the original Fed proposal.

The real challenge presented by this decision is a trickle-down effect that begins with the bad guys, in most respects, still holding the keys. The bad guys liked debit because it has a much lower fraud component than credit and chargebacks are difficult to support. Over the years they've incented consumers to use debit over credit, enticing them with fancy cash-back and other rewards programs. The bad guys funded these fancy programs by ratcheting up the debit interchange rate to basically be the same as credit interchange rates. Consumers got all entrenched in the bad guys fancy rewards programs, making it challenging for the good guys to convert consumers from debit and credit to other forms of payment.

With this new legislation, the bad guys will make less money on debit but their credit profits are untouched. They will push consumers back to credit by stripping or eliminating their debit rewards programs, some (e.g. Chase, Wells Fargo, JP Morgan, USAA) have already done this and is just the beginning. But they won't stop there; they will impose debit transaction restrictions on consumer's accounts, and or charge additional fees to use of debit vs. credit. Consumers will not

	CASH	CREDIT	CHECK	DEBIT	ACH	PREPAID CARD
Unleaded	3.55[9]	3.63[9]	3.56[9]	3.58[9]	3.57[9]	3.62[9]
Plus	3.65[9]	3.73[9]	3.66[9]	3.68[9]	3.67[9]	3.72[9]
Super	3.75[9]	3.83[9]	3.76[9]	3.78[9]	3.77[9]	3.82[9]
Diesel	3.62[9]	3.70[9]	3.63[9]	3.65[9]	3.64[9]	3.69[9]

Figure 3 - Gas Price Matrix

only lose the benefits of debit rewards programs, it will cost them more to use their debit card vs. credit. The bad guys now love credit, your effective use of debit by consumers will decline, and your aggregate interchange rates will head straight back up towards the credit interchange rates you pay today. Worse, for those consumers that have credit issues, they may have to rethink their impulse decisions because it's too expensive for them to use [or overuse] debit, and may have to time their purchases based on available cash flow. Or, they may be forced to head towards pre-paid cards (the bad guys now love these more too) which are excluded from the Durbin Amendment, once again you are right back to unfavorable credit card interchange rates.

Did I mention that bad guys with less than $10 billion in assets are excluded from the debit interchange regulation? – excluding all but 108 banks in the U.S... The Amendment does apply to the bad guys that process roughly 65% of debit card transactions, but excludes the smaller community banks and credit unions and they will have the continued ability to charge what they see fit by the way of debit interchange fees.

Predicting the end result of interchange reform based on decisions passed thus

far can likely be no more accurate than predicting the weather in Texas. You know it will be hot in the summer and won't rain a lot; but outside of that, good luck predicting just how hot and when it will actually rain. But to dissect some possible outcomes based on the 4 specific aforementioned items passed with the Durbin.

Predicting the end result of interchange reform based on decisions passed thus far can likely be no more accurate than predicting the weather in Texas. You know it will be hot in the summer and won't rain a lot; but outside of that, good luck predicting just how hot and when it will actually rain. But to dissect some possible outcomes based on the 4 specific aforementioned items passed with the Durbin Amendment:

1. The ability to impose an up to $10 minimum on a transaction before a consumer can use their credit seems like a win in order to eliminate the fee structure on micro purchases, but are you really willing to sacrifice a customer that wants to buy a $1.50 cup of coffee with their credit card or a pre-paid card so you can save 5 cents on the huge margin associated with that coffee sale? Not worth it, don't see it happening. Not to mention, debit transactions are

excluded from this provision so you can't set a minimum for a consumer using their debit card for that same $1.50 cup of coffee. Not sure this makes any sense, provision failed.

2. Although most processing agreements preclude retailers from offering discounts by payment type, many leading retailers in the industry have been offering cash discounts since well before the Durbin Amendment. The Amendment does provide the ability to present the different price structures in a way that markets the impact as 'you will pay more if you use the debit feature on your card vs. the credit feature' ; but it's going to be a struggle with presenting these options to the consumer in a way that makes sense. Cash vs. credit pricing they get, but technically and educationally supporting the operation of charging the consumer more per gallon of fuel if they, for example, use the debit feature on a card vs. the credit feature on that same card is an interesting challenge. Not insurmountable, but also not something that will not happen quickly. Not sure this provision adds any new capabilities that weren't already available pre-Durbin Amendment. (Figure 3)

3. While requiring processors to offer at least non-affiliated 2 routing options to handle PIN debit transactions seems like a win based on a premise that it will facilitate competition between banks for your processing business, this is a stretch. The bad guys have done a good job managing the overall interchange rate structure and I suspect there will be little to no advantage to one network vs. another by the time the numbers roll to your bottom line. This provision has some potential but I'm skeptical.

4. You can't argue that the cap of 21 cents (plus, plus) on a debit card transaction provides some relief, especially on fuel transactions at today's street prices. In a pre-Durbin environment a $45 fuel sale (12 gallons @ $3.75/gal) paid via PIN debit may cost you as much as 92 cents to process. In a post-Durbin environment that same transaction will only cost you 25 cents to process, a savings of 67 cents (5.5 cents per gallon). But again, the bad guys don't like PIN debit anymore because it's less profitable for them and it won't take long for the majority of PIN debit consumers to move back to exempted credit and general purpose reloadable prepaid card products because debit will simply cost them more money to use and they won't stand for that. Partial victory for this provision, but I'm afraid it is short lived.

One additional, potential, net effect of the Durbin Amendment, another tiny loophole. Some retailers aren't guaranteed to receive any savings from the new rules, as acquirers and processors are not required to pass interchange reductions on to merchants. Retailers with "blended" processing rates (e.g. interchange is not broken out) may not be contractually entitled to any of the cost reduction.

So Now What

Time will tell and I am confident that in due time the good guys will prevail to some degree. But for now what might happen in terms of battling Interchange Fees? Let's rewind full circle to The Industry's Answer Then section of this article, to evaluate pre-Durbin Amendment vs. post-Durbin Amendment effects:

- **Debit vs. Credit** – still the same benefits as pre-Durbin; no effect

- **PIN Debit** – some benefits here but traditional PIN debit usage may vaporize as a result of the trickle-down effect. Consumers just won't stand for having to pay the bank to use

- **Debit** – the consumer education component is a real challenge, and in the end it's the consumer that is hurt the most. The goal of this legislation was to make Debit less costly for the good guys, in the end consumers are paying the biggest price and it will just push them to other payment types, negative effect.

- **Check Acceptance** – still has the same benefits as pre-Durbin, no effect.

- **Cash discounts** – still has the same benefits as pre-Durbin, no effect.

- **Split Dial** – still has the same benefits as pre-Durbin, no effect.

- **ACH Payments** – while the Durbin Amendment has a solid effect on PIN debit interchange fees for some, an ACH payment card remains a viable solution to offer your consumers. Using the aforementioned example, an ACH transaction is still 8 cents less expensive than a PIN Debit transaction in a post-Durbin environment. Consumers will be shopping to replace the debit rewards programs that the bad guys have now removed, and in a way that won't cost them money to participate; and, a private labeled ACH program can offer tremendous value from a consumer loyalty perspective if leveraged properly.

In the end, debit swipe fee reform has paved the way to interchange regulation, but that's about the extent of claiming victory at this stage of the game. There will be more fights between the good guys and the bad guys, who will win remains a question but at this point one thing is evident. Things rarely end up as they are envisioned and sometimes along the way you go full circle and end up doing the same things you've been doing for years to reduce your expenses while keeping the retail convenience petroleum business "convenient" for your customers. ℗

Set a record pace
for quick and easy PCI compliance.

Coalfire offers a comprehensive package of low-cost services designed to help merchants comply with the Payment Card Industry Data Security Standard (PCI DSS) Report on Compliance (ROC) and the Self Assessment Questionnaire (SAQ). Our services are designed to provide merchants with a streamlined and cost-effective solution for validating PCI compliance. As a trusted compliance partner with **Pinnacle**, Coalfire understands your payment systems, architectures, and compliance requirements…we have the knowledge YOU need to support PCI compliance quickly and accurately.

For your **FREE** white paper, *"Top 10 Compliance Issues for the Payment Card Industry (PCI)"*, call 877-224-8077 or visit www.coalfiresystems.com/pciwhitepaper2.

Pinnacle Road
WARRIORS

Since the beginning of 2011, Pinnacle's Professional Services team has traveled the country assisting our clients with Business Analysis, Best Practice Analysis, and Software Implementation Projects. Take a quick look at some factoids...

Source: Bob Wilhelm, VP Professional Services

65% OF PROFESSIONAL SERVICES' TIME IS SPENT ON THE ROAD

5000+ PROJECT HOURS LOGGED
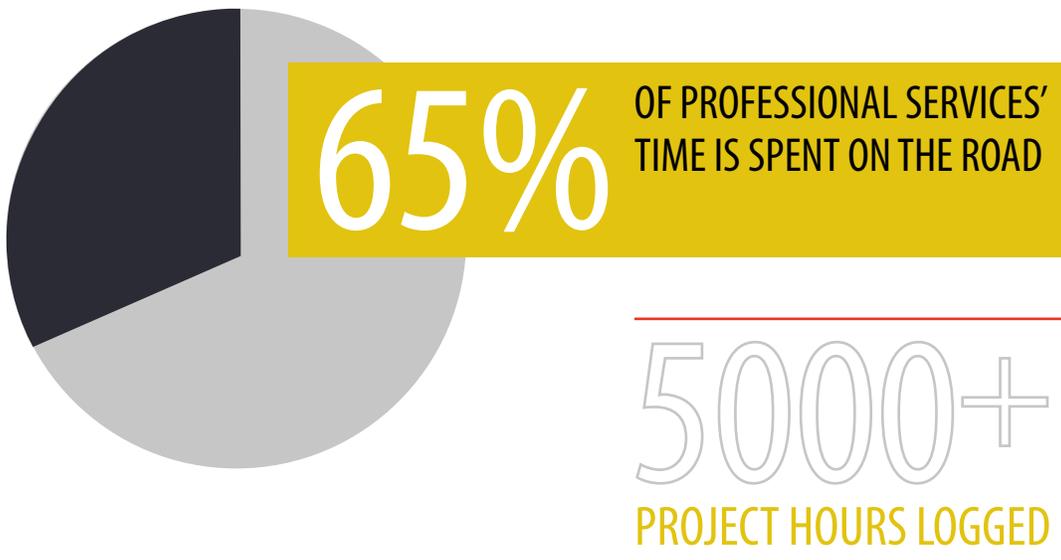
ON THE ROAD AGAIN...

150 WORK DAYS EQUALS

98 TRAVELING DAYS

52 OFFICE DAYS

STATE	NUMBER OF CLIENTS SERVED
Arkansas	●
Colorado	● ●
Connecticut	●
Iowa	● ●
Georgia	● ●
Kansas	●
Maine	●
Massachusetts	●
Michigan	● ● ●
Minnesota	● ●
Mississippi	● ●
Missouri	● ●
Nebraska	●
Nevada	●
New Mexico	● ● ●
New York	● ●
North Dakota	●
Oregon	●
Texas	●
Washington	● ●
Wisconsin	●
Wyoming	●

22 STATES THAT PROFESSIONAL SERVICES HAS CONDUCTED PROJECTS IN FOR 61 DIFFERENT CLIENTS

TOO MANY BAD RESTAURANTS TO COUNT

18
states flown to

states driven to

4

Tech Trends:
The Good, the Bad, and the Ugly

By Mike Cooper, IT Manager

THE GOOD
Some older trends in technology are still going strong

Virtualization is still growing with new inroads in hardware and software addressing the virtual environment. Hardware is now offering special optimization for virtual environments. Software vendors are offering new and improved ways to manage and backup virtual machines. Server racks are showing up on Ebay as companies are still growing their server farms and reducing their rack space at the same time.

Computer hardware keeps getting bigger and better. According to Moore's Law (named after Intel co-founder Gordon E. Moore), computer power doubles every 18 months, meaning that computers will be a million times more powerful by 2034. Hard drive sizes double. Solid state drives continue to get bigger and last longer. Memory is growing in size again. The newer motherboards support more memory slots and 2x and 3x the hard drives.

Mobile computing is one of the fastest growing areas of technology. As cell phones transition to smart phones and websites change to support them, we are seeing non power-users relying on their phone for reports and updates. Where do you stop for gas? Just look at your phone. Phones now do email, SMS, Social, Gaming, Music, Video, Google: GPS; what can't they do?

Tablets like the Apple's Ipad and Android Tablet are both selling like crazy. With a tablet, we add ebooks, web browsing, and easier editing of office documents. They give you the portability and battery life that you always wanted your laptop to have. These devices depend heavily on cloud computing and SaaS (Software as a Service) solutions. Through the cloud, it will share processing, storage, and even security. In 2011, 19.1 million notebook sales will be transitioned to tablets globally. Mobile apps are exploding. Get ready for the explosion of Mobile viruses!

Cloud or **PaaS** and **SaaS** are some of the soft areas growing the fastest. Individuals seem to be adopting these faster than companies. This is partially due to security and availability concerns. Pinnacle's Andalé™ and EPM™ SaaS offerings are two examples of the SaaS solutions that allow a company to get rid of the IT overhead and have a robust solution.

LED technology is still rapidly growing, driven by the "green" movement. This is not just for TVs and monitors, but cabinet and building lights are also moving to LED. Governments around the world have passed measures to phase out traditional incandescent light bulbs for general lighting. The aim is to encourage the use and technological development of more energy-efficient lighting alternatives.

The cost of hardware is a little unstable, but most costs are stable enough as long as you stay away from the bleeding edge. There is a normal drop in hardware cost as new technology is introduced and the current technology that was the newest is replaced. Because of the economy, vendors are being forced to liquidate inventory to keep afloat. This is causing an artificial price drop. Once this entire inventory is gone, prices will go up. If too many manufacturers shut their doors, then the rise in prices may continue until normal manufacturing restarts.

The **Internet** is everywhere. It's not just on your PC desktop anymore. From your TV to your refrigerator, new devices are going to be connected.

THE BAD
Cybercrime and cyber-attacks continue

I think of this as technology math. More groups of unemployed kids with too much knowledge on their hands are attacking companies and making viruses. These attack groups seek notoriety through these attacks. As more and more of the bigger sites get attacked, more and more groups seek the limelight. As the bigger sites buy more protection, the attack groups look for more targets. So the sum of the math is: there are going to be more groups and less big targets. This means that smaller companies are going to become targets. Spear phishing, company directed viruses, and the mobile viruses are coming.

THE UGLY
Think U.S. Rep. Anthony Weiner...

At least $90 billion worth of business-to-consumer (B2C) purchase decisions, and $350 billion worth of business-to-business (B2B) purchase decisions will be based on tags containing information and opinions about purchasable items.

More than 60 percent of the U.S. population aged 15 to 50 will carry or wear a wireless computing and communications device at least six hours a day. (Source: Gartner Group)

Email growth is slowing and new technologies like Twitter and messaging are taking its place. Social media sites are growing. Years ago, there were news headlines on inappropriate emails being sent. This year, it's all messaging. Think U.S. Representative Senator Weiner... ℗

Fuel Theft and Drive-Offs
You Can Run, But You Can't Hide

By Jane Sinn Gabriel, Retail Solutions Manager

It's time to revisit the discussion about controlling drive-off fuel theft while maintaining an acceptable level of convenience. Some drive-off fuel loss is found to be unintentional and is recovered. The rest? Well, let's call it what it is: Theft.

Recent industry studies show the average monthly single store loss attributed to drive-offs has gone from $161 in 2009 to $200 in 2010, that's a 24% increase. If the trend holds true, we are likely to see higher numbers in 2011. The U.S. Energy Information Administration (EIA) forecasts that the price per gallon of regular gas will continue to rise in 2012 as well.

According to the NACS State of the Industry Annual Report for 2010, cash continued its decline as a form of payment by a decrease of two points, going from 43.6% to 41.6%. The whole displacement of cash payments was recognized in the continued growth of card use. Cards were used in 57.8% of all payments, up from 55.7 in 2009.

I probably won't find a report that confirms my theory, but I propose that moving to a prepay requirement to reduce fuel theft will, predictably, reduce fuel theft. However, it could also increase the number of card transactions (which you'll pay for in fees) and, consequencently, your fuel margins will go from small to smaller. As we all know, the higher the price, the higher the credit card fee so, the lower the margin. Anecdotal feedback from operators and their customers also indicates that fuel purchases made by cash paying consumers could get smaller as they hedge to the low end of what their fuel tank can hold, buying less fuel to avoid delays related to multiple trips inside the store.

Given the choice between lost profits due to theft and lost profits due to reduced spend, isn't the answer somewhere in between? How about securing the pumps while continuing to allow post pay transactions? You CAN do that.

Let's talk about the concept of pump authorization and the potential for extending convenience to your customers while making drive-off loss a non-issue. Where convenience operators have a choice and where competition is steep, choosing to implement technology that will allow consumers to fuel before paying is a viable strategic decision that can keep your company competitive and your customers loyal.

Acknowledging that the prepay requirement leaves no room for error, Jenny Bullard, CIO, Flash Foods offered this insight, "The statement could be made that once you go prepay at all locations, that drive-off expense will be reduced anyway. While that is true, what the Flash Foods "PumpStart" program allows us to do is provide a convenience to our customers that competitors who have been forced to go prepay can't offer. Our customers can start the pump and then come inside and pay, saving them the two trips into the store."

Making this choice now will keep the decision in your hands. If you can reduce the need to report fuel theft to local law enforcement, then the decision about whether or not to require prepayment won't be made for you. Your average fuel transaction also won't take a hit due to smaller purchases made with cash and your margin won't take a hit because you can avoid pushing consumers toward the more expensive bank card transaction.

Pinnacle's LoyalPass® supports a secure method for authorizing the pump by tying a secondary id, such as a driver's license, to a retailer issued credential. For example, Flash Foods captures driver's license data and associates it with a shopper's "Rewards in a Flash" or "Go Blue" card. If a drive-off occurs at a Flash Foods store, the loss prevention team at the home office knows about it. The card holder can be identified and contacted and, in many cases, the fuel is paid for and there is no loss.

When asked how the pump authorization feature supported by LoyalPass is viewed at Flash Foods, Ms. Bullard offered this insight,

" The customer service we can offer by using LoyalPass continues to deliver positive benefits, even three years after implementing it.

Since the first quarter of 2008, drive-off expense has been driven down to such a low per store average that it is more than offset by the benefits of increased traffic, increased transaction spend, and greater customer loyalty. With Pinnacle's multi-use Loyalty solutions, the ability to use a single card for loyalty, pump authorization, and ACH support, the Flash Food's Go Blue loyalty card becomes even more valuable to our customers and, in turn, more valuable to Flash Foods. "

Theft is a crime of opportunity. Take the opportunity away from the thieves and give it to your honest, loyal shoppers.©

LEVERAGE THE POWER of MICROSTRATEGY Dashboards and Analytics through PINNACLE EPM

MicroStrategy's business intelligence platform powers the Pinnacle Enterprise Performance Management (EPM) solution providing at-a-glance insight to help stores:

- Detect and prevent fraud
- Make more informed decisions on product pricing, promotions and product mix
- Track sales performance across categories

Pinnacle's Mobile EPM capability is portable, graphical and interactive. This kind of efficiency makes real-time mean something:

- Give loss prevention initiatives real immediacy
- Provide Store Operations a tool that delivers information while they travel from site to site
- Get up to the minute sales reports while you're walking through the store
- Provide Store Operations a tool that delivers information while they travel from site to site
- Get up to the minute sales reports while you're walking through the store

To learn more about MicroStrategy software,

visit www.microstrategy.com

Getting the Popular Vote:

What it Really Means to be "Liked"

By Rosemary Waldrip, Marketing Manager
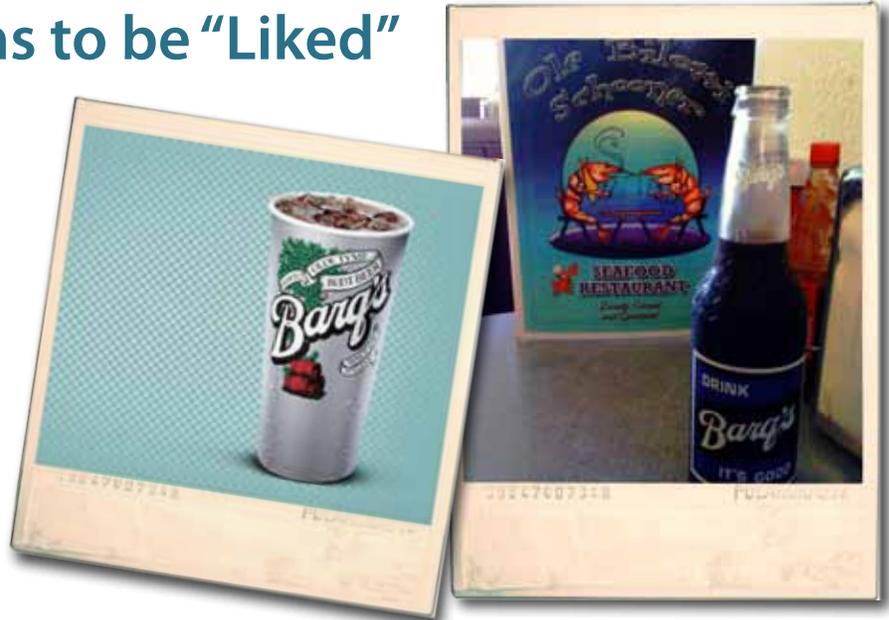
I have always really liked Barq's brand root beer. In fact, I won't drink root beer that ISN'T a Barq's. My affection for this brand goes back to my childhood, but let's start with a little brand history, shall we?

The Barq's Brothers Bottling Company was founded in 1890 in the French Quarter of New Orleans, Louisiana, by Edward Charles Edmond Barq and his younger brother, Gaston. The Barq Brothers bottled carbonated water and various soft drinks of their own creation.

In 1897, Edward Barq moved to Biloxi, Mississippi with his new wife. The following year, he opened the Biloxi Artesian Bottling Works. 1898 is often given as the debut year for what was later to be known as "Barq's root beer," but some sources say this particular product was not produced until some two years later.

To make a long story short, Barq's root beer (now owned by The Coca-Cola Company) is still bottled in Biloxi, Mississippi to this day, and is proudly served at most restaurants in the area.

Here's where my connection to the brand comes in…

My mother was born in New Orleans; her parents moved their family to a small town near Biloxi when she was still a child, and that's where she and her siblings grew up and planted their roots. Eventually, my mom and dad moved our family to Texas, but we've always made it a point to go back for visits as frequently as possible (usually in the summer).

On these visits, I always try to make at least one trip to my favorite restaurant in Biloxi – The Ole Biloxi Schooner. It's a tiny place, with a jukebox in the corner and diner-style seating. The po'boy sandwiches are to die for, and the specialty drink is an ice cold Barq's root beer…in a glass bottle. For me, this experience is the very essence of summertime – laughing with family, eating delicious southern food, enjoying great weather, and at the heart of it all, tasting the distinct flavor of Barq's root beer.

It's funny how a brand can work its way into our memories like that. Without even realizing it, I've been literally "following" the Barq's brand for decades, with each new experience building upon my already established loyalty to the brand. And, now that we have practically become the United States of Facebook, I can virtually "follow" Barq's (along with many of my other favorite brands) on Facebook and Twitter to stay even MORE closely connected to my beloved beverage.

At this point, it's no surprise to me that nearly every brand you can imagine is encouraging the public to "follow" them on Facebook, Twitter, and beyond. Why wouldn't they? It's free, it builds brand awareness, it's free, it increases brand loyalty, it provides 2-way communication with customers, and did I mention it's free? If you need more convincing to believe in the power of the almighty "follower," take a look at some recent metrics that explain just what it really means to be "Liked"… ℗

WHAT ARE THE TOP REASONS PEOPLE FOLLOW BRANDS?

■ FACEBOOK & MY SPACE
■ TWITTER

OTHER
- 0.7%
- 0.7%

SERVICE, SUPPORT OR PRODUCT NEWS
- 5%
- 3.5%

FRIENDS ARE FANS OF THE BRAND
- 6.2%
- 6.3%

INTERESTING OR ENTERTAINING CONTENT
- 18.2%
- 22.7%

CURRENT CUSTOMER
- 32.9%
- 23.5%

SPECIAL OFFERS / DEALS
- 36.9%
- 43.5%
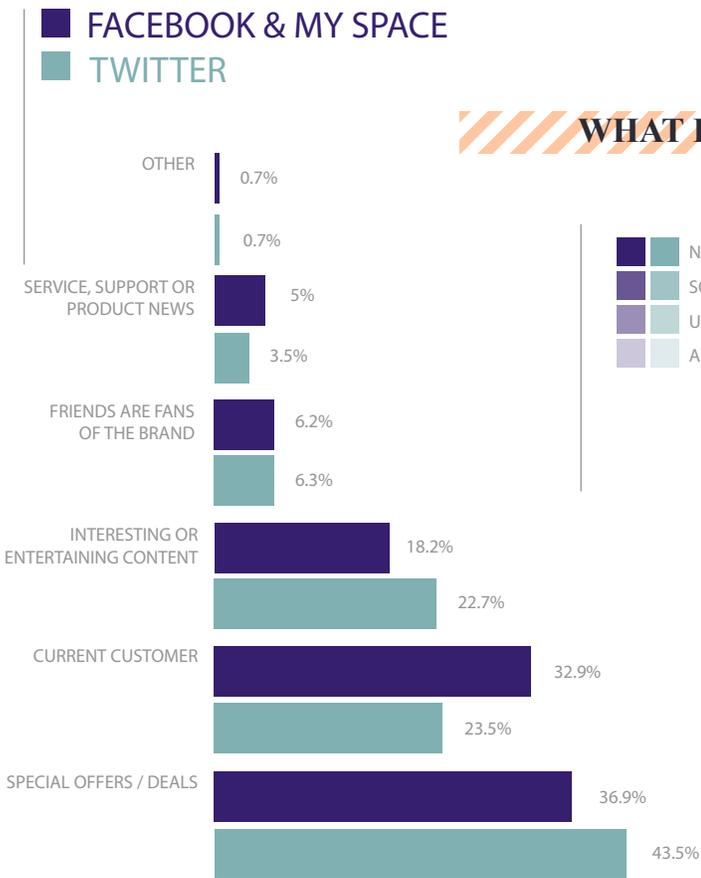
WHAT HAPPENS WHEN PEOPLE FOLLOW A BRAND?

■ NEVER
■ SOMETIMES
■ USUALLY
■ ALWAYS

CONSIDER THE BRAND WHEN IN THE MARKET FOR THE PRODUCT

| 2% | 34.41% | 40.90% | 22.69% |
| 2% | 34.41% | 40.90% | 22.69% |

BUY THE PRODUCT OR SERVICE FROM THE BRAND

| 2.99% | 36.66% | 42.89% | 17.46% |
| 3.14% | 31.37% | 45.88% | 29.61% |

RECOMMEND THE BRAND TO OTHERS

| 3.99% | 33.92% | 39.15% | 22.94% |
| 2.75% | 30.98% | 36.86% | 29.41% |
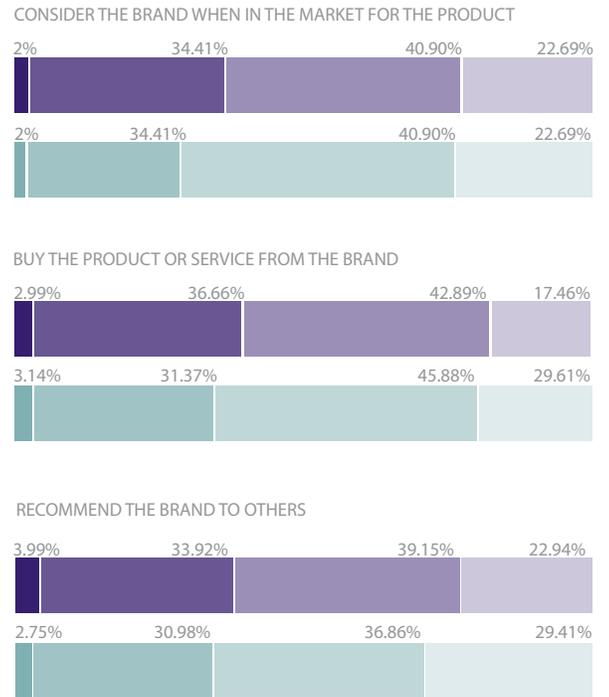
HOW MANY BRANDS DO THEY FOLLOW ON FACEBOOK?

1
12.01%

5-10
21.2%

2-5
53.47%

10+
13.32%
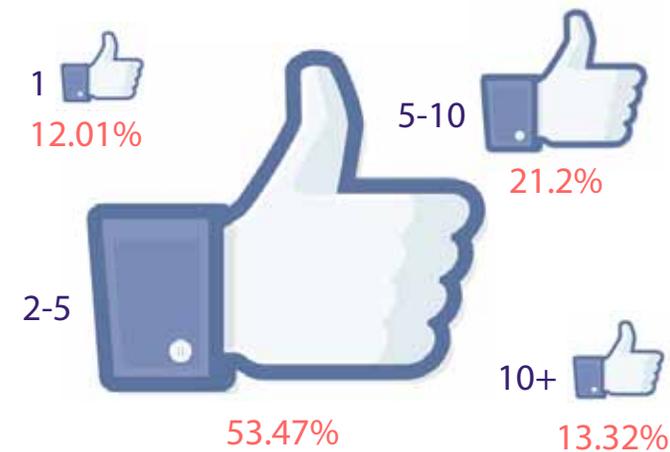
HAS AN ONLINE EXPERIENCE INFLUENCED WHETHER OR NOT YOU BOUGHT A PRODUCT OR SERVICE FROM A BRAND?

YES 97.09%

NO 2.91%
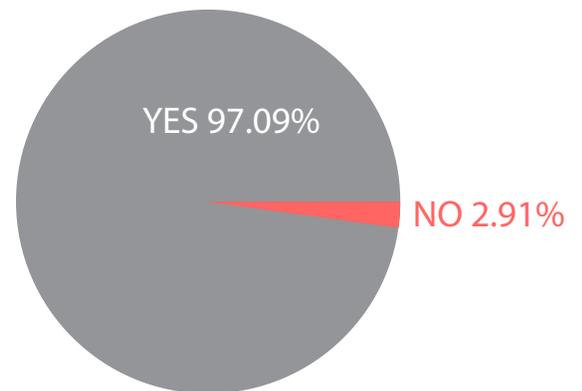
GETTING ACTIVE WITH A BRAND

DOWNLOADED A BRANDED APP ON THEIR MOBILE DEVICE — 23.6%

PRODUCED CONTENT IN ORDER TO PARTICIPATE IN A CONTEST HELD BY A BRAND — 24%

70% — PARTICIPATED IN A BRAND-SPONSORED CONTEST
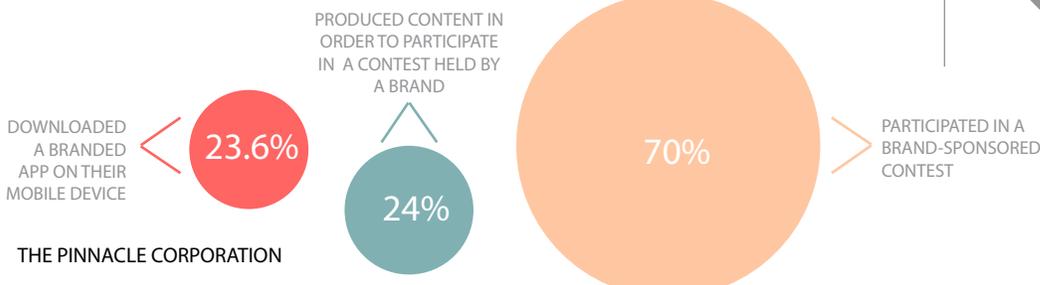
Pinnacle Client Spotlight

Meet Bob Carpentier, Fuel Director and Erik Eastman, Senior VP of Marketing for Beacon & Bridge Market

Q. How did Beacon & Bridge Market get started?

A. Our first store was in Swartz Creek, Michigan in 1969. Originally founded by Robert Eastman as QuickSav Food Stores, we re-branded as Beacon and Bridge Market in 2005. The name was creatively inspired to reflect our focus on locally made Michigan products. We chose the name Beacon, because Michigan has more lighthouses along its shoreline than anywhere else in the world, and Bridge for the world renowed Macinaw Bridge.

Q. Where are you now?

A. We currently operate 25 stores, all in Central Michigan. We continue to be a family owned business (currently owned by Robert Eastman, Rob Eastman, and Erik Eastman), but we have grown to employ over 300 people!

Q. Do you have a company slogan or motto?

A. As you'll often hear us say, we're "close to home." The moment you walk through our doors, you'll see why. We're your official rest stop for all your travels and adventures throughout Michigan.

For starters, we live here too. We're not some nationwide mega-chain with headquarters in a far-off land. Although our name and look is brand new, we've been operating here since 1969. Suffice it to say, no one understands the needs of our fellow Great Lake State's residents like we do.

The big difference is that we're Michigan through and through. You can see it in our lodge-like atmosphere. You can feel it in our neighborly service. You can taste it in our very own Michigan-made products. Whether it's locally roasted gourmet coffee, locally baked fresh bread or locally made beef jerky, our offerings are hand picked through discriminating Michigan taste buds to give you the best our state has to offer.

At Beacon & Bridge Market, we're constantly on the lookout for more ways to be the neighborhood store you expect. And, as your neighbor, we always welcome your advice.

Q. What Pinnacle products do you use?

A. We began our relationship with Pinnacle in 1996, installing Oasis MWS™ and Pinnacle Retail Manager. We currently use Oasis, but we are upgrading to the browser-based Symphony MWS™ this year. We also currently use PRM™ (in the process of upgrading to Symphony Auditor™), Fuel Smart®, Price Book, and EPM™.

Q. What kind of operational or industry challenges are you faced with right now, and how you are addressing those if possible?

A. The biggest issue for us today is the blurring of traditional convenience store lines with competitors, and how to creatively identify and implement solutions to address those challenges.

Q. What significant accomplishments have been made through implementation of Pinnacle software?

A. Some of the efficiencies we've gained through the use of Pinnacle's software are: more store level accountability, better merchandising insights, and more effective fuel inventory and fuel profitability management.

Q. What other businesses outside of convenience retail and petroleum is Beacon & Bridge Market's ownership involved with?

A. In addition to Beacon and Bridge Market, the Eastman family owns and operates: Eastman Outdoors (outdoor cooking supplies, tools, and more), as well as Carbon Express® (hunting arrows, crossbows, and more). For more information on these companies, visit:

www. eastmanoutdoors.com
www.carbonexpressarrows.com

Q. Who do you see as your number #1 competitor today?

A. We consider anyone serving the on-the-go consumer to be a competitor.

You can hear more from Bob Carpentier at Pinnacle Summit 2011. Bob will be the Master of Ceremonies throughout the event, and will also be on the Fuel Solutions client panel during general session. ©

Fluctuating Fuel Prices

Dealing With Resulting Pressure on Your Bottom Line

There is no doubt that the price of fuel is an uncertain variable in the bottom line equation; with prices fluctuating on a daily basis, there are several residual problems that can arise, creating even more pressure on your bottom line. While no one can change the fluctuation in fuel prices, there are ways to deal with those extra pressures that occur when fuel prices spike.

PROBLEM #1: Higher fuel prices mean higher credit card fees. You need an alternative to credit and traditional debit.

SOLUTIONS:
Reduce credit card fees by offering an alternative payment option.

Consider ACH processing, which continues to have a lower per transaction cost than any typical credit/debit card option.

Pinnacle's LoyalDebit™ tackles the significant rise in credit card fees by adding payment capabilities to a non-payment card that the consumer already carries in their wallet, such as a loyalty card.

To speak to credit card fees specifically, the LoyalDebit product that the Pinnacle platform allows us to use has really impacted credit card fees. We've taken those customers from paying 1.7% plus 10 [to] 20 cents per transaction to a flat 15 cents per transaction, so when they use that at the dispenser, that's really a huge fee savings on every transaction.
- Jeremie Myhren, Senior Director of IT, Road Ranger

Offer your customers a self-branded stored value card.
Self-branded stored value cards are a payment alternative that can give your customers the convenience of a cash card

while limiting your costs.

I see the Pinnacle Loyalty product, with its different levels- Loyalink, LoyalPay, LoyalPass and Loyal Debit ACH functions – as a real advantage in our quest to stay one-up on our competitors and I'm confident our loyalty program 'Honey Money' will fulfill our mission of bringing more feet to the floor so we can sell them more.
- David Murdock, Executive Vice President, Honey Farms, Inc.

PROBLEM #2: Higher fuel prices result in more fuel theft; but requiring your customers to pre-pay for fuel drives them to your competitors.

SOLUTIONS:
Maintain shopper convenience while securing your pumps.

Stop fuel theft today and remain convenient with Pinnacle's LoyalPass®! Everyone knows that fuel theft increases are consistent with rising street prices, and there's nothing worse than losing revenue at your forecourt with today's tight fuel margins. Utilize LoyalPass to secure shopper information, giving you the control over their access while providing cash customers with the ability to authorize a dispenser before paying.

Our 'Rewards in a Flash' loyalty program using Pinnacle's Loyalink has been the total solution. By expanding on this solution with our rewards card, we were able to implement the pump start program that enables our customers to actually start the pump before they pay. Because their reward card is tied to their driver's license, this program has reduced our drive-offs significantly...by 50% actually. From 2006 to 2008, we saved over $700,000 by utilizing pump start and also by utilizing Pinnacle's Enterprise Performance Management (EPM) to drill down into the data as far as drive-offs go.
- Jenny Bullard, CIO, Flash Foods

Track and report fuel theft in local store-level reports.

With Pinnacle's Palm POS™, you can track and report drive-off events in local store level reports. Palm enables cashier entry of vehicle details when a drive off happens. Palm also offers integration to your DVR system, enabling you to match data to video and make it easier to find offenders. When Palm is used in combination with LoyalPass, you can control the pump start functionality and only allow known cash paying loyal customers the privilege of pumping before paying.

Compare calculated PPG to the actual posted PPG and easily report on fuel theft.

Pinnacle's Retail C-Store Solutions Suite provides tools to compare the calculated

PPG to the actual posted PPG, enabling you to spot not only where potential theft is occurring, but also how much discounting is actually being applied.

Easily report on drive offs – at which stores they're occurring and how often – so that you can take immediate action.

PROBLEM #3: Higher fuel prices make customers more sensitive to price. Even your most loyal customers are now price shopping for fuel.

SOLUTIONS:
Give customers the opportunity to earn points when shopping at their grocery store, redeemable for PPG discounts at your store.

Pinnacle's Palm POS integrates with 3rd party fuel coalition loyalty programs, so customers earn points at their grocery store and redeem those points for discounted fuel at your stores. This keeps them coming back to your stores to redeem their points for gas.

Quickly compare competitive fuel pricing data to make informed decisions.

Knowing what the competition is doing relative to fuel pricing is key in driving those consumers to your store and not to the competition. Pinnacle's Manager Workstation™ allows store managers to enter competitive pricing data and report it to the right people at the corporate office, to make the right decisions about fuel prices.

The real efficiency Pinnacle's Manager Workstation has provided for our company has been the ability to make changes a lot quicker. If a store manager has a problem, we're able to make a change on-the-fly.
- John Dilsaver, CFO, Rite Way Oil

Review how customers are paying for their fuel to determine what type of discounting you should implement.

Through Pinnacle's Auditor™ Exception Manager and Reporting solutions, review how consumers are paying for fuel – cash vs. credit cards – to determine what discounting you should implement. Cash versus credit pricing is one potential option to drive additional consumers into your stores.

PROBLEM #4: Higher fuel prices cause inconveniences for customers:

- **Fund Holds** – When a customer uses a debit or credit card, the bank puts a hold on funds for a period of time. With total fuel transactions rising due to price, those fund holds are more inconvenient than ever.

- **Upper Limits on Pay-at-the-Pump** – Banks and payment processors often impose an upper limit on a pay-at-the-pump transaction amount. With higher fuel prices, larger vehicles often trigger this threshold before their tank is full.

SOLUTION:
Offer real time clearing of transactions and adjust your own upper threshold for pay-at-the-pump transactions.

The latest Pinnacle Palm POS NIMs include Real Time Clearing (RTC) functionality. With RTC, transactions will be processed almost immediately instead of at the end of the day. This can significantly reduce the hold times that financial institutions place on cardholders' accounts. Stores will send a final transaction amount within hours - if not minutes - of a cardholder's purchase. Without RTC support, card transaction processing can take up to two days or more to settle.
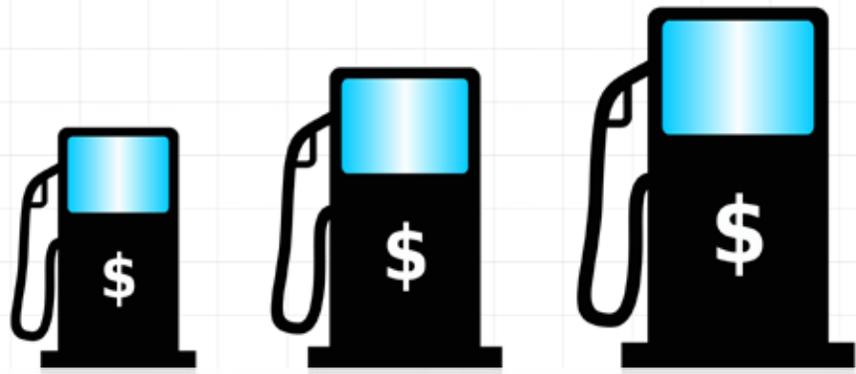
Palm POS also allows retailers to configure pre-authorized amounts, adjusting it to whatever amount makes sense for your market and your customers.

No other POS System is as well rounded as Pinnacle's Palm POS.
- Jeremie Myhren, Senior Director of IT, Road Ranger

PROBLEM #5: Higher fuel prices mean that even the slightest errors in fuel invoice reconciliation can drive your costs up substantially, putting even more pressure on already razor thin margins.

SOLUTIONS:
Reconcile fuel invoices automatically.

Pinnacle's Fuel Smart® reconciles invoices automatically. A very small error can drive your fuel costs up substantially. Fuel Smart processes accurate invoices for payment immediately, and presents erroneous invoices for examination and correction by your supplier.

In the current environment, the ability to tightly control both credit policies and accounts receivable is paramount to being successful. Based on what I've seen, Fuel Smart is the best in the industry in these two key areas.
- Keith Patterson, CEO and President of Clay Oil

Improve your fuel margins.

Pinnacle's Palm POS has valuable features that can help retail chains improve their margin. Palm's cash/credit pricing option can influence more people to tender with cash rather than cards with expensive

interchange rates. Palm also supports cash acceptors at the dispenser so you can accept cash for pay-at-the pump transactions. Finally, with Real Time Clearing (RTC) functionality, transactions will be processed almost immediately instead of at the end of the day, and can qualify retailers for better interchange rates.

The Palm data has affected everybody, increased customer happiness, we leverage the data that we get from the dispensers to know when they need service, when they're out of service, when they're out of receipt paper and that kind of thing, and that's just something that we simply were unable to do prior to implementing Pinnacle Palm.
- Jeremie Myhren, Senior Director of IT, Road Ranger

PROBLEM #6: Higher fuel prices mean your fuel inventory costs may be higher than you think. Nationwide the average cost of a transport load of gasoline is over $30,000.00. Now more than ever, it's critical to know what adjustments should be made to fuel inventory levels.

SOLUTIONS:
Capture Bills of Lading (BOLs) in real time and deliver that information to your home office.

Only with bill of lading information can you accurately calculate the cost of your existing inventory. Pinnacle's Andalé!™ can bring bill of lading, split drop, and splash-blend information back to the home office in real time for you to make informed pricing decisions and process invoices immediately.

Andalé! has given us a quicker response time in evaluating our inventory, giving the ability to know our in ground cost of inventory on a daily basis. It has also reduced labor cost with the efficiencies gained from more accurate bill of lading information. Andalé! is a great enhancement to Pinnacle's Fuel Smart® solution. We have been impressed with the ease of implementation and how quickly our drivers have learned to use this application.
- Debbie Butler, Business Manager, Fuel South, Inc.

Reduce your excess fuel inventories and maintain an economical "Just in Time" fuel inventory program.

Pinnacle's Dispatcher Workstation™ displays real-time fuel inventory information in an easy to ready format allowing you to quickly discern your current inventory status. With a simple glance, dispatchers or fuel buyers that are responsible for replenishment, load scheduling and delivery, and tracking fuel at multiple locations can benefit by determining which locations require prompt attention.

Pinnacle's Smart Buy™ solution streamlines the sales receipts and order processes by automating timing and requirements for fuel orders, optimization of inventory levels, determination of where to purchase fuel, transport selection, and carrier and/or driver instruction requirements. With the ability to capture so much of this data electronically, reduced maintenance is required from your staff.

Since we've implemented Smart Buy, it has allowed us to reduce our average

inventory turn for all products from 3.8 to 3.2 days (16%), and of no-lead [fuel] specifically from 3.3 to 2.7 days (18%). The ability to turn your inventory eleven to twelve times in a 30 day period helps you to get through the volatility of price spikes because we're selling and adjusting retails as quickly as the prices are spiking.
- Bob Carpentier, Fuel Director, Beacon & Bridge Market

Utilize exception management to determine what fuel pricing adjustments should be made.

With Pinnacle's Auditor Exception Management feature, you will get immediate feedback on tank levels, delivery costs, and sales data to determine what adjustments need to be made to fuel pricing and when to deliver more fuel.

PROBLEM #7: Higher fuel prices require you have the right data, in the right place, and at the right time to make the most informed decisions.

SOLUTIONS:
Keep in touch with critical measures of success while you're on the road.

Retail fuel profit margins are more fragile than ever with today's volatile fuel costs. Make timely, competitive decisions by using Pinnacle's business intelligence solution, EPM™, with mobile technology. Keep your margin data at your fingertips and take action at a moment's notice.

Looking at a dashboard that provides both timely and useful data has become a daily part of our operations. It is great to have

one place to go for fuel sales and margins. EPM-70 does just that.
- Phil Boitz, WSCO, IT Director

Get real time fuel inventory information on your mobile device.

Pinnacle's Dispatcher Workstation provides real time tank inventory information for mobile users. Drivers can access Real Time Inventory information and make informed alternate delivery decisions when necessary.

Get instant access to fuel delivery status and Bills of Lading on your mobile device.

Andalé! provides real-time delivery status information and Bill of Lading info for fuel dispatch and delivery. By having access to the delivery status, operators are able to optimize equipment and personnel.

The biggest challenge during implementation of Andalé was convincing the petroleum truck drivers that accessing emails and the internet on their Blackberry was a painless process. Once we convinced them to give it a try, our drivers were surprised with how easy it was to use, and we were surprised at how quickly they adapted.
- Debbie Butler, Business Manager, Fuel South, Inc.

To learn more about these and other problems Pinnacle can help you solve, visit www.pinncorp.com. ©
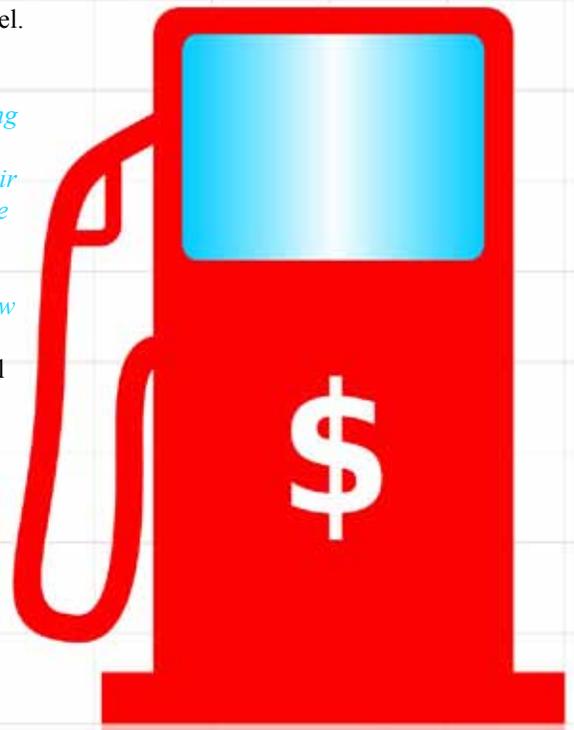
Digesting Foodservice

Must-Haves for Successful Food Service Operations

By Melissa Fox Hadley, Retail Solutions Manager
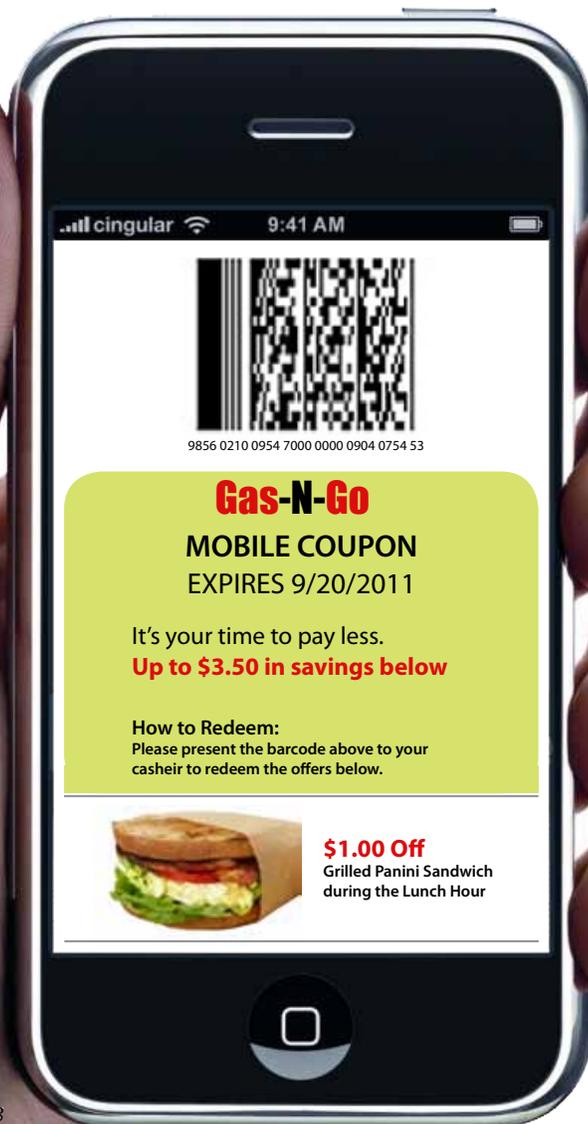
There's no question that foodservice continues to play an important role in the convenience store space.

"The foodservice-at-retail industry continues to grow in share of industry sales," said Abbie Westra from the stage of the 2011 Foodservice at Retail Exchange (FARE). *"While still a small slice of the greater foodservice pie, it continues to answer consumer demands for convenient, fresh food around every corner, at any time of the day."* (Source: Foodservice Digest, June 29, 2011 'Growth Continues for Foodservice at Retail')

Convenience store retailers need integrated food service solutions that can ultimately provide the ability to not only drive in loyal customers but to continue enabling stores to be "convenient". Implementing solutions, services, and processes where consumer speed of service is not compromised, and where consumers can choose self-service options if critical to the success of a food service operation. At the same time, it is crucial to provide the food service store operation with the proper tools to analyze and manage labor and cost within the convenience store.

So what is an integrated foodservice solution and what should you be thinking

Gas-N-Go

$1.00 Off Grilled Panini Sandwich during the Lunch Hour

about as you consider a deeper move into the food service arena?

Driving in New Customers

Times are tough and getting tougher, and consumers are looking to save a buck, wherever and whenever possible. Email advertisements, text messages, on-line coupons, and daily deals are creeping up more and more from multiple directions, and consumers are looking at those messages as opportunities to save their hard-earned dollar. Retailers have to be continuously looking at new and innovative ways to drive consumers into their store.

From a recent article by Dana Squilla, Foodservice Digest, June 29, 2011:

"With everyone looking to save a buck, it's no surprise online daily deals are growing increasingly popular among consumers. And web-based services make it increasingly easy for operators to deliver such deals. Now, a new study from Technomic Inc. lays to rest common criticisms against bargain email blasts such as those from Groupon and Living Social. The report found such e-mail propositions can influence repeat visits from new and otherwise-infrequent patrons.

According to the study, which the Chicago-based research firm explored in a webinar last week, 73% of consumers who have bought a deal coupon had previously eaten two times or less at the restaurant offering the discount. This finding contradicted the theory of deals being purchased mostly by existing customers."

Using social networking concepts, like creating a Facebook page that customers can "like," as well as building an interesting and interactive website where customers can visit to check out promotions and events, is becoming more and more a MUST have to reach consumers.

The July 4, 2011, edition of Convenience Store News, featured an article about the food service organization at Tedeschi Food Shops, which the article noted generates more than $600 million in revenues annually.

"The Facebook page gives Tedeschi Food Shops the opportunity to discover true fans for the first time, as well as deepen the respect of current customers and business partners."

Building customer loyalty through promotions, discounts, loyalty programs,

and stored value cards are all options that provide a discount or coupon or savings to the consumer to ensure that customers WILL return to your stores. To ensure a thriving, revenue generating food service operation, companies must be able to entice customers not only to visit, but to return.

Another interesting result found in a Technomic Inc study: *"Sixty-seven percent of the consumers who purchase coupons will return to that establishment again--this time sans discount, with 50% signing up for that eatery's loyalty program."*

Isn't that an interesting statistic? These are customers who have purchased, actually bought coupons with their hard-earned dollar (and most of us have probably done the very same thing through Groupon or some other outlet), and after using the discount, are returning to the location and signing up for the loyalty program.

So what does that mean for your loyalty program and food service operation? If you can drive customers into your locations by providing discounts, promotions, coupons, and other opportunities for them to save, and keep them returning for more then that's good for business!

Flexible menu and board design/layout

The foodservice solution should provide for the ability to customize the layout of your screens to optimize your particular offerings, from the actual ordering process presented to the consumer to promoting in-store sales and loyalty opportunities.

Central menu set up and distribution

The ability to configure from a central location your menus, items, boards, and foodservice setup at the POS as well as within your inventory management system will allow you to maintain consistent control throughout your foodservice operation.

Deals, combos, mix-match

The solution should allow configuration and processing of promotional deals, combos, and mix-match items.

Integration, integration, integration

Integration is the most important step in realizing the key success criteria outlined in this article. Without an integrated system, from POS, to loyalty, to kiosk and inventory management tools, foodservice operations will struggle to perform at profitable levels.

Enticing those new customers to keep coming back

So once you've gotten them in the store, signed up for the loyalty program, and spending their hard-earned dollars with you instead of the guy down the street, keeping them coming back for more has got be at the top of your to-do list. Providing them with great food at a great price is obviously a very important component; but isn't it just as important to provide them with quick, friendly service?

The ability to serve the consumer is obviously critical to a successful food service operation. Consumers will typically not frequent a location where they did not receive good service on previous visits. Retailers must have a solution that allows consumers and cashiers to move through transactions quickly, without hassle and unnecessary wait times.

Consumer self service ordering terminals can be just the advantage your food service operation needs to improve customer satisfaction in transaction wait times, while at the same time, lowering labor expenses.

"For many consumers, interaction with self-help kiosks seems faster and easier than dealing with a human being. In fact, the presence of self-help kiosks has become so ubiquitous, that the absence of these convenience devices can prove irksome to many consumers who have become accustomed to pumping their own gas, checking out their own library books or even acting as their own cashier in a grocery store." (Source: Self-Help Kiosks, written by Keith McNamara, PresidentRetail Business Unit, Acuative)

A good food service solution must provide the tools to move consumers quickly through transactions while being flexible enough to allow them to make decisions and choices and to change their mind.

In addition, providing loyalty options is a key factor in getting and retaining return customers. The ability for consumers to gain loyalty points and redeem loyalty rewards from a self service ordering terminal is a huge benefit and opportunity to entice customers to return.

Collecting and gathering data to analyze and manage food service inventories

Managing a foodservice operation without the proper tools can be very labor intensive and costly. Determining menus and inventory items, tracking products for ordering and replenishment, training cashiers to remember item upsells and combos - all of these tasks can create a heavy workload with many points for possible failure.

At the same time, food service offerings vary in complexity. Some are as simple as pre-packaged merchandise, but many involve complex menus where the retailer is making items from raw materials. Inventory levels are critical to the success of a food service operation. Because spoilage and waste can quickly diminish your bottom line, maintaining tight inventory levels of raw components is vital.

The ability to manage items, menus, graphics, PLU boards, vendors, waste, etc. in a consistent manner across the entire retail organization is a MUST have. Trying to manage these elements at each individual location is time consuming and does not provide a consistent user experience from store to store.

Foodservice inventory management system integration

When implementing all the pieces we've identified, a robust foodservice inventory management system integrated with the POS and Kiosk is essential. *"When we decided to go into food service, Pinnacle was one of the few companies that could help us go from front to back as far as a food solution – using a kiosk for ordering for the customers, the Palm system to actually ring up the orders, and Quick Servant, which is a software package to help us control our costs."* (Greg Smith, Director of Management Information Systems, Lassus Brothers Oil) Controlling inventory levels, processing waste and write-offs, generating replenishment orders, and producing reports for management review are key factors of an inventory management solution. ©
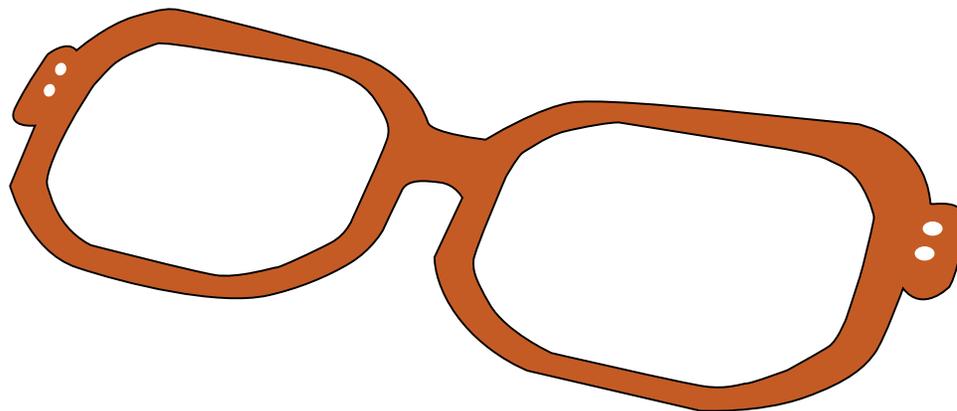
Wanna be a Techno Geek?
SaaS: From a Services Point of View

By Bob Wilhelm, VP Professional Services

SaaS Overview

Software as a Service (SaaS) is an implementation model Pinnacle offers to current and future clients. In Pinnacle's SaaS model, Pinnacle provides the technical environment to host the software clients purchase or "rent", as well as the project expertise needed to implement the software.

There are three basic parts to Pinnacle's SaaS offering:

1. The "Techno Geek" hardware environment, where all the servers, file backup devices, surge protectors, and UPS equipment are housed, monitored and maintained. This article will not address that "Geeky" portion of the process.

2. Software Implementation is the process to implement the software based on the client's business needs.

3. Ongoing Application Maintenance is the process to adjust the software setup to accommodate changes in the client's business environment.

Software Implementation

In the SaaS model, the Software Implementation project looks similar to the project plan for a non-SaaS project. The goal of both types of projects are the same: implement Pinnacle's software to meet the client's business needs in the most efficient and cost effective means possible.

The main difference in the SaaS project, is most of the implement work, such as the setup and testing process, does not require a Pinnacle Consultant to be onsite. Since the hardware is hosted by Pinnacle, access to the hardware is provided to all members of the implementation team. Therefore, the amount of onsite work is reduced, saving travel time and expense.

All of Pinnacle's Implementation Project options apply in the SaaS environment. Whether the client will create the setup with minimal Pinnacle help, or Pinnacle creates the setup and delivers it to the client, the SaaS environment can accommodate any project effort.

Ongoing Application Maintenance

Another option from the Services side of SaaS provides the capability of maintaining the client's application configuration setup. In a non-SaaS environment, once the application is implemented and the client is trained on its operation, the ongoing maintenance of the application (those occasions when the setup needs to be altered due to a change in the client's business process) is left to the client to complete. This usually entails remembering what was taught in the training classes, referring to a manual, or utilizing the assistance of Pinnacle's Client Support. But in Pinnacle's SaaS model, Pinnacle can provide the necessary resources to deliver Ongoing Application Maintenance services.

These services would include, but may not be limited to:

- Execute application changes authorized by Client

- Apply authorized application changes into the configuration setup in a test environment

- Review test results with the client to ensure the changes to the configuration setup will produce the desired results

- Obtain signoff from Client for the test results

- Move the new configuration setup into production and document the changes

- Upgrade applications when new releases are available

This service is defined using a Service Level Agreement (SLA) for a defined period of time and a defined monthly rate. This service would provide a smaller client the ability to utilize Pinnacle's software without increasing the work load of their existing staff.

SaaS is a different way to look at utilizing Pinnacle's software and services. It is not a new idea; just an idea that may make sense in today's business environment, since it would reduce initial project expense and allow a consistent operating cost once the applications are implemented. Ⓟ

Emerging Loyalty Programs

The Mobile Generation and Social Loyalty

By Jane Sinn Gabriel, Retail Solutions Manager

Here we are again, in the 21st century, talking about the impact that mobile devices are having on human kind. But more specifically, how mobile smart phones can change your company's relationship with your customers.

You know this is only the beginning of the mobile revolution. Of course, we can't ignore the elephant in the room, which is likely the most impactful to your marketing group: the social networks. Because they are easy to use applications, mobile devices and the globally available access points (like social networks) are changing the way retailers do business with their customers. The possibilities are nearly overwhelming, but it is clear that new technology is escalating the need for loyalty marketing to 'rejuvenate' programs and rethink their goals.

Loyalty programs exist to achieve better relationships with shoppers, and to market to them more appropriately and effectively. Gathering the data that loyalty transactions generate is easy, but delivering offers in a timely manner to the right shoppers is not quite as simple when you're trying to make contact before the shopper gets to the counter and uses her card. Mobile devices are positioned to become the preferred way to connect to consumers, and will ultimately take on the role of loyalty device, replacing cards, key tags,

coupons and receipts (Weidauer, 2010). So, how can you take advantage?

First and foremost, don't forget your website! It almost sounds old fashioned, but shopper access to information about your company's niche, where your stores are located, etc, is a basic and necessary staple for any company. Loyalty participants are particularly clued into website opportunities. They will want to check their account standings and will provide the key contact information you request in order to gain access to that information.

The web interface is the ideal instrument for gathering customer information. Not only are you getting the information you need, but better yet, the input comes from the customer himself.! The data inputs are in line with the loyalty solution database, and any customer inputs are updated instantly in the production area. A nice touch with Pinnacle Loyalty is that you can thank your loyalty customer for registering on your website with a loyalty based reward during their next visit to one of your stores.

Once you've gotten your website set up and it works beautifully, one of the challenges is guiding people to the right spot at the right time. You may have noticed by now the funny looking barcodes found throughout articles in the last few issues of The

Perspective. These barcodes are called QR codes. A QR (Quick Response) code is a specific matrix barcode (or two-dimensional code) that is readable by dedicated QR barcode readers, camera telephones, and similar devices. The information encoded may be text, URL, or other data, so when you use a QR code reader to scan the barcode, your device will either bring up specific text or other data encoded, or it will automatically re-direct itself to the specific website address that is encoded. Creating these codes is simple, simple, simple. Scanning them is even simpler.

With more and more people catching on to QR codes, consider how you could use them in your in-store marketing displays. The cost of entry is low, but the value could potentially be high. You could post different codes in different service areas; your carwash area could have a QR that goes directly to information about your carwash services and any specials that you offer. The same could be done for your prepared food or quick service offerings, as well as your loyalty program. New participants, or those considering signing up can scan the loyalty QR code and get quick access to your loyalty web pages.

As Rosemary Waldrip, Pinnacle's Marketing Manager, observed, "The real trick is 'training' your customers on what the QRs are, and how to use them." Perhaps it would help to do a little QR marketing; something at the store, pointing out where they might find the codes and what those codes will lead to, along with a link on your website to some QR reading apps.

QR codes aren't the only things that your customers will be using mobile devices for; their phones will take the place of their plastic loyalty cards as well. Pinnacle offers a Loyalty iPhone App that provides your customers with the ability to carry their loyalty card information on their iPhone. The app simply takes their loyalty ID number and creates a barcode for their ID that can be read with a digital image scanner at your POS.

You can even carry over your own branding to the Loyalty iPhone App, to give it the same distinct and recognizeable "look" you have today on your plastic loyalty cards. Pinnacle assists with applying your loyalty program brand, including the logo, and once the app is programmed, we get it posted to

iTunes for download by your members. The same scanners that can read the membership IDs can read electronic coupons. Some in the retail marketing area feel caught up in this particular trend. The financial benefits of coupons, and specifically group coupons are limited, just as they were in the 'papered' world. They are not really geared to building a loyal customer base. Heavy coupon users are looking for bargains, not a long term relationship. This is an area where marketers have to play, much like fuel discounting, just to keep up with the Joneses, but the advances are not long lived and are as volatile as fresh produce and fuel prices.

Finally, social networks are changing relationships between companies and their customers. Via these networks, smart phone apps, and the good old fashioned internet website, retailers have an electronic roll call for customers. It is now possible to initiate communication as a loyalty customer is walking into your store.

Marketing groups are trying a variety of methods to engage customers with the company brand. One new approach is opening a dialogue with their customers and letting their customers talk to each other as well. Chat rooms were an earlier form of this effort, but Facebook is a much closer fit, and the fact that it is ubiquitous among mobile device users gives it a much wider reach.

The social networks also offer more opportunity to engage customers in contests and events. These are positive activities that go beyond the standard discounting to building good long-term loyalty.

But, much of the success of social network marketing is built on word of mouth and advocacy. You have to be sensitive to the fact that one person's word can form many people's impressions. It's a little scary and really pretty exciting.

When discussing the evolution of loyalty marketing and the need for differentiation and enhancement, it has been said that over the next two years, programs will move from being product centric to customer centric. Talking to your customers via social networks creates the environment you need to move toward customer centric efforts.

Consumers, especially those who have stepped out and acted as advocates, feel that they have some 'ownership' in the success of your business and that their input should be valued. Be prepared to respond to suggestions and public exclamations of dissatisfaction and as well as satisfaction.

Segmentation of loyalty members and the attendant marketing strategies will also be based on attitudes and no longer on socio-demographics or behavior. That "attitudinal" type of segmentation will require close observation of the information being exchanged between consumers. What do they like, what don't they like? Your own Facebook page gives your shoppers an access point and right now it is a great opportunity for them to give you their input and try to influence company decisions. Retailers who have had loyalty programs for awhile, or those who once had a loyalty program need to reenergize their loyalty initiative and take a look at the new options. Take advantage of the technological advances that have changed how people live their lives and conduct their business.

In some cases, companies that offer loyalty programs have found that redefining their loyalty program strategy and delivering a rejuvenated marketing campaign can generate a new interest and deliver a lift in participation on the part of the loyalty membership.

How well are you playing in this new sandbox? What questions do you have about the options available to you?

Ask your fellow Pinnacle users. They will tell you that their customers LIKE being recognized and rewarded. There are challenges with loyalty programs and marketing on the social networks, but be ready, because you're likely to be pressed into participating in social loyalty initiatives sooner rather than later!

The Pinnacle Summit is just around the bend and we have a general session and some workshops that will give you a great opportunity to ask questions, gather information and share your own experiences with like minded businesses. ©