Issue 19: Fall 2016

# The Perspective

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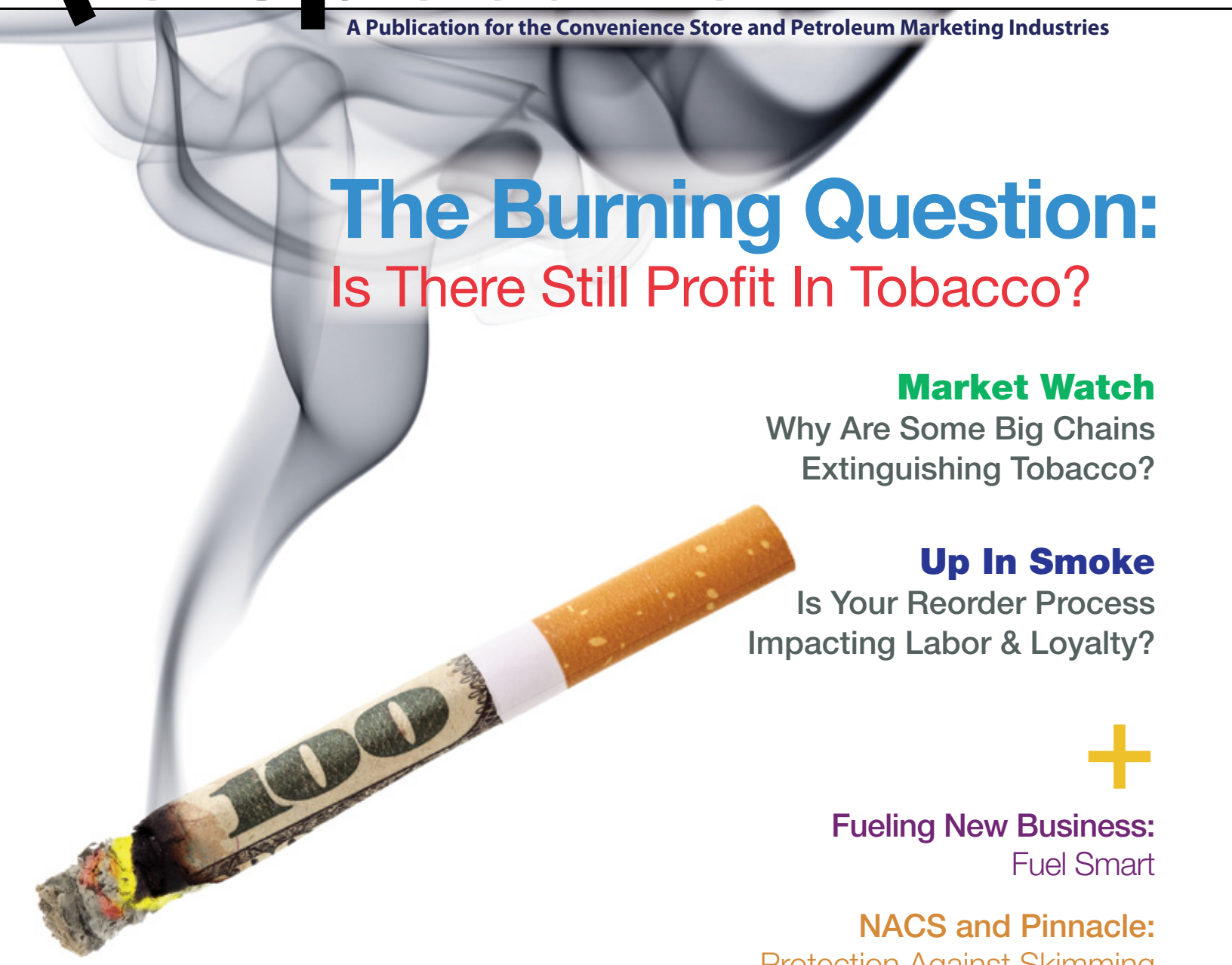
A Publication for the Convenience Store and Petroleum Marketing Industries



## The Burning Question:
### Is There Still Profit In Tobacco?

**Market Watch**
Why Are Some Big Chains Extinguishing Tobacco?

**Up In Smoke**
Is Your Reorder Process Impacting Labor & Loyalty?

+

**Fueling New Business:**
Fuel Smart

**NACS and Pinnacle:**
Protection Against Skimming

**Mobile:**
Your Business In The Palm of Your Hand

**Pinnacle Summit 2016:**
Teamwork And Collaboration

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# WHAT'S INSIDE...

3 **FROM OUR PERSPECTIVE**
Contact Info, Contributing Writers, Upcoming Calendar Events

4 **WHAT'S NEW AT PINNACLE?**
Events, Pinnacle Solutions Updates and New Product Features

7 **LAUNCH OF INDUSTRY'S FIRST SKIMMING DEFENSE APP**
NACS and Pinnacle are Helping C-stores Enhance their Security

9 **MOBILE**
Putting Business in the Palm of Your Hand.

12 **PINNACLE PALM POS**
Giving YOU Flexibility and Control

15 **BUSINESS SOLUTION EXPERTS**
Creating Collaborative Partnerships

17 **PINNACLE SUMMIT 2016**
Event Info, Agenda and More!

19 **MARKET WATCH**
Why are Some Big Chains Extinguishing Tobacco?

23 **THE BURNING QUESTION...**
Is There Still Profit in Tobacco?

27 **UP IN SMOKE**
Is Your Reorder Process Impacting Labor & Loyalty?

31 **FUELING NEW BUSINESS**
Fuel Smart Allows Customers to Expand to New Markets

33 **PINNACLE CORPORATION ADVISORY COUNCIL**
The Ultimate Petroleum Marketing Brainstorm Sessions

34 **PINNACLE CLIENT SPOTLIGHT**
Mike Bailey, Bailey Enterprises, Appointed Chairman of PMAA

## FROM DREW'S PERSPECTIVE

*Earlier this year at the NACS State of the Industry Event in Chicago, IL, and repeated at several industry events since, we're reminded of two exceptional & consecutive years for most in our industry; unprecedented pretax profits, facilitating equally unprecedented M&A activity across the vertical. But what goes up must come down, so after a glowing review of 2014/2015 we are immediately warned the next few years likely will not repeat the previous two year trend. Several near to mid-term horizon issues will be particularly problematic; volatile energy prices, overtime and minimum wage regulations, and costs associated with EMV upgrades to name a few.*

*Delivering technology automation solutions to help our clients optimize their businesses is our continued mission, regardless of our industry's state. The immediate environment and realistic next few years in our space will require operators in our channel take a hard look at the fine details of the business to have any chance of getting remotely close to the numbers of the past few years.*

*Tobacco for example: an increasingly problematic channel with rising costs, eroding margins & declining revenues. Pinnacle has focused on delivering tools that enable retailers to optimize product reserves, significantly reducing inventory dollars sitting on shelves, without introducing out-of-stock risks. We're enabling inventory tracking to the pack level and reporting sales at a finite level to reduce shrink and optimize sales, and have automated processes for retailers to submit sales data to the tobacco brands to increase their rebates which goes straight to the bottom line. With computer assisted ordering retailers can rest assured store managers are not over or under-ordering.*

*Tobacco is just one example of many categories that need closer attention in today's market. I hope you will enjoy this issue of Pinnacle Perspective, and our view on practical uses of the solutions we are providing operators in our space to make their business better and more profitable.*

*Our annual client conference Pinnacle Summit 2016 is right around the corner in September, and I look forward to visiting with our clients and key partners in Frisco for 3 days of networking, education and a bit of fun. Industry leaders, keynote speakers, fellow clients and Pinnacle team members will guide attendees through strategies and real-use implementations of Pinnacle solutions to optimize their business. Shortly after is the NACS Show in October, where we return to Atlanta. I hope to see you at one or both of these events; but if not, until next time.*

*Best,*

**Drew Mize**
Pinnacle Corporation
President

# FROM OUR PERSPECTIVE

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## COME SEE US

### SEPTEMBER 6-8
**PACIFIC OIL CONFERENCE**
***BOOTH #503***
**http://www.petroshow.com/**
Los Angeles, CA

### SEPTEMBER 9-10
**CWPMA CONFERENCE & TRADE SHOW**
**(Colorado/Wyoming Petroleum Marketers Association)**
***BOOTH # 50***
**http://www.cwpma.org**
Breckenridge, CO

### SEPTEMBER 12-15
**PINNACLE SUMMIT 2016**
**http://www.pinncorp.com/summit2016**
Frisco, Texas

### SEPTEMBER 28-29
**SOUTHERN C-STORE & PETROLEUM SHOW (GACS)**
***BOOTH #110***
**http://www.gacs.com/events**
Macon, GA

### OCTOBER 19-21
**NACS SHOW**
***BOOTH #3931***
**http://www.NACSonline/NACSshow**
Atlanta, GA

### NOVEMBER 9-11
**OUTLOOK LEADERSHIP CONFERENCE**
***SILVER SPONSORS***
**http://www.outlookleadership.com**
Scottsdale, AZ





# WHAT'S NEW AT PINNACLE?

## Events:

### *Pinnacle Advisory Councils:*

The Pinnacle Advisory councils all met this year to review progress since last year's 2015 events, discuss and analyze topics related to current industry issues and trends, and prioritize pressing needs for upcoming projects. The council will attend a combined group meeting before the start of Summit 2016 in Frisco, TX. Prior meetings include:

- Retail Operations Advisory Council
  Met in February at Pinnacle Corp, Arlington, Texas
- Fuel Solutions Advisory Council
  Met in March at Gas Express, Atlanta, GA
- Retail Marketing Advisory Council
  Met in April at U-Gas, Fenton, MO
- POS Solutions Advisory Council
  Met in May at Delta Sonic, Buffalo, NY

### *Conexxus 2016 Annual Conference*

The Conexxus Annual Conference is the only event that focuses on new technologies and technology standards to improve business processes, reduce costs and increase productivity in the convenience and fuel retailing industry. The conference was held in May at Loews Vantana Canyon in Tucson, Arizona.

As a proud Gold Sponsor of this year's convention, Pinnacle was very excited to have Drew Mize, President and newly-elected Conexxus Board Member, along with Melissa Fox Hadley, Director of Product Management, attend the event.

### *PMAA*

In May, Pinnacle was also a sponsor of the PMAA Day on the Hill. PMAA is a regionally focused, fuel supplier trade organization that works to help its members in matters concerning regulation and business development. There, we congratulated our long-time client, Mike Bailey of Bailey Enterprises, who was recently elected as chairman of The PMAA. *(See pg. 34 for more about Mike Bailey.)*

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# WHAT'S NEW AT PINNACLE? *(continued)*

## Pinnacle Solutions Updates

***Palm:***

- *Support for inside EMV on Ingenico PIN pads with KP4 encryption and RBA 14*
- *Supports multiple scans or swipes for age verification even when in Certify mode*

***Fuel Smart:***

- *Added ability to re-size specific task windows*
- *NEW: Inventory Needs report*

***Dispatcher Workstation:***

- *Tank validation for polled readings*

***Price Book:***

- *Unit of Measurement (UOM) pick list for cigarettes and tobacco (EPM Scan Data Export Support)*
- *Added Consumer Units for clearer definitions of packages*
- *Support of variable Inventory Item at stores*
- *Merchandising 64-bit file import*

***Loyalty:***

- *Loyalink/Loyalty NIM Pre-Tax Item Discount*
- *LoyalPay Accounting converted to Loyalty App*
- *Added user security and setup enhancements*

***EPM:***

- *NEW Features*

>> Reporting - Purchase Rebate/Allowance Report in EPM 150

>> Operations Analysis - Suggested Cashier Staffing

>> CRM Loyalty - Loyalty Account Activity Dashboard

>> Help button link to *Pinnacle Learning Center*

>> Scan Data Export - Certifications

>> 15/20 minute support - Measure activity by smaller segments of time

- *NEW: Added Attributes and Metrics*

>> Tax Tables, Tax Measures, Ticket EBT Sales measures, Ticket Discount measures

- *JUST RELEASED*: Business Date support in all tables

***PBP - Auditor/MWS Update:***

- *NEW Mass Transitions Process*

>> The intent of this new feature is to give the capability of transitioning a large amount of business days from different stores at a given time, and also provide a reliable way to automatically approve exceptions with a full access user account.

- *NEW Support of Shippers in Invoice Entry*

>> Shippers created in Price Book are now available in both electronic invoices and in invoice entry. An update to the PB Web Service is required, and all of the invoice reports have been updated to correctly display shippers.

- *NEW Significant Enhancements/Resolutions*

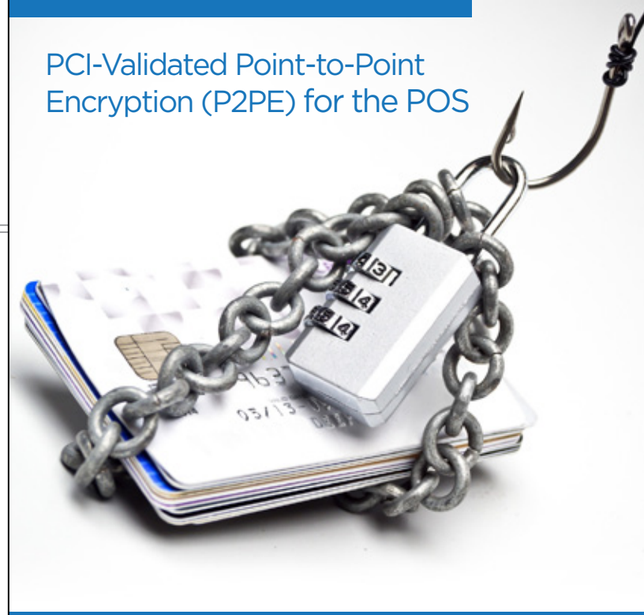
>> Two new settings (check boxes) were added to the global system settings in order to enable/disable the "O/S Variance Between Audits" column (previously called Variance), and the new "O/S Sum of Audits" column in the Value Inventory Audit Retail Summary screen. Both columns will be enabled by default.

>> The ability to cancel export process in both preview and export was added. A new Cancel button was added to the "Please Wait..." panel that is shown when an export/preview starts. When it is clicked a new "Trying to cancel export/preview..." message will appear while the process is being canceled. Then the export/preview process will be cancelled.

>> New customizable label to display messaging on login screen and within application. This will allow the configuration of a label to indicate things like "beta test server", or "month close in 5 days, please complete all changes". ©



PCI-Validated Point-to-Point Encryption (P2PE) for the POS



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The SkimDefend app, powered by Pinnacle Corporation, is to be used in coordination with NACS' WeCare Tamper-Evident Decals, in order to reduce the risk of skimming at fuel dispensers.

# Launch of Industry's First Skimming Defense App

## New *SkimDefend* mobile solution will help convenience store operators enhance fuel dispenser security and combat skimming

Fuel dispenser security is of great concern for the convenience store industry. Approximately 39 million Americans fill-up their gas tanks every day, and fuel dispensers have become one of many targets for thieves looking to steal credit and debit card information by "skimming," an aggressive tactic used to illegally obtain consumer card data for fraudulent purposes.

NACS and Pinnacle Corporation are helping convenience store operators enhance fuel dispenser security and combat skimming through a new mobile solution, the SkimDefend app. The app works alongside tamper-evident NACS WeCare decals, which help retailers identify potential security breaches when fuel dispensers or other unattended PIN-entry devices are opened to install skimming mechanisms. With the SkimDefend app, store operators scan the code at each pump location where a NACS WeCare decal is applied, or enter label numbers manually. Decal usage may also be considered at other locations such as ATMs, car wash controllers, network cabinets and PCs.

"By teaming up with Pinnacle, NACS is able help convenience store operators combat skimming at the dispenser, and anywhere else hardware is at potential risk. NACS members, and especially our WeCare decal users, are encouraged to take advantage of this app while it is free, and help us enhance the power of SkimDefend by sharing usage experiences," said Doug Spencer, director of products and services at NACS.

"Pinnacle is pleased to bring the strength of its mobile platform to the NACS WeCare program by introducing the SkimDefend mobile app, providing retailers a powerful tool to help mitigate the risks of skimming devices," said Melissa Hadley, Pinnacle's director of product management. "Our mobile platform enables us to rapidly develop and deploy both consumer facing and internal [corporate] facing apps for convenience store operators, and SkimDefend was a natural extension of our strategy. We are excited about the extensive possibilities for this app going forward."

There are two main functions of the SkimDefend mobile app:

1. Register NACS WeCare decals, their physical locations and capture the GPS coordinates.

2. Verify NACS WeCare decals have not been tampered with, and if they have, store operators can record information and take pictures of what they encountered.

The SkimDefend app creates a virtual tracking mechanism that helps store operators monitor fuel pumps, as well as help provide forensic evidence should a skimming incident occur. The app also helps combat thieves who purchase and/or counterfeit tamper-evident labels by only being able to track legitimately purchased decals.

Gray Taylor, executive director of Conexxus, the convenience and fuel retailing industry's technology standards and advocacy group, commended Pinnacle for helping NACS deliver a very timely tool to help store operators combat skimming. "Conexxus and NACS are constantly seeking ways to bring security to our membership, and SkimDefend is another tool that makes securing our customer's data a bit easier. This is a great example of how we continue to work with all stakeholders to improve our members' profitability."

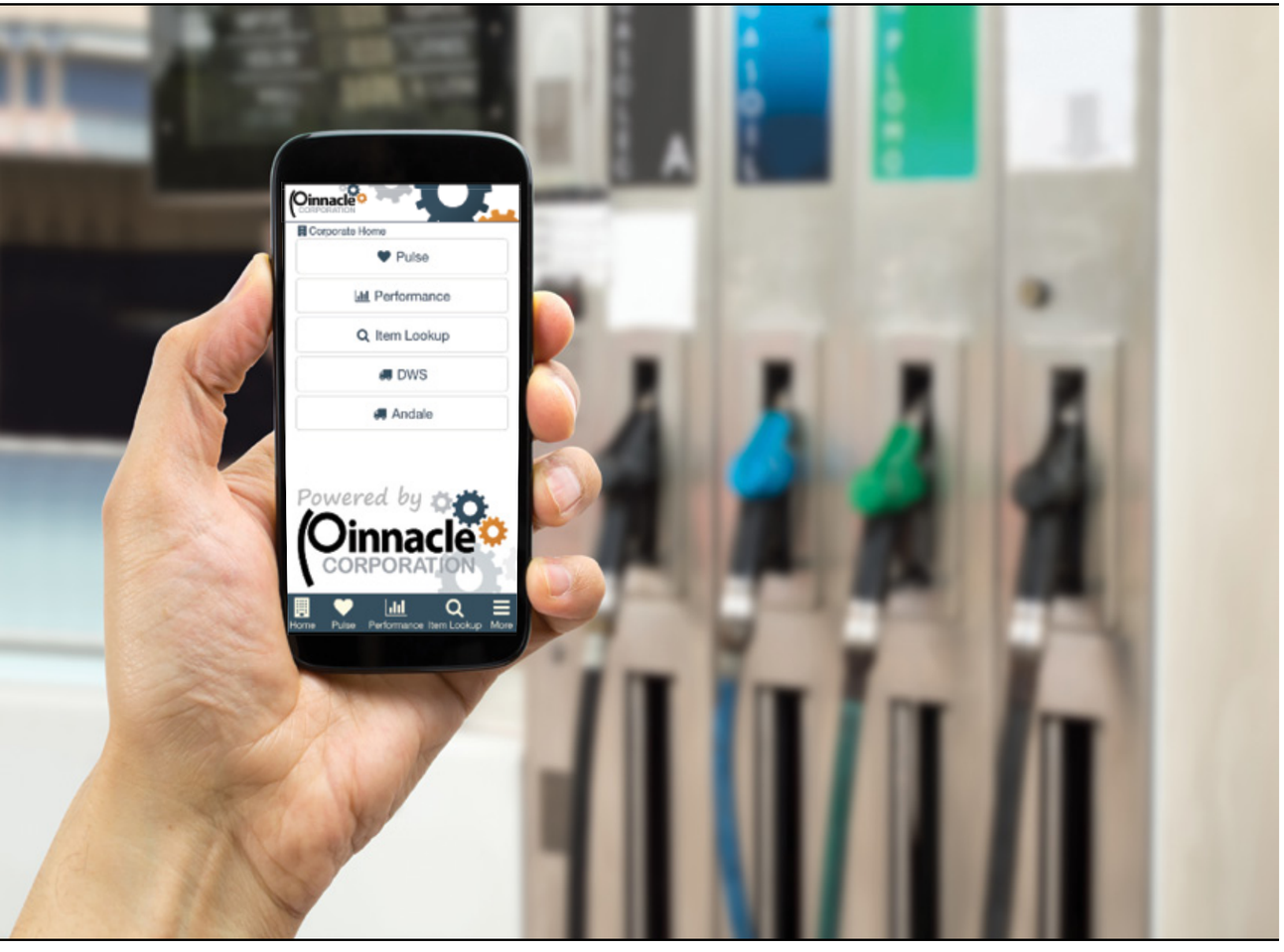
Convenience store operators can download the SkimDefend app free of charge for Apple and Android mobile devices, and the NACS WeCare decals can be purchased at nacsonline.com.

Additional skimming resources are also available at www.nacsonline.com/skimming. ©

"NACS, Pinnacle Launch Industry's First Skimming Defense App", NACS Online, NACS, May 17, 2016, Alexandria, VA

# MOBILE:

## Putting Your Business In The Palm Of Your Hand




We live in a mobile world. Bank accounts, shopping, directions to a new restaurant, car services and even your social network all rest in the palm of your hand. Shouldn't you have the same ability to manage your business while on-the-go, and integrate your work life with your mobile life? Pinnacle's Mobile Platform provides all of the configuration and management tools you need to get started with your own branded mobile app, eliminating the time and expense of going through a third party.

Get a quick view into your stores' activity with **Pulse**. Each store's key daily paperwork and Point of Sale (POS) measures are presented and compared to a prior day, while showing alerts for exceptions beyond tolerance. Document store visits with photos and notes to a log, delivering actionable information in an easy to read format.

An extension of Pinnacle's back office software, the **Item Lookup** tool searches for entered or scanned items. Based on the selected store, the results include complete item definition, with current cost and retail values along with other attributes affecting sales and tracking of an item, such as POS department assignment, food stamp eligibility and the tax rate at the store. Additionally, the search results indicate inventories on hand, quantities sold over the previous 7 days, when the item was last sold, and most recent purchase. This module is a treasure trove of item-level detail for auditors as well as district and store managers.

**Performance** provides daily and accrued sales, including the last seven days, month to date and year to date sales, costs, margins and profits; each broken down into merchandise and fuel categories. Merchandise departments and fuel grade sales are broken down and displayed in easy to read grids and charts providing a quick overview of contributions and trends.

Additionally, if your staff has other mobile or browser apps they routinely use, you can easily add those links into your company-branded Mobile Corporate App. This capability will help you manage all your apps in one place, ensuring your staff can easily see all of the tools available to them.

The Pinnacle Mobile Platform provides retailers with a single, comprehensive system to manage and control their apps, whether those used by their customers or their corporate users; so that the end user experience is cohesive and viewed as one single solution.

Through the Mobile Platform, retailers are able to configure and authorize registered personnel, and have the control to define their corporate branding standards such as graphics and color settings. Pinnacle provides all of the configuration and management tools you need to get started with your own branded mobile app, so there are no major startup costs or efforts required. ©

***Pinnacle Mobile's Corporate Pulse***

***Pinnacle Mobile's Corporate Performance***

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# PINNACLE PALM POS:

## Giving YOU Flexibility and Control

As summer comes to a close and the frenetic holiday season draws near, convenience store retailers don't have any time to lose. Keeping up with ever increasing store traffic, maximizing profits on promotions and loyalty, and capitalizing on featured inventory can be overwhelming. As your business grows and evolves, you want solutions designed with your business in mind- particularly in a Point of Sale (POS) system. With Palm™ POS, designed specifically for the convenience store industry, you have the flexibility and control you need to keep operations running fast and efficiently.

Many point of sale systems offer plug-n-play options with little customization. Retailers are often left with unusable buttons that take up valuable screen real estate. When faced with non-scan items not attributed to an icon, they may ghost onto an unused button- creating confusion, longer transition times, and inventory mistakes. Employees lose valuable time hunting through unnecessary landing boards, leading to more mistakes and customer wait time.

With Pinnacle Palm POS, we configure systems on a customer by customer basis. Each button can be modified to reflect your merchandise- down to store branded products and sizing. Landing boards can be layered as much or little as needed, buttons can be added or removed. POS Manager™ allows all boards to be modified as frequently as needed- including button size and placement, custom graphics, colors or text- giving the ability to add mix-n-match merchandise and 'limited time' products such as fireworks, holiday themed items and seasonal produce. Palm POS by Pinnacle becomes *your* STORE-SPECIFIC POS.

"Mix-n-match is important for Delta Sonic because we like to come up with new and creative ways to market things. The nice thing about the Pinnacle system is that we really have no limitations in how we go about that. By and large, we haven't run into a situation where we could not do what we wanted to do," says Chris Boebel, Chief Information Officer of Delta Sonic Car Wash Systems Inc.

By eliminating needless buttons and boards, and tailoring the interface to reflect your store inventory and sales process, Palm POS decreases labor costs and customer wait time. Employees can easily navigate boards that speed the sales process with icons that reflect in readable imagery the products they are ringing through. Wait times are diminished and labor costs are decreased as fewer cashiers are needed at a given time due to faster processing.

"The ability to present our boards to our cashiers, in a manner that makes sense, enables rapid check-out processes possible," says Ed Freels, Director of Information Systems at Honey Farms, Inc.

> "The nice thing about the Pinnacle systems is that we really have no limitations..."
>
> *- Chris Boebel, CIP, Delta Sonic Car Wash*

Not only is employee labor efficiency increased, but management labor is as well. With Palm POS Manager, configuration and modification can be centrally and remotely managed. No need for a site visit to apply a SW update or reconfigure the POS, Palm allows *YOUR* management the power to control their POS in real time. You can even easily customize graphics and brand advertising on pinpads. With Palm, retailers have a system built with their store in mind.

Palm POS is specifically designed for the convenience store industry. Eliminating the redundancy and bulk of systems with an all-inclusive approach to POS, Palm focuses on what is important to c-store retailers, the needs of their employees and, most importantly, their customers.



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The Perspective

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# BUSINESS SOLUTION EXPERTS:

## Creating Collaborative Partnerships

### Pinnacle Relationships

One of the most significant attributes that sets Pinnacle apart from the rest is our relationship with our clients. Our mutual collaboration doesn't end when our software is installed, it is just beginning. We want our customers to be the most successful they can be and that means support and communication — in short, a partnership.

### Pinnacle Arlington Training Services

Pinnacle offers more than 25 products for convenience store and fuel management use, and many of these products, while powerful and practical, require a certain level of skill and software orientation. We offer our clients a complimentary, comprehensive training opportunity at our facilities in Arlington, Texas, which prepares clients for a given product in a conference room setting.

"Pinnacle's financial system (Dynamics GP™) is powerful and robust so there is a need to get training and to learn what it is capable of. The benefits do not all come immediately. You learn and get better as you use more of the power in the entire Pinnacle suite." — Stephen Thayer, VP of Transportation, The Energy North Group.

Pinnacle LEARNING CENTER

### Flexibility By Design

Like the products and services we provide, we aim to be as flexible as possible with our clients. Though clients can attend training sessions in Arlington, classes can be taken online or on-site at a client's business. In this way, your employees become immediately acclimated with our applications and become more effective in the process at maximum convenience.

In addition to the Arlington-based classes, the new Pinnacle Learning Center (PLC) is an online education portal for Pinnacle clients, providing access to resources such as online help and product documentation, along with software downloads. You can also expand your knowledge by taking a product training class; there are many to choose from! Access all the most current information and resources to ensure you are taking full advantage of all the features of your Pinnacle products and solutions.

Through experience, we find the Arlington-based classes to be the most effective for assimilating clients into their desired products. Clients have the opportunity to meet client support personnel, among other Pinnacle employees, helping to cement mutually beneficial working relationships.

PINNACLE SUMMIT CONFERENCE 2016

### Summit

Beyond training services and regular intervals of collaboration, Pinnacle Corporation hosts an annual conference to discuss happenings within the industry as well as keynote speeches from high-profile guests. At the previous Pinnacle Summit, John Brenkus, better known as the host of ESPN's award-winning show *Sport*

*Denise Lewis, Retail Solutions Manager at Pinnacle gives training on Palm during a breakout session at Summit 2015.*

*Science*, delivered a presentation illustrating how data analytics can not only show why world-renowned athletes are the best, but the right data can also improve business performance. The three-day event offered 32 technical sessions, diving into various products providing c-store retail and fuel solutions. Pinnacle achieved record attendance last year and is on track to exceed that number this year.

We invite all Pinnacle clients to join our Summit 2016 and learn with us. We believe it is not only highly informative for clients, but allows for the nurturing of valuable relationships within the industry.

### Pinnacle Innovation and Open Discussion

Technology and the consumer market are changing rapidly every year, sometimes even month to month. In order to evolve, we need to be proactive in updating our offerings and provide our clients the best, state-of-the-art products possible. Whether we discuss changes in the fuel market, POS solutions for c-stores, or business intelligence applications; we work with clients to understand their experiences and gather information to keep Pinnacle products up-to-date. In some cases, we help clients iron out their own troubleshooting issues. In other situations, we reach out to discuss common challenges (i.e. accommodating for foodservice or effectively managing inventory).

Whatever the collaborative environment (Pinnacle training, Summit, Advisory Councils and more), delving into a commitment with one of our solutions is delving into a relationship with us. We are committed to providing you the skills and confidence with our software to maximize your business to its fullest potential. At Pinnacle, we aim to turn clients into partners. ©

For more information about Pinnacle's Arlington-based or online training services visit:

*elearning.pinncorp.com*

or

*www.pinncorp.com*

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**www.pinncorp.com/Summit2016**

## SUMMIT 2016: COLLABORATION IS KEY

**Last year's Summit was a record-breaking event, and we are looking forward to Summit 2016 being even bigger! In addition to compelling speakers, client panels and targeted breakout sessions, Summit is an opportunity to connect with fellow clients, share your ideas and experiences, and take home ways to use Pinnacle technologies to innovate and increase efficiency within your company. It is a chance to build relationships and discover how to extend the power of your Pinnacle solutions across all areas of your business.**

**Client attendees from across the United States and from all professional backgrounds (IT, executive level, marketing, accounting, operations, etc.) attend Pinnacle Summit. Through educational sessions, networking opportunities, open forum discussions, and general sessions with industry and technology leaders, Pinnacle Summit serves as a platform for growth and insight into how others in the petroleum and convenience store industry gain efficiency in their organizations through the use of Pinnacle software.**

## WHY ATTEND?

- Network with fellow Pinnacle clients and learn how they use Pinnacle solutions in their operations
- Participate in open forum discussions and share ideas and experiences with fellow clients and Pinnacle employees
- Participate in roadmap sessions to see how Pinnacle is responding and planning for changes in our industry
- Meet with Pinnacle employees who are experts on Pinnacle solutions
- Discover Pinnacle solutions you may not be as familiar with and learn how others are using these solutions
- Get the latest industry updates straight from NACS and PCATS representatives
- Meet with Pinnacle partners, ranging from hardware providers to PCI experts in one of our largest partner showcases yet
- Discover new ideas from engaging speakers that present on the topics that matter to your business
- Have fun - Summit is a great forum for building relationships



## 2016 AGENDA

****Find a more detailed agenda at www.pinncorp.com/summit2016***

### Monday, September 12

| | |
|---|---|
| 3:00-4:30 pm | Welcome and Summit Opener |
| 4:30-5:30 pm | Keynote: Shep Hyken |
| 5:30-6:00 pm | MC Summit Schedule Overview |
| 6:00-7:00 pm | Partner Cocktail Hour/Partner Showcase |
| 7:00-8:00 pm | Dinner & Networking |
| 7:30-9:30 pm | Tropical Themed Party by the pool |

### Tuesday, September 13

| | |
|---|---|
| 7:00-8:00 am | Breakfast & Networking |
| 8:00-8:30 am | MC Tuesday Opener |
| 8:30-10:10 am | Industry Overview Panel |
| 10:10-10:30 am | Networking Break |
| 10:30-11:30 am | Client Panel Case Study |
| 11:30-12:00 pm | MC Wrap up & Schedule Review |
| 12:00-1:00 pm | Lunch & Networking |
| 1:00-5:00 pm | Breakout Sessions |
| 5:00-6:00 pm | Partner Cocktail Hour/Partner Showcase |
| 6:00-7:30 pm | Dinner & Networking at One2One Bar & Grill |
| 7:00-10:00 pm | Casino Night at The Westin |

### Wednesday, September 14

| | |
|---|---|
| 7:30-8:30 am | Breakfast & Networking |
| 8:30-12:15 pm | Breakout Sessions |
| 12:15-1:15 pm | Lunch & Networking |
| 1:15-2:30 pm | Breakout Session/Peer to Peer |
| 2:30-4:00 pm | Closing General Session |
| 4:00-5:00 pm | Closing Keynote |
| 5:00-6:00 pm | Partner Cocktail Hour/Partner Showcase |
| 6:30-11:00 pm | Summit Finale Party at Top Golf |

### Thursday, September 15

| | |
|---|---|
| 12:00 pm | No Scheduled Events<br>(Breakfast on your own and checkout is at noon) |

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**Pinnacle Summit 2016 will be held at the beautiful Westin Stonebriar Hotel and Golf Club in Frisco, Texas. Frisco is one of the nation's fastest growing and most dynamic small cities. Whether you enjoy incredible shopping & dining, are a huge sports fan, or if arts and culture are your passion, Frisco has plenty to offer. Experience an escape that offers all the flavor and charm of Texas.**

## TRAVELING TIPS FOR PINNACLE SUMMIT 2016...

**Accommodations: Summit has a block of rooms at a discounted rate for its attendees at The Westin Stonebriar Hotel. The rooms can be booked online (www.starwoodmeeting.com/Book/pinnaclesummitgstrms) or by phone 888-380-4272. Reserve by August 22nd and mention "Pinnacle Summit" for the discounted room block rate.**

**Transportation: The hotel is centrally located only 21 miles from DFW Airport and 19 miles from Love Field Airport. Within a 3 mile radius of the hotel there is plenty to do, and you should be able to easily walk for food, drinks and entertainment. For ground transportation to and from the airport, Uber (www.uber.com), SuperShuttle (800-BLUE-VAN) or Yellow Checker Shuttle (817-267-5150) are ready to meet your transportation needs.**

**Websites: Go to www.visitfrisco.com to find out all about Frisco, Texas, or www.westinstonebriar.com for info about what The Westin Stonebriar Hotel has to offer! Of course, you can always go to www.pinncorp.com/summit2016 for more info about the area.**

**Clothes: The average temperature for mid-September is around 90° during the day and 70° in the evenings. Dress cool and bring a sweater for indoors. Be sure to bring a tropical themed outfit to wear to the pool party, nicer clothes to wear to casino night and athletic shoes for Top Golf. Layers are key for unpredictable Texas.**

# MARKET WATCH:

## Why Are Some Big Chains Extinguishing Tobacco?

It began with CVS. In September of 2014, CVS announced it would stop selling cigarettes and other tobacco products at its stores- making it the first major pharmacy chain to do so. "Ending the sale of cigarettes and tobacco products at CVS/Pharmacy is the right thing for us to do for our customers and our company to help people on their path to better health," said Larry Merlo, president and CEO of CVS Health, in a statement at the time. "Put simply, the sale of tobacco products is inconsistent with our purpose."

Around the same time, quietly, Costco began phasing out tobacco inventories in some of its U.S. locations – dropping from 488 to 189 stores. Citing dropping profit margins, more valuable retail real estate and increased labor as a reason, they began consolidating tobacco products in their Business Centers- which are tailored for local businesses and not the public at large. They estimated that tobacco sales as a percentage of its total business is a single digit number.

Why has tobacco become such an unappealing category? Age restrictions, risk of theft, a multitude of brands, stale merchandise, labor pains, regulatory issues, rebate difficulties: the list of reasons why tobacco is a difficult inventory category to manage can go on and on and on. Retailers can be left wondering if it's worth it- especially with continuing flat sales and an increasingly diminishing customer demographic.

Adding to an already tight margin and flat sales, retailers now contend with the deluge of e-cigarettes and vaping products. What

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were once heralded as the savior of the tobacco industry have proven a confusing drain on an already diminishing demographic. "Half of all smokers have previously tried e-cigarettes and not been satisfied," says Gal Cohen, head of scientific and regulatory affairs for PAX Labs Inc., San Francisco to Convenience Store Products News in March 2016. "There is a lot of historic skepticism that we have to break through." 2015 saw a dramatic rise in sales in the vaping industry, only to result in a significant drop by year end and into 2016. This, coupled with the almost endless array of vaping delivery systems and flavor options, has pushed retailers often to inventory gluts and stale merchandise.

Are convenience store retailers on the same path to tobacco abandonment as CVS and Costco? It's a tantalizing thought for some. The FDA, state and local municipalities, and advocacy groups are already heaping pressure on smokers with public bans, graphic warning labels and additional taxes. Public perception continually pushes toward the negative regarding tobacco. Costs per pack are higher than ever. Rebates, inventory management and resource allotment can seem ineffective. Are the tight margins worth the work?

A year after CVS stopped selling cigarettes, a new report emerged. According to CNN Money, "CVS is detailing just how much the tobacco ban is impacting the company. While prescription sales continue to rise, general merchandise sales tumbled nearly 8% last quarter on a same-store basis. CVS blamed the slump on the tobacco ban. The company said front store sales would have been flat compared with the year before if they didn't make the change. The company estimated the hit to sales at $2 billion."

At NACS State of the Industry every year, the prevailing wisdom to offset this tobacco challenge is to focus more on the lucrative profit-margin rich areas such as foodservice. Foodservice accounted for 20.8% of in-store dollars, and 33.7% of gross profit dollars in 2015. Tobacco products contributed 35.9% of in-store dollars, though only 16.8% of gross profit dollars.

What does this mean to convenience store retailers? Much like fuel, tobacco sales are a driving factor in customer traffic and loyalty. Those same customers who may have come in for cigarettes after a fill-up, are more likely to spend additional dollars on food, snacks and alcohol sales. By looking at tobacco inventory smartly, using tools to manage it efficiently and making informed decisions; retailers not only stand to make the most from their tobacco margins, but solidify their tobacco customers' loyalty. And with a percentage of other retailers exiting the tobacco market, that market share is available for consumption. It's no coincidence at the same time that Costco and CVS began pulling out of tobacco sales, Dollar Tree and Dollar General both started selling cigarettes- and reaping the discretionary dollars of those now disenfranchised customers. ℗

> *"Half of all smokers have previously tried e-cigarettes and not been satisfied. There is a lot of historic skepticism we have to break through."*
>
> *Gal Cohen, PAX Labs Inc.*

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# THE BURNING QUESTION...

## Is There Still Profit In Tobacco?

Making money with tobacco sales has never been harder. Retailers are caught in the tug-of-war between dwindling demand for traditional products, complex rebate processes, ever increasing flavor options and varieties, and the explosion of vapor/e-cigarette merchandise. This volatile landscape can often translate to an overabundance of inventory gathering dust on your shelves and taking up space for more valuable product.

*How does a convenience store retailer successfully navigate this new terrain?*

Git'N Go Markets' success story is built on determination and adaptation. The Clinton, TN convenience store chain got its unlikely start in 1974 when local property developer, Joe Hollingsworth Jr., built and leased a c-store for a local business owner. The lease called for The Hollingsworth Companies to acquire the store and assets if the operator defaulted. "September 1st, we got a call", says Hollingsworth. "The lessee grabbed the register and left town." Hollingsworth observed, "A closed store dies very quickly." To avoid losses he decided to open the store, using only a shoebox for a cash register.

By 1984, Git'N Go grew to four stores strong and had become a big part of the community, offering everything from gasoline to groceries. The most recent decade has seen additional improvements and expansion tailored to better serve their Anderson County friends and customers.

William Baine, CEO of Git'N Go Markets, faced a very difficult sales and operating market when it came to tobacco. Market demand and regulatory pressures have made this c-store staple one of the most challenging for retailers to sell profitably. Git'N Go was managing cigarette inventories at the category level. Category level inventory tracks products based on a group of similar items' stock on hand. Instead of knowing how much of a particular style and brand of cigarette, such as Acme Cigarette Extra Light Slims, a retailer has on hand at a given moment; they only know they have X amount of either products or dollars remaining in that particular category.

Git'N Go was using month old purchase data to infer retail demand across all store locations. Cigarette losses were quantified by retail dollars only, a reporting deficiency that prevented management from sourcing the shortage- be it true purchases or shrink. They were unable to track brand demand and on-hand inventory, and restocking was often delayed due to lack of detailed purchase information.


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After implementing Pinnacle's Enterprise Performance Management™ (EPM) business intelligence solution, Git'N Go was able to achieve significant results by optimizing inventory to maximize margin. EPM provided William's stores with targeted, actionable data analysis, giving them the ability to identify true item velocity of cigarette brands at the item level per store.  EPM analytics armed Git'N Go with visibility into actual day by day and hour by hour demand at the store and item level, enabling them to stock and sell what each store's customers wanted. This also allowed them to track shrink, allow further accountability and reduce stale merchandise.

"Cigarette inventory can be managed on actual demand," Baine reflects, "We have also seen a reduction in cigarette inventory loss. For example, is the loss concentrated on one SKU? Are we losing packs or cartons? With a couple of clicks we can watch cashier events EPM has flagged. We are not waiting for an audit to tell us we have a cashier problem. Today our total inventory losses are barely over half a percent of sales."

Now all vendor deliveries are scanned in at item level and sold by item level. This allows management to make more informed decisions on what is happening in the stores in real time. Cigarette units are up in all three years that they have used Pinnacle EPM. The average store is up 120 cartons a month since they started using EPM.

> "Cigarette inventory can be managed on actual demand. We have also seen a reduction in cigarette inventory loss."
>
> William Baine, CEO, Git 'N Go Markets

Git'N Go was also able to optimize their rebate incentives with Altria Group. By exporting scan data information, they can quickly and easily process rebates- without additional labor and opportunity for loss regarding delay. Altria is providing additional incentives to retailers that are able to deliver advanced levels of sales transaction data- business intelligence EPM delivers. "I appreciate Pinnacle's effort to complete an automated Altria scan export for customers that do not employ a fully-staffed IT department," says Baine.

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With EPM, Pinnacle's real-time business intelligence solution, workers across the enterprise can make immediate, informed decisions that have a significant, positive impact on bottom line. This solution enabled Git'N Go to effectively identify, track, trend and correct tobacco sales problems with analytics built to identify outlying data, reduce loss and increase profit margin. Git'N Go was able to achieve significant results by optimizing inventory to maximize margins. Ⓟ

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# UP IN SMOKE:

## Is Your Reorder Process Impacting Labor & Loyalty?

There are certain situations where substitutions are not possible. Even when consumers are faced with an ever increasing and dazzling array of choices every day, loyalty still exists. There is possibly no greater example than tobacco products. Tobacco customers develop a brand identity early on and, though in time it may evolve, they are habitually loyal to their preferred products.

Cigarette producers expend millions of dollars a year to nurture these consumers. Early adopters of loyalty programs, rebates and reward offers- manufacturers utilize each new and emerging form of communication to entice, establish and foster loyalty. From print advertisements and the early days of television, to today's more sophisticated and targeted marketing with social media and digital offers, it's a rich landscape for customers to connect to their brand.

With this devoted clientele, doesn't it make sense to manage your inventory to your specific customers' preferred tobacco products? Region by region, neighborhood by neighborhood, different areas and demographics demand a unique product solution for convenience stores to meet their clients' needs. Without true and timely inventory data, products collect dust on the shelves and take up much needed marketable real estate. Without the knowledge of inventory on hand, product can run out with delays in replacement- sending waiting customers into the arms of your competitors.

C-Store retailers need inventory solutions that anticipate their clients' demands and give them an edge over their competitors. Category level management, plug-n-play inventory software and outdated automation systems can cost you thousands of dollars in lost revenue- shrinking already tight margins. By addressing your unique business and the needs of your customers, Pinnacle provides technology solutions tailored to the c-store industry and to our individual clients.

Family owned Double Quick in Mississippi faced these exact hurdles with tobacco. With over 60 locations throughout the south, and





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900 team members, efficiency is key to profit. While cigarettes tend to be a high selling item, they are also subject to higher shrink and a shortened shelf life due to expiration dates. Carrying larger inventories on high selling stock is ideal, but determining what that inventory level should be on a day to day basis is a challenging and demanding task. Too much inventory on hand is costly, not only due to loss of marketable

real estate, but also increased risk of theft and product staleness- as tobacco wholesalers are no longer buying back inventory that has reached or surpassed its expiration.

When looking for a way to manage this inventory with business intelligence, retailers are looking beyond mere automation. Labor costs are a drain on profit and having an intuitive system that frees up employees to manage other tasks is a huge advantage.

Reducing the employee element also helps monitor shrink and human error that can spike operation costs. “Labor is one of the toughest things to control in the industry and one of the biggest expenses, “ says Howard Hyche, Director of Information Technology with Double Quick. They were looking for a solution that would give them better control over their cigarette inventory; reducing and maintaining inventory levels within a 10-14 day supply, while being easy to operate, quick to implement, efficient and with minimal labor involved.

By utilizing Pinnacle’s Computer-Assisted-Ordering (CAO), Double Quick was able to reduce the average cigarette inventory at a single store location by $12,000. “When we first started talking about inventory control, we wanted to start off with just one product.

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With cigarettes being a high selling item with great risk to financials, we decided that was the perfect product to start with. Since implementing Pinnacle’s Computer Assisted Ordering, we have successfully been able to better control inventory levels, reducing on hand inventory,” says Mr. Hyche. By incorporating CAO with Manager Workstation, Double Quick improved POS scan rates, decreased labor hours, increased gross profit and decreased inventory theft.

Much like fuel, tobacco sales are a driving factor in customer traffic and loyalty. Those same customers who may have come in for cigarettes after a fill up, are more likely to spend additional dollars on food, snacks and alcohol sales. By looking at tobacco inventory smartly, using tools to manage it efficiently and making informed decisions; retailers not only stand to make the most from their tobacco margins, but solidify their tobacco customers’ loyalty. And with other retailers exiting the tobacco market, that market share is available for consumption. With Pinnacle solutions, retailers can not only take control of the very challenging tobacco category, but can apply these same principles to other categories within their business and drive bottom line results.

> “Labor is one of the toughest things to control in the industry and one of the biggest expenses.”
>
> Howard Hyche. Director of IT, Double Quick

# FUELING NEW BUSINESS:

## Fuel Smart Allows Customers To Expand To New Markets

As the fuel market becomes increasingly competitive and volatile, businesses are looking for ways to expand their profits and streamline processes. This can mean moving beyond their initial arena of operations and into fields that bring their own logistical, managerial and administrative challenges and opportunities. This can be particularly true for upstream fuel businesses looking to move 'below the rack' downstream.

Pinnacle has recently begun working with upstream fuel clients as they prepare for downstream additions- made more attractive by downward pressure on oil prices and sluggish rebounds in the upstream oil market. When these businesses move into the downstream market, they often do not have the software needed to manage this new part of their operations. By adding Fuel Smart® by Pinnacle, expanding fuel companies find that it allows them to successfully manage new downstream business, but can also aid in upstream automation as well. Not only can Pinnacle software assist them in managing supply to be sold across the rack and delivered as a wholesaler, but Fuel Smart can also assist them in managing their fuel inventory in the pipeline (upstream).

Davinscroft, Inc. is a market maker in refined products and various unfinished intermediate streams in the US Gulf Coast and New York markets. The company is headquartered in Durham, North Carolina, with operations centered in Houston, Texas. Davinscroft markets gasoline, distillates (diesel), and other unfinished refined products by accepting product at the Gulf of Mexico, shipping on the Colonial Pipeline, and selling at the New York harbor or other terminals.

By adding the Fuel Smart component, Davinscroft is expanding its enterprise with entry into the fuel supplier market. Fuel Smart provides data on fuel inventories across all terminals, manages large volumes of bills of lading, all while mitigating tax reporting risks. With these added capabilities, Davinscroft can confidently engage this new market and reliably navigate a new and profitable terrain.

By listening to market trends and engaging with clients and prospective customers, Pinnacle has been able to meet the needs and offer solutions to fuel marketers wanting to grow and expand their businesses. Using Pinnacle solutions, these companies have been able to leverage true business intelligence into a competitive advantage. ©


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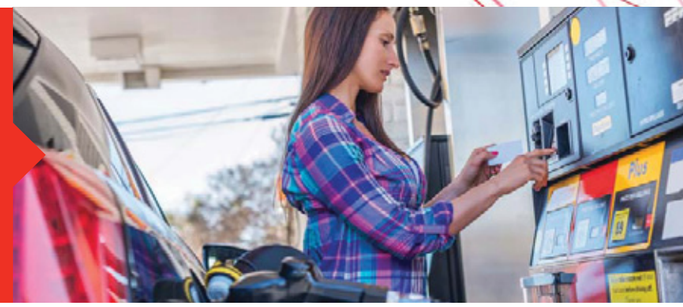

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# PINNACLE CORP. ADVISORY COUNCIL

## The Ultimate Petroleum Marketing Brainstorm Sessions

Collecting accurate business intelligence in any industry provides a decisive competitive advantage. This holds especially true for petroleum marketing. With insight from the NACS State of the Industry summit in April, the prospects for fuel marketers presents a mixed, though relatively optimistic, picture of the immediate future of the industry. Sales volumes should remain healthy (more than 97% of vehicles sold in 2015 still use liquid gasoline), but trends in technology (electric and hydrogen powered vehicles), now-widespread services (Uber, Lyft), and an increase in ride-share present some short-to-medium term challenges for fuel marketers. Developing fuel solutions to keep clients in the know with current and future trends, especially on a regional basis, remains one of Pinnacle's primary goals.

For years, petroleum marketers have relied on Pinnacle solutions to facilitate and inform their fuel marketing services. For us to continue to provide cutting-edge service and industry knowledge through the flexible Fuel Smart® software and all our fuel solution products, our Fuel Advisory Council presents the opportunity for clients to share their individual experiences with us. Through our Advisory sessions, we better understand how we can enhance our solutions to meet the needs of this dynamic, highly-demanding industry.

Since 2009, we've hosted not only our existing Advisory Council events (which cover a broad range of niches including c-store, POS, and retail marketing), but introduced a Fuel Solutions Advisory group specifically for petroleum marketers. Through these exclusive annual events (and quarterly conference calls), we assure client voices are heard so we don't miss details from the front lines regarding changes in the market. Not only does the Advisory Council provide direct access to Pinnacle's product management team for clients, but also opens the door to cement peer relationships. We've found these to be the ultimate petroleum marketing brainstorm sessions.

Advisory Councils inspire the updates to our entire fuel solutions suite through upgrades within the system, improvements in workflow, and exploring avenues for the expansion of additional capabilities. These sessions also help guide improvements to our training sessions, a client acclimation service we offer from our facilities in Arlington, Texas, and online.

We understand we're only as good as our ability to collaborate with those in the industry. In addition to the Advisory Council, we also host an annual Pinnacle Summit featuring keynote speakers, leaders in the industry and a series of educational technical sessions. This is a unique opportunity for our clients and partners to interact in a highly informative environment, exchange opportunities and challenges within the industry and gain insight from peers, partners and Pinnacle.

While there are no guarantees in the future for favorable petroleum sale margins, the projections for volume seem relatively promising. Gasoline sales through the year 2025, according to NACS SOI statistics, are expected to sit around 83.34% (a roughly 13 percent decrease from current numbers). Although the decline in liquid petroleum demand is expected to be a slow and steady one, the perpetual volatility of the market requires petroleum marketers to stay on the ball with changes in the market. Collaboration with partners and improvements to our suite of fuel solutions allows us to help fuel marketers maximize their petroleum returns.

Whether a client focuses within the scope of wholesale or retail fuel, we continue to offer solutions that optimize clients' internal processes and provide valuable business intelligence. Our Fuel Smart product automates and simplifies a multitude of essential tasks including inventory management, exportation of tax data, business intelligence/analytics collection, Microsoft-powered financials, an intelligent dispatch module (for delivering driver work orders), and billing for customers, among other tasks.







# Mike Bailey Appointed Chairman of PMAA

DALLAS, TX – Congratulations to Michael "Mike" V. Bailey who was recently appointed chairman of The Petroleum Marketers Association of America (PMAA). PMAA is a federation of 47 state and regional trade associations representing approximately 8,000 independent petroleum marketers nationwide.

Bailey is honored to have been elected chairman of PMAA. "The work the association does is so important to our fellow marketers in this industry," he said. "We can really make a difference in national legislation and regulations by being involved and making our issues known to the government representatives. We have an awesome group of people working for us every day in our staff at PMAA and my fellow marketers. So I feel we are blessed to be involved in an organization that upholds the standards of the free market and business opportunity."

During his year as chairman, Bailey will focus on improving PMAA's external communications, both with the state associations and with the general public. "I feel we have done some amazing work in the past, but we have just not communicated it as well as we should," he said. "We have a unique opportunity this year with our new President Rob Underwood to examine how we have done things in the past and make the changes needed to move into the next 20 years."

Bailey Enterprises has more than 150 full-time employees. Its operations include Bailey Oil Company (a bulk fuels distributor), seven Pit Stop Convenience Stores, two Bailey Tire and Auto Service Centers, three Bailey Oil Fuel Depot unattended card locks, the Speed Way Café, Central Wyoming Transportation (a dedicated hazardous materials carrier) and Wyoming Parts, Inc. (NAPA Auto Parts)

Mike Bailey

Bailey Enterprises, Inc.
President & C. E. O.

Mike Bailey also serves on the Pinnacle Corporation's Fuel Advisory Board. Bailey Enterprises has been a valued client of Pinnacle Corp. since 2010.

We congratulate Mike and wish him great success in his year as chairman of PMAA.

To learn more about PMAA and Bailey Enterprises, Inc. please visit: www.pmaa.org/ or www.gowithbailey.com.

# Complex Inventory Management.
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E-cigarettes, cigars, cigarettes, smokeless tobacco- the assortment of tobacco-related products at times seems endless. Without a proper inventory management system, it's easy for retailers to drown in stale merchandise and lost revenue. With Pinnacle business intelligence solutions, you can eliminate the guess work and use true data to order smartly and efficiently. Pinnacle solutions give you control over a rapidly changing industry, and a decided edge over the competition.

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