

Back-Office Software

The Latest Technology to Help You Work Smarter, Not Harder

by Bob Gatty

Five years ago, Crescent Fuels sold 60 million gallons of fuel a year. By last year, that number had jumped to 300 million without a single additional employee. They did it by automating the business processes involved in distributing to 340 locations in the Midwest and operating 24 retail stores in five states.

Increasingly, fuel marketers are turning to automation to speed back-office operations and cope with margin pressures and dramatic increases in price volatility. "It's been a wild and hectic summer between incredible price swings, supply issues and tightening credit," Art King, vice president of business development at Axxis Software, commented in a memo to customers recently. "Companies like yours are revisiting their existing systems and procedures to find ways to eliminate costly mistakes, cut costs and improve margins."

"Because we're efficiency-oriented, our systems have to keep up," says Kirk Bruening, special projects coordinator for Crescent Oil. "Our two primary areas of focus are pricing and technology software. Our goal is to reduce or eliminate the day-to-day rote functions that can bog down any organization. It's a never-ending battle as our volume of transactions increases, but the payoff can be substantial." Crescent says it saved thousands of man-hours by importing DTN files that flow directly into its back office, PDI/Enterprise.

Another DTN customer, RKA Petroleum in Romulus, Michigan, distributes more than 450 million gallons of fuel annually through a network of retail dealers, commercial businesses and job sites as well as its pipeline terminal operation. Jason Hittleman, director of biofuels and information systems, says systems automation is critical to the company's success. "Cash is king, and operating smarter is everything in this business," he says. "We're analyzing tens of thousands of rack prices, contract prices and index prices. We receive hundreds of bills of lading each week, and we're sending and receiving over 2,000 invoices a week."

By using automation tools provided by DTN, RKA is able to avoid technical problems and errors that can result from multiple data streams and stay on top of supplier format changes. "Now we have one efficient stream of data and

one process. That means we can service our customers faster, because we get the data faster," Hittleman says.

Lori Hart, regional sales director at DTN, points out that marketers faced with tightening fuel margins are seeking ways to streamline operations and reduce manual processes. "Relying on manual management of supplier prices can cause pricing teams to miss out on critical midday price changes," she says. "Worse, manually processed invoices, credit card memos and bills of lading open [the] risk of manual entry errors and increased labor costs. Delays in invoicing of customers and payment of invoices have serious implications on cash flow."

Hittleman reviewed options available through DTN Integrated Services to take advantage of timesaving price and data automation. Now, staff members at RKA Petroleum no longer retrieve price documents from a variety of sources and manually reenter prices. DTN Integrated Services provides a seamless, aggregated source for all supplier price messages so they can make faster fuel purchasing decisions.

RKA also saves significant man-hours, Hittleman says, by automating invoices, credit card memos and bills of lading from fuel suppliers. Quicker receipt of these integrated documents facilitates timely reconciliation and billing for improved cash flow. "Human capital is a crucial part of the business, and we want to free up our people to be more analytical and service-oriented," Hittleman explains. "We aren't eliminating people through the automation; we're reallocating their time for more important tasks."



According to Cathy Duncan, director of product management for DTN's Refined Fuels Division, there is tremendous potential for petroleum marketers to increase efficiency and profit through the smart use of technology. "Only about 25 percent of petroleum marketers directly integrate their prices into their accounting software, and only about 20 percent automate their business documents," she says.

King at Axxis Software contends convenience stores, jobbers and wholesalers all face similar problems. "So we make applications that are scalable and modular so they can fit an

individual company's specific need. By taking advantage of these tools, [the] thought process is freed up, they streamline operations, and they can grow. Our software solutions can grow with them."

With the pricing volatility that has become common, it's essential for fuel marketers to stay abreast of the rapid and significant changes, often many times a day, King says. Plus, the explosion of biofuel products and non-traditional suppliers and locations adds to the complexity and need for fuel marketers to have timely information so they can respond. "Mistakes are very costly," he says. "Let the system do the number-crunching and the calculations. Is it more cost-efficient to pull product from Pittsburgh than Philadelphia? Will it save money?"

King says Axxis' software will bring in prices from all possible sources making it possible for managers to make the best sourcing decisions. "If I'm a retailer, I know when I need my product and where I can pull product from," he says. "I want to know my pricing options and my laid-in price. I need to be able to make the right call."

With gasoline retailers experiencing the worst margins in a decade, improving retail operating efficiencies is essential, contends Bruce Ringrose, chief executive officer at Summit Software, which provides integrated accounting and inventory management software solutions for the petroleum, convenience store and biofuel markets.

"Companies that do not have industry-specific software do an incredible amount of work manually, bills of lading, taxes, figuring retail prices and generalized accounting practices just don't handle them," Ringrose says. "So that means extra people and not being productive with labor. They don't know their gross margins. Things are entered manually and are prone to error." Summit, he says, has developed industry-specific features to automate business processes to help operators increase efficiency and reduce the back office.

Roy Wall, president of Tiva Software, which develops automated ordering, pricebook, sales force automation and Internet-based solutions for the wholesale, retail and distribution industries, says retail margins have been depressed with increased pressure on inside sales. Handheld devices provided by Tiva link retailers and wholesalers so inventory can be ordered quickly and efficiently and out-of-stocks can be prevented. A Web-based system maintains up-to-date pricing so correct prices can be charged both in-store and at the pump.

"How soon after a fuel price changes are you adjusting your signage?" Wall asks. "You should change your retail price even though the cost of product in the ground is less than what it's about to be. Many retailers are missing out on that. And inside the store, sometimes it takes three to four weeks to correct pricing, and these days we are seeing



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an average of 70 price changes a day. Our system receives price-change updates so you can sell at a price that reflects the proper margin instead of losing three or four weeks of available margin.”

The extent to which a company should automate depends on the individual company's needs and philosophy, Ringrose says. "The trick is to arrive at the correct level of automation consistent with how management wants to run the company," he states. "It doesn't have to mean firing people. But it can mean freeing them up so they can be more valuable and productive.”

Today, there is no room for waste.