Five Advancements Petroleum Retail C-Store Owners Should Consider

A Cybera White Paper
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Overview

Petroleum retail c-store owners face considerable challenges carving out a sustainable and profitable position in a competitive marketplace. The challenge of cyclical revenue fluctuations in their dominant petroleum product line are understood and expected, affecting all petroleum retailers proportionally. The real competitive tests arise in creating tangible differentiation from larger brands and managing thin margins. The adoption of new technology is required to overcome these impediments. In order to differentiate themselves, petroleum retailers need to incorporate loyalty programs, convenient payment options and new lines of service. Managing profit margins requires accurately selecting and merchandising goods that turnover rapidly, effectively managing inventories and automating store systems for greater efficiencies. Most of the technologies that enable these advanced capabilities are network based systems that often introduce security risks. The pitfalls of these risks have greatly impacted even the largest and most successful retailers. In short, building a sustainably profitable business requires technological innovation combined with effective security protections.

Many petroleum retailers fear that adding technology can bring complexity, cost and risk to their business that may not justify the investment. The good news is that adopting technology does not have to become unmanageable, unaffordable and difficult. There are advancements in network security that reduce the risk of crippling security breaches. However, it would be naïve to assume that there will not be security risks, technology challenges and costs associated with these advancements. These challenges will certainly exist, but they can be managed far more effectively through new technology, which will ultimately yield even greater benefits. It is clear that the risks of inaction are quickly outweighing the risks of adopting new technology. Success requires action, but action requires careful consideration to be effective. Innovation efforts must be chosen wisely, and must focus on the actions that matter most. Five key areas of technology advancement petroleum retailers should consider are:

Five Advancements

LOYALTY PROGRAMS

Attracting customers is part merchandising and part rewarding loyalty. Loyalty fosters differentiation in the customer’s mind because they can associate a business with added benefit from repeated patronage. The largest brands have deployed robust loyalty programs and continue to advance these programs because they are clearly seeing benefit from their investment. Adopting a loyalty program does not have to be prohibitive in cost. Businesses seeking to add or enhance loyalty programs have options in a multitude of program providers, program types and enablement methods. Deciding whether to implement a transactional or proximity based program is the first fundamental step. From there, either program type must be consistent across all locations.
Customers are adopting innovative payment technologies on their smartphones, and frequently favor establishments that cater to their preferred payment method. A 2014 Nielsen report further confirms that adoption is on the rise by revealing that “40 percent of mobile wallet users are utilizing mobile wallets as their primary form of payment”.\(^1\) This quickly growing population of connected customers see mobile payment as being more convenient, with pumping gas being no exception. ExxonMobil has led the industry in innovating mobile payments with SpeedPass and now SpeedPass+. Adopting a mobile payment platform requires some effort, but it isn’t necessary to develop the entire payment platform in house. For example, there are multiple cloud service providers with smartphone digital wallet applications, and selecting one of these providers reduces the amount of development required. The biggest consideration for petroleum retailers is how to allow cloud-based payment requests to be authorized locally in the store. Local store payment authorization is a required element in order to authorize transactions and activate the pumps. An additional consideration is the integration of a loyalty program into the phone application so that customers receive an incentive to come into the store.

Increasing the intelligence around products and using actual data as a guide to make product merchandising decisions is critical to improving sales and margins. Limited shelf real-estate must be allocated to products that are in demand. Many customers visit stores solely based on that store consistently carrying a product they prefer. Adopting a retail analytics system can help increase visibility into what products are moving and when to reorder so that they are always available. A key consideration is selecting a manageable system that can integrate with POS systems securely. Adopting a cloud-based system is the most cost effective and simple approach, but it must be integrated in a secure way. An additional consideration is selecting an analytics provider that can provide intelligence on products that a business may not be carrying, which would allow them to adopt products that are finding success in competitors’ stores.

Improved efficiencies are a critical element of improving margins. Enabling services that can help monitor and manage business critical systems, such as fuel inventories, power usage, and cooling systems temperature control can drive considerable cost savings. Many of these services are cloud-based and require secure methods of enablement. Recent news has highlighted vulnerabilities in tank monitoring systems, which brings to light the importance of securing connectivity to
these systems. Breaches often start with a vulnerability in a disparate application that is exploited and then ultimately propagates to the POS system, such as in the Target breach. Utilizing public IP addressing and opening firewall holes to enable remote access is a proven path for intruders to wreak havoc on a network. Do not fall prey to convenience at the expense of security.

VIRTUALIZATION

The realities of the c-store environment are that there are limited amounts of space to house IT and networking equipment, and there are few if any technical resources located at the stores. Adopting network solutions that utilize virtualization can reduce the footprint required to enable the services mentioned above, reduce points of failure, simplify technical operations and improve overall security. In a 2013 study by the Ponemon Institute it was discovered that at least one-third of all security breaches are caused by human error. Due to the cloud-based nature of virtualization, human interaction with security protocols is mitigated and thus the potential for human error is greatly reduced. Furthermore, virtualization implies that a single platform or server can create multiple logical instances of routers or servers on a single device, versus having dedicated physical devices for each application. Therefore, virtualization yields efficiency, cost savings and stronger security because each application is separated from the others, thus eliminating breach propagation opportunities.

Summary

Implementing new technology is necessary to address the quickly evolving petroleum retail landscape. Adopting loyalty programs and enabling mobile payment applications are key to meeting the needs of customers and providing them with incentives and ease of use when making purchases. Retail analytics and system automation increase business intelligence and improve efficiencies, which lead to positive results in customer satisfaction and bottom line profitability. All of these technological advancements are great, but in order to maximize the potential benefits, virtualization is a must. Not only is virtualization requisite with enabling and securing these technologies, it also provides the simplicity required to manage them effectively. Many petroleum retailers fear that adding necessary technology can bring complexity, cost and risk that would outweigh the benefits. This is simply not true. Rather, petroleum retailers should fear the cost of inaction while the competition continues to move forward.
