



[Current Issue](#)

**Past Issues**

**2009**

[January 2009](#)

[February 2009](#)

[March 2009](#)

[April 2009](#)

[May 2009](#)

**June 2009**

[Running Out of Gas](#)

[Digging Into the Numbers](#)

[Wow, What a Store!](#)

[Smoke Signals](#)

[The Price Is Right](#)

[Inside Washington](#)

**10 Minutes With**

[Dropping Like Flies](#)

[Down, Butt Not Out](#)

**2008**

**2007**

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[Cool New Products](#)

[Advertise in NACS Magazine](#)

[2009 Editorial Calendar](#)

## NACS Magazine

### The Fuel-Store Link

Bob Stein, president and CEO of KSS Inc., believes that understanding the link between your store and your fuel dispensers can boost volume and profits.



**Q: How do you define the relationship between fuel and the store?**

A: The fuel-store link quantifies the relationship between fuel volume and store traffic, helping retailers identify the optimal fuel volume by site to increase profitability. Most retailers already recognize this link between fuel demand and store traffic, but the two functions are often managed independently. By looking holistically at this fuel-store interaction by site, retailers can increase fuel volume (by raising prices) and ensure any margin cost is justified through increased store volume, or determine if fuel margins can be increased, offsetting any decline in fuel or store volumes. With the tools available today, retailers can model historical fuel and store data for each site and analyze how fuel prices and volumes affect that store's traffic and profit. The tools then compare that information against local competition and determine pricing strategies.

**Q: Can knowing the fuel-store link boost a retailer's volume and profits?**

A: Yes, across a network of sites; some sites will have a volume and net profit gain while others a margin and net profit gain. The link also helps retailers hold current volume while still raising profits. Since each store has its own specific traits, an effective fuel to store relationship should focus on individual store goals as well as larger corporate objectives. The idea is to locate relatively small site-level tactical changes that accumulate to a worthwhile business effect overall. Of course, fuel traffic doesn't solely determine store volume. Location and level of competition — among other things — all contribute to total store sales. However, a definite relationship exists between fuel and store traffic, especially when analyzing the incremental volume to be gained.

**Q: How big of an effect can convenience retailers expect?**

A: For many retailers, knowing the details of the fuel to store relationship by site is like finding the Holy Grail. If their fuel pricing and store pricing strategies are integrated to maximize total site profits, the incremental gross profit can range from \$1 million to \$5 million, depending on the size of the chain. Part of the answer lies within historical data. It's about knowing how to extract fuel-store relationships from that data and make them actionable. With an established link, retailers also can redefine in-store merchandising strategies.

**Q: If they don't fully understand this link already, where should convenience retailers start?**

A: I'd tell retailers to first, analyze your business as a total profit center, not separate fuel and store sites. This isn't a change in thinking, but rather a different process to develop and execute integrated strategies (no more guesswork). Second, understand the change management necessary to implement the link. What data do you need and how do you analyze it? How do you integrate fuel-pricing strategies with store promotion strategies? And very importantly, develop methods to monitor results for consistent execution and adjustments. Identify the tools and expertise required to develop the process, validate findings and establish confidence to manage each site holistically. In doing so, you will create a competitive advantage and increase profits — something everyone wants in these challenging times.