



Three elements of fuel price optimization

While your consumers likely know little more about fuel pricing than what they see on those huge, sans serif numbers posted on the illuminated sign outside your C-store, you know the delicate calculus that goes behind those incremental changes of a penny here and two pennies there.

To a great extent, fuel price optimization is a function of marrying volume and margin. Seems that with these two variables, price optimization would be as simple as plugging numbers into an Excel table and watching how one number affects the other, right? Obviously, it's not this simple in real life, not even for the most grass roots operation. Because of the number of external forces influencing volume and margin, fuel retailers are beholden to sound strategy and informed decision-making. But what makes a pricing platform effective when various and unexpected real-life situations rear their heads? What resources best play into the management of volume and margin? An effective fuel price optimization platform places these two variables square in your sights, but what exactly does an "effective" fuel price optimization platform look like?

1. An effective fuel price optimization platform is ready for anything

Most mature fuel retailers have clearly refined their pricing algorithm for the normal day-to-day activity occurring at their pumps. These retailers plan for the ups and downs of weekends, summertime, holiday travel, and such. A strong retailer even takes into consideration special events like a DFB game or U2 tour stop. Retailers have plenty of heads-up on these volume-heavy events. A robust price optimization platform not only automates fuel pricing for normal days and special events, but it also helps retailers nimbly adjust to major disruptions, such as weather anomalies, international events, or political or military crises on domestic soil. During times of crisis, consumers expect their local convenience stores to enable them to manage said crisis, and a fuel pricing and optimization platform can help retailers deliver.

2. An effective fuel price optimization platform has access and the ability to process huge volumes of data from a variety of sources

At one time, fuel pricing consultants could simply "look outside" to know how to nudge fuel prices. Those days are long gone. Today, fuel pricing comes as a result of complicated algorithms determined by sophisticated programs that are fed loads of data. Think about the old school locomotives that consumed shovel after shovel of coal in order to travel from Point A to Point B. In the same way, fuel price optimization "engines" must be fed huge volumes of data in order to churn out optimized fuel

prices every day. But the most robust pricing platform does much more than simply synthesize a million numbers per second into one supreme number that is displayed on that sign in the parking lot. The best fuel pricing platforms inform the entire fuel pricing process. The tool is integrated into the larger C-store pricing and activity platform, pulling numbers from a variety of sources rather than one or two. New numbers are churned out daily, even hourly, as the retailer sees fit, each price a result of an automated, integrated, comprehensive data platform. As more and more data becomes available, along with advancements in machine learning technology, fuel pricing optimization continues to evolve. The ability to utilize transactional data (for example, in-store sales between 9 am and 10 am) makes the optimization model even more precise. Data gives the model more to look back at as it produces new prices based on the current market conditions.

3. **An effective fuel price optimization platform draws from the expertise of a long-term presence in supply chain pricing**

Some readers of this article are former customers of FuelsPricing. From independent retailers to large multi-national integrated oil companies, many are wondering how their pricing engine and practices will be impacted by the acquisition of FuelsPricing by PDI. After all, FuelsPricing existed for years as a solid, reliable, capable platform, delivering actionable, profitable information to retailers around the world.

PDI Fuel Pricing remains committed to streamlining operational processes to improve pricing efficiency, optimize fuel profitability, and boost site and field communication. To the benefit of the retailer, the acquisition provides additional synergies due to PDI Fuel Pricing's careful integration with other PDI solutions. The pricing data provided is now more comprehensive and more immediate, resulting in an algorithm that is more reliable than ever. The sharing of data between PDI solutions generates both operational and analytical insights that empower retailers to see how pricing affects and is affected by such things as loyalty, driving patterns, unexpected events, and other influences. From capturing the necessary data and having it consolidated into a single place for pricing decisions, to the fast, efficient delivery of these decisions to the site, PDI Fuel Pricing provides reliable pricing information to help retailers optimize both volumes and margins.

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