



Responding to Complex Market Demands in Retail

**Pilot Travel Centers
Case Study**

THIS SALE \$

Integration Streamlines Operations, Drives Down Costs and Enhances Decision Making

ORGANIZATIONAL PROFILE

Founded in 1958, Pilot Travel Centers LLC is the largest interstate travel center operation in the nation, employing 14,000 people. With annual revenues of \$7 billion, the company sells nearly 15 percent of all over-the-road diesel fuel sold in the United States and expects to sell 3.6 billion gallons of petroleum this year. The Knoxville, Tenn.-based organization operates 262 facilities in 40 states, including travel centers and 12 leading brands of owner-operated fast food franchises, and is the regional operator of 50 convenience stores in Tennessee and Virginia.

Pilot has garnered national recognition including: one of the 50 Most Influential Franchises in the World according to Nation's Restaurant News; 25th largest restaurant franchise in the country by Restaurant Finance Monitor; 69th in Forbes' Top 500 Privately Held Companies in America.



CHALLENGES AND OPPORTUNITIES

On the road to expansion since its founding, Pilot has more than doubled in size since 2000. It added 92 travel centers in a 2001 merger with Marathon Ashland Petroleum and bought 52 retail travel centers from Williams Travel Centers, Inc. in 2003. This accelerated growth makes the need for improved workflow and increased productivity more important than ever.

Fueling Inefficiencies

As the number one diesel provider in the United States, pricing in a market with tight operating margins is top priority. Pilot's disparate financial systems weren't interfaced with fuel-specific applications, which made it difficult to access key pricing information. Volatile fuel prices make it imperative for managers to have sales and competitive information at their fingertips. "The margin for fuel isn't that great," says David DePrimo, manager of corporate systems at Pilot Travel Centers. "If there are spikes in prices, we need to get that information out right away or risk losing business." This crucial task requires a reporting solution that enables them to disseminate timely pricing information to its many locations 24 hours a day.

Laborious Human Resource Processes

Pilot's human resources and payroll functions ran on three disparate legacy systems with different databases, resulting in significant limitations: numerous paper-based processes, tedious manual tasks, time-consuming administrative efforts and inaccurate information. These systems also required heavy technical support, making it difficult to manage, review, track and maintain data. To drive down costs, the organization clearly needs an HR solution that maximizes workforce efficiencies. "You need an automated system to compete because the more people it takes you to process the data, the more overhead it takes."

REALIZED VALUE FROM LAWSON RETAIL SOLUTIONS

In the early 1990s, Pilot Travel Centers was operating on a mid-range computer system that was not integrated with other applications and lacked the robustness to support an expanding company. After evaluating organization-wide solutions that could streamline its operations and automate business processes, Pilot chose Lawson™. "Lawson was the only one that had a complete package for us," says DePrimo. "We also needed something that could run on UNIX. Lawson had the most cost-effective system at the time and it appeared to be the best system to grow with our needs."

In November 1992, Pilot implemented Lawson Financials to run its general ledger, accounts payable and project and activity accounting. A few years later they purchased Asset Management and Purchase Order functions. Since then the company completed four successful upgrades to its Lawson system and integrated more than 150 facilities with the recent Marathon and Williams acquisitions. In 2004, Pilot purchased the Lawson Human Resources Suite including Payroll, Benefits Administration and Manager Self-Service to automate HR processes and reduce administrative costs.

REALIZED VALUE PROOF POINTS

Since implementing Lawson's Financials suite, Pilot has documented several specific benefits, including:

- Reduced closing monthly financial books from three weeks to about five or six business days.
- Saved \$700,000 annually by reducing losses on inside sales from 4 percent to 3 percent.
- In addition to an 8 percent margin increase — deli sales increased to \$6 million per month — by using Lawson analytic data to help it better understand and manage its deli business.
- Reduced overtime by two-thirds and cut labor costs by 15 percent using a Labor Model that Pilot staff built with the help of Lawson's Analytic Architect.

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Integration Speeds Delivery of Information

One of the main drivers for choosing Lawson was the company's ability to integrate with outside systems that were considered critical to Pilot's type of business — such as fuel accounting. With its high-volume fuel purchases, Pilot has a special accounting system that reconciles and pays for all fuel purchases. That system feeds into Lawson General Ledger and Accounts Payable. For example, point-of-sale information gets pulled into Pilot's central system, which exports the file into Lawson for reporting. The company's fuel shipment, inventory, and tax tracking system data are loaded into Accounts Payable for invoice payment and into General Ledger for reporting on balance sheet and income statements.

Lawson's reporting solution provides managers critical access to accurate, competitive pricing information for quickly determining whether pricing adjustments need to be made and transferring that information from the home office to all U.S. facilities. “In the fuel business, a couple of pennies margin can make a significant difference, so if there's any way you can shave some of those costs, it's going to make you more efficient,” says DePrimo. “You can accomplish that with more automation and taking manual processes out of the equation.”

Better Reporting Enhances Decision Making

Pilot has streamlined the way it gathers, analyzes and acts upon business data. The company has cut the time it takes to close its books from three weeks to about five or six business days. “When it took us that long to close our books, we weren't able to make any adjustments or get things corrected very timely,” says DePrimo. “Now we can get information to our field people faster, which allows them to react, and we are better able to manage our food cost margins and our overtime.”



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Kendall Keller
Senior Reporting Specialist,
Pilot Travel Centers

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David DePrimo
Manager of Corporate Systems,
Pilot Travel Centers

DePrimo acknowledges that Pilot’s ability to quickly give its stores analytical information is key to the organization’s continued success. This information has helped Pilot reduce losses on inside sales from 4 percent to 3 percent for an annual savings of about \$700,000. Timely analytical data also has enabled Pilot to better understand and manage specific product lines and its workforce. “Our deli sales have almost doubled to \$6 million per month and margins are up 8 percent,” says Kendall Keller, senior reporting specialist at Pilot Travel Centers. “In 2003, we also used Lawson’s Analytic Architect to develop a Labor Model that has been the key factor in helping us reduce overtime by two-thirds and cutting labor costs by 15 percent.”

Before Lawson, Pilot’s legacy systems weren’t flexible in their reporting capabilities and required a lot of manual data entry, which meant the information was limited and often inaccurate. Now Pilot has analytics to do the data pumps. The company also developed scorecards that tell store managers, restaurant managers, and regional managers how their piece of the business is working. “It’s looking at financial, payroll, and labor information and the parameters that go into these numbers, and it will formulate a score, which you can use to evaluate their performance,” DePrimo explains. “It’s a form of metrics that looks at sales and profitability and tells you where you need to focus. If some are not performing as well, you can direct more attention there to bring their numbers up. Or you can use it to illustrate how well some are doing as a role model.”

Optimizing its Most Important Resource — People

Pilot is in the middle of implementing Lawson’s Human Resources suite, including the Payroll, Benefits Administration and Employee and Manager Self-Service applications. When the implementation is completed in September 2005, the company will automate more of its business processes and reduce a lot of data entry and manual processes, along with reducing its margin of error: “If we can get the information to flow automatically, we can free up people to do more value-added tasks, such as focusing more on recruiting or enhanced training programs,” explains DePrimo. He says moving from three disparate HR legacy systems to a single system will improve data quality and virtually eliminate redundancies and reports that aren’t in sync.

Automated benefits administration will allow managers to better distinguish between full-time and part-time employees, “In the past we might have provided benefits to a part-time employee that didn’t qualify for them, so we can potentially save \$750,000 per year by automating this process,” explains DePrimo. The new HR system also will enable Pilot to set controls on the percent of rate increases. “With the use of ProcessFlow, regional and divisional managers can approve, disapprove or override the raise percents, therefore automating the process,” says DePrimo.

Employee and Manager Self-Service will help Pilot reduce data entry at its Support Center. Employees will be responsible for their own information, which should increase data entry accuracy. Employees will be able to do their own salary history look-ups and verifications, thereby reducing the number of phone calls to the Support Center. “We anticipate a 50 percent reduction in the number of calls to the payroll administrators,” says DePrimo. Pilot will then be able to redirect its Support Center manpower to more strategic processes.



Once Lawson Human Resources is fully implemented, Pilot will gain a number of substantial benefits:

- Store management can key changes directly into the Payroll system, which will help eliminate "lost" Employee Data Manager (EDM) files and use of the EDM system.
- Reduce turnover by improving the timing of its employee review process.
- Retaining 5 percent of its hourly employees would save Pilot \$1 million in annual personnel costs, because it costs Pilot \$1,000 to hire and train a new hourly employee.
- Web-deployment of benefit enrollments and information changes will potentially save Pilot about \$50,000 per year in benefit mailing and handling costs.
- Manager Self-Service will automate the 45 wage changes per day that take Pilot's payroll administrator about four minutes each to process, potentially saving Pilot \$10,000 in annual clerical labor costs.
- Manager Self-Service will automate the 60 separations and leaves of absence requests that take approximately five minutes each to process, potentially saving Pilot \$15,000 in annual clerical labor costs.
- The ability to make one-time tax adjustments and retain this modification history.
- Automatic routing of garnishment and payroll check request information to Lawson's Accounts Payable system to eliminate the need to print labels for AP check stubs and potentially save 15 hours per week.
- The ability to create start and stop dates for tax codes.
- The ability to void a payroll run with a single keystroke instead of two hours.
- Simplified COBRA administration via one system will reduce data entry errors and the amount of support needed from Technology Services.
- Easier payroll management for commission-based employees.
- Better reports for tracking employee turnover.
- Option to manage Canadian payroll issues if Pilot expands there.

The bottom-line: for an organization that produces 15,000 paychecks a week, improving efficiencies is a must. "Our number one cost is labor. If we can reduce our labor by one hour every day at every store, then that will equate to a \$1 million annual savings that goes directly to the bottom line," says DePrimo.



Pilot Leverages Opportunity to Improve

SMOOTH ROAD AHEAD

The road ahead for Pilot is lined with growth opportunities. And Pilot executives know that staying on top in an increasingly complex industry requires the latest and best technologies to streamline business processes and optimize resources. “Lawson really turned out to be a visionary purchase for us,” says Jack Stalker, director of Finance at Pilot Travel Centers. “Lawson gives us the opportunity to improve based on best practices it has observed in working with other customers.”

As the company continues to accelerate the growth of its one-stop convenience store, fuel and restaurant concept, Pilot will continue a strategy it has adhered to for the last 12 years — trusting Lawson to help run its business. “Lawson has been around for nearly three decades and that speaks for itself,” says DePrimo. “They’re reliable and responsive to our needs, and we see them as a critical partner for our business success.”



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