2011

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NEW YORK STATE GOVERNMENT AGENCY REORGANIZATION

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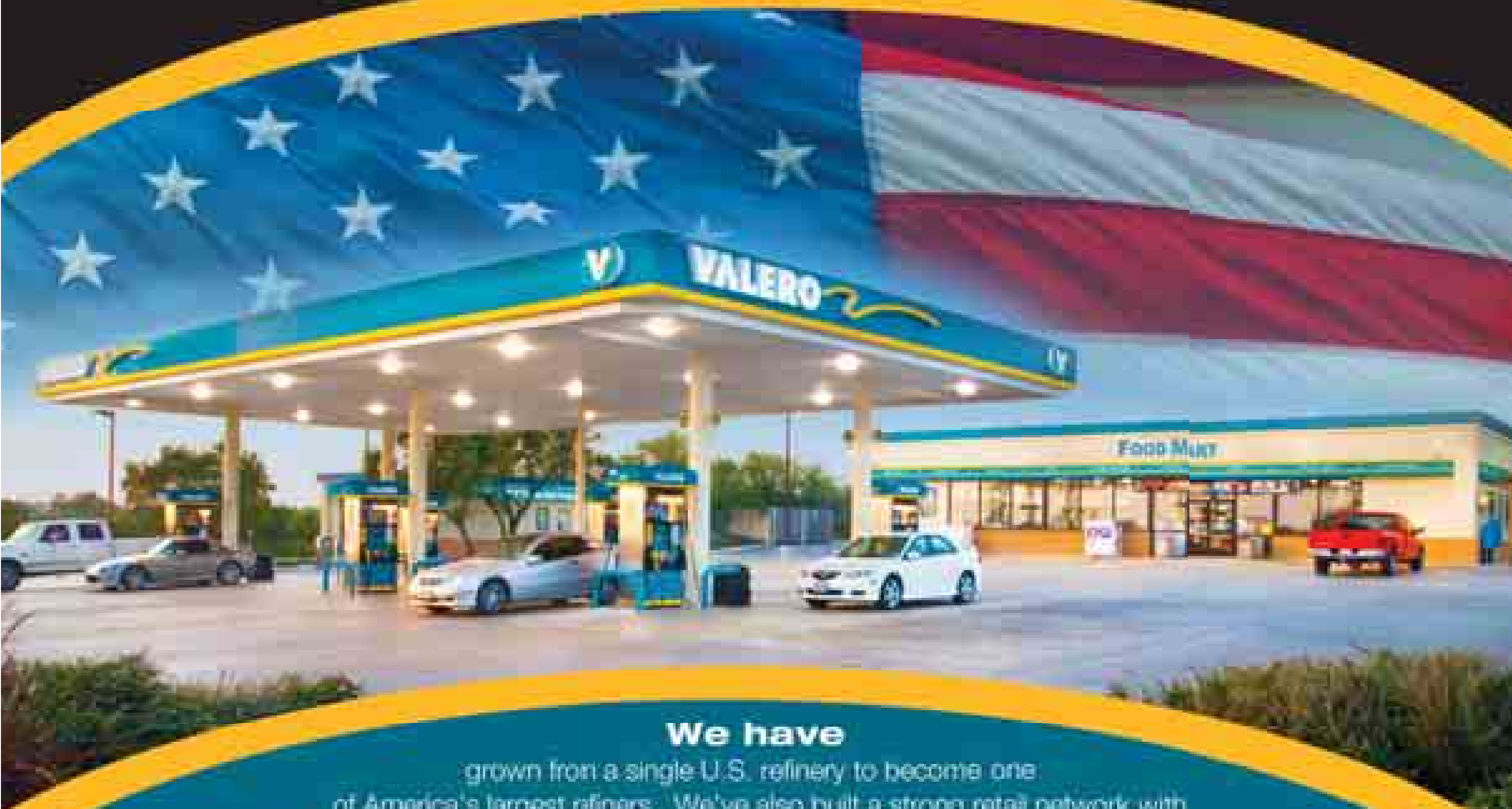

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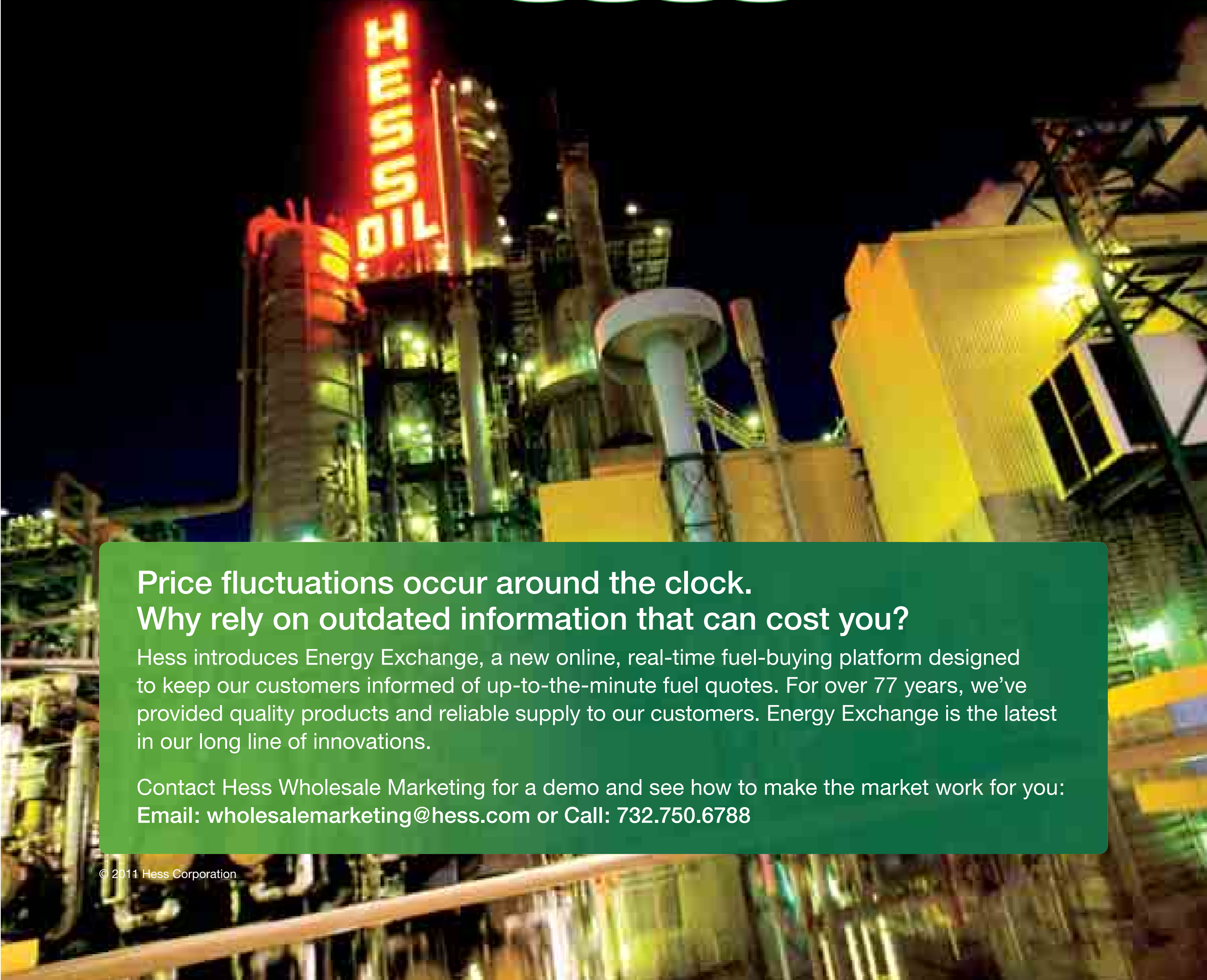

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New York State Government Agency Reorganization

Streamlining could result in operational efficiencies and cost savings that would be both fiscally and functionally beneficial

By Emilio Petroccione, Esq., Colwell, Colwell & Petroccione, LLP

It is common to hear industry members express their dissatisfaction with New York State's business climate. The two main complaints are excessive state/local taxes and the state's complicated regulatory systems, which many feel encumber the development and growth of commerce. This past year, New York began a welcomed approach to addressing these two obstacles by adopting a state budget that cut spending without increasing taxes and by planning to decrease the number of state regulatory bodies through a reorganization of state government. This article will briefly review this second effort.

Newly elected Governor Andrew M. Cuomo commenced his term facing a $10 billion deficit crisis for the state's 2011-2012 fiscal year. Among his proposed solutions for closing the budget gap was the recognition that the state's massive bureaucracy was contributing to the state's fiscal infirmities. To address this problem, the governor created the Spending and Government Efficiency (SAGE) Commission to make recommendations for restructuring state government. In his January 5, 2011, State of the State Message, Governor Cuomo explained that the SAGE commission's purpose was to "right-size state government" and to "make it more modern, accountable and efficient." In order to accomplish these goals, the commission is charged with undertaking a comprehensive review of state agencies and ultimately recommend structural and operational changes.

The Need for Restructuring State Government

Perhaps no industry knows better the pervasive and complex nature of New York regulatory schemes than those who market and distribute petroleum. There are a myriad of New York agencies that directly or indirectly regulate a dealer's business. Consequently, a restructuring of the state's executive agencies could greatly affect members in their day-to-day business operations.

The last time the executive branch of New York was fully examined and reorganized was in 1927 by Governor Alfred E. Smith. Much has changed since that time. In 1927, legislation limited the executive branch to no more than 20 departments. Today there are more than 500 administrative bodies consisting of agencies, authorities and commissions, not including the plethora of local government entities. The 1927 executive branch workforce consisted of 29,000 employees and operated under a budget of $239 million. Today, state agency employees total over 195,000 and the state's budget is approximately $135 billion.

Without question, the proliferation of state agencies over the years has been enormous. The establishment and addition of state agencies was sometimes undertaken without regard to the long-term consequences of cost to the state and the effectiveness and redundancies in agency responsibilities. As more government entities were added, state government became more distended, complex and tangled. This not only hindered efficient government operations but also required more state revenues to fuel the increasing bureaucracy.

Recent Consolidations and Mergers

Partial restructuring of state agencies occurs from time to time, especially when a new governor takes office. For example, in 1994, Governor George Pataki reorganized the executive branch by, among other moves, eliminating the

State Energy Office and transferring some functions to the New York State Energy Research and Development Authority (NYSERDA). In 2010, Governor David Paterson proposed a bill to save tax dollars by eliminating hundreds of task forces, workgroups and advisory councils that had outlived their usefulness. The bill did not pass the Legislature.

Governor Cuomo began his term in a similar fashion by proposing several agency reorganizations. As part of the 2011-2012 Budget, three changes of state government agencies were approved:

- The Department of Correctional Services and the Division of Parole became the Department of Correctional and Community Supervision;
- The Department of Banking, the Department of Insurance and the State Consumer Protection Board became the Department of Financial Regulation (with some of the state CPB responsibilities being merged with the Department of State); and
- The Foundation for Science Technology and Innovation was merged with the Empire State Development Corporation.[1]

The SAGE Commission's responsibility is much more comprehensive than previous efforts. It is charged with the colossal duty to undertake an all-inclusive review of every state agency before making its recommendations to make state government more efficient, effective and accountable.

To further streamline state government, the state enacted the Executive Reform Reorganization Act of 2011. This law authorizes the governor to restructure state agencies and, when necessary, authorizes the governor to submit a reorganization plan to the Legislature, which must vote on such plan within 30 days of its submission.

The SAGE Commission

In April 2011, the governor named Antonio M. Perez, chairman and chief executive officer of Eastman Kodak Company, to serve as co-chair of SAGE with Paul Francis, the state's director of Agency Redesign and Efficiency. In addition, over 20 other individuals from the private and public sectors have been appointed to the commission.[2]

The SAGE Commission, which has already begun its work, will undertake a complete review of all state agency functions. Its goal is to streamline state government by consolidating agencies, authorities, commissions and other entities that have overlapping responsibilities. In addition, the commission has been asked to identify improvements in operations, develop measurable targets to improve performance, make government more open, transparent and available to the public, and to identify non-critical activities of state agencies.

The nature and extent of the commission's proposals are unknown. Its initial goal is to make recommendations that achieve a 20 percent reduction in the number of state administrative entities, but it is premature to speculate how that objective would be achieved. In addition, the 20 percent figure is not fixed and the commission could come up with alternatives that achieve greater or lesser decreases in state government agencies.

Industry members have long complained of their frustrating interactions with state government. Apart from attempts to comply with unnecessary and burdensome rules, members have found that some agencies are difficult to work with and have methods that are inconsistent with logic or general business practices. ESPA has, on many occasions, recommended to agencies ways to streamline and make their regulatory approaches more efficient. In many instances, these suggestions were accepted and adopted. But a piecemeal approach to achieving government efficiency is not a sensible solution. New York government remains a bureaucracy of mammoth proportions that is in desperate need of an overhaul to achieve efficiency, effectiveness and accountability.

One example involves the oversight of petroleum discharges by the

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state. Even if a dealer is innocent of any involvement in a discharge, a marketer may find itself involved in a proceeding to determine liability and cleanup costs that includes a number of agencies – the Department of Environmental Conservation (DEC) central office, the DEC regional office, the State Comptroller, the Attorney General's Office and, depending on the location, local county or city authorities. This is not an efficient use of government resources.

The commission's final recommendations are due June 1, 2012, with periodic progress reports to be issued. Skeptics will question whether the commission can, within one year, suggest meaningful reforms for a state bureaucratic system that has been shaped over an 84-year period. New York government is so immense and interconnected that it might be too difficult to untangle and too complex to disengage. Given the logistics, the political considerations and number of interest groups that have a stake in state government, one may wonder whether the problem is simply too big to repair. Nonetheless, the fact that the state is considering a full examination and possible restructuring of its regulatory operations is a positive development that could potentially yield momentous change.

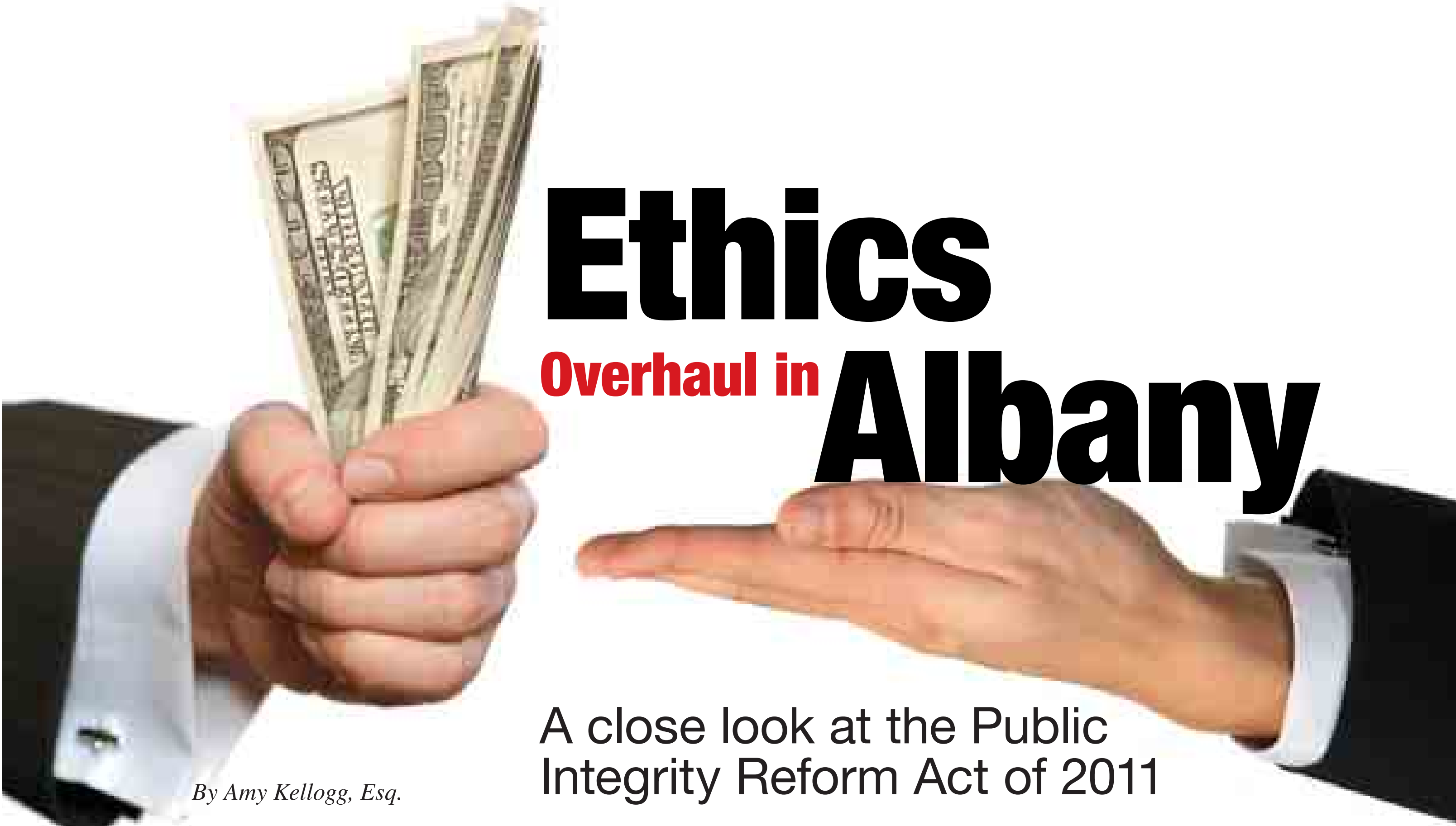
Conclusion

It is encouraging for the governor to acknowledge that, "[F]or decades, our state government has ballooned, involving into the sprawling and inefficient bureaucracy we have today." It emphasizes the need for state government restructuring. A comprehensive analysis of state government operations with a goal toward reducing wasteful operations is an encouraging undertaking. However, it will be almost a year before the SAGE Commission makes its final recommendations and it is only then that the public will learn if the commission has performed as intended. Whether those recommendations will be adopted also remains to be seen.

In general, the streamlining of government would result in operational efficiencies and cost savings that would be both fiscally and functionally beneficial. Members of our industry who regularly interact with government agencies would certainly welcome the intended relief that the SAGE Commission is responsible for delivering. Perhaps then, industry members could view the business climate in New York more favorably. ▲

[1]The governor had also proposed that the Office for the Prevention of Domestic Violence, the Office of Victim Services, and the State Commission of Correction be merged with the Division of Criminal Justice Services, but this was not approved by the Legislature.

[2]The list of commission members can be viewed on the SAGE Commission website at www.governor.ny.gov/sage. The site also invites the public to submit suggestions to improve state government efficiency, quality and effectiveness.



Ethics Overhaul in Albany

A close look at the Public Integrity Reform Act of 2011

By Amy Kellogg, Esq.

Governor Andrew Cuomo made many significant campaign promises when he ran for governor of New York last year. One of his promises was that he would restore integrity to Albany and politics by passing an ethics reform measure. Many were skeptical about his ability to accomplish this goal. The most significant ethics measures that were needed would require oversight and regulation of the members of the New York State Legislature. This meant that the governor would need to convince the seated members of the Legislature that they needed to pass an ethics reform bill that would more stringently regulate their incomes and activities. It seemed a conundrum that had no solution.

In the end though, a solution was found. It took several months and some very intense negotiations, but an ethics reform bill did pass both houses of the Legislature. The bill is known as the Public Integrity Reform Act of 2011. The first major change to happen under this legislation is the elimination of the Commission on Public Integrity, which regulates lobbyists, and the State Ethics Commission, which regulates executive branch employees and the governor, plus a change in the jurisdiction of the Legislative Ethics Commission, which regulates legislative branch employees and elected officials. The three commissions will be joined together under a new joint commission known as the Joint Commission on Public Ethics. This new joint commission will have jurisdiction over executive and legislative employees and elected officials, as well as jurisdiction over registered lobbyists. The Commission on Public Integrity and the State Ethics Commission will be dissolved completely. The Legislative Ethics Commission will still exist but will now impose penalties and sanctions after the Joint Commission does an investigation of a possible ethics breach by a legislative employee or elected official.

The new ethics law includes several significant changes for legislators. The new law will prohibit a legislator from receiving any compensation from a client that relates to any legislation, resolution or executive order. In addition, the new law will require legislators to list their clients as well as information regarding what compensation the clients are paying. Under current disclosure laws, some information about income was required, but the legislators did not need to disclose who their clients were. This new law will require very specific information and may change the way business is done in Albany. The new disclosure requirements will take effect on January 1, 2013, at the beginning of the next legislative session. It will be interesting to note who runs again for office and who decides not to. Obviously, not everyone who doesn't seek re-election in November 2012 is doing so because of the new laws, but there may well be a few whose decision is influenced by the new law.

The new ethics law will also require any elected official who is convicted of a crime related to their public office to forfeit their pensions. In the past few years, several elected officials have been found guilty of crimes based on abusing their status as an elected official. While these elected officials have had to give up their seat, they did not have to give up their pension benefits. The new ethics law will change this.

For the most part, the new ethics law does not change the current landscape for registered lobbyists. However, there

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will be a few new aspects. As discussed, the new regulating entity will be the Joint Commission on Public Ethics, and no longer the Commission on Public Integrity. In addition, the new law will require online ethics training for registered lobbyists. The new law will also put in place new disclosure requirements for groups that are formed to lobby on specific issues when the group is supported by contributions from outside sources. For example, coalitions like the one supporting wine in grocery stores will now have to disclose the members of their coalition and who is contributing what dollars. These groups have been on the rise in the past few years, and there is not a law in place that requires these groups to disclose who is funding their lobbying activities.

Finally, the new law will also expand the definition of what constitutes lobbying. Current law says that one aspect of lobbying is the attempt to influence a bill or resolution. The new law will say that lobbying is not only an attempt to influence a bill or resolution that is already introduced but also the process of trying to get a bill or resolution introduced.

An area that has been in limbo since the passage of the last ethics reform bill in 2007 is the legality of hosting a legislative reception. Prior to the passage of the last ethics bill, various groups would host receptions in Albany for their group. These groups would invite all legislators and their staffs to these receptions. The receptions served as a place for members of the groups to meet and greet with their elected officials in a more casual setting. After the passage of the 2007 law, there was an interpretation that stated these legislative receptions were no longer allowed because they violated the New York state gift law. While the 2007 legislation sought to limit gifts that would unduly influence elected officials, everyone agreed that eliminating legislative receptions was never the intention of the changes. The new law clarifies the language used regarding legislative receptions and once again allows them to be held.

The new ethics law also addressed several areas of the campaign finance law in New York. Starting on January 1, 2012, entities that make independent expenditures on advertising in campaigns will have to disclose what money they have spent and on whose behalf the advertising was done. The new law will also require the text and scripts of advertisements to be disclosed to the New York State Board of Elections.

The new law did not change the campaign contribution guidelines or limits. However, the new ethics law did significantly increase the penalties associated with violating the campaign contribution limits. Therefore, it is important to know the campaign contribution limits and adhere to them closely. For those that aren't familiar with the contribution limits, please see "Contribution Limits" to the right. Remember that while direct contributions absolutely count towards these limits, so do contributions that are considered "in kind." In kind contributions include things like purchasing an advertisement in a campaign program, donating a television to a golf outing or sponsoring the food and beverage at a campaign event. All of these activities also count towards the overall campaign contributions that can be made.

The governor signed this bill into law on August 15, 2011. The Joint Commission on Public Integrity will become effective four months after the signing of the bill. We will be following the actions of the Joint Commission on Public Integrity and will keep you apprised of any and all changes of significance to ESPA and its members. ▲

Contribution Limits

There are two contribution levels to keep in mind – the election limit and the contribution limit. The election limit is the amount a candidate for office can accept from any one source and is outlined as follows:

- A candidate for New York State Senate may accept a contribution for up to $10,300.
- A candidate for New York State Assembly may accept a contribution for up to $4,100.
- A candidate for statewide office may accept a contribution for up to $41,100.

The contribution limit is the amount of money a contributor may expend on all contributions to candidates for public office and is outlined as follows:

- An individual may contribute up to a total of $150,000 in a calendar year.
- A corporation may contribute up to a total of $5,000 in a calendar year.
- A limited liability company is treated as an individual and may contribute up to $150,000 in a calendar year.
- Partnership contributions are contributions from the partners individually.
- Each affiliated or subsidiary corporation, if a separate legal entity, has its own limit.
- A political action committee (PAC) has no aggregate calendar year limitations.

This means that there are two limits that must be kept in mind when making campaign contributions. For more information, visit www.elections.state.ny.us.


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Defining Denial

What exactly is the world willing to do about CO_2?

By Dan Gilligan, President, Petroleum Marketers Association of America

Over 30 years ago, a *Newsweek* magazine cover page focused on new science projecting the next "Ice Age" for planet earth. Scientists were concerned that climate patterns were trending towards global cooling and the ramifications could be catastrophic. In the 1980s, the concern reversed and the focus turned to global warming. Now, in the 21st century, the concern is both about global cooling, global warming and climate change in general. The most recent science now shows that the earth has cooled some in the past 10 years. No wonder the non-scientists are starting to ask questions.

While the earth has cooled over the past 10 years the rhetoric has really heated up and, today, any person that questions climate science is called a "denier." Using the term "denier" frames the debate in a context similar to the fight over evolution, where Clarence Darrow squared off against William Jennings Bryan in a Tennessee courtroom. Actually, it's a little ironic because the people who fully embrace climate science are more "religious" and unwavering in their view than those who have questions.

I, for one, am not a denier but, because I'm not a scientist, I doubt if my opinion matters. It seems logical to me that excessive amounts of CO_2 in the earth's atmosphere could affect the earth's climate. What appears to get fuzzy is the science calculating just how much CO_2 and fossil fuels affects global climate change. Recently, the EPA projected that its new GHG Tailpipe regulations would reduce the earth's temperature somewhere between .006°C and .014°C by 2100. Now stop and think about this for a minute. Can scientists really predict the temperature of the earth to a one hundredth of a degree 89 years from now? I guess they can; and who am I to question scientists?

Putting aside the science, to me the bigger question is: "What exactly is the world willing to do about CO_2?" The United States currently relies on fossil fuels for 80 percent of its energy needs. While we can reduce our fossil fuel

Crimping fuel use is akin to a weight-conscious person ordering the half-pound cheeseburger, with large fries and a *diet* soft drink. Just exactly who is the real denier?

consumption, is it realistic to think we can reduce enough to significantly change earth's climate without costing U.S. jobs? If the U.S. Treasury was flush with cash, I suppose lawmakers could dramatically subsidize alternative energy sources but we all know Uncle Sam's cupboard is now bare. It's starting to look to me like lawmakers are going to crimp fossil fuel use, but really not enough to make any real difference in global climate projections.

It's akin to a weight-conscious person ordering the half-pound cheeseburger, with large fries and a *diet* soft drink. Just exactly who is the real denier?

Recently, I was watching a spokesman for an environmental group doing a TV interview. To paraphrase his comments, he said that the U.S. has amassed its great wealth by polluting the planet with CO_2 and that the U.S. needs to now pay reparations and voluntarily give up some of its wealth by reducing fossil fuel consumption. Huh? I had to check and make sure I was not watching the comedy channel.

These kinds of anti-American sentiments, as they relate to energy, are rarely heard or understood by Americans. I can assure you that there are members of Congress who agree with the sentiment but package it differently. The public discussion is never about U.S. austerity, but about clean energy and going green. Americans love clean energy and going green until they see the price tag. The cap and trade bill that passed the House of Representatives in 2007 was specifically designed to increase the cost of gasoline, diesel and heating oil by $300 billion over 10 years. We were going to voluntarily raise the price of gasoline to combat global cooling/warming. Thankfully, that measure died in the Senate. The true beneficiaries of that law would have been countries in Asia and Africa who have no plans to reduce CO_2 and would gladly consume the oil while the U.S. diets.

PMAA believes energy conservation is a very good thing and should be pursued aggressively within the context of a comprehensive national energy policy. When the alleged deniers and the actual deniers put down their swords, significant energy conservation measures will be adopted as part of a realistic national energy policy. ▲


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Successful Collection Policies

The four essential elements

By Tom Gavinski, I.C. System, Inc.

Most organizations have a written credit policy. It spells out who gets how much credit, for how long and under what conditions. However, some of these same organizations fail to back their credit policy with a written collection policy, which takes effect when a receivable becomes past due or a check bounces.

Four Elements for Success

1. Consistency and credibility: Your organization needs to maintain one consistent attitude when dealing with people who owe money. Oftentimes, the owner defines and dictates the attitude to be replicated by all employees. Collectors need to know that the attitude will be supported up and down the line by all others who come into contact with debtors in various capacities. If this fails to happen, the collector's credibility will be diminished in the customer's mind.

2. Dealing with delinquent customers: A collection policy needs to reflect:

- Who is authorized to negotiate, and
- Who is allowed to make exceptions.

Collectors must understand how much flexibility they have in dealing with delinquent customers. Can they arrange or alter installment payment plans, reduce the amount due under certain circumstances, change the due date, forget a debt entirely, or hold out for payment in full? It's important that a collector knows these answers prior to negotiating with delinquent customers since any hesitation on their part can weaken their position.

Exceptions need to involve everyone, especially the collector. A key part of this is eliminating unilateral decisions from up the line. For example, consider a delinquent customer who doesn't like that a collector is requiring payment in full. The customer may then go directly to the owner/manager who, without informing the collector, unilaterally tells the customer to forget the debt. The owner/manager does this to eliminate an uncomfortable situation. This quick "fix" can and will, however, hamper your collection efforts.

3. Practices within the policy: You need to determine what sort of practices your policy will include for dealing with delinquent customers. While the possibilities available to you are endless, consider the following questions:

- Will you put messages on your past due statements?
- Will you use collection letters?
- Will you use the telephone?
- Will you talk to delinquent customers in person when they visit your office?

Your answers to these questions help define your office's attitude toward debtors and help create your collection policy.

4. Enforcing the policy: A collection policy is only as strong as your willingness to enforce it. And you will need to enforce it. Unfortunately, some people will not pay you unless you take action. These people have little interest in maintaining a relationship and are the very people you want to collect from the most.

This is when you need to review all the possibilities open to you regarding enforcement. Considering practical, ethical, legal and business factors, you need to answer the following questions:

- Can you do it?
- Are you willing to do it?
- Are there ethical problems in doing it?
- Is it legal to do it?
- Would the action(s) do more harm than good to your organization?

Finally, consider whether you are willing and able to:

Stop service? This involves withholding future services (or requiring payment prior to service).

Charge a penalty? This includes interest charges and billing fees.

Impact credit? This includes accurately reporting your experience to credit bureaus, which affects the debtor's ability to obtain credit.

Hire an agency? This includes outsourcing accounts to an agency for professional collection. ▲

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Four Steps
to Increase Service Profits
Integrated approach ensures competitive advantage

By Michelle Wilson, Senior Analyst, ServicEdge™

Profitability in your service department has never been more important. Of course, this sounds like a simple and obvious statement with a fundamental logic that spans decades of industry history. However, it is more than just commonsense in today's marketplace. Our contemporary market demands that full service dealers treat their service departments the same way a stand-alone HVAC company would – be profitable or suffer the consequences.

So what has changed that would force many full service oil heat providers to look differently at their service group? The price run-up in 2008 changed a fundamental and historic philosophy in the oil heat industry.

That philosophy was that oil sales could cover losses in the service department and that customers would pay higher prices for oil if they received dependable 24/7 service. When the vast majority of competitors operated under that assumption, the competitive playing field was level. However, 2008 provided an impetus for change that has evolved quickly and is threatening the old paradigm; and, it's not just from discounters. Clearly, the price run-up legitimized the "discounter" model and changed the competitive dynamic for many full service companies. Another model has emerged that may prove even more threatening to companies still operating under the old paradigm.

This model emerged in the Mid-Atlantic market and is catching on in other areas of the Northeast. That model provides customers with lower fuel prices and service. Many of the companies that have adopted that model were previously discounters that evolved into service. The difference between them and the traditional marketer is that they, by the nature of their business model, had to run a lean service department that could compete on quality. This is a competitive change in the industry's landscape that is not going away. So if you are a marketer that still believes you need to charge higher prices for fuel because you "have great service," you need to think about changing – and changing fast – to a new service philosophy.

Change begins with adopting basic principles that capitalize on evolving competitive conditions in a way that creates long-term sustainability. Given the predictable changes in our competitive landscape, one simple principal must be adopted by the traditional marketer – run your service department as a stand alone profit center. For example, if your service department was profitable at 10 percent of total HVAC sales, would a discounter-only competitor really threaten you? Sure, you may take a hit on fuel margins if you had to – but your service department in this case has become your competitive advantage. Likewise, this change prepares your company to compete against the emerging model discussed earlier. Either way, this change is necessary.

There are four critical steps to accomplish this change. And, the good news is they are realistically achievable.

1. Measure Service Separately: Most marketers combine oil sales and service sales and all the expenses together. As a rolled-up presentation, the financial picture is unclear with respect to profitability in each group. This will mask losses in service and provide an unclear picture as to the real profits in oil sales only. Obviously, being able to analyze each separately allows for much better management decision-making with respect to cost, pricing and planning. With an independent financial look at each side of the business, a marketer can manage the process of establishing a sustainable competitive advantage.

2. Implement a Marketing Calendar: Profit improvement in service requires better cost management, better efficiency and more sales – at the right time. The peaks and valleys of service workflow can drive employees crazy during the busy times and worry management when things are slow. Unfortunately, both the peaks and valleys create inefficiency for different reasons that dilute profit. An annual marketing calendar is relatively easy and cost effective to have implemented. Planned properly and implemented by the marketer or an outside firm, this approach can be a solution to filling the valleys and taking some of the overload out of the peaks. The objective of a marketing calendar is to drive profitable sales and increase service revenue while fully utilizing human resources on a more consistent year-long basis. It works best with a targeted equipment sales approach.

3. Targeted equipment sales: The TankSure® Program has the industry's most robust equipment sales database available. The marketing data is spot-on because it's collected by service technicians at each customer residence during a service call. With one in three residences requiring some repairs or replacements for the tank system or heating equipment, this database grows quickly once the process is implemented. These sales opportunities are then catalogued in each marketer's database by each specific corrective action required, like replacing a bad tank or selling central air to a residence that has existing duct work. Using this process, some marketers have filled work "valleys" with hundreds of thousands of dollars in new service revenue. It is also a turn-key process that includes all the marketing.

4. Make the techs part of the process: Your own technicians are a great source for process improvement feedback. When an integrated method is implemented to improve service profitability the first line personnel must be involved. This can seem a little intimidating for some managers. However, when an outside firm conducts a non-threatening "focus group" to initiate the process, they almost universally participate in a positive way. In most cases, it helps to implement or reinvigorate an incentive or bonus program based on new goals and measures. In aggregate, this can help create an environment where much of the change is recommended, supported and implemented by front line employees.

Improving profitability in service requires an integrated approach that involves separate financial analysis, better year-round marketing, improving efficiency and more employee involvement. And, it is now more than just profits – it's about strategically preparing for a future that is rapidly approaching. ▲

Michelle Wilson is a senior analyst with ServicEdge. ServicEdge offers the integrated suite of services discussed here for the purpose of helping full service marketers improve the profitability of their service departments. Wilson can be reached at 603-334-1013 or michelle_wilson@bostonenv.com.

Next-Generation Web Solutions

Distance yourself from the field with a superior online presence

By Richard Rutigliano, PriMedia, Inc.

Success in Oilheat means building your customer base, and the Internet is the premier venue for fueling growth. Survey upon survey shows that consumers turn to the Web, and specifically Google, when looking for local services, and they prefer companies that provide a superior online experience.

This is good news for marketers who have the drive and the resources to capitalize on their online opportunities. By creating a far-reaching, impressive and convenient Internet presence, you can differentiate yourself from competitors to such a degree that local consumers will easily find you and identify you as the leading provider.

Evidence of the Internet's central role in local commerce continues to mount. A recent BIA/Kinsey survey showed that 90 percent of consumers use search engines when researching products or services locally. Another survey, the Local Search Association's Local Media Tracking Study, indicates that three-quarters of consumers have used search engines in the past year to find local businesses. And a survey conducted by BrightLocal.com this year shows that 59 percent of consumers use Google each month to find a good local business.

BIA/Kinsey's Director of Research Steve Marshall summarized his company's findings: "The Internet has indeed become an integral part of consumers' local commercial activity. The data suggests we're at an inflection point where the balance of power in local shopping is shifting to online."

Customers Will Pay for a Good Experience

The surveys also indicate that customers are looking to upgrade their experience. The Customer Experience Report conducted by Harris Interactive showed that customer experience plays a significant role in determining where consumers choose to shop and how much they are willing to spend. Eighty-five percent of respondents to the Harris survey said they would be willing to pay more than the standard price of a good or service to ensure a superior customer experience. Fifty-five percent said they would pay 10 percent more, and 27 percent said they'd be willing to pay 15 percent more.

Similarly, a study by Aberdeen Group found that best-in-class customer experience organizations have 75 percent greater customer retention and 65 percent better customer satisfaction than the average company. Moreover, companies that pay attention to the customer experience get more customers, too, with over 300 percent more leads in their sales pipeline that result in closed business.

These days, you can provide a website that rides like a premium roller coaster. Customers can order online, review their account details, enroll in programs – all the while earning loyalty points toward merchandise and services they truly appreciate. Offer a great ride, and premium-minded customers will prefer you to your competitors.

Demonstrate Your Capabilities

Customers might not expect enterprise-class e-commerce from a local home comfort company, but they'd like to get their money's worth. They're spending thousands of dollars a year on heat alone, and they appreciate all the service and convenience that you can provide.

They also want to be convinced of your technological savvy. A central premise of our industry's value is that we offer advanced solutions for energy conservation. Consciously or unconsciously, customers will make inferences about a company's capabilities and competence based on how they use technology online. Building strong functionality into the company website sends excellent signals about the work you do.

It's not just the technology itself that impresses customers, it's also the convenience and value that you add to the customer experience. When a company makes it easy to do meaningful business online, they offer the customer more for their money.

An Oilheat marketer has two primary requirements when it comes to its online presence: high visibility and a compelling presentation. Visibility online requires excellent search performance, which is delivered by the website (including behind-the-scenes coding) and social media activity. Once customers find the website, they should form a highly favorable impression that makes the company appear exceptional. In home comfort, it's good to be perceived as smart, dedicated, sophisticated, forward thinking and friendly.

Take a Full-Circle View

At PriMedia, we advocate an integrated approach to online marketing that we call Web360. We believe the role of the marketing agency is to provide a broad range of Internet strategies and tools and help clients to select the products and services that directly support their particular goals and aspirations. No two companies are the same, and every marketing program should be unique.

We look beyond first-generation and second-generation Internet services to a new wave of solutions that deliver next-level convenience and value. Companies don't need to use every available tool, but they should evaluate them all in the context of their own competitive environment.

Here is a quick overview of online solutions that can help differentiate a company from the field.

Website design and optimization: A company's website is a vital asset, and you can raise your profile by making your site an exceptional source of information and convenience. The company site is often the first impression for a new prospect and the resource they use to vet you and compare you to the competition. It is a 24-hour salesforce that promotes the company's products, services and benefits. The website should be updated regularly so it feels timely and well maintained, and the writing should convey a voice of confidence and authority. Visitors should find information resources that address all their questions, as well as timely coupons and special offers.

Visitors are not the only audience, however. The site also needs to communicate effectively with Google and other search engines through behind-the-scenes coding known as search engine optimization (SEO). Designing and coding the site effectively for the search engines places your site higher in search results so that visitors find the company quickly when performing any relevant search. High visibility is a must, and comprehensive SEO makes it happen. When you publish a website that is easy to find and puts your company in an excellent light, your chances for growth and prosperity multiply.

Social media integration: Expert SEO is essential, but it is not a total solution for maximum visibility. To take your visibility to the next level, it is essential to generate multiple listings that appear high in the search results. New listings result when a company interacts on sites such as Facebook, Twitter and YouTube and claims listings in local search directories and review sites like Yelp and Angie's List. Instead of finding only the company website, a prospect using a search engine sees your company name repeatedly in different listings, so you appear to be everywhere.

A blog on the company website works very effectively with social media, because every blog post can lead to an update on Facebook and Twitter and create more potential search results for the company. Social media also generates more website traffic, which leads to better search performance. Just being present on Facebook and Twitter is not enough, however; you must master the medium by providing interesting information and speaking in a friendly voice. Only then will you truly engage people and leverage the power of social media influence, which is much like traditional word of mouth.

Customer Account Lookup: If you're adding just one premium convenience to your site this year, customer account lookup is an excellent choice. You'll create a large-company customer experience, make your website their website, and provide the kind of openness and control that online consumers expect. Without even building a new website, you can add a portal where customers can check their balances and account histories, use a budget plan calculator, schedule a delivery or service call, and make online payments.

Once you make account lookup available, you can promote it aggressively within your base to strengthen existing relationships. At the same time, highlight the new service prominently on your home page so that prospects can be impressed by your commitment to convenience. The customer portal that you create will also become a vital marketing tool, where you can take advantage of the high-volume customer traffic with timely seasonal promotions, social media tie-ins and program announcements.

Offer online loyalty rewards programs that makes customers stick: When your website offers the opportunity to redeem loyalty points for an iPad or a wide-screen TV, you tap the kind of motivation that can make customers rush

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to do business with you. Rewards programs are everywhere, and they work because many consumers are "points junkies" who want extra value in return for all the money they spend. A typical customer will spend thousands with their Oilheat company next year, and a lot of them are more likely to stick around when they can parlay that spending into a discount on a reward item that they really want.

Each company sets its own rules and guidelines for awarding and redeeming points. It makes sense to use rewards points as currency with your customers – offering extra points as incentives and making spontaneous awards to appease a customer or close a deal. Integrating a robust rewards program with a strong back-end system is straightforward and once the program is up-and-running, it is virtually automatic. For companies that are diversifying, rewards points make a great incentive for customers to try new services.

By creating a rewards program with a large-company feel, attractive rewards items and an online portal for tracking and redemption, you make your company "stickier" than the competition. Your customers have a new reason to stay with you – and to loosen their purse strings and finally make that overdue system upgrade. Prospects will also be attracted by the prospect of getting something extra for their Oilheat dollars.

The security of signed contracts and the flexibility to enroll anytime: Using the Internet to facilitate your price protection enrollment is beneficial to your bottom line and convenient for your customers. You make price protection easier to use, shorten the window for leaving price offers on the table, and speed contract completion. In addition to those important company benefits, you'll satisfy customers by delivering the kind of instantaneous resolution that major e-commerce vendors have led them to expect. Prospects and customers will appreciate your commitment to

advanced online convenience and draw positive inferences about the company.

Paperless billing with infinite possibilities: Electronic billing is a standard option that most large companies offer. By making it available to your base, you appear larger and stronger while improving your green credentials. A commitment to sound environmental practices through technology (paperless billing) is a nice image enhancer for a company that promotes conservation through advanced technological solutions.

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By implementing paperless billing and promoting it effectively, you'll make it easy for consumers to differentiate between you and the rest of the field. You'll also see your bottom line improve because a premium paperless program combines bill production, printing, stuffing, mailing, e-mailing and marketing in one neat package. As customers gravitate towards e-billing, you'll spend less on postage and printing, and customers will be able to pay you more quickly.

Paperless billing is great for your marketing, because you can put timely announcements on your e-bills that contain direct links to web pages where customers can learn about new products and services, print coupons and enroll in company programs. The Internet is a great venue for cross marketing, and paperless billing is an excellent vehicle for connecting customers to products and services that they have not tried.

The Internet is where local commerce happens and where today's consumers get their word of mouth. Companies that open their minds, embrace the medium, and master the intricacies of social media marketing will enlist customers that their rivals never even knew were available.▲

Richard Rutigliano is president of Pri-Media, Inc., a full-service advertising/integrated marketing communications/new media firm with offices in New York City, Long Island and Boston. The company is now offering free marketing consultations to Oilheat retailers. For more information, call 800-796-3342, or visit www.primediany.com and www.oilheat-advertising.com.

Have You Monetized Your Cash Flow?

Why it's more important than ever

By Tracy Richmond, AVATAS Payment Solutions

When was the last time you had your key management team members together to talk about your company's receivables process? Have you talked about how your customers are paying you? Sure, you might be acutely aware that people are paying more often via credit card. You might have also had conversations about how it's time to offer online bill payment. Besides those two conversations, what other conversations have you had? If your answer is none or very little, I would encourage you to read on.

With the fluctuations in oil prices we have seen over the last few years that cash flow has never been more important. Take the time to sit down with your team and understand how your customers are paying you. Take a look at the customers that are the slowest at paying. Are they causing a strain to your cash flow? If not today, will it become more of an issue in the future? Is there any way to encourage them to move to a budget plan? What other options do you have to improve the days outstanding? If this year proves to be another year of high oil prices, will you become a "bank" to these customers? Is this customer worth the carrying cost? The only way to make these decisions is to have the conversations. Take the time to really look at your receivables.

While you are having these conversations, spend some time on your commercial accounts. Commercial accounts are normally discounted. Have you ever monetized the expense of the receivables for these accounts and then added that to the discount to see the actual impact to margin? Let me give you an example.

Let's say your commercial account discount for one customer is 10 cents/gallon. The account pays their bill with an American Express credit card. Do you know what your processing expense is for American Express? It is most likely somewhere around 3 percent. In most instances, this equates to over 9 cents/gallon! Now this commercial account has essentially been discounted 19 cents! Was that in your plan?

Controlling cash-flow, transaction costs and reducing expenses are essential to surviving in today's business world. Most of the dealers I work with tell me they implement a lot of the receivables management processes I mentioned above to be "convenient." Dealers offer online bill payment to make payments easier or offer credit card payments because they think their customers want to earn points and again, they want to be "convenient" to these customers. If that is the ONLY reason you are offering these services then you are missing a key element in the receivables process! Online bill payment is convenient to YOU! Imagine that *your* customer goes to *your* website, reads *your* marketing material and makes a payment directly to **you** that shows up in your checking account the very next day. Wow, that sounds pretty convenient to me. Oh, and you can do all of this for about three cents a gallon? What would it cost you to receive that same payment via your traditional receivables method? If you don't know, it's because you have not monetized your cash flow. ▲

Tracy Richmond works with home heating retailers across the country to help streamline their payment process and implement simple cost and time saving solutions. She is the co-owner of AVATAS Payment Solutions and presently works with hundreds of dealers from small one-man trucks to the nation's largest home heating distributors. AVATAS is a long-standing supporter of ESPA. Reach AVATAS at info@avataspayments.com or 866-849-8800.

Control Your Franchise Destiny

How do you ensure your future business survival?

By Ken Shriber, Petroleum Equity Group Ltd.

Since I was endorsed by ESPA in 2010, I have not devoted nearly enough communications or information to my fellow New York members about single- and multi-store franchisee operators. This article changes all that.

Regardless of whether you have growth aspirations, it is imperative that you ponder your future given the new world order of growing fuel distribution companies. Should you buy? Should you sell? If you already own the property, should you execute a sale/leaseback? How can you achieve better wholesale prices on the fuel you buy? These are all questions you should ask yourself, taking into consideration your particular situation.

If you are a New Jersey or California franchisee, where there are some significant major oil company retail assets still on the market, you are uniquely advantaged. Under a right of first refusal statute, should a major-oil or branded fuels distributor and property owner of size decide to sell their chains and keep the fuel brand in the market, they must first offer the site to you for purchase.

If you fall in this category and you have some cash equity on hand, congratulations: you may have the chance to positively affect your future prosperity. If and when you get control of your properties, you may want to expand and buy other sites.

If you are not lucky enough to live on either coast (and we can debate whether living in New Jersey can be considered lucky; I can say this because I grew up there), what now? What should you do now to ensure your future business survival?

What to do Next

The following items should help you to navigate around the issues:

1. If you are a franchisee to a branded oil company that owns your property, ask if the company would be willing to sell it to you in exchange for a long-term agreement to continue to fly the oil company flag. If so, while financing is not guaranteed, it is available if you know where to look. (NOTE: SBA loans are not being offered to our industry at the time of this writing.)

2. If the answer to the previous question is "yes," ask if you can shop around for the best supply/price of fuel among the company's branded distributors. While any reputable distributor will require a contract of some length, this will give you added leverage and control and, hopefully, better profit margins over time.

3. If the answer to the first two questions is "no," seek the advice of a professional to determine the long-term viability of your location(s) and establish a plan. You may be well advised to stay put, or seek single store acquisition opportunities in your geographic area, with a different brand or an unbranded offering.

4. If you operate on a leased property, try to find the property owner and make contact. Ask the owner if he or she would be willing to sell the location to you, or would allow for the assignment of the lease to you while maintaining the brand and operational requirements. Even though this can be tricky, you never know what a land owner may be willing to do, and circumstances do change over time. While the owner may say no to both questions, one year from now he or she may be more flexible.

5. If you are fortunate enough to own the property and improvements at the location(s) you operate, you are in the perfect position to maintain long-term viability. You control your destiny and can seek the best available fuel supply contract with station improvements, or go unbranded if warranted by your marketplace. May the force be with you!

To truly set yourself and your business on the right course in the months and years ahead, it is highly advisable to seek the advice of industry professionals. They should have a macro and microeconomic view of the fuels industry, knowledge about valuations of retail/commercial real estate and businesses, and access to capital. ▲

Ken Shriber is VP of PetroProperties & Finance and managing director of Petroleum Equity Group Ltd., which provides consulting advice and financial advisory services to fuels jobbers and large multi-store franchisees. He can be reached at 917-882-2702 or ks@petroleumequitygroup.com. Or, visit online at www.petroleumequitygroup.com.

Defending Your Margin

Attacks On Your Margin

Taking the holistic approach

By Matthew Ide, Angus Energy

The *Merriam Webster* dictionary defines holistic as "relating to the complete systems rather than with individual parts." So how does this relate to margins of a heating oil company? I'll answer with another common quote: "Treat the patient not the disease." For many years when my colleagues and I talked to companies about their margins, the conversation centered on the price level that that company's market allows them to charge and how to cover gallons under the company's price programs. While these are important factors impacting margins, we have found there are other drivers equally important that impact a company's margins. By addressing those factors, margins can be defended and actually expanded.

You Can't Get There from Here

The first item in talking with dealers over the years is that the "battle" to defend your margin is not worth fighting for. What I mean by this is that unless your margin achieves your company's financial objectives, attaining it doesn't matter. So, the first step to defend your margin is to make sure it's worth defending. To do this, budgets have to be established that will determine a financial result that will meet your company's and your own individual needs as an owner/stockholder. The budget has to contain enough detail to provide operational management with a road map they can use to constantly check to ensure the company is on the right track to meeting its financial goals.

Heating Oil Dealers Enemy No. 1

The biggest threat to your margins and achieving your financial objectives established in the budget is an improperly hedged price program. I've been providing financial analysis and capital to heating oil dealers for over a decade, and this item is by far THE biggest threat to margins. I can sight countless examples over the years, where an improperly hedged price program not only crushed margins on the price programs themselves but negatively impacted variable posted price margins as well. What may be most surprising is that the biggest threat to your margin is totaling controllable by you, the dealer.

While this article is not intended to get into the specific tactics of implementing a hedge program (my risk management colleagues at Angus are experts in this area), I cannot overstate the importance to make sure your price program margins are secure regardless of commodity price movement, either up or down. A proper hedge program will make your margin and customers ambivalent to a rising or falling market. Many dealers comment on the cost associated with implementing a proper hedge program but when dealers commit to implementing and executing a budget process they quickly conclude that the true cost is not have a proper hedging program because the cost of not having one can put the company out of business.

We Don't Know What We Are Fighting For

With the budget and hedge program in place, you now know what your margins need to be on each of your customer segments, fixed, capped and variable and, most important, you know those margins are worth fighting for and defending. This is especially important as you prepare your customer service representatives (CSRs) for the challenge of communicating with your customers and responding to their questions and concerns over price. Informing your CSRs of the financial impact of price concessions and linking that impact to the company's financial objectives, including their own, is a good way to get everyone on the same page. (This can be done in a way that does not compromise financial information that isn't appropriate for employee distribution.)

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We know the driver to customer reaction is price volatility. When prices spike, panicked variable priced customers flood the phones seeking not only reductions in the rising price but reductions in their delivery sizes. Both outcomes are very dangerous to margins! When prices fall, your fixed price customers let your CSRs know how smart you are because you "knew" prices were going to fall when you sold that customer a fixed price. Regardless of the price direction, customers get upset and pressure you and your CSRs for price adjustments which result in squeezed margins putting your financial objectives in peril. What do you do?

Show Them the Light!

The root cause of customer dissatisfaction over price is volatility. If prices did not move when the customer made its purchase decision regardless of how they bought their oil, dissatisfaction would be greatly diminished if not eliminated altogether. Elimination of price volatility in today's market is fantasy and reliance on stable prices in today's energy markets as your margin defense is insanity. What dealers can do is to let your CSRs show your customers the light!

In this case the light is protection from price volatility bundled with the extra services you provide. This means a Cap Price Protection program with a service contract and budget payment all bundled together. Why do this? From the example noted earlier, we know that customers question their purchase decisions when prices experience volatility in both directions. Studies have shown that customers participating in a cap program experience the least amount of price volatility compared to variable or fixed price customers over the long term. The study was conducted reviewing heating seasons from '07 to '10 and revealed that when you looked at the amounts customer paid for their oil (including cap fees), cap customer bills had price swings (up and down) averaging 12 percent, compared to swings averaging 54 percent for variable priced customers and swings averaging 60 percent for fixed price customers.

The relative price stability reflected in the bills of cap price customers reduces the volatility trigger that sets in motion the phone calls that lead to the inevitable price accommodations. These accommodations result in lower margins and failure of the company to meet its financial objectives. And after all that, customers still have a bad taste in their mouths because of the experience.

"The competitor to be feared is one who never bothers about you at all, but goes on making his own business better."

The above quote from Henry Ford is the gold standard of American business and we believe is the real key to defending and expanding margins. Unfortunately, we have observed that many companies are not aggressively challenging their managers and employees to explore innovations in their business processes to improve efficiency and reduce costs compared to other industries. Our Angus colleagues, at the Technology Assistance Group (TAG), have demonstrated that by integrating the multitude of information generated by various software programs in use by dealers, a comprehensive suite of management tools can be developed. These tools have led to significant cost savings related to business processes that in many cases dealers felt they could not control or change.

Some quick examples of TAG solutions that delivered thousands of dollars in savings to dealers included the ability to manage and eliminate service tech customer call backs and unscheduled service calls. The point here is that dealers who are aggressively improving their operation's productivity are building a cost cushion that can absorb pressure on the prices they charge to their customers while maintaining margins and better yet expanding them! These areas have not traditionally been linked to margin defense but it is now more important than ever that they do.

For too long, discussions about maintaining and defending margins only focused on customer communication strategies and CSR training. There is no question these are important areas, but this approach does not address the whole problem. By approaching the defense of your margins with a holistic approach, your company's ability to attain its financial goals dramatically increases. ▲

Matthew Ide is managing director of Angus Energy's Advisory & Finance Group. He is joined by fellow Managing Director Jeff Simpson. The group provides advisory services for improving financial management practices and banking relationships, and designs/implements growth and acquisition strategies. It provides funded capital solutions through the investment fund, Angus Fund, LP. Angus's Technology Assistance Group delivers technology solutions that drive business process efficiencies. Please contact any member of the Angus team at 800-440-0472.

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Think S.A.F.E.

Tanker rollover prevention program

Contributed by Federated Mutual Insurance Company

As the premier insurer of petroleum marketers and convenience store operators, Federated understands the unique needs and risks associated with your business and your industry.

If your company hauls petroleum products, you're keenly aware of the potential risks associated with this type of transport. What goes through your mind when you see a tanker rollover accident broadcast on the news? Do you envision your driver and your company logo in a similar scene?

Oftentimes, a single-vehicle rollover happens when a driver loses control of the rig. A Federated claim study showed that most rollovers were the result of excessive speed and often occurred when a transport entered an exit ramp too quickly. Rollovers can also occur when a driver "overcorrects" after a wheel runs onto the shoulder of the road. Other causes or contributing factors can include driver fatigue, driver distraction or lack of experience.

> Driver training and driver awareness are critical in the prevention of rollovers at your business.

Driver training and driver awareness are critical in the prevention of rollovers at your business. To help prevent these types of incidents, Federated developed a tanker/transport education program for drivers in 2006 called The Point of No Return. This successful program has recently been enhanced.

What's Included in the Program?

The extensive program focuses on four factors that cause the majority of tanker rollovers: **Speed**, **Attention**, **Fatigue**, and **Emotion**. Think S.A.F.E.!

- A nine-minute video DVD specifically targets drivers of petroleum tankers and transports.
- An eight-page Leader's Guide that explains each of the principles of S.A.F.E.
- A driver's quiz and answer key to test comprehension of the training materials.
- A list of safety "talking points."
- ***Drive Safe*** stickers for display inside your vehicles.

How Can You Get a Copy?

If your business is currently insured with Federated, you have several options available to receive your copy of the program.

- Contact your local Federated representative;
- Call the Safety Topics Line at 800-838-1760; or
- Visit Federated's Shield Network[SM] at www.federatedinsurance.com.

Whether you're a convenience store operator or a petroleum marketer – if you haul product, this is truly an offer you can't refuse! ▲

THE POINT OF NO RETURN

TANKER ROLLOVER

Highway transportation is the primary mode of delivery for petroleum products. Lives are often changed forever when a tanker accident occurs.

The Point of No Return

is a program designed to increase awareness and address the problem of tanker rollovers. Driver training and awareness are critical in the prevention of rollovers.

Regular reminders to company drivers about the loss of stability and the potential for a rollover is important. Learn the principles of **S.A.F.E.** driving presented in our new video.

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Trans-Tech tanks are designed and built in Maine with the most modern technologies available. A tank design utilizing extruded rails and box sills, offset baffle openings to reduce product surge, superior electrical system, and equipment are designed for driver safety and efficiency. Approved "U" stamp facility and DOT registered.