



Perspective

THIRD QUARTER 2009

Unity | Profit | Communication

A publication of the 7-Eleven Franchise Owners Association of Southern California • "The Largest FOA in the USA"

Featured in this Issue

News from the
23rd Annual
Joe Saraceno
Invitational
Golf Tournament
Including

"Sponsors"
"Course Candids"
"The Winners"

Business
Insurance

Accounting
Tips

Business
Transformation

The President's
Message
&
Much, Much
More....



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2009
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*Perspective is the official magazine of the
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**Deceased*



"The Largest Association in the USA"

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Gunu Singh, Assistant Editor

Perspective is published quarterly. The publication staff welcomes comments, story ideas and viewpoint articles from Perspective readers. The editor reserves the right to edit all material submitted for publication.

Material for publication should be sent to:

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Advertising will be accepted for Perspective subject to conditions noted on the advertising rate sheet.

Current circulation is 600.

For advertising rate sheet and/or any questions, contact the F.O.A. office at (818) 357-5985

PERSPECTIVE

'The capacity to view things in their true relations or relative importance and to view your own task in a larger framework'

We chose to name our publication 'PERSPECTIVE' simply because of its traditional meaning. It seemed to encompass in one word the overall philosophy of the small group which formed our Association way back in the early seventies.

Today it stands the "test of time" maybe more so.

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2009 Calendar of Events

- September 17: Board of Directors Meeting
Embassy Suites Arcadia
- October 15: Board of Directors Meeting
Embassy Suites Arcadia
- November 19: Members Sated Meeting
TBD
- December: Holiday Event
Date & Venue TBD
- December 17: Board of Directors Meeting
Embassy Suites Arcadia



"The Largest Association in the USA"

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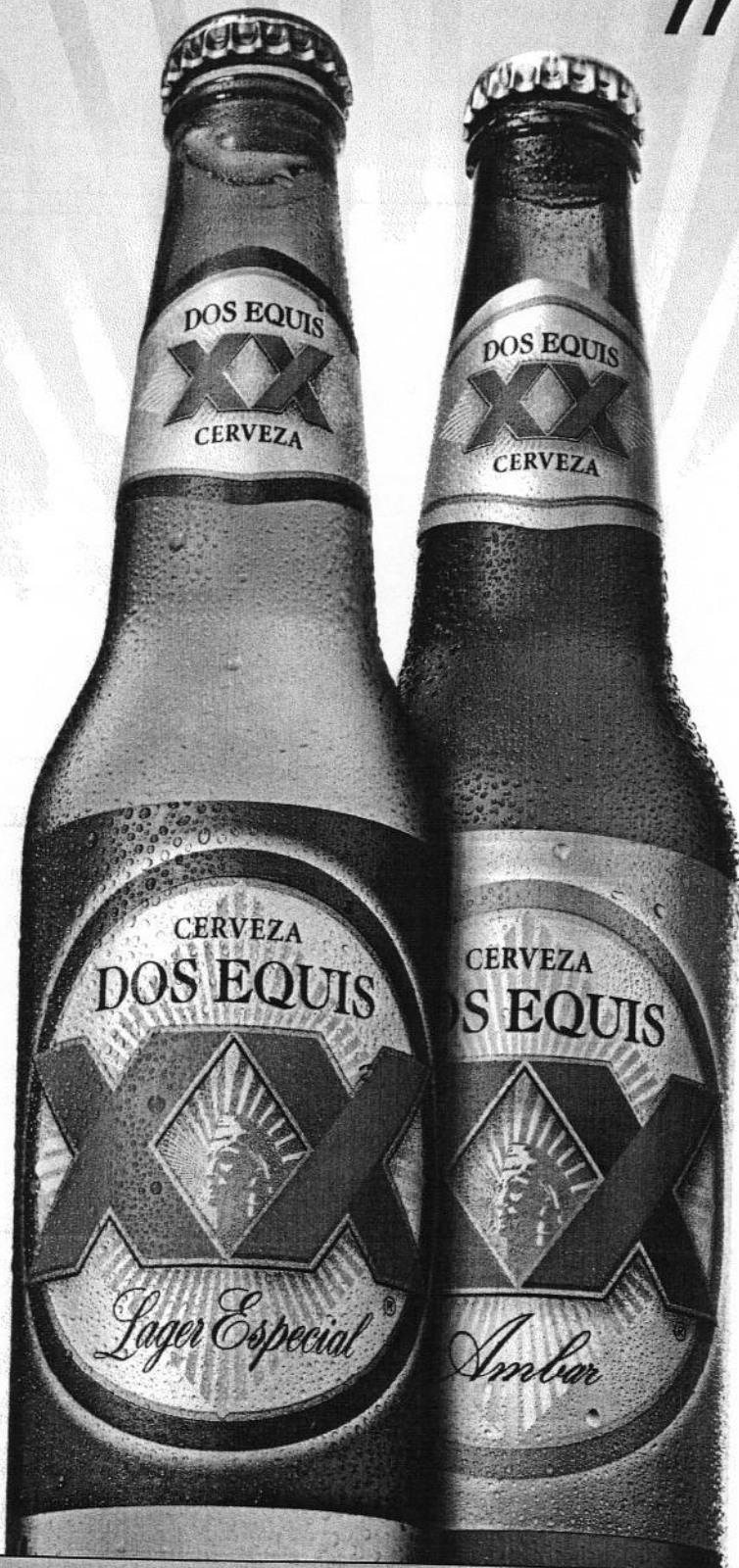
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COMMUNICATION AND YOUR FIELD CONSULTANT

Over the past year I have heard more complaints from Franchisees about Field Consultants putting more pressure on them to participate in new programs coming out of Dallas. For example, a Franchisee told me that the day SEI asked us to take Aquafina out of the store, their Field Consultant came in and removed all the product from the shelves without even discussing it with him.

I have seen a change in attitude and behaviour of local management after we signed the 2004 agreement. This agreement took away 85% of our right as an independent contractor. We have been forced to buy items from CDC at a higher cost. Some Franchisees have bought the same items from a DSD vendor not only at a less cost but also with a 100% guarantee. In some cases the Field Consultant will give a store lower marks on store walk if the Franchisee did not support the new program. It is a common practice for a Field Consultant to go in the backroom and order new items for the store without the knowledge of the Franchisee.

Communication is the key. Here is my advice to the Franchisees. At the first meeting with the new Field Consultant, find out as much as you can about him/her. I ask them about their background, college degree, and why they have decided to be a Field Consultant. Then go into detail regarding the roles and responsibility that you carry and what you expect from him/her. Make sure to advise the Field Consultant as to what they can do and what they can't, such as ordering items for the store without consulting with you. The first time the Field Consultant deviates from this, call and ask for an explanation. If this happens a second time, send an e-mail to your Market Manager. This will document the case for you. SEI documents everything about you and your store operation. At the Division office they maintain a file on both you and your store, and you have the right to inspect it.

Be kind to your Field Consultant. He/she is in a difficult position. On the one hand the Field Consultant is required to produce results for SEI and on the other hand has to work with you and keep you happy. SEI believes in numbers and if the Field Consultant can persuade you to participate in all the promotions, the higher the score, more bonus etc.

Talking about numbers, here is an example you may find interesting. We have a 50/50 agreement with SEI. On one hand you are 50% of the total. Now let me explain what percentage of the other 50% Field Consultant is. Out of the remaining 50%, I will assign 25% to the CEO, 12.5% to the DVP, 6.25% to the Market Manager and 3.125% to the Field Consultant. Now tell me how a person with 3.125% authority can pressure you into doing things.

Karam Dhaliwal
President
kmd1948@yahoo.com

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The 23rd Annual Joe Saraceno Invitational

Our Annual Golf Tournament was held on August 10, 2009 at The La Canada Flintridge Country Club. Wow!!! What a success it was!!! We had 154 golfers participate in this years event.

We would like to thank all of our vendors who participated in this years event with special recognition to Anheuser-Busch for being our Presenting Sponsor. The tournament would not be possible without all of your support and participation.

Our FOA has based this event not only as a day of entertainment and joy but also to fund the 7-Eleven Franchise Owners Association of Southern California Scholarship Fund implemented by Joe Saraceno. 100% of the monies raised during this event goes to this program. *We are the only FOA to have a program of this kind.* First developed in 1983, the Scholarship program initially awarded one \$4000 four-year Scholarship plus two \$1000 grants. Today our Scholarship program has grown and expanded in the dollar amount awarded and in the number of recipients receiving the awards. Close to a *quarter- million dollars* to date have been awarded to an extraordinary group of talented and dedicated young people who have all used their award to good advantage. Our past recipients include doctors, lawyers, engineers, and teachers. We are proud to share in their accomplishments. As the success of the Tournament increases, our Scholarship awards increase. Your presence at our annual golf tournament not only means a lot to us, but also to our children and grandchildren. This year, I am very happy to say, we have expanded the program to include employees and the children of employees of association members. Your participation assists them in fulfilling their educational dreams.

We would also like to thank Josh Joshi with Mercedes Benz of Encino for supplying us with a beautiful car for our hole in one competition. Although many people were close, we were not able to give the car away. Oh well, maybe next year.

Lastly, I would like to thank our members who took time out of their busy schedules that day to help us with this event. They were Noel Ibardolaza, Jasbir Randhawa, Dianna Feeley, Nancy Shearon, and John Shin.

Thank you to everyone who made this another successful tournament.

Gunu Singh
Treasurer

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BUSINESS INCOME INSURANCE

ESSENTIAL FOR STORES' SURVIVAL DURING FIRE STORM

With the heat & high winds, the fire season is upon us. Many franchisees have asked me, "in the event my store has to close down for repairs due to storm damage, fire or other major loss, is there any insurance protection that can help me minimize my financial losses during this time period"?

ANSWER: Business income! This insurance coverage does for your business what your business would have done for itself, if an insured loss had not happened. There are three terms that will help you make sense of the Business Income Coverage.

EXTRA EXPENSE.

This coverage provides protection for expenses that will shorten the time it takes for your business to be operational. A couple examples are additional costs associated with speeding up repairs to your store, or expediting the shipment of essential equipment or stock.

PERIOD OF RESTORATION.

The period of restoration is the amount of time it takes from the date of loss to the date your store becomes operational. There is no waiting period for coverage to start and the policy limits the period to 12 consecutive months after the loss. The coverage amount is on an ACTUAL LOSS SUSTAINED limit for 12 months. This amount is determined by using the store's historical "net income". An important thing to note here is that the Business Income Coverage form states that the period of restoration ends when the Business Income Coverage SHOULD BE OPERATIONAL, not when it is operational. This is important because 7-Eleven Inc. tells franchisees if a store is not opened in 6 months, they will give the franchisee another store in the division. When 7-Eleven gives this notification, the insurance company will stop the insurance payments.

EXTENDED PERIOD OF INDEMNITY.

People don't stop going to c-stores when someone's store is damaged; they go elsewhere. So just because your store is operational doesn't mean you are financially back to normal. Once the store opens, the policy we offer provides an additional 90 Days business income coverage in order to get revenues back to where they would have been were it not for the property damage that was sustained.

*Business Income is a coverage every franchisee should carry. Along with insurance a store also needs to have an **EMERGENCY ACTION PLAN.***

- 1. Maintain a phone list of your employees & provide copies to key staff members;*
- 2. Keep on hand: flashlights, extra batteries, first aid kit, & tool kit;*
- 3. Test your emergency lights & generator that turn on when power goes out;*
- 4. Use UL-listed surge protectors & battery back-up systems.*

John Barbot

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THE SOLUTION: Malava Beverages has developed the solution to stress reduction with NOVOCAINE, a non-carbonated, all natural, tropical berry flavored drink incorporating the Polynesian herb Kava. Kava is one of the best selling herbs worldwide for stress relief and anti-anxiety. It has been used for over a thousand years in the islands and has been prescribed by holistic doctors worldwide for decades. Kava calms the nerves while increasing concentration and focus. It does not make you sleepy. Other benefits include: improves muscle control, improves decision making, lowers blood pressure, relieves the effects of PMS, reduces migraines and aids in mental clarity.

POINT OF DIFFERENCE:

Malava Beverages is the first in the new relaxation category. It is a healthy, great tasting non-alcoholic way to relax and unwind. The "me too" relaxation drinks use sleep aids to create relaxation. NOVOCAINE increases focus and clarity, enables you to drive, continue to work, take an exam, help stay focused and concentrate.



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- ALL NATURAL
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- TROPICAL FRUIT
- DOES NOT MAKE YOU SLEEPY
- PROVIDES RELAXATION AND STRESS RELIEF
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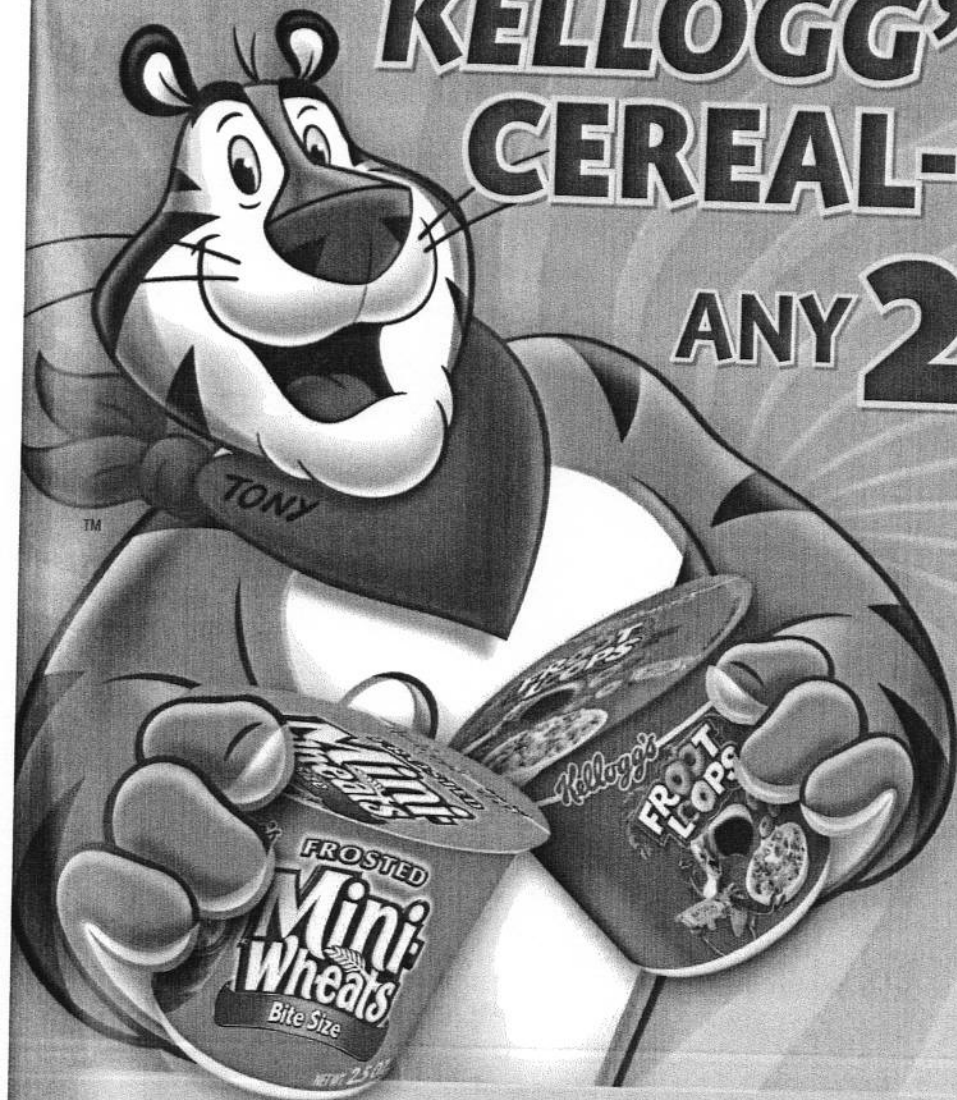
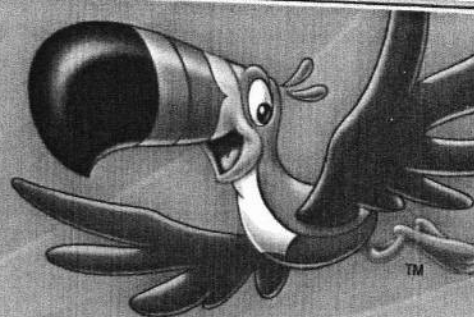
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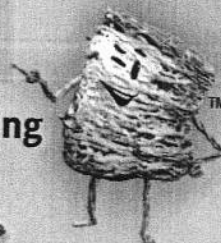
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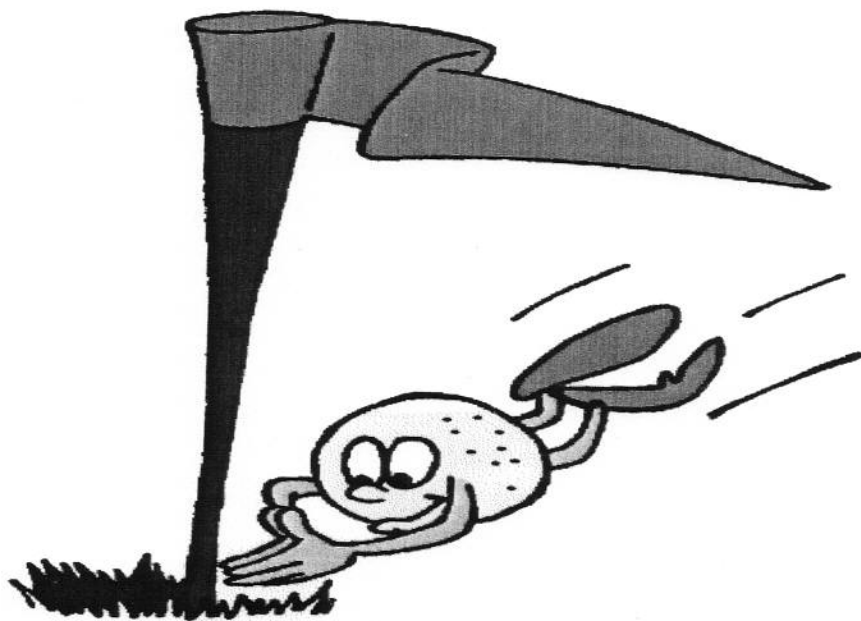
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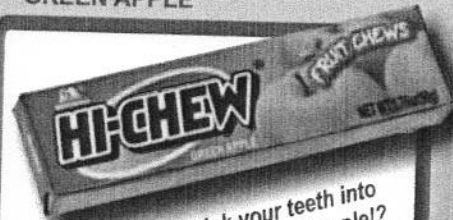
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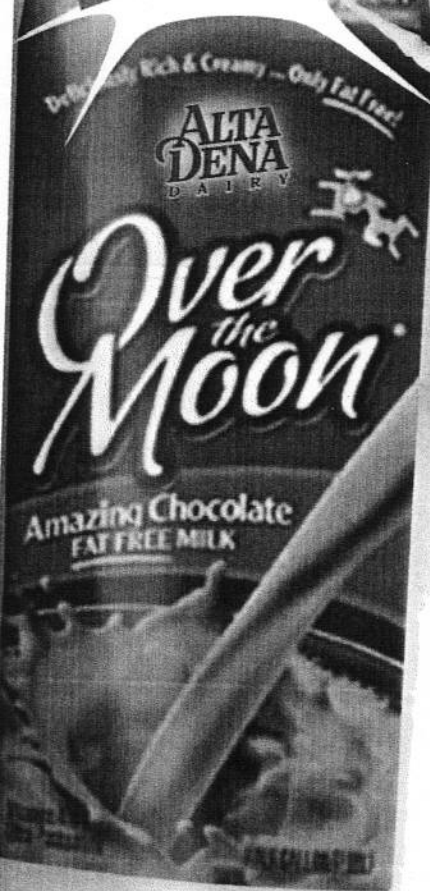
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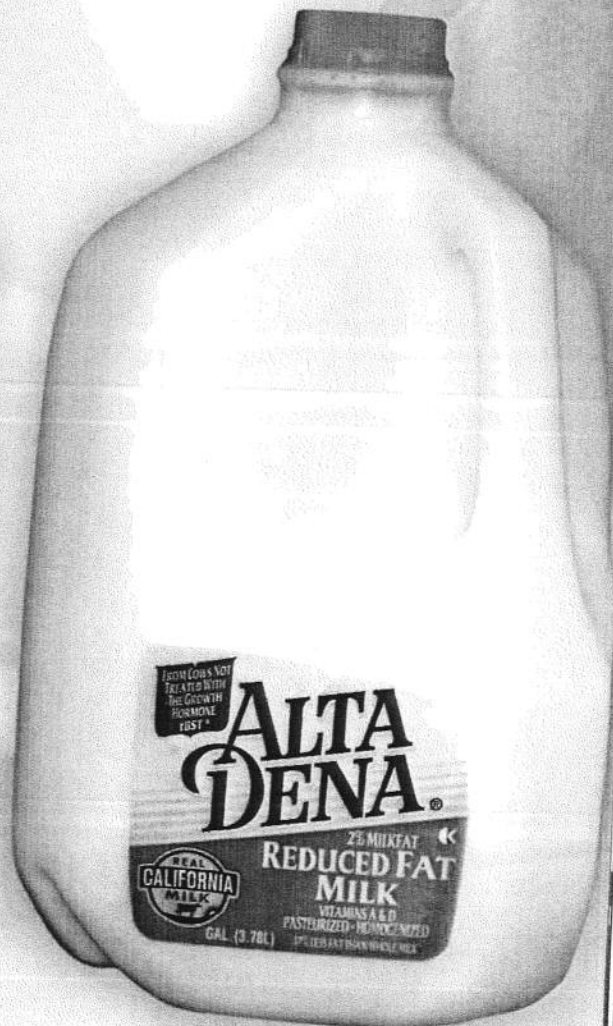
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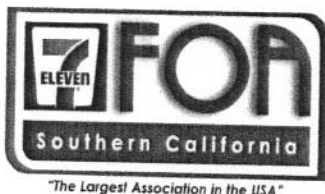
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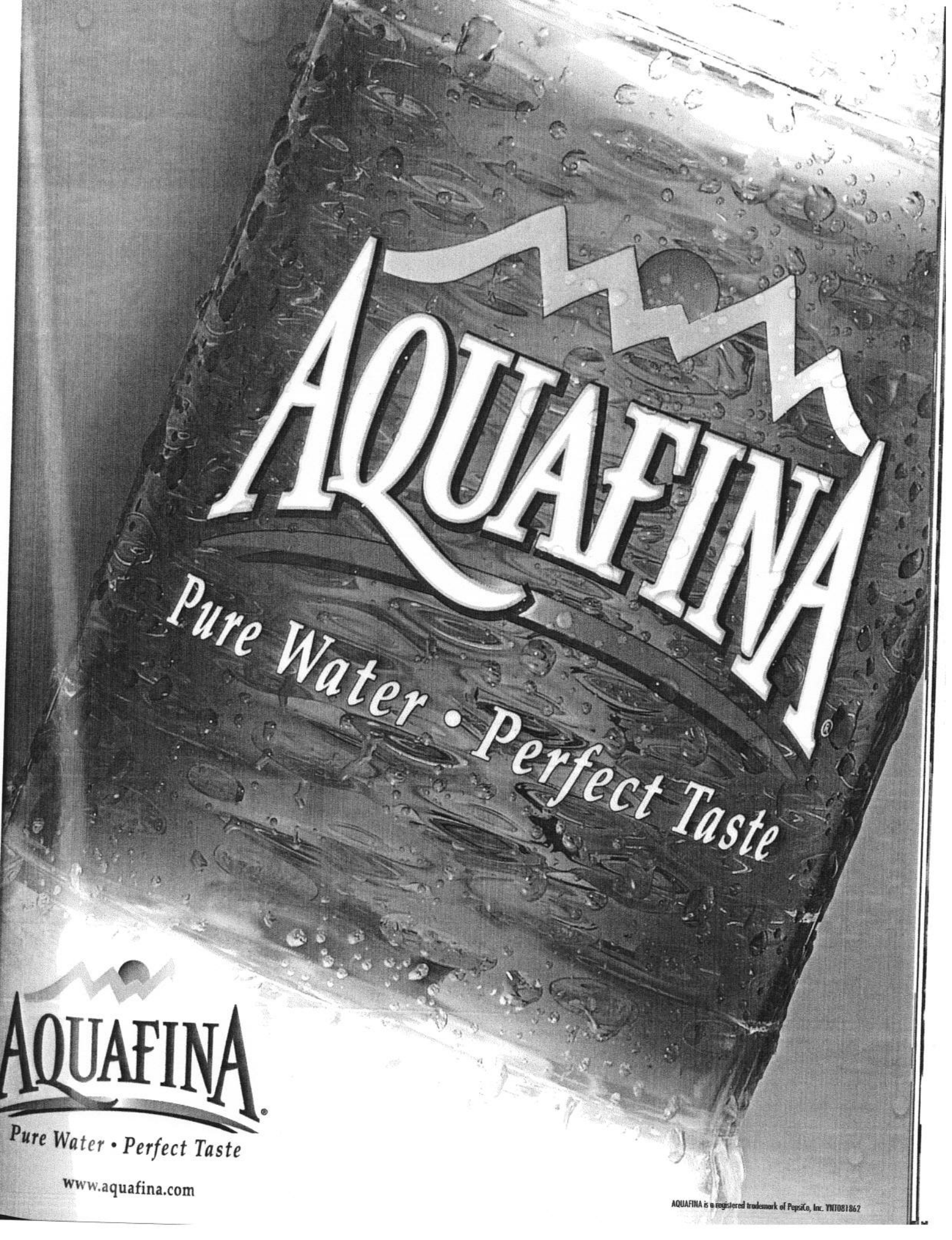
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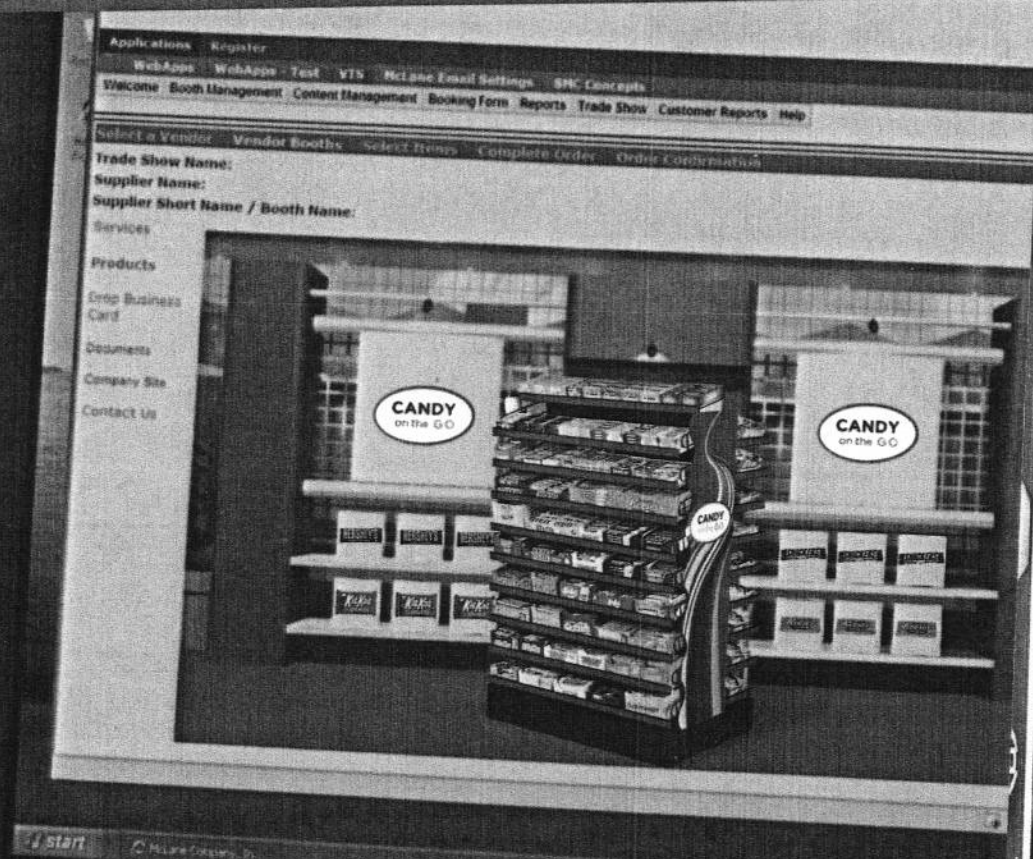
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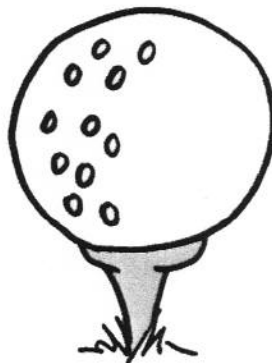
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Starts: July 1, 2009

Ends: September 30, 2009

Eligible Contest Items: All Kraft/Oscar Mayer Foodservice Hot Dogs

Be One of Thirty Stores To Win \$1,000 Each
in Kraft's **Strive For Five**
Franchisee Rollergrill Incentive Contest!

Oscar Mayer

BIGBITE

®

To be Eligible: Franchisee Store must have been in business for 12 months as of July 1, 2009
Incentive: Based on 7-Exchange Data, all Franchisee Stores will be grouped into three Brackets:

1. Stores selling on average
100 or more links per store day

2. Stores selling on average between
50 - 99 links per store day

3. Stores selling on average between
25 - 49 per store day

"Strive For Five" Contest Winners will be
announced and prizes awarded at the National
Coalition's November 2009 Board meeting.
If you have questions, please contact
Doug Hendricks at **804 897-4920**

The Top Ten Stores in each Bracket
selling an average increase of
five links per store day versus the
same time period in 2008 will
Win \$1,000 each!

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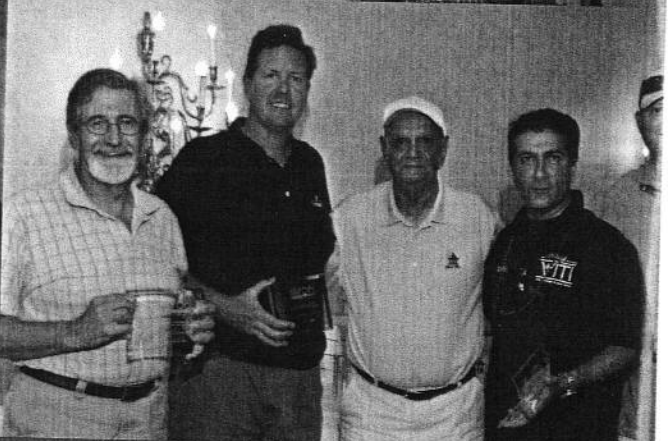
THANK
YOU!



THAN
YOU

THAN
YOU

THAN
YOU!



In Kraft's Second Half 2009 Franchisee Incentive Contest!

Ten Stores Will Win \$4,000 Each

Starts:
July 1, 2009

Ends:
December 31,
2009

Eligible Contest Items: Everything Listed Below! To Be Eligible: Franchisee Store must have been in business for 12 months as of July 1, 2009
How It Works: Based on 7-Exchange Data, the 10 stores with the highest percentage increase in Revenue across all Eligible Contest Items will win \$4,000 each! Revenue Increases will be measured against averaged 2008 sales data for the same products in the same time period.



Eligible Products

UPC 14 Digits	Product Description	Pack	SLN	UIN
Meals				
00021000658931	Kraft Mac & Cheese	1	210283	034157
00021000658930	Kraft Velveeta Shells & Ch	1	210285	496224
00021000010882	Kraft EZ Mac Cup Triple Cheese	1	210182	852459
00021000010875	Kraft EZ Mac Cup Original	1	210882	843433
Coffee				
00043000029220	Maxwell House AMC Coffee 11.5oz	1	210254	
000430000794500	Maxwell House Instant 4oz	1	210593	570705
Enhancers				
00054400000092	A1 Steak Sauce 5oz	1	210183	043976
00054400000054	A1 Steak Sauce 10oz	1	210016	354910
00021000645077	Kraft Squeeze Mayo 18oz	1	210309	550747
00021000643592	Kraft Ranch Drg 8oz	1	210317	136176
00021000644216	Kraft Zesty Ital 8oz	1	210318	292011
00021000645091	Kraft Squeeze Mwhip 18oz	1	210384	650812
00021000678464	Kraft Plain BBQ Sauce 18oz	1	210514	602805
Hot Dogs				
00044700000632	DM Weiners 16oz	1	290007	289116
Bacon				
00044700019887	DM 16oz Bacon	1	290008	074039
00044700020869	DM Hickory Country Bacon 16oz	1	290015	037341

Grated Cheese

00021000615421	Grated Parmesan 3oz	1	210642	033670
Sliced Meats				
00044700019108	Smoked Cooked Ham 6oz	1	290001	801621
00044700009864	Cotto Salami 8oz	1	290005	820696
00044700008652	DM BOLOGNA SS 8 oz	1	290004	801449
00044700064108	DM DEL THN OVN RST TURKEY SS	1	290107	

Cheese

00021000006274	Sharp Cheddar Cuts 5oz	1	290017	636084
00021000612239	Philly 8oz Brick	1	290032	072231
00021000604647	Kraft AMER SLC IW YELLOW 12oz	1	290068	590980
00021000003983	Twist Ums .75oz	48	290142	33258
00021000000227	String Ums 1oz	48	290034	226423
00021000005796	Jalapeno Stick 1oz	48	290139	
00021000766956	CB Xtra Sharp 1oz Stick	12	290040	321422

Lunchables

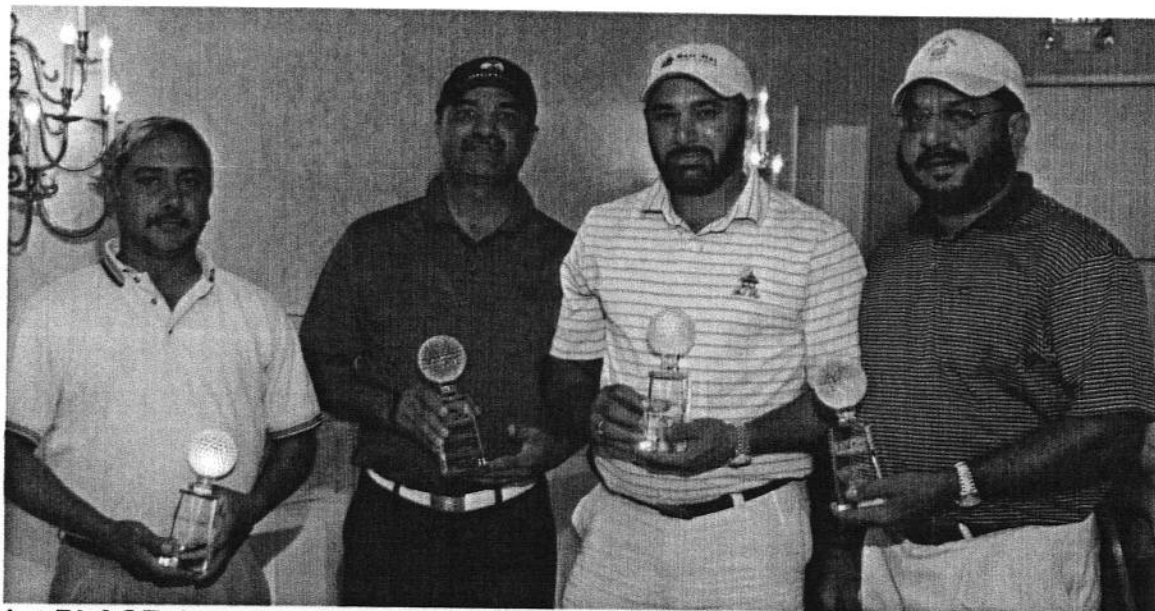
00044700024454	LUNCHBL TUR/AMER 10.55oz	1	170052	799635
00044700024485	LUNCHBL HAM/FUN PK 11.2oz	1	170054	799692
00044700024546	LUNCHBL HAM/SWS 4.5oz	1	170051	837773
00044700024553	LUNCHBL TRKY/CHDR 4.5oz	1	170050	634857
00044700360361	LUNCHBL Nachos Chs Dip & Salsa	1	173355	989152
00044700360996	DF Combos CHKN/TKY 4.5oz	1	170049	104240
00044700360989	DF Combos HAM/TKY 4.5oz	1	170048	103440

Winners will be announced at the first quarter 2010 National Coalition of Associations of 7-Eleven Franchisees Board Meeting!

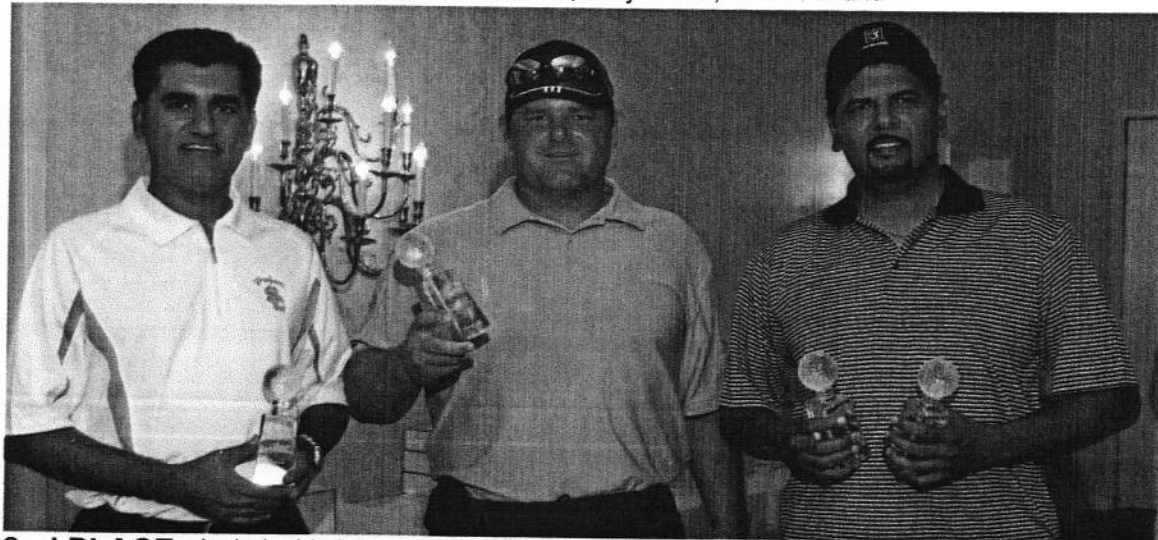
If you have any questions, please call Doug Hendricks at 804-897-4920

THE 23rd ANNUAL JOE SARACENO INVITATIONAL

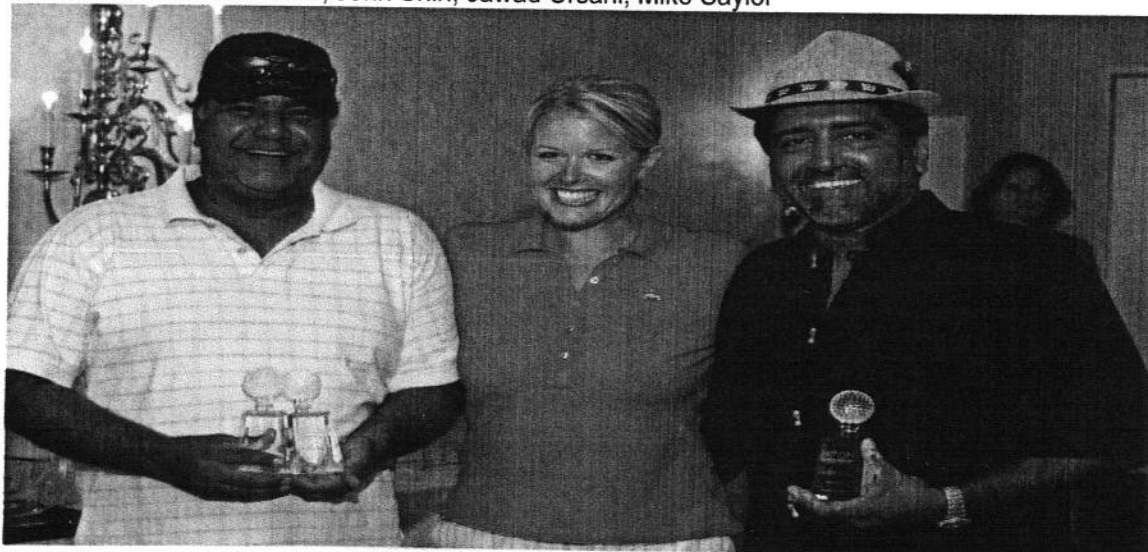
"The Winners Are"



1st PLACE: Nachhatar Bhullar, Paul Dhaliwal, Tony Bvara, Amar Sandhu



2nd PLACE: Josh Joshi, John Shin, Jawad Ursani, Mike Saylor



3 rd PLACE: Jas Dhillon, Pali Cheema, Jas Dhillon, Lauren Everson

**THE 23rd ANNUAL JOE SARACENO INVITATIONAL
GOLF TOURNAMENT PLAYED AUGUST 10, 2009**

"The Winners Are"



LONG DRIVE
Paul Dhaliwal



LONG DRIVE
Sandra Olmedo



PUTTING CONTEST
Jerry Rose

CLOSEST TO THE PIN



Tony Brara

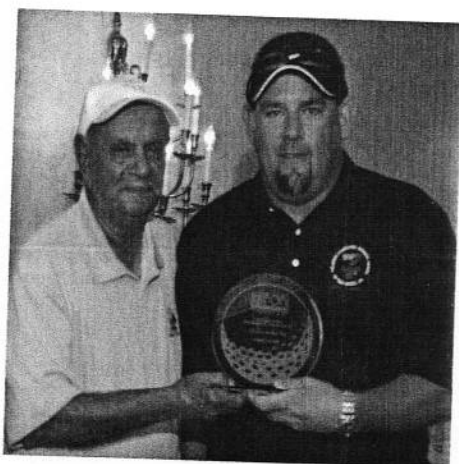


Paul Mader

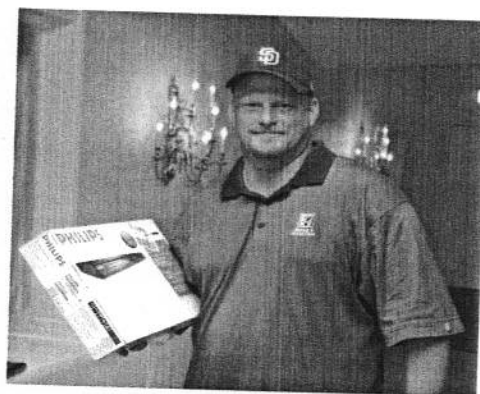
CLOSEST TO THE PIN



Tai Byun



Gary Johnson



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106.4 FM

Yesi Ortiz's
Drink of
Choice...

JARRITOS

Sidral Mundet 600 mL

Sangria Señorial 600 mL

Jarritos Mandarinina 600 mL

Jarritos Tamarindo 600 mL



Item #241944



Item #241943



Item #241938



Item #241941

Please order from distributor in your area:

- Energized Distributing (Los Angeles County) (800) 442-2960
- Prestige Sales (Orange County) (714) 632-8020
- John Lenore & Co. (San Diego County) (619) 232-6136
- Haralambos Beverage Company (Inland Empire) (562) 347-4300

ORDER NOW!

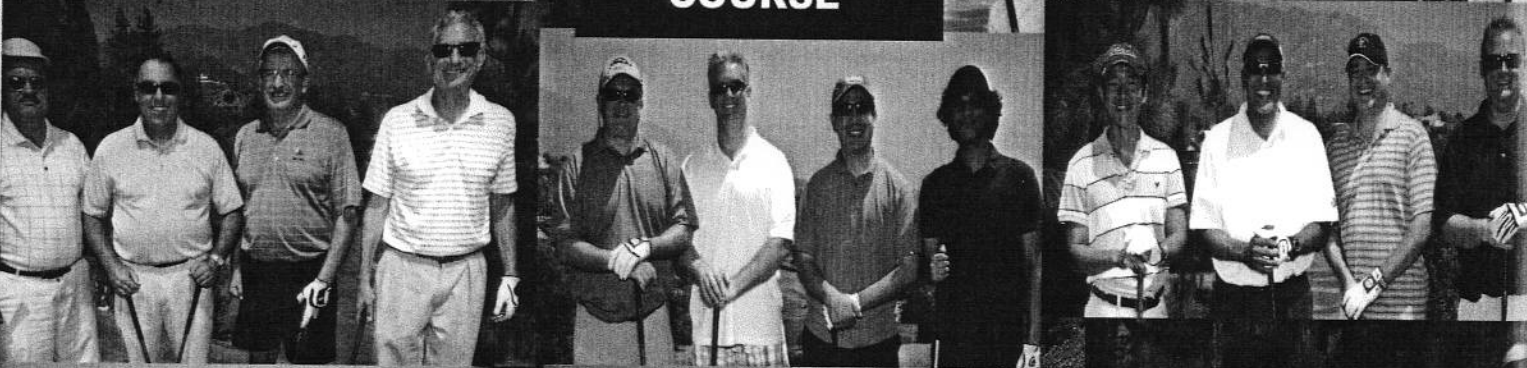
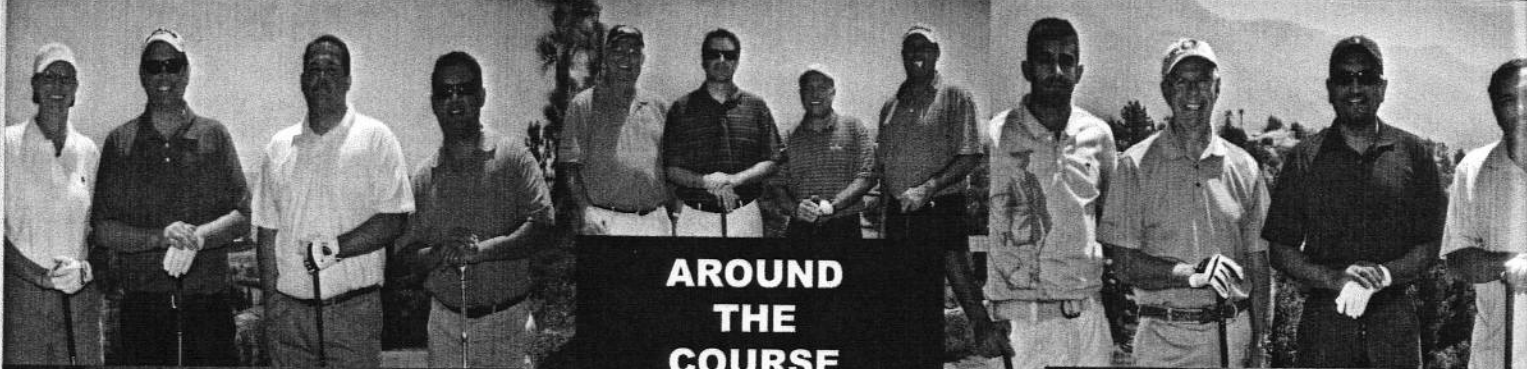
The Leading Mexican Soft Drinks in the US

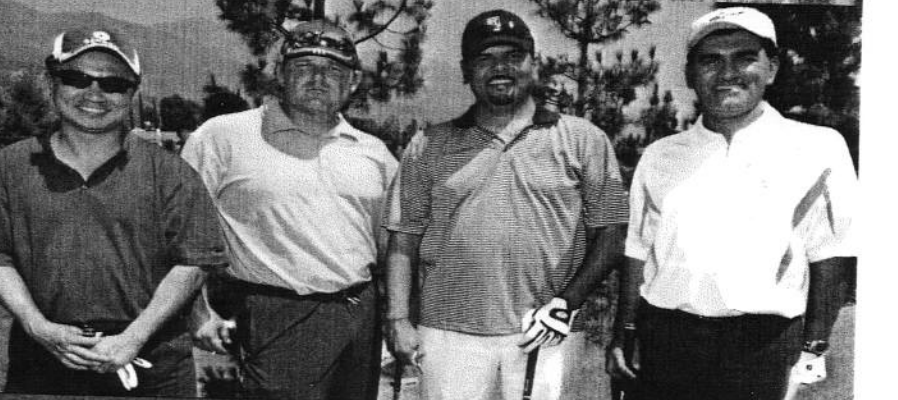
85% of Market Share!

1 Billion Units Consumed in 2007!*

*8 oz. industry standard consumption of Jarritos®, Sidral Mundet®, Sangria Señorial® and Mineragua®, all presentations, all flavors in 2007.







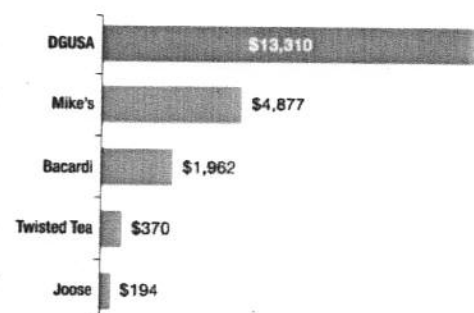
SMIRNOFF® XBT

EXPERIENCE A BOLD CITRUS FLAVOR
BALANCED WITH A CRISP REFRESHING TASTE

KEY BENEFITS

- SMIRNOFF XBT has already tested very positively among primary C-store shoppers, males 24–34.³
- DGUSA innovation is driving the growth of Progressive Adult Beverages (PABs), capturing 64% of PAB new-item sales dollars in 2008.¹

2008 New Item Sales (\$M)¹



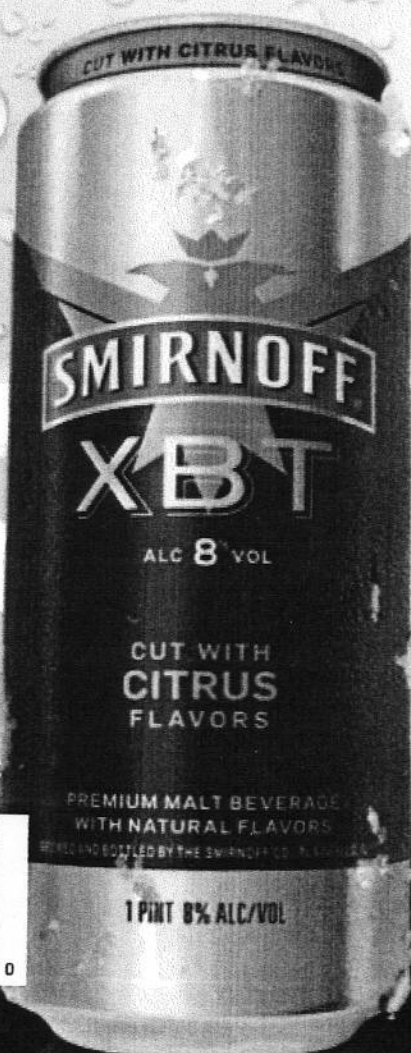
Offering a new
“grab & go” flavor
experience for
consumers, a new
profit opportunity
for you in the CAN

- 16 oz. Single Serve
- 16 oz. 4-Pack

Single Serve
UPC



4-Pack UPC

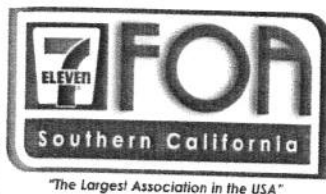


Note: SMIRNOFF XBT should never be placed in the non-alcoholic energy drink section.

³ Tampa and Baltimore focus groups, 2008

¹ IRI, F&D, 52 weeks ending 12/28/08; all PAB items introduced during 2008

² Nielsen, 52 weeks ending 12/20/08 and 52 weeks ending 12/20/08



Accounting Notes from Ser-Vis-Etc. LLC's Newsletter

KISS, Keep It Simple...

I normally take a day off after visiting stores each month. I try to sort out all the things that I have heard and identify some things that work and some things that do not work. Times are tough; that is a fact for almost every store. The Franchisees who are doing the best today are working on the basics. They know that every Wednesday morning "must have item" will not work in every store. In one market, I was told that the FCs were making the stores buy an \$800 Halloween pre-book. In the last offering circular, the averages for this market were 36.3% GP, 13.3% Store Expenses and the Franchisee made 4.85%. The pre-book would have to have a 60% GP and the store would have to get over \$500 net retail just to be average. For many stores that is not realistic.

Most pre-books are optional. Your Franchise Agreement specifies required items and how that list can be modified. All of this is written and the modifications are available on the Secure Home Page. Your FC, MM and Division Merchandiser are not the source for required items. If the item is marked Optional on the offering sheet or on the ISP screen and you do not want to carry it, I would not buy it until they came back with a qualified promotion or made the item Required.

In the last few months, we have found so many problems with store expenses being paid by Dallas that I now recommend you consider paying all store expense at the store with a money order. One client had Dallas paying the phone bill for several years. After they missed two payments, we reviewed copies of the bills. A \$53/month service had been added to the AT&T bill without the Franchisee's knowledge. 7-Eleven simply pays whatever is submitted. We are getting a refund for the charges from the phone company but the store is still charged for two \$10 late fees when 7-Eleven paid late.

Some returns are just not worth the trouble. A store recently returned a \$20 cell phone for credit. The store paid \$5.91 UPS charges as a store expense. If the store had written-off the phone, the Franchisee would be out \$10.00. I do not think \$4.09 is worth your time.

Funny if not so Expensive

A Los Angeles area client recently settled a law suit for not allowing a customer to wander around the store carrying a small dog. The clerk had asked the customer to leave. The customer said that the dog was a companion animal. The client found out that under federal law, you must give companion animals the same access as seeing-eye dogs. In addition, if the customer says that the animal is a companion, you must accept his word. Sounds unbelievable but the client was out several thousand \$ settling the suit and paying legal fees.

Your Profit is in the ice

The LA introduction of Iced Coffee with a successful radio campaign at 99¢/cup made me curious about the profit of this promotion. The product cost is \$13.07 for 2.5 gal or 160 oz. A 16 oz cup costs 9.3¢ and a lid costs another 1.9¢. If your customer filled the cup and used a lid, at \$1.99 you make 57.1¢ or 29%. Since San Diego was a successful test market, I asked a FC what the GP on Iced Coffee was. It is 70%. When I said I did not understand, he FC said the profit is in the ice. For this profit, the customer can only fill 35% of cup with product. I never did



"The Largest Association in the USA"

find a San Diego client who used "successful" to describe this program and like most "successful" programs, the Franchisee does not have tools to information to verify 7-Eleven's claims for his store.

We are going into peak Slurpee® season. I recommend that everyone look at their mix with profit in mind. If you need diet, the \$63/2.5 gal BIB is worth it. Coke® and Fanta® BIBs are less than \$47/5 gal BIB, so if they work for your customers, make more money. Most of the promo BIBs are at least \$2/gal higher than Fanta® flavors. You need to back the promotions but many clients buy 3 or 4 BIBs and end up with over lapping promotions.

Dunbar Armored Inc

For many years, I have believed that an armored car service is good thing for some stores. If physical danger is part of your store's deposit routine than you should do whatever is necessary to protect your employees and yourself. If physical danger is not part of your equation, please read on.

Franchisees should never forget that the corporate Loss Prevention Department exists to prevent corporate loss. They are not there to prevent your loss, if it is a shared loss than they are there to help you. If they have the time, they may help you with your loss. If you are robbed on your way to the bank, your contract covers one day's deposit. An armored car service will prevent this loss. With the approved service, you receive an Amendment to your Franchisee Agreement that allows you to have more than one day's deposit in your store. Please be very careful about this amendment. In one store, the service comes on Saturday and Tuesday. If the first of the month is Friday, most clients will not be able to hold all the cash in their safe. Are you covered if the money is in a locked file cabinet? What about a fire? Two 24-hour stores have burned down since 2000.

Again, if physical danger is a concern, you need to take every possible step for safety. Making the best decision is not easy. If protecting your assets is the concern, for about the same cost single-store Franchisees can buy outside insurance that will offer coverage for extra deposits in their store and many other types of loss. Multiple store owners will see savings over the armored car service. This insurance will give protections well beyond the contract coverage for slightly more than the \$200/month price of the Dunbar Armored service.

HIGH STAKES GAMBLE

Franchisees who came back from Las Vegas with bags of money and those who did not get to attend, but love to gamble, should consider putting the Hot Foods Program into their stores. The program is successful in a few stores. A few people leave casinos as winners. To make this program successful, you need to be very careful with your definition of success. Just as many of the LV winners are selective when measuring their winnings against the costs. We are seeing a few stores that have positive GP from this program and fewer that might have enough GP dollars to pay the labor costs.

As is true with virtually everything 7-Eleven tells you these days, you must ask the right questions to understand what the facts really are. If the Hot Food equipment is going to modify your cigarette display, ask how much this will reduce your monthly RDA? If you are given average GP numbers for your Market or Division, ask what is included. We are seeing hundreds of dollars in "samples" that do not show up as write-offs. Combination and meal deals put the markdown in Fountain instead of Hot Foods. Free two liter sodas with a pizza are charged to soft drinks, not Hot Foods. Condiments are charged to Grill and \$100 cleaning supply packages are a



"The Largest Association in the USA"

store expense.

If Hot Foods draw customers, it is probably worth the gamble. Money Orders and Phone Cards are certainly not profitable for the Franchisee, but they do draw customers. With these lines, you know what you will make. With Hot Foods, you do not know. In local management's eagerness to please their boss with good numbers, I am not sure anyone has a good idea of how "profitable" this program is.

Back to Basics

7-Eleven Inc. is doing everything that they can to save money, to cut their expenses. The company has no problem reducing staff and taking short cuts when they are dealing with your money. In April, virtually all stores were charged for a Private Label Pre-book in February. A notice was sent that McLane had not invoiced the chips that were delivered through the CDC. Information requests asking for proof of delivery came back with a copy of the notice and a generic "out of luck" statement. One request came back with a copy of the McLane Handbill to the CDC. It shows that the shipment was 25 cases short. This was only 2% of the CDC total but clearly, some stores were short product.

As we go into the fall, stores will see more and more "surprise" pre-books coming from the CDC and directly from vendors. You need check in the CDC shipments. If there is no packing slip, call the CDC and have one sent. If you are short, contact the vendor for a credit. We recommend that you receive all UPS and FedEx shipments. 7-Eleven Inc. has agreements that allow the vendors to charge you for not receiving valid shipments. One client was charged \$60 for refusing a \$29 cost package from FES. Remember, the vendor did receive a "valid" order. They cannot tell if you wrote the order or even knew about it. The time to say NO is before the order is written.

Review your Cash Purchase procedures. Make sure you take the time to use the correct category. Accounting has been able to reduce staffing in helping stores but seems to have gone the opposite direction in preventing errors that might cause overage. Inventory purchases with 0.00 retail are looked at electronically. If the category should have retail, one is assigned. If a category should be cost only, the retail might be reset to 0.00. We are seeing BIBs retailed because they were put in Soft Drinks rather than Fountain and one client saw novelty coffee cups reduced to 0.00 retail.

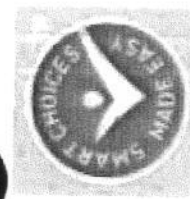
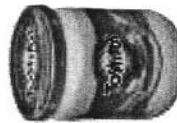
FES/AMPLEX

I called FES last month trying to sort out charges for a client. We found out that they charge \$7.50 shipping for stamp orders unless you order 3 phones and/or 10 packs of cards. You are charged \$7.50 if you order less than 10 packs of cards with no phones. They also charge you if you send back a phone that is not complete etc. These charges are not designed for using the order formula. @ 15% GP, it takes a \$30 sales to get the shipping back.

**Contact Norm Winslow (559) 251-0717 or
Richard Schwarz (562) 438-6832, richard@servisetc.com**



Let Frito-Lay help grow your profits!!





BUSINESS TRANSFORMATION

DELIVERING THE FUTURE

BT – What do we expect to achieve?

By Tom Scallion – Vice President, Business Transformation

While Business Transformation (BT) may have a very specific meaning for us as a company today, *transforming the business* is anything but new to 7-Eleven.

Since our humble beginnings as an icehouse back in 1927, we have constantly been *transforming* by adapting to what is changing “today” and anticipating and preparing for what will change “tomorrow”. In other words, we understood that *to survive today*, we must be ready, able, and willing to change... and that *to win*, we must change faster, better and smarter than our competition.

Your FOA President, Karam Dhaliwal, asked me to address a question specific to today's Business Transformation: ***What do we expect to achieve?***

The short answer is that when fully executed, we expect 7-Eleven stores will have a competitive advantage that will lead to sustained improvement in store sales and profits.

Our Business Transformation centers on three things:

1. Retailer Initiative
2. Consolidated Deliveries
3. New Inventory Management System

While each one of these individually can have a favorable impact on sales and profits, when combined together the impact is greater because execution is easier with the operation of the store simplified. They are linked. They enable each other. Each works best when they all work together.

For example...

- Retailer Initiative execution relies on effective electronic ordering and product assortment management ... electronic ordering and efficient product assortment are enabled through consolidated deliveries ... consolidated deliveries enable cost reductions...the new inventory management system enables electronic check-in and results in higher fill rates...higher fill rates enable better in-stock positions and higher sales and profits.
- Ultimately, electronic check-in will enable perpetual inventory ... and perpetual inventory creates simpler ordering, efficient use of labor and reduced shortage.

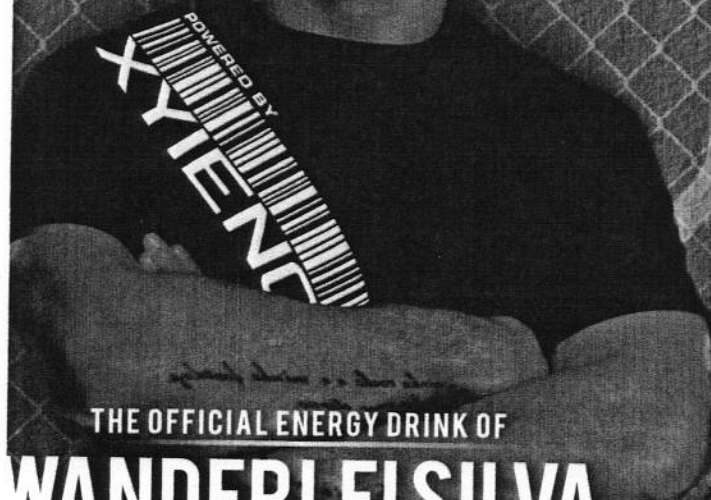
Like the pieces of a jigsaw puzzle, they all link together. And when they do, the picture emerges – in this case, that competitive advantage that leads to sustained improvement in store sales and profits.

The L.A. Pilot

A key goal of the L.A. Pilot is to validate the expected costs and benefits prior to expanding Business Transformation to other areas.

We have shared with you that one of our goals for the pilot is a 10% improvement in Franchisee net profits before G&A. To determine that profit improvement, we enlisted the services of an outside company whose expertise is time and motion studies. They conducted three studies in L.A. pilot stores with varying levels of merchandise sales – one low volume, one mid volume

THE ART OF FIGHTING MEETS THE SCIENCE OF ENERGY

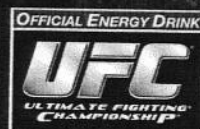


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"THE AXEMURDERER"

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and one high volume – to determine the time and effort required for certain critical tasks. The data collected was then used to build a model to predict what benefits the L.A. pilot stores could expect to achieve.

We believe that we were conservative in our approach to estimating the potential benefits to stores, and expect to meet or exceed our initial target of 10% improvement in Franchisee net before G&A.

Costs

One of the biggest issues Franchisees have related to me about Business Transformation involves the impact on store labor, with concern that any benefits achieved could be reduced by increased labor expense.

The time and motion study conducted did identify three potential areas where labor expense may go up with Business Transformation, specifically: (1) soft drink put-away; (2) additional time to forecast due to an increased frequency of soft drink orders; and (3) driver check-in due to scanning versus touch counts. But it also identified three potential areas where labor expense should go down. Those areas are: (1) elimination of the counting of inventory before ordering due to a pre-populated "I"; (2) system automation of the honor check-in process; and (3) the simplification and reduction of back office paperwork. Bottom line, we expect that Business Transformation will be labor-neutral.

Benefits

If the impact on labor is neutral, your question might be where does my increase in profit come from? Reduced cost of goods, lower inventory shortage, and increased sales and margin.

We expect to reduce cost of goods due to the change from DSD (direct store delivery) to a consolidated logistics model. In fact, we've already negotiated cost reductions with vendors who are supporting the pilot, and we will continue to negotiate for further cost reductions.

Based on the research and extensive analysis, we expect the other benefits to primarily relate to the new Inventory Management System which will be installed prior to rolling out the pilot. These benefits include: (1) more accurate forecasting with a pre-populated "I"; (2) improved accuracy of out-of-stock reporting on ordering screens; (3) higher fill rates; (4) improved control of costs (new item master); (5) cost savings from product tracking; (6) better shortage management; and (7) accurate check-in.

What will we achieve?

This article started with the question: *What do we expect to achieve?* Now that we know what the expectation is, the question becomes: ***What will we achieve?***

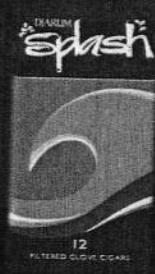
Here is my hypothesis...

If we work together and devote our best efforts towards the execution of our Business Transformation, then we will achieve a competitive advantage that will lead to sustainable improvement in store sales and profits for everyone.

At the end of the day, the goal is to for all of us to make more money.

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7-ELEVEN FOASC MEMBERSHIP BENEFITS

National Coalition: Free Membership

Activities:

- Quarterly Members Stated Meetings
- Monthly Board of Directors Meetings (*e-mail the office at foasc711@yahoo.com or Mr. Dhaliwal at kmd1948@yahoo.com if you would like to participate as an observer*).
- Trade Show
- Annual Golf Tournament (*Supports our Scholarship program*)
- Holiday Party

Scholarship Program: Open to Franchisees dependent children and grandchildren. One \$8000.00 four year scholarship per year, Multiple \$2000.00 Grants, and Multiple \$500 Awards. Contact Scholarship Chairperson, Barry Gauthier at 714-637-0307 or call or e-mail the office.

Workers Compensation: The most competitive group rates in the state through John Barbot Services. Call 1-888-505-7110.

Accounting: Free Consulting Services by Ser.Vis.Etc. Contact Norm Winslow at 559-251-0717 or Richard Schwarz at 562-438-6832.

Credit Union: Free Membership to South Western Credit Union. Membership can save you thousands of dollars in auto financing fees as well as offering many additional benefits. Call 562-694-8296 and mention that you are a member of 7-Eleven Franchise Owners Association of Southern California.

Wage Hour Consultant: Human Resources program specializing in wage/ hour and labor issues through C.P.E. HR Corp. Call 800-850-7133 and ask for Thi Ha or Michael Holmes.

Communications: We will continue to be involved at all levels of communications with 7-Eleven Inc. We will continue to analyze and monitor programs, policies and important developments within our franchise system.

7-Eleven Ombuds Program: A confidential, neutral, informal resource established to help the franchisees and SEI raise and resolve issues without fear of retaliation and with the confidence that the issue will remain "off the record". Call 1-866-711-2221 from 8 a.m.- 6 p.m. Central Standard Time.

The Greatest Benefit: In the final analysis, the only justification for creating an association is to be of service to our members, consequently the greatest benefit may very well be to 'be there, when you need us'. Feel free to contact the association at foasc711@yahoo.com anytime, or contact any Director listed in *Perspective*.



7-Eleven F.O.A.S.C.- MEMBERSHIP APPLICATION

The undersigned hereby applies for membership in the 7-Eleven Franchise Owners Association of Southern California, with the understanding that I/we are entitled to receive a copy of the By-laws upon receipt of the initiation fee, and upon acceptance into the Association as a full member. I/we further understand that I/we have a seventy-two (72) hour recession period (from the date below) in which to change my mind about joining this Association and will receive my initiation fee in full, if I/we exercise this right. The initiation fee to join the association is \$100.00, with \$15.00 monthly dues.

My check/money order for \$100 payable to the Association as an initiation fee accompanies this application.

HOME INFORMATION

Name: _____

Spouse's Name: _____

Home Address: _____

City: _____ State: _____ Zip: _____

Home Phone #: (____) _____ Cell Phone #: (____) _____

E-mail Address: _____

STORE INFORMATION

Market Area: _____ Store Number: _____

Store Address: _____

City: _____ State: _____ Zip: _____

Store Phone #: (____) _____ Fax #: (____) _____

Date franchisee acquired store: _____

Date: ____/____/____

Franchisee(s) signature(s): _____

First Store - Accounting Authorization

Date: ____/____/____

Market Area: _____

Store Number: _____

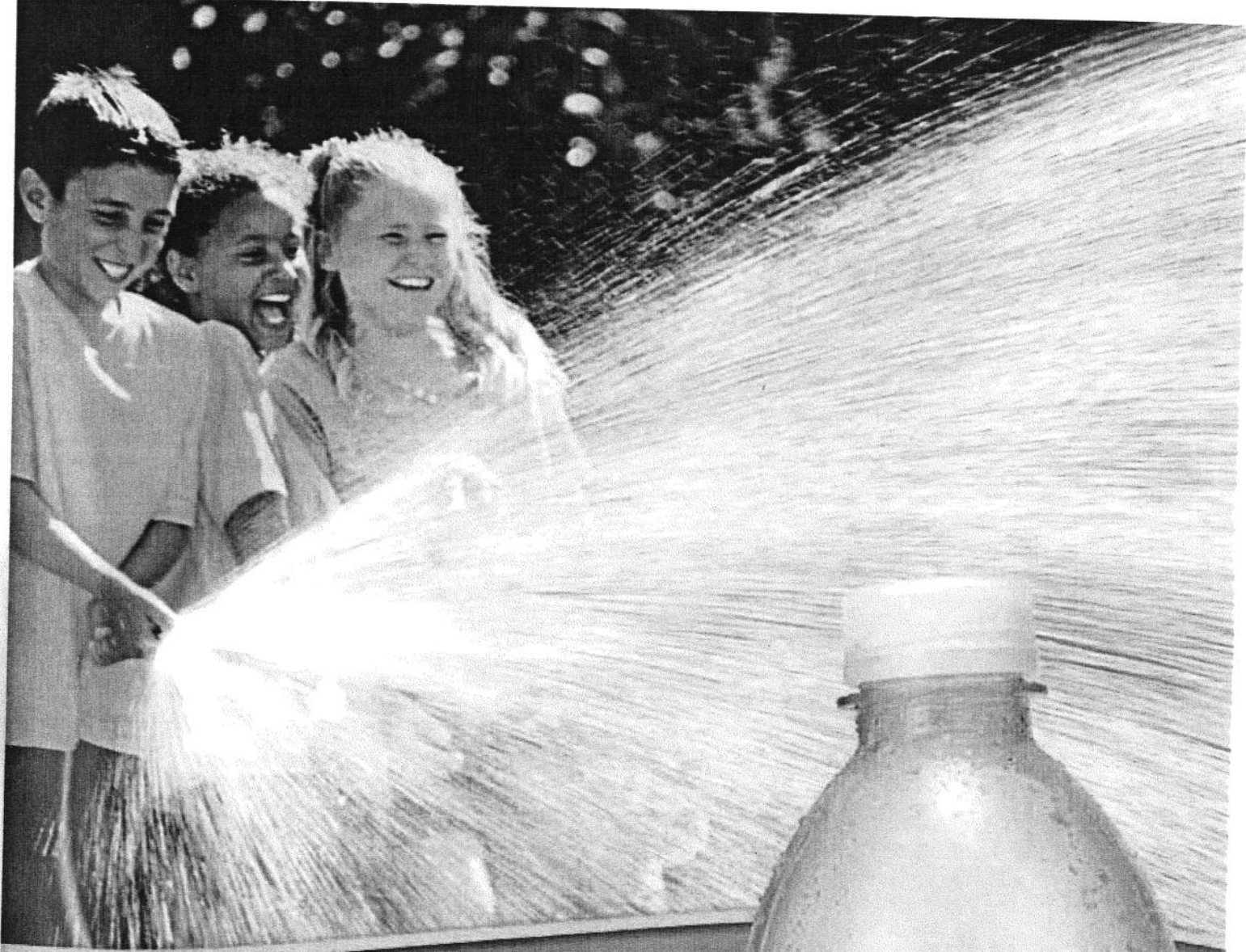
I/We _____ franchisee(s) of the 7-Eleven Store located at _____

have joined the 7-Eleven Franchise Owners Association of Southern California and do hereby authorize 7-Eleven, Inc., DBA 7-Eleven Stores, to charge \$100.00 initiation fee and \$15.00 monthly dues to my open account #97. This authorization is to be effective until written notification by me/us to terminate this deduction. The check is to be made payable to:

7-Eleven Franchise Owners Association of Southern California
11145 Tampa Avenue, Suite 12B
Northridge, CA 91326

Franchisee(s) signature: _____

Store Stamp



KEEP YOUR FAMILY HYDRATED

Nestlé® Pure Life® is an excellent
zero-sugar, zero-calorie way to
stay hydrated.

EMBRACE THE PURE LIFE™



We've gone pink, not soft.



HARD HITTING

The perfect addition to your October breast cancer awareness display program.

HARD SELLING

mike's hard brand family is +42.3%.

IRI Total US Convenience, p4w ending 6/14/09

HARD TO PASS UP

mike's® hard seasonal 6pk 11.2 oz. Btl

SLIN: 101917

FOD: 8/14/09

Available
for a limited
time only
ORDER NOW

A DEAL WHERE EVERYBODY WINS. THAT'S REFRESHING.

Introducing mike's hard pink lemonade®, the second of our new 10th anniversary seasonal editions and one sure to keep people coming back through the fall. But don't be fooled by its rosy attitude – "pink" is a serious matter to us and we're contributing \$250K to The Breast Cancer Research Foundation.



Ask your Mike's sales rep or distributor for details about adding
mike's hard pink lemonade™ to your breast cancer awareness display program.

Premium Malt Beverage. © is a registered trademark of Mike's Hard Lemonade Co., Seattle, WA. Please drink responsibly.