

success
story

Hy-Vee

Hy-Vee Drives Retail Success
With ACI Software





Clockwise from top left: Luke Tingley, Michael Skokan, Kyle Frizzell, Julie Proffitt

The retail industry lives by a simple but powerful precept: The customer is always right. As a result, the most successful retailers go out of their way to ensure that customers are satisfied across every dimension — not only with products and services, but also in terms of the payment options available to them. Hy-Vee, Inc., a leading grocery and drugstore chain with 225 stores in seven Midwestern U.S. states, is a classic example of this customer-centric approach.

Unlike most retail enterprises, Hy-Vee is a highly decentralized corporation. Local store managers can tailor inventory, pricing, merchandising, displays and services to best serve their particular markets and deal with their individual competition. Since 2002, the company has relied on software from ACI Worldwide to provide customers with the payment flexibility they demand.

“Consumers want payment choices, and you need to offer consumers what they want,” said Mike Skokan, assistant vice president of financial reporting at Hy-Vee. “At the same time, you want to direct them to the least-cost alternative for the retailer — for example, using PIN debit rather than the signature debit option. Every time a customer uses a credit or debit card in our stores, we pay an interchange fee to the issuing bank for that transaction. With electronic payment volume rising at double-digit rates every year, flexibility in payment options is critical to our cost-containment strategy. The ACI solution supports this flexibility.”

Least-Cost Transaction Routing

According to Skokan, ACI software has allowed Hy-Vee to control its own destiny in terms of how and where transactions are processed. Prior to implementing the ACI solution, Hy-Vee was connected to a local switch that handled all processing tasks; each store sent its transactions directly to this third-party processor. By contrast, all transactions now feed into a central location in the ACI solution-based infrastructure. “This approach lets us choose the most cost-effective method for routing each transaction,”

Skokan said. “The ability to bring our processing in-house with ACI software has helped us significantly reduce our processing costs.”

ACI software has also allowed Hy-Vee to manage its own gift card program. Previously, the company relied on a third party to host the gift card system. Every time a card was issued, or when a purchase transaction was posted against a card, Hy-Vee had to interface with this external database. “Now, with the gift card system housed within Hy-Vee, we can grow the volume with virtually no incremental cost,” Skokan said. “In fact, the more we leverage our investment, the cheaper it makes each transaction that goes through it. ACI software really helps us control and manage our costs.”

Minimizing Fraud

Hy-Vee also uses ACI software as part of its check authorization and collection system. Every time a customer goes into a Hy-Vee store and writes a check, it is run against the ACI solution-based check database to see if the customer has any bad items on file. This helps the company reduce fraud-related costs.

The “store-and-forward” capability of Hy-Vee’s ACI solution also plays a role in keeping fraud at bay. In the past, any system outage opened the door to fraudulent card use. Because the transaction could not be processed electronically, a clerk had to note credit card information manually, then key it in once the system came back on line. There was always a risk that the transaction might not go through.

With the ability to perform store-and-forward operations, a card can be swiped even if the system is down; the information is retained until the link is re-established. There is still a risk that a card may not be valid, since authorization does not take place in real time, but the customer doesn’t know that the system is down, reducing the likelihood of deliberate fraud.

The Right Partner

Hy-Vee got its first store up and running on the core ACI solution at the end of 2002, with all stores converted by August 2003. “We looked closely at the major players in this category,” Skokan recalled. “Based on what we saw of its products, capabilities and personnel, ACI was the best fit for us.”

Asked to name the specific ACI products in use at Hy-Vee, Skokan ticks off an impressive list. “We use almost everything available within the ACI suite,” he said. “We use their payment processing solutions for credit, debit and EBT transactions. We use their gift card module, and also their check authorization and collection module. We use their ARU module, which allows consumers to check gift card balances with their telephone keypad. That’s something we worked with ACI to customize so it would meet our specific requirements.”

There’s more: Hy-Vee used ACI software to transition its Web site from a simple information repository to a fully interactive e-commerce site that accepts online payments. The company is now implementing the ACI Retail Commerce Server™ software for accounts receivable management, replacing a paper-based charge system that serves local businesses, churches and charitable organizations. Also in the works is an electronic signature capture project, which will eliminate the need to track and store paper receipt tape.

Critical Attributes

The ability to customize ACI software is critical to Hy-Vee. “Given the decentralized nature of our business, we need the ability to meet the unique needs of each store director,”

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Skokan said. “The flexibility of the ACI solution, and the ability of ACI to make custom changes for us, are features we absolutely require.”

Hy-Vee values other attributes, as well. “The ACI solution is extremely stable,” Skokan said. “Availability is a mission-critical function for a merchant, especially a food retailer. You’ve got to have your payment system up and running 24 hours a day. And the gift card system is similar — customers rightfully expect to have immediate access to the value stored on these cards, whenever they want to use them. The ACI solution provides this essential reliability.”

ACI measures up well as a strategic partner. “I think ACI is a function of the people who are a part of that business,” Skokan said. “The folks we’ve worked with at ACI have always been straightforward and honest with us — something you look for in any business-critical partnership. We can count on ACI to be there when we need them, and to help us find innovative and effective solutions to our business challenges.”

In summary, Skokan points to the breadth and adaptability of the solution that helps drive Hy-Vee’s success in the marketplace. “If you’re looking for software that can encompass everything from electronic payments and check authorization to gift cards and an e-commerce site, ACI software is an excellent choice,” he said.

“The real benefit of having the ACI solution is that you truly can control your own destiny when it comes to electronic payments. You can expand the solution to take care of business needs that don’t necessarily exist today, but that will come in the future. Hy-Vee operates in a highly competitive industry, and the ACI solution has contributed to our success— and will continue to.”



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