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KSS: the fuel pricing expert on 2010 planning and budgeting fuel volumes



Maintaining fuel volumes and optimising price is key, says Bob Stein, president and CEO, KSS.

The 2010 petrol market is dominated by pressures on both volume and price. Since the price escalations that occurred several years ago, there has been a downward trend on petrol volume. Most likely, volume will continue to decline or only grow slightly during this year.

This pattern has occurred for various reasons, including, initially, cost increases, which led to drastic declines in consumption. What followed was greater consumer demand for petrol-efficient vehicles, as well as an increase in the use of alternative fuels.

As the global recession begins to turn around, there will likely be an increase in petrol prices as demand escalates again in developing countries. Even now as volume has stabilised, wholesalers and retailers must be attuned to the new volume constraint model of pricing and selling. The key is to maintain volume at the best price, to maximise available profits.

Price increases will especially impact branded petrol. To compete against potentially more attractive unbranded prices, branded retailers must be proactive in creating value that goes beyond the pump price. This includes loyalty programs, related convenience store offers and product quality.

If overall volume in a particular market is not growing, the retailer must maintain volume share and even, if possible, attempt to take volume from others. In either case, it is imperative retailers maximise profitability, not simply cut prices. This is when the use of business intelligence (BI) tools becomes crucial. These tools can help the retailer adjust prices quickly while maintaining profitability.

In regards to supply, branded retailers may have an edge on the unbranded competition. Supply contracts branded retailers have in place can ensure they get petrol product if refinery volume declines or can't keep up with demand. While unbranded retailers sometimes have similar contracts, many do not, and this can be a real advantage for a branded retailer.

On the other side of the equation, wholesalers must get a handle on volume and align it with distribution. If petrol volume continues to decline, the most significant action they can take is maintaining their share of volume in the most profitable fashion.

Wholesalers have to adjust their thinking and apply business models that let them adapt to non-rising volumes; so they must be effective at handling new volume constraints models.

It is also important for wholesalers to evaluate and balance how much volume is moving – branded versus unbranded – and plan accordingly. Again, business intelligence tools are crucial to managing prices, making accurate projections, and

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analysing trends.

When implementing BI tools, it's important for retailers and wholesalers alike to know while the tools alone offer great benefits like automation, competitive surveys and price optimisation, it's also vital potential users ensure their provider can also serve as a partner through this endeavour.

Quality vendors offer more than just products; they provide consulting services that complement the technology solutions while improving a customer's entire approach to petrol volume and pricing.

With the right combination of market knowledge, business intelligence and automated systems, retailers and wholesalers can meet their volume challenges head-on and make 2010 a success.

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