

Miller Oil Wins the Gas Price War with PriceNet

Miller Oil was founded in 1977 when A. C. Miller purchased Exxon's Company USA's home heating oil business. By the 1980's the convenience store and gasoline retailing business had taken off.

Challenge

Faced with intense competition and decreasing gas margins, Jeff Miller, President of Miller Oil, wanted to challenge some of the more traditional pricing tactics and identify a new gas pricing strategy that would enable him to deliver sustained volumes at acceptable margin rates. A key constraint on any new strategy was the ability to at least maintain current volumes.

Solution

KSS and Miller, using PriceNet as the base solution, worked together to deliver an enhanced pricing process. Miller's pricing team then used PriceNet to identify true competition by store and by grade and adjust current tactics in a tightly controlled environment. PriceNet's ability to quantify competition and forecast the impact of changing pricing tactics volumes, margin and profit, ahead of implementation, provided the basis to develop and test a revised strategy prior to going live in the market. With the new strategy in place, it was a simple task for Miller's pricing team to configure PriceNet's rules-based price generation and price optimization capabilities to deliver the gas prices to meet volume goals and maximize margin.

"With PriceNet we're able to challenge our gas pricing tactics at each store to consistently deliver on our volume and margin budgets. The results are impressive – we are now running 4.5% over volume budget and meeting our margin targets", comments Jeff Miller, President Miller Oil Co.

Profile

- **Industry** - Convenience Retail
- **Headquarters** - Norfolk, VA
- **Founded** - 1980's
- **Number of sites** - 54
- **Number of Employees** - 400+
- **Website** - www.milleroil.com

Product

- **PriceNet**

ROI

- **Gas volumes improved 4.5% above targeted budget**
- **Gross margin targets achieved**
- **Reduced volatility assisted with inventory management**

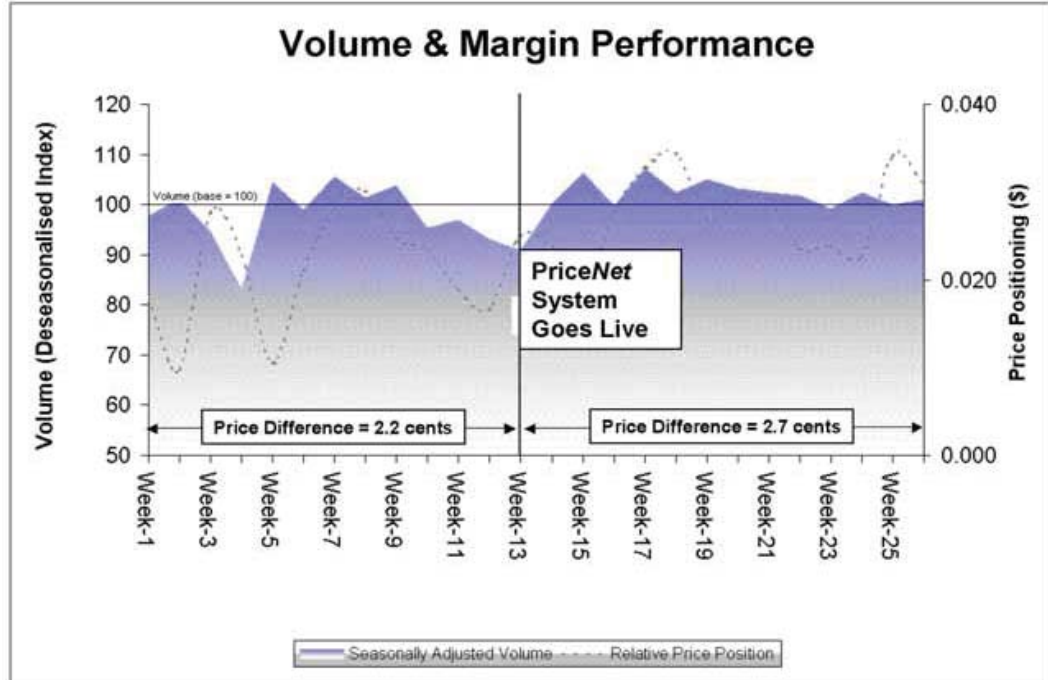


Figure 1 – indicating impact of PriceNet on volume (blue) and relative price position (dashed line)

Result

Figure 1 indicates the results of going live with the enhanced PriceNet-supported process. Volumes exceeded budget by 4.5% and exhibited significantly reduced volatility, assisting with inventory management. Margins also improved by 0.5 cpg, as indicated by the “delta to competition” measure to the point where margin budgets were met. These results were achieved by addressing:

- The “block pricing” myth, proving that in most cases it’s not necessary to price a given grade the same at all sites in a neighbourhood
- Fixed grade spreads – through analysis Miller’s team found that grade spreads can be varied, in a controlled range, to trade-off volume growth in one grade for margin in another – breaking the 1- cent fixed spread tactic

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