

Case Study: Unbranded Service Station

Situation

With today's volatile fuel market, unbranded service station dealers are challenged everyday to buy fuel competitively so that they can achieve a respectable margin at their retail stations. One well-established convenience store operator, with six locations in Pennsylvania and West Virginia, utilized a somewhat traditional strategy of purchasing fuel from a multitude of suppliers based primarily on price.

The price negotiations were the responsibility of the owner, but the management of inventory and ordering was delegated to the individual stores. This fuel management strategy impacted the organization in several ways:

- Training of store personnel was a constant challenge. Each employee at the store had to know the process for “sticking the tanks” to determine inventory levels, then understand historic store demand to know when to order fuel.
- Store personnel ordered fuel without knowledge of what was happening in the marketplace. If prices were anticipated to decrease tomorrow and the delivery could be delayed, they lacked the knowledge to take advantage of the price change.
- At the corporate level, they were forced to manage relationships, ordering processes, and issue resolution procedures with multiple suppliers.



Opportunity

The opportunity facing this convenience store operator was to locate a single supplier that had the ability to service all six stores, provided solutions that minimized the time and effort needed to manage fuel inventory and procurement, and could deliver a cost effective overall fuel management program.

Decision

The Company looked to one of its current suppliers, Guttman Oil Company, to make a proposal. Guttman Oil had already proven its reliability and fuel management expertise and was the single-source provider for one of the stores. After careful consideration, the Company decided to turn over the complete fuel management process for all six stores to Guttman Oil.

“Guttman Oil provides exemplary service at a competitive price and has removed us from much of the day-to-day details of managing fuel”.

- Owner

Case Study: Unbranded Service Station (cont.)

Actions

- Guttman Oil profiled each store location, capturing hours of operation, delivery restrictions, tank sizes, and historic demand.
- Negotiations were held with transportation service providers, including rate negotiations and service agreements.
- Guttman Oil defined a new fuel management procedure that minimized the responsibility of the store personnel, shifting the responsibility to trained Guttman Oil personnel.



Results

The owner sums up the relationship as follows: “Guttman Oil provides exemplary service at a competitive price and has removed us from much of the day-to-day details of managing fuel”. This convenience store operator has been a satisfied Guttman Oil customer for over five years and has experienced the following results:

- Every morning Guttman Oil personnel proactively calls each store to retrieve inventory levels, providing the forcing mechanism to ensure store operators take inventory readings on a timely basis.
- Taking into account storage capacity, historic demand, fuel market trends, and transportation restrictions, Guttman Oil coordinates the delivery of fuel as needed.
- The Company has maintained competitive pricing, while eliminating the time consuming process of soliciting and managing daily spot prices from multiple suppliers.



- There is now a single-point of accountability for any fuel-related issue.
- The accounting process has been simplified since all invoicing is through one company. Even the payment process is simplified, with the Company paying Guttman Oil via an ACH transaction instead of cutting checks.



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