Restructuring: The Changing Face of Motor Gasoline Marketing

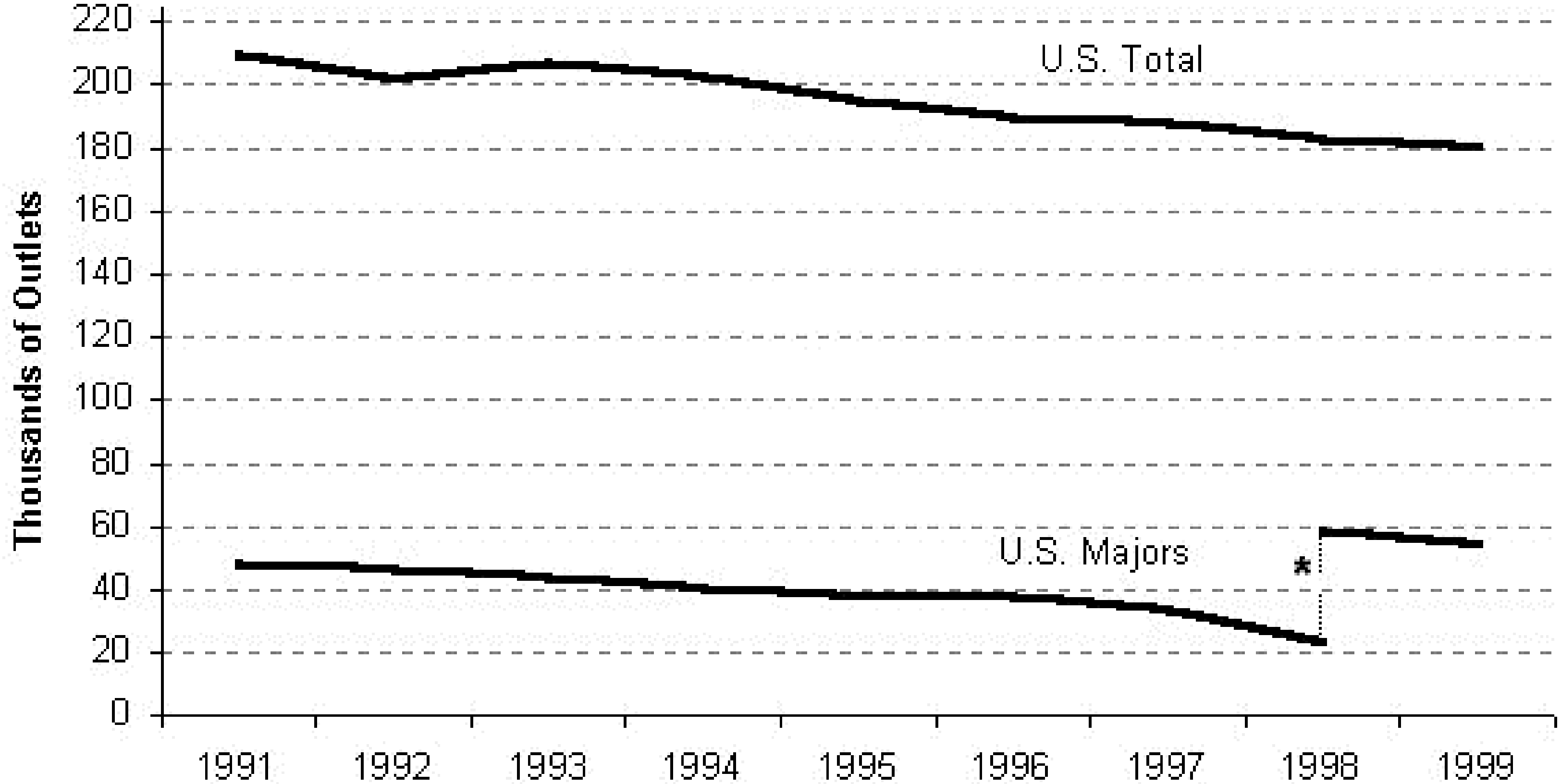
Neal Davis

Summary of Findings

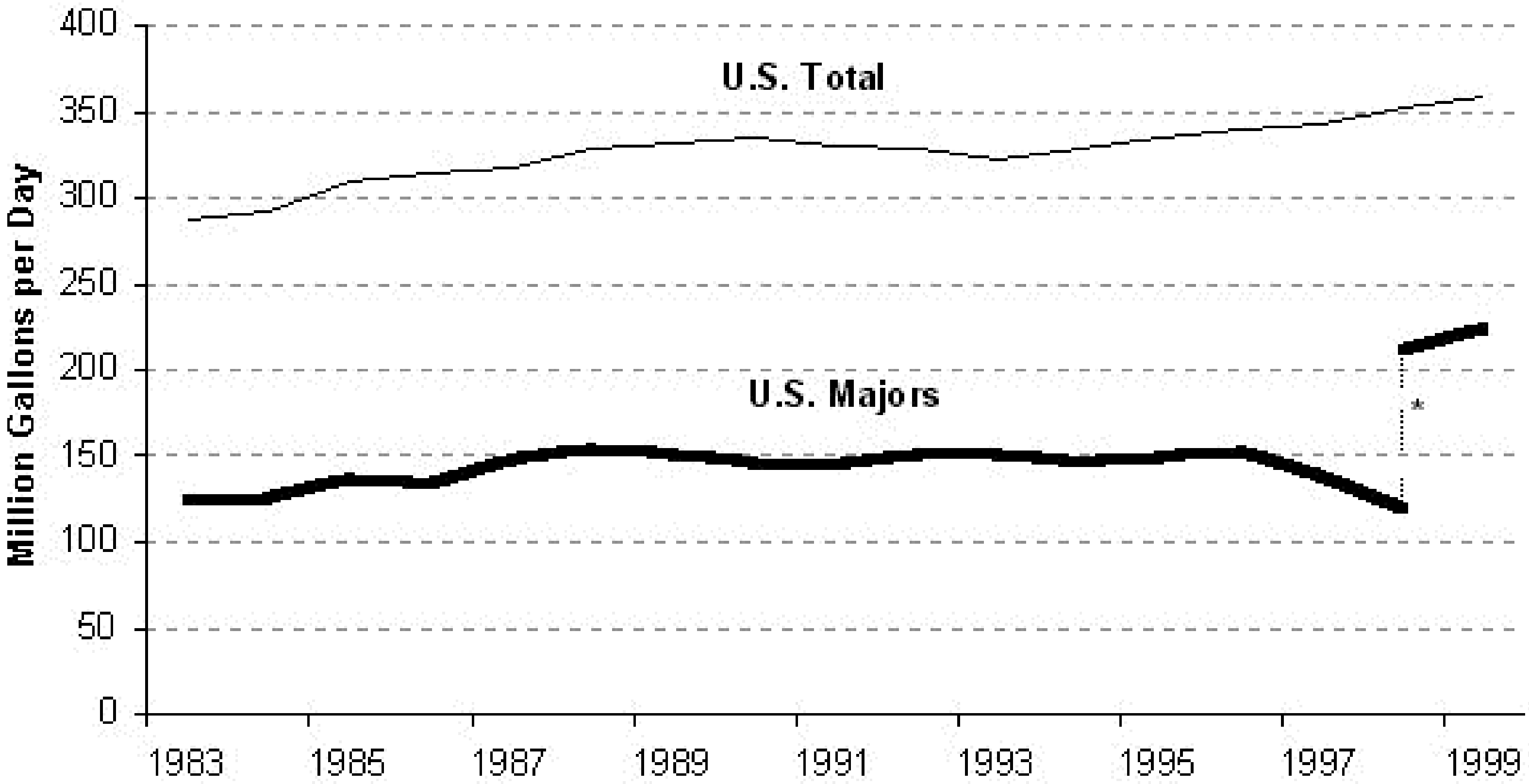
- Marketing operations of industry coalesce
  - Total U.S. outlets declined from 210,120 in 1990 to 175,941 in 2000, a 16-percent decline (175,132 by 2001)
  - Motor gasoline supplied increased from 336 million gallons per day to 359 million gallons per day, a 7-percent increase
  - Outlets became more likely to be convenience stores than service stations
  - Average number of employees per outlet increased slightly (6.7 to 7.6) and the average salary increased slightly in nominal terms ($13,000 to $13,200), but indexed salary declined by 2 percentage points over similar period
  - Average capital intensity of U.S. major's outlets increased from $500,000 to $771,000 due to a variety of reasons

- Marketing Operations of Integrated and Non-Integrated Refiners Converge
  - Integrated refiners' operations reduced
    - In 1990, the integrated refiners had branded marketing operations in an average of 28 states
    - By 1999, the integrated refiners had branded marketing operations in an average of 24 states
  - Non-integrated refiners' operations expanded
    - In 1990, the non-integrated refiners had branded marketing operations in an average of 8
    - By 1999, the non-integrated refiners had branded marketing operations in an average of 17 states

Number of Motor Gasoline Retail Outlets, U.S. Majors and U.S. Total, 1991-1999

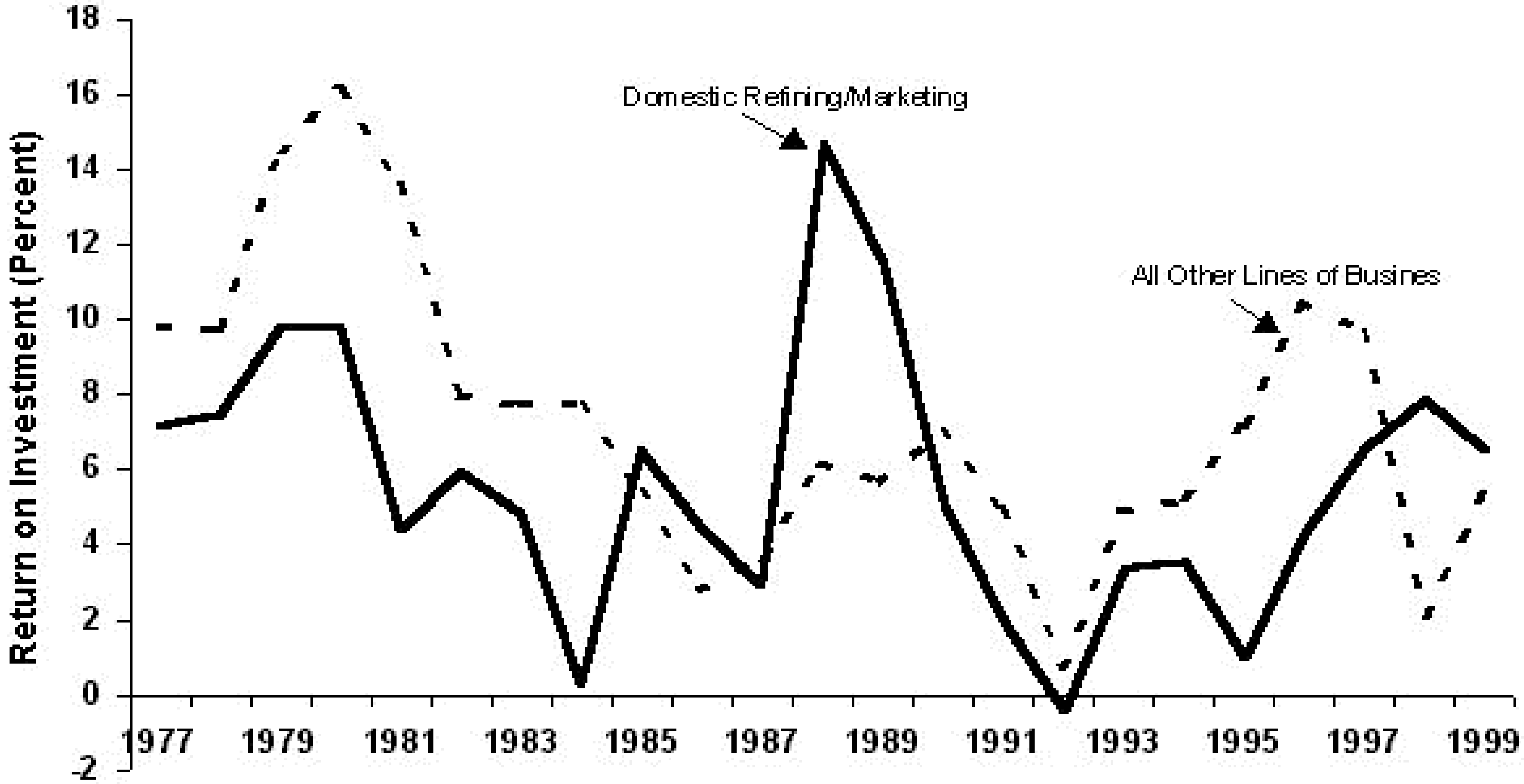


Motor Gasoline Supplied, U.S. Majors and U.S. Total, 1983-1999



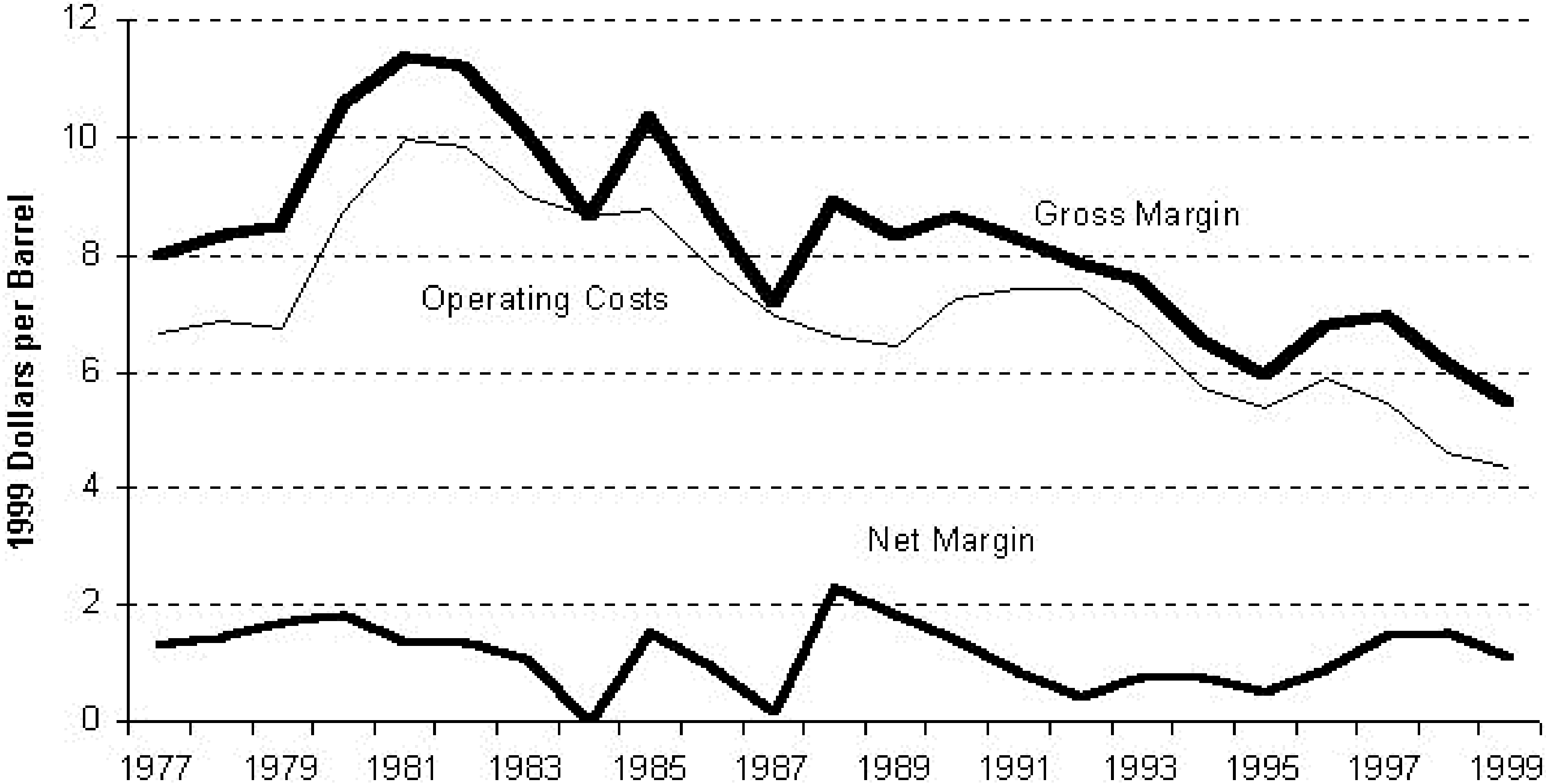
- Profitability of the U.S. Majors Increases Over Decade
  - U.S. Refining/marketing operations generally less profitable than other lines of business in 1990’s

Return on Investment in Domestic Refining/Marketing and All Other Lines of Business for U.S. Majors, 1977-1999



- Cost-cutting successfully undertaken through increased reliance on:
  - wholesalers,
  - joint ventures,
  - introduction of technical change, and
  - reformatting

Gross Margin, Operating Costs, and Net Margin for U.S. Majors Petroleum Products, 1977-1999



U.S. Majors' Third-Party Motor Gasoline Sales Shares by Distribution Channel, 1982-1999