

# **A Retailers Wants from a Biofuel Supplier**

Dave Bodger March 2009



# Today

- Quality
- Reliability
- Price



# Quality



# Lets Start with a Car

- “Pride and Joy”
- Second most valuable asset
- An extension of many peoples personality
- A holder of dreams and loved ones
- An entry ticket to much of modern day society





# The Customer

- Wants her car to start 100% every time
- Wants to know what nozzle to grab
- Wants his car to not break down
- Wants to know car value is retained
- Wants to know they are getting best price
- Will the fuel help or hinder ?





# déjà vu

- DB: “Good Morning Dave Bodger”
- Caller: “ I’ve got some biodiesel I can sell you”
- DB: “Thanks that’s great, please send me your COQ and price”
- Caller: “Sure Thing”  
..... 6 Weeks later.....



# déjà vu

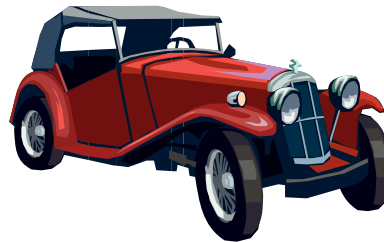
- DB: “Good Morning Dave Bodger”
- Caller: “ I spoke to you 6 weeks ago about that biodiesel”
- DB: “Thanks that’s right you were going to send me a COQ”
- Caller: “Oh yeah that’s right, I’ll get one on the way”

..... There is no third phone call .....



# Quality vital when you deal with Quantity

- Meeting the COQ means we can back our fuel, EVERY time
- Just because it works for one vehicle, doesn't mean it works for EVERY vehicle EVERY time
- Lets look at some numbers:



# Some Numbers

- An average service station ....





# Quantity

- A typical service station 3.156 million litres pa
- Say 30% Diesel
- 40,000 litres of Petrol a week
- 20,000 litres of Diesel a week
- 200 Petrol customers / day
- 60 Diesel customers per day



# For 200 Service Stations

- 40,000 Petrol customers per day
- 12,000 Diesel Customers per day
  
- If one tenth of 1% have a problem
- 50 Customers complaining per day
- 350 in a week
- The oil company is out of business



# Angry Customers

- They don't hold back with an oil company  
.....
- As demonstrated in our focus groups ....





# How bad does it get ?

- 20 Vehicles “sold” a mixture of petrol and water
  - Cars stopped in the main street of a provincial town
  - Holidays disrupted
  - People stressed
  - Staff loosing a week just processing the complaints
  - Reputation of an outlet suffers 10 years later
  - \$70,000 repairs / rentals / reparations



# Reliability



# Investment by Retailer

- Storage:
  - \$200,000 to several million
- Blending:
  - A few dollars to a few million
- Service Station:
  - \$5,000 each site



# Investment by Retailer

- Oil companies invest a lot so need to know the product will be there next week, next month, next year
- If we run out need to change brand for the period ?
- This is embarrassing a brand downer and costs



# It's about ALL possibilities

- Masterton Winter vs. Whakatane Summer
- Hamilton Fog vs. Hawkes Bay Drought
- The latest Porsche vs. 1958 MG and beyond
- Imports vs. New Zealand new
- Day in day out, all cars all conditions



# Price





# Price

- Lets face reality
  - In business to make as much or more than we make today
- Assume “retail” margin = 10 cpl , less freight of 2 cpl = 8 cpl,
- 1 cpl drop in margin needs 12.5 % volume lift just to stay neutral.



# Biodiesel

- Bio Diesel (Australia)
  - \$AUD1.00 per litre; \$NZ1.282 per litre ex GST
  - \$NZ1.442 per litre including GST
- Pump Prices (New Zealand)
  - \$0.999 including GST
  - Need a 25%+ increase in sales to be neutral
  - It will not happen just cause the fuel is “green”



# Summary



# Summary

- New Zealand Motorists
  - Expect and demand a very high quality of fuel
  - Want to know what they are getting day in and day out
  - Will not pay any more than they have to



# Summary

- New Zealand Fuel retailers
  - Basically understand the consumer
  - Know that a brand can be lost with poor quality
  - Are in a tough market with low margins



# It all comes down to

- Quality
  - First time every time
- Reliability
  - Always there
  - All conditions
- Price
  - The retailer putting it up is no go

