3 LEGS OF THE MOTOR FUEL INDUSTRY

LEG 1: PETROLEUM EXPLORATION

OIL COMPANY

LEG 2: OIL REFINING

OIL REFINER

LEG 3: FUEL MARKETING

GAS STATION

FUEL DISTRIBUTOR

GAS STATION
SYNOPSIS:
The traditional gasoline service station property is owned by a MAJOR OIL COMPANY/REFINER, is leased and franchised to the dealer who is a small business owner. There is a property rental agreement and a supply franchise agreement. Dealers pay very high rents to the oil company/refiner, sometimes upwards of $20k per month. Gasoline is sold to the dealer at a price determined by the oil company/refiner. This price is called DTW (Dealer Tank Wagon) and is considerably higher than the refiner sells to distributors at the rack (Rack Price). Dealers purchase gasoline in full truck loads of 8500 gallons and manage their own inventory. Dealers set the retail price on the pump. This is determined by local market competition. The employees at this location are all employed by the dealer (small business owner). The traditional gasoline service station has 2-3 service bays and does auto repairs too, or may include a convenience store.
SYNOPSIS:
The traditional gasoline service station property may be owned by a DISTRIBUTOR/JOBBER, is leased and franchised to the dealer who is a small business owner. There is a property rental agreement and a supply franchise agreement. Gasoline is sold to the dealer at a price is determined by the distributor/jobber. This price is called DTW (Dealer Tank Wagon) and is considerably higher than the distributor/jobber pays at the rack (Rack Price). Dealers purchase gasoline in full truck loads of 8500 gallons and manage their own inventory. Dealers set the retail price on the pump. This is determined by local market competition. The employees at this location are all employed by the dealer (small business owner) Agreements between the branded refiner allow the distributor to be the franchisor and the dealer is the franchisee (owns the franchise).
SYNOPSIS:
The traditional gasoline service station property may be owned by the DEALER, who is a small business owner. The dealer controls what brand is sold at the location and negotiates with multiple refiners and distributors to get the best contract price. The dealer usually buys at rack price plus delivery charges and a small markup for the distributor. Dealers that own or control the retail property have a price advantage because they decide who will supply product at their location and refiners and/or distributors compete for their business. Dealers purchase gasoline in full truck loads of 8500 gallons and manage their own inventory. Dealers set the retail price on the pump. This is determined by local market competition. The employees at this location are all employed by the dealer (small business owner). Agreements between the branded refiner allow the distributor to be the franchisor and the dealer is the franchisee (owns the franchise).
FUEL DISTRIBUTOR
Owns or Controls Retail Property (Owns the Franchise)

COMMISSIONED AGENT
Operates the Gas Station – Does NOT own the Franchise

SYNOPSIS:
The traditional gasoline service station property may be owned by a DISTRIBUTOR/JOBBER. The franchise is owned by the distributor and the commissioned agent operates the location and is paid a commission usually 5-9 cents per gallon. Gasoline is delivered to the station as needed but remains the property of the distributor. The distributor sets the retail price at the pump. Commissioned agents do not set the price. Since distributors pay rack price for product, the price at the pump is usually more competitive than retail locations that require dealers to pay a higher wholesale (DTW) and also must add a markup for profit. The employees at this location are usually employed by the commissioned agent. Many times commissioned agents rent the service bays from the distributor landlord and supplement profits by doing auto repairs. Although commissioned agents may be considered small businesses because they operate repair shops, commissioned agents do not have any franchise rights and agreements may be terminated at any time.
FUEL DISTRIBUTOR
Owns or Controls Retail Property (Franchisor & owns the retail franchise)

SYNOPSIS:
The traditional gasoline service station property may be owned AND operated by a DISTRIBUTOR/JOBBER. The franchise is owned by the distributor and workers are employed by the distributor/jobber. Gasoline is delivered to the station as needed and is the property of the distributor. **The distributor sets the retail price at the pump.** Since distributors pay rack price for product, the price at the pump is usually more competitive than other retail locations that require dealers to pay a higher wholesale (DTW) and also must add a markup for profit. Some mega distributors that operate their locations purchase in such large volume that they can buy whole barges of finished product and may even have their own bulk storage and rack facilities. This allows mega distributors to price hyper competitive compared to other retail locations.
SYNOPSIS:
The traditional gasoline service station property may be owned AND operated by the oil COMPANY/REFincer. The franchise is owned by the distributor and workers are employed by the distributor/jobber. Gasoline is delivered to the station as needed and is the property of the distributor. The oil company/refiner sets the retail price at the pump. Since refiners control the rack price, prices at the pump are usually more competitive than other retail locations that require dealers to pay a higher wholesale price (DTW) and also must add a markup for profit. Refiners that own retail locations and operate them are a dying breed.