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Jobbers: Post-Honeymoon Bliss?

In June 2010, in this magazine, I wrote a column about the future of fuels retailing after the liquidation of the thousands of retail branded assets and businesses sold off by major and regional oil companies to local jobbers. The content of the article was focused mainly on helping fuel marketers/distributors properly bid on and acquire assets at the right price. However, it also touched upon how to effectively transition the store operators/dealers that were to be "acquired" with the hard assets.

Now, nearly two years later, and as a footnote to this issue's cover story, I offer some fresh perspective.

Since I started my company in 2008, I have worked on numerous acquisitions. As an "industry insider," I have also had the benefit of hearing about and observing what transpires after the closing and after the honeymoon period expires and reality sets in.

What should be obvious here is that the relationship between the jobber and a store operator is very much like a marriage. And just like a marriage, the parties must work together if they are both to grow and prosper.

While jobbers and the operators of their stores are not "partners" in the true sense, they are absolutely reliant upon each other because they have mutual, connected business interests. As such, the relative financial well being of both is extremely important for a store chain to remain viable, especially in today's strained economic climate. Dealers/commission agents/operators must have a healthy business model if the distributors who deliver fuel and otherwise service them are to maintain a healthy balance sheet. The converse is also true as in any symbiotic relationship, like a marriage. Each is reliant on the other for survival.

Keep a Healthy Relationship

In these circumstances, the advice I offer my clients is as follows:

1. Extend an olive branch: The way in which your company acts toward its operators is extremely telling about how the business relationship is going to work.

Whether you have acquired assets recently or have had them under your stewardship for some time, the jobbers' goal should be to display cooperation vs. being rigid or inflexible toward operator needs. Any appearance that their relatively new jobber/supplier is intransigent will be met with resistance, which can lead to poor business relations and stagnant fuel volume. You should continuously look for ways to help them grow their business and maintain relative financial health.

2. Offer meaningful marketing programs: The day you closed on your acquisition is the day you became the "face" of the brand in the eyes of your store operators. And while the oil companies substantially cut back on retail marketing programs over the years, there was a baseline of marketing support. Consider ways to develop value-added economic programs that can enhance the brand and generate volume. Suggestions could include fuel-quality messaging, promotional tie-ins with motor fuel if permitted in your state(s), and promoting credit-card or loyalty-program benefits.

3. Test the water with volume-based incentives: Back in the 1990s, it was common for oil companies to offer their retailers incentives for volume growth based on percentage year-over-year increases accompanied by cents-per-gallon rebates. These programs were relatively successful, and they allowed operators the opportunity to improve their overall bottom line. Because the U.S. retail volume outlook is generally flat, this may be one way to stimulate demand. This does not have to be a "back to gallon one" program, or even for all grades. Be creative. Also be sure to test-market and check for competitive reaction.

4. Consider offering a rent-to-buy program for operators: Retail operators prefer to own their property, and it may be advantageous for you to consider selling the property or establishing a rent-to-own structure in certain cases. And with a long-term supply contract and less capital employed, this may make good business sense for both parties.

5. Maintain an open-door and "willing to listen" policy, and mean it: It costs you nothing and will go a long way toward building solid relations with operators. ■