

FUTURES \$ OPTIONS

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It's us versus them

Remember the good old days, when heating oil companies competed with each other? Sometimes it was over which company provided better service; sometimes it was over the argument over full-service vs. C.O.D. There were times when it was simply two good companies trying to entice a customer over a savings of a few cents per gallon.

Today, with the record swings in oil prices, the competition seems to have—in many cases—switched to issues between companies and their customers. The notion of the local, family-owned “rich oil man” seems to be more true today than in any time in recent history—despite facts that are contrary to that notion. While most heating oil customers are indeed very loyal to their heating oil dealers, the number of customers who feel justified in being “disloyal” seems to have grown, and is now one of the larger concerns for full-service oil dealers.

Recent surveys indicate the clear growing trend for more and more customers wishing to be part of a “program”. Whether the program is a fixed-price or a capped-price program is definitely part of “the issue”, but not something for discussion at this moment. The fact is that a very large percentage of customers are making a decision to agree to a program offered by an oil dealer, and the oil dealer is making a decision to obligate itself to the terms of that program with the customer(s). The percentage of customers who would “cheat” by taking a C.O.D. delivery, or who would simply decide that a written contractual obligation was simply something that could be broken was almost inconsequential several years ago. Now, this new-found atti-

tude seems to have attached itself to a growing group of customers. It is true that the percentages are still small, but if there is a growing issue, it must be addressed.

Most simply stated, if you have a contract with a customer, and the customer chooses to act in violation of that agreement, you should have a (financial) claim against the customer. No oil company wants to spend their time chasing customers for a few hundred dollars; however, if you multiply those dollars by enough disloyal customers, it can add up pretty quickly. Again, to be clear, these numbers are not of epidemic proportion, but simply ignoring the facts might just make matters worse.

So, while enforcement of contracts is on the rise, and certainly the suggested route, I think that there is some value in considering that “perception is reality”. In all likelihood, despite our uniform belief that these “cheating and quitting customers” are just low-lives looking to screw us out of our hard-earned money, it is possible that the customers are not really sure about the impact that they have when they break their contracts. Perhaps, the message has to get out to them—before they leave—that there is more than meets the eye to their quitting.

At this point, I'd like to invite some industry-supportive audience participation. I'm going to mention a few of the responses that we have found that try to convey some of the issues from the heating oil dealer's perspective. Some of these will sound familiar. Most importantly, I would like to collect as many positive messages* (“up yours, you signed a contract,” for example, wouldn't be what I'm after) as I can, so

that we can be an industry resource in dealing with this—and other issues.

“I pre-bought these gallons for you.”

“The cap is the best product out there, but it does carry a premium cost.”

“When prices rose last year, would it have been right for me to sell your oil to someone else, and for me to tell you that I wasn't going to honor my commitment to you?”

“Did I call you any time in the last 5 years to tell you that I was raising my price to you because oil prices went up?”

“What would happen if you simply stopped making your car lease payments because you were able to pick up a cheap used car to drive instead?”

Certainly, there are many more, and we need to find those that work best—for everyone.

A quick note about customers who quit to go to another—similar—company. The simple tracking of gains and losses is proof that you tend to bring on new customers who are being trained to believe that contracts don't matter, and all that is important is TODAY's price. Doesn't that sound like a C.O.D. approach and not a full-service approach? Once taught, bad habits—such as above—are very hard to break. Imagine the value (or lack thereof) of a customer base full of disloyal shoppers. We are not there now, nor are we close to being there. However, “the tide” needs to be stopped as quickly as possible.

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