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GET BIGGER OR GET OUT? THE DILEMMA FOR DISTRIBUTORS

Today's petroleum distributors are once again facing the dilemma of whether to sell out or expand their enterprise.

Many distributors are at this time considering the opportunities that are available to them to either sell or expand. These opportunities have been created by a number of factors – none the least of these being Mobil's exit from retail and the removal of its credit fuel card which has forced its distributor network to seek alternative supplies for their retail networks. Mobil's decision to seemingly exit from downstream in Australia has had a significant disturbing influence within the distributor sector of the petroleum business in Australia.

As distributors move to either expand or sell out, the numbers of distributors in Australia continues to shrink.

Although, network consolidation is not new, it has been going on for years and one wonders where it may ultimately end up.

In the 1960's there were around 4,500 Agents as they were then called who serviced the marketing needs of (9) major oil companies. In the 1970's consolidation accelerated and by the early 1980's there were around 1500 distributors. Get Bigger or Get Out became the catch cry in earnest.

Today, Australia has around 115 distributors servicing the market from (4) major oil companies.

That is dramatic rationalisation.

Now we see some of the majors – Shell and Mobil in particular, seemingly moving towards the exit gate in downstream Australia.

Distributors who have taken the opportunity to expand their enterprises are now operating, in general terms, very large businesses with multi- million dollar turnovers providing multi-million dollar profits.

This has created a whole new dynamic within the sector.



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