

Gas Price Markets

Relevant market areas, price leaders and where to invest

—*Proposal Abstract*—

Gas station pump prices, in competitive markets, are determined by the intersect of supply and demand.

Laws in the US and Canada require review of mergers which might impact any competitive markets. To do this they must pass a *Hypothetical Monopolist Test*

Citation Needed

This involves demonstrating that a monopolist in a relevant market could raise prices. The relevant market is determined by a mix of product categories and location. In our case, if a gas station was outside the geographic market, they would not significantly impact prices of the other market.

This is

Description of the Problem

Retail Gas Prices (RGP) are determined in the competitive market. Gas stations are surprisingly unsophisticated given that the market in Canada is \$34 billion. If pricing is granular it is almost entirely set by regional or even station managers and national campaigns do not have the granularity to capitalize on market differences.

There are many facets that go into the definition of a competitive market. Cataloguing all features and recording them is a gargantuan task. Instead this study hopes to discern which stations may be different from their surrounding competition. This will allow more targeted experimentation.

The competition is based on many factors like loyalty programs, marketing, customer preferences etc. One major influence on RGP is geographic location. Even within the same distribution market (same base fuel price), a station on a major highway, one in close proximity to three other competitors and one in a rural area will all behave differently.

Gas stations are generally unsophisticated in their approach to pricing. There needs to be a way to

Why the problem is interesting

$\$34,000,000,000 \cdot \alpha$ where α is small is still a lot of money.

Beyond the

What other approaches have been tried

Discussion on your hypothesis is and how your specific solution will improve

or solve the problem