

Title:

A Coupon at the Pump?

Word Count:

691

Summary:

As gas prices continuing to escalate, fuel retail outlets are under incredible pressure; anxiously searching for new ways to bring their profit margins out of the red into the black. For gas station operators at retailers such as Wal-Mart and Kroger, one solution in keeping profits up while margins decrease, has been to incorporate a novel concept called Additech, which has yielded excellent results.

Keywords:

Rising gas prices, automotive care

Article Body:

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With no end in sight for rising gas prices, fuel retail outlets are eagerly searching for new ways to attract cost-conscious consumers to their pumps this summer. For gas station operators one solution in keeping gas volumes up while gas prices increase, has been to incorporate a novel concept called Additech, which is basically a "coupon at the pump". Additech pioneered the "tune-up at the pump" engine care service that dispenses and blends specialty fuel additives into gasoline while consumers pump their gas. The company operates its system at 1,500 fueling positions across 18 states at major retailer fuel centers and expects to have the systems installed at over 2,000 fueling positions in over 450 sites by year-end. The product offerings range in price from \$1.98 - \$13.95.

If consumers have any anticipation of saving at the pump this summer, they must be aware of the following data:

- Less than 15% of the energy in gasoline is actually converted into road power; most of the fuel energy is wasted due to exhaust and friction within the engine.
- In a typical gasoline vehicle, 62.4% of the energy is lost in the engine, 17.2% from standby / idling, 2.2% from accessories such as air conditioning, power steering, and windshield wipers, 5.6% from the transmission and other parts of the driveline, leaving 12.6% to move your vehicle down the road.

Improved fuel economy:

·A vehicle that gets 30 MPG will cost you \$750 less to fuel each year than one that gets 20 MPG (assuming 15,000 miles of driving annually and a fuel cost of \$3.00). Over a period of 5 years, the 30 MPG vehicle will save you \$3,750.

Driving more efficiently:

·For each 5 mph you drive over 60 miles an hour, you are effectively paying an additional \$0.20 per gallon for gas (cost savings based on an assumed price of \$2.91 per gallon). Driving the speed limit improves your fuel economy by 7 - 23%
·You can save \$300 - \$500 in fuel costs each year by choosing a fuel efficient vehicle.

Maintain your vehicle:

·Repairing a serious engine problem, such as a faulty oxygen sensor, can improve your MPG by as much as 40%
·Repairing a car that has failed an emissions test can improve your MPG by 4%, resulting in effective gasoline savings of \$0.12 per gallon.
·Replacing a clogged air filter can improve your gas mileage by up to 10%, resulting in effective gasoline savings of \$0.29 per gallon.
·Keeping your tires properly inflated will improve your MPG by 3.3%. Under inflated tires can lower gas mileage by 0.4% for every 1 psi drop in pressure of all four tires. Gasoline facts:

What we pay for in a gallon of regular gasoline:

·In January 2006 with an average gas price of \$2.32 per gallon, 20% went to taxes, 7% distribution and marketing, 13% refining costs and profits, and 60% crude oil
·In 2003 with an average gas price of \$1.56 per gallon, 27% went to taxes, 14% distribution and marketing, 15% refining costs and profits, and 44% crude oil
·U.S. consumers purchased an average of 9.145 million barrels a day in 2005, the equivalent of about 35 million fill-ups a day.
·Gasoline imports increased 20% in 2005; averaging more than 1 million barrels a day.
·U.S. refinery output was down about 2% in 2005, and is expected to be about 0.3% less than 2004 levels in 2006, due to outages caused by Hurricanes Katrina and Rita.
·The largest U.S. refinery is ExxonMobil in Baytown, TX which produces 557,000 barrels a day.
·Pipelines move about 66% of crude oil annually. There are approximately 200,000 miles of oil pipelines in the U.S.

Convenience Stores:

·The three largest convenience stores in 2004, were Shell Oil Products with 15,821 locations, BP America with 14,200 locations, and Citgo Petroleum Corp.

with 13,694 locations.

- Gasoline and Diesel fuel sales totaled \$262.6 billion in 2004, accounting for about 66.5% of total sales but only 36.6% of gross margin.

- In 1974 only 15% of convenience stores sold gasoline. In 2004, 79% of convenience stores sold gasoline. Sales increased in a similar manner from 17,370 gallons in 1974 to 107,852 gallons in 2004, a 620% increase.

- Sales of premium and mid grade gasoline have declined from 21.9% in 2000 to 17.4% in 2004 and is projected to continue to decrease as gasoline prices rise and more consumers purchase regular grade gasoline.

Hypermarkets:

- In July 2005, 3,860 hypermarket stores sold gasoline, representing only 2 -3% of fuel retail locations but 7.7% of the gasoline sales.

- Hyper market retailers sell approximately 298,000 gallons a month, more than double the 108,000 gallon monthly average at convenience stores.