COMPARATIVE STUDY BETWEEN THE U.S AND THE COLOMBIAN MARKET REGARDING COMMERCIALIZATION OF GASOLINE AT THE RETAIL MARKET

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ABSTRACT

COMPARATIVE STUDY BETWEEN THE U.S AND THE COLOMBIAN MARKET REGARDING COMMERCIALIZATION OF GASOLINE AT THE RETAIL MARKET

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The purpose of this study is to compare the U.S. and Colombian gasoline retail market and propose marketing strategies to increase revenue by boosting sales volume and offering excellent service, based on the new Colombian market conditions. This is an appeal to conduct similar studies in Latin America due to the similar market conditions of other countries compared with Colombia. The first step of this study was to conduct detailed research in Colombia and the U.S. to determine the gasoline retail market conditions. By identifying the existing gap between Colombia and U.S. gasoline markets, this study approaches those marketing strategies which could match the Colombian market to enhance the profitability of oil companies in Colombia. An action plan is recommended to accomplish this objective.

Of course, there is a big gap between the American and Colombian market—the U.S. is a developed country, whereas Colombia is a country with a developmental delay. However, this developmental delay represents an opportunity to improve marketing strategies in a sector which involves a lot of assets, such as the gasoline retail industry. The finding proves that there are a lot of marketing strategies to develop at the gasoline retail market to offer a better service to the Colombian customer. Colombian companies

have not shown an outstanding marketing strategy, beyond location, to satisfy the customer. However, the latest service approaches in Colombian give hope that a tremendous change is coming from the oil companies to differentiate their brand names from those of their competitors.

CHAPTER I

BACKGROUND OF THE STUDY

Introduction

The latest world trends in the oil industry encourage drastic changes in marketing strategies everywhere to overcome the losses due to low oil prices. Despite expectations of substantial growth in world oil demand, oil prices are projected to rise only moderately over the next two decades. Prices rise by about 1.0 percent per year, reaching $21 in constant 1995 dollars by 2015 (Energy Information Administration 1997).

The cause of low prices is not a mystery; more oil was available than users wanted to buy. Companies must continue to increase earnings. If the price of their products cannot go up, two options remain: increase revenue by boosting volume, or further reduce costs (Kennedy 1999, 18). The first option will be addressed through this study. Over the past 20 years, oil prices have been highly volatile. In the future, one can expect volatile behavior to recur principally because of unforeseen political and economic circumstances. It is well recognized that tensions in the Middle East, for example, could easily give rise to serious disruptions in normal oil production and trading patterns. On the other hand, significant departures from the reference price trajectory are not likely to be long sustained. High real prices deter consumption and encourage the emergence of significant competition from marginal but large sources of oil and non-oil

The low international oil price has provoked large losses for the oil companies. Hence they have had to look for different ways to cut prices; one of these alternatives was to consolidate enterprises to generate an optimization in revenues. The petroleum industry now has to strengthen marketing strategies to be able to survive. This situation is especially applicable in Colombia, where the profit margin generated by selling gasoline has been small. With the recent liberalization of prices, the drive to improve marketing policy is mandatory.

According to Exxon Chairman Lee Raymond (1999) consolidation trends will continue in the future for upstream and downstream sectors of the industry as the fundamentals continue to be bad for both sectors. Low returns and weak margins in the downstream have forced many companies to take steps to improve financial performance, with consolidations, joint ventures, restructuring and divestitures as the most visible of these responses.

Due to the eroded economic situation and taxes, the demand for gasoline decreased in Colombia (The Republic [Bogota], 2 October 1998). These problems represent a big challenge for the marketing areas of the oil companies operating in Colombia, where the marketing of gasoline at the retail level has changed little, pursuant to meeting consumers' needs. Recently, things have been changing, and new strategies have been developed by the oil companies to gain a bigger market share. In addition, the liberalization of prices that started in January 1999 will have a tremendous impact on the marketing conditions. The government adopted this policy to bring the price of the fuel into line with the international market. Moreover, the government seeks to eliminate the subsidy that Ecopetrol was giving to the imports and untie the price of gasoline from inflation (Portfolio [Bogota], 2 January 1999).

No matter what the situation of the oil industry worldwide, the Colombian oil industry has to apply new marketing strategies to gain market; otherwise, they will pass through a critical situation in the future. The government is undertaking deregulation. The new government's policy not only will benefit the end consumer but also the distributors. The new system will give incentives for the entrance of new competitors in the chain of distribution, encouraging them to invest not only in storage and transportation but also at the retail level. By looking at the U.S., the rest of the world can infer its own future. Therefore, to analyze what oil companies are doing to commercialize gasoline at the retail level, it is reasonable to follow the U.S. path and adjust it to the Colombian marketing needs, especially in light of the experience of the highly competitive U.S. market.

Statement of the problem

Due to the vulnerability of several political-economic, social, and cultural factors in Colombia, the demand for gasoline and diesel decreased drastically during 1998, hardly affecting the oil companies' revenue. Moreover, the market opening constitutes a new trend for the gasoline retail marketers due to the competitors which could enter soon.

Importance

The Colombian oil industry underwent a transformation in its policy when the government freed gasoline prices in January 1999. This change will bring a deep transformation in the marketing structure because now the competition to reach the market by offering the best price and service will be more arduous. Thus, this study will contribute to the transformation by analyzing U.S. marketing strategies, which could enhance the development of the oil marketing in Colombia.

Due to the vulnerability of several political-economic, social, and cultural factors, the adaptability of new U.S. marketing trends in South America is an arduous endeavor. However, to apply these new marketing trends is not unfeasible. South American countries have shown an impressive performance as emerging markets for U.S. products. In South America, notable gains in production are in prospect for Argentina, Venezuela, Colombia, and Brazil. Major improvements in Venezuela's output have already been achieved through agreements with foreign investors to revive production from existing oil fields using new seismic and drilling technologies. In Central and South America, oil consumption is expected to nearly double between 1995 and 2015. Following substantial reforms in government policies, led by developments in Argentina and Chile, substantial economic growth is projected to be 35 percent greater than for developed economies. Such growth (3.5 percent annually) can promote substantial improvements in living standards. Therefore, strong increases in demand for energy and oil-using products. In this region, large increases in transportation fuel use can be expected, and demand for non-transportation uses will also grow. Oil use for base-load electricity generation will decrease, but its use will increase in remote areas and for peak load generation (Energy Information Administration 1997).

The competition between the four oil companies in Colombia has already begun, and new companies are expected to introduce their products soon. The companies currently operating in Colombia have to be ready for this coming challenge. According to Valenzuela (1998) the new system will bring new competition from the outside. The deregulation of gasoline and diesel prices is the first step to create rules that encourage the competition and participation of the private sector in the distribution of fuels in the country. A report prepared by the Ministry of Energy states that Colombia currently has a deficit of capacity to store combustibles and a relatively low coverage of gas stations (The Republic [Bogota], 30 December1998). Hence, the distributors will plan competitive strategies to increase the volume of sales and the service offered.

Main Objective

The purpose of this study is to compare the U.S. and Colombian gasoline retail market and propose alternative marketing strategies to increase revenue by boosting sales volume and offering excellent service, based on the new Colombian market conditions.

Limitations

Since this study is focused on an overview of marketing strategies for a further implementation in Colombia, this study does not analyze in depth each one of the strategies. Instead, it develops a marketing instrument that companies have to assess extensively if they are to implement any of the proposals stated through this research.

Since this study was conducted in two countries and was carried out with personal funds, some information resources were difficult to reach to make a more accurate marketing approach. To access the Colombian information sources is a laborious task because the data bases are scarce and the study was managed from Texas. Therefore, this study has as a limitation the lack of available information posted on Colombian data bases. The culture was another factor that limited this study. While in U.S. the information is openly offered and posted, in Colombia the information is tight. However, the information submitted from the oil companies in Colombia was a valuable a reliable source of information.

CHAPTER II

LITERATURE REVIEW

Introduction

This part of this comparative study displays the main differences between the U.S. and Colombian markets. These differences are useful for comparing the highly competitive U.S market to the Colombian market. In addition, the new Colombian system of liberalization of prices is discussed. Finally, marketing strategies currently conducted in the U.S. are analyzed.

Colombian Profile

Geography

The area of Colombia is about 1.2 million square km. (440,000 square mi.); it is about the size of Texas, New Mexico, and Arkansas combined, the fourth-largest country in South America. The major cities are its capital, Santa Fe de Bogota, with a population of about six million, Medellin, Cali, Barranquilla, and Cartagena. The terrain has flat coastal areas, three rugged parallel mountain chains, central highlands, and flat eastern grasslands with extensive coastlines on the Pacific Ocean and Caribbean Sea. The climate is tropical on the coast and eastern plains, cooler in the highlands. (Energy Information Administration 1999).

People

There are approximately 38.6 million Colombians. Colombia is the third-most populous country in Latin America, after Brazil and Mexico. The official religion is the Roman Catholic (95%). Eighty percent of children enter school, but only five years of primary school are offered in rural areas. The literacy in urban areas is 93 percent, in rural areas it is 67 percent. There is an infant mortality rate of 37/1,000. The life expectancy for men is 67 years and for women 72 years. Migration from rural to urban areas has been heavy. The urban population increased from 57 percent of the total population in 1951 to about 74 percent by 1994. The nine eastern departments, constituting about 54 percent of Colombia's area, have less than three percent of the population and a density of less than one person per square kilometer (two persons per square mile). Thirty cities have 100,000 or more inhabitants. The ethnic diversity in Colombia is a result of the intermingling of indigenous Indians, Spanish colonists, and African slaves. Ethnic groups include Mestizo (58%), White (20%), Mulatto (14%), Black (4%), Black-Amerindian (3%), Amerindian (1%). Few foreigners have immigrated to Colombia, compared to several other South American countries.

Government.

The type of government is a Republic. The president is Andres Pastrana (elected 6/98). The new Constitution was created in 1991. The government is constituted into three branches: Executive (the president is chief of state and head of government), Legislative (a bicameral Congress), and Judicial (Supreme Court, Constitutional Court, Council of State). The administrative divisions are composed of thirty-two departments;

Santa Fe de Bogota is the capital district. The major political parties are the Liberal Party, Social Conservative Party, Democratic Alliance/M-19 (AD/M-19), and Patriotic Union (UP). Suffrage is allowed at age eighteen.

Economy 1998

Table 1 displays the more notable characteristics of the Colombian economy, including the petroleum industry.

Table 1. Colombian Economy Characteristics

Characteristic	Value
Currency	1 Peso 100 centavos
Exchange Rate (03/15/99)	US$1 = 1700 pesos
Gross Domestic Product	(GDP, 1997E) $52.9 billion (1990 dollars at market exchange rate); $96.7 billion (nominal)
Real GDP Growth Rate	(1997E): 3.1% (1998E): 2%
Inflation Rate	(1997E): 18.5% (1998E): 18.4%
Unemployment Rate	(1998E): 14.5%
External Debt	(1997E): $25.6 billion
Current Account Balance	(1997E): -$5.3 billion
Trade Balance	(1997E): -$2.5 billion (-$0.5 billion with U.S.)
Exports	$11.5 billion ($4.7 billion to U.S.)
Imports	$14.0 billion ($5.2 billion from U.S.)
Petroleum Industry	
Petroleum Exports	(1997E): $2.7 billion ($2.1 billion to U.S.)
Proven Oil Reserves (1/1/98)	2.8 billion barrels
Petroleum Production	(1997E): 672,000 barrels/day (bbl/d), of which 662,000 bbl/d was crude oil
Petroleum Consumption	(1997E): 264,000 bbl/d
Crude Refining Capacity (1/1/98)	248,850 bbl/d

Source: Bureau of Inter-American Affairs.

Colombia's major trading partners are the United States, Venezuela, Germany, Japan, and Peru. The major suppliers are the U.S. (40%), Venezuela, Japan, Germany, and Panama. The major products exported are petroleum (27%), coffee (15%), and coal (8%). The main products imported are capital goods (33%), industrial inputs (48%), and consumer goods (19%). Colombia's natural resources consist of coal, petroleum, natural gas, iron ore, nickel, gold, silver, copper, platinum, and emeralds. Although cultivated land is about five percent of total land area, agriculture represents twenty percent of the GDP, and the main products are coffee, bananas, cut flowers, cotton, sugar cane, livestock, rice, corn, tobacco, potatoes, soybeans, and sorghum. Manufacturing represents nineteen percent of GDP, with the principal products being textiles and garments, chemicals, metal products, cement, cardboard containers, plastic resins and manufactures, and beverages. Other sectors by percentage of GDP are: financial services 15%, community, social, and personal services 14%, retailing, restaurants and hotels 11.5%, transportation, storage, and communications services 9%, mining and quarrying 4%, construction and public works 3.6%, electricity, gas, and water 1% (Energy Information Administration 1999).

Energy Industry

Colombia's major ports are Barranquilla, Buenaventura, Cartagena, Leticia, Puerto Bolivar, San Andres, Santa Marta, Tumaca, and Turbo. The major oil producing fields are Cusiana, drilled by British Petroleum, which produces 164,000 bbl/d; and Cano Limon, drilled by Occidental, which produces 128,000 bbl/d. Major oil pipelines in terms of capacity are Central Pipeline (Ocensa, from Cusiana/Cupiagua to Covenas)

500,000 bbl/d; Cano Limon (to Covenas) 230,000 bbl/d; and Transandino (OTA, from Ecuador to Tumaco) 150,000 bbl/d (Energy Information Administration 1999).

Market Insights and Market Differences

In spite of its 37.2% poverty rate, Colombia represents an interesting market in which to invest. It can be seen in the total economic growth of two percent. Colombia also has an excellent credit history. In the 1980's, it was the only Latin American country that paid debt and interest (Energy Information Administration 1998). The country is currently passing through socializing changes, with the most important being the peace talks. Since the theme of study is commercialization of gasoline at the retail level, we are going to focus now on the gasoline field, specifically in comparing two markets, American and Colombian.

Entities which Control the Gasoline Industry and Companies in Colombia and U.S.

Colombia's historic monopolistic oil company is the Empresa Colombiana de Petroleos (Ecopetrol). This company used to have the monopoly as the only gasoline provider to all oil firms operating in Colombia. This meant that there was not any difference in the gasoline and diesel sold at the gas station of the different companies. The firms currently operating in Colombia are Esso (Exxon), Mobil, Texaco, and Terpel. In November, the multinational Shell also entered the market. The market used to be controlled by the Ministry of Energy, which subsidized gasoline and diesel. The price of gasoline also used to be tied to inflation.

In the U.S.control of oil and natural gas prices began in the 1970s, nowadays there is free competition in prices, and the more important oil companies are Mobil, Exxon, Shell, Citgo, Texaco, Amoco, Chevron, Marathon, Sun, and Phillips, among others. The Department of Energy is the regulator of these companies.

Colombia Market Share and Sales

The total amount of barrels of combustible sold in Colombia in 1998 was 75,429,888. From this amount, Terpel sold a total of 21,339,115 barrels, which represented 28.29 percent of the market share. Mobil followed, with 27.93 percent, or 21,067,500 barrels. Esso had a market share of 25.38 percent and sold 19,144,105 barrels. Texaco had an 18.36 percent market share and sold 13,848,927 barrels (Lopez 1998).

Table 2. Colombian Market Share

Company	**Sales (barrels)**	**Market Share (Colombia)**
Terpel	21,339,115	28.29%
Mobil	21,067,500	27.93%
Esso	19,144,105	25.38%
Texaco	13,848,927	18.36%

Source: Ecopetrol

U.S. Market Share

Market shares in the U.S., based on gross sales of 123 billions gallons, include Mobil 9.67 %, Exxon 9.58 %, Shell 9.36 %, Citgo 9.17%, Texaco 8.10%, Amoco 7.85%, Chevron 6.92%, Marathon 5.83%, Sun 4.65 %, Phillips 4.08%, and others 24.79% (Chicago Tribune [Chicago], 22 November 1997).

Table 3. U.S. Market Share

Company	**Market Share (U.S.)**
Mobil	9.67%
Exxon	9.58%
Shell	9.36%
Citgo	9.17%
Texaco	8.10%
Amoco	7.85%
Chevron	6.92%
Marathon	5.83%
Sun	4.65%
Phillips	4.08%
Others	24.79%

Source: Chicago tribune

Gas Stations in Colombia

In Colombia, there are approximately 2185 gas stations. Terpel has 1100 gas station and owns 20 percent of them, Mobil has 430 and owns 20, Esso has 365 and owns 11, and Texaco has 290 and owns 130. Particular dealers own the stations that are not owned by the firms. Market share is directly related to the number of gas stations; however, Mobil, Esso, and Texaco have a better positioned brand because they have a high market share relative to the number of gas stations. Mobil has 19.68 percent of the gas stations in Colombia, Esso 16.7 percent, Texaco 13.27 percent, and Terpel 50.34 percent. This explains the reality of the market share in Colombia, in which Terpel, being the national company, wants to cover the total national territory although some areas are not profitable enough.

Type of Products Commercialized at the Retail Level in Colombia and U.S.

Terpel defines gasoline as a mix of relatively volatile hydrocarbon liquids, used in the combustion of vehicle engines or other similar systems of internal combustion engines. Diesel is a combustible homogeneous extracted from petroleum, non-corrosive, free of water and sediment, adequate to be utilized in diesel engines. The American market commercializes three types of gasoline, with diesel consumption poor at the retail level compared with that of the gasoline. The Colombian market mainly commercializes two types of gasoline; regular or traditional, premium and diesel. The U.S. market commercializes traditional, oxygenated and reformulated gasoline.

Gasoline Specifications in U.S. and Colombia

The following specifications differentiate between traditional and reformulated gasoline blends: octane, oxygen content, Reid vapor pressure (Rvp), benzene content, aromatic content, sulfur content, olefin content, and the percent evaporated at 200 and 300 degrees Fahrenheit (E200 and E300). Traditional gasoline must comply with antidumping requirements aimed at preventing the quality of traditional gasoline from eroding as the reformulated gasoline program is implemented. Starting in 1998, traditional gasoline must meet the Complex Model compliance standards, which cannot exceed average 1990 levels of toxic and nitrogen oxide emissions. Traditional gasoline during the 1998-2020 period is assumed to have "1990 baseline" specifications. Oxygenated gasoline, which has been required during winter in many U.S. cities since October 1992, requires an oxygenated content of 2.7 percent by weight. Oxygenated gasoline is assumed to have specifications identical to traditional gasoline, with the exception of a higher oxygen requirement. Some areas that require oxygenated gasoline will also require reformulated gasoline (Energy Information Administration 1995).

In Colombia, the types of gasoline used are traditional and extra. Traditional gasoline has an average octane of 86 percent, while extra gasoline has an average octane of 94 percent. The maxim aromatic volume percent allowed is 28 percent.

Gasoline Market Divisions in U.S and Market Share for Gasoline Type

The American market can be divided in nine regions sharing similar geographic locations, background, weather, and way of life.

Division 1: New England Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

Division 2: Middle Atlantic New Jersey, New York, Pennsylvania

Division 3: East North Central Illinois, Indiana, Michigan, Ohio, Wisconsin

Division 4: West North Central Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

Division 5: South Atlantic Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

Division 6: East South Central Alabama, Kentucky, Mississippi, and Tennessee

Division 7: West South Central Arkansas, Louisiana, Oklahoma, Texas

Division 8: Mountain Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming

Division 9: Pacific Alaska, California, Hawaii, Oregon, and Washington.

Total gasoline demand is disaggregated into demand for traditional, oxygenated, and reformulated gasoline by applying assumptions about the annual market shares for each type. The shares are able to change over time based on assumptions about the market penetration of new fuels. The annual market shares for each of the nine regions reflect 1996 market share and are held constant throughout the forecast (Energy Information Administration 1995).

Table 4. Market Share for Gasoline Types by Census Division

Gasoline Type Year	Census Division								
	1	2	3	4	5	6	7	8	9
Traditional Gasoline	13	43	83	81	82	95	74	67	27
Oxygenated Gasoline (2.7% Oxygen)	0	0	0	19	0	0	1	19	7
Reformulated Gasoline (2.0% Oxygen)	87	57	17	0	18	5	26	14	65

Source: Energy Information Administration, office of integrated Analysis and Forecasting

Gasoline Market Divisions in Colombia and Demand for Gasoline Type

The Colombian market is generally divided in three regions: North, Central, and Southwest. However, Terpel, the national company, has divided its operations into seven areas--Central, Antioquia, South, North, Savanna, West, and East—in order to cover the total national territory. For marketing purposes, Colombia will be divided in five regions: northwest (Division 1), northeast (Division 2), central zone (Division 3), southwest (Division 4), southeast (Division 5) (Colombian Enterprise of Petroleum 1999).

Division 1: Atlantico, Bolivar, Magdalena, Sucre, Guajira, Cordoba, Cesar

Division 2: Cesar, Boyaca, Santander, North Santander,

Division 3: Cundinamarca, Risaralda, Caldas, Quindio, Bogota, Antioquia, and Tolima.

Division 4: Cauca, Choco, Huila, Narino, Putumayo, and Valle.

Division 5: Amazonas, Arauca, Caqueta, Casanare, Guaviare, Meta, Vaupes, and Vichada.

The average consumption of combustibles in transportation in the whole country is approximately the following: regular gasoline has consumed a 56 percent market share, diesel a 28 percent share, and premium (extra) gasoline a 7 percent share (The Republic [Bogota], 1999). In the U.S., regular gasoline has a 77 percent share, premium gasoline a 14 percent share, and midgrade gasoline a 9 percent share (Energy Information Administration 1995).

Total Market in U.S. and Colombia

The U.S. has a total of 50 states plus District of Columbia and Puerto Rico and a population of 271,645,214 as of July 1, 1998 (Negative Population Growth). The total retail market for gasoline is constituted by all the motor vehicles in the U.S., totaling 207,753,660. The rate of private and commercial automobiles per capita is 0.48. The total quantity of private and commercial automobiles (including taxicabs) is 128,449,720, while publicly owned vehicles (including federal, state, county, and municipal vehicles) are 1,298,984. Private and commercial trucks total 75,335,221, and publicly owned trucks are 1,972,187. Private and commercial buses are 294,221, and publicly owned buses are 403,327. The total amount of motorcycles is 3,786,303 and the quantity of publicly owned motorcycles is 40,070 (U.S. Department of Transportation 1997).

The Colombian market is distributed of the following manner: the total quantity of automobiles is 627,244, of trucks is 56,973, of buses is 113,040, and others are 5,471, totaling 802,728 (Department of Colombian Transportation 1994). The rate of private and commercial automobiles per capita is 0.02. The number of automobiles per capital is very low, due to Colombia's 37.2 percent poverty rate (National Administrative

Department of Statistics [Colombia], 1999). Compared with the American market, the Colombian market is quite different. The average length of possession of cars in the U.S. is five years, in Colombia it is 11 years. The price of cars in Colombia is high even for the upper class, cars in U.S. are inexpensive related to overall American wages. In the U.S. we can compare the acquisition power of the population to that of Colombia by noting that the minimum wage per month in the U.S. is $800, in Colombia it is $157 in 1998.

Model of Prices in U.S.

This is a general guideline to discuss the how gasoline prices are set in both countries for the end-use product prices.

End-Use Product Prices

Regional prices vary by class of trade, that is, from one level of distribution to the next, spot, rack, dealer tank wagon, and retail prices. Spot price represents a price agreed to by a buyer and seller for a single cargo of product. Rack price refers to the wholesale price charged by refiners at their refineries or company terminals to open dealers or distributors. DTW price is that charged by distributors and refiners to their retailers; these prices include transportation costs to the dealers' station and other business costs (promotions, dealer incentives, etc.). DTW and rack prices include both branded and unbranded prices. Branded prices generally carry an arrangement for security of supply, trademark, credit cards, and advertising, thereby carrying a premium over unbranded prices. However, when markets are tight, volumes available to unbranded dealers may diminish and unbranded prices then can exceed branded prices. Retail price is the price paid by the consumer at the gasoline station. It includes the wholesale price paid by the retail station for the fuel, additional station operation costs, dealer margins, and taxes (Energy Information Administration 1995).

End-use petroleum product prices are based on marginal costs of production plus production-related fixed costs plus distribution costs and taxes. The marginal costs of production are determined by the model (petroleum market module) and represent variable costs of production, including additional costs for meeting reformulated fuels provisions of the CAAA90. Environmental costs associated with controlling pollution at refineries are reflected as fixed costs (associated operation and maintenance costs prior to 1996 are excluded). If refinery-related fixed costs are recovered in the prices of light products, fixed costs are allocated among the prices of liquefied petroleum gases, gasoline, distillate, kerosene, and jet fuel. These costs are based on average annual estimates and are assumed to remain constant over the forecast period.

The costs of distributing and marketing petroleum products are represented by adding fixed distribution costs to the marginal and refinery fixed costs of products. The distribution costs are applied at the Census Division level (Table 5) and are assumed to be constant throughout the forecast and across scenarios. Distribution costs for each product, sector, and Census Division represent average historical differences between end-use and wholesale prices.

State and Federal taxes are also added to transportation fuels to determine final end-use prices (Tables 6). Federal Tax of gasoline in dollars per gallon in 1996 was 0.18 (Energy Information Administration 1998). Recent tax trend analysis indicated that state taxes increase at the rate of inflation; therefore, state taxes are held constant in real terms throughout the forecast. Federal taxes are assumed to remain at current levels in accordance with the overall AEO98 assumption of current laws and regulation. Federal taxes are deflated as follows (resolution):

Federal Tax (product, year) = Current Federal Tax product / GDP Deflator year

Table 5. Gasoline End-Use Markups by Sector and Census Division
(1996 Dollars per Gallon)

Sector	Census Division								
Gasoline	1	2	3	4	5	6	7	8	9
Commercial	0.15	0.14	0.13	0.15	0.13	0.16	0.17	0.15	0.13
Transportation	0.14	0.13	0.13	0.17	0.13	0.16	0.17	0.15	0.13
Industrial	0.15	0.13	0.13	0.17	0.13	0.16	0.17	0.16	0.14

Source: Markups based on data from Energy Information Administration (EIA).

Table 6. State-Level Taxes on Petroleum Transportation
Fuels by Census Division

Product	Census Division								
	1	2	3	4	5	6	7	8	9
Gasoline	0.26	0.19	0.21	0.19	0.16	0.18	0.19	0.20	0.23

Source: Aggregated from Federal Highway Administration, *Monthly Motor Fuel Reported by states*. (Washington, DC, March 1997).

Model of Prices in Colombia

In Colombia, there is a new system of prices settled by the government for traditional gasoline and diesel. This system started on January 1, 1999, and according to governmental resolution the prices are as follows:

The structure of prices for leaded gasoline is integrated by four components: the payment to the producer for leaded gasoline (IP), The maximum sale price to the wholesaler_distributor (PMI), the mark-up of the wholesaler (MD) and the maximum price of sale at supply plant.

The revenue to the producer for leaded gasoline sales, expressed in pesos per gallon, will be that which results by using the following formula:

IP (t) = {[PrFOB + FL + SE + IM] * TRM} + A + TPC +TI, where

IP (t): Is the revenue for the producer in force to the period t,

PrFOB: Is the average of quotations for the index UNL 87 U.S. Gulf Coast Waterborne from the publication PLATT's Standard & Poor's, issued during the last 30 days,

FL: Is the cost of maritime and terrestrial freight incurred to transport a gallon of gasoline from the coastal gulf in the United States to the local port of imports, expressed in dollars per gallon (US$ /gallon). This mentioned value is found after using the following formula:

FL = [Ws / (β* 42)] * (STR/ 100) where:

Ws: Freight value of reference route Houston – Pozos Colorados, issued annually by the Worldwide Tanker Nominal Freight Scale "Worldscale" in force to the previous month at period t, expressed in dollars per metric ton,

STR: Average of quotations of correction factor for the market to the tankers freight of 30.000 metric tons for the route CARIB/USG, of the publication PLATT's of Standard & Poor's,

β: Conversion factor from metric tons to barrels; for Colombian gasoline, it is equal to 8.535 to 60° API, 42: Conversion factor from barrel to gallon.

SE: Is the cost of maritime and terrestrial insurance and the rest of costs incurred to transport a gasoline gallon from the gulf coast of the United States to the local port, following the formula:

SE = S * PrFOB, where:

S: Is the multiplication factor utilized to calculate the insurance (SE). It is equal to 0.000387,

IM: Is the value of the quality inspections in the load and unload ports, expressed in dollars. This value is equal to US $ 0.000286 per gallon,

TRM: Is the Representative Market Rate (March 6,1999, $1500 pesos per one U.S. dollar),

TPC: Is the correspondent tariff payment of the pipeline Pozos Colorados – Barranca. This value is equal to $31.4 pesos per gallon,

TI: Is the correspondent value of taxes,

T: Is the period between the first day of each calendar month and the last day of the same calendar month (Resolution # 8 2439 governmental law).

The maximum sale price of the wholesaler is:

PMI (t): IP (t) + PI + Tt

The maximum sale price of the supplying wholesaler is:

PMA(t) = PMI (t) + MD

It is important to compare the old prices with the new model to display the difference in a clearer way. Table 7 displays the results. The Colombian government rearranged the structure of prices to make it more equitable and attractive to the private agents, and by doing so, Ecopetrol reduced its revenue and sales tax. The gasoline tax was fixed at 20 percent, while increasing the mark-up for major and minor distributors (Portfolio [Bogota], 1999).

Due to this change in price policy, the government expects to bring more international investment because the law is now clear and the margins are bigger for minor and major distributors (Hurtado 1999). Conversely, these new rules will bring more confidence for the foreign investors, since the Colombian market is more attractive for them. Before the sales revenue used to be an average 5.3 percent; now this revenue is 9.67 percent. The sources of revenue are 8 percent in sale of regular gasoline, 12 percent in unleaded gasoline, and 9 percent in diesel. Another reason to create a new price system is to untie gasoline and diesel prices from inflation. Also the government, under regulation, used to subsidize the production and the importation of gasoline; in 1998, this subsidy was around $300,000,000 pesos. Therefore, from now on the consumers will not have to be charged because of this subsidy (The Republic [Bogota], 1999).

U.S Gasoline Market Demand Features in U.S and Colombia

Based on the Motor Gasoline Assessment Spring 1997 and Analysis of Gasoline Markets Spring 1996, done by the Energy Information Administration, this study displays more characteristics of the U.S motor gasoline market.

The springs of 1996 and 1997 provide an excellent example of contrasting gasoline market dynamics. In spring 1996, tightening crude oil markets pushed up gasoline prices sharply, adding to the normal seasonal gasoline price increases; however, in spring 1997, crude oil markets loosened and crude oil prices fell, bringing gasoline prices down. In addition to the price contrasts between 1996 and 1997, changes occurred in the way in which gasoline markets were supplied. Low stocks, high refinery utilization, and high imports persisted through 1996 into summer 1997, but these factors seem to have had little impact on gasoline price.

Table 7. Colombian New Price Model

(Colombian currency, $1500 equals 1 dollar)	Gasoline and Diesel price structure			
Item	Gas. before	Gas. Now	Diesel before	Diesel Now
Producer Revenue	**772.28**	**574.00**	**752.70**	**551.15**
Transportation	113.61	159.00	113.61	150.00
Global Tax	277.24	277.24	294.29	294.29
Tax sale	123.57	91.84	120.43	88.18
Major distributor sale price	**1,286.70**	**1,102.18**	**1,281.03**	**1,083.62**
Aditivation	11.76	11.76	-	-
Major distributor mark-up	46.12	75.00	50.72	70.30
Wholesale sale price	**1,344.58**	**1,102,18**	**1,331.75**	**1,153.90**
Minor distributor Mark-up	74.44	130.00	92.65	130.00
Lost for evaporation, manage, and transport	5.38	4.71	-	-
Transport wholesale-gas station	9.60	9.60	9.6	9.6
Public price per gallon (without tax)	**1,434.00**	**1,321.49**	**1,434.00**	**1,293.52**
Public price per gallon (with tax 20% for gasoline and 6% for diesel)	**1,721.00**	**1,608.00**	-	**1,371.13**

Source: Minminas

In the U.S., the gasoline markets are affected by unusual factors, including a late-winter cold spell which caused refiners to focus on production of distillate (heating oil, diesel fuel, and kerosene-jet fuel) instead of gasoline longer than usual. Likewise, gasoline demand in spring of 1996 grew slowly over demand in 1995 because of higher prices and bad weather, which discouraged driving (Energy Information Administration, 1997).

This means that the U.S. market is highly influenced by weather conditions. A typical spot spread pattern is the following; the seasonal changes in the supply/ demand balance over a year explain these patterns. Gasoline production exceeds demand during the fall and through January, with excess production going to build stocks. Refiners are increasing crude oil inputs to refine more distillate at this time of year, and gasoline is being produced as a co-product. While gasoline production exceeds demand, gasoline price spreads weaken. As the winter progresses, crude oil inputs to refineries are reduced. Refiners anticipate the end of winter and reduced product requirements. Distillate and gasoline productions fall. Excess gasoline stocks built over the winter begin to be drawn down in February, and when refiners shut down to do maintenance in March, stocks drop further. By the beginning of April, demand picks up as summer approaches.

Gasoline is supplied from refinery production, imports, and from draw down of inventory. In 1996, production met 97.2 percent of demand, with stocks and imports filling in the remainder. In 1997, production grew only 0.3 percent over that in 1996 and supplied 96.4 percent of demand in spite of operable capacity increasing 200 MB/D. Imports in 1997 were much higher than in 1996, which itself was a high import year. Venezuela and Canada both exported about 30 MB/D more to the United States in 1996 than in 1995, but Europe contributed the largest increase. Europe continued to be a major source of the import growth in the first quarter 1997, as it produced more gasoline than it needed internally (Energy Information Administration 1997).

The Colombian market does not respond to seasons or weather as does the U.S market. The tropical weather in Colombia is consistent throughout the year. However, during the summer and at the end of the year, consumption is increased because of vacations (Hurtado 1999).

Petroleum at the Retail Level in U.S and Colombia

In the last quarter of the century, the American household and traditional husband/wife workplace roles changed dramatically. Technology and the information age provided access to detailed customer purchase and lifestyle information. The rise of the service economy began whole new industries. Consumer loyalty to individual brands declined as consumers became more educated to the real differences in product performance. New ways to shop and pay and the evolution of electronic media provided consumers with better access to product information (Abramo 1997).

These changes allowed for an evolution in marketing practices. Mass customization marketing principles began to overtake the one-message-fits-all broadcast method in the 1980's. These techniques require a more analytical and rigorous approach to marketing. The process entails segmenting the consumer base by behavioral or attitudinal measures, determining the core tastes and preferences of each of the homogeneous groups, positioning one's products and services to appeal to the most desirable of these groups, and targeting those segments with a comprehensive communications and promotions strategy. Mass media and direct mail are still used as the communications vehicles, but the messages are more tailored to the tastes and preferences of each of the target groups rather than the single message to all customers approach employed in broadcast marketing (Abramo 1997).

The commercialization of gasoline in the U.S has been linked to the convenience retail industry, meaning that consumers often find a gas station and a convenience store integrated. The petroleum/convenience retail industry is often characterized as a business environment that sells commodity products and competes on price. It is perceived that customers have very low loyalty since their switching costs are low and product/service offerings are similar. Brand loyalty is fading and consumers have low expectations of the buying experience. These characterizations are dangerous to business. They can lead retailers to believe that "marketing" simply does not matter because location and price have the largest contributions to sales. This is especially the case if they have tried some marketing promotions and communications programs like couponing, neighborhood flyers, and frequent buyer cards that have achieved little beyond furthering their belief that marketing is mostly a waste of money (Abramo 1997).

The Colombian market is quite different, a gas station exists only as a place to purchase gasoline or car maintenance by the consumers. The few convenience stores located at gas stations are positioned as stores with high-priced products for the upper income class. The Colombian convenience market is divided into several branches. For instance, if the Colombian consumer needs milk, bread, or eggs, the bakery is the proper place to go. To purchase liquor, the liquor store is the right place. To buy snacks, ice cream, or sodas, an isolated convenience store is the place to go. The gas station is not a place for the one-stop purchase. The gas station is instead the place to pump gas, to change the oil, to wash the car or to purchase spare parts. The transaction is in cash and the credit card is not widely used in the gas station retail business. Consumption is not self-service; there is a gasoline attendant in the retail industry throughout the country. The Colombian consumer is used to being served at the gas station and does not expect to pump his or her own gasoline (Hurtado 1999).

Much of the research KPMG (1997) has conducted and that the industry has reported is that a gasoline and convenience item purchase is mostly an interruption in a customer's destination and not a special event. For the most part, customers will not drive out of the way of their regular commuting route to make a purchase. This is primarily because they see little difference between the value propositions among convenience retail competitors to justify the time investment in a destination trip. By definition, their purchase must be convenient.

The convenience retail industry can be described as a fragmented environment where numerous companies compete for a relatively fixed demand through a large number of retail outlets. Stores and small market areas are often characterized by operators as being either predominantly transient (freeway and rural locations) or local (usually urban or suburban). Our research has shown that 50 percent of the average store's gasoline business comes from customers who live within three miles of the station. An analogous comparison of convenience store sales pushes the number even higher, with 65 percent of sales being very local. Even more significant is that 80 percent of a store's "loyal" customers (defined as those who purchase six of every ten trips at one location) live within three miles.

Obviously, these statistics will vary from store to store, but it is key to note that a significant amount of loyal customers live within what we call a station's “convenience zone". This indicates that loyalty is, in part, directly related to how convenient one's location is to the nearby population and how one is positioned to satisfy their demands relative to local competitors.

Much research has been done to show that the most important factor determining a consumer's propensity to shop at a given store for gasoline and select merchandise is the speed of the transaction and the convenience of the location. The bulk of consumers have secondary preferences for price and service, provided that these features are not significantly different from competitor to competitor. Consumers show a very low propensity to treat your stores as destination shopping locations and mostly relate purchases to an interruption of their daily routines. Of course, there are destination trips for many grocery items, but the average store must establish itself as the most convenient location to intercept the bulk of consumer demand (KPMG 1997).

CHAPTER III

RESEARCH METHODOLOGY

Introduction

The purpose of this study is to compare the U.S. and Colombian gasoline retail market and propose marketing strategies to increase revenue by boosting sales volume and offering excellent service, based on the new Colombian market conditions. Therefore, the first step was to conduct detailed research in Colombia and the U.S. to determine the gasoline retail market conditions. Several approaches and sources were employed in the search to obtain information relevant to the purpose of the study. A computer search for articles related to this theme was carried out in both countries. In the end, a list of articles was compiled from the U.S. and Colombian Internet and magazines. The Internet was a valuable source of information, as were several marketing books, previous research, and articles from newspapers, journals, and magazines.

Data Collection Method

Structured interviews were conducted personally to achieve a more reliable input. Structured interviews are those conducted by the interviewer when he or she knows exactly what information is needed and has a predetermined list of questions that will be posed to the responder (Sekaran 1994, 192). A survey was conducted January 4-6, 1999 in three international oil companies and one national company in Colombia, obtaining answers from all four oil companies. Structured interview was chosen as a method because it has the advantage of flexibility in terms of adapting, adopting, and changing the question as the researcher proceeds with the interviews, and questionnaires have the advantage of obtaining data more efficiently in terms of researcher time, energy, and costs (Sekaran 1994, 189).

Sample population

This study does not have sample population, the sample is the total population of oil companies which commercialize gasoline at the retail level. The population in this research consisted of three international oil companies with subsidiaries in Colombia and one national oil company. At the time this survey was conducted, these four companies were the only solid organizations in the gasoline retail market. Another international oil company, Shell, emerged last November, but they did not have enough experience in running a gasoline retail business in the Colombian market at the time the study was conducted. Thus, the total sample population is counted to be 100 percent of the population of oil companies currently operating in Colombia. The names of those companies are Mobil, Esso (Exxon), and Texaco, with Terpel as the national company.

Questionnaire Design

Primary research was conducted using a questionnaire, which is included in this study as Appendix 1, page 82. A letter of introduction was mailed previously in November to the interviewees to have access to the mentioned companies. This letter is also in the Appendix 2, page 86.

Questionnaire design and construction for this research was based upon the premise that the questions be as simple and straightforward as possible, yet provide the information needed to complete the research. The questions were to focus on factors that surfaced during the research relevant to the commercialization of gasoline at the retail level in the U.S. The confidentiality conditions of this study stated that the findings of the survey do not mention particular company names or interviewers within those companies.

Close-ended and open-ended questions were used through the questionnaire. After conducting detailed research on the gasoline retail market in the U.S., marketing questions were formulated to be asked on the survey. The questions had as their intention to know the way the gasoline retail market is operated in Colombia and, by doing so, to determine the differences between the markets. Questions 1 through 39 were designed using standard ranking or scaling techniques.

Questions 1 through 16 were designed to determine marketing efforts, how the consumers were reached, which marketing strategies were used, which media were used to reach the market, the type of consumer programs, brand image, and type of promotions. There were close- and open-ended questions.

Questions 17 through 20 were designed to elicit perceptions and knowledge of the environmental approach as a marketing tool in Colombia by the oil companies. Questions were designed to determine environmental programs and strategies destined to gain environmentally aware consumers. There were close- and open-ended questions.

Questions 21 through 28 were designed to establish the retail operation at the gas stations in Colombia. The purpose of this section was to define the type of gasoline sold, the importance of locations in gas stations, variety of products or services offered, type of agreements with dealers, existence of joint ventures, and existence of facilities of payment. There were close- and open-ended questions.

Questions 29 through 32 were designed to determine the type of service offered at the gas stations, how the companies were assessing the consumer needs, and how retailers were approaching services to the consumer market. There were close- and open-ended questions.

Questions 33 through 37 were designed to determine the marketing finance approach in the Colombian gasoline retail market. Questions were formulated specifically to establish the increase of the marketing budget, the type of financial evaluation performance, and the credit payment approach. There were close and open-ended questions.

Two close-ended questions were asked about the effect of consumption by the government and threats affecting business at the retail level.

Data Analysis

Particularly when the data come from interviews and questionnaires containing open-ended questions, the data have to be edited. In other words, information that may have been written by the interviewer, observer, or respondent in a hurry must now be clearly deciphered so that all of it can be coded systematically (Sekaran 1994, 276). Since the purpose of this study is to contrast two markets, the analysis is based on comparing marketing strategies of gasoline retail businesses in both countries to recommend strategies to the Colombian market.

CHAPTER IV

MARKETING SURVEY FINDINGS

Introduction

During January 1999 an international personal survey was conducted in Colombia at the four gasoline retailer companies. This section presents the findings of these surveys. They follow the same order of presentation as that of the marketing survey previously developed. The findings of this survey cover the more important marketing trends currently conducted in Colombia. This section will help to analyze and understand the gasoline retail market in Colombia. This section will also be used to propose a convenience action plan to increase the trade-off of implementing marketing strategies. The findings of this research follow the specific order stated in the survey.

Advertising and Promotion Findings

1. How do you reach your consumers?

Media advertising is the most common marketing strategy to broadcast the brand image of the gasoline retail companies. Definitely the most important means to advertise is the radio, all the companies follow this practice. Sometimes the radio constitutes 80 percent of the advertising efforts. Advertising at the point of sale (gas station) is the second most important means to disclose the company's products. With this marketing effort, the company intends to pursue consumer traffic, directing it into the gas station. Advertising in newspapers, on billboards, and in magazines is each used frequently by only one company. Television is not used to advertise except to announce sporadic special promotions.

2. How much do you spend on each one?

No company provided information. In three companies out of four, the advertising expenditures were not sorted out, whereas one company did not disclose the information because it was considered personal.

3. What is the most important marketing strategy?

Half of the companies answered that promotion is their most important marketing strategy. One answered that advertising is their most important marketing strategy, and the other one indicated that price is the basis of their marketing efforts.

4. Do you use ethnic groups to advertise?

None of the gasoline retail companies advertise focusing on ethnic groups.

5. Do you use ethics to advertise?

None of the gasoline retail companies advertises focusing on ethics. However, two companies have programs such as giving away gifts and school kits for poor children.

6. Do you use the Internet as a marketing tool?

None of the gasoline retailers use the Internet.

7. Do you collect information on consumers through the Internet?

None of the gasoline retailers use the Internet to collect customer information.

8. Which type of promotion strategies do you currently conduct?

The most common marketing promotions conducted are strategic alliances with other companies. The companies then sell their products at gas stations at a discounted price. Another marketing approach is to offer free doughnuts, prizes, and lotteries for purchases higher than $5-10. None of the companies assess quantitatively their promotion programs.

9. Do you have a consumer loyalty program?

Just one company indicated that it had a consumer loyalty program.

10. How frequently do you conduct promotion programs?

One of the gasoline retail companies conducts promotion programs between three and five times a week. One company averages twice a year, and the other one has an on-going promotion program throughout the year.

11. How do you target your market?

Each gasoline retail company segments the market in different ways, such as Rural, Urban, Heavy Vehicle, Particular, Bus, and Cab market segments.

12. Is your market demographically targeted?

Just one of the companies makes efforts to capture market share by targeting demographically the market and serving it.

13. What does your brand image rely on?

Two out of four companies promote their brand image based on reliability of their products, whereas the rest of them rely on speed, performance, and reliability combined.

Environmental Approach

14. Do you have a program of environmental awareness as a marketing tool?

Three out of four of the gasoline retail companies have some sort of environmental marketing efforts to build brand image. Only one company projected a strong image as an environmental protector by conducting attractive and creative programs to protect the environment alongside of the institutional global environmental campaigns.

Operating Findings

15. How many gas stations do you have in Colombia?

There are about 2200 gas stations spread throughout the country.

16. Is the location of the gas station the most important marketing strategy?

Three out four companies strongly agreed that the location of the gas station to capture traffic is the most important marketing strategy. One company indicated that 85 percent of the gasoline sales are due to locating gas stations in a high traffic location, 7 percent to marketing efforts and price, and 7 percent to service, installations, and security.

17. With what other products have you mixed the sale of gasoline?

Gasoline marketers combine the sale of gasoline, in order of preference, with lubrication, repair, tire repair, balance and synchronization, car wash, and convenience sales. Less than seven percent of the gas stations have ATM machines. These companies have not opened up alternative products to sell through the gas stations, such as film developing, dry cleaning, and postage.

18. How do you train the people who operate the gas station?

Fifty percent of the gasoline retail companies train directly the service attendance personnel from the gas station. Fifty percent train them indirectly. Therefore, 50 percent of the gasoline retail companies do not create a direct sense of owner commitment among the service attendants.

19. Which chains do you sell gasoline to?

In Colombia, there are no gasoline retail chains.

20. What type of products do you sell?

Gasoline Extra, Regular Gasoline, and Diesel (A.C.P.M)

21. Do you have a joint venture to sell gasoline at the retail level?

No company has a joint venture to sell gasoline at supermarkets locations.

22. Do you sell gasoline under special agreements to different companies?

Only one gasoline retail marketers sell gasoline through special agreements to other companies as an exchange of products or services.

Service Findings

23. What do you pursue in meeting consumer needs?

All of the gasoline retail companies meet consumer needs by having a clean gas station. Three out of four companies meet the consumer needs by offering fast service. Three out of four rely on good treatment of the customer as a strategy, and one company implements a wide variety of products as a marketing strategy to meet customer needs.

24. How do you evaluate consumer service in the gas stations?

All of the gasoline retail marketers use surveys to evaluate the service offered and just one percent use focus group (with taxi drivers).

Finance Evaluation Findings

25. How much did you increase your marketing budget this year compared with the last year?

Half of the gasoline retail marketers maintained the same marketing budget in 1998 from that in 1997. The rest of them companies reduced their marketing expenditures.

26. How do you evaluate the financial performance of your gas station?

Two out of four companies evaluate their gas stations financial performance on a sales-per-month basis. In addition, two of the gasoline retail marketers use a margin analysis to evaluate their gas station financial performance.

27. Does your company have a credit card to purchase gasoline?

Only one company has attempted to sell gasoline on a credit basis. This is an expensive approach, as the high interest makes this system little profitable. In addition, the dealers would have to pay a fee to the financial companies for the concept of financial expenses, which would be higher than the margin of profit in selling gasoline.

Highlights

Definitely, the oil companies in Colombia base their marketing approaches on capturing the traffic passing by a well-located gas station. There are few intents to gain brand image and offer a good service. The Colombian consumer is seen to have low consumer loyalty. The oil companies see in diverse marketing strategies a poor instrument to gain market share, improve revenues, gain a strong brand image, and build an effective customer loyalty. However, some intents have been assimilated within the gasoline retail industry to catch up the new customer service trends, with focus on service. Evidently, there is a lot to do regarding marketing in Colombia; the companies are aware of this and they are starting to realize that if they do not do something to gain an important position within the market, the customer will switch to the competitors. These findings present a comparative analysis of the oil companies' marketing approaches to state a preliminary backgraund of future improving actions.

CHAPTER IV

ACTION PLAN

Introduction

To be consistent with the study, the action plan maintains the order previously stated in the questionnaire design. First, the action plan suggests strategies to enhance the marketing efforts. Second, actions are addressed to improve the operations at the gas stations. Third, the action plan determines recommendations to enrich the customer service. Finally, the action plan suggests recommendation to strengthen the financial performance of the gas stations in Colombia. The action plan section follows the same order of topics according to the finding section and the survey. The action plan's intent is to apply U.S. marketing strategies to the Colombian gasoline market at the retail level, which could be advantageous for the Colombian market terms. The following actions are discussed to recommend an action plan:

- Marketing Efforts
- Advertising and Promotion
- Internet Approach
- Market Segmentation
- Brand Image
- People
- Operation

- Customer Loyalty
- Finance
- Innovation Cycle

Marketing Efforts

Oil companies can lead retailers to believe that "marketing" simply doesn't matter because location and price have the largest contributions to sales. They have also likely tried some marketing promotions and communications programs, like couponing, neighborhood flyers, and frequent buyer cards, that have achieved little beyond furthering retailers' belief that marketing is mostly a waste of money (Abramo 1997). Even though the author of this article has a lot of experience and knowledge, he is missing the fact that location (place) is one of the components of the marketing mix, which are price, promotion, place, and product. Therefore, location matters when we are talking about marketing because it is one of the more important issues when a marketing program is developed. Thus the first action to take is to establish a strong real estate department to purchase lands or strategically located lots. Taking into account the development of freeways or urbanization schema could be a valid approach to securing a definite competitive edge by any one of the players.

According to the personal interviews and the findings, there is a remarkable fear of marketing innovations in Colombia. For 1999, none of the gasoline companies increased their marketing budget, which indicates a lack of confidence in the potential that marketing strategies with more resources are able to achieve. The action plan displays several successful marketing strategies conducted in the U.S. and how they could be conducted in Colombia.

Mass customization marketing principles began to overtake the one message fits all broadcast method in the 1980s. These techniques require a more analytical and rigorous approach to marketing. The process entails segmenting the consumer base by behavioral or attitudinal measures, determining the core tastes and preferences of each of the homogeneous groups, positioning products and services to appeal to the most desirable of these groups, and targeting those segments with a comprehensive communications and promotions strategy (Abramo 1997). It is important for the gasoline marketers to sort out the customer to identify their trends, and to address the marketing efforts to meet their needs. How this is going to be achieved will be dealt with in following sections.

Advertising and Promotion

Advertising should be only a part of the marketing strategy, according to Larry Gottlieb (1998), marketing manager of Castle Oil in Harrison, N.Y. "Advertising is necessary, but it can be so expensive and it is sort of a roundabout way to connect with the consumer. Promotions let you get closer." Obviously the implementation of advertising as a marketing strategy is just one part of the overall marketing strategy; advertising has to be a complement for promotions and price strategies. The gasoline marketer has to build a brand image, it has to start to let people know in a systematic way who they are, what they do, what they are offering, and what makes them different from the competition.

Most large firms employ mass customization techniques (one message for each segment) when positioning specific products or promotions. Traditional mass messages (one message for all) are used for general brand positioning and awareness campaigns. Database marketing techniques are also employed using direct mail, but messages are still usually broad in scope (there is very rarely a one message to one customer approach). In essence, firms are mostly employing a mass customization approach using a mix of media to communicate specific product features and promotions. There are distinctly different customer purchase behavior differences between destination and convenience retailers. The most fundamental of these points of differentiation is that convenience retailers do not draw customers into their stores as much as they capture them (Abramo 1997). The gasoline retail marketer should sort out the market and direct advertising to those segments identified. These companies should analyze what are the trends of segments, such as individuals, bus and truck drivers, taxi drivers, and rural or urban market. For instance, to advertise in magazines would be a good idea to reach particulars, billboards located in high traffic areas either in rural or urban centers could capture the bus and truck drivers, radio and newspaper would capture taxi drivers and urban bus drivers. Each company should identify what their market segments read and watch, and what is their behavior.

According to Incentive's latest Consumer FACTS survey, a healthy mix of old and new reward programs is the predominant strategy for consumer promotions in the

U.S. Marketers continue to find success with traditional methods, such as offering a premium with purchase, but they are embracing new approaches. The Internet will only grow in its popularity as an advertising medium and as the promotional vehicle itself, such as contests conducted entirely on the Web. Also, a good number of companies are experimenting with showcasing their products at sporting events and other high-traffic occasions. Consumer loyalty and frequent-buyer programs topped the list of most popular types of consumer promotions, claiming 56% of the marketers' responses (Wood 1998). The marketing strategies of the oil companies in Colombia rely on promotions as the main channel to reach or capture consumers. As the consumer FACTS survey shows, promotion is also the more used vehicle to reach consumers in the U.S. However, this survey also shows Table 9 that advertising is highly used to promote a consumer offer, whereas in Colombia advertising does not constitute an important item within their marketing strategy.

As more organizations realize the effectiveness of consumer promotions, more money is being devoted to their budgets. About 70 percent of the respondents to the FACTS survey reported higher budgets in 1997 in comparison to the previous year. The average increase was 20 percent. Only 6 percent suffered cutbacks, and 24 percent had the same budget in 1996 and 1997. The majority of respondents, 60 percent, use a special budget set in advance. Just over one-third are able to extend promotions if the amount of sales already tallied as well as those forecasted justify the costs. In terms of how marketers are spending their money, advertising and the award or premium claimed the top spots. The most widely used method to promote a consumer program was direct mail at 74 percent. Other choices included the Internet (62 percent), newspapers (57 percent), and point-of-purchase displays (57 percent) (Wood 1998). In Colombia, the marketing expenditures are not hopeful whatsoever; none of the companies increased their marketing budget. This means either that marketing is not something in which the companies want to keep up or that they overspent in marketing in the previous years. It is well known that the national and international oil crisis affected strongly the overall industry, but companies cannot just give up their efforts to reach a higher market share because they have to build a company brand image if they want to exist in the future.

Table 8. Advertising Methods to Use to Promote a Consumer Offer

Advertising Method	Percentage
Direct mail	74%
Internet	62%
Newspapers	57%
Point-of-purchase	57%
Radio	41%
Packaging	32%
Magazines	26%
Product Samplings	23%
Television	23%

Source: Consumer FACTS survey

Consumer loyalty and frequent-buyer programs topped the list of most popular types of consumer promotions, claiming 56 percent of the marketers' responses. They were followed closely by sweepstakes/contests (54 percent) and direct premium or free-with-purchase offers (50 percent). Loyalty programs enjoy such popularity among consumer professionals because they are the most logical and inexpensive way to reach the consumer, says Tom Wong (1998), senior vice president, marketing and licensing, at Strottman International, an Irvine, Calif.-based promotional marketing agency. From a strategic standpoint, they reward existing customers and escalate the customer's commitment to a product or service. Whether it is the promise of a free cup of coffee after 10 purchases or a domestic airline ticket after flying 25,000 miles, the customer feels compelled to continue the relationship until the award is achieved. If the customer is happy with the product or service, they will stick around even after the payoff.

From a purely marketing perspective, one of the best rewards a company can offer is its own product, says Wong. Also, in terms of cost, you're giving away your own product so it's going to be hard to beat that price. Following this line of thinking, respondents rated product samples (72 percent) second only to gift certificates (73 percent) in terms of prizes or awards regularly used; and odds are many companies use gift certificates for their own products, other types of prizes/awards are shown in Table 10. These results show that if companies in the U.S. use product samples as the more frequent marketing promotion, it is because this strategy has achieved important marketing goals, building brand image and maintaining a solid customer group.

Therefore, to give away an extra gallon of gasoline after several purchases will be perceived by the customers as a valuable gesture from the oil companies.

Another plus for the budget is that consumer loyalty programs focus on keeping customers rather than finding new ones. "The people you should be spending money on are your existing customers. It costs a lot less to keep them than it is to find new ones," says Gottlieb (1998). "If you have a really good consumer loyalty program, others will hear about it. Loyal customers are your best advertising." Likewise, "there is such an incredible universe of products out there, the best way to reach and keep customers is to make some kind of personal connection," says Wong (1998). "Loyalty programs are at the forefront of this trend toward more personalized marketing."

Table 9. Prizes/Awards Used in Consumer promotion

Price/Awards	Percentage
Gift Certificates	73%
Product sampling	72%
Travel	69%
Merchandise above $10	69%
Merchandise below $10	64%
Cash	44%
Licensed merchandise	19%
Phone cards	17%

Source: Consumer FACTS survey

Internet Approach

The conventional wisdom is if you're not on the Internet, you might as well not exist. Following this maxim, nearly 75 percent of the respondents of the Consumer FACTS survey conduct promotions on the Internet. The problem is that 64 percent were unsure whether they were satisfied with the results. Those clearly unsatisfied garnered 31 percent of the responses, and only 5 percent were pleased. Why the ambiguity? Despite all the technological progress of the past decade, the Internet is still in its infancy. Just because a company is on the Internet that doesn't mean it knows what it is doing there. "The Internet has revolutionized how the companies run the loyalty programs and how they collect information on consumers for future promotions. But it is still in its development stage." However, the thinking about Internet has changed dramatically. According to Kingsley McCallum (1998), by the year 2000, $300 billion will flow through Internet commerce. McCallum says a company's Web site can be a public greeting that's open 24 hours a day. He encouraged marketers to think of their site as an "electronic brochure" and to actively pursue the opportunity. Marketers in Colombia can opt to handle a host of general public communication through their Web site, ranging from site location to job listings. Here's a short list:

- Company history. Let customers know the company's roots, how it came to be part of the community.
- Public and media relations. News, annual reports, and other information can be disseminated through a Web site.

- Advertising, marketing and promotions. A company can publicize its store promotions as well as offer coupons or run contests to increase customer traffic.
- Employment opportunities. Labor in the retail sector is always an issue. Companies can advertise job openings at certain sites. Often times the labor pool reached through the Internet is better skilled, and more familiar with computers, than those contacted through other sources.
- Community support. A company can advertise its services to the community by publicizing its granting process, as well as offering information on local sporting events, community activities, and other recreational gatherings.

In Colombia the gasoline retail marketers are skeptical about the customers that they can reach through the Internet because the Internet is in a developing stage. Due to the difficult economic situation, it is hard to keep up with technology; to buy a computer and access to the Internet involves a cost that most of the Colombian market is not willing to incur. However, there is still a market there that can be reached through the technology, and further, the amount of users is expected to grow in the following years in Latin-American markets. According to the recent study of Nazca S&S, The Saatchi Worldwide's Latin American net, regional use increased 788% since 1995. The study forecasted that for the year 2000, 34 million Latin Americans will have access to the Web, which will mean an increase of 4250% since 1995. Moreover, each household generates an average of 2.3 users of the Internet in Latin America and the users spend an average 8 hours a week online—almost 15 percent more time than European users. A study published by NUA Internet surveys on June 6 of 1997 indicated that the Internet has grown faster in Latin America than any other communications technology.

Demographics in Internet Latin America

The PC market in Latin America increased 32 percent during the third semester of 1997, and it is forecast that in the year 2000, Latin America will lead the rest of the regions in the world. Important studies in Latin America conducted by Avantel and registered in the report of June 6 suggested that the amount of Internet users in the region is increasing almost 20 percent monthly. It is assumed that the audience online in Latin America is currently about seven million persons. According to the report of planning and marketing for 1998 conducted by the Strategic Research Corporation, 77 percent of the population is less than 40 years old. In comparison with other regions of the world, Latin American income and consumption distribution is highly constrained. In the U.S., the wealthy 20 percent of the population consumes approximately 40 percent of the overall products. However, in Latin America, the wealthy 14 percent of householders consume 56 percent of the overall products. While currently 76 percent of the computer users are men, the growth produced by the new users is mainly representing about 50 percent women in comparison with 31 percent of men. Colombia is the third country in Latin American in using the Internet. Also, the users of the Internet by age are 68 percent between 18 and 34 years old, 27 percent between 35 and 54 years old, and 5 percent between 55 and 99 years old (Starmedia 1998).

PCs Penetration

The more prosperous families have an important share of PCs installed at their homes, workplace, and high schools. While 6.7 percent of families have a PC at home, 52 percent of the wealthiest families have one. A study carried out by IDC in 1998 found that 48 percent of the PCs acquired in Latin America were bought for personal use. Thus, PC use constitutes a strong factor of differentiation when segmentation is sought to reach people with the best income in Latin American (Starmedia 1998). By analyzing this information, the gasoline retail marketers should figure out that the Internet offers a unique alternative means to advertise cheaply, and even though the Internet is not too developed in Colombia, it will surely be spread out among gasoline customers. Thus, "implement the Internet as marketing strategy."

Market Segmentation

One way the majors could compete more effectively would be to sharpen their value propositions and better target their service offering to discrete consumer segments. Based on research performed and made publicly available by a number of petroleum companies, it appears that four distinct groups of consumers exist today:

Quality Conscious Urbanites

This group is composed of consumers who still perceive quality differences between different brands of gasoline. They are predominately male, middle-aged, upper income, and live in major metropolitan and suburban areas. They are very interested in the perceived quality of the gas they purchase and speed of the transaction, and they are some of the earliest adopters of pay-at-the-pump technology. They tend to be less price-sensitive than most gasoline consumers, and are moderate users of gasoline. This group is the most easily targeted segment for major oil companies (Oil & Gas Investor [Denver] 1996).

Oil companies targeting this segment must increase their advertising and promotion activity, while looking for ways to distance their brands from price-based competition. Mobil, for example, promises consumers a "fast and pleasant purchase" through its Friendly Serve and Speed Pass programs. In a similar fashion, Shell has introduced its Quick Pay program, which uses technology to provide "hassle free and faster fuel buying" advantages (Oil & Gas Investor [Denver] 1996). In Colombia, advertising should be pointed to capture this market through different media, such as magazines, TV, and the Internet. Systems such as pay-at-the-pump technology should be built especially for this market segment. They will perceive this technology as an excellent service because it is faster and could be used 24 hours a day, offering security to those who want to pump gasoline in early morning hours.

Convenience Store Shoppers

This segment is perhaps the largest and most diversified. It is composed of two consumer groups. The first consists of skilled-trade males, who frequent stores in the morning for coffee, at midday for lunch on the run, and on the way home for a six pack and salty snacks. The second grouping consists of females with children, who use the store for fill-in purchases between grocery store visits. For this segment, gasoline is typically not a destination purchase, as it is for "quality conscious urbanites." Its members are somewhat price sensitive in their purchases of petroleum products and they are less likely to buy into perceived distinctions in gasoline product quality. The implications for majors targeting this segment are significant. Gasoline is typically priced aggressively to drive store traffic and establish a favorable reference price with consumers. At the same time, most of the critical elements in this consumer's process of brand selection revolve around in-store execution (Oil & Gas Investor [Denver] 1996).

Although there are a small amount of convenience stores at the gas stations in Colombia, this market could represent an important source of revenue for the gasoline retail marketers. The Colombian gasoline market does not necessarily have to implement American convenience stores. The marketers rather should implement a Colombian convenience store in which the traditional stores match the Colombian consumer behavior. For instance, to create joint ventures with chain bakeries, dry cleaners, film developing retail stores, and postal and office services, among others, is a good example of the kind of marketing approaches that the gasoline retail companies could pursue. Moreover, if the marketing strategy is to build convenience store, retailers should not forget that luxurious products may be a good idea only in upper income areas. As previously stated, the Colombian consumer behavior is price conscious. Therefore, stores should not offer an American convenience store image, but rather a product mix more attainable for the Colombian customer in the convenience store.

One Stop-Shoppers

This is the smallest segment but the fastest growing. Although it is not necessarily made up of heavy users of gasoline, retailers servicing this group can have a disproportionately larger share of wallet than with the previous two segments. That is because this group is seeking the convenience of a shopping experience that can best be described as a broad offering of products and services. From a product perspective, several retailers are offering a broad enough array of both take home and immediate consumption items to meet the needs of this segment. The real opportunity with this group, however, falls primarily in the area of services, which might include such things as film developing, ATM, dry cleaning, postal and office services (copy, fax, internet access), car wash, quick lube, etc. Additionally, since the basic premise for this segment is a one-stop solution, the breadth of products and services must be tailored to regional and demographic preferences (Oil & Gas Investor [Denver] 1996). It is what is called one-stop-shop, where the shopper will be interested in a broad product offering and eager to get different products in one place.

The Colombian marketers, by analyzing on a corner-by-corner basis the customer, could get a clearer picture of what types of extra offering could provide the company with a generous revenue, consolidation of brand image as a provider of good service, and probably an extra market share.

Price shoppers

As its name implies, this segment is composed of consumers who are highly price sensitive when buying gasoline. They tend to be in their 20s, frequently have several young children, and are not likely to buy premium. Not surprisingly, this segment is the least brand-loyal and promises the lowest economic return for petroleum marketers. As it turns out, the Upstarts, with their aggressive pricing strategies, maintain the largest share of this segment. It seems unrealistic to believe that a major oil company could successfully target this segment and still deliver adequate returns to shareholders (Oil & Gas Investor [Denver] 1996). Due to the new system of gasoline prices in Colombia, this market has to be analyzed in depth. Basically, the elasticity analysis plays an important role. Moreover, majority of the total market share belongs to this segment.

As previously stated, the Colombian and American gasoline markets have differences. What works in the U.S. may not work in Colombia, and vice versa. The market segmentations are different depending on the marketing strategy of the firms. What this study proposes is to offer ample options to segment the market to create a marketing plan addressed to meet the needs of those market segments. The findings provide an insight to develop a segmentation market whose examples of segments are particulars, heavy vehicles, rural and urban transportation, taxis, and buses. This is a strong base to build a market segmentation plan, which should propose to match the company capabilities and meet their customer needs.

In the U.S., as expected, the most targeted demographic was the 36- to 50-year-olds at 46 percent. At 31 percent, the 26-35 group came in second, followed by the 19- to

25-year-olds with 31 percent. The latest change in demographics marketing has been the targeting of specific ethnic groups. Only 8 percent of respondents in the Consumer FACTS Survey indicated that they do consumer promotions targeting ethnic groups, but this is still a relatively new idea (Wood 1998). The gasoline retail marketers could see this strategy as a competitive advantage if used, because this is something relatively new even in the U.S. This could definitely be an alternative way to communicate something different to the market.

Brand Image

The consumer thinking goes something like this: "Every visit I make to a store must meet these same needs of speed, performance and reliability. Of course, the gasoline is fine: all gas is the same anyway, right? What I want is that whenever I stop—no matter if I fill up and buy lunch or if I just grab a cup of coffee—I don't have to wait in line forever, the employees treat me like a human being, and most important of all, I get the kind of service I have come to expect in a clean store that is bigger than a shoe box" (Chen and Foster 1996). In Colombia, the gasoline is the same everywhere, so the customer is expecting an aggregate value to his shopping experience. The gasoline retail marketers should enhance their brand image by providing an excellent large variety of services. From now on, this study proposes different marketing approaches to enhance the brand image and service better the Colombian market by analyzing strategies and research which have been successful when conducted in the U.S.

Reliability

A visit to a convenience store or gas station represents a repetitive act, a part of the consumer's daily or weekly routine. While pleasant surprises may win a smile from a consumer, unpleasant surprises will not be tolerated. If a store cannot consistently meet a consumer's expectations, the consumer moves on. Switching is easy - just find another place that fits into the routine and can deliver on expectations. Serendipity and innovation are nice things to talk about, but what consumers really want is to get what they expect (Chen and Foster 1996). The Colombian customers switch easily the place where they buy the gasoline. Marketing research indicates that they sometimes do not know where to go, but they know where not to go due to a previous negative experience at any given gas station. When consumers believe that performance delivery is inconsistent, they are more likely to attribute pleasant surprises to the store employee rather than to the company as a whole. According to Foster (1996), good experiences, they reason, are "in spite of the company" while unpleasant experiences are "typical of what you can expect from that company."

Speed and Performance

Here is where retailers can begin to distinguish their brand from that of the competition, to carve out a unique brand image. Speed and performance represent the basic building blocks for what consumers will come to expect from a store, or what marketers call a service offering. The service offering should be based on the needs of the targeted consumer. Getting it wrong can be deadly. For instance, just how speedy does the shopping experience need to be for the consumers? How do they define “fast”? What does one need to provide to consumers for them to rate the store as “high performance”? (Chen and Foster 1996).

As presented in the findings section, the gasoline retail companies in Colombia do not obtain insights from the market on a consistent basis. Thus, this study strongly recommends creating consistent market research tools, such as market surveys, focus groups, and consumer feedback, to provide the insights companies need to craft a service offering that captures the attention and builds the loyalty of their targeted consumers.

Segment dominators build market share in two ways. First, by offering the right combination of speed and performance, they attract more consumers to their stores. Obviously, marketers hope to attract the majority of their target segment to their stores at least once a month. However, segment dominators generate an additional benefit due to the loyalty, or "share of wallet," they achieve with their consumers (Chen and Foster 1996). "Share of wallet" measures how much of a consumer's total spending on convenience and gasoline products a particular company receives. If a consumer spends $100 a month but brand X only gets $10 a month from the consumer, then brand X would be said to have a 10% share of wallet with that consumer. Given a selection of only adequate alternatives in a market, consumers will tend to spread their spending across a large number of brands. In this case, share of wallet figures hover in the low 20% range. However, if a single brand can identify what services that consumer looks for in a store and provide services consistently, the consumer's spending patterns can shift dramatically. The resulting share of wallet figures can reach as high as 70%-80% for some brands (Chen and Foster 1996).

A 1995 survey of consumer preferences and buying behaviors found just this. Given a compelling brand, one consumer segment would focus at least twice the normal share of wallet on that brand. In markets that lacked a compelling brand for this same needs-based segment, the consumer's spending was dispersed across a wide number of stores. In other words, a compelling brand gained twice the normal market share in this segment just because the brand offered the right combination of speed and performance in a reliable manner. Not only was this segment very loyal once the right offering was provided, but it also represented over 30% of all spending on convenience store items and 25% of all gasoline purchases while accounting for just 17% of the population. Clearly a segment worth attracting. Retailers must think of the implications for their stores. They could double their sales before they start worrying about attracting new customers. All they need to do is earn their loyalty. Reliably providing the right balance of speed and performance is the first step (Chen and Foster 1996).

Therefore, speed and performance cannot be seen by the retailers in Colombia merely as academic concepts and they cannot conclude (as the findings show) that they already offer speed and performance. These have to be conceptualized in an active manner by implementing programs of consumer loyalty, providing speed and performance as part of their service mix. How to build a consumer loyalty program is reviewed in the following section. To achieve these market-based results, oil companies will have to focus on two areas that have been traditional shortcomings in their marketing operations: people and investment (investment is addressed in the financial performance section).

Achieving Brand Presence Store by Store

Until now this comparative study has analyzed brand image in a general basis; the study conducted by KPMG Resource Planning Consultants (1997) goes to an in-depth understanding of the brand presence store by store. How much share do I need to achieve "critical mass" in a market for my brand? How many locations do I need to have "brand presence" with consumers? How do I measure "brand value"? These questions are asked so often that it is important to discuss them. First, brand value is a measurable quantity that does not have to be determined solely by consumer research (the traditional method). Using information obtained from station surveys, the premiums, or discounts, of convenience retail brands can be quantified. Second, positive brand value has little to do with market share. Many marketers claim that it is important to have a "critical mass" in a market to achieve sales and profit objectives. While there are some advantages to having a large network of stores in a market (mostly cost based), those advantages are not significant enough by themselves to warrant mass market entries.

According to KPMG's (1997) experience serving the convenience retail industry, they have found one of the more contentious and poorly understood components of performance to be brand. Large marketers often discuss the origin and value of "brand equity" as an almost religious and historical reverence to their logos. Yet when asked to define what brand equity means in terms of bottom line results, answers come back muddled with references to soft measures like “superior consumer perception" or the "intrinsic value that customers place on my stores as compared to competitors.”

Many gasoline/convenience retailers believe that positive brand value can only be achieved by building large market shares. This may be true to some extent; however, the evidence contradicts this assertion. For the most part, the gasoline/convenience retail business is fought and won on a corner-by-corner basis. If the "major brand" retailers have learned anything in the last several years, it is that quality offers can often obliterate quantity offers. That is not to say that having a large number of stores in a market is not advantageous. There are many benefits to having significant share. Broad consumer ownership of proprietary credit cards, lower unit mass advertising (e.g. radio, newsprint) and product distribution costs, and a wide network of convenient locations are all advantages of having large market share. Some purported claims of large share are higher margins and better individual unit throughputs. However, the KPMG study presents analyses to help dispel some of these mythical advantages of large market share and show that brand value often has little to do with market share. The first learning from the experience of this reliable consulting firm is that the gasoline retail business in Colombia should be pursued on a corner-by-corner basis. How to do it is explained in the operation section.

In 1994, New Image Marketing (NIM) of Ft. Myers, Fla., conducted a survey of the gasoline retail business in the Northeast. Over 150 variables were measured on 16,000 service stations in nineteen markets within the twelve states from Virginia to Maine. Two hundred ninety brands pumping about 1.2 billion gallons monthly were represented in the survey. As part of the survey, NIM made estimates of the gasoline throughputs at each location. KPMG recently constructed a series of statistical models that represented sales at each location in terms of the components of performance. KPMG found very high correlations, which places a high degree of confidence in their models' estimates of gasoline sales. To assess brand value, KPMG simply looked at the difference between their predicted values of gasoline sales and the observed (actual) amounts. In other words, they define brand value as the level of gasoline sales above or below that predicted, using variables known to drive performance (location, price, facility, and operations). In essence, this definition says that consumers sometimes place a higher or lower value on a company's stores relative to its competitors with identical facilities and locations. KPMG highlighted the performance of the 12 brands that comprise over 80 percent of the units in the Northeast Region. The findings illustrate the relationship between the models' predictions of sales and the observed amounts. Four companies (Amoco, Hess, Mobil, and Shell) consistently outperform predictions. Given the assets they have in place, their pricing philosophy, and how they run their locations, their stores consistently outperform expectations. This means that there is some other value placed on these stores than that on any others in the market.

Another method of assessing brand value is to look at the ratio of a brand's volume share (brand volume divided by market volume) to facility share (number of stores divided by total stores in the market). This is a crude measure since it does nothing to account for the other variables that influence a brand premium or discount. However, it does indicate how effective the brand is at competing for demand with its direct competitors. Ratios above one indicate that the brand is taking a disproportionate share of volume from its rivals. The ratios found served to support KPMG's assertion that Amoco, Hess, Mobil, and Shell have positive brand value in the Northeast states. At first glance it might appear that KPMG has contradicted its assertion that brand value is not correlated with market share since it has found that large players like Mobil, Shell, and Amoco have positive brand value. However, KPMG is only looking at 12 of the 290 brands represented in the Northeast. Also, Hess, which has very high brand value, has the lowest share of the twelve, with 1.5%. KPMG has chosen the top 12 brands to illustrate their points about brand value. The main conclusion about KPMG's study is that brand value is not correlated with market share. The gasoline retail marketers in Colombia have to understand that to gain a great brand image and outscore the competitor, it is enough not only to have a larger amount of gas station, but also how they run their locations, their price philosophy, and excellent service is important.

There are many facets to brand value. Some are easily measured and some are not. Consumers do place a higher perceived value on some brands relative to others for reasons not easily measured without extensive research. Anecdotally, KPMG assert that some consumers find a perceived difference in product quality, safety, and convenience. However, also some quantitative measurable differences in performance explain some of the differences. First, KPMG analyzes certain aspects of the survey data to look at how each of the 12 brands competes on a head to head basis in their respective trade areas.

KPMG reviewed four characteristics of site performance (Curb Appeal, Access To Demand, Capital Investments and Retail Pricing Positions).

- Curb appeal. As part of NIM's survey, they evaluate many subjective performance features. They have combined several of their measures into a composite appearance score. In essence, the appearance of the gasoline forecourt and total lot, canopy and exterior building are rated on a scale. KPMG then looks at this rating for each brand on a relative performance measure. That is, it compares the appearance of every store with every other store in their trade area, with those competitors who are closer having more weight in the analysis. Findings show that all four brands outcompete their immediate rivals when it comes to appearance. For example, Hess' average score of 0.60 means that it has a 60% higher appearance rating than its competitors within a two mile radius of its stores. KPMG's findings prove that appearance is a factor of preference among the customers. The strategy in Colombia should be then to promote a consistent policy to enhance the appearance of the gas station as well as the cleanness of the gasoline forecourt and total lot. Although the gasoline marketers have this policy stated in their marketing strategy, it is usual to find gas stations in a poor condition. Thus, good appearance and cleanliness should not only be a policy but also a real practice within the gas stations.
- Access to demand. Another variable used on a relative scale is called a traffic volume index. This measure is an assessment of the traffic mass and flow around each brand's location as compared to all others in the county. The findings show that the four brands with indicated premiums are positioned very well in the flow of demand.

To some extent, this is an indication of a real estate advantage since these brands tend to have better access to traffic than their competitors.

- Capital investments. Another indication of the quality of the offer for each brand is an assessment of the amount of investment in facility improvements at each location. The results show that three of the premium brands have invested in relatively new multi-product dispensers, CRINDs, buildings, car washes, and foodservice facilities. The calculation assigns a dollar figure for each capital investment based on its apparent age. Indeed, this result indicates that there is a trade-off in investing in gas station facilities. Therefore, if the Colombian gasoline marketers want to outweigh their competitors, they have to invest in providing more facilities and services or make enormous efforts to improve the customer service. Interestingly, Hess is extremely under-invested compared to its chief competitors. However, this has not affected its overall brand performance. Hess' strong focus on customer service may help override a deficiency in physical assets when it comes to gasoline sales and brand perception.
- Retail pricing positions. Three of the four premium brands enjoy a retail price advantage (and presumably margin) relative to their competitors in the Northeast. KPMG developed a price differential for each site by comparing that site to its competitors, again weighing the closer sites more heavily. The results found that only Hess maintains a lower price positioning. The supporting data from appearance, demand, flow position, and investment support a supposition that these brands have above-average offerings and can support higher prices. There is simply not enough

evidence to assume that their brand values support the higher prices. If that were true, Hess could potentially be leaving margin on the table.

In conclusion, simply having a large presence in the market is no distinct advantage in and of itself. Advantages in margins and throughputs come from having a higher quality offer than local competitors and not from some synergistic influence of high facility and/or market share. In this age of decreasing brand loyalty, it is key to understand the fundamentals of brand loyalty and remember that their source is driven more by quality than quantity. Indeed, marketer focus is better placed on individual store placements and performance than on striving to realize some perceived synergistic benefit derived from a critical mass of stores. The cost reduction advantages of scale must be compared with the overall financial return expectations required of large investments. Build for individual location financial returns (Abramo 1997).

People

Producing outstanding results at the store level has to start with the people in the stores. Everyone knows this, but very few companies act on it. Many executives pay lip service to high quality, empowered employees while simultaneously planning to cut store hours, or figuring out how to hold average wages down and reduce training expense. Store employees embody 99% of what the average consumer sees of an oil company's image. If the corporate representative is underpaid, under-skilled and overworked, how will the company look? (Chen and Foster 1996).

The findings demonstrate that two of the oil companies in Colombia do not train the gas station employee directly, thus creating a sense of abandonment from the companies toward these employees. Getting the right person in front of the consumer can represent a particular challenge for major oil companies due to a heavy reliance on jobbers. Turning store ownership over to jobbers also means turning over responsibility for the brand image. The Colombian customers don't know, and don't care, who owns a particular store; they associate the individual store experience with the brand and, subsequently, the brand with all other stores. Therefore, the recommendation is to involve more the gas station employees with the company goals even though they work for dealers. Rather than hold average wages down and reduce training expense, the Colombian companies should figure out how to increase these figures. At the end of this section a study previously conducted is analyzed, which states the impact that increasing salaries has on gas station performance.

Operation

Much of the research that KPMG has conducted and that the industry has reported is that a gasoline and convenience item purchase is mostly an interruption in a customer's destination and not a special event. For the most part, customers will not drive out of the way of their regular commuting route to make a purchase. This is primarily because they see little difference between the value propositions among convenience retail competitors to justify the time investment in a destination trip. By definition, their purchase must be convenient (Abramo 1997). The Colombian oil companies should build a positioning strategy to appeal to consumers located in the trade areas surrounding each store. Marketing plans must be developed on a local area basis treating each store as a unique retail offering within the umbrella positioning of the company's brand. Since location is definitely the most important feature for gas stations, this study presents an approach to establish a customer loyalty focused on Local Area Marketing. KPMG presents an interesting model to create customer loyalty in the area surrounding the gas stations.

Customer Loyalty

A significant amount of loyal customers live within what is called a station's "convenience zone." This indicates that loyalty is, in part, directly related to how convenient the location is to the nearby population and how you are positioned to satisfy their demands relative to local competitors. This is a critical finding from the perspective that there is significant opportunity to create loyalty within a close distance to each of the stores. It also validates the finding that the convenience retail business is fought and won on a corner-by-corner basis and that high market share is no match for a quality offer.

Local Area Marketing is a simple concept that effective retailers have been employing forever. Simply stated, it is understanding the tastes and preferences of local consumers and positioning your store to satisfy their needs better than local competitors. It's a concept that neighborhood stores employed years ago when retailers knew their customers by name and could count on their business and loyalty. But neighborhoods and the retail landscape changed dramatically. Large store formats, franchising, multi-unit operations and company store conglomerates have replaced the corner store run by a local entrepreneur. What is interesting, however, is that the customer's desire for personal service has not changed. Research shows that customer loyalty can be cultivated with the right mix of value and service. Obviously, it would be difficult in today's environment for an operator to know all her customers by name. However, information technology and a well-disciplined process of managing the information can help (Abramo 1997).

Local Area Marketing uses information technology to help the gasoline retail marketers manage customer relationships in an environment where it is increasingly difficult to do so. Ultimately, the goal of any retailer is to attract, retain, and grow the customer base. In order to do so, the Colombian retailers' value proposition must align closely with their customers' needs and must do so better than their immediate competitors. There is no way to accomplish that without information about their customers. The oil companies' job is to define some common ground offering (that which will satisfy the needs of a large base of customers) and provide a targeted and tailored offering to individual customers. Here's how KPMG does it.

Information Base

The key to building any marketing plan is to start with a core base of information about the local population at large, the specific customers, and the competitors. To start, two things are needed: data and a database. Data about the population at large is available from a host of sources and includes key variables such as demographics (only a couple of variables are needed) and lifestyle information (the propensity of local population to buy certain C-store products, how price sensitive they are, what radio stations they listen to). The goal should be to track at least 10% of customers and transactions.

The KPMG indicates that the first step to build a customer loyalty program is to define geographic boundaries (i.e. neighborhoods) that are more convenient, and those areas where consumers have the highest likelihood of shopping a store and becoming loyal. The convenient zone is the gas station's loyalty trade area. The only way to build one is to find out where the existing loyal customers live and identify areas of concentration where the store appears to be most attractive. This can be achieved. If the retailers already have a database of customer transactions linked to a name and address, they can use sophisticated geographical information system (GIS) mapping tools to identify the concentrated zones. Ask customers how often they shop the store, roughly how much they buy, at what times do they typically buy and where they live. Don't ask them for a specific address. Rather, ask them to put a pin on a map close to where they live (the map could be developed using a product called Streets Plus by Microsoft). Since in most cases the oil companies in Colombia own a small percentage of the total amount of gas stations, to conduct studies like this could be expensive and time consuming. But something has to be done, otherwise somebody else will do it. Therefore, develop a marketing guide to find information about gas stations' customers, train the dealers and encourage them to work on it. Also, the oil companies and the dealers could hire marketing research firms to do the job.

Tracking the customer loyalty program

Retailers have the same three objectives:

- Acquire new customers.
- Retain customers who are showing signs of defection.
- Grow sales to existing customers by increasing purchase frequency, cross-selling, and up-selling.

Therefore, it makes sense to develop a marketing plan that manages customers in each of these three categories. The acquisition category encompasses all programs and promotions aimed at bringing new customers in the door or taking existing customers whose purchases are currently not tracked and putting them in the database. The retention category is managed by identifying customers whose purchase track record indicates they are shopping with the store less often and may be defecting to a competitor. Growth customers are those shopping at the store regularly but not taking advantage of all its product categories (gasoline-only customers that do not appear to be shopping the C-store or car wash) (Abramo 1997).

- Acquisition: Every retailer seeks to grow its base of new customers. Many of the techniques employed here range from increasing large advertising budgets to conducting broad direct mail campaigns using coupons or local paper circulars. There are two inherent problems with these approaches. The first is that they are not targeted enough to be cost-effective and the second is that these media provide retailers with no information on whether or not they are working. Local area marketing can fix both problems. Using a good GIS tool in combination with available "telephone book" software can assist in generating a targeted mail list for a direct mail acquisition campaign.

In addition, each mailing must be linked to a customer using a tracking method. There are plenty of low cost direct mail vendors who can tell retailers when an individual customer responded to one of their promotions. They can then track each customer's responses over time and determine the effectiveness of each campaign (Abramo 1997). Gasoline retail marketers in Colombia do not follow up their marketing results in a systematic way, it was found in the personal surveys conducted in January. The oil companies should measure the success of every marketing campaign with statistical packages such as Minitab or SAS. These packages are able to determine the direct relation between sales and expenditures in advertising campaigns.

- Retention: Most retailers don't find out a customer has left them until long after they are gone. Many never know. The simple fact is that most retailers do not manage their customer relationships in a disciplined way and can never spot the signs that there is a problem. Customers defect for a host of reasons. Some leave due to poor treatment and some due to competitive reasons. Others simply move away. One of the best uses of a customer database is to track customer purchases by frequency and dollar amount. Very simple statistical models can be constructed that indicate when certain individual and customer segments change their spending habits (Abramo 1997).

- Growth: Everyone wants to see stores increase sales and struggles with building strategies to accomplish this. It's important to remember that the highest potential for growth comes from those customers already crossing over your driveways. Research shows that loyal customers shop at the gas station six of every ten purchases and that typical customers shop three of ten of their convenience retail purchases. That means that the average customer is giving 70% of their business to several other competitors. This is not unusual in a retail business where customers see little difference between the value propositions of competitors. This is also a sure sign of opportunity. Without question, the highest likelihood of success in getting increased sales is with people already having a propensity to shop at the store. Retailers simply need to provide them an additional incentive to increase their loyalty. There is little one can ever do to get them to drive out of their way, but one can impact what they buy (Abramo 1997).

Gas Station Finance Evaluation

The major goal of a convenience store investor is the same goal that any investor has when putting money into a business or income producing endeavor—to earn a return-on-investment (ROI) commensurate with the relative risk of that investment. The most important factors that determine the initial economic success of a convenience store are the location of the store, the size of the store, and the efficiency of store operation. Other factors often contribute toward total store success, but these three factors have the largest economic impact in terms of contribution to the return on investment (Wingo 1997).

Competing at the gasoline retail level requires significant investment, which seems surprisingly difficult for oil companies. With an eye on maximizing returns at the refinery, companies treat their retail stores as gasoline disposal sites, straining to minimize the cost of selling the refined product. A company does not make money when it refines a gallon of gasoline, but rather when that gallon is sold. For many large integrated oil companies, the result is that refineries have become dependent on retail outlets for margin creation. In spite of this, many oil companies continue to sink billions of dollars into finding and refining petroleum but cannot bring themselves to invest in selling the refined products. Many run-down kiosk or gas-mart stores log gasoline sales in the range of 50,000 to 75,000 PMPS. Not only does this level of performance leave much to be desired from a gasoline throughput perspective; it also leaves a huge amount of money on the table in the realm of convenience product sales. Consumers purchasing gasoline from a small "shoe box" store are probably still convenience product purchasers—they just buy those products from someone else (Chen and Foster 1996).

Throughput, or gallons PMPS, is one of the best measures for gasoline sales, but how can a marketer be sure that the investment in the store is paying off? In monitoring convenience product sales, managers should track two metrics: sales per square foot and gross margin return on inventory (GMROI). Sales per square foot provide insight into the relative productivity of the store. Moving from a 1,000-foot store to a 3,000-foot store may not improve overall financial performance if the productivity of each square foot of selling space does not increase. Average operators generate approximately $295 per square foot per year; powerhouse marketers often get at least twice that level of performance (Chen and Foster 1996). The findings section clearly states that in Colombia two of the oil companies evaluate their financial performance in a gross margin return on inventory basis. However, none of them conducts a sales per square analysis. Thus, the suggestion of this study is to develop a sales per square meter and margin return on inventory analysis to evaluate more accurately the financial performance of the gasoline retail marketer in Colombia. The following analysis by Gary Wingo explains more in depth the importance of size of a gas station.

We have seen substantial evidence over the years that the additional costs of building and operating increasingly larger stores are not always offset by the higher cash flows from the expected sales of merchandise and gasoline. The sales productivity of gasoline pumps, coolers and shelf space decreases as the size of the offering increases. A related finding is that the optimal store size for the "average" C-store location is a labor-efficient, small-store format, despite losing some customer traffic as a result of smaller merchandise inventory or fewer pumping points (Wingo 1997). Wingo's study found that both the initial capital costs and the operating expenses increase with store size as a result of increased investment for land, building, and equipment, and increased labor costs. The combination of these cost increases and lower marginal productivity of key profit generators such as merchandise shelf space, fuel equipment, and other income producing assets results in a decrease in the rate of return of the larger store. Therefore, it is advisable to carefully consider the store size decision before any site construction begins.

Gasoline retailers as a group seldom commit to oversized properties. However, they often pay more than a prudent investor should pay. To the extent that larger stores require larger lots and therefore higher land investment, the economic performance of the store will fall, all other considerations being equal. This diseconomy of scale is well known in the industry. A corollary to this observation is that larger stores requiring higher land investment must generate more cash to make up for the higher front-end investment costs. Land costs vary widely, depending on supply and demand in a selected area. Since C-stores generally want the same exposure to customer traffic that the fast-food chains do, the demand for suitable locations is normally quite high. This makes growing a C-store operation into urban and suburban areas relatively expensive, thus raising the break-even and payback points of the store (all other things being equal). Since larger marketers are financially more secure, relatively longer repayment periods for the investment in the store is a tolerable fact. For the smaller operator, the longer payback period is the most frequent reason for looking for more "futuristic" sites (Wingo 1997).

Wingo's findings shows how location-level cash operating expenses vary with store size (absolute size). A break point exists where the size exceeds 2,500 sq.ft., where the cost of operation escalates at a higher rate before leveling off to a slower increase after 3,800 sq.ft. Both majors and independents have locations in excess of 3,000 sq.ft. that operate with over $28,000/month in labor costs alone. On the other hand, existing small marketer locations can operate in the $10,000 range and below. To justify the higher level of expense, a considerably larger amount of convenience sales is needed.

Gross margin return on inventory gives us a look at how profitably the capital employed in store operations is being used. The focus is on inventory to provide direct levers for a manager to control. If returns are too low, say \$4-\$5 of gross margin for each dollar invested in inventory, then perhaps the store carries too much slow-moving stock and should explore changing its product mix, or is selling too much merchandise at a discount price. Again, best-in-class performers ring up GMROI figures in the \$10-\$15 range. When looking at overall performance, it's still important to include capital investment for other fixed assets such as property, plant, and equipment. However, for focusing on how to improve store performance, GMROI can provide the direct indicators a manager needs (Chen and Foster 1996).

A company's investment in information systems can provide some of the data needed to manage and improve a store's sales per square foot and GMROI. Leading competitors have found ways to capture, analyze, and then benefit from this information. "Data mining" has come into vogue as marketers strain to understand what are the right brand positioning and product mix to attract their target customer. In some cases, the large investment in computers can become self-funding as stores carve away huge portions of inactive, unnecessary inventory stocks (Chen and Foster 1996).

Innovation Cycle

The Innovation Cycle is a learning loop that companies can use to continuously pull ahead of the competition (See Figure 1). This management tool should be analyzed by the oil companies in Colombia to control the action plan proposed in this study. The cycle comprises four iterative stages:

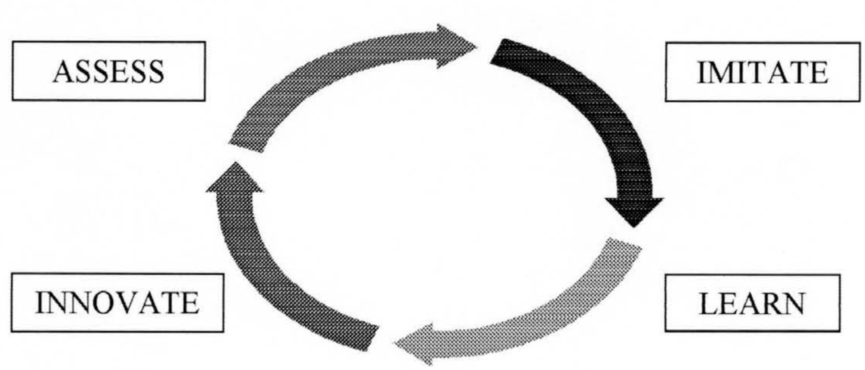
- Assess: Build a brand positioning and service offering for your stores. This must be based on a good understanding of your targeted consumer, your business objectives and organizational capabilities. In short, once you have completed the Assess Stage, you have identified a unique positioning for your stores that will provide you an advantage in the marketplace while generating strong financial results.
- Imitate: In this stage, you search to see how others provide excellent service to their customers, nurture their employees, or leverage their technology. Your search should span this industry and extend into others. In general, who is running a good business and how do they do it? You must then determine which tactics can be adapted to your company and its marketing strategy. Additionally, you need to push beyond the successful actions of another company and dig into the how's and why's of that success. Without understanding the enablers and context of success, you will struggle to migrate these imitatible elements into your operations and strategies.
- Learn: Do not mistake stages two and three with the method strategies and herd mentalities prevalent in the past. For example, the majors have been relatively slow to install point of sales (POS) machines in stores, although supermarkets have utilized POS technology for more than a decade. Even the majors that installed the hardware in their stores may have missed much of the value as they focused on the cost savings rather than the opportunity to leverage the sales data to gain consumer insights. As

part of the Innovation Cycle, imitation and learning must be a studied approach to adopt appropriate tactics and strategies, not a monkey-see, monkey-do mimicry.

The introduction of CRINDs (Card Reader in Dispenser) technology into the gasoline industry illustrates how everyone can do the right thing, but no one gets an advantage. Most majors pursued CRINDs technology at about the same time. They sprinkled a few CRINDs in this market and a few in that market, all the while not wanting to be the first to commit to this new technology. As a result, none of them scored a coup with the consumer, such as being the first to provide pay-at-the-pump at all locations in a given market. Now the marketer deems the technology as a minimum level of service that must be provided just to compete. The opportunity to find advantage was lost.

- Innovate: The fourth stage incorporates the knowledge gained in the first three stages and then takes it to a higher level. Defined as the first successful implementation of a new idea in an industry, innovation provides a company advantage by either increasing its lead over competitors or by changing the rules of the game (Chen and Foster 1996).

FIGURE 1. Four Stages of the Innovation Cycle



CONCLUSIONS

- There are a lot of differences between the U.S and Colombian gasoline retail market. However the most important Marketing similarity is to base Location as the main item in any marketing plan.

- Three out of four oil companies in Colombia are multinational firms. However the marketing programs of these multinational firms are not conducted in the same way as their subsidiaries in Colombia, due to the particular characteristics of the gasoline market in Colombia.

- The marketing of gasoline at the retail level in Colombia is not oriented toward customer service whereas, in the U.S. the oil companies focus their marketing approaches to serve the customer better by offering several services at the same gas station.

- Due to the plain product mix at the gas station, the gas stations are not providing income beyond the commercialization of gasoline.

- The most important conclusion is that there are several marketing approaches, which could be introduced in the gasoline Colombian Market because of the new price system that allows the oil companies to generate higher revenue.

APENDICES

Appendix A

Marketing Survey

SURVEY
"MARKETING AT THE RETAIL LEVEL"

Marketing efforts

1. How do you reach your consumers?

TV_______ Magazine _______Radio _____billboard ______ Station Service______Newspaper______Other _______

2. How much do you spend on each one?

3. What is the more important marketing strategy?

Advertising______ Promotion_______ Price_______ otro_______

4. Do you use ethnic groups to advertise?

Yes ____ No _____ Sometimes_____

5. Do you use ethic advertising?

Yes _____ No______

6. Do you use the Internet as a marketing tool?

Yes_____ No_____ Some____

7.Do you collect information on consumers through the Internet?

Yes_____ No_____

8. Which type of promotion strategies do you currently conduct?

____

____

____

9. Do you have a consumer loyalty program?

Yes_____ No_____

If yes, how is it?

____
____
____

10. How frequently do you conduct promotion programs?

One a year____ Twice_____ Three-Five times______ More than five_____

On going_________

11. How do you target your market?

____
____
____
____

12. Is your market demographically targeted?

Yes_____ No______

If, Yes How

____
____
____

13. Does your brand Image Rely on

Speed _____ Performance_____ Reliability ________ Speed and Performance _____
Speed and

Reliability_____ Performance and Reliability _______ All _____ Other _____

(Speed and Performance: appeal to the driver's desire for a fast car driven by a powerful engine.)
(Reliability: Get what the consumer expects)

Enviromental Aproach

14. Do you have a program of environmental awareness as a marketing tool?

Yes_____ No______

If yes, what type of strategies do you used?

____

____

____

Advertising_______ Programs_______

If advertising, which type of advertising?

____

____

If Programs, which type?

____

____

Operating Findings

15. How many gas stations do you have in Colombia?

______

16. Is the location of the gas station the more important marketing strategy?

Strongly Agree _____ Agree_____ Neutral _____ Disagree_____ Strongly Disagree____

17. With what other products have you mixed the sale of gasoline?

Film developing _____ ATM _____ Dry Cleaning ______ Car wash ______

Postal and Office services (copy, fax, Internet access) ______ Car Wash ______

Quick lube _____ Convenience store_____ Taller_____ Supermarket _______

Balance and synchronization ______ Repair of tire ______ by itself _____

18. How do you train the people who operate the gas station?

____
____
____

19. Which chains do you sell gasoline to?

____
____

20. What type of products do you sell?

____
____
____

21. What kind of joint venture with supermarkets do you have to sell gasoline?

Yes ___ No ___

22. Do you sell gasoline under special agreements to different companies?

Yes_______ No________ Sometimes______

Service

23. What do you pursue in meeting consumer needs?

Clean Store _____ Wide variety of products_______ Treatment _______ Size ____

Fast service______

24. How do you evaluate constumer service in the gas stations?

Survey ______ Personal interview _______ focus group _______

Ask in the web _______ other ______

Finance Evaluation Findings

25. How much did you increase your marketing budget this year compare with the last year?

% _________

26. How do you evaluate the financial performance of your gas station?

Sales x Month _______ Sales x Square Foot________ Gross Margin return on inventory

________ Other _______

27. Does your company have a credit card to purchase gasoline?

Yes _____ No_____

If yes, pros and cons?

Appendix B

PERMISSION LETTER

Department of
Management & Marketing

Terpel Corporation
Bogota- Colombia
Marketing Manager

December 7, 1998

Dra. Claudia Lopez

This is to request your participation in a research study being conducted at Southwest Texas State University. One of our international MBA students, Juan David Morales, is pursuing a thesis research work on marketing strategies between USA and Colombian markets regarding the commercialization of gasoline at retail level. The director of this work is Dr. Cecilia Temponi, who has extensive experience in the oil industry in a variety of Latin American countries as well as in US.

The research being performed is an exploratory study of the latest marketing strategies to commercialize gasoline in the US and the applicability and possible adoption of these strategies to the Colombian market. The strengths of this study rely on the information collected from Colombian oil companies. This information is absolutely and strictly confidential. It has only academic purposes and company names will not be disclosed at all.

Thus, we would like to request a formal interview during the first week of January. The purpose of the meeting is to allow Mr. Morales to present the survey to you and obtain the information for the survey. We greatly appreciate your assistance. Please feel free to contact my research assistant, Mr. Morales or me. I can be reached by phone at 512-245-3189, by fax at 512-245-3089, by e-mail at ct01@swt.edu, or by regular mail as indicated below. Mr. Morales can be reached by phone at 512-245-1642, by fast at 512-245-8143, and by e-mail at JM38859@swt.edu

Sincerely yours

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VITA

Juan David Morales was born in Medellin, Colombia, on November 27, 1973, the son of Armando Morales and Martha Helena Gallego. After finishing his studies at Lacordaire High School, Cali, Colombia, in 1991, he entered Pontificia University Javeriana in Cali, Colombia. He received the degree of Bachelor of Science in Industrial Engineering from this university in April, 1997. He was employed as an Engineering Assistant with EPSA, a subsidiary utility company of Reliant Energy, from January 1996 to December 1996, in Cali, Colombia. He entered the ESL program (English as a Second Language) at Southwest Texas State University in January 1997. In January 1998, he entered the Graduate Business School of Southwest Texas State University, San Marcos, Texas. He was employed as a Marketing & Research Graduate Assistant with the school while he finished the Master in Business Administration.

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This thesis was typed by Juan David Morales.