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By Justin Zohn

A Letter from the Author:

Building Your Own Marketing System

Underground Storage Tanks Decline by 1 Million

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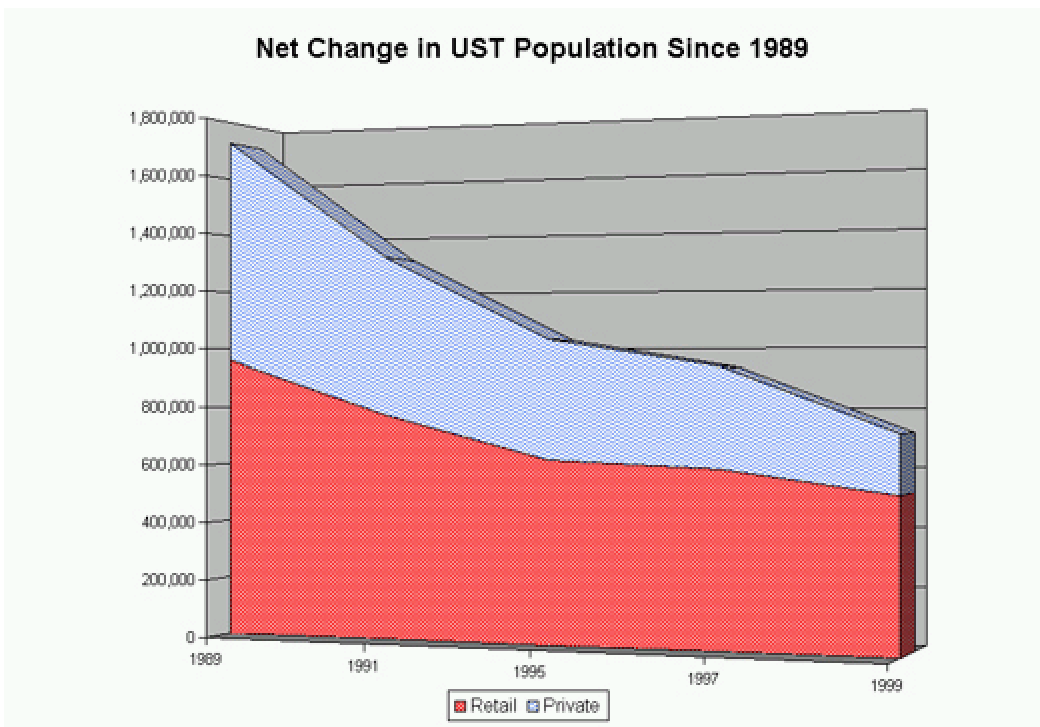
In 2000, Havill & Company[1] published a nationally syndicated market research study entitled "The U.S. EPA Regulated Refueling Facility Market Forecast: 2000-2005[2]. The report provided industry stakeholders with an in-depth forecast of the changes in the retail and private refueling facility markets following the 1998 underground storage tank (UST) regulatory deadlines. Over the compliance period from 1989 to 1998, about one million tanks have been taken out of service.



U.S. Underground Storage Tank Population Since 1989

	1989	1991	1995	1997	1999
Retail USTs	959.110	774.229	622.391	601.448	521.067
% Retail	*56%*	*59%*	*60%*	*64%*	*72%*
Private USTs	768.718	538.024	406.622	335.532	200.009
% of total	*44%*	*41%*	*40%*	*36%*	*28%*
Total USTs	**1,727,828**	**1,312,253**	**1,029,013**	**936,980**	**721,075**

Historical Market Drivers

While the overall market has declined over the past decade, many industry suppliers have prospered as their customers have modernized and expanded their facilities to meet strict new EPA standards. Havill Consultants routinely develops economic models and conducts research to provide proprietary market forecasts for individual clients. While the forces impacting each client differ, our research shows that there are important market drivers other than government regulations. For example:

Technology – In the mid-1980s, multi-product dispensers and canopies enabled major oil companies to re-image their stations and compete in the growing convenience store market. In the 1990s, leak detection, dispenser card readers, vapor recovery, and double wall fuel systems drove market growth.

Change in locations offering fuel – Also in the 1980s it was the addition of fuel sales at convenience stores that spurred growth. Today, the emerging hypermarket is impacting both revenues and margins of industry suppliers.

Lagged profit from fuel sales – Profits drive capital spending. Analyses of data over a 20-year period show a strong correlation between sales and industry profitability the prior year. The National Association of Convenience Stores (NACS) annual State of the Industry (SOI) report shows that the gross pre-tax margin on fuel declined from 11.7% in 1999, to 9.3% in 2000. The 2001 report will be presented at the SOI Summit in Washington, DC on May 13-14. Early indications are not positive.

Managing in Mature Markets

As vehicle refueling has taken on the appearance of a mature market, the industry has consolidated and focused on cost reduction. **It is the author's opinion, however, that the winners will be companies that invest in technology, both to lower cost and bring better solutions to their customers.**

Sales and marketing is one area where information technology is reducing cost and improving customer satisfaction. **To see how companies are using the Internet to build their own marketing system, read the letter from the author.**

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[1] Dba: Havill Consultants.

[2] Research findings were based on in-depth interviews with executives and engineers at major oil companies, independent jobber organizations, dealers, and private refueling operators.

In 2000, Havill & Company published a nationally syndicated market research study entitled: "The U.S. EPA Regulated Refueling Facility Market Forecast: 2000-2005". As a courtesy, you are receiving an excerpt from this syndicated study because you serve the transportation industry. Please refer to our privacy policy if you do not wish to receive these market research report excerpts.