CUSTOMERS' PROFILE, BUYING PRACTICES, AND SATISFACTION WITH SERVICES OF A GASOLINE SERVICE STATION IN JARO,ILOILO CITY

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CHAPTER I

INTRODUCTION

Background of the Study

The recent deregulation of the Philippine oil industry has created a difficult but challenging situation for the gasoline retailing business. It has grown from a regulated industry that enjoyed protection from the fluctuation of gasoline prices and stiff competition, into a deregulated industry that saw competition and competitors growing stronger and more numerous everyday. Bi-monthly price fluctuation and shrinking profit margins for the retailers have been the norm rather than the exception.

The oil companies started to share in the shrinking gross profit margins of retailers by reducing margin share of retailers whenever or wherever retailers enjoy premium pricing. This situation has been further aggravated by the increasing prices of crude oil from traditional sources, OPEC production cuts, the increasing violence in Iraq and in other parts of the Middle East and the unhampered increase of demand for oil from the developed countries like the US. In many developed countries, there is a trend towards the use of the Sports Utility Vehicles or SUVs, which are known to be gas-guzzlers. Furthermore, there is the increasing demand of China, which is experiencing an unprecedented economic boom, which could no longer satisfy its thirst for oil from their indigenous sources.

When oil companies look at the oil reserves of the world they found out that the countries comprising OPEC had inflated their oil reserves by as much as 800 percent in order to avail of higher production quotas which provided for them the much needed foreign reserves to prop up their economies. Shell Oil Company has reduced their oil reserves by as much as 20 percent last year. This would redound to the sobering fact that instead of the world having oil reserves good for 30+ years, our oil maybe running out sooner than expected. Add to this the fact that in the U.S., consumer advocates and gas station owners say industry giants such as Exxon-Mobil and Chevron- Texaco are playing games on pricing. Franchisees allege that they are forced to buy gas from oil majors at inflated prices, and they say they're being forced out of business by sky-high rent increases on company owned lots. (Palmeri 2003)

This is the scenario that is facing the world today amidst the specters of globalization and oil deregulation. The Big Oil wants to maximize their profits by selling their oil products at a huge profit and at the same time minimize costs by utilizing to the fullest their existing refineries and plants in order to increase shareholders value. Oil companies are raking in huge profits from their upstream oil business that is from the business of exploration, to drilling, transporting of crude oil, while they say they don't make much money on the downstream side, which is from refining of crude down to the selling of fuel to the consumer at the pump islands. This could be an indication that oil companies here in the Philippines are going into vertical integration by selling directly to the final consumer, which is the motorist by eliminating gradually retailers of company owned stations. The benefits of vertical integration are considerable bargaining power and significant cost savings for the company. (Thompson & Strickland 2003).

For Caltex, a Chevron-Texaco Company, this has already started in Metro Manila as some stations with volume outputs of over 500kl/mo. has been converted to COCOs which stands for Company Owned, Company Operated stations. This is now possible because computers had allowed the close monitoring of all aspects of retail service station operations from the oil company's head office. Another thing which made it possible was the enactment of the Retail Trade Law sponsored by Cong. Allen Quimpo which allowed foreigners with PHP 15 Million to invest to engage in the retail business here which used to be reserved for Filipinos. The existing retailers are gradually being edged out of the gasoline retailing business by high rental costs imposed by the oil companies, higher operating costs because these new image stations uses up a lot of electricity, the continual rise in gasoline prices brought about by a weak peso and rising crude oil prices, the drop in sales volume because there is no longer any control left in place to rationalize the putting up of new stations and players as government and the oil companies are doing the opposite. As a matter of fact, the World Bank and IMF imposed oil industry deregulation on us as a component of globalization.

At present in Iloilo City, more and more smaller stations are sprouting up all over the place. There were only three stations in the District of Jaro ten years ago. Now, there are 2 Caltex Station, 3 Petron Stations and 3 Shell stations. There is also one unbranded outlet selling diesels to PUJs in the Tagbac area. Two more stations are scheduled to be built in that area. One is a Santos gas station and another Shell station is in the works. Their building permits are now being processed. There are also now, several jeep-tankers that are selling fuel to PUJs fleet and commercial accounts. On top of that, there are the "bote-bote" operators selling fuel in the Alta Tierra and Lawaan Subdivisions area. They cater to some PUJs and tricycle drivers. There are still several entrepreneurs that wants to come into the market aside from the new players like Triple V, Coastal Petroleum, and Eastern Petroleum, who are planning to put up new stations in the city and the nearby towns. Competition is getting stronger and becoming numerous. There is a trend towards over-building because the market is not expanding at a fast pace to accommodate all these new entrants into the market. This has prompted the research to pursue this study in order to get to know his market in a more intimate way and also to maintain his competitive advantage over his competitors. This study is also undertaken to find out which market segments are not properly addressed to in his present marketing thrust.

For the existing retailers, the choice is to shape up or shut down and in order to shape up and survive, the retailer has got to be on top of the situation every time and all the time. One of the requirements of being on top of any situation is to know what your customers' wants, needs and aspiration and try to do your best to supply what they want at a reasonable cost that would also give you a reasonable margin. However, that is not all. You also have to know what you as a retailer lack in order to fill in your customers' needs. There is only one thing permanent in this world and that is change. As managers, the retailers are expected to manage change effectively and change with the times in order to survive.

This service station was started way back in the 1930s by the maternal grandfather of the present retailer. It was then a Socony Mobil station. The present retailer came to operate the station in 1977 when the previous retailer retired from the business. The volume and the profitability of the station were never threatened until 2003. The retailer has encountered diminishing sales and dwindling profits. This was due to the opening of new stations in his trading area and the runaway prices of fuel products. At the same time the country suffered from fiscal crisis, tight money supply and the generally poor economy of the Island of Panay. This study could also help identify what are the factors the retailer could concentrate on in order to improve his station's efficiency in satisfying the needs and wants of his customers. This will help the retailer adapt to the fast changing market conditions and maintain his lead over his competitors.

overbuilding and consequent glut of full service stations because gasoline consumption are held down by soaring gasoline prices. (Mitchell 1980) This is the existing situation in the gasoline marketing business, which made this study necessary and relevant. There is a pressing need to finds ways and means to operate efficiently and to anticipate market changes as it happens.

Purpose/Objective of the Market Study

This study aims to find out and describe the market and determine market segments

1.) The customers profile of a gasoline station in terms of ;

    a. Personal characteristics of buyer, and

    b. Characteristics of vehicles

2.) Their buying practices in terms of:

    a. Type of fuel bought

    b. Amount of fuel bought

    c. Frequency of buying

    d. Usual time they buy their fuel

3.) Services needed, availed of, and sources

4.) Services availed of at this subject station and their level of satisfaction with the services availed of,

5.) To determine variations in the customers choice of fuel as to the type of fuel bought, the amount of fuel bought, the frequency of buying and the usual time they buy their fuel, level of satisfaction according to the personal characteristics of the buyer and the characteristic of vehicles, and selected factors such as educational level, civil status, and occupation.