



Armed with Cloud Solutions,

Branded Oil and Gas Wholesalers
respond to a shifting business landscape

Major oil companies are reducing their investments in the retail fuel business. Instead, they are investing in consumer research, creating innovative and cost-effective products and devising consumer marketing programs.

The petroleum retailing function is steadily being handed over to Branded Wholesalers (BW). Over the last decade, companies like Exxon, Shell, Chevron and BP have been selling off their retail assets in favor of BWs. According to a global consulting firm, company-owned retail outlets shrank from 21% to 5% between 2000 and 2011. In other words, 95% of retail is now managed by channel partners. There are an estimated 35,000 BW sites between Exxon, Shell, Chevron and BP alone. The real implication of this shift is in inventory, supply chain and logistics management for BWs. Many of them continue to

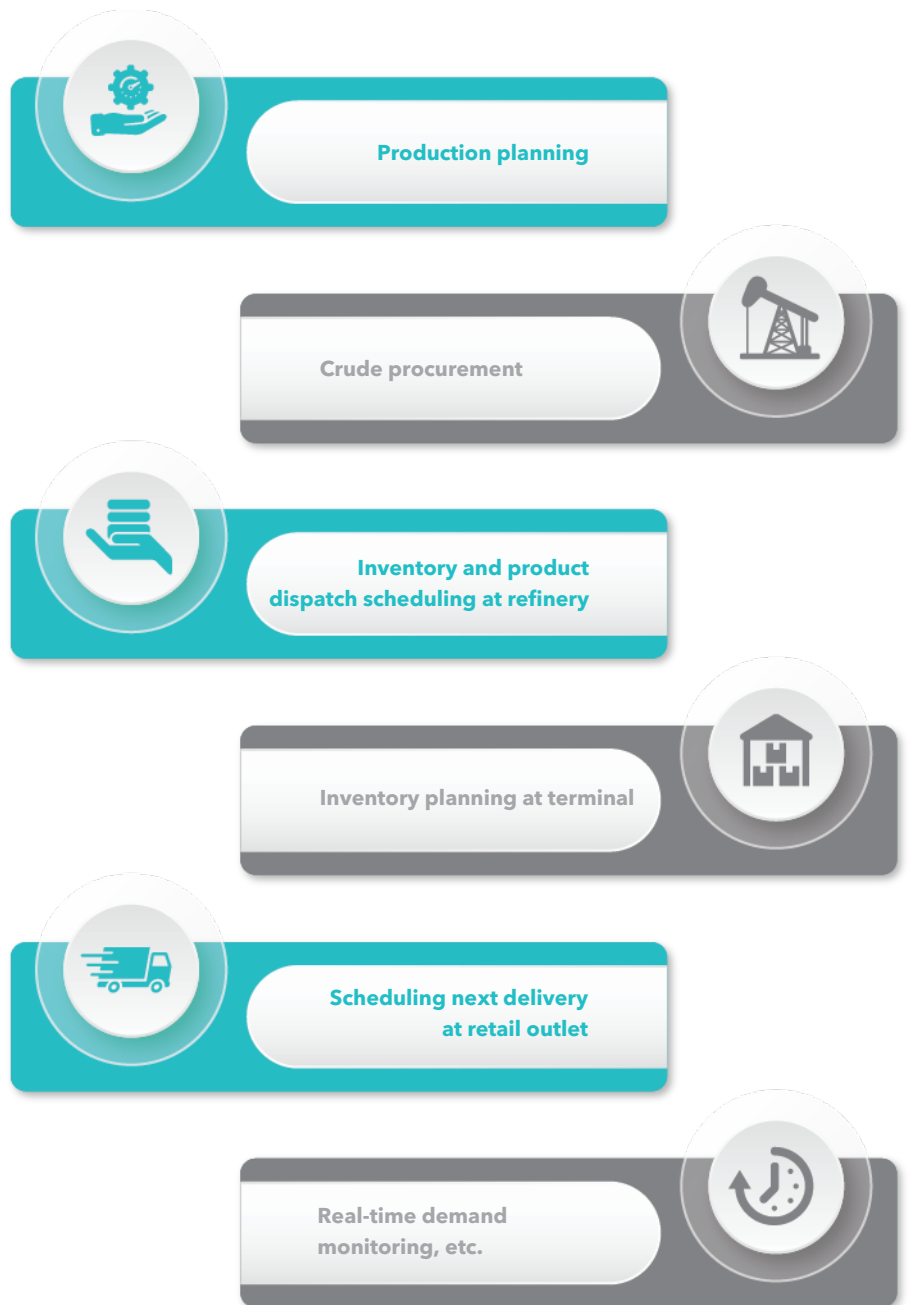
rely on manual methods that are inefficient, leading to poor planning, unexpected stock outs and a negative impact on customer satisfaction levels. In the US there are more than a hundred BWs with thousands of retail sites between them. This business structure is quickly being adopted across other countries such as the UK, Canada and Malaysia.

The model has the potential to become a global trend with BWs becoming channel partners who own and operate sophisticated retail sites scattered across vast geographies. BWs, especially those operating in high volume competitive markets, are in urgent need of processes, systems and technology that manage inventory across their retail sites, help understand variability in demand, determine optimal scheduling, help them scale up or down as and when required while maintaining quality of service.

In Need Of A Makeover

The current method used by BWs relies heavily on manual processes, emails and phone calls between hundreds of geographically dispersed sites and head offices to aggregate demand, negotiate pricing for supplies, place orders and ensure on-time delivery. This needs to be replaced with cost-effective and scalable real-time demand, inventory and order management.

Until a decade ago the supply chain was fairly straight forward. Oil companies had full visibility and control over the entire supply chain (see Figure 1) and the information flow was from each retail outlet to a back office system, which was then used by different ERP modules to generate valuable information. That information was then used by the refinery and terminal for:



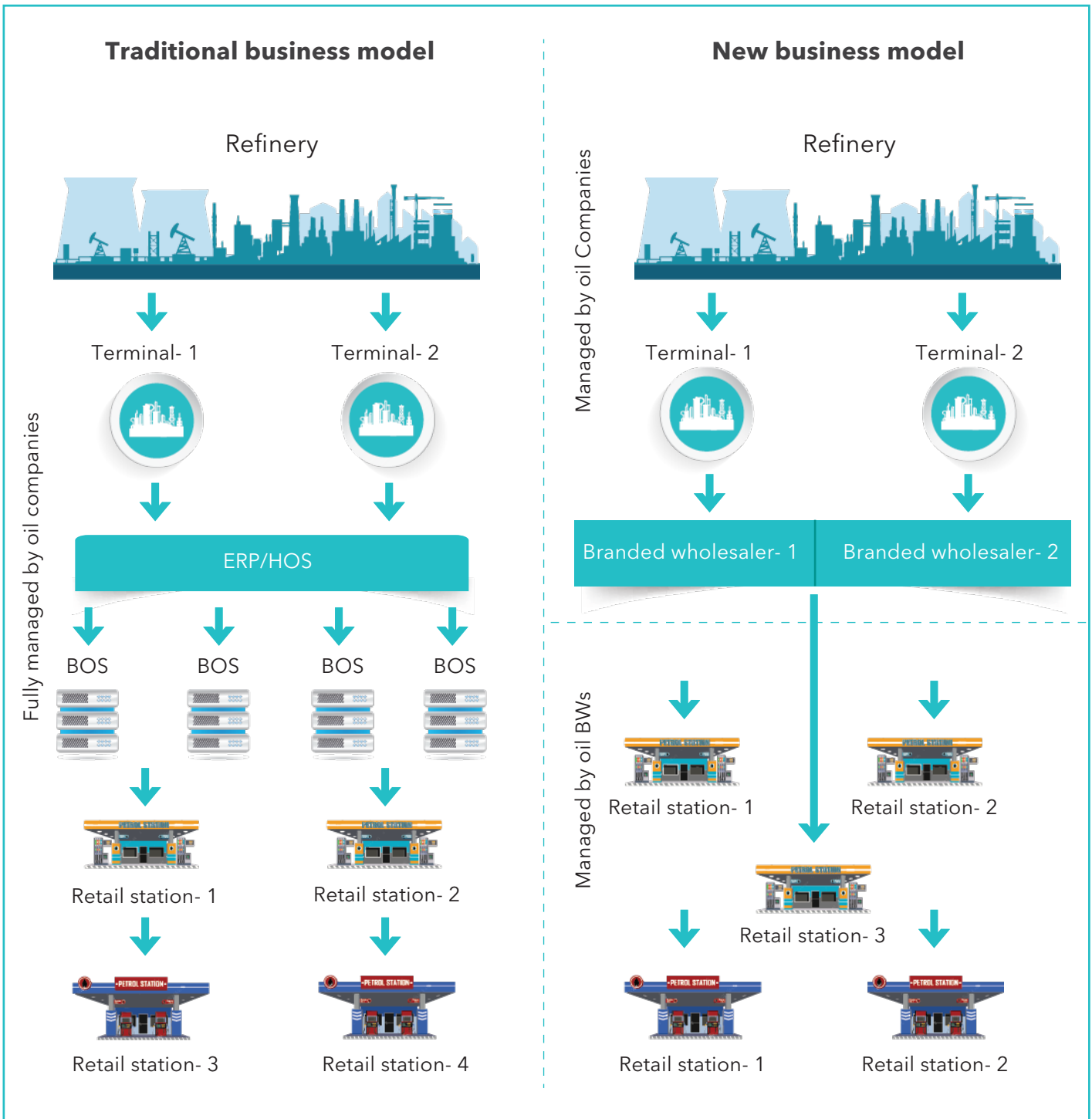


Figure 1: How the Old Order Changed

Now oil companies don't need to bother with the nitty gritty of retail.
That function has been handed over to the BWs.

Doing It With Dashboards

The changed business model shifts the onus of managing the supply chain from the oil company to the BWs. The BWs don't have the

budgets to own, operate and manage massive ERP systems. This leads to:



However, it is possible for BWs to access advanced, cost-effective, collaborative and scalable suite of cloud-based Web applications that segment sites based on demand and the competitive landscape, provide dashboards with visibility

into inventory, and use analytics to forecast demand. With the data and analytical engines now available, the BW will know, say, by location, exactly which products and their volumes are required. This will help them manage their scheduling at optimal costs.

The Vantage Point

The cloud-based solution has three advantages that BWs would welcome. First, they don't need to invest in owning or maintaining IT infrastructure (hardware, software, security, backups, disaster management and IT skills), thereby staying asset light. They can leave this to the service provider, who will ensure that the latest infrastructure, technology and skills are always well within the reach of the BW.

Second, the BW does not have to worry about scaling. A BW can freely grow or shrink the number of retail locations without having to worry about how to scale the IT infrastructure or what to do with redundant IT assets.

Finally, given that cloud infrastructure is usage-based, the BW will pay only for what is used, making efficient use of budgets.

An additional advantage of a cloud-based solution is that it will always have high availability and reliability, which would not be the case in the event the BW decides to set up its own IT infrastructure and manage it.

The BW system architecture would be one where data from retail sites would be acquired by the BW using Web-based forms and/or automated inventory population on a scalable cloud platform. The BW would access this information on a rich visual dashboard capable of driving accurate decisions.

The dashboard would offer several capabilities and advantages to BWs:



Ability to manage wet and dry stock



Periodic review policies for medium demand and variability stations



Help make decisions based on business rules and policy that are aligned with service levels



Accessible on the Internet, anytime, anywhere on any device



Continuous review policies for high demand and high variability in demand stations



Analytics layer to plan and schedule deliveries with variability in demand stations

About the Author

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