

A Call for Courage

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The new heating season is upon us, bringing with it more than the usual challenges. What will the oil supply situation be? Will wholesale prices stay at the current high levels? Will prices fall? Will they go even higher? How can I keep my customers supplied with oil and still stay in business?

Being a retail fuel oil dealer is no picnic. We are in an industry that demands hard work and long hours, often under tremendous pressure to deliver. Literally! Factors beyond our control have a huge impact on the individual relationships we have with our customers. Competition can be cutthroat.

So what will it take to survive and thrive in this demanding business, in this most difficult year? In a word: courage.

Courage is defined as "the ability to face danger, difficulty, uncertainty, or pain without being overcome by fear or being deflected from a chosen course of action." That is a perfect description of what will be required of any fuel oil dealer who wants to get through this season and still be around next year.

The easy path would be to play the price game, chopping your retail price to match the competition, despite the fact that it may mean selling oil at or below cost. Or offering a price cap program today that you will not be able to support in the middle of the winter. If you are in business to lose money, by all means continue to beat your head against the wall until the banks finally say, "Enough!"

But if you are in this industry for the long haul, you must summon up the courage to run your company like a real business, focused on making a true profit. This will almost certainly require you to make difficult and painful decisions that will cause you doubt and uncertainty. (Now read the definition of "courage" again!)

The hardest thing you must do this year is also the most selfish. You must "defend the margin" by pricing your product at a high enough level to ensure that you not only cover all of your costs, but also earn enough to make a decent profit. This will be particularly tough when weaker-willed competitors rush to undercut you and steal your customers.

Have courage! The customers who really matter, those who appreciate your dedication, honesty and high level of service, will remain loyal – and profitable. Those who choose to chase a lower price will either be back when their new oilheat dealer can no longer support artificially low prices, or else they will continue to chase elusive deals. Good riddance to them!

I recently encountered a fuel oil dealer who had lost half of his customers over the last two years – and was happy to see them go. This dealer had analyzed his business and determined that a certain type of customer was the most profitable. These customers were steadfast, loyal and appreciated a reliable, trustworthy supplier, and were willing to pay a premium for that peace of mind.

Rather than waste his time and effort on chasing “short money,” the dealer whittled down his customer list to just those customers who were the most profitable, raised his service rates and remained steadfast in defending his margin. Now, although overall sales have been cut nearly in half, the dealer’s profit and income are almost the same as they were two years ago. He is working smarter, not harder. That took courage.

Another example of bravery is an oil company run by a father and son team. The son wanted to preserve profits by focusing on a healthy margin. The father, nervous about losing even a single customer, wanted to match the prices of competitors. But the son was steadfast in his resolve to achieve margin over price, even though it meant a retail price that was several cents per gallon higher than his competitors.

Guess how many customers the company lost? Zero. None. Not a single customer abandoned the dealer for a lower-priced competitor. Why? Because the dealer had the courage to do what was right for his company and his customers, and the foresight to communicate his actions to his customers.

By acting with courage you may appear to be swimming against the tide. But if you stick with the program and are resolute in your defense of a proper and fair margin, you may find yourself one of the few fish remaining in the pond come next season.

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