



# The Customer's Real Problem and How You Can Solve It

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# FOMO and the Fuel Purchase

- Two truths about your customers
  - They only buy (never short sellers)
  - They must buy at some point
- A lesson from behavioral finance:  
your customers don't value buying "the low" ...  
but they fear buying "the high"
- FOMO = Fear of Missing Out  
(on a lower price that someone else gets)

# What the Customer Really Means

When you customer tells you they want to:

“see what the news brings tomorrow”

“watch it for a bit more”

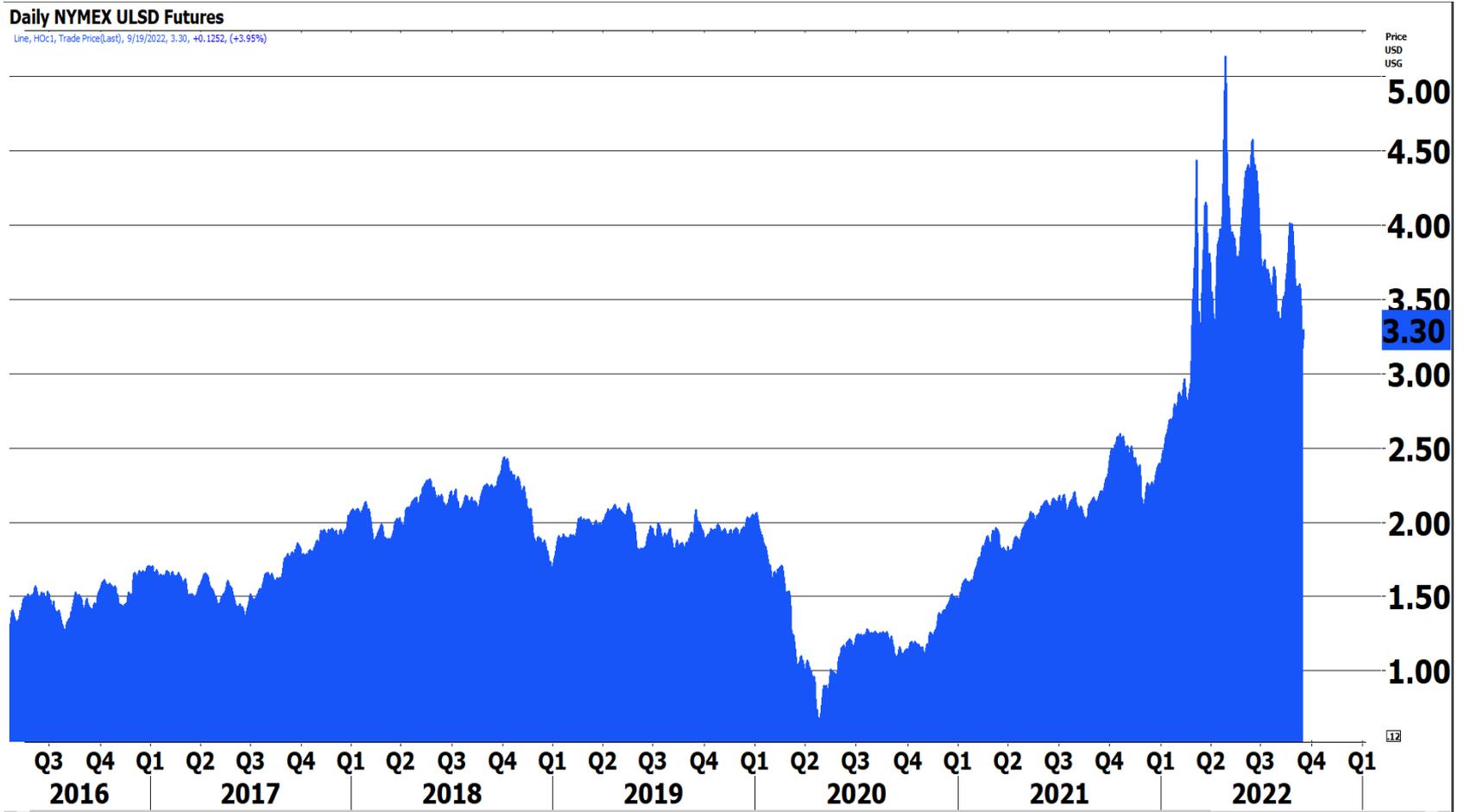
“think about it”

What they are really saying is they are afraid that if they buy now and the price drops significantly, then they will be at a comparative disadvantage

# Volatility is Not New to the Diesel Market

Daily NYMEX ULSD Futures

Line, HOC1, Trade Price(Last), 9/19/2022, 3.30, +0.1252, (+3.95%)



Source: Refinitiv

# Markets Never Cease to Amaze



Source: Refinitiv

# Hedging Can Be Used to Solve Your Customers Problems

- What does this mean?
  - Motivating indecisive customers
  - Competing effectively against larger competitors
  - Putting yourself on the same side of the table with your customers
  - Taking what the market is giving you
- These ideas are hedging, not speculating
- Simple tools you can explain to your customers that solve the problems they face

# Use Options to Grow Your Business

## Example:

If you lost a ***fixed price*** deal to a competitor by a few cents per gallon and then the market moves substantially lower.

***A Cap Program can set you apart from the competition***

You can tell your customer that you can offer them protection against higher prices **AND** the opportunity to participate if prices move lower.

**Did the company that won the previous deal offer your customer that option?**

# Use Options to Address Customers' Concerns

## Example:

The market has been in a strong rally for weeks and your customer is worried if they buy now, they will be buying the top of the market.

So, they do nothing.

You can offer your customer protection against higher prices **AND** the opportunity to participate if prices move lower.

*How much would your customer pay for a 'mulligan' on oil prices?*

# Real World Cap Price Example

On September 19th, with the front-month NYMEX ULSD futures prices trading at \$3.30/gal, you could offer your customers protection against prices above \$3.30 for all Q4 '22 for 25 cpg per month.

Your customer receives a financial offset for NYMEX diesel prices above \$3.30/gal *BUT...*

If prices fall, you can pass on the lower cost. The customer has capped their price, but not locked it in

# NYMEX ULSD Futures Curve as of 9/19/2022



Source: Refinitiv

# Backwardation is an Opportunity for Marketers

NYMEX ULSD Futures (HO) USD/US Gallon

Trade Date: 19 Sep 2022

<u>Time</u>	<u>Expiration</u>	<u>Price</u>	
Spot	Sep 2022	<b>3.3108</b>	
1M	Oct 2022	3.2588	Avg. Q4 '22: \$3.2086
2M	Nov 2022	3.2061	
3M	Dec 2022	3.1610	Avg. Q1 '23: \$2.9897
4M	Jan 2023	3.1138	
5M	Feb 2023	3.0549	
6M	Mar 2023	2.9865	
9M	Jun 2023	2.8949	
12M	Sep 2023	2.8590	
18M	Mar 2024	2.7392	
24M	Sep 2024	2.6407	

Source: Refinitiv

# Volatile Markets & Petroleum Marketing

- Petroleum prices *ARE* volatile. Use what the market gives you to your advantage.
- No one likes dealing with expensive uncertainty
- Offer your customers a “sleep at night” price
- Put yourself on the same side of the table as your customers and lock them in for extended periods

# Disclaimer

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