



Managing your fuel pricing strategy in a time of sudden disruption

By Niels Skov and Marc Ramsdale

What happens when the impact of an unexpected explosion at a remote oil facility can be felt across the world at the local neighborhood convenience store?

These and other catastrophic fuel supply disruptions are not predictable. They cannot be forecast, nor do they occur on a known schedule or follow a market trend. They just happen. And when they do, managing the balance between customer price sensitivity and the very real prospect of rising oil costs requires much more than just instinct and information available in the daily news.

As a leader, you need to evaluate: Is a sharp spike in your cost basis inevitable? Is your supply likely to be disrupted? And if so, how significant should your price adjustments be to your customers, and for how long? You need a **robust fuel pricing strategy** to handle the barrage of issues that are sure to arise.

Let go of status quo

When sudden catastrophic events constrict supply, the result is often ambiguity. The automated system or spreadsheet rules you typically rely on may lack the sophistication to accommodate a complex geopolitical event.

Engage quickly by jumping on common, high-level issues. Start by getting your automated processes on your radar. Remember that these systems are typically designed to level out extremes, but when an incident such as a pipeline attack takes place, protecting both your store and your customers requires a solution that goes beyond simply “averaging it in.”

You may need to edit or altogether silence automation, at least until the initial shock passes. Don't be ruled by static processes, arbitrary (spreadsheet) rules, and rigid models, which were not developed to deal with an incident of this magnitude.

Instead, lean on the support of your **fuel pricing tool** to focus on flexibility and a thoughtful, rational response.

Balance the practical with the dynamic

Use your fuel pricing tool to adapt to the new normal. The impact of location and competition on fuel

prices will likely remain unchanged, but other considerations, such as a severely constrained supply and customer sentiment will probably look quite different following a major disruption.

In the days and weeks ahead, you'll need to understand and model your costs to be sustainable in a changing operating environment. Your pricing model, which may have been static for quite some time, may require a refresh to a more dynamic model.

Balancing the practical with the dynamic also extends outside the doors of your store. At times of crisis, you need to know where you stand with your suppliers. Take time to review contracts with a level head to weave the known into the unknown and diminish surprises.

In a nutshell: Execute thoughtful change in both algorithms and practices.

Manage immediate consequences

Even though the disruption took place thousands of miles away, you will still be the face of fuel pricing to your customers. To prevent the appearance of gouging, consider adjusting your margin constraints to allow for greater pricing variation.

In times of crisis, consider switching your pricing strategy so you're not following competitors automatically - perhaps this is an opportunity to differentiate.

If stock levels become a concern, consider basing your fuel pricing strategy on a combination of price plus availability. Doing so enables you to increase prices gradually and reduce demand to a manageable level.

Adopt intelligent fuel pricing technology to manage future effects

Once you've handled the immediate concerns, switch your focus to the long-term implications of the fuel supply disruption. Some disruptions are so consequential, the landscape may change permanently. Smaller disruptions may have more fleeting impacts. Either way, you will likely need to make changes to your fuel pricing tool.

You've already been tweaking automation. Now, take time to look ahead and realign automation to work in the realm of this new normal. Audit and revise automation rules to align with a post-incident fuel network. Review thresholds for exceptions and ensure they still make sense in the current environment. Consider speaking with your pricing specialist for additional insights.

While most of these recommendations focus on the technical aspects of a sudden disruption, it is imperative that you keep in mind the human element of such an incident. A pipeline attack or other sudden disruption can send shockwaves around the world, resulting in mixed emotions and an unclear view of the future. You will feel it. Your customers will feel it. Your suppliers will feel it. And the resulting emotion cannot be managed by even the most sophisticated fuel pricing algorithm.

Remember: PDI fuel pricing experts are available to help you evaluate your strategy as well as update your system configuration, even after sudden disruptions.

Contact information



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