



Three business areas that benefit from better fuel demand data

Supply and demand. It's perhaps the most basic of economic principles. As applied to refined fuels, the concept is simple: produce enough product in a given market to meet the quantity consumers want to purchase at different prices.

In the industry, the supply part of the equation has always been straightforward. More than anything else, the oil and gas supply chain excels at producing fuel. However, accurately forecasting demand and understanding your share of the market within your share of various markets, such as cities or PADDs, has long proven to be a much more difficult task. The problem is this: historically, the industry typically builds forecasts using demand data based on faulty assumptions. One example: this year will be very similar to the last. Additionally, where actual data is available, it's typically not accessible until weeks later — limiting its applications and value.

You need better demand data — the kind based on adjacent metrics that offer a near real-time view of local fuel demand. In energy, where margins are razor-thin and change hourly, timely, accurate demand data can mean the difference between success and failure.

Let's explore three business areas where better demand data can yield better insights and results.

1 Operations

Volume and price are unquestionably intertwined in this industry, driven by commodity economics. To date, the lack of local demand information has been the missing piece in solving the pricing and inventory puzzle.

You know your posted price, and you can subscribe to information that will tell you daily local market values. You also know your daily volume — but what about the overall daily local market volume? Of course, there's a direct link between posted price and volume, but what is the real impact of a price change? If volume increases, it doesn't necessarily follow that market share also increases; only by understanding how your volume moves within the overall market can you truly know the impact of your pricing strategies.

To move barrels, you attempt to out-manuever the competition. Profit isn't always the objective. Real estate and capacity can easily be more valuable than undercutting the competition by half a penny. Export markets send barrels where profit opportunities are highest. Having a tool that provides early identification of long and short markets is vital to squeeze out the last few points of profit. By monitoring daily local product demand, you can better assess which markets will yield the highest returns.

2 Trading

What could it mean for your trading book if you knew that demand on pipelines served by the Chicago market was running 20% above average? If you knew that demand ahead of the Independence Day weekend was 15% below average, how would you respond? News that Tropical Storm Jane is being upgraded to hurricane status just hit, but you saw demand

increasing along the Colonial days ago — will you benefit? This type of predictive analytics has long been the goal of energy traders. With so much data anonymized and stored in the cloud, there must be a way to learn the story it's trying to tell.

Consider this: if market prices are moving down, and 60% of the three-day volume occurs on the day after delivery, what is the fair settlement price? Historically, it matters since there was no way to determine daily market volumes. But today, there are alternatives to calculate total demand on pipes or regions supplied out of any spot market. Perhaps the day has come where not only inter-day price volatility is factored into OTC settlements, but inter-day demand volatility as well.

3 Marketing

What is market share, exactly? You could measure saturation, or you could look at tax remittance and state in-shipment reports, but those are what economists call trailing indicators — evidence of what's already happened. These methods yield information that is only meaningful to other measures of the market. They don't tell you where to anticipate demand for your product.

The biggest fear here is a run-out, where demand for your product outstrips supply. It's quite literally money left on the table. In addition to causing operational delays, it could cost you customers — the most expensive business loss there is. Being able to see ahead and prevent that loss pays dividends for years to come.

You need better, more accurate demand data delivered in near real-time to support decisions that secure better outcomes. As we can see, today's fuel industry professionals need this type of solution to fill in key knowledge gaps all along the downstream supply chain, from refining to terminal operations to retail.

Learn more

Discover how your organization can add this level of information with our new Refined Fuels Demand solution. [Click here](#) to learn more.

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