

Understanding the Critical Need for a Downstream Digital Marketplace

A look at the pressures and potentials of taking fuel transactions online



Introduction

As the Greek philosopher Plato once famously wrote, "Our need will be the real creator," which is the original version of a more familiar saying: "Necessity is the mother of invention."

This adage may never have been more true for downstream energy than right now, and the pace of business has never been faster. But why? What factors are driving the need for quicker, more efficient fuel transactions? Let's take a look.

Pressures as accelerators

For nearly two decades, the downstream energy industry has longed for a solution to streamline the process of buying and selling fuel. Buyers and sellers alike continue to contend with mounting

pressures to evolve and innovate, seeking new ways to modernize operations and better manage factors like:

- The rise of the [remote worker](#)
- Increased price volatility
- Evolving workforce demographics
- A shift towards e-commerce

In addition to these and other pressures that have long pained the industry, the last two years of the COVID-19 pandemic and significant geopolitical influences have sharpened the focus on the need for digital modernization. Cutting-edge solutions can connect buyers and sellers in an online marketplace, allowing them to execute fuel transactions more efficiently and drive greater profitability.

What is an online marketplace?

Since the early days of the internet, buyers and sellers of all kinds have sought ways to connect and do business online. Most online marketplaces are e-commerce sites, where available goods are showcased virtually and purchased with just the click of a button.

There are often comparison tools, allowing buyers to see products from different sellers and locations or compare information like price, specifications, details, overall user rating, and more in a side-by-side view. Examples you may recognize from your daily life include Amazon, eBay, and Alibaba. What sets the best online marketplaces apart is their ability to streamline transactions for both parties and minimize the burdens of associated tasks, such as invoicing, tracking, delivery, and returns.



Online marketplace advantages

We just mentioned a few advantages of online marketplaces, but there are many more. Let's dig deeper and explore specific ways buyers and sellers can benefit — both individually and mutually — and how online marketplaces can drive better fuel transactions.

For sellers

Increased opportunities

Sellers can open new channels and even enter new markets. The digitization and automation support expanded hours to capture added sales without increased staff, regardless of locations or time zones.

Reduced sales costs

Potential buyers can more easily find products, reducing overall marketing and sale costs. Integration and automation via online marketplaces reduce the need for added headcount to manage increased transaction volumes.

Online Marketplace

For buyers

Comprehensive market views

Previously, obtaining prices and negotiating terms required contact with individual suppliers. With e-commerce platforms, buyers have an immediate, comprehensive view and can quickly choose the offer that best fits their needs.

Enhanced transparency

Through digitization, fuel transaction data is shared in near real time. When combined with system integrations, buyers have unprecedented transparency into current pricing, credit, and allocations. This strengthens decisions and allows buyers to benefit from arbitrage, as they can identify when market demand conditions, capacity, product availability, and their existing commitments are optimal.

For both

Reduced administrative burdens

Whether online or off, sales transactions result in administrative tasks, such as sending confirmations and invoices or updating allocations and inventory. However, digital transactions leverage technology to automate many manual, error-prone tasks. Through APIs and integrations, back-office operations can be far more efficient and less vulnerable to risks and costly mistakes — especially with integrated ETRM and terminal authorization systems.

Expanded reach

All parties will have more opportunities to connect with new partners. And as more participants engage in the marketplace, the number of potential partners grows.

The downstream's technology lag

The question remains. If the need for an online marketplace to serve the downstream energy industry has existed for decades, why hasn't one been established yet? It's a fair question, especially with the countless number already connecting buyers and sellers across most industries, from real estate to consumer goods.

So, why is downstream energy lagging? The truth is, it is not from a lack of effort. Since 2000, providers have earnestly attempted to establish online marketplaces for the industry. While attempts varied greatly, each introduced new capabilities or modified business models to strike a perfect balance in hopes their differentiator would make their marketplace solution the one to stick.

Often, these solutions were very similar, offering the exact type of functionality you would expect from an online marketplace. They all enabled sellers to share prices with buyers, as well as communicate and negotiate with prospective partners via the internet. The business models varied slightly; some charged a monthly subscription while others a transaction fee. Some prioritized buyers, and others focused

on sellers and distributors. Surely, from this multitude of options, a victor would emerge.

Not exactly. Each emerging solution shared a fatal flaw: none integrated with existing ETRM or ERP systems. As a result, while transactions could be agreed upon in the online marketplace, they generated the same costly back-office tasks as the previous, fully offline process. No meaningful efficiencies were gained.

What became glaringly obvious was for any solution to take off, it needed to deliver operational efficiencies for buyers and sellers alike. The online marketplace had to integrate with existing processes and tools to automate essential back-office tasks, like confirmations, invoicing, tracking lifting volumes, fuel inventory, BOLs, etc. And to significantly drive down transaction costs and offset its own, it needed to do so in a meaningful way by also boosting margin enough to make the increased transaction volume profitable. Today, this long-overdue technology is finally a reality, making integration between ETRM and ERP systems possible and cost-effective.

A unique online marketplace solution emerges

As we've seen, online marketplaces can provide key benefits for fuel buyers and sellers. They can also offer a tremendous opportunity to take advantage of favorable market conditions to increase revenue and execute more short-term contracts. By leveraging platforms with integration capabilities, spot deals become more advantageous and burdensome back-office administrative tasks are reduced or even eliminated.

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marketplace capable of integrating with DTN TABS®. With Energy Digital Commerce from DTN, you'll have unprecedented visibility into allocations and inventory volumes, providing your organization with the transparency and insight necessary to capitalize on marketing opportunities and execute lucrative short-term contracts.

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