

# Industry Outlook for Oil and Petroleum Distributors

Investing in a Modern, Insights-Driven Operation



# CONTENTS



## INTRODUCTION

3

INSIGHT #1    VISIBILITY BECOMING A  
MISSION-CRITICAL CHALLENGE

4

INSIGHT #2    MANAGING COSTS TO  
NAVIGATE AN UNCERTAIN FUTURE

5

INSIGHT #3    OVERCOMING THE LABOR  
SHORTAGE WITH INNOVATION

6

SUMMARY    3 QUICK STRATEGIES FLUID  
DISTRIBUTORS CAN IMPLEMENT TODAY

7

## INTRODUCTION

### ACCELERATING NEED FOR GREATER VISIBILITY, MORE COST-EFFECTIVE STRATEGIES

Today's customers increasingly prefer to work with businesses that can deliver the value-added services they need to keep their operation running as smoothly as possible — even if it means a higher price tag. In the oil and petroleum industry, features like just-in-time service, always-on tank visibility and cost-efficient delivery are quickly becoming core competencies that have the power to build long-term brand loyalty.

To better understand the emerging challenges that are driving these changing expectations, Graco commissioned a survey of fluid distributors to capture a snapshot of the current market. This report represents a summary of those survey findings.

Throughout the three sections of this eBook, we will highlight a few of the key trends from this survey and offer future-focused insights and strategies that will help your business chart a course for fluid distribution success in 2021 and beyond.

## ABOUT THE SURVEY



The research for this report was conducted by Graco. The survey was completed by 60 fluid distribution leaders, located both in the United States and around the world, who primarily work in the lubrication oil and gasoline and diesel fuel industries.

INSIGHT #1

VISIBILITY BECOMING A MISSION-CRITICAL CHALLENGE

Few business practices emerged from the pandemic completely unscathed. New workflows, halted supply chains and unexpected equipment shortages required industry leaders to reprioritize business investments to meet the needs of these new business realities.

Throughout the reprioritization process, no core competency rose as quickly in importance as supply chain visibility. After a year when inventory shortages and closed ports of entry became one of the dominant features of the early pandemic, most businesses sought out new strategies to avoid becoming the next victim of poor end-to-end supply chain visibility.

As a result, it's no surprise *79% of fluid distributors now say visibility to customer fluid supply is important or essential to their organization's delivery strategy.*

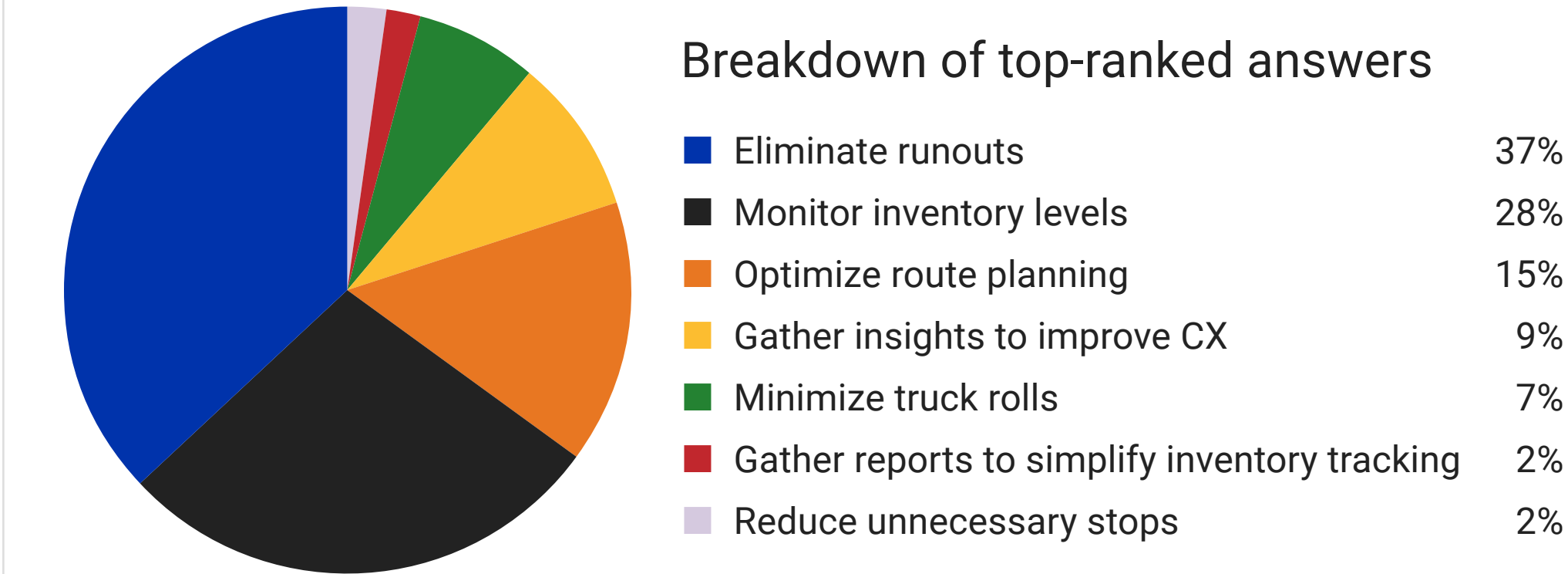
**55% of respondents provide some form of level-monitoring services for their customers.**

Respondents also reported that eliminating runouts (37%) and monitoring inventory (28%) were two other key priorities alongside visibility.

**Our respondents say they rely on their vendors — more than peers, marketing associations or industry publications — to steer them toward the right industry trends and insights.**

In turn, as these capabilities continue to become more commonplace, demand for greater tank-level visibility will continue to grow, and it is poised to become a powerful differentiator for fluid distributors who are first to adopt robust inventory visibility strategies.

WHICH KEY INITIATIVES ARE MOST IMPORTANT TO YOUR BUSINESS?



As other industries — such as transportation and logistics — continue to adopt connected technologies to gain truck-level visibility to their freight in transit, fluid distributors are now looking to capitalize on many of the same technologies to bring the same tank-level visibility to their operation.

In fact, many fluid distributors already see the potential benefits of remote inventory-monitoring solutions and are looking for ways to onboard these capabilities. Fully integrated tank-level monitoring was a commonly cited response to this open-ended survey question: *“What innovations would you like to see in the industry?”*



# INSIGHT #2

## MANAGING COSTS TO NAVIGATE AN UNCERTAIN FUTURE

For years, lubricating oils have served as a cash cow for fluid distributors. Even a careful look at today’s lubricant market would suggest it should remain a high-margin business in the near future. However, a longer-term forecast of the lubrication market is not quite so bullish.

According to a recent McKinsey report, lubricant volume growth and road transport demand is nearing its peak. Between 2017 and 2025, the compound annual growth rate for road transport and automotive lubricant is projected to grow by only 1%. Between 2025 and 2035, that percentage will go negative for the first time (–.8%).<sup>1</sup> Similarly, while global consumption of petroleum and liquid fuels is set to grow by 5.3 million barrels per day year-over-year in 2021, global liquid fuel consumption still remains lower than previous years’ as demand fluctuates and electrification rises.<sup>2</sup>

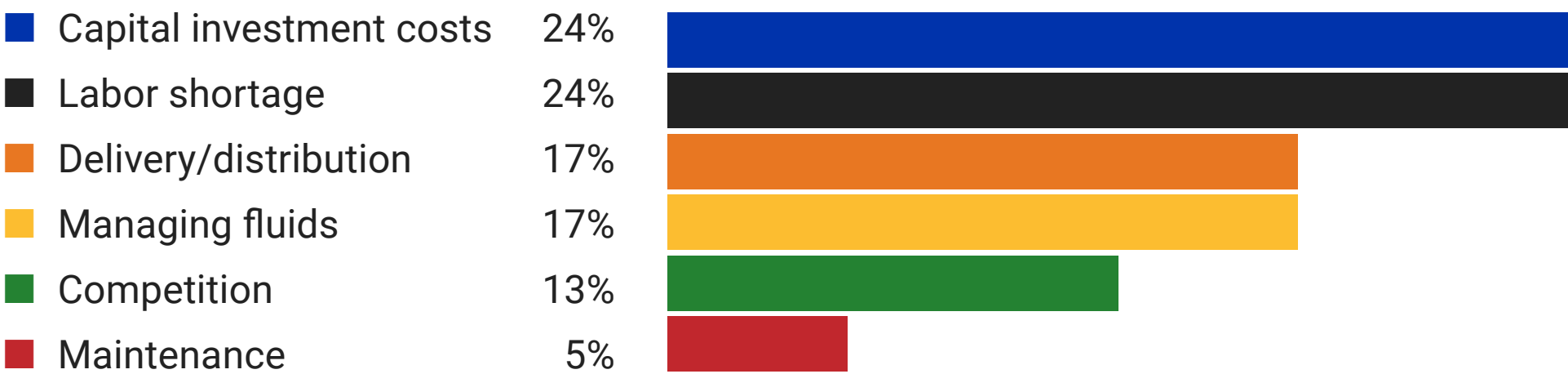
Add to the mix a variety of other cost-driven challenges — including the rise of regulatory compliance costs in the last few decades and growing labor costs — and its clear fluid distributors are watching their margins slowly shrink. For fluid distributors, slowing demand could quickly create a competitive environment predicated more heavily on efficiency, service and minimizing overhead cost.

When surveyed about their top challenges, fluid distributors cite overcoming capital investment costs as the No. 1 priority in the next few years. More than 24% of respondents offered this answer, alongside the ongoing labor shortage, at the top of the short list.

1. <https://www.mckinsey.com/industries/oil-and-gas/our-insights/lubes-growth-opportunities-remain-despite-switch-to-electric-vehicles>  
2. [https://www.eia.gov/outlooks/steo/pdf/steo\\_text.pdf](https://www.eia.gov/outlooks/steo/pdf/steo_text.pdf)

## TOP EMERGING CHALLENGES IN THE FLUID DISTRIBUTION MARKET

Breakdown of respondents listing each challenge as their No. 1 concern



### Getting more out of every investment dollar

According to our survey, *nearly half of respondents* reported providing equipment at no cost to some or most of their customers as a part of their service contract. As infrastructure costs come under increasing scrutiny, equipment purchase cost is no longer the sole factor fluid distributors are using to make their procurement decisions. More than ever, they see a connection between infrastructure costs and business efficiency. Tank management solutions that can help optimize fluid management and ongoing delivery and distribution represent two ways to reduce long-term costs and support higher revenue over the life of the contract.

## INSIGHT #3

### OVERCOMING THE LABOR SHORTAGE WITH INNOVATION

Cited in study after study for the better part of a decade as a growing concern, the labor shortage in distribution and transportation is quickly approaching a critical juncture. Mass retirement of baby boomers since 2015 has created a clear gap in the modern labor force.<sup>3</sup> In fact, as far back as 2018, 94% of distributors already noted they were experiencing declining workforce interest and were struggling to find the right people for their open positions, according to a PEI study.

**24%** of fluid distributors cited the labor shortage as their top concern in the next few years.

Two approaches have emerged to address this labor challenge:

1. Distributors have sought out digital tools and techniques that will allow them to streamline workflows and empower existing employee teams to do more — and do it better.
2. They've also invested in infrastructure that better aligns with employee career aspirations and modernizes the job to fit the skill set of the modern workforce.

Business analytics and insights sit at the center of both these strategies — enabling organizations across industries to unlock new opportunities to improve the employee experience (EX) and maximize efficiency.

For example, in the broader transportation industry, route optimization is helping eliminate backhauls and reduce many of the routing delays caused by a complicated web of delivery timelines. These same strategies can have an even bigger impact in a highly volatile fluid distribution market that is dependent on just-in-time delivery to keep up with fluctuating end-user demand.

As for EX, greater investment and utilization of cutting-edge digital tools complements the younger generations' vision for their workplace — innovative and focused on next-gen technology. Across industries, 78% of millennial workers said they feel innovation is essential for business growth, yet only 52% of this generation would consider their current organization to be innovative.<sup>4</sup>

For fluid distributors, the right technology investment can serve as a visible sign that an organization is committed to improving the employee experience and supporting long-term career growth.

3. [https://www.pei.org/sites/default/files/Resources/confronting\\_labor\\_shortage\\_white\\_paper\\_low\\_rez.pdf](https://www.pei.org/sites/default/files/Resources/confronting_labor_shortage_white_paper_low_rez.pdf)

4. [https://www.huffpost.com/entry/millennials-crave-a-workp\\_b\\_4613390](https://www.huffpost.com/entry/millennials-crave-a-workp_b_4613390)

## SUMMARY

### 3 QUICK STRATEGIES FLUID DISTRIBUTORS CAN IMPLEMENT TODAY

As the tectonic shifts taking place across the oil and gas industries continue to settle, fluid distributors are watching their long-held revenue equations change too. In order to promote long-term business growth and stand out from the crowd in the race for customer and employee loyalty, leading distributors are prioritizing three things to regain their competitive advantage.

**85%** of fluid distributors consider equipment quality one of the three most important factors in their buying criteria, while only 68% of fluid distributors would say the same about equipment price.

#### Invest in the right mix of connected tools to enhance visibility

The pandemic laid bare just how volatile and unpredictable even the most stable supply chains can become. In response, fluid distributors are responding by doubling down on long-term strategies to boost visibility to the tank. Remote tank-level monitoring, like Graco Pulse Level, is one strategy that is quickly gaining popularity as a low-cost way to improve refill performance and optimize routing to a wide network of service shop locations. TLM software allows fluid distributors to gain insight over their entire operation – whether it includes 20 customers or 2,000+ customer locations.

#### Reimagine procurement strategies to consider full-life-cycle ROI

The upfront cost of equipment still matters, but it's no longer the sole factor at the top of the list. As distributors move to adopt end-to-end cost strategies, equipment quality is increasingly usurping price to improve long-term ROI. Additionally, equipment solutions that drive greater cost efficiency into mission-critical workflows can help distributors weather increasingly volatile market conditions. For example, Pulse Level has been shown to increase efficiency – potentially saving distributors hundreds of thousands of dollars every week – by more accurately forecasting strategic delivery routes that only service customers needing refills.

#### Identify new ways to support overworked teams

Connected intelligence is driving new efficiency across every industry. Now it's time for connectivity to help drive more efficient delivery and routing strategies that can help maximize each driver's bandwidth – without sacrificing service quality. Demonstrating investment in employee career and skill development can also help your organization separate itself from the competition in a white-hot job market. Modern tools, like the 4G-enabled Pulse Level, appeal to today's workers and provide them intuitive interfaces to simplify their job and support their desire for 21st-century technology skills.

# ABOUT GRACO



Graco Inc. supplies technology and expertise for the management of fluids and coatings in both industrial and commercial applications. It designs, manufactures and markets systems and equipment to move, measure, control, dispense and spray fluid and powder materials. A recognized leader in its specialties, Minneapolis-based Graco serves customers around the world in the manufacturing, processing, construction and maintenance industries. For additional information about Graco Inc., please visit us at [www.graco.com](http://www.graco.com).



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