

Spirit letter



Spirit® Brand Marketer and Dealer News

Spirit®'s Flexible Supply Options

In every way possible, Spirit® Petroleum seeks to provide licensees with the tools they need to compete aggressively in the marketplace. Flexibility is a key aspect of Spirit's mission to help marketers succeed, and flexibility of supply is an important component, highly valued by Spirit® licensees.

At Spirit®, flexibility of supply means no supply contracts. Unlike most major refiner brands that require contracts obligating a marketer to purchase product at a specified terminal and price (that may or may not be favorable to the marketer), Spirit® allows licensees the freedom to choose the most advantageous supply point and price available. The option has multiple benefits, according to Spirit® licensees.

For most, the majority of the time it's price that drives the decision of how to supply Spirit® stations. Not only can licensees seek out the best price available, but supply-point flexibility can help marketers manage the amounts they pull from particular terminals in order to get better pricing. And there are other advantages. "Being able to pull product from any terminal that we desire based on price is obviously a huge benefit," says Brian McCarthy of Michigan-based Blarney Castle Oil, a Spirit® licensee, "but for us, what attracted us about Spirit® is the ability to supply our Spirit® stations—if we choose and if the need arises—with unbranded product from a variety of sources. Sales forecasting determines the amount we commit to buy from suppliers, but that option to supply Spirit® stations with the high-quality unbranded product from the supply point that best suits our business needs helps us to navigate unforeseen drops in demand."

Proximity can also be a factor, notes McCarthy, for those Spirit® stations located near Blarney Castle Oil's other stations. "We can supply multiple stations economically with one truck



and one trip to the terminal," he goes on, "and it helps our business to have the freedom to make the choice that's in our best interest. Price, proximity, flexibility in meeting our commitments—however we choose to do it, with Spirit®, it's entirely our call."

Jim Cross, with Redding, California-based Cross Petroleum, cites several ways he puts Spirit®'s flexibility to work for his business. "Because Spirit® has a negotiated supply agreement with a petroleum trading company here in California, licensees in this state have even more options. Spirit® doesn't obligate us to purchase product under this agreement, but the option is there if we choose to use it. If not, we have the freedom to go with the lowest rack price available on any given day, and we know exactly what our profit will be on that load on that day."

Cross also appreciates the benefit of not being bound by contract to purchase product from specific terminals, particularly when terminals go offline during the seasonal switchover from "winter gas" (with a higher Reid Vapor Pressure) to "summer gas" (with a lower RVP). Terminal outages can be fairly common during those times, he notes, "and if the terminal you're contracted to buy from is offline, it can be a big hassle to acquire product under that contract from a different site. Spirit® makes that particular situation much easier and less time-consuming to manage."

"With Spirit®'s flexibility I can exercise my options to purchase from multiple suppliers at multiple supply points with multiple types of purchasing techniques," Cross goes on. "Spirit® gives me a true menu of options on petroleum purchasing for retail outlets, which allows me to operate as a truly independent business owner."

Tom Carper of Petroleum Products Corp., which has a negotiated supply agreement with Spirit® Petroleum in Pennsylvania, believes that distributing unbranded product has real advantages for marketers. "In terms of the petroleum market, unbranded product is a better gauge of the market," he states. "Prices for branded product tend to lag behind market price increases and decreases. Unbranded product prices, on the other hand, tend to go in lockstep with the market, and are a more efficient indicator of market conditions on a day to day basis."

Carper also thinks that in general marketers expand their options by carrying unbranded product, and that the advantages of going with major refiner brands have diminished in the last twenty or thirty years. Location, in his estimation, is a more important factor for fuel customers, as is the look and feel of a site. "These days, customers want a light, bright and inviting store, with a good location and competitive price," he says. "Brand means a lot less than it used to, so there's less payoff for narrowing your options with a major refiner contract."

Licensee Profile

Magness Oil Company – Gassville, AR

Magness Oil Company is a relative newcomer to the Spirit® family of licensees. About six months ago one of the company's multi-location customers purchased a Spirit® station and wanted to keep operating it under the Spirit® brand, but to have Magness Oil supply it. So company vice-president Jeff Magness looked into the requirements for licensing Spirit®, and liked what he found.

"It was a pretty quick decision," he confirms. "I really liked the way Spirit® works, and realized it was something I needed to talk about with my other customers. Two of my previously unbranded customers have since decided to convert to the brand."

Continued next page



Magness Oil Continued

Magness Oil Company was founded in 1960 by J.W. Magness. Operations were taken over by son Benny Magness in 1977; today it's grandson Jeff Magness who oversees most day-to-day operations, having worked for the company since he was a teenager doing everything from power-washing parking lots to installing fuel tanks, managing construction projects and overseeing retail stores.

Magness Oil Company operates throughout Arkansas and parts of Texas, Oklahoma, Missouri, Mississippi, Louisiana and Tennessee. The company distributes all grades of gasoline, diesel and biodiesel in addition to aviation fuel products, kerosene and other petroleum products. Magness Oil's customers range from convenience stores and fuel stations to

airports, marinas and construction businesses. In addition to Spirit®, the company is a customer of ExxonMobil and ConocoPhillips.

One of the things that Jeff Magness appreciates about the Spirit® brand is that it addresses the "here today, gone tomorrow" aspect of working with unbranded customers. "A good many of my unbranded customers just prefer not to go with a major refiner brand; it's not a good fit for their business. But the Spirit® brand can work well for those customers and it lets me supply them under a contract, giving me some business I can count on longer-term. Spirit® gives us the best of both worlds."

"For me and for these customers, it's a big help to not be locked into purchasing branded rack supply," he goes on. "Spirit's credit card program is very good. And we really like the look of the brand; it's a very good image."

Partner Spotlight**Jones-Blair Company**

Since 2009 Spirit® licensees have worked with the Jones-Blair Company as Spirit's specified provider of high-quality protective paints and coatings. Spirit's eye-catching, patriotic color scheme relies on Spirit® Brand paint colors specially formulated for Spirit® by Jones-Blair.

Based in Dallas, Texas, Jones-Blair has been in business since 1928, supplying paints and protective coatings to the oil services, transportation and automotive industries, among others. In the 1970s Jones-Blair revolutionized the service-station coatings business by converting its clients from low-cost conventional paints to the high-performance urethane paints that were then standard application for the oil-services industry. Ninety-five percent of major refiner and independent petroleum brands and many unbranded stations now specify Jones-Blair paints for their imaging needs, according to Will Dryden, National Sales and Marketing Manager for the company's imaging divisions.

Jones-Blair's durable coatings apply smoothly and easily, resist fading and chipping, retain their gloss and last significantly longer than conventional paints. Over time, the savings in labor, materials and business disruptions resulting from fewer repaint cycles add up significantly for fuel-station owners. Spirit® licensees praise Jones-Blair's excellent communication, customer service, consistency of pricing and products, and prompt shipping.

For more information or to place an order, contact:

Jones-Blair Customer Service:
800-492-9400, Attn: Elida
sales@jones-blair.com

Technical Information:
Will Dryden
214-676-7000
wdryden@jones-blair.com

