



Consumers Don't Blame Retailers for Gas Prices

Consumers don't think that retailers are the reason for their pain at the pump, but that doesn't mean they are happy. In 2008 alone, both retailer and consumers faced record gas and diesel fuel prices in July, followed by frustration in September with outages caused by Hurricane Ike in much of the Southeast. Even with the spotlight on motor fuels prices throughout 2008, many misperceptions remain, according to the *2009 NACS Consumer Fuels Report*.

Below are top-line findings about consumers and their perceptions of the motor fuels retailing industry. Unless otherwise noted, all statistics are from the *2009 NACS Consumer Fuels Report*.

Consumers think that retailers make considerably more profit than they actually do.

When asked how much retailers make in profit – after subtracting costs, including rent, insurance and all other fees – consumers think that retailers make more than 40 cents per gallon. The reality is that profits in 2008 were, over the course of the year, 5 cents or less for retailers.

For a \$30 fill up, what do you think a retailer is making per gallon?

- 2009: 40 cents per gallon
- 2008: 30 cents per gallon

(Median response of open-ended question)

A stunning 33 percent of those surveyed think that retailers make at least \$1 per gallon in profit. Interestingly, while consumers overstated retailer profits, they also thought that a “fair” profit was twice what they overestimated retailers were making.

How much profit do you think is fair for a retailer to make per gallon?

- 2009: 80 cents per gallon
- 2008: 28 cents per gallon

(Median response of open-ended question)

Consumers do, however, understand how credit card fees impact gas prices.

Credit card fees are the fastest growing expense at the retail level. In 2007, credit card fees cost the convenience store industry \$7.6 billion, more than double the convenience store industry's pre-tax profits of \$3.4 billion. Since then, credit card usage at the pump has increased with 64 percent of consumers saying they pay for their gas by plastic (credit and debit combined), which is an increase from 60 percent last year.

How do you typically pay for gas?	2009 (%)	2008 (%)
Credit card	37	37
Debit card	27	23
Cash	35	38

The Association for Convenience & Petroleum Retailing

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Consumers are also demonstrating that they understand the issue. On average, they believe that credit card fees cost \$1.00 for a \$30 transaction. This works out to 3.33 percent of the transaction price, only slightly more than the 2.5 percent average per transaction.

On a \$30 transaction, how much do you think is going to the bank for a credit card transaction?

- Median response: \$1.00

(Median response of open-ended question)

Consumers don't blame retailers for high prices.

While consumers think that a retailer's profit on a gallon of gasoline is 40 cents (about 10 times what retailers actually make at the pump), the corner gas station/convenience store, so often the outlet for consumer ire over high prices, is not perceived as the cause of consumers' pain. When given nine possible explanations for higher prices, consumer said that gas stations increasing profits was the least important factor.

Which are very important factors for rising gas prices?	2009 (%)	2008 (%)
Manipulation of prices by OPEC	61	55
Lack of government oversight	58	54
Oil speculators	50	34
Oil companies increasing profits	49	53
Global conflicts	45	45
World is running out of oil	37	32
Increased demand in Asia	35	32
Environmental regulations	29	23
Gas stations increasing profits	26	19

(Consumers could select more than one option)

And when asked to pick the main reason why gasoline prices increase, only one in 25 consumers said it was gas station profiteering.

Which is the <u>most</u> important factor for rising gas prices?	2009 (%)	2008 (%)
Manipulation of prices by OPEC	18	14
Oil speculators	16	7
Oil companies increasing profits	13	17
Lack of government oversight	12	14
Global conflicts	9	10
Increased demand in Asia	9	8
World is running out of oil	6	3
Gas stations increasing profits	4	4
Environmental regulations	2	2

(Total does not add to 100 percent because some did not respond to question)

Consumers think that major oil companies dominate at the retail level.

Right or wrong, consumers blame the major oil companies for high gasoline prices. But while they don't blame the local gas station/convenience store, consumers also think that a major oil company owns the local store.

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Convenience stores sell the overwhelming majority of the gasoline purchased in the United States, an estimated 80 percent in 2007, and despite canopies that promote a specific brand of gasoline, very few of these stores (less than 2 percent) are owned and operated by one of the integrated, major oil companies.

While it is much more likely that the convenience store/gas station is owned by an independent entrepreneur who lives in the community, consumers say that most stores are owned by a major oil company. However, the percentage is down significantly from 2008.

What percentage of retail gas locations do you believe are owned by a major oil company?

- 2009: 63 percent
- 2008: 75 percent

(Median response, based on open-ended question)

Only 5 percent of consumers correctly said that 0 to 5 percent of gas stations are owned and operated by major oil companies. Meanwhile, 36 percent of consumers think that major oil companies operate at least three-quarters of the country's gas stations.

Only one in four consumers think supply and demand explains price increases during a national emergency.

While consumers generally understand how supply and demand impacts the price at the pump, there is one exception: during times of national emergencies, such as a hurricane or other natural disaster.

Only 27 percent of consumers think that supply and demand is the reason behind price spikes, while 33 percent blame the oil companies. While politicians often target honest retailers for “gouging” during times of national emergencies, the move may backfire. In fact, only one in 20 consumers (5 percent) say the retailer is responsible for price spikes during emergencies.

What causes gas prices to rise during a national emergency?	2009 (%)
Oil companies	33
Supply and demand	27
Refineries	15
The government	12
Gas retailers	5
None of these are the cause	3

Methodology for the 2009 NACS Consumer Fuels Report

The results from the 2009 NACS Consumer Fuels Report were released February 2, 2009. To understand consumer opinions on a variety of gas-related issues, Penn, Schoen and Berland Associates LLC conducted 1,100 telephone interviews with adult Americans from December 23, 2008, to January 12, 2009. The margin of error for the entire sample is +/- 2.95 at the 95 percent confidence interval and higher for subgroups. Reporters should contact NACS Vice President of Communications Jeff Lenard at (703) 518-4272 or jlennard@nacsonline.com for more detail or insights from the report.