



## **SIGMA: Committed to Excellence**

**Society of Independent Gasoline Marketers of America is a national trade association that was founded in 1958 to give the independent petroleum marketers a voice in government, the petroleum industry and the public. SIGMA also informs, explains and interprets laws and rules to its members. Jaime Kammerzell looks to the past, present and future of SIGMA.**



**SIGMA Executive Vice President, Kenneth Doyle has lead the organization since 1980**

The Society of Independent Gasoline Marketers of America (SIGMA) was formed in 1958. Its mission is to help independent petroleum marketers compete in the marketplace. SIGMA helps independent marketers find and resell fuel at more competitive prices. Ken Doyle, SIGMA Executive Vice President, spoke with Jaime Kammerzell about SIGMA's history, activities and future outlook.

### **Who founded SIGMA?**

SIGMA was founded by a small group of men who were private brand marketers, mostly from the middle part of the country. The initial Board of Directors consisted of Phil Siteman, Harold Johnson, R. J. Peterson, Jerome Glassman, D. G. Herbert, Harold Martin, T. B. Murphy, and Calvin Houghland.

### **What was the original membership?**

I believe there were seven companies to start with and they were all independent private branders. Most of those brands have disappeared over the years, but some are still around. Site Oil, Martin Oil Marketing, and Kocolene Oil, for example, were all founding members or joined within the first year.

The downstream petroleum industry is made up of a number of different types of companies. Besides the major oil companies and independent refiner-marketers, there are independent marketers and "jobbers" and then there are dealers. SIGMA was initially founded for people who were private brand independent marketers. In some cases that meant "no brand," but at minimum it meant they were not distributing under a major oil company brand. They owned a lot of gasoline stations and sold gasoline to the public under something other than a major oil company brand name.

### **What is the structure of SIGMA?**

From the beginning, SIGMA has been a "direct membership" association. That means that companies join SIGMA directly. They don't join indirectly through membership in another organization. Today's Petroleum Marketers Association of America (PMAA), which was called the National Oil Jobbers Council

(NOJC) back in 1958, was and still is a national federation of state associations, so jobbers joining a state association automatically become a member of PMAA. SIGMA is different in that petroleum marketers join SIGMA directly. Even at the beginning, most of SIGMA's members were multi-state operators. Their competitors were the major oil companies and the independent companies that flew major oil company brand-name flags. So they formed an organization that would represent their interests separate from the interests of the major branded competitors.

In 1958, a major oil company provided a lot of things to its customers. It provided a brand name to sell products and services, and it provided a lot of support and guidance on how to operate a business. SIGMA tried to perform the same functions for the private brand segment. It tried to help members operate their businesses. It actually offered a line of goods and services such as tires, batteries and accessories, and it tried to perform other trade association functions. One of the most important was networking—helping members learn from other members who do the same things. Another big issue, because SIGMA members did not have branded contracts, was the need for contact with lots of different suppliers to try to persuade those suppliers to sell them fuel.

SIGMA didn't and doesn't try to be everything for everybody. The main benefits of being a SIGMA member are: access to fuel supply, the ability to network with other top-level marketers for idea exchange, and representation in the legislative arena. In the beginning, there were also SIGMA- brand tires, batteries and accessories available to members, but the need for that kind of service has long since disappeared.

**Sparky Hauck (left), New Lenox Oil and Gas, New Lenox, IL, and Dick Bell (right), Marathon Petroleum, take a break at the convention**



### **How has the membership grown since the inception?**

SIGMA had seven members to start with. We currently have about 270 Regular Members, who are independent petroleum marketers, not refiners. In addition to that, SIGMA now has 48 Fuel Supplier Associate Members (including virtually every significant domestic refiner), 25 Financial Service Supplier Associate Members, and five Fleet Card Provider Associate Members. So we've grown quite a bit over the last 40 years.

### **How have the member companies changed over the years?**

In the beginning, SIGMA members were entirely private branders. They mostly sold gasoline, but also some tires, batteries and accessories. They had their own brand names. We still find that most SIGMA members sell some gasoline and diesel under private brands, but the vast majority also sell major brand products. In the old days, anybody who sold anything under a major brand name would have been thrown out of the organization. Now, 77 percent of our members sell some of their product under a major brand name, and 11 percent have no private brand at all. That's a big change.

Many of the independent refiners that used to be the main suppliers of SIGMA members don't even exist any more, largely because of all the environmental rules and regulations. But SIGMA members have adapted, and they buy a lot of product from large, independent refiners and from major oil

companies. They also import product, which, of course, probably nobody did 30 years ago. Their businesses have also changed. Instead of the lonely kiosk or the very small building behind a set of pumps, almost all of our members are also involved in convenience stores.

At the beginning of SIGMA's time, gasoline stations were full-service. There was somebody out there who pumped the gasoline for the customer. Now the vast majority of SIGMA's product is sold on a self-service basis. In fact, SIGMA members were leaders in the self-service movement back in the 1970's. Our members have branded up, have expanded into convenience stores, and have branched out into fast-food—what's called QSRs (quick-service restaurants).

Now, a lot of our members are operating in many different ways. Many SIGMA members are still chain retailers, but some own a chain of stations operated by dealers that are served by the SIGMA member as a fuel supplier. Other SIGMA members are not in the retail end of the gasoline business at all—they're in what's called "fleet fueling," operating through card locks or unattended fueling or even mobile refueling. We represent most of the largest truck stop chains as well.

SIGMA was founded by petroleum marketing companies, but that too has changed over time. Over the years, many convenience store companies moved into the gasoline business, just like the gasoline companies moved into the convenience store business.

Many of the large convenience store chains who also sell gasoline are now SIGMA members—companies like Sheetz, Wawa, 7-Eleven, QuikTrip, and KwikTrip. More recently, there have been other new entrants into gasoline marketing—"hypermarkets," grocers and others whose main business is totally different but who now are moving into the gasoline business as well. Many of them have joined SIGMA. So the SIGMA membership has changed dramatically over time, both from evolution of members who have been around for a long time and also from new entrants into the petroleum business.



#### **Early SIGMA members in session**

#### **What are the requirements for SIGMA membership?**

Anyone who markets petroleum products and is not a refiner can belong to SIGMA. That's fairly broad. I think the membership was fairly exclusive in the early days. It has become much more inclusive now. But SIGMA's appeal isn't quite as broad as the simple membership definition.

Those who are drawn to SIGMA tend to be companies whose ownership and management is independent in thought, meaning they don't see their future as dependent on any other company's success or failure. They tend to operate in multiple markets, often multiple states. Most are looking toward expanding their businesses, either through acquisitions or building new outlets. They're very open to the future, anxious to compete, and not tied to the old ways of doing things. They see opportunity, not threat, in change. That's probably the one constant of SIGMA members. They're looking for the opportunity to compete in this business and they think they'll do well if given a chance.

Because of that type of member profile, SIGMA members tend to be larger than the industry average. But contrary to what some may think, being large is not a prerequisite for membership. We have members with only a few outlets, selling only a couple of million gallons of gasoline annually. Many of our very large members today joined SIGMA when they were much smaller, and SIGMA has helped them to grow. So attitude, far more than size, is the key to what makes a good prospective SIGMA member.



Thomas Allen (left) and Herbert Sostek (right) are two pivotal people in SIGMA's history



Please explain some major SIGMA milestones.

The first milestone was, of course, SIGMA's inception in 1958. The next milestone was the Arab Oil Embargo in 1973. In response to the embargo, most refiners said, "We're not going to deliver gasoline to anybody that we don't have a contract to sell to." SIGMA members were cut off instantly. One member who had 400 stations got a call from his supplier saying, "I'm sorry, but we're not going to sell you gasoline anymore." So all of those independent marketers turned to SIGMA and said, "You've got to help us." SIGMA became the strong voice of the private brand marketers, lobbying the government to recognize the needs of independents as they developed regulations for the industry during the 1970's.

Before 1973, many of these independent companies bought from whatever refinery they could every day. That was how they worked. They didn't have supply contracts. They just made a phone call to every refinery saying, "How much can you sell me today and at what price?" They'd get the best price and that's how they competed, by being price-competitive. If you had a choice of buying no-name gas or a major brand and the major brand is \$1.10 and the no-name brand is \$1.05, some consumers would buy the no-name, figuring it probably is just as good.

But when they got cut off, when the refiner said, "I'm sorry, you're out," there was hew-and-cry so the government passed what was called "Petroleum Price and Allocation Rules." The rules required every refiner to supply all of their customers based upon what they had bought before the embargo.

The federal government decided what the price was, and if you wanted to build a new station, you had to go to the federal government and get an allocation. They would call up a refinery and say, "The XYZ Company is going to add a station and you will now supply them with 10,000 gallons a week at this price."

That's how the entire industry worked, not just our segment but everybody who bought from major oil companies or any other refiner. The price of crude oil was controlled, the price of gasoline was controlled, the allocation of crude oil was controlled, and the allocation of gasoline was controlled. So, the private branders came in and, through SIGMA, were able to figure out how to really prosper under price and allocation regulations.

That was really SIGMA's second genesis. Our members became strong competitors by being able to understand the price-and-allocation rules, and SIGMA was really good at explaining to its members what they had to do to prosper under the system.

In 1979, the Shah of Iran was overthrown and Iran, which was a big oil producer, became America's enemy. As a result, there was another shortage. We had long gas lines, even worse than we had in 1973. We still had price-and-allocation controls, but it didn't prevent shortages.

States came up with a variety of rules, such as saying you could only buy gas on even days if your license plate ended with an even number, odd days if your license plate ended with an odd number. There was a whole system. But motor fuel marketers were faced with the brunt of the public being angry at them because they couldn't buy gas. SIGMA and others started saying, "We wouldn't have had this problem if we had just allowed the market to work. We need to get rid of the price-and-allocation controls."



**Tim Columbus (center) has long led SIGMA's lobbying efforts, joined here by Ken Doyle (right)**

### **Were there other milestones?**

In January of 1981, President Reagan de-controlled oil and got rid of all the price-and-allocation rules. Then everybody was on a level footing and they could compete for business. You could build a new outlet without getting permission. You could again go out and ask lots of companies to supply you. You could negotiate your price. Refiners and suppliers could charge what they wanted. So it was a totally different market in 1981.

In March of 1981, I became SIGMA's Executive Vice President. Remember, I said the main reason for SIGMA to exist then was to interpret the price-and-allocation control. Once the price-and-allocation controls were gone, the only big thing SIGMA had left to do was its legislative efforts. We refocused away from price- and-allocation to all of the other things that were affecting petroleum marketers.

We also decided that we wanted to start emphasizing our fuel supplier relations. Under allocations you didn't need to have fuel supplier relations because the government told your fuel supplier to supply you and told you what price to pay for it. With those controls gone, we started what we called our fuel supplier program. We brought in a number of fuel suppliers and we embraced them. In the past, there might have been more of a spirit of "us vs. them." But in the early 1980s, we realized it was all "us." We brought in the fuel suppliers and they have been an integral part of SIGMA ever since. It's a mutually beneficial relationship between manufacturers of a product and those who buy the product for resale. That's what SIGMA members are.

SIGMA has always had semi-annual conventions for its members. It's information exchange. We began in earnest in the 1980s to develop educational programs and broaden our conventions for two reasons: 1) to impart information, and 2) to foster networking. And that goes back to the original purpose of SIGMA; you can learn a lot from your peers. We like to say you can learn a lot from your fellow petroleum-marketing wizards. Our convention program has blossomed over the last 20 years, becoming a big portion of what we do.

Another milestone occurred in 1994. We started embracing other partners. We realized the only way a petroleum marketer can succeed is with the proper financial backing. So we began embracing, in a

partnership relationship, financial service suppliers, those who provide money and financial services. At the same time, we also added fleet card providers, recognizing the needs of the cardlock, unattended fueling portion of our business, which has become very big and very popular with some members.

### **Who were the key people through the years and how did their involvement impact SIGMA?**

Herb Sostek was certainly a pivotal person in SIGMA's history. Herb was president of SIGMA in the mid '70s. SIGMA and some of its members were facing legal troubles. Herb redefined SIGMA and put it back on a footing to make it a viable organization. Tom Allen was the president after Herb. Herb saved SIGMA, and Tom Allen put SIGMA on a strong footing to move forward. Michael Kirschner was a strong president of SIGMA in the early '80s who helped shape SIGMA into a growing, strong organization, especially as it was redefining itself. He oversaw the adding of the fuel-supplier relations functions.

In 1990, Iraq invaded Kuwait. There were severe troubles in the industry. There were price inversions. Responding to a call from the President of the United States, major oil companies artificially held down their retail prices but let their wholesale prices rise freely. So our members were buying at a price that was above what they could sell it for on the street. Ten percent of SIGMA members ceased to exist as independent businesses at that time. Tally Roberts, Jr., SIGMA president, and Carl Bolch, a past president, led SIGMA in a strong legislative program that helped ameliorate the problem. There have been many other strong SIGMA presidents, but those are some who were here at key times in our history.

### **How does SIGMA lobby for legislation?**

In 1977, SIGMA hired the firm of Collier Shannon & Scott to be its lobbyist lawyers. They were instrumental in helping SIGMA interpret the price-and-allocation controls, and they have been instrumental in all of our legislative activities over the years.

Beginning with the environmental movement in the early 1970s, petroleum has undergone increased regulation and control by the federal government. SIGMA has become what we think of as the preeminent organization for independent marketers in this area. We explain to them what the federal rules and regulations are, and we help the government understand how to meet its environmental objectives in a cost-effective way for petroleum marketers.

SIGMA became involved in legislative matters in the 1970s, and today, legislature involvement is one of our main reasons to exist. SIGMA's mission statement, unchanged for many years, directs us to work for a free and unencumbered marketplace, where everyone can compete freely. We don't work for our members' narrow interests, but for a free marketplace where everyone can compete.

**How is SIGMA dealing with the MTBE problem?** We've adopted the position that we support the orderly phase-out of MTBE as an additive to motor fuel. On another front, we have long been pushing EPA to effectively enforce the 1998 underground tank standards, which we don't think they're doing,

but would go a long way toward preventing further MTBE contamination of soil and groundwater.

**What is SIGMA doing about vapor recovery?** SIGMA has always opposed the imposition of Stage Two Vapor Recovery, always believing that the onboard canister is a better way of catching the vapors. We worked long and hard over the years to get the government to adopt that strategy, and they did. We believe that strategy is working and as more and more of the fleet rolls over, more and more cars will be capturing the vapors on board as opposed to elsewhere. That's the best solution to the problem. We have concerns about the high cost of California's enhanced vapor recovery program—a technology that in essence is heading toward obsolescence anyway. And we're working with other groups to alleviate some of those costs.

**Does SIGMA have any publications or standards?** We do not publish standards. SIGMA is not a standards-making body. However, we do publish legal memoranda that interpret new rules and regulations for our members. Our other publications include a weekly newsletter for members only, which highlights legislative and regulatory actions that will affect our members, and a bi-monthly magazine, Independent Gasoline Marketing, which serves as a vehicle for information about marketing issues and the people in our industry.

### **What is ahead for SIGMA in the future?**

We're very excited about the future. We think the motor fuel business is undergoing a tremendous amount of change. SIGMA members are poised to take advantage of those changes because they look at change as opportunity—opportunity to expand and become stronger, better companies.

We want to keep attracting those kinds of companies to SIGMA and we want to help the members who are already here learn to adapt to all these changing environments. We're very excited about what's going to happen.

What are some of those changes? Well, one that's going on right now is the e-commerce revolution, which is just hitting our industry. SIGMA is already serving as a marketplace for e-commerce companies to develop their relationships and partnerships with motor fuel marketers. Many of our members are even leading the way with e-commerce solutions of their own.

**What other changes will occur in the future?** We don't know. But we do know that SIGMA and our members will be there, ready to capitalize on them, whatever they are.

Managing Editor of PE&T