

Growing Sales in the Oil and Gas Sector: Customer Satisfaction¹

Companies in the oil and gas sector are beginning to feel optimistic in 2018. The average price of crude oil in 2017 was 24.6% higher than it was in 2016 and 2018 seems to be shaping up positively.

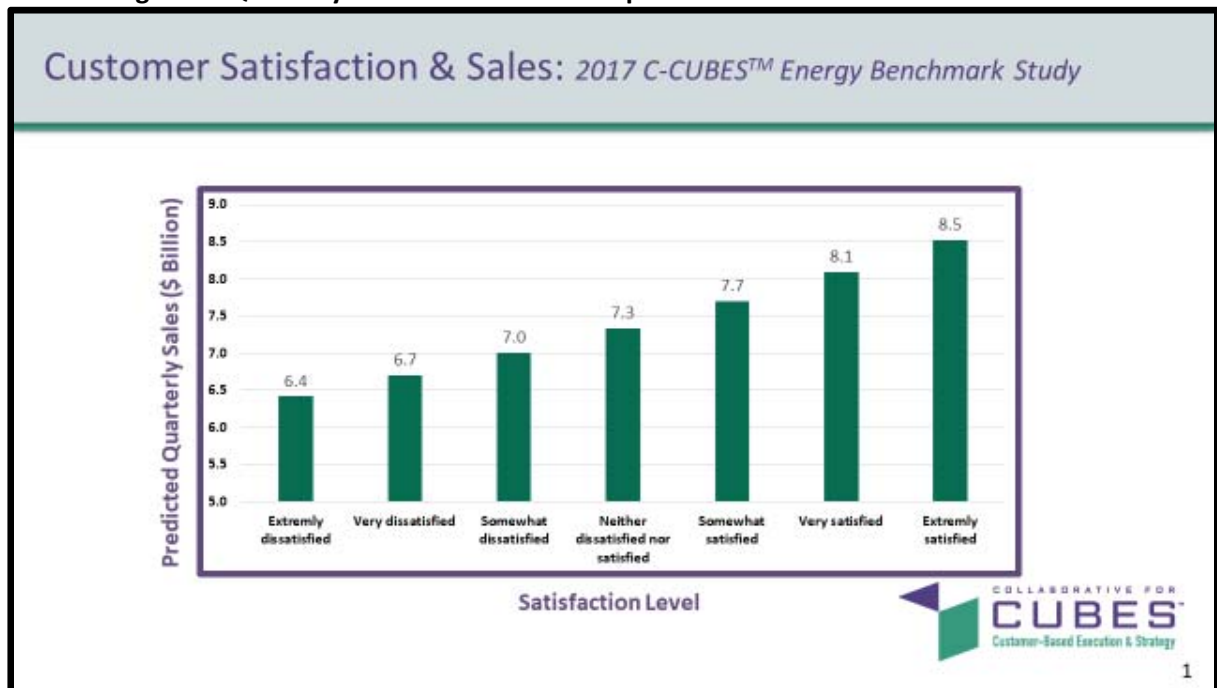
With this enthusiasm, companies may wonder what strategies may help them increase sales. One proven strategy would be to focus on increasing customer satisfaction.

While the association of customer satisfaction and sales is well established for most industries, no such test has been undertaken in the oil and gas industry. If customers are more satisfied with a firm, they are more likely to repurchase products from the company and generate positive word of mouth about the company. Thus, overall customer satisfaction should be linked to a company's sales and this association should exist in the oil and gas sector—as discussed next.

A point increase in customer satisfaction is worth \$0.4 billion quarterly sales, on average

When customers move from “Neither dissatisfied nor satisfied” to “Extremely satisfied”, quarterly sales improve by about \$1.2 billion for the average company in the oil and gas sector.

Figure 1: Quarterly Sales of Oil & Gas Companies Based on Customer Satisfaction

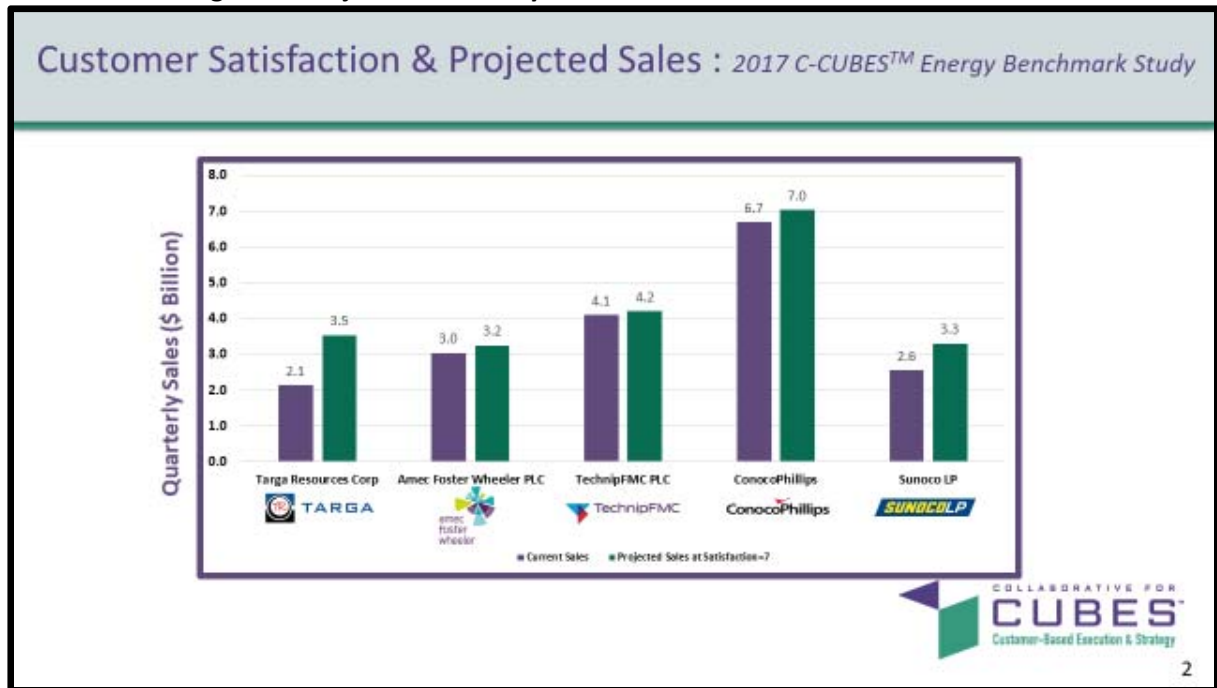


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Customer satisfaction and sales gain

What does this imply for company sales in the oil and gas sector? We calculated the projected sales increase for five specific firms. Targa Resources Corp would gain about \$1.4 billion in quarterly sales if customers move from their current satisfaction level of 4.7 to the highest level of 7. Sunoco LP would gain nearly \$0.8 billion in quarterly sales if customers move from their current satisfaction level of 5.5 to 7.

Figure 2: Projected Quarterly Sales of Firms in the Oil and Gas Sector



Now What?

To increase sales, companies in the oil and gas industry should focus on measuring and managing customer satisfaction in a way that can be linked to sales, margins, and EBITDA.

Research Methodology: 2017 Mays Energy Benchmark Study

[The Collaborative for Customer-Based Execution and Strategy \(C-CUBES™\)](#) conducted a nationally representative, online survey of 1,219 buyers in the oil and gas sector, comprising 50 companies during December, 2017. The proprietary survey measured customers' overall satisfaction with their suppliers along with critical strategic areas related to overall satisfaction. C-CUBES™ conducted multivariate analysis to estimate the association between customer satisfaction and sales.