

Oil Company Start-up

by Student Name

Foundation Course – Course #

Tutor: Tutor's Name

Educational Institution

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Background

Customer wants to start a company in the oil industry. The oil industry is a very lucrative one, since it is an essential element of most of our lives, supplying power. Our economies in towns, cities, shops, all are affected by oil. Cars, trucks, trains, planes and ships are powered by oil. Our buildings are heated by oil in the harsh winters. It is a well-established industry. Starting with OPEC nations that produce most of the world's oil, and controls the quantities pumped, and hence its price. Then the multinational oil companies that control exploration, extraction and delivery, such as Shell and BP, dominate in these spheres.

Obstacles for Entering the Industry

Entry into this industry is difficult. This is based on the following:

- Finding and developing a virgin oil field requires government permission, enormous capital, and skills. Most of the world's suspected fields are being explored by such companies, as BP and Shell.
- Establishing a shipping line to ship oil already pumped is another part of the industry, which is difficult to set up, due to cost of purchasing ships. Oil tankers today are massive ships, which are custom built to carry vast amounts of oil around the world. To set up a small feeder line to remote places remain a possibility.
- A refinery is also difficult to set up, as it also requires government approval, capital and expertise to build and run. They are usually heavily influenced by governments who regard the oil as a strategic resource and industry with the nation. A nation's war machine is only as efficient as its fuel supply.

These are the three main foundations to procuring oil. The oil's great distribution comes within the networks, so the oil finally gets to its users.

Solutions

There are 3 options, which will be more easy to establish in the oil industry.

1. To establish a company that concerns itself with the delivery of oil to the end users. In many areas, oil has to be delivered by truck. A fleet of oil trucks could be a way into the industry and provide a good return on investment. Obtaining contracts for oil shipments in remote areas could be a very lucrative business.

2. To develop a gas outlet for motor vehicles. The fact is that the easiest place to enter the oil industry is at the end user platform. You could contract to an existing oil supplier, and set up gas stations in either town, city, or state. The advantages of doing this are: to purchase or build a gas station is not too difficult in terms of capital, permits, and expertise. You can purchase one, or develop a statewide chain, so it is flexible.

3. The parallel to opening up a gas station to supply gas to cars and trucks is a company supplying oil to the population for power generation purposes. A company in this aspect of the oil business has options. It can provide oil to apartment and office blocks in the towns, and cities for use in proving heating during winter. This has potential to grow to be a major company.