

Market Trends of ExxonMobil

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## **Overview**

The market trends of ExxonMobil are essential when addressing the areas of which will affect changes in the supply and demand of the oil and energy market. The market structure, impact of new companies into the market, prices, technology, productivity, cost structure, price elasticity of demand, competitors, supply and demand analysis, and impact of government regulations are influenced by past, current and future market trends.

## **Market Structure**

Currently ExxonMobil is an oligopoly. As an oligopoly ExxonMobil is faced with changes in the market trends that affect the oil industry and each company. Since ExxonMobil is one of the few companies that control a percentage of the oil and energy market, the market structure of an oligopoly helps reinforce the power ExxonMobil has acquired over the past two decades.

In 2009, ExxonMobil has had lower market trends as compared to 2008. In May 2008 ExxonMobil had a market value of buys at \$19,062, 876.65, while the market value of sales was \$40,240,787.72. As of February 2009 the market value of sales had decreased in a year by \$40 million (AOL: Money & Finance 2009). To ensure that the market structure of ExxonMobil coincides with the current market trends, all actions taken by Dutch Shell, BP and Chevron. If ExxonMobil makes a decision, the decision will influence and be influenced by an action of another company. Since multiple outcomes from market trends can occur the restrictive trades of an oligopoly market are practiced within ExxonMobil as part of the market structure.

If low market trends continue to occur, ExxonMobil may be faced with the possibility of change. As new innovations occur with different products and services competitors offer, as well as changes in prices based on the influence of other companies, ExxonMobil could lose more economic profit, or change the whole market structure of the oil and energy industry, if a major contributor is lost.

### **Impact of New Companies Entering the Market**

The trend in the energy and oil field will continue as an oligopoly. The barriers to enter this market are high. A new company that entered the market in the last ten years is the state-owned China National Petroleum Corporation (China Daily 2005). If prices for a barrel of oil continue to rise in developing countries where oil is being produced, a government oil business will be set up to compete with others (Forbes 2009). ExxonMobil must show governments with case studies that it is more cost-efficient for ExxonMobil to produce oil versus starting a government-based oil company (Longwell 2008). In Venezuela, ExxonMobil and other energy companies were asked to leave. Venezuela established a state-run oil company. The production of oil and revenue dropped drastically as compared to companies, such as ExxonMobil (Forbes 2009). What Exxon will continue to do is maintain a constructive relationship among oil-producing countries, the consuming oil nations, and have a good working relationship with other energy companies (Longwell 2008).

### **Prices**

ExxonMobil is a company that is always trying to deliver a quality product when it comes to gas and energy at a reasonable price (ExxonMobil 2009). That is not always an easy task. Based on prices for the supply and demand of products, prices are always changing. Other factors that play a part in price shifting are oil prices changing, sources for oil being harder to find. ExxonMobil, like other oil companies, evolves with the market changing. However, if in the future the economy improves and more possible oil sources are discovered, prices in the energy market may decrease.

### **Technology**

ExxonMobil has to use technology to market its brand globally to customers. They use all the normal channels to market their brand based on the technological era. Through technology, ExxonMobil tries to use safer procedures when drilling for oil and other materials used for production of energy (ExxonMobil 2009). Machines are now in place to perform the duties that people used to do.

## **Productivity**

Currently ExxonMobil is successful because of their productivity trends. ExxonMobil's successes stems from a steady [rise in oil prices](#) due to increasing [energy consumption worldwide](#). A [decreased oil supply because of heated geopolitical conflict in oil-rich regions](#), and a persistent lack of widely adopted mass-market [alternatives to petroleum energy](#). Nevertheless, Exxon pumped out its oil at an average cost of \$8.72 per barrel in 2008, which is well below 2009 prices of around \$40-60 a barrel (WikiInvest 2009).

The [Financial Crisis of 2008](#) and ensuing recession has turned the picture upside down, with demand growth for petroleum falling and oil prices plummeting (WikiInvest 2009). Oil must first be discovered, then produced, and will eventually be depleted. Oil production has already peaked in the USA and more than 50 other oil producing countries. Although oil prices will rise, production costs will also rise, as traditional oil producing basins dry and reliance on expensive deepwater reserves increases.

## **Cost Structure**

The cost structure for fixed and marginal costs will increase slightly. The marginal costs will increase as time goes on due to adjustments with inflation. From hiring employees and with a employee being hired hourly wage, pension plan, medical coverage plus the medical coverage for dependent, disability insurance, and life insurance is important (ExxonMobil 2009). Exxon generates fixed costs for buildings for administrative purposes and research, oil refineries, pipe lines used to transport oil, commercial trucks, taxes on property, standard maintenance needs on buildings and refineries; they even have a chain of their own gas stations (UK News 2009). The significant increase will be placed on research and new technology development, while keeping production costs low (Longwell 2008). It makes sense to place more time and money in research as demand for oil and gas will continue to grow, these elements are expected to remain the leading energy source. Positive results have been made,

now ExxonMobil can find hydrocarbons. Exact location can be found for gas and oil sites. With positive results in funding, ExxonMobil will continue to place money in research and exploration for oil and gas (Longwell 2008).

### **Price Elasticity of Demand**

Currently, Exxon Mobil shows potential for growth in their demand. Demand for oil, as well as demand for energy is closely tied to the [global economic cycle](#). In periods of economic growth, new factories consume energy, [shipping companies](#) transport more goods and consumers take more trips. Countries like [China](#) are expected to make the Asia Pacific [natural gas](#) market grow faster than any other regional gas market in the world. During periods of economic contraction such as [recessions](#), demand for oil and other types of energy tends to fall, leading to reductions in price. Demand destruction primarily in the United States is likely responsible for most of the drop in oil prices that occurred during the third quarter of 2008 (WikiInvest 2009). When people stop spending, companies stop producing. When companies stop producing, demand for energy falls. When demand for energy falls, the price of oil falls. Hence, oil prices will remain lower than before until the world economy recovers from its recession. The long-term trend is clear energy consumption is going to increase.

### **Competitors**

The trends that ExxonMobil will face when it comes to competitors may not change that much at all. Exxon Mobil controls most of the market when it comes to the type of business they are in and would have to have a complete collapse to lose their number one ranking. The competitors for ExxonMobil probably will not change, the market is already dominated by Exxon, Chevron, BP, and Dutch Shell. All of these companies continue to get stronger and stronger as time goes by so it would be nearly impossible for a new company to try to come in and compete with them. ExxonMobil controls so much of the market already that it just doesn't seem possible for any of these companies to surpass them unless they merged together.

### **Supply and Demand Analysis**

The supply and demand will change for ExxonMobil in the future. Population growth will continue to increase. Based on the increase the need for the products and services ExxonMobil provides will increase. Additionally, ExxonMobil has been able to meet that demand. As the reduction of the oil supply occurs providing certain services and products will be difficult. However, alternatives solutions can be used. These alternatives will require ExxonMobil to change their market conditions. In the future market trends for supply and demand will show demand increasing with the population and the supply of oil shrinking because of resource depletion.

### **Impact of Government Regulations**

Market trends in government regulations correlate to ExxonMobil evolving to have more control over green-house emissions, and environmental in nature. Prices of the oil market should be government regulated since its affect on the consumer spending is significant. The commodity that industries like plastics to chemicals is very demanding-besides the public paying exorbitant prices at the gasoline pump. The price is volatile and this paves the way for less predictability as it relates to planning economic growth for industry. The trend has been to step-aside and let the open market establish a price. This trend, despite much higher gasoline prices has not affected ExxonMobil's relationship with OPEC, (organization of petroleum exporting countries). The trends in government regulation have focused on environmental issues of maintaining a clean, healthy planet. The government should put price controls in place that allow for consumers to have a minimum and maximum price set, to better maintain the stability of economic affects.

By reviewing the market trends of ExxonMobil's market structure, price elasticity of demand, competitors, supply and demand analysis, and impact of government regulations, decisions can be made that correlate with the changes that occur within the oil and energy market. Based on the changes that have occurred in ExxonMobil the market trends need to be efficiently observed. ExxonMobil can

make effective decisions to help counter act influences by other companies in the market.

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