

Research paper on external factors analysis

[Business](#), [Company](#)



Opportunities

Increase Geographic Reach

Delek U. S. should consider increasing its geographic reach in order benefit from the global market.

Investment Plan

The company, under its capital expenditure, has plans of spending about \$74.3 million in FY2011. Delek U. S. has plans to undertake several plans with high capital investment. The company has made investments aimed at improving the quality of its petroleum products to make them more environmentally friendly. The company's capital investment plans can help improve its top line growth. With a strong potential for organic growth, Delek U. S. has made other investments to fuel its growth in the downstream segment. In 2007, the company acquired a 34.6% minority Share in Lion Oil. In April 2011, Delek U. S. acquired an additional 53.7% in the company making it the major shareholder (Data Monitor, 2012).

IT to Improve Efficiency

Delek U. S. already has adopted information technology in most of its operations. The company has introduced new Fleet Advantage for corporate customers to help them manage fuel expenses and expedite time truckers take fueling (Longwell, 2002). In order to meet future global energy demand, Delek U. S. should invest in technology to continue development, exploration, and production.

Delek U. S. should also invest in alternative fuels and focus on less regulated products. The company should consider investing in alternative fuels

because the Federal Government currently offers tax incentive to consumers purchasing qualifying alternative fuels.

Threats

There is intense competition in the markets in which Delek U. S. operates. In its refining business, the company faces competition from established oil companies operating in many segments including exploration, production, refining, transportation, marketing, and retail. The main competitors of Delek U. S. include Texas Gulf Coast refiners and Calumet Lubricants (Tenn, 2009). Some of the competitors operate larger and complex refineries in different geographical regions than Delek U. S.

The oil industry is heavily regulated with various federal, state, and environmental laws (Data Monitor, 2012). These laws put the company at potential exposure to future lawsuits and claims involving environmental matters including air pollution, water contamination, and personal injury.

Strategic Factors Analysis Summary (SFAS)

Delek U. S. pursues inorganic growth strategy as a catalyst and has enabled the company to expand its service offerings and its retail operations. This is evidenced by various acquisitions that the company has undertaken since 2001. The company acquired MAPCO Express in May 2001 for \$162.5 million, adding 198 retail fuel and convenience stores (Data Monitor, 2012). The company has engaged in several acquisitions to increase its geographic reach and increase customer base.

Delek U. S. has a strong financial position. For the FY2012, the company reported a record net income of \$272.8 million or \$4.57 per diluted share

compared to a net income for \$158.3 million per diluted share (Data Monitor, 2012). This represents an increase of 64% in earnings per share from 2011. Delek U. S. manufactures and sells a full range of petroleum products. The company's Tyler refinery produces diesel, gasoline, aviation fuels, and petrochemicals. The wide range of petroleum products sold by the company enables it to enhance its brand image and serve an extensive customer base.

Delek U. S. has not invested in alternative fuels and increase focus on less regulated products. The company has invested in exploration and development of natural gas to reduce dependence on imported oil. This will help the company enjoy the tax incentive offers by the Federal government to promote alternative energy.

References:

Data Monitor. (2012). Delek Holdings Inc. Data Monitor.

Longwell, H. J. (2002). The future of the oil and gas industry: past approaches, new challenges. *World Energy* 51 (3).

Tenn, F. (2009). Retail report: strength through diversity. *Mapco Express*.