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Challenges in the retail fuels market

Part 1: combating reducing volumes

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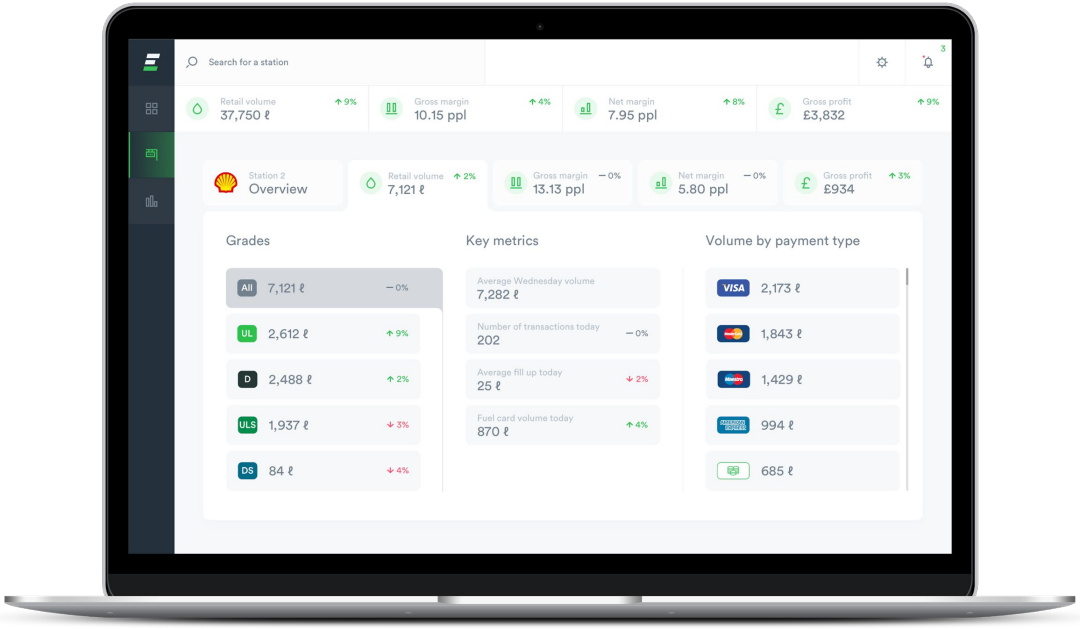
Introduction

EdgePetrol is a fuel pricing software that helps independent retailers to optimise their site's fuel profitability.

With our presence on both sides of the Atlantic, we have tapped into the many conversations we have had with jobbers, oil suppliers and independent retailers to discover four key industry challenges; reducing volumes, aggressive competition, market consolidation and demanding investors.

We brought this to life through real examples of how retailers are combating these challenges, and which strategies are having the most success.



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EdgePetrol had 87 calls with retailers ranging from 1 to 1500 stations where retailers mentioned one of these four challenges (July 2020 to Jan 2021).

Market consolidation was mentioned more than any other of the four challenges. However, this was often used to explain the increasing amount of competition's impact on both margin and volume.

In the first part of this series, we will focus on reducing volumes and how to combat them.

41.9%

Mentioned

market consolidation

25.8%

Mentioned

aggressive competition

16.1%

Mentioned

reducing volumes

9.7%

Mentioned

demanding investors

Reducing volume is not a new problem

Overall gasoline volumes were already falling before COVID-19, with a reduction from 25.454m gallons per day to 24.239m gallons per day between 2015 and 2019. That's a 4.7% drop (source: EIA).

Retailers were already responding

A change in consumer habits along with reducing volumes had already nudged many retailers to re-assess their strategies even before COVID-19. Consumers were already being more diverse with their reasons for deciding on where to buy gas.

The NACS Consumer Fuels Survey tells us that in 2020 the pole sign price was not the dominating factor of where to buy fuel for 48% of consumers, up from 28% in 2015. This meant the market was already well prepared to take a hit on fuel sales through other offerings.

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Know why volumes are reducing.

In 2021, volumes will be volatile due to COVID-19 outbreaks and restrictions. This is likely to be the number one reason for volume reduction this year.

Pandemics aside, the first thing most retailers look to as a key factor in volume loss is price. This may well be the case, but it is worth looking around first to assess the competition.

If their brand and offering are stronger than yours it may be something else.

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Make a CAPEX investment.

And get inventive. We have seen amazing examples of how retailers have innovated to bring people to their stations:

In Glasgow, Scotland, six-store operator GHSL have turned their shop into a slush haven (pictured right) and a dessert cafe, bringing in people from all over and capitalizing on their location opposite a large sports stadium.

Other retailers are adding incredible hot food offerings (which some are now franchising to other dealers), takeaway and delivery services, and electric charging bays.

TanqYou in the Netherlands have facial recognition technology which greets you when you get to the pump and provides special offers for loyalty!

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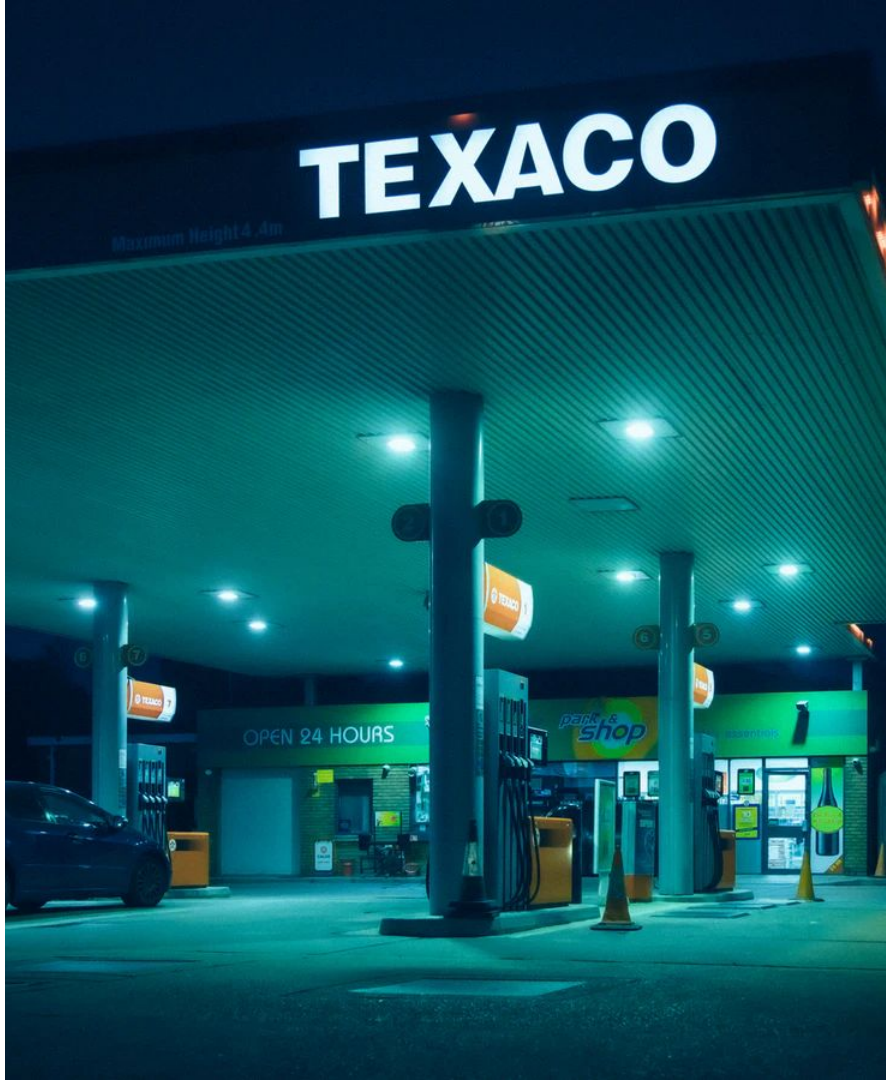
Know which competitors are yours.

When was the last time you did a full review of the competition? We find that most retailers only do this once a year, but some don’t do this at all!

What to consider when doing a competitor review:

1. Think about your own station first. Why do people come to you to buy fuel?
2. Favour traffic flows and driving distance over how the crow flies.
3. Compare volumes to price deltas with each competitor.
4. Take brand into consideration. Certain brands compete and others don’t. If you are a BP station- for example- you may not be competing with the local supermarket.
5. Think about the facilities you have on site and how they compare.



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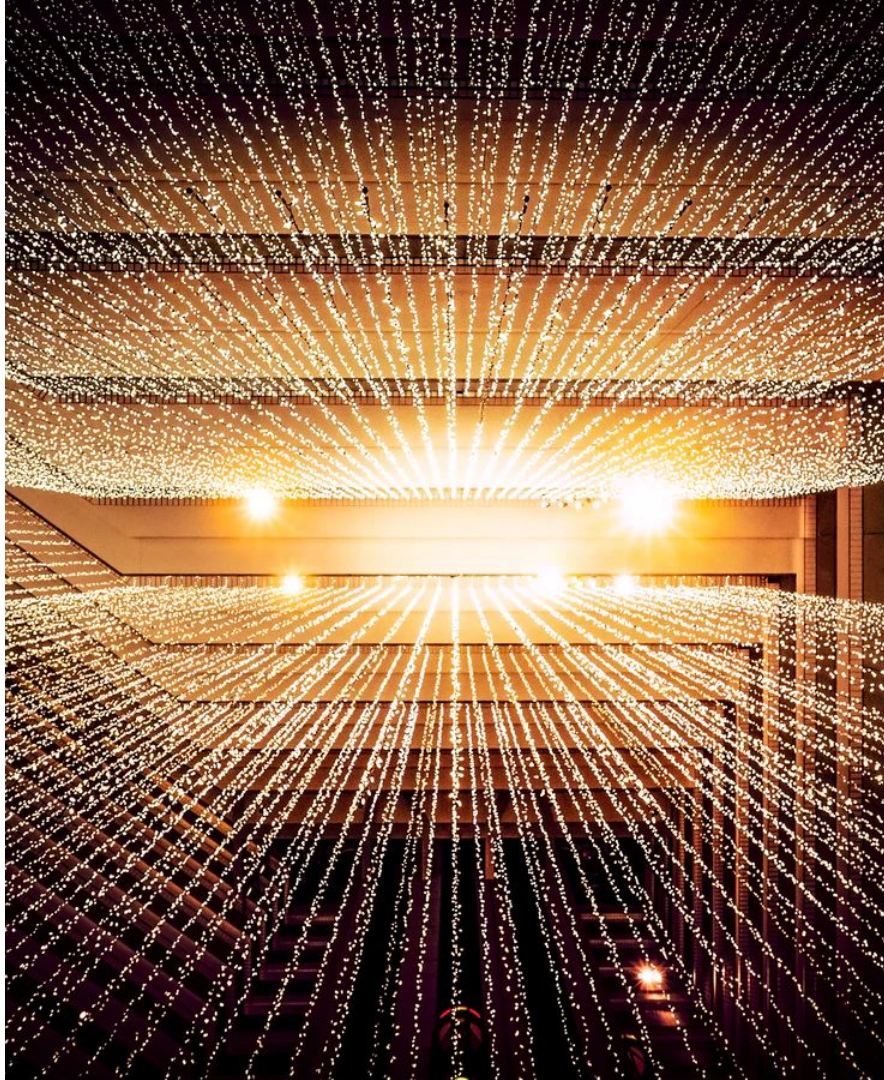
Get smart with data

Do you have spare pennies that you can give back to the customer?

Or are you too caught up on volume and not focusing enough on overall profitability?

What is an additional penny worth to you? Is that worth more or less than 5% of your volume? Knowing the numbers is vital as you may be getting too caught up with your volume levels in the first place.

At EdgePetrol we encourage using a blended cost of fuel over replacement cost. This is tough without software, but it could be worth the investment. One retailer that uses EdgePetrol can now see their weighted and blended costs in real time and as a result has increased their profits by 16% in profit across a year.



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Want to make sure you are optimising your fuel pricing?

Book a demo now to see how EdgePetrol can help you to:

1. Get the most accurate cost of fuel
2. Track performance in real-time
3. Set and deliver new site strategies
4. Increase profit by 18% or more

Get in touch:

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