

# Fuel retailers forced to find new ways of creating value

In the past few months, South Africa has seen fuel prices and levies go up and down, leaving motorists in distress. Even today, the fuel price has decreased; but, what can be said about fuel retail business owners? The fuel industry is at a crossroads and operators are under pressure to move with the times and rethink their age-old strategies in order to create new capabilities and transform the way they run their operations.



Source: Juan Fernandez via [Unsplash](#)

Additionally, fuel retailers need to find new ways of creating value.

In the last ten years, fuel has remained a relatively resilient vertical in the gas and oil market and forecourts have seen incremental growth in the convenience space, by moving into non-fuel related arenas.

According to Dov Girnun, CEO of alternative lender Merchant Capital, innovative fuel retailers have managed to unlock more value from their properties and building networks and are attracting customers in clever ways. Of course, the fuel industry has not been immune to the pandemic, particularly in the first half of 2020 when globally the industry was down by 50%. Fortunately, though, the market has turned since mobility has resumed.

Here, Girnun shares his insights on what fuel retailers need to be aware of as they navigate the current volatile market. He also offers advice on how fuel retailers can continue to grow their businesses in a changing world.

## Understanding the changing market

There is a view that the long-term outlook for the sector is that globally, the market is set to decline from \$87bn in 2019 to \$79bn in 2030. This is due to developing markets in Asia, the Middle East and Latin America who will only see modest growth. Mature markets like Europe, China and the US may see some decline as a result of efficiency improvements, new curbs to emissions and the rise of electrification and shared mobility.

Each country will see these to varying degrees. "Further to this, consumers are changing their behaviour and there will be a shift as more people work from home, continue to migrate to online shopping, and move away from supermarkets towards convenience retail," says Girnun. Fortunately, these declines can be offset by upping the non-fuel retail market with global

forecourts, increasing the market from \$22bn in 2019 to \$30bn in 2030. "This holds enormous value and will mitigate risk in a changing market," says Girnun.

## Industry trends

By upgrading their non-fuel retail segments, fuel retailers will be able to compete with best-in-class modern retail standards, drawing customers in and offering important lifestyle aspects. Girnun shares several consumer trends which feed into this concept, namely: 'Fresh and frequent' which relates to the customer's tendency to reduce big weekly shopping trips in favour of buying smaller, more frequent baskets from local stores. Another trend is 'delivery on the go' where food will be bought online with much consumption taking place out of the home.



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Another important trend affecting fuel retailers is 'frictionless customer experience' which will see a move towards digital menu boards, contactless payment offerings and other measures to make the consumer experience a lot easier. This links with another trend of "integrated digital tech". The pandemic brought digital connectivity front and centre and fast-tracked this trend. The way this has affected the fuel industry is that customers are now demanding seamless communication and an increase in the personalisation of their shopping experiences.

Girnun says that fuel retailers have a responsibility and necessity to redefine their customer experience. "By becoming more aware of the ways in which these spaces have become digitised, personalised and far more seamless, fuel retailers will gain valuable insight into new ways they can adapt to the changing market.

"As this customer experience is being redefined, fuel retailers need to find new ways of creating value. This may be done by looking at existing services and product lines on offer and pivoting where necessary. By embracing technology to streamline systems and services as well as elevating the customer journey, the fuel retailer will really be able to make their mark in a changing world," concludes Girnun.

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