

Plotting the way forward in fuel and forecourt retailing

Already recovering from the economic fall-out from Covid-19, the devastating floods in KZN and the war in Ukraine - which derailed oil prices - has caused further strain on the South African economy, and fuel and forecourt retailers.



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With the aim to help this sector weather current challenges and prepare for the future, the Fuel Retailers Association is hosting the 'Unity in Action – Building New Capabilities' Conference to be held alongside Automechanika at Johannesburg Expo Centre on 8 and 9 June. The event will unpack industry threats and try to find long-term solutions by collaborating to build new capabilities for franchisees in both the fuel and convenience store spaces.

“To say that our industry is under attack would be an understatement, says Reggie Sibiyi, CEO of the Fuel Retailers Association (FRA). “Not only do we have to contend with rising global oil prices and its economic consequences, but locally the rising pressure from our government on fuel prices and call for deregulation will have long-term implications for our fuel and convenience store retailers.”

Tsunami of oil price increases

Already faced with fuel increases, Russia's invasion of Ukraine in February triggered a tsunami of oil price increases across the globe, with South Africa going over the R20 per litre price point. Although government, in its 2022 Budget, gave temporary relief by not raising fuel levies and the Road Accident Fund (RAF) in the short-term, this will not solve the country's complex fuel structure.

Levies and taxes account for about a third of the petrol price per litre, with the basic fuel price (BFP) set on parity pricing for oil imports. Administered prices under the Regulatory Accounting System include wholesale, distribution, retailers and entrepreneur margins, alongside zone differentials that set prices on geographic district and the slate levy financing cumulative petrol price under-recoveries.



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Wendell Roelf, Julia Payne and Bate Felix 1 Jun 2022



Given that the petrol price is strictly regulated by the minister, at a recent meeting between MPs and various representative associations, including the South African Petroleum Industry Association (Sapia), Liquid Fuel Wholesalers Association (LFWR), the Fuel Retailers Association (FRA), the South African Oil and Gas Alliance, and the South African Petroleum Retailers Association (Sapra), the general consensus was that any changes to the fuel structure should not have adverse consequences and do further damage to an already struggling sector that has to bear the brunt of unfair price margins and lower volume sales.

FRA board member Sbonelo Mbatha called for the scrapping of the RAF tax, about R2.18 per litre of petrol, in favour of a flat-fee motor insurance. “Any attempt to reduce retailers’ margin... any attempt will render most service stations unsustainable. The industry already approaches 4,000 retrenchments due to hardships.”

Forecourt convenience stores to transform

For those operating fuel retail stations the current situation puts them between a rock and a hard place, according to the Franchise Association of South Africa (Fasa). On the one hand handling the challenges of the international fuel crisis coupled with declining volumes and profit margins, onerous legislation from both government and industry standards and labour issues; on the other hand, balancing much needed income streams from forecourt shops and other services to make up the shortfalls and ensure the sustainability of their businesses.

Creativity in convenience retailing is key to the future of fuel convenience, states to Mark Wohltmann, director of NACS (National Association of Convenience Stores), who will be a speaker at the FRA Conference. “As electric vehicles become a reality, service station owners then need to add convenience stores, fast food and beverages, car washes, car and trailer hire, with electric or hybrid vehicle charging spots, laundry services or even future potential in pharmacies on the radar to make ends meet.”



Fuel retailers forced to find new ways of creating value

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“The future of the fuel retailer lies in creating a competitive edge,” says Reggie Sibiyi, CEO of the FRA. “As an important sector in South Africa, we need to learn from our international partners like NACS as they are way ahead of us in tackling this fine balancing act. Our fuel and convenience retailers need to be prepared to change with the times, recognising the need to move from the needs of the vehicle to the needs of the driver and his passengers.

“In other words from defining our customers as drivers in cars who want to refuel to defining customers as people on the move who need a whole variety of goods and services – which they can easily and conveniently get at a fuel forecourt.”

The [FRA conference](#) will also be hosting various industry players including representatives from oil companies who will be sharing how they see the industry working together amidst these challenges. The conference will be held as a free hybrid event and will be hosted on 8 and 9 June 2022.

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