

The New Fuel Marketers Who, Why & How

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**Steven J. Montgomery
b2b Solutions, LLC**

New Marketers - Who, Why and How

- † Who are they?
- † Why are they entering the retail fuel market?
- † What happened in Europe?
- † Will it happen here?
- † What's the threat potential?
- † How can you compete?



Why Are They Entering The Market?

† Convenience stores

- Now a standard customer expectation in the U.S.
- Now a vital component of site economics in North America

† New entrants

- Maintain existing customer base
- Attract new customers
- Changing economics in core business



Why Are They Entering The Market?

† New entrants

- maintain existing customer base
- attract new customers
- changing economics in core business
 - » decreasing margins / increasing competition and expectations
 - » industry consolidation
 - » blurring of channels of trade
 - drug stores selling convenience, food, beer, wine, soda, tobacco
 - supermarkets selling HBA, PX, home meal replacement
 - mass merchants selling HBA, PX, soda, food



How Are They Seen By The Customer?

- † One stop shopping
- † Clean modern friendly alternative to gas stations and c-stores
- † Lowest gasoline prices
- † Environment more friendly to women
(supermarket customer base 77% female)



How Do They Compete?

- † Unattended
- † Often dual prices
 - street price
 - host customers' price
- † Heavy use of technology
 - loyalty marketing
 - » mag. Stripe
 - » bar code readers
 - linking gasoline prices to in-store purchases
 - cash acceptors
 - » ATM type
 - » free standing machines



Numbers to Ponder

† Investment for super/hyper gasoline
Installation: \$300,000

– average for c-store's gasoline equipment: \$238,700

† Gross margin generated

GPM	\$GM @ 1/2 NACS 5 year average
100,000	\$75,000
125,000	\$93,750
150,000	\$112,500

GPM	\$GM @ 3/4 NACS 5 year average
100,000	\$112,500
125,000	\$140,625



North American Realities

† Will not happen at all supermarket or hypermarket locations

- space needed: of 16-22 parking spaces
- local regulations
- many companies do not want to “hurt” their food image
- some only want to do it if they do unattended
- min. suggested by some suppliers to make work -150,000 gpm

† Some reported dynamics

- volumes below projections
- margins above projections
- one consulting/supplier group originally predicted 25% of all sites - now believes 12-15% more realistic
- zoning can take up to 3 years in parts of the country



Incentive



What Can You Do To Compete?

† Differentiate

- don't wait / do it now
 - » determine current positioning
 - » develop desired positioning
 - » evaluate feasibility
 - » take action / measure results / repeat
- superior facilities
- superior service
- destination Stop
 - » QSR
 - » dry Cleaning
 - » banking



**For More Information On
The New Fuel Marketers
Who, Why & How**

Contact

Steven J. Montgomery

b2b Solutions, LLC

240 Dover Circle, Suite 101

Lake Forest, IL 60045

847.295.2418

sjm@b2bsolutionsllc.com