Good to Go: Fuel Retailers Are Improving the Customer Experience

By Karlson Sidhu

Fuel retailers are increasingly focusing on improving their convenience store operations and customer experience to combat profitability pressures.

Operators in the Fuel Retailing industry have had to contend with significant fluctuations in the world price of crude oil over the past five years. Subdued demand growth for fuel and intense price-based competition have placed pressure on profit margins, with industry players Viva Energy (trading as Shell) and Caltex recently indicating that their fuel retailing businesses will record declines in profitability for the second year in a row. Overall, industry revenue is expected to contract at an annualised 0.7% over the five years through 2018-19, to $39.0 billion. This trend includes anticipated revenue growth of 1.5% in 2018-19 due to rising fuel prices.

To combat profitability pressures, industry operators have sought to improve their convenience retail offerings and customer experience. Industry operators Coles and Woolworths have increasingly focused on adding value to their convenience store product range to boost margins. In addition, both companies have established alliances with petroleum product wholesalers, with Coles partnering with Viva Energy (through the Shell brand) and Woolworths partnering with Caltex. These alliances allow Coles and Woolworths to deliver fuel discount vouchers and loyalty points at their allied service stations. Fuel retailing revenue generated by Coles Express is expected to decline at an annualised 7.9% over the five years through 2018-19, to $5.4 billion. Woolworths’ fuel retailing revenue is anticipated to contract at an annualised 8.7% over the same period, to $4.5 billion.

Fuel retailers have also opened premium retail establishments at service stations in a bid to boost profitability. Puma Energy began opening 7th Street-branded cafes to its service stations in 2016 and Caltex opened its first Foodary-branded outlet in 2017. BP has also adopted this strategy, signing a partnership with David Jones in August 2019. This partnership aims to attract high-income customers that are less interested in petrol prices by providing high end groceries and barista-made coffee. Ten BP locations in Sydney and Melbourne are
Good to Go: Fuel Retailers Are Improving the Customer Experience

expected to introduce the David Jones concept over the next six months, targeting urban areas with time-poor and health-conscious customers. BP’s industry-specific revenue is expected to fall at an annualised 8.4% over the five years through December 2019, to $2.1 billion.

In addition to introducing its Foodary cafe brand, Caltex has sought greater control over its retail offerings by buying out the franchise retail sites at its service stations. This consolidation will allow Caltex’s Star Mart convenience stores to smoothly roll out new offerings. Caltex has also sought to improve the customer experience at its service stations by introducing the FuelPay feature on its mobile app. The feature allows customers to pay for their fuel without having to go into a store and queue. Caltex’s industry-specific revenue is expected to increase at an annualised 0.8% over the five years through December 2019, to $4.9 billion.

Related reports:
- Caltex Australia Limited
- Viva Energy Holding Pty Ltd
- Woolworths Group Limited
- Puma Energy (Australia) Holdings Pty Ltd
- BP Australia Investments Pty Ltd
- Fuel Retailing in Australia

For more information, please call us today on (03) 9655 3881