

## DIGITALISATION

# The future is digital



**Digital transformation is key to the future of retail fuel operations, according to Accenture's Neale Johnson, Managing Director and Fuels Retail Lead, and Brian Gray, Managing Director and Fuels Retail Lead for North America.**

Major changes are shaking up fuel retailing. Large, disruptive macro-forces are on the horizon, ranging from technology advances (such as electric vehicles (EVs) and autonomous vehicles) to changing consumer behaviours and new market dynamics. In fact, Accenture's Disruptability Index, which charts the vulnerability to digital disruption of over 3,000 companies across 20 industries, puts energy – including fuel retailing – in the most volatile and 'likely to be disrupted' quadrant.

Fuel retailing is characterised by disruptions unlocking new sources of value, such as EVs and changing consumer demands for 'seamless' experiences. For example, the emergence of autonomous vehicles may bring a shift to more business-to-business sales, as autonomous vehicles are more likely to be fleet-owned than individually-driven cars. We are also seeing more energy supermajors (like BP and Shell) experimenting with ultra-fast charging stations for EV drivers.

Old sources of strength are becoming new areas of

vulnerability. An industry which has changed little since the introduction of the credit card, is now undergoing constant disruption.

Consumer behaviour is a big part of this change. Consumer attitudes have been re-shaped by the likes of Amazon, Netflix, Apple and other retail and service providers. Consumers now expect that the companies with whom they do business know their preferences and buying patterns, and are ready with personalised offers. This level of experience has become essential for new brand loyalty.

But the behavioural changes go beyond purchases of fuel and food. More and more consumers are abandoning car ownership in favour of other options like ride-sharing, car-sharing and public transportation. In an ageing population, older drivers also tend to log fewer miles. Remote and home working continues to increase, and video-conferencing and other options reduce the need for business travel.

There have also been major changes in cars themselves, making

cars safer to drive, easier to maintain and more readily connected to the Internet, mobile phone services and apps. Many cars are now extremely fuel-efficient, meaning fewer stops for fuel, food and related items.

## New technologies

While new technologies have altered consumer behaviour, they have also had a significant impact on the way in which fuel retailers run their businesses. For example, retailers can now take advantage of data and analytics to deliver personalised offers to consumers, and they can aim marketing programmes at increasingly narrower segments of the driving population.

The credit card was a major innovation last century, but now consumers have a host of options including payment via mobile apps. Take an important payment innovation – the introduction of 'pump and pay' in the 1980s – which heralded a continuing trend toward automation, both at the pump (particularly in the US) and, increasingly, inside the forecourt convenience store (c-store). Vendors now offer automated equipment which can manage all fuel station activities via a user interface. Meanwhile, automatic vehicle identification helps ensure control over both attended and unmanned sites.

Many other innovative technologies are also taking hold in fuel retailing. These include the Internet of Things (IoT), artificial intelligence (AI), robotics, blockchain and application programming interfaces (APIs). New tools enable the fuel retailer not only to track customer spending and usage, but to offer customers what they want, when they want and at the right price. Retailers are already using the connected car (part of the IoT) to communicate offers to drivers and are putting blockchain and APIs to work in opening loyalty programmes to multiple partners. Some retailers have started using AI to identify the best time of day to contact consumers, with purchase offers based on past clicks and website visit data.

## Vision of the future

The future of fuel retailing is starting to take shape. Although there are many unanswered questions, some elements are becoming clear. Both the fuel and the food experience will be better

As electric vehicles (EVs) account for a greater share of the car parc in the future, fuel retailers will need to provide high-speed charging stations at their forecourts, combined with opportunities for EV drivers to rest, work and dine

Photo: BP

and faster for consumers. By responding to personalised offers delivered through their cars and phones, drivers will be able to pre-order food and beverages, with orders ready upon arrival. Payment will be made through their mobile devices, their [Internet] connected car or a simple swipe of their credit card at the pump.

Fuel retailers will enter into more partnerships with vendors of food and coffee, giving consumers a broader range of options from which to choose. [Editor's note: The US tends to lag UK initiatives in terms of food and coffee partnerships in retail fuel operations.]

Loyalty programmes will be broader and more innovative. As with food and beverage sales, programmes are expanding to include new partners and special offers, and may include tie-ins with frequent-flyer programmes, hotel chains, rental car companies and other organisations outside the immediate scope of the fuelling station.

Meanwhile, as EVs proliferate (with over 350,000 such vehicles sold in the US alone in 2018 – an increase of 81% over the previous year, according to Accenture's 2018 Fuel Retail Survey), the fuel station experience will change to encompass EV owners as well. Retailers will increasingly provide high-speed charging stations combined with opportunities for EV drivers to rest, work and dine.

### Behind the scenes

Technological change will extend far beyond what the retail customer experiences at the forecourt. Owners are using digital solutions to increase operating efficiency, obtaining better management of inventory, stocking and logistics by using data and analytics to conduct trend analysis and visualisation.

Service station owners are also realising efficiencies using the IoT, AI and blockchain to optimise purchasing and make better pricing decisions. Blockchain, for example, can help fuel retailers co-ordinate purchases from multiple suppliers and may cut down on the use of third-party distributors. The IoT can alert retailers when stocks of a product are low and, when linked with AI, can automatically order specific items. Given the highly constrained margin environment, even modest savings can have a significant bottom-line impact.

As the future takes shape, fuel retailers recognise the importance of the digital revolution and are stepping up investments in this area. Accenture research indicates

that more than eight in 10 (81%) of fuel retailers plan to increase their investments in digital solutions over the next three to five years, and 45% plan to increase these investments significantly (by 20% or more).

### Realising the vision

Recognising the importance of digital technology and committing to the appropriate level of investment are vital elements of success for fuel retailers in a digital future. Achieving a fully realised digital vision, however, requires strategic planning and disciplined implementation.

Accenture believes there are four major steps in the strategic planning process:

- *Transform the core.* This means building more competitive cost structures to improve flexibility, increase profits, and drive up investment capacity. Initiatives may include e-commerce integration, leveraging customer analytics or accelerating product development.
- *Grow the core.* Once investment capacity is increased, it should be redirected to support incremental growth in the core business. This may mean entering new partnerships, conducting new product trials or testing site innovations. Fuel retailers, for example, can establish pilot sites to gauge the effectiveness of fully automated pumps.
- *Scale the new.* While growing the core, the organisation should work at identifying and scaling up areas that are growing adjacent to the core. This can entail piloting new business models or integrating new ventures in areas such as EV charging.
- *Pivot wisely.* It is important to maintain pace and balance as 'core' and 'new' businesses often need to co-exist for a substantial time (for example, petrol pumps and EV charging stations may share the same site for the foreseeable future).

### Disciplined implementation

Fuel retailers need careful, disciplined implementation to succeed in a digital environment. This requires attention to key elements such as data and analytics. Analytics underpin almost all digital initiatives. They are key to understanding the customer and providing the kind of

personalised offers customers are coming to expect from online transactions.

With the right data and analytics, fuel retailers can identify the service and product providers that their customers seek. The ecosystems can be both commercial and technological, ie retailers can team-up with start-ups and other technology innovators to test new ideas, offerings and technologies. Some 49% of fuel retailers Accenture surveyed said their primary reason for entering into strategic partnerships is to access innovation and new technology.

The retail fuel organisation should take a comprehensive approach to digital and innovation. The implementation plan should derive from the overall strategy and should incorporate both operational and customer-facing aspects. The operator also needs to be able to deliver at pace and at scale.

It's worth remembering that people – not software or devices – will determine the success of the digital transformation. Investment in training and development, as well as in software and hardware are essential, since automation enables human employees to engage more with customers.

### An uncertain future

Prevarication should be avoided as nobody 'really' knows what the future of fuel retailing will look like. There are multiple variables, including the emergence of new vehicles, new fuel sources and new concepts of ownership. For example, the ultimate impact of autonomous vehicles on car ownership and fuel consumption can only be guessed at.

There are also new business models for fuel delivery, like Yoshi, an ExxonMobil-backed start-up, which delivers fuel to cars in more than 20 cities in the US and offers car washing and maintenance services, such as oil changes and wiper blade replacement.

There will be other new entrants and further blurring of industry boundaries. However, fuel retailers who understand the implications of the digital revolution – and make the strategic commitment in terms of digital investment, planning and implementation – are far more likely to succeed than those that stick to traditional ways of doing business. Fuel retailers should be able to identify emerging threats and opportunities and act swiftly in response. Digital technology provides the capabilities needed to get this done. ●



Photo: BP