Imagine a world without service stations – you may think it impossible or, at best, improbable. However, with the increase in purchasing of alternatively fuelled vehicles (AFVs), fluctuating fuel prices and the invention of mobile applications for fuel delivery, it is possible that the requirement for filling stations could be called into question. The traditional fuel retail industry is changing and retailers need to evolve to keep pace with those changes. Less than 50 years ago we relied on airmail for overseas communications. Today, video chat forums enable instant, real-time, visual communications at the click of a button. Fuel retailers must start planning for the next wave of the digital revolution.

Undeniably, there are many challenges facing this industry. In the last 25 years the fuel retailing sector has undergone a major shake-up, with the number of forecourts in the UK declining from 19,465 sites in 1990 to just 8,472 at the end of 2015 (see p7). This has been attributed to a number of influencing factors, including increasingly tight margins, regulatory pressures and changes in customer expectations and behaviour.

When considering the evolution of customer behaviour and demographics, it is clear this has been driven by the technology changes of the digital revolution. Research by Accenture shows that nearly half of active mobile device users would welcome the opportunity to pay for goods and services using their mobile phone. The connected customer is a more demanding customer; using their electronic devices to quickly and easily find the best price for fuel and the most convenient location. Moreover, the digitally savvy, time poor customer needs the refuelling experience to match up with the rest of their lives in a way that is seamless and convenient. Fuel retailers need to consider whether their offerings meet expectations. If the customer expects to pay using their phone in their local shop, they will expect the same experience at a fuel retail site. If one considers that fuelling up at a forecourt is an everyday nuisance, it’s only a matter of time before people really adopt an innovation that helps them avoid doing this.

**Future alternatives**

Not only are customers becoming more demanding about retail services, the consistent demand for petrol and diesel may reduce with the rise of the alternatively fuelled vehicle (AFV). As such, fuel retailers may need to think about reinventing themselves as energy retailers in order to stay relevant to the customer. Our research suggests that consumers are now more likely to purchase AFVs. In 2012, 54,000 AFVs (electric and hybrid) were sold out of a total market of 14.5mn. It is predicted this will rise to 367,000 by 2020. The reduced purchase of conventionally fuelled vehicles may mean that the customers’ requirements from service stations will change.

In the future, customers may not be re-fuelling at the pump dispenser, but charging their electric car whilst doing their grocery shopping. Of those who do continue to purchase petrol or diesel cars, buying fuel at service stations may become a thing of the past. Take ‘Filld’, a start-up which offers a petrol delivery service enabled by a smartphone app. Consumers simply download an app, log their details and a tanker is sent to re-fuel their vehicle. If the services of the fuelling station are being replaced by a delivery van,
what will this mean for the traditional fuel retailer? Faced with these challenges, it makes sense for fuel retailers to consider diversifying and explore alternative opportunities for their sites. What does the customer need other than fuel? Do they want groceries, a click-and-collect delivery or a dry cleaning service? Those who explore these options will uphold a competitive edge.

Is the fuel retailing industry equipped to manage the ever-changing customer demands, the growing adoption of new technologies and the reduced need for the traditional forecourt? If the industry is to remain relevant with the advent of hyper-connectivity then a paradigm shift is needed – from traditional service station to a hub, which delivers to the expectations of the connected, digitally literate customer.

Customer connections

Whilst most retail experiences, from the high street to the local takeaway, have been revolutionised, the pace of change at traditional service stations seems slower. Leading supermarket chains are now analysing the end-to-end customer experience and using the latest digital technology to provide an augmented shopping experience, complete with interactive tables, digital displays and touch points providing real-time product information.

In 2015, 72% of retailers were classified as offering seamless omni-channel capabilities to their customers. Over the next five to 10 years technology will allow for this figure to increase and retailers to offer more varied functionalities. Digital has become a fundamental aspect, influencing the purchases customers are making. In a recent survey it was found that 58% of respondents read product reviews online and 48% use a mobile to select a product colour or size.

A recent survey of UK independent fuels retailers, conducted by Accenture in conjunction with the Petroleum Retailers Association (PRA), indicated that the fuels retailer is not aware of the importance of technology as an enabler in the retail sector. Only 2% of respondents stated that they believe that having the latest technology on site is a key factor for success in the industry. If retailers are not prepared for the demands of the digitally savvy customer, they may be outcompeted by those enabled by the latest technologies.

In some areas, however, fuel retailers are adapting to the changing needs of the consumer. For example, Petron in Malaysia has embraced the idea of customer-first service by turning its 55 sites into ‘safety hubs’ where people can seek help from trained staff in the event of emergencies. These fuel retailers are actively seeking ways to engage their customers in order to become differentiated from the competition.

Experience instead of product

How should fuel retailers navigate the digital landscape to remain relevant and ensure success? Savvy fuel retailers can help to mitigate the potential decline in footfall by re-inventing the forecourt as a destination service centre. To do this and to maximise return on investment, an intimate understanding of customers is needed.

Customers are now empowered by a wealth of information, and it is no longer guaranteed that consumers will remain loyal to a brand. Research has demonstrated that 64% of customers switched provider in at least one industry in 2015. Retailers cannot afford to be short-sighted when understanding the needs of their customers. The independent retailer survey conducted by Accenture in conjunction with the PRA, demonstrated that over 80% of independent fuels retailers receive no management information from their brand providers; yet 22% believe that improving customer insight would be a key way to add value to their operations.

Therefore, there is an opportunity for growth, enabled firstly by using data to understand customer demand, and secondly evolving to meet and exceed their expectations.

The rise of AFVs poses a genuine risk to the survival of the traditional service station. However, the trend, if understood, provides an opportunity for diversification of offerings to attract a wider customer base. With the increase in purchasing of electric cars, fuel retailers need a strategy for determining the optimal future fuel profile for their site, and take steps to ensure that the entire site is aligned to the particular fuel mix profile. With 72% of potential electric vehicle owners preferring to go to traditional fuel retailers for their charging services, according to research, retailers can adapt to the customer needs by providing a complementary offering. The industry needs to facilitate a perception shift of service stations from being a provider of a distress purchase, to being a desirable destination.

How can a fuel retailer embed themselves in the lives of their customers? In today’s quest for loyalty, each interaction provides a new opportunity to deliver an engaging experience and enable customers to discover new services, products and promotions. The proliferation of mobile data will also enhance this planning process. Retailers can already purchase data from mobile phone network providers to analyse patterns of behaviour. Where are people congregated at different times of day? What are the travel patterns of the general population in a particular area? When analysing potential partnerships with other brands, internet browsing patterns will be a vital source of insight. This provides the retailer with a chance to customise their services, tailored to the real-time needs of the customer.

Technology can be utilised in order to augment the customer experience and capitalise on the need for convenience. Retailers can make the most of increasingly rich sources of data from connected devices and in-store sensors to gain new insights into customer behaviours. Utilising mobile functionality is likely to have a positive impact on the customer, brand, bottom line and offer competitive advantage.

Adaptation of this kind is a must in the ever-challenging fuel retailing environment, in which the service station needs to be rapidly re-imagined as an ‘energy hub’ if it is to remain relevant to diversifying customer needs. This will require selective investment and collaboration with third-party providers. It is the high performers who see the changing fuel retail environment as an opportunity for market growth that will become the disruptors and not the disrupted.
