DIGITALISATION

More than fuel in the future

To survive and thrive in an increasingly challenging market, fuel retailers will need to keep an eye on new trends, such as autonomous vehicles, which may change the game entirely. Neale Johnson, Managing Director and Fuels Retail Lead, Accenture; and Mark Gregg, Lead Solution Architect, Digital Fuels Retail, Accenture, report.

The competitive environment in the forecourts sector keeps changing, with new elements added to the mix all the time. An already volatile combination of elements includes the proliferation of electric vehicles (EVs), which are expected to account for 14% of all vehicles on the road in the UK by 2020. Elsewhere, the pace of growth is faster — for example, EVs already make up 30% of all new car sales in Norway. The personalisation of marketing campaigns and the vast expansion of data from new sources will also have a key role to play.

Beyond these factors, fuel retailers must also deal with growing pressures on crude margins, the rise of ride-hailing services such as Uber, and — on the distant horizon — the emergence of autonomous vehicles.

For fuel retailers, assessing the impact of these and other developments — and then making the necessary investments in material and human resources — is the key to future success.

Digital revolution

Digitalisation is high on the agenda of many businesses these days and will be of benefit to fuel retailers and their customers alike. Digital tools enable the retailer to collect and assess customer spending and usage data to understand broad trends and offer the customer exactly what he or she wants, at exactly the right time. For example, customers have come to expect customers to have come to expect

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can identify potential new revenue sources and build brand loyalty.

These digital trends are central elements in the fuel retailers’ transition to a digital environment. The key elements are:

Customer connectivity

Connectivity between devices and the use of the Internet of Things (IoT) is growing at an unprecedented rate, with vehicles themselves becoming ‘computers on wheels’ linked to a universe of service providers. Forecasts predict as many as 400mn connected cars on the road worldwide by 2030.

Scenarios are developing in which customers use GPS to select the optimum fuelling station while in transit, then pre-order coffee, pre-pay food, check loyalty offers and promotions, and be told in advance which pump to pull up to – all via their mobile phone.

Fuel retailer connectivity

Retailers can use connected devices and the IoT to conduct preventive maintenance. Data from petrol pumps can record flow rates, while thermometers make regular temperature readings and sensors identify peak usage times. This information can be gathered and analysed – using predictive analytics – to prevent downtime and deliver a quality service, either in the store or on the forecourt.

Application programming interfaces (APIs)

APIs allow companies to share and connect software, platforms and applications with each other. One example might be a partnership between car manufacturers and supermarkets that allows goods to be ordered from the car and collected at the supermarket. APIs provide the basis for the omni-channel, connected experiences customers have come to expect.

Robotics

Automated pumps have already become quite widespread, as has the use of robotic process automation (RPA) to synchronise payment systems with loyalty programmes and the presentation of additional offers to the customer. The next phase of development will involve not only robotic fuelling devices (already in the pilot stage), but also some new concepts, such as home delivery of fuel.

Cloud

By using cloud environments, fuel retailers and other providers can deliver real-time software updates for in-car services, without the customer needing to initiate the change. In this context, the cloud supports immediate communication with the customer while helping gather useful data on customer preferences and interests.

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While technology provides the foundation for the digital revolution in fuel retailing, forecourt operators hoping to grow profitably in a digital environment will ultimately need to forge stronger bonds with their customers. With information at their fingertips and expectations formed by sophisticated online players, customers will be more demanding than ever.
An individual approach
As noted, customers are now expecting the same level of service from their fuel retailer as they get from other online retail companies. Fuel retailers hoping to meet these expectations must take into account customer expectations. For example, electric vehicle drivers waiting for their cars to be charged may be more willing to take a break, sit down and eat – something not typically associated with a fuelling station.

To address this opportunity, fuel retailers are creating hubs with seating areas and wi-fi service. They are contemplating the addition of other offerings such as car maintenance, hair care and fitness centres. Analytics can help identify employees with the needed skills and orientation, while automated, on-line training programmes can keep employees current with new offerings.

With continuing uncertainty about crude oil prices and fuel demand trends, supermajors are seeking to generate more growth from their fuel retail operations. Indeed, as upstream activities slow, supermajors’ financial results are showing increased margins in retailing, both in the forecourt and in convenience stores. But retailing is a highly competitive market, so brands need to differentiate their customer experience as much as possible in order to attract and retain customers.

Picking up the pace
Innovation is important, but the speed of innovation is equally key. Industry disruptors move quickly and fuel retailers need to keep up the pace. Fuel retailers should test proof-of-concept rapidly, with fast pilot programmes designed to reduce the time it takes to get from idea to reality. Retailers should not be afraid to fail, but should do so quickly, learning from the experience and moving on to the next thing.

Ideas for innovation need not come strictly from inside the industry. Fuel retailers should observe trends in online retail, mobile communications, banking and other sectors, and adapt workable ideas to their own fuelling stations.

Taking the right steps
With such a dynamic environment, where should fuel retailers start in their quest for profitable growth? There are three immediate steps that can be taken:

Gather the right data
Organisations should be identifying their future data needs, which may range from data on electric vehicle sales and changing customer food preferences, to information on new connected car services. This data serves as the foundation for a properly targeted digital marketing strategy.

Establish a market position
The fuel retailer needs to determine what it wants to be known for and whether the right mix of services is on offer. In addition to geographic locations, the retailer should determine whether the existing technology infrastructure is suitable for the proposed strategy and what upgrades might be needed.

Build new alliances and partnerships
Fuel retailers should look at current partnerships and open conversations with current partners and suppliers, while exploring prospective alliances with new partners and third parties. It is essential to understand what is on the horizon and what needs to be in place to thrive in an increasingly digital future.

Fuel retailers will need to make the right decisions and changes quickly, against the larger backdrop of the digital revolution. Digital technologies – including the cloud, analytics, big data, mobility, interactivity, robotics, machine learning, artificial intelligence, the IoT and multi-channel marketing, are transforming the relationship between businesses and their customers.

The customers – with ready access to huge amounts of previously unavailable information – can compare and evaluate offerings in detail and within seconds. Conditioned by digital marketers from top technology companies, customers expect better experiences from all providers of goods and services, including fuel retailers.

Confronting an uncertain future is a difficult undertaking. However, fuel retailers that collect and analyse the right data, and then develop and execute a comprehensive digital strategy with new partnerships and new sources of expertise, stand the best chance of building customer loyalty and ultimately outpacing both traditional and non-traditional competitors.