

streetwire

forecourt retail edition

retail property market opinions from mace retail

Streetwire – Petrol Forecourt Issue

Welcome to this special issue of Streetwire which is focusing on the petrol forecourt retail sector.

The forecourt market is one of the most interesting retail sectors in the UK at the present time. It's a market that is undergoing many changes, having experienced rising commodity, utility and fuel costs over the past 12 months. Despite uncertainty in the UK and global economies, we have thrown down the challenge to several well-established figures in the industry and asked them to predict what will happen during 2009.

Experian Catalist is a leading global source of information and analysis on petrol and retail forecourts. Since it was founded in 1993, it has established itself as a leading provider of petrol forecourt information in Western Europe and beyond. Our contributor, **Arthur Renshaw**, has over 32 years oil industry experience and is Experian Catalist's expert on the retail side of the oil industry and a regular contributor to various industry journals and conferences on the forecourt sector. In his article he is fairly optimistic that, with their ability to react quickly to market changes, the independent sites will be leading the market in the coming months.

Gulf Retail is the UK's fastest growing independent forecourt brand. Director **Keith Jewers** has been in the oil industry since 1988 and was an integral part of Gulf's forecourt activity which saw the company double its market share. He sees the potential for some terrific opportunities in 2009 but also warns of the dangers facing organisations that misjudge the market.

Finally we have a view from the press. Retail Week is the UK's leading provider of retail industry news, key retail market reports and data. **Ben Cooper**, the publication's property correspondent, examines the trend of forecourts changing into convenience food retail sites.

You'll find a variety of interesting and stimulating views outlined below. It will be interesting to see how the industry actually looks when we revisit again at the end of the year. As ever, your comments on the content of this issue of Streetwire are welcomed.

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Articles from Experian, Gulf, Retail Week



Arthur Renshaw
Manager UK & Ireland Experian Catalist



Operators in the forecourt industry are experts at surviving – particularly in the independent sector. If they have survived this far, it is largely because they have been adaptable to changing market conditions. And so they will continue to take advantage of opportunities, even in the tough year ahead.

The main opportunities in the current market lie in providing high quality convenience stores with an extensive offer. Particularly good examples of where we expect the market to go can be found in the Irish market – both in Northern Ireland and in the Republic. At the 2008 Forecourt Trader of the Year Awards sites from Northern Ireland again took a number of the top honours for forecourt shop excellence.

A recent review of the UK property market by the valuers Christie & Co indicated the Retail sector to be holding up well through 2008, experiencing only a six per cent decline as opposed to a 16 per cent plus decline experienced by other

commercial sectors, such as hotels, restaurants and pubs. And within Retail the convenience store sector continues to be amongst the fastest growing areas and this is particularly driven by its association with forecourts.

Although the very high asking prices seen for petrol stations in 2007/early 2008 have declined, the purchase prices for forecourts with good quality convenience stores are still holding up. They are more buoyant than any other commercial property sector and we expect them to hold up during the coming year. It is anticipated that through 2009 there will still be a queue of prospective purchasers, which will include new entrants and maybe private equity, looking to buy well located forecourts with the potential for a good shop offer.

The reduction in forecourts has been slowing for a couple of years and will continue to do so, with probably less than 150 closing in 2009. The collapse of the housing and commercial market means that developers are not looking for former petrol station locations to develop for alternative use in the same way they were several years ago.



Arthur Renshaw continued

I would expect we will see total fuel sales remain about the same as in 2008, but the volume will move between sectors. The company-owned sites on major highways, with a largely transient customer base, may experience a slight decline; supermarkets will continue to pick up volume; but the market will mainly be driven by the independents in busy residential areas and we will probably see an increase in the number of independents with good convenience store offerings by year end.

The 'credit crunch' is having a significant effect on how consumers shop. They no longer go to the supermarket just for a few items. They don't want to be tempted to buy stuff they don't need and they don't want to spend the time queuing at busy checkouts or have to find a space in a large car park several minutes away from the store.

Rather, they are buying bulk items at the supermarket and topping up their shopping on a daily basis at the forecourt convenience store, where they can make their purchases in a matter of minutes as well as buy fuel if they need to.

It's not that many years ago when no one would buy food at a petrol station unless they were desperate. But now the consumers see that the forecourt convenience store offers

high quality, good service and at fair prices they are more than happy to use their local forecourt. A forecourt with a good location, with a large and local consumer base, is now tending to use fuel, where margins are low, as a footfall driver for the convenience store and through 2009 we expect to see growth in both the food and non-food sectors



The sites at risk will be the single site operators with poor retail facilities who have made no investment. However where the location is right we will not see these sites closing in 2009 but more likely being bought up by other existing operators who have seen the opportunity to develop the shop offer.

So another challenging year ahead, but one that will have opportunities for those who recognise what the consumer wants and have some money in their pocket for investment.



Keith Jewers
Director Gulf Retail



Times are changing in the forecourt market. Not long ago there were 20,000 petrol stations in the UK. Today there are around 9,000. In the last couple of years we have witnessed a rather frenetic market for acquisitions as the oil companies divested themselves of sites, taken up largely by the independent sector.

Alongside the independents are supermarkets, which now have around 30 per cent of the market. They take a dominant role and bring their retail experience to individual sites. The result is a situation where for the first time, forecourts are being established as shops with pumps, rather than pumps with adjacent shops.

So how will this industry continue to change, set against our current economic climate? We have a situation where fuel sales dropped an average of 20 per cent when the price reached £1.30 a litre last year, and have never recovered.

Despite prices reducing recently, roads have remained quiet. We have seen businesses maintain the efficiencies of distribution brought in during last year's record high oil prices and consumers still assess the necessity of making a journey, rather than just jumping into their cars.

But, more positively for forecourt owners, shop sales are showing a steady growth. Ours has always been a sector to thrive on individual, entrepreneurial flair and for those companies that have invested in alternative income streams, there are good opportunities in the coming year.

Smaller locations in particular have to make the most of the footfall coming through their forecourts with complimentary businesses, be they car washing, fast food or coffee shops. As we have found at Gulf, when you get the convenience food store concept right, it encourages significant increase in purchases. *Forecourt Trader* recognised our initiative in this area at its awards last year, with Gulf picking up the Best Oil Company Initiative for its shop consultancy program.

This is a finely costed business where a fraction of a pence change can make a significant difference to the businesses performance. The skill is in getting the details of the business right. If you can, then a business can still do very well. If it doesn't, then it will hit problems. I think there are great opportunities for those that get it right and don't lose sight of the long term strategy during these difficult times.





Ben Cooper
Property Correspondent for Retail Week



When it comes to store acquisitions, there is one golden rule: location is key. This is particularly true for the convenience retail sector, where ease of access is so crucial. As many petrol stations fold in the unforgiving climate, canny retailers are snapping up their space for its convenience.

The fact that supermarkets are taking on the big forecourt players has adversely affected the industry and the final killer blow has come in the form of recent rocketing fuel costs.

What is a disaster for some, however, is opportunity for others. While the majority of retailers' hatches are truly battered down, there are those with their minds on expansion. If growth is on the cards, many businesses aim for a speedy and simple acquisition process and the strife in the petrol station sector has opened the door for major

retailers to take over spaces that are perfectly suited to the convenience format they are expanding into.

One of the most significant advantages of operating out of such sites is that the time and cost of adapting them for retail use are significantly reduced. A benefit is there are no redevelopment issues in former petrol stations; no change of use application is required so there's no planning involved.

The buildings that petrol stations vacate can often provide the perfect space for the right retailer. The attraction of those units for stores is that they are already in strong locations either on the high street or out of town. Another fundamental advantage of former petrol stations is that they usually include decent parking space and for retailers this is a crucial requirement when considering new stores.

Will convenience food retailers moving into to forecourts become a growing trend? I think it could be.



WHY MACE RETAIL

In any period of change, flexibility and adaptability are key. Which is why Mace Retail partners with some of the most successful retailers and brands. Over the past 20 years we have provided our clients with the flexibility and experience they need to deliver results – from rebranding and upgrades to complete site refurbishments.

- **Experience of handling multi-site programmes across the UK – we understand out-of-hours working and how to minimise disruption to trading.**
- **Access to our own accredited retail supply chain – achieving maximum efficiencies without compromising on quality.**
- **Reduced capital expenditure – even in the most competitive environment, we have the expertise to give you quality at the right cost.**
- **Specialists in providing 100% cost certainty – we understand that budgets are not to be exceeded and deliver on or under budget for our clients.**
- **Customer satisfaction - we ask our clients to rate our performance and regularly achieve near 100% satisfaction score.**
- **ROI – we have developed streamlined management processes that give measurable value.**
- **We meet tight deadlines – we recently delivered 329 site refurbishments in 12 months.**
- **Understanding industry issues – we have people in our team with experience of the petrol forecourt industry.**

For more information on our activities and to read some of our case studies go to www.macegroup.com/retail or contact Carl Baldwin on +44 (0)7786 434 036