



To the Fore of Irish Retail

Garages might have declined from 2,500 in number a decade ago to around 1,200 today, but they have never been stronger. RETAIL NEWS talks to Frank Gleeson of Topaz Energy, the firm that owns Statoil and Shell, about why forecourt owners no longer refer to themselves as fuel operators, but as retailers.

Stopping and shopping at forecourts will never be the same again. While smaller service stations are diminishing, bigger stores with vastly improved facilities are opening. Much like the experience of the convenience sector - where 'ma and pa' stores consolidated into symbol

shops - the old garages and kiosks are going out of business to be replaced by larger service stations. By way of example, Topaz Energy and Dublin Port Company are set to open Ireland's largest service station next year. The station, located near the entrance to the Dublin Port

Tunnel, will encompass 4.5 acres and include parking for 43 trucks, a truckers' lounge and a full restaurant.

"We are very excited about this," says Frank Gleeson, Retail Director of Topaz Energy Limited. "It is going to be the biggest site in Ireland. How did it come about? There was an absolute need for it. The reality is, we have an entry port that doesn't have any fuel service station or convenience or food service. It is a one-off. You are not going to see a service station of this size everywhere, but you are going to see bigger service stations on our motorways. The NRA want to deliver 14 service stations on the motorway network over the next five years. You will also see larger sites in urban areas - probably an acre to an acre and a half in size."

Topaz Energy is heralding the way for the future. In 2005, Topaz purchased the oil product businesses of Irish Shell and Shell Northern Ireland. In 2006, it acquired Statoil Ireland. Today, Topaz has a strong company-operated network: 100 sites, of which 65 trade under the Fareplay brand. In total, there are 348 service stations in the Topaz network. Fareplay is itself recognised as one of the leading convenience forecourt groups in Ireland. As Retail Director, Frank Gleeson wears a number of hats - he has full responsibility for network development, marketing, and both Topaz's retail-company business and its retailer-dealer business. Prior to the purchase, he worked as Vice President of Retail of Statoil.

Business Services

What does Topaz offer forecourt retailers? "We have a full solution, including a dealer offer for fuel and lubricant brands. We are hoping to develop that offer further in terms of business services. We recognise that the dealer of today and the future has a higher level of service requirements. We also have a company-operated business that has been doing very well for the last five or six years and has developed a lot of expertise that we can leverage across to our dealer business."

From a convenience perspective,

Fareplay forecourts have flourished. Unlike many of its competitors, Fareplay is a hard working model that calculates sales per square foot in order to control costs and maximise profits. "You could be blinded by large sales, but the reality is that unless you are making good profit per square foot, then you are not really in the game," notes Frank. The proof is in the pudding: Fareplay stores are extremely profitable on both a square foot and a site-to-site basis.

The Changing Face of Forecourt

Irish forecourt offerings have changed dramatically. Ten years ago it was unusual to find a full-blown convenience store on a forecourt. Now it is practically impossible to find a forecourt without one. In 2007, consumers purchase 'food-to-go' alongside all the usual food and drink categories, and there are even off-licences on site. When the Statoil hierarchy first envisaged Fareplay, they were breaking new ground in terms of selling sandwiches, coffee and hotdogs. Now Irish forecourts offer everything from home meals to smoothies to wine.

"The deli counter has been a strong driver – a double-digit growth area," continues Frank. "We have a lot products that are capped in margin, like call cards and tobacco, newspapers and magazines. But with food, you can find margins of 50% or 60%, so it is a more attractive category. Food customers also return for repeat purchases."

And is it true that

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Mick Flynn, currently Topaz's senior commercial manager, single-handedly invented the Breakfast Roll in the early 1990s, when Statoil entered the Irish market? Frank laughs: "I was working with Mick at the time and we were developing the Fareplay brand. Mick was working with the product development team as shop development manager. He did come up with that product and when we put it out there, people liked it. The Breakfast Roll has become a phenomenal product: food-to-go, breakfast to go etc., is now a way of life." Furthermore, the very nature of forecourt retail makes it conducive to good business. These outlets have good parking - something that high street conveniences stores do not have - and a customer base that is arriving to purchase fuel. Is it any wonder why symbol groups are so interested in the forecourt channel?

Fuel Purchasing Patterns

Frank Gleeson is not swayed by concerns that rising oil prices will adversely affect forecourt trade because consumption is increasing, as is new car ownership. Nevertheless, fuel-purchasing patterns are changing. People might be purchasing more, but they do so in fewer quantities. The average fill is 30 litres, while the average tank is around 50.

What about the independent operators that charge huge prices per litre under the Statoil banner. Surely this can give the entire brand a bad name? "It can do, but the customers are very clued in," asserts Frank. "The reality is - and we are very clear on our position - we do not control the independents' prices because we can't. It's up to the individual operator to charge whatever he wants. Where we do control our prices - in our company-operated stations - we are price competitive and we are conscious that there is a balance between making a profit and profiteering. We all have to make profit, but the reality is that if you insult your customers then you are going to

be in the short-term game. We would rather charge fair pricing and make a fair profit, leading to long-term sustainability."

The Future

Frank is optimistic about Topaz's chances against new supermarket competition. Tesco have been in the market four years, but only have nine service stations across Ireland – a far smaller market penetration

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than the UK. The reality is that the convenience channel in Ireland is strong and is an entirely different proposal to the supermarket business, he says: "We compete very well against everybody in our channel."

What is in store for the future of Irish forecourts? "You will see less than 1,000 service stations across Ireland and further consolidation," says Frank. "Those service stations will be full service - high quality fuel, good technology, excellent facilities, great convenience, and other services that are convenient for customers. There will also be destination businesses like carwashes. You will see them operated to a very high standard. Everybody in the game will be linked to a strong brand. We will offer a strong, consolidated channel and we will continue to innovate Fareplay."

In garages across the nation, convenience food and drink purchases have become as important as fuel, he concludes: "In the food channel, we compete against the quick serve restaurants. We compete in the convenience channel against the convenience shops and symbol stores, as well as being a fuel business. We have become a roadside utility to satisfy people's convenience needs."