

South African fuel franchising sector continues to grow

According to the South African Petroleum Industry Association (SAPIA), the fuel retail sector contributes 8.5% to the South African Gross Domestic Product (GDP).



Ronél Fester

“There are more than 4,600 service stations in South Africa and a collected annual turnover in excess of R324bn. This industry has been gradually increasing over the past three years and we expect it to continue on the same trajectory over the next coming years,” says Ronél Fester, FNB franchise industry specialist.

Five key insights

Fester shares five key insights that continue to characterise this important sector.

Biggest contributor to the bottom-line: Fuel is still the main driver in this industry – the comparison ratio between money coming from a convenience store and fuel is about R1.20 to R1.40 per litre sold on the petrol station.

Alternative profit opportunities (APOs): Consumers enjoy convenience. As a result, more and more forecourts are becoming a one-stop shop. Consumers are now looking to do their banking, shopping, quick service meal and convenience shopping, while they are filling their petrol tanks.

Fuel loyalty programmes: This is no longer a question of can I do it or not, it is about how can I incentivise my customers and make them come back for more. If implemented well, this can be a very powerful tool to market your brand.

Technological advancements: With the ever-changing environment, fuel stations are diversifying their offering and streamlining efficiencies to have less cash on site. This also reduces the stress issues of handling cash for the business owner and consumers.

Leading in Africa: South Africa is the biggest consumer of fuel on the African continent, claiming more than 20% of the market share.

“Like any other business, the fuel retail sector is not immune to economic headwinds; in fact, it is not an easy sector to operate in. However, it is by far one of the industries that still offer growth potential for entrepreneurs that are looking for a proven business model that is lucrative,” concludes Fester.

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