business solution

e-enabling the gas station: convenience and communication center

white paper

prepared by
Cuneyt Buyukbezci
Senior Business Consultant
HP Consulting and Integration
introduction
In recent years, retail business in the oil and gas industry has come under competitive pressure through the changing landscape in the retail as well as the oil and gas sectors. The sudden fluctuation of oil prices, consumer behavior, increased competition, and weakened boundaries between different business sectors have taken their toll on gas stations – as have customer demand for cost-effective solutions and rising transaction costs.

Business transformation allows gas stations to turn this hostile climate to their advantage and improve their profitability. Transformation to become convenience and communications centers is the new business model for gas stations.

Advances in digital technology are ready to help gas stations complete the change successfully.

This white paper investigates the current business climate of the retail oil and gas business and how technology can help complete business transformation by turning challenges into opportunities.

oil and gas retail business climate
Retail business in the oil and gas industry has become very competitive in recent years because of the changing landscapes of both the retail industry as well as the oil and gas sector. Cost of supply, consumer behavior, increased competition, weakened boundaries between different sectors, business customer demand for cost-effective solutions and transaction costs have all affected the business climate surrounding gas stations.

Volatile oil prices and competition have been eroding the profitable growth of gas station business – at the expense of shareholders. The ups and downs in oil prices present gas stations with a high business risk and leaves them open to squeezed margins and potential losses. To minimize exposure and to differentiate themselves from their competition, gas stations are being forced to seek alternative revenue sources. Convenience stores, food service units and car service units with associated huge re-branding costs looked like the way forward for a while, so much so that few stations today lack these facilities. Pressures on cost of supply and differentiation from the competition still need to be faced – and they can be tackled through innovative business solutions.

Squeezed margins have led gas stations to seek ways to improve efficiencies and cut costs. Transaction speed and business processes to complete service transactions have had a significant impact on the cost of transactions and fixed investments. A solution that would boost the number of transactions per pump or free up staff for customer service duties could bring significant improvements at the bottom line.

In retail business, there is a growing trend for customers to demand easy access to individualized products and services. The consumer is asking for more and more personalized services. They choose those suppliers that treat them as an individual and are able to tailor services to their personal preferences. At the same time, consumers are looking for extra value without having to pay more. Services and products that are easily available at the consumer’s convenience, even on the move, make the difference. On-line business is a clear example of the growing trend in mobility and the desire for ease of access.

As consumer spending is linked directly to economic conditions, gas stations are at the mercy of a stable retail market. It is important for gas stations to have an effective go-to-market strategy that is a balance of business and consumer segments. Gas station business customers demand cost-effective services that will help them to improve their own profitability.

Digital technology is broadening the horizons of many industries, bringing businesses from different sectors into competition with one other. On-line business creates additional revenue for the proprietors – and also conflict with conventional businesses.

challenges
The economic conditions surrounding the oil and gas retail business have seriously affected margins. Unpredictable fluctuations of oil prices put profits at risk. Because of this, gas stations – which are operating in both regulated and de-regulated markets – are exposed to potential losses. To make the most of their business, they need to diversify and balance their revenues through the sales of non-oil and gas related products and services.

Investment and location costs of gas stations tend to be very high and, with lower margins and fewer services, investment return has become a long-term prospect. To counter this, gas stations need to introduce additional services to bring down per-service investment due to location and other fixed investments. Operational inefficiencies, which are especially associated with routine tasks in convenience stores – such as pricing, voucher-based promotions, voucher-based fleet services etc. – have cost impacts to the business. Meanwhile, pricing errors can lead to customer dissatisfaction, but manual pricing takes up staff time and can end up with poor shelf space management.
and lack of price optimization, which results in optimization costs.

In these competitive market conditions, gas stations are under pressure to win and sustain market share. Small gains in market share have a large impact on revenues. Customer retention is now the biggest challenge faced by gas stations. The problem is that they can offer little to consumers that will have the power to transform them into preferred suppliers. Even more than this, gas station customer patterns are relatively unknown, mainly because of weak customer relations. In a retail world where consumers demand personalized services, lack of consumer identification and verification at every purchase step brings very real disadvantages.

Moreover, it could prove costly to a gas station chain should it be left behind by the competition in overcoming these issues quickly.

gas station of the future – business transformation

The challenges of the retail oil and gas business can be met through a transformation to become the gas station of the future. Today’s retail oil and gas business can transform itself into the ‘Convenience and Communications Center’. C&C Centers are one-stop shops for consumers and business customers where they can take advantage of a variety of services at their own convenience – even remotely.

The gas station of the future will introduce new revenue sources that will help diversification into non-oil related areas and bring stability to the business. These new revenue resources will combine consumer needs – such as mobility, remote access and communications – with the convenience of the gas station. Internet café and mobile office services – such as printing and binding – will target consumers who are always on the move and demand mobile communications services.

Logistics, such as pick-up and delivery services, will take advantage of and add value to the convenient locations of gas stations. Package delivery to and from gas stations and rental car pick-up and delivery services are just two of the services that could be provided by the gas station of the future.

Introduction of new business-to-business (B2B) services is another aspect of the transformation. Fleet management services could help gas stations secure long-term, guaranteed income from business customers. Meanwhile, shopping catalogues will expand the reach of products beyond retail locations. Gas stations will leverage the unique advantage of their convenient locations to provide rapid delivery of Web-ordered convenience store products to the neighborhood.

Gas station of the future will introduce services to maximize the revenues from current offerings. Loyalty services will improve customer retention and increase the top spending. These loyalty schemes will also bring the advantages of knowing the consumer better and the ability to tailor services accordingly. This will help gas stations to improve their revenues from current offers through cross-selling and up-selling.

hp c&c center solution

Business can implement various point solutions to fulfill the needs of transformation. Customer promotions are attempts to address the loyalty issues. However, this lack of personalization is a long way from building intimacy and they are used mostly to promote discounts.

For B2B services, coupon- or voucher-based fleet services can be seen as solutions. But these types of ad-hoc solutions are cumbersome for B2B customers to use and, operationally, are very costly due to potential fraud and human error. Retail stores seek operating efficiencies by introducing processes such as shelf labeling by direct printout from POS systems. These solutions are still costly since they do need allocation of staff time, leaving them unable to address issues such as shelf space management.
The business transformation of gas stations requires an integrated technology solution, which will support the business transformation at all levels. HP C&C Center solution is designed to support the business transformation of gas stations to bring rapid return on investment for business.

The solution addresses the business requirements at all levels. At the user and access layer, the solution is delivered through devices such as PCs, PDAs, pumps, smart cards, vehicles and mobile phones. The services are made available to the users through this user access layer.

The applications layer of the solution is multi-layered and based on open industry standards. The front-end services are delivered through a mobile services portal, automatic vehicle recognition (AVR) systems, card capture systems, store retail applications and dynamic pricing management application. All these services are modular and integrated.

Logistics, delivery and pick-up applications, pricing, back-end retail application, fleet management, loyalty and ERP are the back-end applications.

All the front-end services and back-end services are integrated through middleware services. The components of the middleware layer are application server, messaging server and business process management servers, which will deliver the Enterprise Application Integration functionality.

The business-critical applications require always-on data center infrastructure. The underlying infrastructure for C&C Center solution is designed to cater business-critical needs. The infrastructure consists of highly available high-performing servers, storage systems, network and databases. End-to-end business continuity needs will be sustained by services management and security solutions.

summary
The HP C&C Center solution is based on open architecture and open industry standards and can come in modular fashion.

If some of these services have already been covered, C&C Center can be easily integrated into the existing infrastructure, to bring investment protection.

conclusion
Oil and gas retail business can meet the business challenges through business transformation from gas stations to “convenience and communication centers”. This business transformation can only be achieved by implementing an end-to-end integrated technology solution.

HP C&C Center solutions bring rapid return on investment by adding revenue generating services, cutting down the operational costs.

This new business model will help gas stations to increase their revenue by improving customer loyalty and adding new lines of business.

for more information
please contact your local HP representative or distributor.

http://www.hp.com

Technical information in this document is subject to change without prior notice.

© 2002 hp
Printed in the EU, 12.02