



The Knowledge to Decide

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A Blue Ocean Strategy for the Petrol Retail industry in China

Synopsis

Non-fuel sales account for less than 1% of China's petrol kiosk sales, but this proportion looks set to grow. Research findings from Spire Research & Consulting show that petroleum sales have been dropping amidst the recent economic downturn. Around the world, many kiosks are staying afloat with profits from non-fuel products. In China, however, even as companies are hard-hit by volatile oil prices, non-fuel sales through conventional petrol kiosks are still in their infancy.

Spire's findings, reflecting its research on the petroleum industry in China, show that non-fuel products are an increasingly popular tool for petrol kiosks to mitigate the effects of the recent slump. "C-stores [ie convenience stores in petro kiosks] have been popular in the West but recently made their way to Asia, in countries such as Singapore, Malaysia and India," commented Spire's director Elizabeth Koh. "These findings demonstrate that China is quite behind the region on this trend but will likely play catch up in the near future."

China's oil companies are facing a steep decline in demand, as a result of volatile petrol prices. With such a drastic change in the petrol retail landscape, oil majors and their kiosk partners would do well to diversify more into non-fuel sales.

The main products currently sold in China's petrol kiosk C-stores are bottled water and snacks. The profit from these products is relatively low. In the West, however, stores within petrol kiosks derive most of their revenue and profit from cigarettes and alcoholic beverages.

While China petrol kiosk C-stores are starting to incorporate more higher margin products, the process is bogged down by regulations. Acquiring certification

from the government to sell tobacco and alcohol at a petrol station is a difficult and tedious process.

The growth of the convenience store market is a reflection of the changing times: the evolution in household structures towards nuclear families, changes in eating patterns as well as increasing pressures on individual time, all of which have fed demand for convenience shopping. C-store visits are becoming more frequent and spend per visit is also on the rise. Going forward, the petro kiosk C-store market in China presents an attractive early-stage growth opportunity to oil majors, JV partners and franchisees alike.
