



Unity
in Action
NAVIGATING THE
CHANGING LANDSCAPE
Fuel Retailers Association

Fuel Retailers Association

FORECOURT TIMES



2022 | 2023

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Unity is key to our **Success**

At our inaugural Conference in 2015 the Fuel Retailers Association (FRA) adopted the 'Unity in Action' slogan because we felt that to be continuously effective it was important to be united - that is the key to success.

As we held our 5th Conference, and with the enormous challenges we face on all fronts - socio-political, environmentally and economically - now, more than ever, we refused to be divided and held the principle of 'unity in action' going forward as our guiding light.



FRA President Mike Motsoane

FOREWORD



The FRA is an association dedicated to pursuance of a sustainable retail industry that provides good returns on investments and security of employment. In its 28-year (2022) anniversary, the association celebrated a range of achievements in execution of its mandate and continues to focus on the challenges and opportunities that our industry is facing.

There is no denying that the fuel retail environment has become increasingly demanding and often stressful. Whilst change can be a positive driver of performance, it is when we fail to cope with that change that it has a negative impact on our performance.

A lot of issues need to be fought for and addressed as they all impact our businesses in one way or another. In the name of uniting our country and in the name of sustaining our industry and for the sake of our own livelihood and that of our employees, we need to play our part in trying to find solutions. The concern with unemployment is that there is a very real threat for ongoing revolts and it is all our collective responsibility to give youth the opportunities to take part in the economy.

- **Labour** - it's about jobs and protecting our front-line staff. As the FRA we get involved with wage negotiations because we need to work together to find that happy medium.
- **Retailers** need to work together - the impact of Covid, then the July riots & looting, coupled with the floods - impacted us all and with continuing price increases every month, times are tough but only if we unite can we overcome some of the issues we believe in and want to fight for.
- **Partners and stakeholders** like oil companies and suppliers need to work with us to solve problems and find solutions to not only the immediate challenges but also to engage in planning for the long-term.

FRA has, over the past few years brought together conference delegates and industry stakeholders to equip each other in unity to build new capabilities and to gain insights that will assist us

as business owners to become better people and to grow our businesses in collaboration with all our business partners who are oil companies, suppliers and other third-party service providers.

A big thank you to our lead sponsors that allow us to host our members at our conferences: Absa and Wholesale & Retail SETA in 2022 and Nedbank and the W&RSETA in 2023.

My special thanks to all the speakers at the conferences who come with such diverse and expertise knowledge from all spheres of life. Their contribution and the FRA's commitment to upholding the principle of consultation by engaging all stakeholders on issues of common interest is the UNITY IN ACTION that will see our beloved South Africa charter into new heights of prosperity for all its citizens.



MESSAGE FROM FRA CEO

Reggie Sibiyi

As we held our 4th & 5th FRA Conferences in 2022 and 2023, I look back at the challenges we faced over the past years and recall what automotive business legend Brand Pretorius said in his address at the 2015 Conference, *“Leadership represents the single most important advantage of every world class organization, the source of every great achievement and the bedrock of every extraordinary life. Looking at the history of the world it becomes clear that the quality of leadership largely determines the political environment, social development, economic growth and business success. It controls and shapes destinies, it can build or it can destroy.”*

That is so true in the South African context and so relevant in our country with its wide array of different challenges. For those operating fuel retail stations the current situation puts them between a rock and a hard place. On the one hand handling the challenges of the international fuel crisis coupled with declining volumes and profit margins, onerous legislation from both government and industry standards, labour issues and crime and unrest; on the other hand, balancing much needed income streams from fore-court shops and other services to make up the shortfalls and ensure the sustainability of their businesses.

The FRA strives to show leadership and direction to its members in an inclusive and ‘unity in action’ way by facing the challenges head on, preparing our members to change with the times and above all to remain united in navigating the changing landscape.

The future of the fuel retailer lies in creating a competitive edge.

Our sector has around 5000 SMMEs employing over 83 000 people. FRA plays a key role in promoting and protecting the interests of fuel retailing in South Africa, a very tough balancing act. To say that our industry is under attack would be an understatement. Not only do we have to contend with rising global oil prices and its economic consequences, but locally the rising pressure from our government on fuel prices and call for deregulation will have long-term implications for our fuel and convenience store retailers.

Fuel and convenience retailers need to be prepared to change with the times, recognising the need to move from the needs of the vehicle to the needs of the driver and passengers. In other words from defining our customers as drivers in cars who want to refuel to defining customers as people on the move who need a whole variety of goods and services - which they can easily and conveniently get at a fuel forecourt.

The FRA conferences bring together local and international speakers and hold panel discussions on the issues facing the industry and attract stakeholders across the spectrum of the fuel value chain and convenience retailing value chain - drawing interest from participants across South Africa's borders and some parts of the African Continent.

As an association of like-minded business people and as concerned citizens, I leave you with motivator and mentor Kevin Stirtz's definition of leadership ...*"Leadership is about faith and people and purpose. It is about having the vision to know what to do, the faith that it is the right thing to do and the courage to enlist others in the pursuit of your vision"* - which puts the emphasis on connecting people, both with each other and to the future they want to see. We hope this conference will do just that... and bring us all together in 'navigating the changing landscape'.



THE FRA BOARD



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CEO



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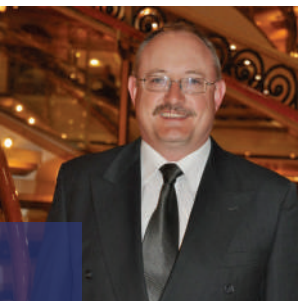
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KZN Region & DRC Representative



Justin Strydom
Eastern Cape [PE] Consultant

FRA Services

The FRA acts swiftly and negotiates independently, collectively and individually with:

- Department of Minerals and Petroleum Resources
- SAPIA and SAPIA members
- Department of Employment and Labour and other government groups
- Competition Commission
- National Consumer Commission
- Banks/Banking Association/ Payments Association of SA (PASA)

The Fuel Retailers Association (FRA) is a registered employers organization under the provisions of the Labour Relations Act, 66 of 1995.

The FRA, is a financially independent and fully autonomous association that ensures the survival and success for all its members who are Fuel Service Station Owners in the retailing of fuel in South Africa.

The Association monitors and becomes involved wherever necessary with all aspects of retail fuel governance, distribution and sales in South Africa in order to protect and enhance Fuel Retailer's Interests.

The Association's income base is through membership fees.

Margin

The FRA is instrumental in working with government to secure increases in the fuel profit margin by continually improving margin investigations in order to improve the viability of all fuel service stations in South Africa.

Legislation and regulatory framework

The FRA is proactive in ensuring that Fuel Retailers' voices are heard in all government legislation/regulations that affect the sustainability of our industry.



MIBCO/MIFA

The FRA is an official party to the Motor Industry Bargaining Council. The Labour Relations Act provides for the self-regulation of industries through the medium of bargaining councils whose mission it is to create and maintain industrial peace and stability in the motor industry.

The FRA also represents its members in the industry pension fund (Motor Industry Retirement Funds and the Motor Industry Funds Administrator).



Training

The FRA sits on the board of the Wholesale and Retail SETA. We supported this move to ensure that we access retailing training skills within the relevant SETA. The FRA is continually engaging the SETA on identifying opportunities for training that are relevant for the sector. We assist our members with SETA related queries including requirements for participation in SETA programmes.

Payments, safety and security

The FRA participates in issues relating to payments, safety and security in the industry which includes card fraud. We take part in PASA forums and our membership of SARPIF (South African Retailers Payments Issues Forum) keeps us aware of developments in the payment sphere.



Dispute Resolution Council

Many cases have been successfully defended on behalf of FRA members by FRA appointed industrial relations representatives. As a member, you have access to IR services at competitive rates. Central to this is that, as a party to MIBCO, the FRA negotiates all labour related issues and policies, including wage negotiations, on behalf of its members. This gives our members peace of mind and the ability to focus on their businesses instead of having to deal with such matters themselves.

Licence Applications

The FRA seeks to make retailing as smooth as possible for members. In order to do this, we have an Operations Manager who deals with the Department of Energy on various matters relating to licence applications, on behalf of our members. Such services can be costly but we provide them free of charge to our members. Those of our members who followed the FRA process had resounding success with their applications- at no cost.

Annual Information

By law, every year all licensed retailers are required to submit information to the Department of Energy. The FRA provides members with a free guideline template to assist with the completion of the forms.

Annual fees

The FRA helps members who have not received their annual fee payment requests from the Department of Energy. It is important that members pay these fees as failure to do so can lead to suspicion around the retailing activity.

Other Assistance

The FRA has been involved with matters around supply issues and engages at higher levels when there are industry supply problems. In short, the FRA deals with every problem raised either directly by members or in collaboration with Dealer Council structures.

For additional services contact: Office Administration

Tel: (011) 886 2664

Fax: (011) 787 8719

Email: fra.general@fra.org.za

Website: www.fuelretailers.co.za



Objections

With the advent of new developments, particularly in urban areas, we have seen a surge in new retail licence applications. These developments happen against the backdrop of falling fuel sales which leads to an inefficient fuel retailing sector, contrary to Section 2B of the Petroleum Products Act (PPA). To help our members, the FRA developed a template that gives guidance on how to prepare an objection - another free FRA service.

Appeals

In the event of an unsuccessful objection to the Controller of Petroleum Products, the next step is to appeal to the Minister. The FRA assists members in lodging appeals - this option is made available through Section 12A of the PPA. It is important to note that such appeals can be very costly - without success in some cases. The FRA does whatever it can to save money for their members.

Arbitration

It is important for the Fuel Retailers to know that they have recourse when relationships with the oil companies break up on account of unfair contractual practices. We have assisted members to lodge successful arbitration requests with these matters either being referred to the Arbitrator or an amicable settlement being reached with the oil company.



RAS Implementation

It is vitally important that you know what you are signing, before you do so. This is especially relevant where the site is owned and operated by the Fuel Retailer. The FRA has responded to numerous questions around RAS and we continue to be available to help. The FRA has also supported Dealer Councils either with advice or presentations to oil company management on how FRA views the RAS implementation.

Other Legal Opinions

Through our networks, the FRA has assisted many members who have faced other legal or contractual issues. We always give our members an objective view, and advise counting costs versus benefits before spending any money. We have also consulted extensively on the Consumer Protection and Competition Acts to ensure that contracts comply with these two legislative frameworks.





Who we are



The Fuel Retailers Association (FRA) is a registered employers organization under the provisions of the Labour Relations Act, 66 of 1995. The FRA is a financially independent and fully autonomous association that ensures the survival and success for all its members who are Fuel Service Station Owners in the retailing of fuel in South Africa.

The Association monitors and becomes involved wherever necessary with all aspects of retail fuel governance, distribution and sales in South Africa in order to protect and enhance Fuel Retailer's Interests. The Association's Income base is through membership fees.

Our Vision



To create a robust, sustainable environment that provides a reasonable return on investment for all efficient Fuel Retailers.

The primary objective of the FRA is to promote and protect the best interests of Fuels Retailers and its members in particular.

Our Mission

To engage with all stakeholders to facilitate and promote open and transparent communications to ensure the industry is prepared for the future and beyond.

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FUEL RETAILERS ASSOCIATION
2022
HYBRID CONFERENCE



In Partnership with



Wednesday 8th & Thursday 9th June 2022
BATELEUR CONFERENCE CENTRE JOHANNESBURG EXPO CENTRE

www.fuelretailers.co.za

Skills development in a changing retail landscape



As one of the W&RSETA's value of Agility, the SETA is committed to adapting to the fast-changing environment through skills development programmes. The advent of the Fourth Industrial Revolution offers opportunities for the Wholesale and Retail Sector to develop and create new businesses, expand career prospects. Technological advancements from the 4IR also enable businesses to increase their footprint and venture into e-commerce.

Implications of technology for skills planning in the Wholesale and Retail Sector include the following:



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA





Changing wholesale and retail
 Digital Revolution (4IR) presents
 and footprint, and identify new
 ase operational efficiency and

Following:

Skills for a digital retail

- e-Commerce
- Digital marketing
- Digital customer communication
- Problem solving
- Financial literacy
- Data analytics
- Information Communication Technology (ICT) skills such as Software Developers, Business Analysts and Computer network and Systems Engineer

W&RSETA priorities

- Priority Skills Plan (PSP)
- SMME and Co-Operatives development
- Youth Unemployment
- Hard-To-Fill Vacancies and Skills Gaps
- Stakeholder Engagement
- Sector Transformation
- Economic Recovery and Reconstruction Plan



Tel: 012 622 9500 | Website: www.wrseta.org.za Email wrseta@wrseta.org.za



Wholesale and Retail SETA



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W&RSETA1

Report on the 2022 FRA CONFERENCE

CONFERENCE DAY 1: 8th June 2022

ASSESSING THE PAST, PREPARING FOR THE FUTURE

FRA President Mike Motsoane opened the conference making the comparison with the last FRA conference held in 2019 where, besides the tough economic conditions, the main theme was the 'changing landscape' - which ranged from local economic & political scenarios to the challenges of the future of Artificial Intelligence, electric cars and green energy.

In the wake of the COVID-19 pandemic, the economic fall-out that followed and the impact of political unrest, CEO Reggie Sibiya reported back on the challenges of the past three years, emphasizing that whilst change can be a positive driver of performance, it is when the industry fails to cope with that change that it has a negative impact on performance.

The theme for the day centred on the questions of 'Challenge or Opportunity - Can the fuel retailers stay ahead of the game?' Key speakers laid the foundational background which ended with a panel discussion that unpacked the challenges experienced and identified the opportunities that would take the fuel industry to its next level.

Scenario planner and futurist Clem Sunter set the scene by pointing out the red flags that posed a threat to the stability of the world - from a political, socio-economic and environmental stand-point - giving both the global outlook as a result of the war in Ukraine and the fuel and supply crisis that followed.

Dex Machida of KPMG painted the local picture of how and what South Africa needed to do in the smart mobility space to keep in lockstep with what happens globally.

Mark Wohltmann of NACS Europe gave an update on how the fuel and convenience sector handled the crisis globally and what the future holds for the industry.



- The panel discussion, moderated by Professor JJ Tabane sought to find clarity on how the sector had to adapt, prepare and implement new strategies and stay ahead of the curve.

Participants included:

- Joe Boyle of Freshstop and representing Astron emphasized the importance of moving with the times to service an ever-changing customer, giving them what they want.
- Nokwanda Mthandazo of Sasol outlined the four D's that South Africa needs to address for future stability in the fuel sector: De-regulation, de-centralization, digitization and de-carbonization.
- Mohamed Carrim of Puma Energies advised the delegates not to be alarmed but to be aware of the threats to the industry, understand the challenges and most importantly recognize that there is always opportunity in adversity - be it in renewals, in smart applications, in digital technology and even in electric vehicles.

Report on the 2022 FRA CONFERENCE

CONFERENCE DAY 2 : 9th June 2022

SPEAKING WITH ONE VOICE

The second day of the FRA conference focused on the state and the future of fuel retailing in South Africa, with the key message being one of 'speaking with one voice and being powerful together'. George Nkosi, Vice President of the FRA re-iterated the association's position of being the spokesman and lobbyist for the sector ensuring that it engages with all stakeholders for the benefit of the industry as a whole - asking those crucial questions and finding solutions.



- o Setting the scene on the socio-economic scenario for South Africa was Peter Worthington, Absa's economist who tried to make sense of the global economic waves affecting us and what we can expect in the immediate future.
- o Dr Blade Nzimande, DMRE Minister addressed the delegates via Zoom, outlining his department's strategy on many of the pressing issues that the sector faces - from rising fuel prices to de-regulation, with tough questions being asked by the board members of the FRA.
- o Henry O Armour, President of NACS in the USA weighed in on some of the legislative challenges that countries around the world are facing and giving a high level overview on how to put retailing at the centre stage of both our industry and the economy.
- o Setting the South African scene was Mohamed Carrim, Cluster MD for Puma Energy who emphasized that business remains at the centre of the global disruption and will feel the pressure of boycotts, logistical disruptions, soaring energy costs and the high cost of living.
- o Tseliso Maqubela, DDG Minerals & Petroleum Regulations, DMRE outlined his department's plans to address some of the issues raised by industry in an effort to work together to solve the challenges and find workable solutions.
- o Dr Beate Stiehler-Mulder, who heads up the W&RSETA Wholesale & Retail Leadership Chair at the University of Johannesburg, expanded on the relevant retail and consumer research done by her department to launch innovative and work-based learning experiences - all in the spirit of advancing and professionalizing the whole industry.



The panel discussion, moderated by **Professor JJ Tabane**, with key industry players **Reggie Sibiyi**, CEO of the FRA, **Sbonelo Mbatha** of PetroCONNECT, **Fuad Johnson** of the LFWA, **Fani Tshifularo** of SAPIA and **Rita Sikhondze** of BP sought to find solutions to the many challenges the industry faced.



Challenges

Changes in Retailing - increased fuel prices, what it means to margins, to consumer spending, to profitability.

Illegal trading - not only the impact of the mixing of fuels and the theft of fuel but also independent wholesalers trading directly to the public and how it takes away volumes from licensed retail businesses and affects the bottom line.

Compromised margins - tackling the concept of sustainability in line with the Petrol/Products Act.

Protecting retail businesses in the sector - which in turn impacts on job creation.

Government intervention - speaking with one voice to weigh in on the cutting of margins, being a net importer and ongoing geo-political issues - all affecting fuel prices.

Issue of Taxes - Government knows that the collection of taxes is more efficient if done through fuel levies and they must take leadership in telling the story of tax collection and international oil prices and weak rand against dollar to the public instead of creating wrong expectations that margin cuts on margins is the answer.

Deregulation - a very divisive subject and industry emphasises that if de-regulation happens it would mean deregulation of service which means no more fuel staff on the forecourt which will add to more unemployment. Industry to not allow government to hijack deregulation and must consult with all stakeholders to find solutions. The capacity of the DMRE to regulate the industry needs major improvement.



CONCLUSION

For those operating fuel retail stations the current situation puts them between a rock and a hard place. On the one hand handling the challenges of the international fuel crisis coupled with declining volumes and profit margins, onerous legislation from both government and industry standards and labour issues; on the other hand, balancing much needed income streams from forecourt shops and other services to make up the shortfalls and ensure the sustainability of their businesses.

The overriding sentiment at the FRA conference was that the future of the fuel retailer lies in creating a competitive edge with all stakeholders needing to work together to be part of the solution, with the ultimate aim being to save the industry by building new capabilities.



Absa has a clear understanding of the fuel industry, which is clearly outlined in our banking solutions. We spend time understanding our clients' needs within the industry and provide solutions accordingly. We have an end-to-end approach to solutioning the owner's, business's and employees' needs.

As a financial services partner to more than 30% of service stations in South Africa, Absa has a thorough understanding of the industry's intricacies and specific challenges.

Fuel retail is an incredibly specialised sector, with operating margins and financial performance being affected by numerous macro- and microeconomic factors, ranging from oil prices and rand/dollar exchange rates to increasing operating expenses, infrastructure development (such as roads and public transport), consumer purchasing power, the impact of regulations and the future of alternative energy solutions.

Industry challenges

The recent international conflicts have a direct impact on the South African market, as shortages of oil drive up the prices. One of the most important influencers or factors that impact the profitability of service station businesses, is the fuel price. The public usually assumes that when there is a fuel price hike, the service station businesses make more money. However, this is not the case. The profit margin of the business reduces due to the increase of operational expenses directly linked to turnover on a percentage basis, i.e. cash management and merchant service fees.

The retailer margin, determined by the Department of Mineral Resources and Energy, called the Regulatory Accounting System (RAS), doesn't make sufficient provision and there is an average underrecovery of more than 10 cents per litre. The insurance and bank allocations are just above 8 cents per litre and a typical credit card transaction costs nearly 33 cents per litre.

The business must recover the increased operational costs from the entrepreneurial compensation margin, currently standing at 133.1 cents per litre.

In addition, while the price of fuel goes up, motorists' budgets may have very little room to grow. Many patrons opt to pursue public transport alternatives, such as the Gautrain and carpool with their fellow employees, and opting for a hybrid work-from-home model. Consequently, patrons are filling up their vehicles less frequently with an average fill of 17.5 litres per visit.

Three roads, one destination to profitability

Probably the most important consideration is viability. Within South Africa, there are three ways to become involved in the fuel retail industry.

The first of these being investing in the development of a service station, i.e. the physical building and land, along with the associated assets (property investment). Secondly, you can buy the business operation only. Lastly, you can opt to purchase both the property and the operation.

Service station valuations

Our industry expertise has enabled us over the years to develop an accurate valuation tool that assists us in establishing the value of a service station business. This is an indispensable tool that supports our assessment of the merits of a credit application. For example, at Absa, we can quickly work out if a purchaser is paying too much for a site.

Understanding credit risk

Having knowledgeable and leading industry experts in the Absa Wholesale, Retail and Franchise teams, ensures that we adequately identify the credit risks associated with the industry and on an operator level. This allows us to carve out bespoke lending solutions to individual operators and provide comfort to the Credit Sanctioning team that the important credit and business risks have been identified and mitigated.

Our solutions

Whether it is the finance of a business, working capital or property development, our relationships with oil companies, industry associations and fuel wholesalers, retailers and distributors, means that our products and solutions are truly tailored to meet the needs of service station businesses. Our operational products include cash management, payment solutions, merchant services, electronic banking, investment solutions and commercial asset finance.

Integrated fuel solution

Our revamped integrated fuel solution provides a seamless experience, while giving the filling station owner greater control and peace of mind of full integration with their existing systems. It offers an enhanced system that integrates seamlessly with your existing point-of-sale software. This reduces human error, fraud and chargeback risks on the one hand. On the other hand, it increases spend at filling stations while automating the reconciliation of sales transactions.



Renewable energy

Given South Africa's abundant sunlight, increasing electricity tariffs, a concerning grid system, decreasing cost of solar photovoltaic (PV) installations and a supportive regulatory environment, there is a strong case for filling stations to invest in solar PV. Fuel businesses generally operate 24/7, which makes renewable solutions ideal.

- A dedicated renewable energy team will look at your needs and provide advice on the right solution to ensure a more sustainable future.
- Our knowledge and expertise will protect your solar PV investment by:
 - Building on our experience and success in the funding of solar PV
 - Working with industry leaders in the sector
 - Considering the cashflow of the asset in our credit decision
 - Understanding that this is an asset with a long lifespan, so we look at finance terms of up to 10 years.

Conclusion

Absa does not approach lending into the industry on a one-size-fits-all basis – rather, we constantly scan the industry to identify the opportunities and develop solutions accordingly. Our leading industry expert has a clear understanding of the industry and is well placed to contribute this knowledge to providing bespoke market-leading solutions.

To find out more about the fuel and franchise industry and the available financing solutions:

Visit www.absa.co.za | Call +27 11 350 8000 | Email franchise@absa.co.za

Absa is an Authorized Financial Services Provider and a Registered Credit Provider NCRCP7

PRICE CAPPING TO RESULT IN UNFAIR COMPETITION AND JOB LOSSES

Article written by Reggie Sibiyi, CEO, FRA - July 2022.



“To say that the fuel retail sector is under attack would be an understatement”, says Reggie Sibiyi, CEO of the Fuel Retailers Association. “Not only do we have to contend with rising global oil prices and its economic consequences, but locally the rising pressure from our government on fuel prices and call for deregulation will have long-term implications for our fuel and convenience store retailers.”

From their only R1.33 per litre OPEX margin, of which 60% is employment costs, if retailers give it out through this unfair competition, the first casualties will be employees. Jobs will be lost as a result of maximum pricing. The industry has already lost 4 000 jobs since Covid-19. Transformation in the sector will further suffocate and badly so because of maximum pricing – never mind small businesses which will further suffocate.


The fuel retail sector employs over 83 000 whose livelihoods depend on sustainable fuel margins but if deregulation happens, those jobs will be lost altogether. For a country with such high unemployment government must realise that de-regulation will harm jobs in the sector. FRA is fighting for the businesses and for employment. De-regulation is not the answer... and fuel retailers can't be the fall guys – government must take care of it as jobs, transformation and SMME development are part of the National Development Plan.

“Deregulation happens when motorists put pressure on them – in most countries the price of fuel hasn't come down so it hasn't really worked there. Deregulation is not going to drive prices down because their margins are so low as it is.”



The Fuel Fallout

Already faced with fuel increases, Russia's invasion of Ukraine triggered a tsunami of oil price increases across the globe. Although government, in its 2022 Budget, gave temporary relief by not raising fuel levies and the Road Accident Fund (RAF) in the short-term, this will not solve the country's complex fuel structure. Levies and taxes account for about a third of the petrol price per litre, with the basic fuel price (BFP) set on parity pricing for oil imports. Administered prices under the Regulatory Accounting System include wholesale, distribution, retailers and entrepreneur margins, alongside zone differentials that set prices on geographic district and the state levy financing cumulative petrol price under-recoveries.



Given that the petrol price is strictly regulated by the minister, at a meeting between MPs and various representative associations, the general consensus was that any changes to the fuel structure should not have adverse consequences and do further damage to an already struggling sector that has to bear the brunt of unfair price margins and lower volume sales. The FRA board has called for the scrapping of the RAF tax, about R2.18 per litre of petrol, in favour of a flat-fee motor insurance. “Any attempt to reduce retailers’ margin... any attempt will render most service stations unsustainable. The industry already approaches 4,000 retrenchments due to hardships.”

Price capping is fertile ground for illegal trading

The FRA feel strongly that it is not the legal trading service stations that should start discounting fuel, but the problem lies with the illegal traders that DMRE has dismally failed to control for the past ten years. “This, says Reggie Sibiya “amounts to nothing but very unfair competition where wholesalers are increasingly selling to the public, some trading without licenses. The PPA is very clear about this illegal practice. Retailers will therefore not only be forced to compete against each other but to compete at their own peril with unfair competition from illegal traders.”

The Scenario 10 years down the line

For those operating fuel retail stations the current situation puts them between a rock and a hard place. On the one hand handling the challenges of the international fuel crisis coupled with declining volumes and profit margins, onerous legislation from both government and industry standards and labour issues; on the other hand, balancing much needed income streams from forecourt shops and other services to make up the shortfalls and ensure the sustainability of their businesses.

When we are 10 years down the line, and we remind the government about job losses, failed transformation and failed SMMEs, we will no doubt be labelled as unreasonable and ever complaining citizens, but we would be speaking the truth.

Ten years down the line we would be having glorified managers running service stations as is the case in all deregulated markets – SA is one of the unique countries in the world where we still have true business owners running service stations.

These business owners come with huge investments (R7 million to over R20 million) and eroding those investments comes at a huge price, leaving behind glorified and employed managers running service stations with an ever-decreasing work force. *Is that what our government is calling for?*

THE ONE MILLION DOLLAR QUESTION

Will taking away from Small Businesses' fuel margins do us any good? Is this a real solution or some political ploy?

Article by Reggie Sibiyi, CEO of the Fuel Retailers Association in July 2022.

The million-dollar question is how much can a fuel retailer afford to give out of their already compromised profits? Whilst the motorists must deal with harsh realities of ever-increasing fuel prices, the government seems to be scrambling over the surface to deal with the realities. Instead of facing the real Goliath, the vulnerable fuel retailers seem to be the target as they are the path of least resistance. Fuel Retail Network is critical not only for security of supply of the product but also for transformation, SMME development and jobs. Eroding margins on this sector of the value chain directly impact on all critical areas.

To unpack this, we first need to understand how much the retailer margin contributes to the total current price of ULP 93 as an example. I am deliberately using ULP 93 because the government is calling for some worst form of regulation on ULP 93, which it calls maximum pricing or price capping. Maximum pricing means that retailers cannot sell above a regulated maximum price but will be forced to discount and sell at any price below the regulated price.

Of the R21,51 per litre current pump price of ULP 93, the total retailer margin as reflected on the fuel pricing structure is R2.28 cents per litre.

Furthermore the R2.28 is broken down as follows:

- 1 133 cpl – Opex.
This covers most of the expenses except credit card costs and loan repayments for new entrants.
- 2 64.4 cpl – Capex.
This gets back to the Oil Company who owns the assets in the form of a rental.
- 3 31.1 cpl – EC (Entrepreneurial Compensation).
This is the profit margin before tax. On average Oil Companies take back 6cpl from this for claiming that they also provide some entrepreneurial support to these SMMEs. This leaves the EC at 25.1cpl on average to make means of survival on the fuel business.
- 4 Because the DMRE has been refusing to recognise other costs including credit card costs, identified by a KPMG report in 2016 and averaging 12cpl then, this 25.1 cpl EC further reduces to 13.1cpl.
- 5 This portion (13.1cpl) represents a mere 0.8% of the total ULP 93 Price and is way below 2% nett profit return. For a site pumping 300 000 litres a month, it means a profit before tax of R39 300 per month on fuel. Most service stations are pumping around these volumes per month. To improve this figure it means retailers have to find more creative ways to optimise the already compromised Opex Margin; for example by employing less than the number of petrol attendants than stipulated on the benchmark of a 300 000-litres site. In the main, fuel revenues still makes up 60% - 80% of total revenues and the convenience (shops) margins are equally very tight after paying out all the hefty royalty fees and other expenses.
- 6 Even if the retailers were to give it all away (the 13.1 cpl), which will mean bankruptcy, this will mean nothing in relieving the motorist on fuel price hikes which are sometimes more than R1 each month driven by monthly international oil prices and the weak rand against the dollar.

So why kill small businesses for something that will not even benefit the public in the long term?

What the proposal from the DMRE now says is that the retailer must further discount their pricing by taking something out of their already compromised remaining 13.1cpl. This indeed does not make any sense for creating a sustainable environment for retailers. Instead of targeting the main contributors of price hikes like levies and taxes, the government yet again attacks the Retailers' margins. The issue of compromised fuel retailer margins has been a bone of contention for years between government and the Fuel Retailers Association.

A Court case was brought by Fuel Retailers Association against the Minister of Energy some few years back when the Minister of Energy implemented the Regulatory Accounts System. The case has been on and off the court books with the Department asking that it gets sorted out of court but with no results. Ultimately, the FRA said 'enough is enough', in DMRE's failure to resolve this, let the courts decide how to protect the interests of small businesses and jobs. At long last the legal battle is now going to be heard in August 2022 by the High Court.



IMPACT OF ILLEGAL TRADING

The fuel retailing business is an equation of very low margins and high volumes. However, throughout the years the DMRE has dismally failed to curb the practice of volumes being taken away from Fuel Retailers through illegal trading, where in the main independent wholesalers who are by law not allowed to sell to public are now freely selling direct to public. The fuel channelled by these illegal traders also does not pay back levies and taxes. It is this illegal portion they are also retaining that is being used to discount fuel. Tragically the proposed ULP93 Price Capping will encourage more of this practice as it will be these illegal traders who will be discounting to steal more volumes from the legal fuel retailing business and still more from the nation's fiscus budget resources; something that the National Treasury should be more worried about. However, we hear that National Treasury is encouraging this maximum price capping.

It looks like every time the Department is looking for solutions, the target is always the path of least resistance, small businesses. They seem to shy away from looking at their own contribution in the form of taxes and levies to the fuel price structure. FRA proposed to the Parliamentary Portfolio Committee of Minerals and Energy the scrapping of the Road Accident Fund from the Fuel Price and moves it where it belongs under the Ministry of Transport.

To say that our industry is under attack would be an understatement. "Not only do we have to contend with rising global oil prices and its economic consequences, but locally the rising pressure from our government on fuel prices and call for deregulation will have long-term implications for our fuel and convenience store retailers.



ADDRESS BY THE MINISTER OF HIGHER EDUCATION, SCIENCE AND INNOVATION

Dr Blade Nzimande

ON THE OCCASION OF FUEL RETAILERS ASSOCIATION CONFERENCE

Programme Director;
President of Fuel Retailers Association (FRA), Mr Mike Motsoane;
Vice President of FRA, Mr George Nkosi;
FRA Chief Executive Officer and Chairperson of the W&R SETA;
FRA Board Members;
W&R SETA CEO, Mr Tom Mkhwanazi and Board Members present;
International Speakers – Henry O. Armour, President/CEO of National Association of Convenience Stores (NACS) & Mark Wohltmann,
Director NACS Europe;
Distinguished Guests;
Members of the media;
Ladies and Gentlemen.



GOOD MORNING

It is with great pleasure, that I am invited to address the Fuel Retailers Association Conference which is held under the theme: 'Unity in Action - Building New Capabilities'.

This conference is also taking place as we celebrate the 46th anniversary of the 16 June 1976 student uprising in Soweto and many parts of our country, where young people protested against apartheid education, especially the racist and insensitive imposition of Afrikaans by the apartheid regime as a medium of instruction for all black students.

This year's celebration is held under the theme: "Promoting sustainable livelihood and resilience of young people for a better tomorrow". At the heart of the challenge for PSET is to cater for these youth in our college system, with vocational education and training as the most important point of access.

Let me indicate that our goals and objectives are implemented through our new landscape of higher education, science and innovation (HESI), facilitated by President Cyril Ramaphosa decision to place the Departments of Higher Education and Training (DHET) and the Department of Science and Innovation (DSI) under one Ministry.

This new landscape opens up the opportunities for both these sectors to contribute towards and inclusive economic growth path in our country that addresses the structural challenges of poverty, unemployment and inequality.

This new landscape has now brought under one umbrella very crucial Post School and Training institutions and the Science and Innovation entities in driving the new HESI landscape and our economic growth and development agenda.

Ladies and gentlemen,
 The Fuel Retail Sector is one of the most critical sectors as we reconstruct and recover our economy from the COVID-19 global health pandemic, especially that this sector has about 5 000 Small, Medium and Micro Enterprises (SMMEs) employing over 83 000 people.

I am aware that the fuel retailers continue to face a very slow recovery on volumes sold, and slow sales in their convenience stores due to sluggish consumer spending and people travelling less because of alternative ways of work and meetings. This is also perpetuated by the rampant illegal trading and the increases in the price of fuel increases.

I believe with the continuous engagements between government and the FRA and the broader South Africa population, a solution will be found in this regard.

Having said that, I am happy that most of Fuel Retailers in South Africa, which are predominantly small companies, employing 0-49 people, are registered with the W&RSETA.

Having the Fuel Retailers Association (FRA) organised in this sector will go along way to address some of the challenges experienced by the sector, which includes the necessity

necessity to coordinate skills for the sector and the overall transformation drive of the sector, which should encourage the entrance of new historically disadvantaged individuals into the sector.

This conference is also taking place at the time when two important reports have been released by Statistician General on 31 May 2022 and 7 June 2022, Quarterly Labour Force Survey and Gross Domestic Product (GDP).

Both these reports indicating that there is progress on a number of areas with regard to our socio-economic development, since the President launched the Economic Reconstruction and Recovery Plan (ERRP) in October 2022.

The ERRP directed all of us to prioritise economic development areas which include:

- Infrastructure Investment and Delivery;
- Industrialisation through Localisation;
- Energy Security; Support for the Recovery and Growth of Tourism, and Cultural and Creative Industries;
- Green Economy Interventions;
- Mass Public Employment Interventions and Strengthening Agriculture and Food Security.



As reported by the Statistician General, our economy grew by 1.9% in the first quarter of 2022, with eight (8) industries reported positive growth, with the exception of Construction; Mining & Quarrying, which recorded negative growth at -0.7% and -1.1% respectively.

At the same time, we observed in the same quarter (1st quarter of 2022) that about 370 000 jobs were created across all provinces with the exception of the KwaZulu-Natal which lost about 53 000. This implies that unemployment dropped from 36.3% to 34.5%.

However, we continue to observed an increase in the number of those not in employment, education and/or training (NEETS). For an example, up to 3.8 million young people between 15 to 24 years are not in school and are unemployed.

This is an area where FRA should strongly collaborate with W&RSETA, especially in ensuring that the sector attracts lots of the youth and that we facilitate workplace-based learning programmes for them.



I must indicate that government cannot solve the growing unemployment crisis alone. This is the reason why we want to partner with organisations such as FRA because we both have a major role to play in restoring the dignity and offering a glimmer of hope to South Africa's youth and struggling SMMEs who are fighting for survival and a better future.

This is amongst the reason that as government took a decision to scale-up workplace-based learning programmes in order for us to inject the necessary skills toward rebuilding our economy. For us to do so, we need to open up our companies and turn our work places into training spaces.

As a Department, in our own Annual Performance Plan (APP), we have increased our targets with regard to Work-based Learning (WBL) programmes from 78 317 in 2020 / 21 to 107 000 in 2022 / 23. This includes learnerships, internships and work integrated learning (WIL).

The President in his State of the Nation Address (SoNA) committed that we place 10 000 TVET graduates. As the department we have committed to place additional 5 000 students.

We are working very closely with our SETAs in order to achieve these targets.

The Fuel Retail Sector, with more than 5 000 SMMEs, have a huge role to play in our WBL programmes, particularly to open up placement opportunities for our Technical and Vocational Education and Training (TVET) graduates.



I will be very happy in this conference if FRA members make a firm commitment to open up workplaces within the Fuel Retail Sector. Our W&RSETA, will continue to work very closely with yourselves to ensure that you receive the necessary support.

I will also be hosting the TVET/Industry Partnerships Summit from the 28 to 29 June 2022, which is critical in upscaling placement especially for those programmes requiring work integrated learning (WIL) to complete the qualification. You remain invited to this important occasion.

One of the challenges that we need to confront head-on, is the number of students who enter our university system, as a proportion of those who started Grade 1.

Out of hundred (100) students, only twelve (12) access our university system, and only six (6) complete with four (4) with a degree.

This clearly indicates that there are many young people who are lost through the system. We therefore need to cater for these students for us to expand our post school opportunities.

This can only be possible with strong industry partnerships especially with organised employers, like FRA.

I must indicate that through government funding, we are already funding a substantial number of learners in our institutions. Out of 1 110 361 university enrolments, 76.6% and out of 508 445 TVET college enrolments, 98% are funded through the National Student Financial Aid Scheme (NSFAS).

Another important part of our work is that we are prioritising artisan development.

You might be aware that our target is to produce 30 000 artisans per annum by 2030. This will not be possible without employers collaborating with us.

South Africa needs at least 60% of school leavers to pursue artisanal training to meet the country's demand for scarce skills. We honestly need to do more to encourage school leavers to pursue technical trades.

With the rise of digital transformation and artificial intelligence causing a disruption in industries, many jobs in the corporate world may no longer exist in the near future. However, there will always be jobs for artisans due to the technical skillset required to fix machines if they break down, for example.

Becoming an artisan is a springboard to other careers such as in business, management or entrepreneurship. As artisan training is usually completed in two and a half years, their technical training offers a quicker access to full-time employment, with apprentices often getting an apprenticeship with a company most likely in their first year. This means they can also start earning an income sooner.

This is amongst the reason why I increased the Apprenticeship Learner Grant from R165 000 to R206 290 from 1 April 2021, to encourage employers hosting apprentices to open up their workplaces.

Since we launched our Centres of Specialisation, we currently managed to establish eight (8) trade test centres in some of our colleges. This will be expanded to other colleges especially in our rural areas.

Ladies and Gentlemen

Through the FRA Membership Skills Development Initiative, the W&RSETA has allocated R60 million towards this programme where 1000 learnerships and 400 skills programmes are made available for unemployed youth.

I implore this project as it ensures that our young people are engaged in some form of socio-economic activities.

In the 2021/22 financial year, about R1 million was allocated to 111 small and medium enterprises through the Small Medium Enterprise Discretionary Grants to implement various skills development interventions to address their individual skills needs.

The FRA has also received an allocation of about thirty-five (35) unemployed learnerships from the W&RSETA's Discretionary Funding in 2021/22 to the value of R2,2 million.

The W&RSETA has invested R21 million towards the Service Station Readiness Programme which has 1000 beneficiaries. These include current fuel retailers to expand their businesses, budding retailers to enter the industry as well as individuals who wish to occupy managerial positions in the sector.

Programme Director

On science, technology and innovation collaboration, if you have not done it already, I urge the FRA to form a dedicated STI working group to harness new technologies and invest in research and development in support of your businesses. This is another very important message I am leaving with you today! I am prepared to make available our STI institutions within the DSI to work with you on this score!

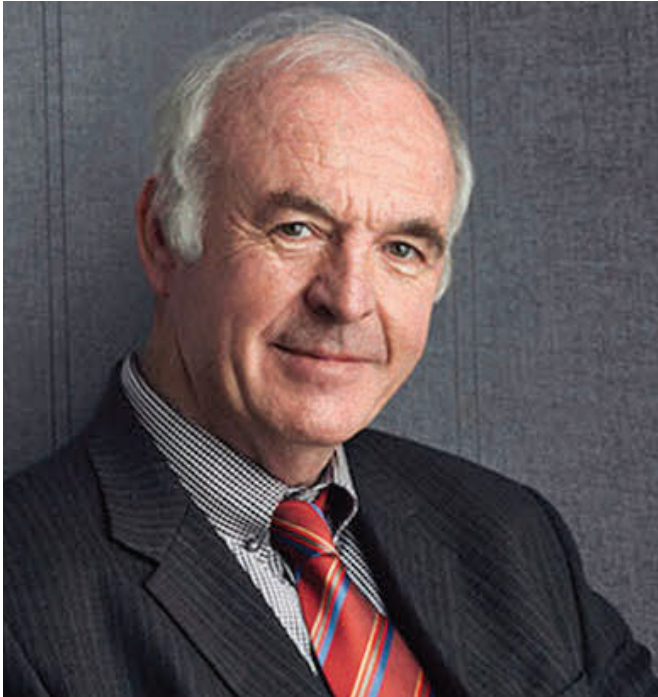
Beyond this, we are firmly committed to leveraging both public and private resources to increase gross domestic investment in research and development within this sector.

In conclusion, let me take this opportunity to thank FRA, its Leadership and Members for inviting me and our SETAs, at the time we need each to massify skills development in your sector and our country as a whole.

I am looking forward for more collaboration with the RFA to grow our economy and make South Africa a better country for all.

Springboks and Foxes: Two of a Kind – Clem Sunter

Futurist and scenario planner Clem Sunter once again imparted his futuristic wisdom by highlighting the red flags the world needs to take note of – namely the religious and political flags that continue to disrupt the world, increasing inflation and of climate change that is wreaking havoc to our food security.



Clem wrote this uplifting article as South Africa returned to some semblance of normality after three years of the pandemic when even sports fixtures were put on hold. As South Africa's teams started to compete internationally, with great success, Clem couldn't help feeling that the example set by the Springbok rugby team is pivotal in another context: that of ensuring a positive economic future for South Africa.

Let us look at the recent history of rugby union here first. Since 1994, the Springboks have undergone the transformation from a white to a fully non-racial team. During this process, they have won the Rugby World Cup three times – a feat only accomplished by one other nation, New Zealand. Along the way, individual heroes like Chester Williams, Victor Matfield and Siya Kolisi have inspired countless youngsters to take up the sport.

The reason is simple. The Springboks represent all that is good about South Africa. They play with vision and determination; they overcome the inevitable setbacks and injuries associated with such a physical sport; they adapt their strategy and tactics to accommodate the strengths and weaknesses of opposing sides; and they exude a magnetic team spirit in backing each other up while performing their individual tasks to the maximum extent of their personal abilities.

South Africa is a good nursery

Above all, the players are chosen on merit because you cannot win international matches with a sub-optimal team. When so many people write dismal articles about this country's failing education system and lack of opportunities for young people, it is quite something that natural selection with no racial bias has produced this diverse side of talented players who have combined into being a world-class phenomenon. South Africa is a good nursery for some activities at least.

At the same time, one must also praise the invisible support system from schools to local clubs to provinces to national structures that work in combination behind the scenes to achieve this result. They may not get the same celebrity status, but they are as crucial to the success of the whole exercise as the performance of the players themselves. They constitute the hidden tunnel out of which the stars emerge onto the playing field. It is a shame that, in other sports like soccer, the pipeline is nowhere near as effective in producing the local talent to win international tournaments.



From the scrum of rugby to the hustle of business

The principal message of this article is that what has made rugby such a success in South Africa applies equally to that other competitive and more universal game we call business. We already have plenty of players in the second game here. I like to call them the foxes because they exhibit the same kind of agility and bravery with their money as their sporting equivalents do with their bodies.

From the entrepreneurs in the informal sector selling their products at street-corners to the well-known retail chains in every shopping mall, foxes are plying their trade in the hope of winning their particular game, however modest or large the playing field is. Their bright eyes pick up new opportunities faster than their slower-moving competitors.

Yet, unlike the Springboks, we do not have the pipeline which allows foxes in our society to grow from scratch into something substantial. Nor do we have an encouraging environment like the passionate spectators who loudly cheer the Springboks on to victory from the stands. Quite the reverse.

We have some people who strongly disapprove of the game of business from an ideological point of view and want to drown it in red tape. We have others who want to replace it altogether with non-competitive pursuits over which they exercise complete control. Little do they know that the final score is totally beyond their influence. Somehow, they feel threatened by the foxes who are the real wealth-creators for any nation.



As far as the pipeline is concerned, how many schools in this country run an entrepreneurial course alongside normal lessons and sport, in order to plant the seeds of being an enterprising fox? I ask this question because there is an inconvenient truth at the heart of life today. The nature of work has changed in this century and schools are expected to be educating pupils for the market of the future, not the past.

No longer are governments and big business the major creator of jobs that they were in the last century. Lack of affordability and smarter technologies have massively reduced the workforce of the large employers. In all parts of the world, therefore, more and more people have to create jobs for themselves rather than apply for jobs that already exist. The Covid pandemic has intensified this trend by encouraging people to work digitally from home as opposed to going in person to the office.

An example of foxes in action

South Africa is no exception to being a victim of the collapse in the traditional job market. This is one reason why we have such an appallingly high unemployment rate of 64% for those aged 15-24 and 35% overall. By comparison, the latter unemployment figure in America and Australia is currently under 4%. They have discovered and nurtured the foxes within their borders and imported others from overseas. And that is where the answer lies.

Like rugby, we have to embrace business as an authentic game in which a growing proportion of the country's population will be involved as foxes. They become the business Boks - either as individuals or in small teams. A few really enterprising foxes will make it into the medium-sized or big business category. Others will fail and have to start again on a different playing field.

I would like to provide one great illustration of South African foxes in action. At a mall near Simon's Town in the Western Cape is a café cum restaurant at which I am a fairly frequent customer. I like the noise of families chatting at nearby tables, while the odd savant sits alone by the window peering into a laptop. The point is that each time I enter the door, the staff operate as a team similar to a game of rugby. There is a lady who welcomes me courteously by name, a man who makes the most delicious cappuccino and - when there is no loadshedding - I can get the best battered fish and chips in the province. Every time they beat the opposition hands down.

Repeat Springbok model over and over again

The experience I have related gives a clue as to what a real economic revolution is all about. At grassroots level, so many South Africans forget about their differences when working towards a specific goal. Just like the rugby players, they combine their different talents to produce a winning proposition for local people and tourists, and at prices which are surprisingly cheap by international standards. Rather you build on something that is already there from the bottom up than invent something completely new.

Hence, our path to becoming a winning nation is to take a pocket of excellence like the Springboks and repeat their model again and again in the world of business - especially by getting the private sector to create a similar pipeline to rugby out of which promising young people can emerge as innovative foxes. That is how we will win the Business World Cup in years to come. Springboks and foxes have a lot in common. Now let's blow the whistle to start the match side by side.





Unity in Action - Navigating the Changing Landscape

FRA CONFERENCE 2023

The Call - Evolve together and we can climb mountains

Calling industry to unite to mitigate against what has happened and to have conversations about the unknown and the unpredictable future has been a clarion call from the FRA to its members since their first conference in 2015. Hence the call for unity in action to developing new capabilities to deal with the changing landscape and to mapping the way forward.

Changing Landscape

- Changing regulations and legislative framework
- More and more non-compliance/illegal trading and proliferation of sites
- Rising consumer complaints on fuel prices – Call for Deregulation
- Government and public putting pressure on our margins – entire value chain
- AI and 4IR – new ways of doing business
- Future alternatives to fossil fuel

Key Challenges

- o Reduced volumes
- o Compromised margins
- o Rising fuel prices
- o Unsustainable transformation for new entrants
- o Ongoing cash flow pressure
- o Ongoing load-shedding/diesel costs
- o Unsustainable jobs and job losses

FRA – The Journey

- o **2015 Theme: 20 years of promoting profitable retailing business.**
First FRA Conference which coincided with celebrating FRA in the making.
- o **2017 Theme: Unity in Action – Driving Change and Innovation**
Through various speakers we looked at the trends in the global fuel and convenience retail that were driving change. Transformation in the sector and the proposed BBBEE Sector Code.
- o **2019 Theme: Unity in Action – Changing Landscape**
Evolution of the fuel industry in South Africa. International changing landscape trends lead the way.
- o **2022 Theme: Unity in Action – Changing Landscape/Building New Capabilities**
Focus on convenience retail opportunities.

Changing Landscapes – Sub Themes

- Government Changing Landscape – Change and Renewal – is there hope for South Africa?
- Entrepreneurship the key to future growth – The Fuel Industry and Franchising
- Growth potential in the Changing Landscape – The evolution of the fuel retail industry and transformation support. Growing the C-store footprint through strong alliances.
- Preparing South Africa for the Changing Landscape – From command to inspirational leadership. Rebuilding the social capital of South Africa.
- International changing landscape trends lead the way – International trends in Fore courts and Convenience Retailing. How the Industrial Revolution serves retail. Skills development in line with 4IR.

Drivers of Change

4IR or 5IR and Geopolitics

In 2019 we were estimating ten years to be where we are today with 4IR. Exactly 5 months from the 2019 Conference Covid-19 forced us to adopt 4IR quicker than we had anticipated. Four years down the line the geo-political conflicts outside of our control are exerting and fuelling up the landscape change discussions of deregulation and business sustainability.

Unpredictable Future and Global Oil Prices Volatility

- o Global outcry on rising fuel prices.
- o Rising inflation, food prices and food insecurity, unemployment crisis, economies.
- o Deregulation is now the buzz word in South Africa, seen as a solution although it really isn't.
- o However we know that in other global markets, governments in order to remain popular, saw deregulation as the way out of continuous criticism...rather than someone else deals with the problem.
- o We have learnt that just from the unannounced pandemic and not foreseen geopolitical conflict as to how quickly things can turn upside down.

Unity in Action – Some wins in 2022

- o ULP 93 Maximum Pricing – Inland
- o Government call to reduce margins by 21CPL
- o Call for deregulation by the DA
- o Wage negotiation settlement with NUMSA
- o ULP 93 Maximum Pricing – Inland – FRA objected to this implementation
- o Government call to reduce margins by 21CPL – FRA objected to this implementation
- o Call for deregulation by the DA – FRA objected to this implementation

Unresolved battles

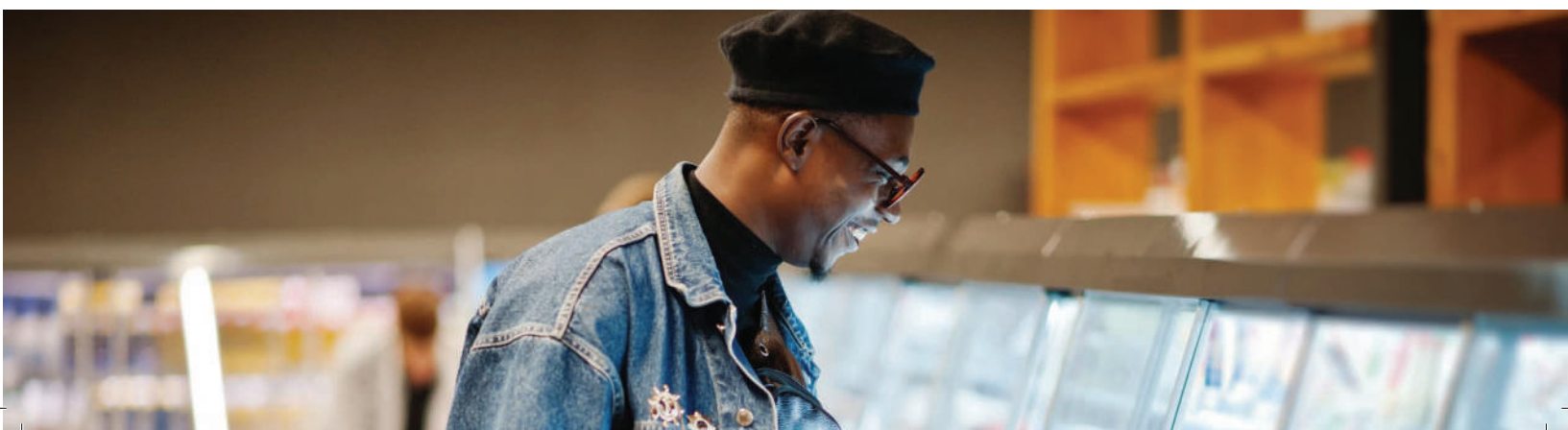
- o Illegal Trading (DMRE to Oil Companies) – Supply of Product, Conditional Selling
- o Credit Card costs on Petrol

Navigating the Changing Landscape Themes – FRA Conference 2023

- o Navigating the Convenience Retail Space – A Global Update
- o We need to learn from those that have travelled the journey. Major oil companies in South Africa have a global presence.
- o Navigating through the Local Challenges - The Fuel Industry and Franchising Challenges in South Africa.
- o Navigating through Partnerships – How Franchisor/Franchisee Relationships have changed.
- o Navigating Crime and Cash Flow in Forecourts – Managing security systems and cashflow for forecourts.

Way Forward

- o It's about building new capabilities 'power or ability to do something'.
- o Unity and collaboration is something we can do = Strong and effective partnerships.
- o Building sound franchisor/franchisee relationships
- o Protecting industry margins is something we should do instead of fighting each other and letting government be the winner takes it all.
- o Understanding customer needs and seeing them as people on the move with various needs instead of drivers coming to fuel up – requires new capabilities.



REPORT ON THE FRA CONFERENCE 6TH & 7TH SEPTEMBER 2023



INTRODUCTION

The 2023 Conference came on the heels of the 2022 Conference, a result of Automechanika having to catch up after not being able to have a conference during the Covid-19 pandemic. But the importance of having a conference in 2023 was also because the socio-economic and political landscape is continually changing and necessitates constant reviewing and re-planning.

Unity in Action remains the fundamental guiding principal of the FRA with the by-line '*navigating the changing landscape*' driving the spirit of collaboration to have honest conversations and find workable solutions. The coming together of around 400 in-person delegates and another 100 online indicated the support of the FRA's membership. Also, thanks must go to the W&RSETA and Nedbank as main sponsors, with secondary sponsors Circle K, Cash Connect and Sasol.

Officially opening the conference was Mike Motsoane, President of the FRA who welcomed everyone, thanked the generous sponsors who have made it possible and reminded everyone of the important work that the FRA is doing to steer our sector through all the challenges they face. With the fuel industry the nerve centre of the economy, unity between all the various stakeholders, from government to unions, so crucial to maintaining a healthy balance, the FRA has taken on the task of 'la luta continua' - to continue fighting on behalf of its members and the industry at large on a wide range of issues.



CONFERENCE DAY 1

WEDNESDAY 6TH SEPTEMBER 2023



Sipho Shoba, Chief Operating Officer of the W&RSETA

Sipho Shoba the main sponsor of the FRA Conference, outlined the work that they do in facilitating skills development specifically in the fuel retail sector through a number of programmes. The ultimate goal of the SETAs being the alleviation of poverty, division, unemployment and inequality remain their main goals, with significant benefits for employers in the sector.



Thabang Mahlangu, Sector Head of Automotive at Nedbank

Thabang Mahlangu outlined the value chain that binds everyone together within the fuel retail sector and the role that the specialist sector at Nedbank plays in that space. With continual change, Nedbank is at the forefront of interpreting the changing environment for its clients and tailoring solutions that will make life easier for businesses.



Nicky Weimer, Group Chief Economist at Nedbank

Nicky Weimer, who also advises government on economic procedures and policies in her capacity as an economist in the Central Economic Advisory Service, gave an overview of the trends in the overall global and local overall economy, looking at cycles in the economic growth, inflation and interest rates to help businesses understand and plan for the way forward.



International keynote speakers Mark Wohltmann, Director at NACS/Global, and Michael Davis, Vice President, Member Services at NACS

gave a global update on 'Navigating the Convenience Retail Space' to bring everyone up to speed on the many changes both on the fuel and convenience forecourts and to offer guidance and a roadmap based on their global experiences.



Hamza Parooqui, CEO of the Millat Group

Hamza Parooqui, as the force behind Circle K, the global convenience retailer that recently entered the South African market, gave insight into how they intend transforming the convenience forecourt space. At the heart of what needs to change in retailing is taking the convenience shopping experience to new levels by bringing in exciting new products and services and offering superior customer service.

A Panel Discussion followed on the subject of whether South Africa is on track or way off the mark? What must happen to navigate this journey?

Panellists Mark Wohltmann, Michael Davis, Trevor Visvanathan of Fresh Stop and FRA CEO Reggie Sibiyi

- *Reggie Sibiyi, CEO of the FRA* outlined the dynamics of the industry - with its highly regulated environment where it is very difficult to make strides and believes it needs a vibrant association like the FRA to do the research, set up the partnerships that will drive us forward and lead from the front in effecting change to make sure we remain on track.

- *Trevor Visvanathan of Fresh Stop*, a brand that is closely aligned to NACS and have adopted many of their international trends, believes that whilst we share many of the challenges that convenience retailers abroad go through, local brands must be open to adopting new trends and adapting them to local conditions.

- **Hamza Farooqui, CEO of Millat Group** believes that having a ‘can do’ attitude will make all the difference and will underpin the changes that have to happen. Those that don’t adapt will be left behind as we navigate the future of a different forecourt to the one we have at present. Those that don’t get on board to change will be left behind.

- **Mark Wohltmann, Director of NACS/Global**, advised that fuel retailers need to put their focus on the future customer, what their needs will be and find ways to satisfy those needs. Even though South Africa may be more than twenty years behind first world countries in terms of EV developments, it must learn from those that are busy setting up these new fuel and convenience hubs and be prepared to adopt these new trends.

- o **Navigating Cash Flow and Security Systems in Forecourts** is a subject that is top of mind for every fuel retailer as they operate their businesses in open forecourts with daily threats of security breaches. Gerhard Le Roux, Head: Capital Growth for Capital Connect and Patience Rolls, Executive Head: Cash & ATM at EasyPay Cash brought delegates up to date on the latest cash flow systems and security measures so essential in protecting assets, buildings, owners and staff.
- o **Responding to disruptions and a changing environment** were two academics, Prof Virimai Mugobo of the Cape Peninsula University of Technology and Mr Yunus Doba of the Durban University of Technology who have conducted research on behalf of the W&RSETA on the future needs of higher education and training qualifications to meet the demands of the country’s future development.

CONFERENCE DAY 2 THURSDAY 7TH SEPTEMBER 2023

The second day of the FRA Conference focused on *‘Navigating through the local Challenges’* expanding on the very real challenges that each and every fuel retailer faces on a daily basis. Under discussion were the threats of escalating crime at forecourts; the fuel supply chain and rising costs; the challenges of refining and wholesaling; government’s contentious fuel levies and the supply and demand of renewable energies. Understanding the changing nature of convenience retailing and making sense of the complicated franchisor/franchisee relationship that governs this franchise sector were all discussed and debated.



George Nkosi, FRA’s Vice Chairman, welcomed delegates and pointed out how important these conferences are as they present as balanced a scenario as possible so that the fuel retailers can make informed decisions - from being briefed by economists to hearing about the latest trends - be they from abroad or locally as we fight many challenges.



Johnny Sijnen, Chairman of the Security Committee at SAPIA gave a very confidential report on the crime statistics that SAPIA has researched that affect the 4 500 fuel retailers out there who are at the public coalface and who need all the support and expertise to ensure a safe environment for their staff and customers.

Navigating through local challenges saw key players in the fuel space tackle various aspects in the fuel space and participated in a panel discussion.



George Nkosi, FRA's Vice Chairman, spoke about the many changes affecting the fuel sector, in respect to the halving of the refining capacity of South Africa and its reliance on imported fuel which calls for doing things differently, encouraging new participants into the market and new initiatives - from fuel pricing, hedging, margins and subsidies - to stabilize the market through strategic imperatives.



Reggie Sibiyi, CEO of the FRA gave insight into the association's imperative to form partnerships with the full spectrum of stakeholders to solve the many issues the industry faced. From oil companies and other stakeholders there is a need to ensure that there is uninterrupted supply of fuel. New ways of doing business where there are reduced volumes in the aftermath of Covid-19, together with compromised margins which are inflated and way under-recovered are areas of concern. Also of concern is the criminal activity of wholesalers who are illegally trading in the retail space. Fuel retailers are having to do a balancing act between the consumer prices and input costs impacting the sustainability of their businesses and security of supply. Future growth of the sector must come from transformation and we need to ensure that there is profitability when entering this sector.



Taelo Mojapelo, CEO of bpSA, spoke about the many changes affecting the fuel sector, in respect to the halving of the refining capacity of South Africa and its reliance on imported fuel which calls for doing things differently, encouraging new participants into the market and new initiatives - from fuel pricing, hedging, margins and subsidies - to stabilize the market through strategic imperatives.



Dumisani Bengu, SVP: Mobility & Customer Experience at Sasol stressed the need for collaboration, even among competitors as we face serious challenges and disruptions which are challenging the very core of this sector. Outside factors like load-shedding, that has impacted the bottom line of fuel retailers points to the challenge being the sustainability of the business - and the need to take steps to ensure that the business model going forward will provide a profitable investment opportunity.



Sahlulele Luzipo, Chairperson of Parliamentary Portfolio Committee, Mineral Resources & Energy gave government's Parliamentary Portfolio Committee's Perspective on their efforts to balance the sustainability metrics of resources and energy. Engaging with the fuel sector gave the committee an understanding of the challenges of the fuel price anomalies, recommending that mechanisms be introduced to ease the burden on fuel retailers on various fronts. The committee recommended a review of all aspects of the fuel price structures and exemptions, including the fuel value chain, margins & levies, the LPG and illuminating paraffin prices and the 15% premium on freight.

Panel Discussion – Navigating through Partnerships - How Franchisor/Franchisee Relationships have changed - a focus on the franchise partnerships that govern fuel retailers.



Mohamed Carrim, Transformational Executive, Beyond Innovation & Millat Investments,

whose expertise spans many years as a businessman, believes that partnerships, in all its forms, is important to find solutions and to prosper. The fuel retailers’ partnerships are many - for retention, omni-channels, retailing, customer centricity and loyalty and to optimise real estate. But it is important to understand the landscape that has to support appropriate partnerships and what is happening today and in the future.



Nelia Kirsch, Group Executive, Franchise, Pick n Pay

paid tribute to Raymond Ackerman who passed on this day and who played an important part in the fuel sector when he almost got arrested in his quest to discount fuel. He also was a pioneer in establishing franchising in the retail space and now on the forecourt. Micro managing all the various partnerships that a fuel retailer enters into are multiple and onerous and it is up to franchisors to support and be transparent with its franchisees as much as possible.



Eric Parker, Director, Franchising Plus,

respected franchise guru outlined two broad types of franchise partnerships; the conventional/traditional franchises and corporate franchises which is where the fuel retailers sit. Corporate franchisors have the mindset of running franchises like branches and often forget that ‘the better the franchisees do, the better the franchisors will do’. Fuel retailers, who wear multiple hats, are becoming the retailers of the future and need strong support from their franchisors to remain productive and profitable.



FACING FUEL & CONVENIENCE RETAILING CHALLENGES



2023 Review by Reggie Sibiya, CEO

Until the pandemic struck at the beginning of 2020, the Automotive Sector was set to be the one business area that would be impacted the most by the 4th Industrial Revolution and be at the forefront of the new technological age. Key speakers at the conference in 2019 spoke about the changes and challenges in fuel and convenience store retailing and expanded on trends and innovations in the aftermarket motor industry. Little did they know that the economic fall-out from Covid-19 was just the tip of the iceberg and that more curveballs were on the way in the form of devastating floods and the war in Ukraine would derail oil prices and have a snowball effect on the economy and their sector in particular.

Since then, balancing current challenges whilst keeping an eye on what the future holds for this sector is what the Fuel Retailers Association (FRA) focused on at their 'Unity in Action - Building New Capabilities' Conference held on the 8th and 9th June 2022 which unpacked the threats and challenges and tried to find long-term solutions by building new capabilities for its franchisees in both the fuel and convenience store spaces.

A year later, at the 2023 Conference we had to change our by-line to "Unity in Action - Navigating the Changing Landscape" because of the new challenges that we are being confronted with - from global wars affecting fuel supply chains to domestic uncertainty.

Forecourt Convenience Stores to transform

For those operating fuel retail stations the current situation puts them between a rock and a hard place. On the one hand handling the challenges of the international fuel crisis coupled with declining volumes and profit margins, onerous legislation from both government and industry standards and labour issues; on the other hand, balancing much needed income streams from forecourt shops and other services to make up the shortfalls and ensure the sustainability of their businesses.

Creativity in convenience retailing is key to the future of fuel convenience, according to Mark Wohltmann, Director of NACS (National Association of Convenience Stores), who presented at both the 2022 and 2023 conferences, giving his insights as to what the rest of the world is doing to mitigate this. "As electric vehicles become a reality, service station owners then need to add convenience stores, fast food & beverages, car washes, car and trailer hire, with electric or hybrid vehicle charging spots, laundry services or even future potential in pharmacies on the radar to make ends meet."

"The future of the fuel retailer lies in creating a competitive edge," says Reggie Sibiya, CEO of the Fuel Retailers Association (FRA). "As an important sector in South Africa, we need to learn from our international partners like NACS as they are way ahead of us in tackling this fine balancing act. Our fuel and convenience retailers need to be prepared to change with the times, recognising the need to move from the needs of the vehicle to the needs of the driver and his passengers. In other words from defining our customers as drivers in cars who want to refuel to defining customers as people on the move who need a whole variety of goods and services - which they can easily and conveniently get at a fuel forecourt."





Is the fuel retail sector sustainable amid declining fuel demand and other threats?

By Karen Keylock, National Franchise Manager at Nedbank Commercial Banking



The fuel retail sector has had a tough few years. During Covid-19 lockdowns, fuel sales understandably plummeted in most markets but as lockdowns eased, fuel demand recovered. However, according to Trade Intelligence, petrol and diesel consumption has still not reached pre-pandemic levels.

In some ways, the dramatic shifts experienced in 2020 have given us a preview of the likely impact of the energy transition. The long-term outlook for fuel retail envisages a 9,2% decline in global value from \$87 billion in 2019 to \$79 billion in 2030. This decline is driven by several factors including the global economic slowdown, an accelerated switch to online shopping channels, the unprecedented move towards working from home, as well as efficiency improvements, regulations to curb emissions, and the rise of electrification and shared mobility.

South African fuel retailers have unique challenges to overcome

In addition, an exclusively South African phenomenon that fuel retailers must tackle is the issue of rising energy costs coupled with declining reliability. From 2007 to 2022, electricity tariffs increased by 653% – 5 times higher than inflation over the same period – and the intensity of load-shedding is expected to double in the next 5 years. This means that, while higher electricity tariffs are already impacting operating costs, fuel retailers are under further pressure because of generator-related costs as they struggle to trade 24/7, which they're required to do because they supply fuel to essential services.

Another major challenge for South African fuel retailers is crime, with kidnappings, drive-offs, card fraud, cash-in-transit robberies, bombings, unrest and protest action being a very real and regular threat. At a recent event hosted by Nedbank, PetroConnect offered practical solutions to these issues, including energy management, tariff optimisation and the installation of solar panels to address the energy challenges, as well as comprehensive business insurance to mitigate the effects of crime, theft and fraud on a business.

Is non-fuel retail the solution?

While the combination of these challenges may appear insurmountable, the decline in income from fuel retail is expected to be offset by gains in non-fuel retail, with projected global forecourt value increasing by 36% to \$30 billion in 2030. Trade Intelligence research supports this, with the income from South African forecourt convenience stores increasing almost 20% from R23,4 billion in 2020 to R28 billion in 2022. This growth, in turn, begs the question of whether this is where the opportunity lies for fuel retailers.

Trade Intelligence research shows that there is a strong correlation between fuel and forecourt usage, with 83% of visitors filling up with fuel and shopping at the forecourt store, compared to just 4% who refuel only. Forecourt stores are frequented regularly, with 76% of shoppers visiting at least a few times a month, while almost a third of respondents shop there a few times a week. Grocery retailer partnerships, which have increased more than 69% over the past 5 years, appear to be driving this growth trend, with 76% of shoppers preferring to frequent a forecourt store with a grocery retailer partnership. Location is the biggest driver of forecourt choice among frequent forecourt shoppers while aspects like convenience, excellent customer service, and popular takeaways are also leading determining factors.

The perception of being more expensive is the biggest barrier for forecourt stores, with 72% of shoppers who shop there less than once every 2 months citing this as the reason. This perception provides a clear opportunity for forecourt retailers to promote product prices, specials and promotions to attract nearby shoppers. Another opportunity is to reward customers with in-house loyalty programmes, which also offer the benefit of using customer data to enhance and personalise the shopper experience by delivering bespoke promotional alerts – another leading retail trend. And a major opportunity lies in elevating the customer experience through superior products, customer service and shopfitting. A stellar example of this is The Pantry at the Sasol in Rosebank, Johannesburg, which has become a sought-after shopping destination.

At Nedbank our role is to empower players in the fuel franchise industry to adjust to the myriad of challenges and rapidly evolving world. When you bank with Nedbank, you get a partner strategically aligned to your growth narrative – one that understands that you need more than just innovative, competitively priced products. Someone who can help your business discover the key to unlock the next level of growth and support you with your financial needs and business aspirations.

Let's work together to boost your fuel retail business!

Email me at karenke@nedbank.co.za or visit nedbank.co.za to find out more.



What is the future of Retailing in South Africa?

The complexity of the fuel retailing sector and the myriad of issues that surround it are enough to make anyone’s head spin. For those operating fuel retail stations it’s like juggling multiple balls at once... on the one hand focusing on the challenges of the fuel conundrum in South Africa with its declining volumes and profit margins, and onerous legislation from both government and industry standards and labour issues. On the other hand balancing much needed income streams from forecourt shops and other services with onerous franchise agreements. No other industry is as complex and as challenged as the fuel retailing sector.

When the Fuel Retailers Association held its pre-Covid conference in September 2019, the theme of the conference was ‘Changing Landscape’ and focused on the Fourth Industrial Revolution that was going to mark the turn of the decade. According to Reggie Sibiya, the presentation NACS at the time focused on the big industry issues, the trends that would impact

the sector and what the next big disruptors would be. “We could see what was happening in Europe and the USA, with total deregulation and the move to electric and hybrid mobility starting to become a reality but we thought we had enough time to wrap our heads around how we would tackle the issues when they came our way. Little did we know that six months later we would have to fast-track to 4IR due to Covid-19 and the changing economic and consumer landscapes. Through this all, the bottom line, however is that the economy and people need fuel – at least for the immediate future. It is also very labour intensive and currently employs above 90 000 people and has from 4000 to 5000 SMMEs running fuel retail operations.

Fuel is the major part of the business making up 60 – 80%, depending on location; urban sites progressively doing more convenience and other supplementary streams, more than in rural areas. Margins are fixed, pump prices are increasing and change every month. “With no relativity between fixed margin and the movement of prices, most of the operating expenses are linked as a percentage of the pump price so when the pump price goes up, the operational expenses also go up yet the margin is fixed annually,” says Reggie Sibiya. “This leads to the erosion of the operational margin at the end of the day which is not a good or healthy situation to be in.”

“COVID-19 impacted the industry with volumes dropping by 80% with many operators pleading for rental relief from landlords, bank holidays and with very little or no support from government. Then came the July 2021 riots and looting and the sector lost over R300 million to looting and property damage – the combined COVID-19 and looting cost the industry billions of rands in both revenue and tax collection through fuel levy and road accident fund.”



The pull/push challenges to stay in business

The picture today, as oil companies try to claw back to profitability, is one of economic challenges coupled with declining volumes due to people spending less on travelling, margins being eroded and compromised through lack of collaboration in the industry. “Our industry is peculiar in that our value chain has a lot of players who have different interests – to get them to work together and collaborate on issues that are beneficial to the industry is a mammoth task, says Sibiya. “But we continue to work on that and won’t give up.”

With margins lagging behind, rampant inflation, compliance costs and the missing elements like credit card costs which were introduced in 2010 for the FIFA Soccer World Cup and never reviewed, you have a cauldron of insurmountable challenges.

“Remember, margins are determined by the minister of mineral and energy resources and once determined they are fixed. If operational elements are not in the margins operators are under-recovering and will take the strain.” says Sibiya. “A 2016 KPMG study showed exactly that – we were under-recovering 12c per litre on cost recoveries and those adjustments have never been factored into our margins.”

The poor implementation of the RAS model talks to the split on the other element of the margins – the profit margin – the way it was calculated left a lot to be desired. The department left the negotiation of the split of that element between the retailers and the oil companies which then becomes a serious challenge because it upsets the balance of power between the two parties. The Fuel Retailers Association has taken the matter to court on behalf of all fuel retailers against the minister of mineral resources and energy.

Unregulated costs, like airtime, Lotto and even cigarette sales were compromised over time – it is becoming tighter and tighter to operate the service station business – both in relation to regulated and unregulated elements of the business. With increasing pump prices and fixed margins, we are way below the appropriate levels that we should be recovering, explains Sibiya.

The labour conundrum

“Labour challenges have been compounded by rising levels of unemployment and retrenchments as a result of COVID-19 although the industry was taking strain even before the pandemic,” says Sibiya. “As hardships of the compromised retailer margins continue, retrenchments continue to increase with no clear strategies to address this problem from government”.

The sector retrenched 3 658 employees during the pandemic period – a trend that is going to continue until government intervenes or the economy fully recovers. The looming issue of the 4th Industrial Revolution and how that is going to impact the training of the labour force is another challenge, says Sibiya who points out that COVID-19 has forced and fast tracked this transition at a point when the industry was not ready for it. “How to train young people for future 4IR jobs when other jobs become redundant are the challenges facing the industry.”

The FRA believes in the long-term sustainability of bargaining councils and plays a major part in engaging with them but the extension of scope to non-parties is a serious threat, as in the absence of centralised bargaining, SMMEs will be forced to spend a lot of time dealing with trade unions which is not desirable or productive as their focus must be on running their businesses versus them spending time on bargaining issues. “We are expecting tough wage negotiations in view of COVID-19 and the very slow economic recovery,” says Sibiya.

Navigating the legislative & transformation maze

In terms of legislation fuel retailing is a unique industry with a myriad of regulations underpinned by various legislations, contractual agreements, SABS standards, bargaining councils and POPIA – the list is endless and a challenging area, says Reggie Sibiya.

Petroleum Products Acts and its regulation challenges include the proliferation of service stations and the rampant illegal trading which is threatening the sustainability of existing service stations businesses; if it is not addressed seriously we may as well forget about the survival of the fuel retailing business.



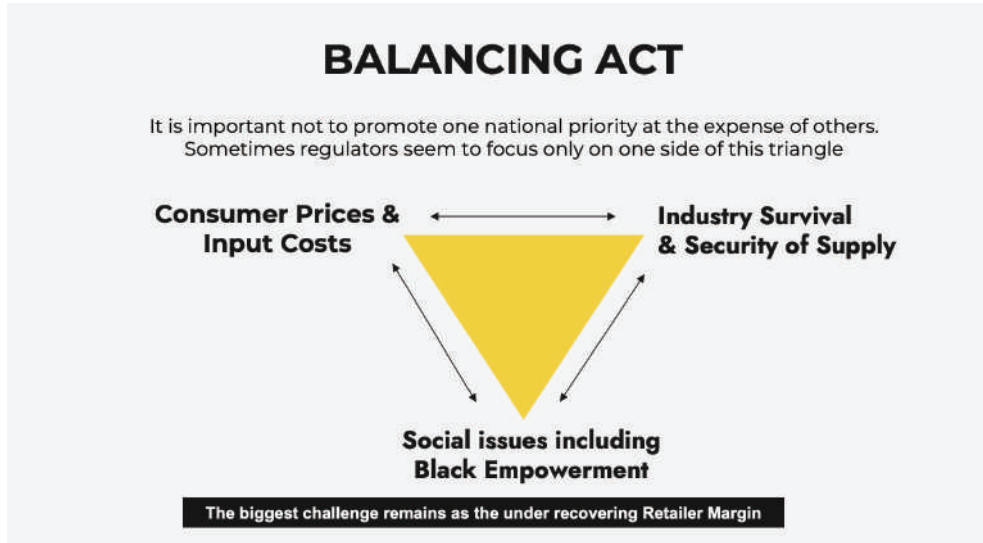
12B arbitrations – a clause enshrined in the petroleum products act – for which the Fuel Retailers Association fought long and hard for this to be incorporated and to address the issue of unfair contractual practices which is on the rise, has caused a lot of hardships both from the franchisor and franchisee side.

The Consumer Protection Act, although in place for some time has so many different codes and for a sector that operates multi faceted businesses, the challenge of figuring out where it belongs– whether with the CGCSA code, FASA's franchise code, MIOSA's code – has proved to be quite a challenge as we can't belong to all of them.

Whilst the transformation sector code is underway, it has proved to be slow in delivery. Certain peculiarities unique to the sector, such as how fuel turnover is measured, are a major concern. Whilst other unregulated businesses are measured per turnover excluding VAT, fuel turnover is inflated by the fuel levy, the road accident fund levy and other levies. As an association the FRA needs to deal with such issues to ensure that the categorisation of all these fuel retailing entities is properly allocated in terms of the threshold revenues which exclude such things as levies.

Deregulation is another issue that needs to be watched carefully as it is a concerning picture which has benefits for customers but dire consequences for businesses. The trend globally in card interchange fees is also causing an outcry from retailers worldwide who want to see card interchange fees being reduced as they can be steep in terms of operations expenses. Fortunately in South Africa we have the Reserve Bank project which is in phase 4 and currently dealing with the issue.

South Africa is already trapped in deregulation with the Petrol Pump Price being the only thing regulated in the entire pricing value chain. The trend of reducing retailer margins, increasing traditional and non - traditional competition via new brands and supermarkets, relaxed product importation regulations and shift to convenience retailing, points to the fact that we are on the journey to full deregulation which will erode jobs and SMMEs as we see in other global markets. This needs the Department of Mineral Resources & Energy to intervene urgently to sustain the jobs and SMMEs in the sector, otherwise all will be lost.



Navigating the legislative & transformation maze

New alternatives to fuels and imaging customer needs is driving the evolution of the industry with electric vehicles and hybrids being slowly introduced driven by an emissions reduction global agenda. South Africa, which exports as much as 64% of the combustion engine cars it produces to countries like the UK, who have very clear cut legislation that phases out the use of combustion engines, will feel the impact on the economy going forward.



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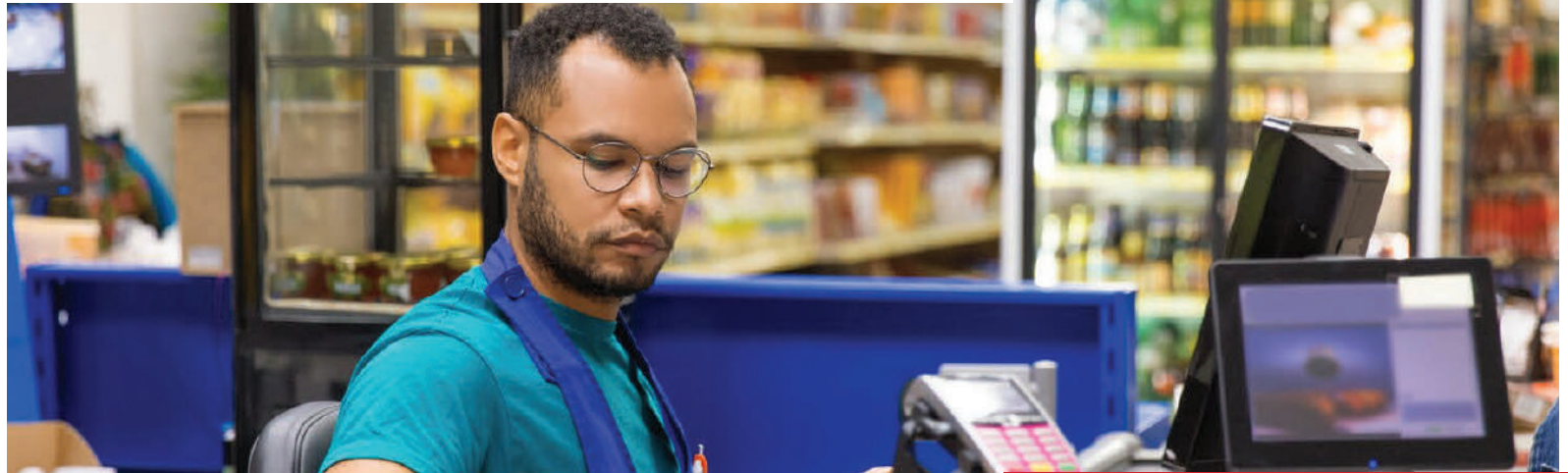
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NACS AND FRA COLLABORATION



NAVIGATING THE CONVENIENCE RETAIL SPACE - A GLOBAL UPDATE

The FRA's theme of Unity in Action - 'Navigating the Changing Landscape' means not only trying to navigate the enormous challenges members face locally but they need to prepare to transition to the future - a future of AI, electric cars and a changing convenience landscape. To give us an international perspective we were once again honoured to have as our key-note speaker representatives from the National Association of Convenience Stores.

It's a Global Industry

The issues affecting the convenience retail space are universal to almost every country, as they are all modeled on the fuel forecourt with its add-on convenience and retail arms. Only few strategic issues are unique to local markets, eg, specific local regulations, regional habits and customs and of course extreme political situations, natural disaster etc set some countries apart.

Most issues, opportunities and challenges are global e.g. tobacco regulation, foodservice offering, supply chain management and payment systems. These global issues differ in their maturity locally, in as much as electric vehicles are more prevalent in countries like Norway vs. Romania or tobacco regulation in the UK vs. Russia.

Maturity indicates innovation or best practice, for example least mature markets: innovative concept trials as opposed to the most mature markets where only the best practices survived.

The only global industry body for convenience & fuel retailing

NACS plays a critical role in sharing the learnings across countries and creating connections necessary to maintain this dynamic global scanning.

Headquartered in the United States, NACS is the leading global not-for-profit trade association for convenience and fuel retailing, serves as a trusted advisor to 150 thousand locations in the U.S. with members in 57 countries. Founded in 1961, NACS ensures the competitive viability of the convenience and fuel retailing industry—consisting of more than 1 million convenience stores across the globe—through knowledge, connections and issues leadership.

Way back in 1961, it was just a handful of businessmen who gathered in an old, but still stately, hotel in Kansas City Missouri, USA. One was an ex-car salesman; one was a former dairyman who had moved into hauling produce; most of them had come out of the grocery business. They were all pioneers in a fledgling industry—an industry known variously as “drive-in markets,” “bantam stores,” “midget markets,” or some similar, somewhat condescending name. They knew themselves to represent only a speck in the giant world of American food retailing. But they saw their industry playing a much bigger role in the future. And they knew that the existing organizations and associations of the food industry were, somehow, not for them.

Learning from the best

From our small corner of the world, it seems amazing how advanced some countries are in this transition to energy renewables and wonderful to see how the convenience space is changing in tandem. The FRA is proud to be a member of NACS and to partner with them in navigating the future of convenience retail - benefiting from their hard-earned lessons and lived experiences.

The collaboration between the FRA and NACS is a very important partnership as they represent fuel retailers from around the world who are one step ahead in the evolution of the fuel & convenience sector. Mark Wohltmann, CEO of the National Association of Convenience Stores, Europe and Michael Davis, NACS Vice President, member services shared international trends and best practices on fuel & convenience retailers are handling the challenges they face giving us guidelines on how we too can transition to the future.

BRINGING COMPELLING VALUE TO THE DIVERSE WORLD OF CONVENIENCE RETAIL

NACS | Global is an exclusive, globally connected network of passionate, forward-thinking senior representatives of convenience- and fuel retailers and their suppliers, who want to stay ahead of the curve and be “in the know”.

NACS | Global supports its members to advance their businesses and their careers, through:

- NACS | Global supports its members to advance their businesses and their careers, through
- offering commercial and strategic connections to relevant, high-profile individuals and organizations
 - delivering international industry knowledge, insights, thought leadership and best practices
 - providing learning opportunities in cooperation with renowned providers and Ivy-League universities



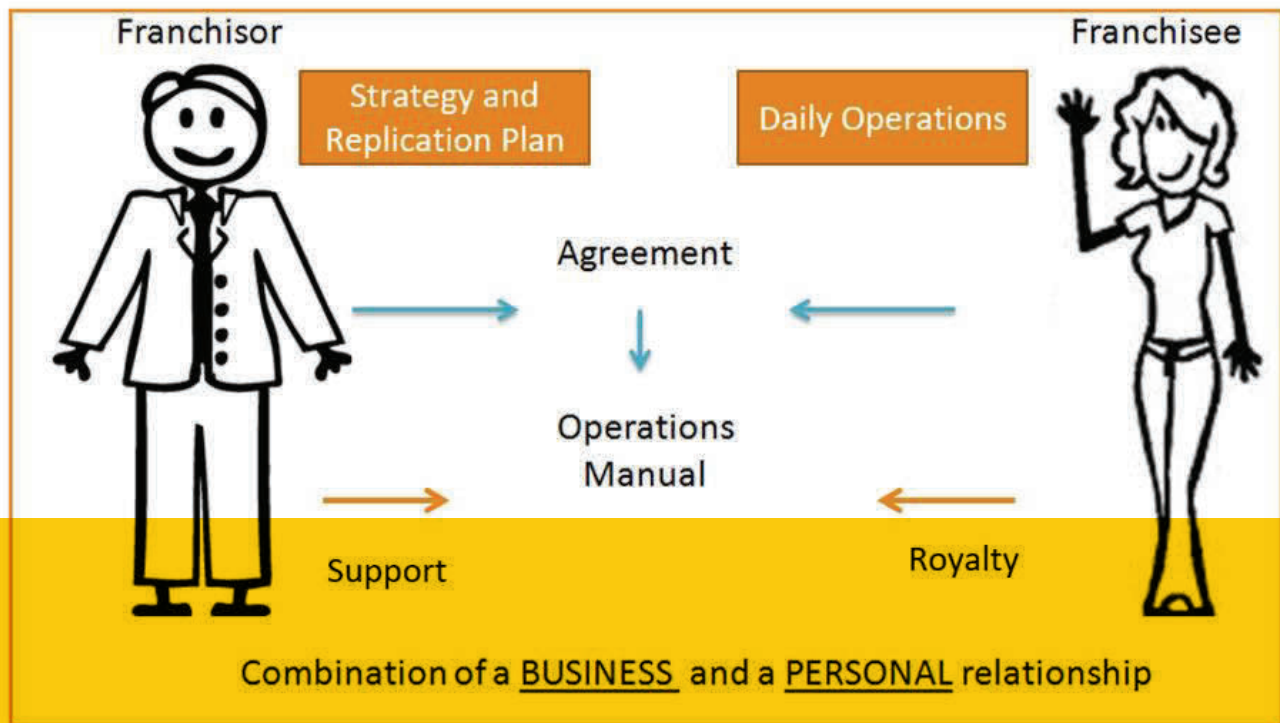
Convenience Briefings

By interacting with our members worldwide, NACS constantly measures and monitors global trends, best practices, and industry issues, like a “Global Convenience Radar Screen”. Their global engagement over the years has illustrated the varying needs of a differentiated world, revealing two key areas in which convenience retailers have an enduring and ubiquitous thirst: Thought Leadership & Best Practices. Whilst mature markets generally produce most proven best practices, their retailers are mostly being more interested in innovation. And retailers in emerging markets are more interested in best practices whilst their activities produce lots of innovation. NACS reports on these thought leadership topics, best practices, and innovation through the NACS | Convenience Briefing.

Global Strategic Industry Issues Survey

Once a year NACS asks selected senior representatives from member companies across the globe “What keeps you awake at night”, which strategic topic is high on your agenda? As well as how mature this issue is in their country vs. the rest of the world. Whilst the maturity of these issues differs a lot on the issues lifecycle, the selection of core issues is the same. Key topics in 2022: COVID, ESG, Las Mile, EV, Foodservice, Retail Technology, Labour.





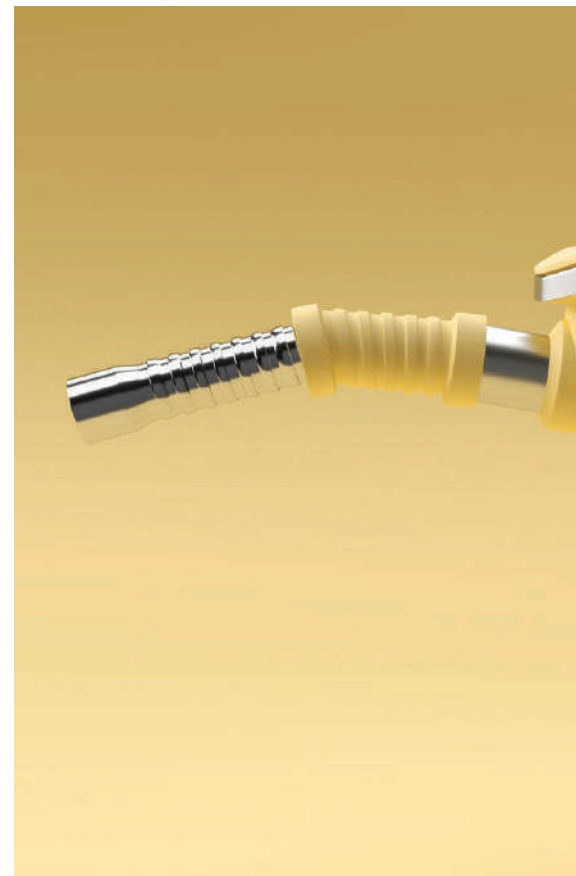
NAVIGATING FRANCHISE RELATIONSHIPS

A key component of the 2023 Conference was a panel discussion that focused on 'Navigating through Partnerships' with emphasis on the often complicated franchisor/franchisee relationship in the fuel retail context.

Eric Parker, franchising guru and a founding member of the Franchise Association of South Africa (FASA), is a strong proponent of the potential of franchising but adamant that it must be done with integrity and always cognisant that the foundation of franchising rests on four pillars: relationships, a win-win scenario, mutual trust, and respect. These pillars contribute to a collaborative environment that fosters growth and development for all franchise stakeholders.

"In the realm of franchising, says Eric Parker, success is not a solo journey; it's a collaborative endeavour that thrives on shared insights and continuous improvement. The value of franchisee feedback cannot be understated. Franchisees, as the individuals on the frontlines of the business, possess invaluable perspectives that can drive innovation, optimize operations, and foster a harmonious franchisor-franchisee relationship."

The impact of Covid-19 on businesses has been multifaceted, necessitating changes, adaptations, and resilience for survival, growth, and prosperity in these challenging circumstances. Throughout this period, franchisors played a crucial role in supporting their franchisees, guiding them through uncertainties, and fostering resilience. This challenging period also prompted both franchisors and franchisees to innovate their business approaches—streamlining, automating, and embracing new operational methods.



Franchisor/Franchisee Balance is key

“Franchising can only work if there is a balance between the franchisor and its franchisees. A franchise with unprofitable, unhappy franchisees will not last.”

Franchising involves a great amount of teamwork to make it work – be it between franchisors and franchisees, with their staff, with landlords and suppliers – and even with customers. Within the franchise circle, if either side starts with an ‘us’ and ‘them’ syndrome, the relationship is doomed to fail. Both sides need to see their relationship as inter-dependent, with the one not being able to survive without the other. Simply because there is a franchise contract does not mean you are on opposite sides – if both accept that they are rooting for the same team and can work off a base of joint responsibility, they will always maintain good relations and a healthy respect for each other.

Upholding ethics

Responsible franchisors do not become greedy and don’t go after rebates, kickbacks etc., but rather plough these benefits back into their networks to the benefit of franchisees.

A franchisor takes on a very complex and dynamic role in the franchise system and the responsibilities that go with it, including being ‘big picture’ thinkers that see the future potential of the brand. Becoming a franchise fundamentally changes the mechanics of a business. Decision making should be inclusive, with the impact on the franchise network always in mind. Supply and distribution decisions need to be made within the framework not only for the good of the whole group but in line with ethical business practices.

For any brand, success will require franchisors to support franchisees and customers by pivoting their business models to better suit the changing marketplace. It is important that they are re-strategizing and re-shaping their business formats to incorporate more efficient operations, stronger benchmarking and tapping into alternate income streams.

THE POWER OF FRANCHISING... contributing to the South African Economy



Throughout the Franchise Association of South Africa’s 45 year history, the association’s main aim has been to nurture the entrepreneurial spirit that is at the heart every franchisor and franchisee and to ensure that this phenomenal business system continues to enrich whilst contributing to job creation and to the economy of South Africa.

Getting the facts and figures on the ground of how the franchise sector has performed over the past four years were reflected in the 8th independent survey conducted in late 2023, sponsored by Absa that assessed the contribution by the franchise sector to the South African economy. It measured its performance in terms of GDP, business establishment, creation of employment and the identification of key franchise practices.

With an estimated turnover generated of R999 billion, a 36% increase over the figure of R734 billion which is equivalent to 15,0% of the total South African GDP of R6 660 billion in 2023, franchisors and franchisees can be proud of their tenacity and commitment to running profitable and ethical businesses and more so to be contributing to skills transfer and employment.



Positioning the Wholesale and Retail Sector to navigate a changing environment

As the skills development authority, the Wholesale and Retail Sector Education and Training Authority (W&RSETA) is cognisant of the changing landscape of the Wholesale and Retail Sector and is positioning the sector to embrace opportunities brought by various change drivers including a sluggish economy, technological advancements, civil unrests, and natural disasters.

Research on economic disruption in the Wholesale and Retail Sector highlighted the following to position the sector for disruptions:

Building digital capacity and capability for online learning and training across the sector.

Enhance sector digital inclusion for SME and informal traders to unlock growth and employment opportunities.

Improve digital skills and skills upgrades for both employed and unemployed.

*W&RSETA Impact Study of Economic Disruption: Wholesale and Retail Sector

Skills required to position retail as digital businesses:



e-Commerce



Digital marketing



Digital customer communication



Financial literacy



DATA ANALYSIS

Data analytics



Information Communication Technology skills such as Software Developers, Business Analysts, Computer Network and Systems Engineer

Transforming the Wholesale and Retail Sector

Forging ahead with its transformation agenda, the W&RSETA implements various programmes at management level to accelerate the development of people from historically underprivileged groups to assume strategic leadership roles in wholesale and retail companies.

To advance its aspirations, the W&RSETA invested R21 million towards the Service Station Readiness Programme in partnership with PetroCONNECT to capacitate aspiring fuel retailers to enter the fuel retail industry and empower those who wish to pursue a career in the sector. The programme aimed to benefit 1000 individuals.

The programme has recorded several success stories with beneficiaries entering the fuel retail industry and some growing their retail businesses thus contributing to job creation.

Some of the phenomenal successes from the programme include the following:



"While on the programme, I applied for a BP site and was fortunately approved. This is a very special programme for me because it was not only about the training but also about the support throughout and after the programme."

Zama Ntongwa



Luleka Dlamini and Vicky Letageng are now dealers at the Caltex Windermere, a strategic partnership.



Young Nkosenhle Mafuleka now owns two filling stations.

"The programme gave me an edge in the industry that I was able to acquire my second service station."

Nkosenhle Mafuleka



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Wholesale and Retail SETA



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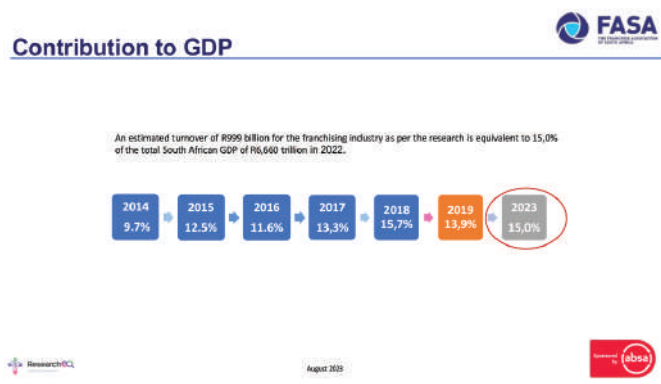
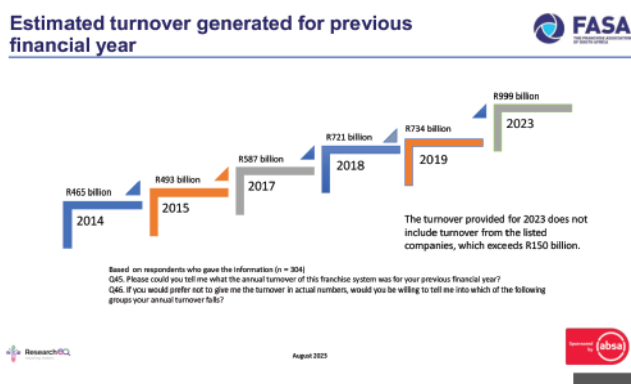
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Harnessing Collective Power

Planning the blueprint of how franchisors and franchisees see the future is what the franchise sector needs to spur them on to greater heights. Having learnt the hard lessons from the past four years, every franchise system needs to take on board the lessons learnt, harness the power of the collective that is made up of franchisor and its franchisees and face the future with a new determination to show that we can turn the tide.

FASA's CEO Fred Makgato believes that the only way to avoid an impending disaster in South Africa is for the government to deal with the many impediments to economic growth and to recognize that it is the businesses, both large and especially small, that are keeping the economy going. "On the back of such a strong survey of the franchising sector, that is prepared to safeguard its position as a significant contributor to the country's economy and is willing to play its part to keep the wheels of business and entrepreneurship turning, we call on government to now do their part in rectifying the debilitating state of the country for the sake of the economy, its citizens and the future of South Africa."



THE POWER OF FRANCHISING... introducing new franchise concepts to market

Franchising is a unique business system that relies on duplication of a concept, a brand, products and services through an ever-growing network of franchisees across fourteen different business sectors. An overview of how those franchises handled the strains and stresses of the past four years is invaluable to its future growth.

The phenomenon of franchising starts with the very first idea that germinates in the mind of an entrepreneur who then goes on to make his dream come true by nurturing and developing that dream into a bankable business. Once he has piloted the concept, refined the business strategy, set out a blue-print for duplication, he is ready to franchise it and offer opportunities to other entrepreneurs. The proliferation of franchise systems globally relies on those maverick entrepreneurs to continually come up with new concepts and a slowdown can result in a domino effect which will affect the set up of franchisees, which in turn impacts on job creation. Despite the drop in franchise systems, the existing franchisors show very strong resilience and longevity.

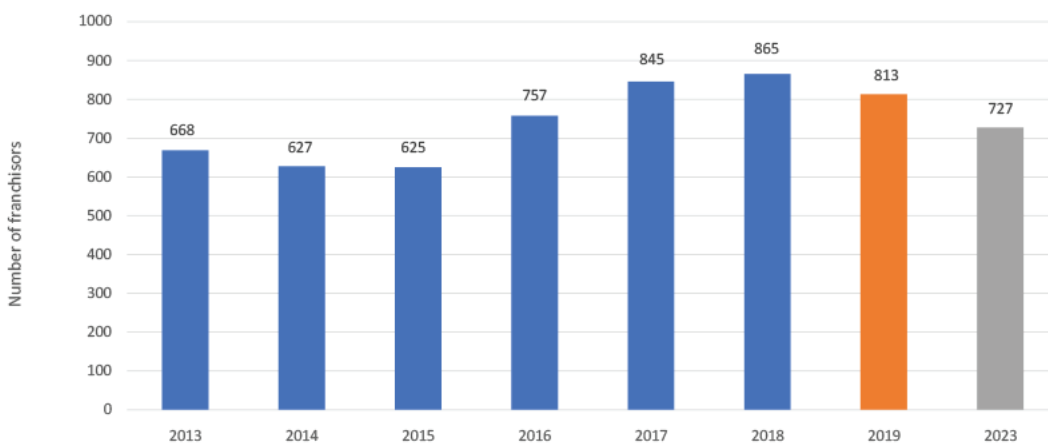
- According to the FASA 2023 database, there are 727 franchise systems in South Africa. This sample was grossed up to represent 68 463 franchisees, a 43% increase since 2019. The increase in the number of large franchise systems in the 2023 survey accounts for this marked increase.
- The franchise sector is a stable and robust segment of the South African business market, as is noted in the longevity of the businesses – 77% of franchisors and 53% of franchisees have been in business for more than 10 years. The average number of years in business for franchisors was 21 years and 12 years for franchisees.
- Franchisors' expectations that a new franchise would break even within the first year of operations grew significantly, from 76% in 2019 to 89% in 2023. A similar picture is seen among franchisees that experienced break-even within the first year of operation growing from 69% in 2019 to 89% in 2023.

With franchising making such a valuable contribution to the country's economy, it is important that a greater effort is made by government, its stakeholders and the private sector to explore the many facets of franchising – that include social, tandem and micro franchising – that can be duplicated in all corners of the country to provide much need training and jobs.

Number of franchisors in South Africa 2013 - 2023



The drop in the number of franchise systems in 2023 could be attributed to the disruptions of the past three years.



Note: The current number of franchisors in South Africa have been estimated at 727 .



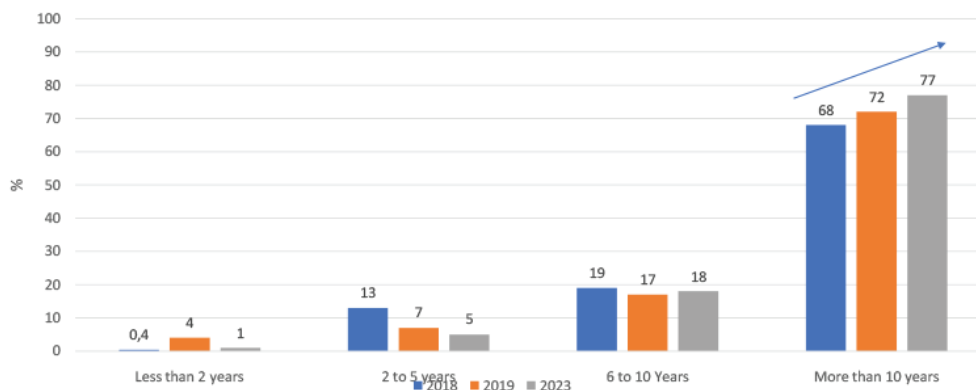
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Time in business



An upward trend, reflecting the time that the franchise has been operating since the first franchise agreement was signed, is indicative of the resilience and stability of the franchise sector in South Africa. On average, the claimed number of years in business is 21 (20) years.



Based on all respondents (n = 304)

Q3. For how many years has this franchise been operating, that is since the first franchisee agreement was signed?

August 2023



HOW DO FRANCHISORS SEE THE FUTURE

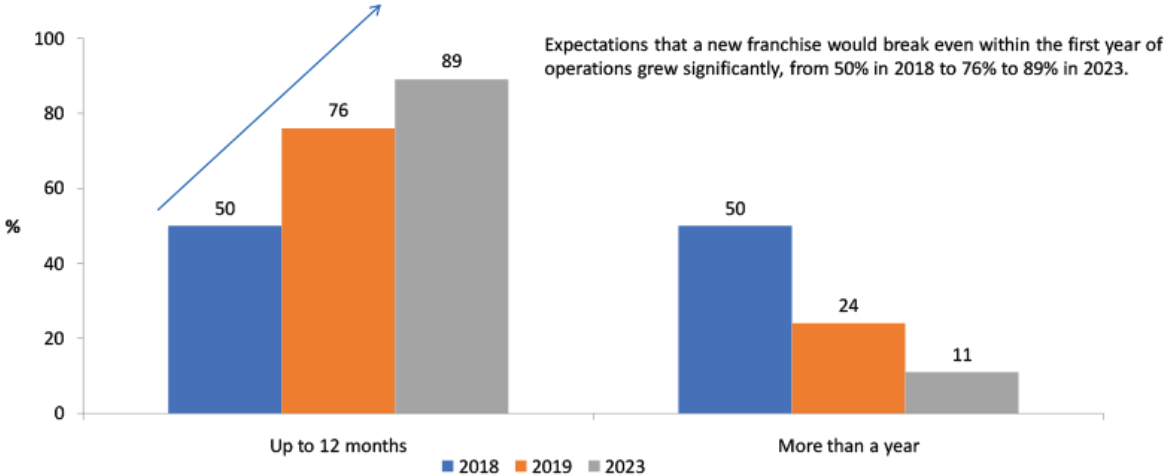
Whilst the past four years has taken its toll on all businesses, the franchise sector has proved its resilience and, on the back of the survey results, FASA believes that now is the time for franchising to step up and find ways to plan for its future growth. Whether it's lobbying government to partner with it in using the franchise business model to establish grass root franchise concepts in the social, tandem or micro spaces, finding flexible franchise options tailored to our new world or targeting corporate companies to look at franchising as an expansion mechanism, franchising remains one of the strongest business formats for future sustainability.

On the back of such a strong survey of the franchising sector, that is prepared to safeguard its position as a significant contributor to the country's economy and is willing to play its part to keep the wheels of business and entrepreneurship turning, FASA and the franchise community are a testament to the power of the 'ubuntu' collective that is the cornerstone of franchise success, as franchisors and franchisees work together to analyse challenges, find solutions that will not only benefit themselves but their staff, dependents and the consumers they serve. Franchisors continue to be optimistic about business growth continues to strengthen, and the expectation that turnover will grow in the next financial year is almost unanimous.

- 1 From these findings, it is evident that the franchisor delivered on the promised ROI, resulting in nine in ten franchisees expressing good levels of satisfaction with the ROI. Real estate franchisees ((71%), building, office and home services franchisees (60%) and retail franchisees (52%) all indicated levels of extreme satisfaction that were above average.
- 2 The positive attitude expressed by franchisors is echoed by franchisees with 88% believing that the turnover in their businesses will grow in the following year.
- 3 The franchisees that were especially optimistic about future growth could be found in the following categories: automotive products and services (100%), building, office and home services (98%), business-to-business services (97%), childcare, education and training (94%) and real estate (100%).
- 4 Franchisees in dine-in restaurants (24%) and fast food and QSRs (26%) were less optimistic, believing that turnover would not change in the next financial year to a greater extent than franchisees in other categories.



Time taken for a new franchisee to breakeven




Based on all respondents excluding don't know (n = 304)
Q25 In your opinion and experience, how much time would you say is typically required for a new franchise to break even?

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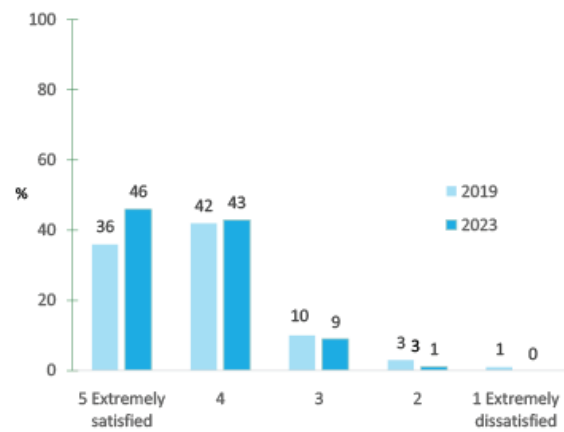
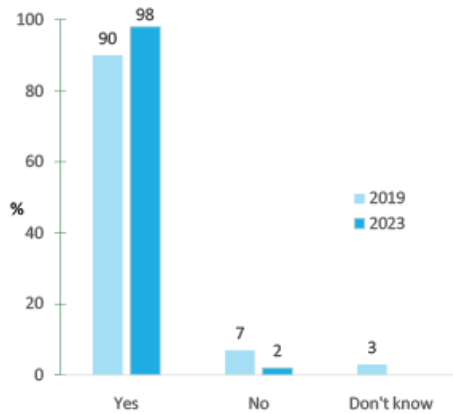
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Competition ends 10 September 2023.
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ROI in line with franchisor's promises and satisfaction with ROI

From these findings, it is evident that the franchisor delivered on the promised ROI, resulting in nine in ten franchisees expressing good levels of satisfaction with the ROI. Real estate franchisees (71%), building, office and home services franchisees (60%) and retail franchisees (52%) all indicated levels of extreme satisfaction that were above average.



Based on all respondents (n = 435)

Q18. Is the return on your investment in line with what was promised to you by your franchisor when you bought this business?

Q19. How satisfied are you with the return on investment for this business on a scale of 1 to 5, where 5 means extremely satisfied and 1 means extremely dissatisfied, with a range of opinion in between?



SPOTLIGHT ON...

**DR CARIN STRYDOM, PhD Alumna,
FRA Board Member and successful Entrepreneur**

As a recent PHD graduate and simultaneously an entrepreneur with almost two decades of experience in the SMME industry as fuel retailer, Dr. Carin Strydom gives us her insights into what the foundation of franchising should rest on. Her PhD in Economic Management Sciences, in the specialist field of Entrepreneurship, Carin has a passion to help and assist SMME entrepreneurs to reach their optimum potential.

Whilst agreeing with franchise guru Eric Parker that the foundation of franchising should rest on four pillars: Relationships, a Win-win scenario, Mutual Trust, and Respect, her views, based on both her academic research and her experience as a fuel retailer and entrepreneur, make for interesting reading.

1. **Relationships** – Unfortunately, in the real world, the relationships between fuel retailer franchisees and oil company franchisors, is not an equal one. Lots of people have said it before; it is more of a relationship between a Rottweiler and a fox terrier – you can decide who is who!
2. **Win-Win Scenario** – Ideally, it should be a win-win scenario for all to benefit; however, the oil company franchisor finds it necessary to read some of the benefits that the DOE has already clearly allocated to the franchisee. Yes, I am referring to the entrepreneurial compensation, and they do not see the need for the franchisee to make too much of a profit, keep them hungry, keep them humble, and then they will work for you for life, or as long as their franchise contract is valid = is more likely the view of the franchisor in the case of the fuel industry.

3. **Mutual Trust is key** - Unfortunately, I have found that trust between an Oilco and a franchisee is difficult if they try to force their contract on you as retailer/franchisee around every nook and corner. For example – with the recent ‘booboo’ of the minister by not approving the decrease in fuel price in time, after the reshuffle of the cabinet, most franchisees had rather large fuel orders in for the day AFTER the decrease, but with the Ministers’ signing of the papers delay, it so happened, that the fuel order will arrive (and obviously be billed) before the decrease becomes effective. So, what would a trusting franchisee do in this scenario, politely send an e-mail and ask to postpone this fuel order, as it does not make sense to now pull tanks to full capacity at a much higher price – what did the trusting Oilco’s do? They refused. No, a contract is a contract and you should follow your delivery schedule and thou shall not get it at a cheaper price – where is the trust now?
4. **Respect** – very difficult to have respect for your franchisor if they treat a franchisee like the examples given above.

PhDs

ALUMNI
SPOTLIGHT
SERIES

Where are they now?

Women’s Month is ending, but the important work women are doing in society never ends. Today, we are shining a spotlight on the formidable Dr Carin Strydom. NWU Business School PhD alumna Dr Strydom comes from a banking background, who has been working very successfully as a self-employed entrepreneur of the last 18 years. She lives by the motto “if you can dream it, you can do it” - and looking at her background, we can’t think of a more fitting motto.

For Dr Strydom, the most rewarding experience while completing her studies with the NWU Business School was learning new methodology methods, developing a “manual method” for qualitative data analysis under the guidance and leadership of Prof Stephan Van der Merwe. She highlights how the NWU Business School has helped her professional and personal development and speaks specifically of how her studies have boosted her professional confidence.

READ MORE IN CAPTION

MEET DR CARIN STRYDOM

NWU Business School PhD-alumna and self-employed entrepreneur for the past eighteen years.

STUDY:
DEVELOPING A FRAMEWORK
FOR SMME SURVIVAL BASED
ON EVENTS DURING COVID-19
IN THE WESTERN CAPE,
SOUTH AFRICA





The Covid-19 Impact

If we look at the impact that Covid-19 had on businesses, financially the biggest impact on fuel retailers was on sales. Due to most people/customers working from home during lockdown, the severity on the decrease in fuel sales for fuel retailer franchisees has been tremendous. Some retail sites lost as much as 90% of sales in that first month of lockdown, with costs remaining constant (as per the qualitative scientific study conducted for my PhD, titled “Developing a framework for SMME survival based on Covid-19 events in the Western Cape of South Africa”). The challenges have indeed been multifaceted, entrepreneurs had to seriously adapt to survive, and only by digging deep and showing their resilience did they manage to survive these challenging circumstances.

Fuel Retailers crucial to the economy

As indicated by the estimated turnover generated of R999 billion, a 36% increase over the figure of R734 billion which is equivalent to 15,0% of the total South African GDP of R6 660 billion in 2023, franchisors and franchisees indeed make a serious contribution to the GDP of this country.

It is also important to note the huge effect that fuel retailer franchisees make on creating job opportunities in South Africa, via employing petrol attendants, cashiers, bakery staff, merchandisers, cleaners, management staff and admin staff. The ripple effect from fuel retailer franchisees on jobs created by training facilitators, cleaning suppliers, pump and tank maintenance, C-store maintenance, financial service such as bookkeepers, accountants and auditors and so many more should also not be underestimated.

And for that, fuel retailers should be reimbursed for what they are doing for the economy of this country – for too long we have been silent, for too long we were divided, for too long we did not demand to be recognised for our true worth – for literally keeping the wheels of industry in this country running. We should stand together and demand to be reimbursed for what we contribute to the GDP of this country.

Risks taken and Costs absorbed

As per the FAS August 2023 report, according to SAPIA (South African Petroleum Industry Association), there are approximately 4 600 service stations in South Africa and the 2023 market has been valued at USD8,20 billion or R134,6 billion. The Oilco’s will not be able to generate these sales without the presence or assistance of the fuel retailers as franchisees, either via CORO or RORO sites; the risks we as fuel retailers take and the costs we absorb should be reimbursed. It is time we make them all see what we are bringing to the party.

The risks we are taking, the working capital we are supplying each day and month, the long hours we are on call or at work (how many other franchisees are open 25 hours a day and 8 days a week and 53 weeks a year???) and the ever increasing expenditure we are absorbing via the likes of credit card costs and electricity bills and generating costs in the event of load shedding, combined with theft and drive offs and off the charts staff costs (highest wages per hourly rate in South Africa) – why should we not receive our full entrepreneurial compensation - we are worth it. It is time for change.

The **CAT4** amongst the pigeons



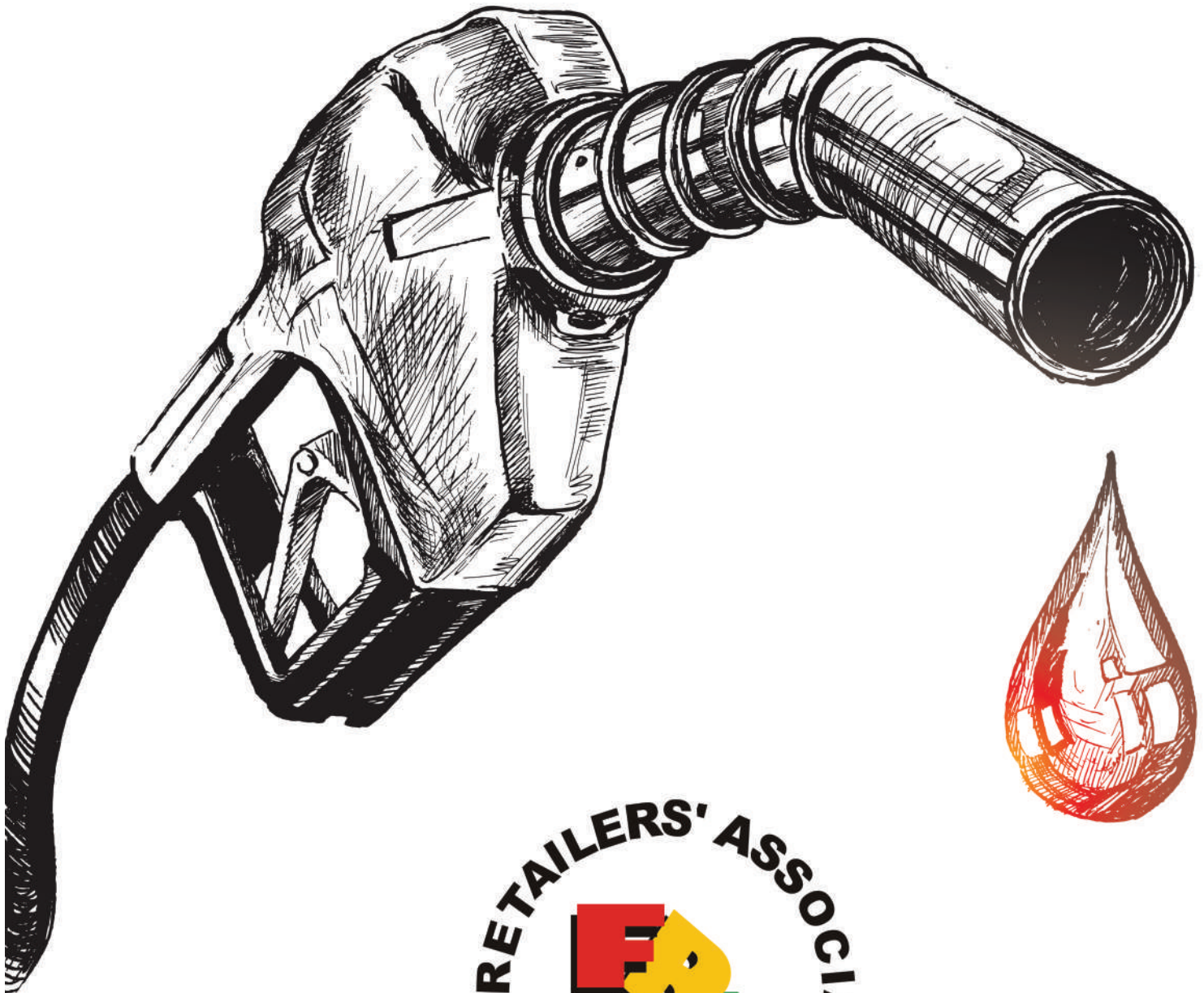
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