

A **POWERFUL** **SHIFT**

**The Future of The
Fuel Retail Market**

The global energy industry is at a critical point. The fuel and convenience retail industry in particular is facing disruptive threats spurring a strategic shift for the industry.

Six important elements are contributing to this shift...

01 SUPPLY

The supply-side shock stemming from OPEC+ and engulfing North America.

Saudi Arabia opening the floodgates on oil supply just as the economy was preparing for a contraction.

02 DEMAND

Peaking per capita energy consumption indicating that we will need less energy to meet tomorrow's consumer needs.

Current reductions in air travel and road transportation resulting in a demand-side shock that will no doubt reshape the future of transportation and fuels demand.

A global recession could put further pressure on 40M BPD of non-transportation demand.

03 VALUE



An abundance of energy supply sources creating a lower-cost supply curve, dramatically slashing enterprise value.

Even with consistent consumption, a proliferation of energy sources flattening the supply curve.

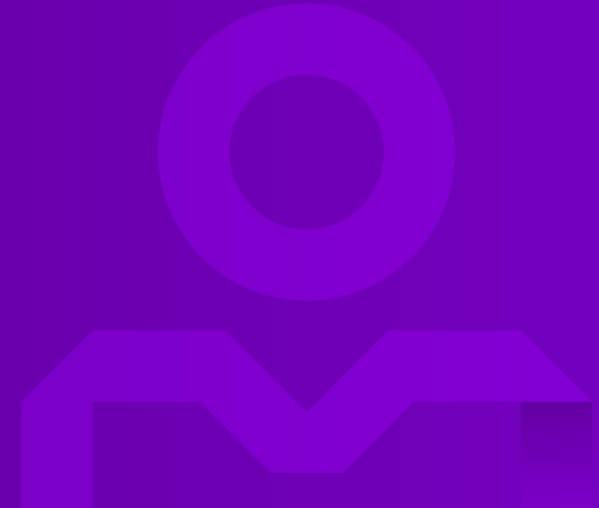
04 WORLD



The Paris Climate Accord calling for limiting temperature increases below 2°C.

There is no clear path to limit rising temperatures to mitigate the effects of climate change without a drastic change in behavior.

05 TRUST



The industry facing an all-time low in trust as consumers, employees and investors seeking a lower carbon footprint, greater business integrity and higher returns.

06

GLOBALIZATION



Multilateralism giving way to unilateralism, polarization and nationalism.

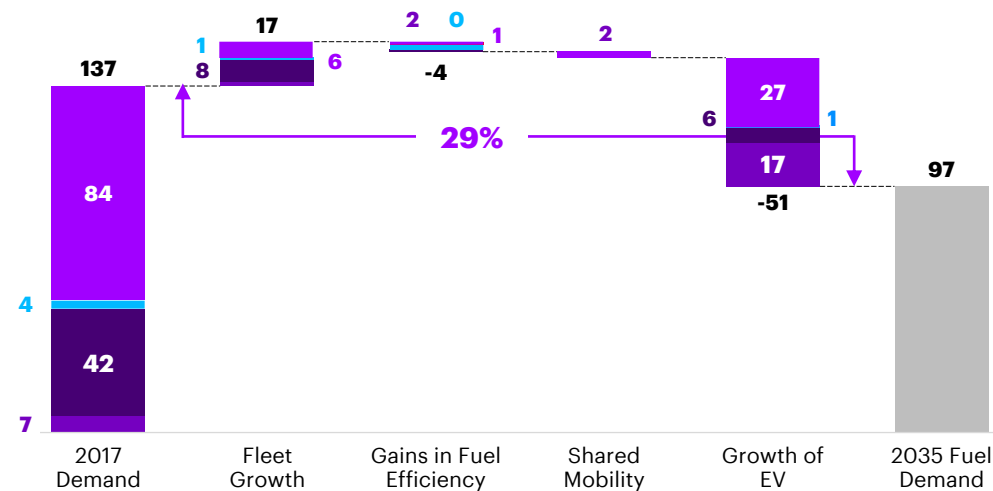
Serious attempts to solve climate change will require coordinated policymaking.

THERE ARE ALREADY SIGNS OF A DECLINING MARKET IN FUEL RETAIL

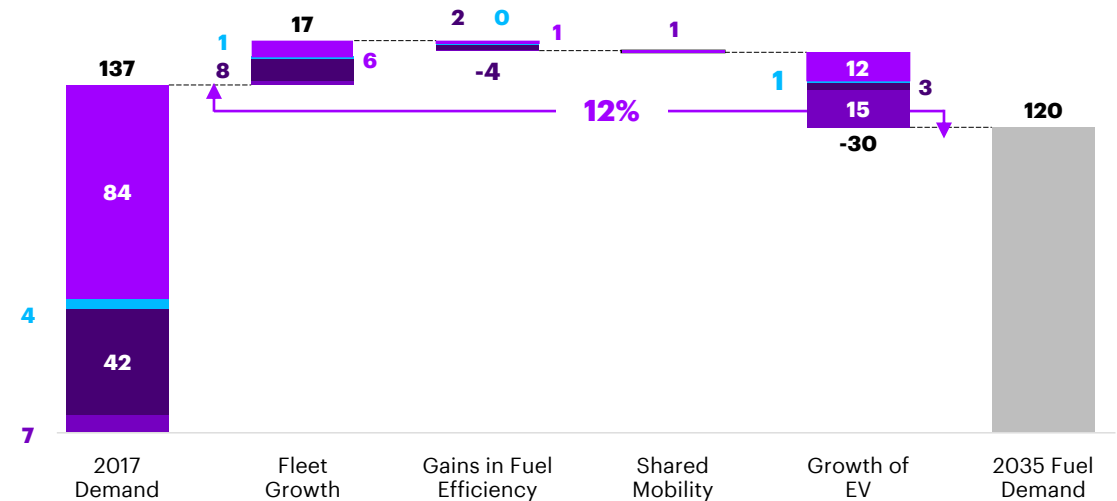
- Highly fragmented market share across business models
- Severely eroded margins amid fierce competition
- Commoditized consumer buying behavior

US Vehicle Fuel Demand Forecast, 2017 to 2040 (Billion gallons)

High Decline Scenario



Moderate Decline Scenario



● Light Duty Vehicle
 ● Commercial Light Trucks
 ● Freight Trucks
 ● Buses

THE EFFECTS OF SHRINKING DEMAND

Accenture analysis shows North American fuel demand could shrink by as much as 26% (40 billion gallons) within the next 15 years.



Fuel efficiency of light-duty passenger vehicles is expected to receive greater focus as emissions-reduction of light-duty passenger vehicles is targeted*



Light-duty EVs will likely reach total cost of ownership parity with internal combustion engines (ICEs) in the next five years—and leave them completely behind by 2030*



Diesel demand will be impacted by a focus on decarbonization of freight and heavy transport via substitutes: biodiesel, renewable diesel and renewable natural gas*



Closure of 40,000 fuel retail stations could be on the horizon if current trends continue

DIMENSIONS OF DISRUPTION

Disruption can be more acute among developed economies—across the dimensions of technology, society, policy and business models

POLICY

Growing level of influence and pressure to accelerate the energy transition

TECHNOLOGY

Advancements across the technology landscape can accelerate change

SOCIETY

Consumers' expectations are shifting faster than ever

BUSINESS MODELS

Most consumer facing industries have faced significant disruption

DIMENSION 01

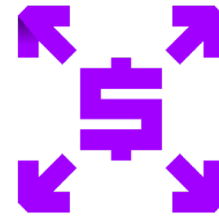
TECHNOLOGY IS ACCELERATING CHANGE



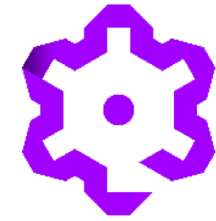
Leading companies harnessing advanced analytics



Growth market in electric vehicles



Increasing investments in autonomous driving



New business models and new revenue streams leveraging technology

DIMENSION 02

POLICY—INCREASING PRESSURE TO ACCELERATE THE ENERGY TRANSITION



Rising number
of climate
change-related
commitments



Uncertainty
in proposed
regulatory
changes



Increasing
focus on
decarbonization

DIMENSION 03

SOCIETY—CONSUMER EXPECTATIONS SHIFTING FASTER THAN EVER



Hyper-connected
consumers

Higher demand
for personalized
experiences



Asset
ownership
decreasing



Loyalty to brand
purpose and
experiences

DIMENSION 04

BUSINESS TRENDS—MOST CONSUMER-FACING INDUSTRIES ARE DEALING WITH SIGNIFICANT DISRUPTION



Sharing
economy



Subscription-
based
models



Mobile-based
delivery
services



On-demand
purchasing

While individual changes can go unnoticed, they add up to create industry disruptions. Think of a breeze spinning into a hurricane.

LET'S LOOK AT THE **FOUR DIMENSIONS** OF DISRUPTION MORE CLOSELY:

01 SOCIETY

Experience-driven economy;
Increasing focus on brand purpose

POLICY 02

Opposition to congestion pollution;
Heightened emissions regulations

03 TECHNOLOGY

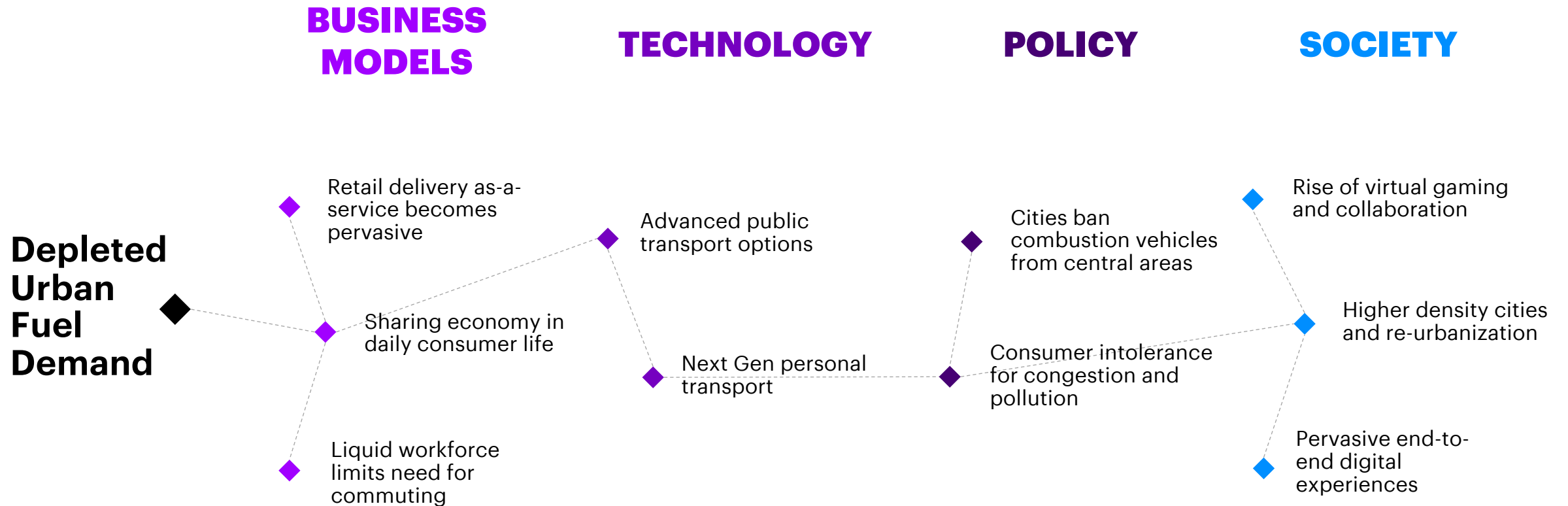
Sensors, IoT, connected cars; Battery storage capacity; Alternative fuels

BUSINESS MODELS 04

Mobile fuel delivery; Transportation startups

01 + 02 + 03 + 04
= FASTER DISRUPTION THAN EXPECTED

AS THESE FOUR DIMENSIONS— **SMALL CHANGES**—LINK TOGETHER, INDUSTRY DISRUPTION ACCELERATES



CONSTELLATIONS OF DISRUPTION CAN ACCELERATE HOW BUSINESS MODEL ARCHETYPES EVOLVE



CURRENT STATE

Convenience retailers

High volume retailers

Fuel and fleet focused

Mobile fuel providers



CONVERGENCE

Experience leaders

Lean digital operators

Mobile fuel providers

Alternative mobility providers



DIVERGENCE

Next-gen convenience disruptor

Real estate optimizer

Mobility and energy provider

Platform provider

CONSTELLATIONS OF **DISRUPTION**

■ **01** Next-gen convenience (Disruptor)

Creating a frictionless convenience experience with hyper-relevant personalization. Predicting what customers want, when they want it, where they want it—even before consumers recognize their own needs.

CONSTELLATIONS OF **DISRUPTION**

■ **02** Real estate optimizer

Making the most of fuel retail business property assets. Closely tying resources heightens brand purpose and drives greater value than fuel retail alone.

CONSTELLATIONS OF **DISRUPTION**

■ **03** Mobility and energy provider

Providing single, unique transportation solution as-a-service to customers. Focused on providing sustainable and transparent energy solutions to meet customers' energy needs.

CONSTELLATIONS OF **DISRUPTION**

■ **04** Platform provider

Monetizes access to energy and insights generated by operating assets or managing customer interactions.

FUEL RETAILERS CAN ACTIVELY ADDRESS DISRUPTION TODAY BY...

Transforming the heart of the business

Increase efficiency and unlock trapped value to reinvest in growth

Growing the heart of the business

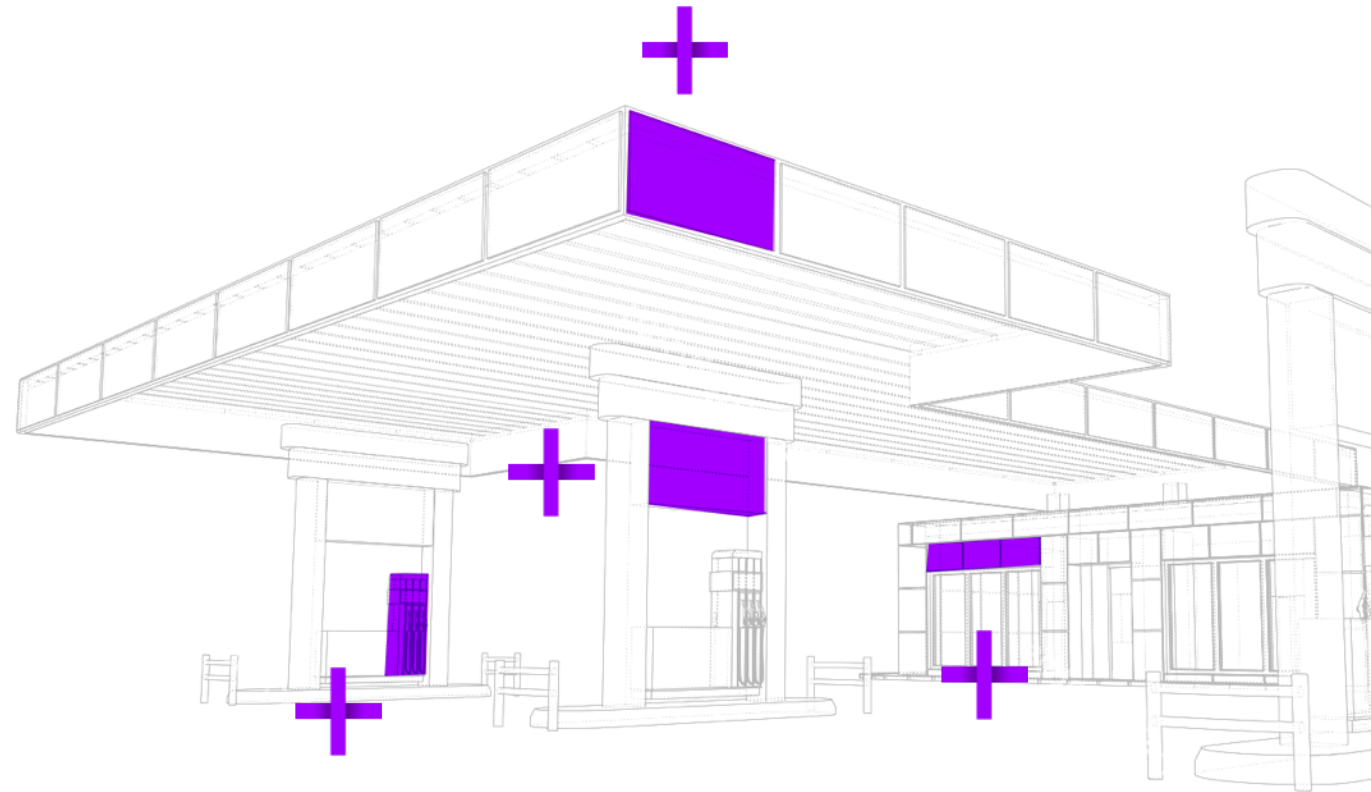
Apply new technologies to fuel; continued innovation and investment;
Expand faster. Outpace expectations

Reimagining the value proposition and business models for energy consumption

Embracing new technologies, creating innovative products and services

TRANSFORM THE HEART OF THE BUSINESS TO UNLOCK VALUE TO REINVEST FOR GROWTH...

- Enhance the customer value proposition, enable cost transparency and discipline, and make portfolio-based decisions
- Reduce operating costs to draw investment
- Reengineer the old business for new growth
- Manage distributed assets as a portfolio



GROW THE HEART OF THE BUSINESS TO EXPAND MARKET SHARE...

STRENGTHEN positions within existing markets and...

- Improve customer intimacy and personalized value proposition
- Explore non-traditional partnerships
- Upskill the workforce
- Collaborate with vendors

...**EXTEND** into new markets

- Proactively manage real-estate portfolios
- Manage regional density as part of build/buy growth strategy
- Invest in non-traditional business models
- Identify potential M&As and JVs with smaller operators

ESTABLISH THE FUTURE BUSINESS TRAJECTORY...



Reimagine the customer—fleet drivers, electric/autonomous vehicles, asset usage and non-drivers



Assess collective societal consequences—cooperative ecosystem effects driving sustainable environmental practices



Create energy partnerships—store and deliver other sources of energy (electricity, natural gas, solar)



Become an insights provider—collect and monetize consumer data and insights

SELF ASSESSMENT

HOW IS YOUR COMPETITIVE EDGE EVOLVING COMPARED TO THE MARKET?

- What measures are you taking to ensure sustainable growth?
- Can you respond to disruption on multiple fronts?
- How will you participate in the retail industry of tomorrow?
- How aligned is your leadership team on the strategic vision for the next 5-10 years?
- What actions are you taking to capture market share from competitors?
- How have you grown the markets for your business in the last 12 months?



CONTACTS



Pedro Caruso

Managing Director - Energy
Downstream Lead

pedro.caruso@accenture.com



Andrew Cartey

Senior Manager - Energy

andrew.cartey@accenture.com



Brian Gray

Managing Director - Energy

brian.d.gray@accenture.com



Richard Kho

Managing Director - Energy

richard.kho@accenture.com

ABOUT ACCENTURE

Accenture is a global professional services company with leading capabilities in digital, cloud and security. Combining unmatched experience and specialized skills across more than 40 industries, we offer Strategy and Consulting, Interactive, Technology and Operations services—all powered by the world’s largest network of Advanced Technology and Intelligent Operations centers. Our 506,000 people deliver on the promise of technology and human ingenuity every day, serving clients in more than 120 countries. We embrace the power of change to create value and shared success for our clients, people, shareholders, partners and communities.

Visit us at www.accenture.com.

DISCLAIMER: This document is intended for general informational purposes only and does not take into account the reader’s specific circumstances, and may not reflect the most current developments. Accenture disclaims, to the fullest extent permitted by applicable law, any and all liability for the accuracy and completeness of the information in this presentation and for any acts or omissions made based on such information. Accenture does not provide legal, regulatory, audit, or tax advice. Readers are responsible for obtaining such advice from their own legal counsel or other licensed professionals.

Copyright © 2020 Accenture All rights reserved.

Accenture, its logo, and New Applied Now are trademarks of Accenture.