

Strategic alliances: Finding the right national fuel partner

PRESENTED BY

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Agenda

1. Are you ready for the meeting?
2. Company package comparisons
3. Questions to ask yourself
4. Key questions to ask the Territory Manager
5. Areas of negotiation
6. Question period



Are you ready for the meeting?

1. Are your feasibility study and business plan completed?
2. Have you researched the brand? Have you spoken with other owners who are partnering with this brand?
3. Compile questions to ask based on your priorities and what you value most.
4. Research stock and investor history as measure of success.
5. Gather industry intelligence: search the web to orient yourself to each brand's values and reputation.
6. Be prepared to share your proposed building schedule.

Pro tip: We suggest meeting at your future location to provide context.



Comparing company packages

- Request and review as many fuel company packages as possible.
- Break down the details and compare against each other.
- Be aware that the initial packages will include only low level data. More detailed data will be shared as both parties agree to move forward.
- Ask operational questions, such as:
 - Cost of fuel?
 - Hauling charges and delivery options?
 - Technical support for POS terminals?
 - Expected operational charges? (Eg. credit card and admin fees)
 - Schedule of debt and credit card transfer value to your account?

Questions to ask yourself

1. How much freedom do I want from your supplier?
2. How much flexibility do I want/expect when it comes to setting up my store?
3. Am I prepared to follow operational standards in terms of:
 - Uniforms?
 - Loyalty programs?
 - Suggested selling techniques that are evaluated and scored by a mystery shopper program?
 - C-store programs that limit my choices regarding wholesalers?
 - Programs that push one product over another?
 - Mandatory yearly meetings to attend?
 - Selected fuel hauler contract to comply with?



Questions to ask yourself

Expertise

Do I need experienced, outside c-store expertise to help me properly set up my C-Store to improve efficiency and maximize sales?

Contract lengths

How long am I willing to commit to a c-store program/contract?

Staffing

How will I attract the staff required for this location?

Cash safety

Where will I deposit funds? How will I protect cash in transit?



Questions to ask the Territory Manager

Do you provide support setting up the store?

- Design support?
- Merchandising layout? (eg. planograms by category)
- Help with wholesaler ordering?
- Shelf price labelling?
- Fixture assembly?
- POS installations and loading of product data?
- Actually being on site to assist with stocking, assembly, tech support, testing provided systems to operate store?

Questions to ask the Territory Manager

Do you have a c-store program?

- Length of contract?
- Cost to run the programs?
- Rebate values on products sold in the c-store program?
- How often are those rebate cheques written?
- Am I limited in what I can sell in your program?



Questions to ask the Territory Manager

What initial and ongoing training programs does your company provide?

- Orientation to POS terminal systems – on-site training?
- Customer service training for new-to-industry staff?
- Store merchandising and inventory control training?
- Staff scheduling advice?
- Equipment maintenance program?
- Preferred pricing from c-store program trade companies?
- Refrigeration, HVAC, plumbers, electricians?
- Sales training?
- Product launch seminars?



Questions to ask the Territory Manager

What costs/rewards are involved?

- Urban sites often run a lower margin than rural sites. What type of support is offered if the margin is low?
- If the selling price of fuel is less than cost of fuel, what support is available?
- What is the cost of running your loyalty program?
 - *Note: each loyalty program has a cost that is wholly or partly the burden of the site.*

Questions to ask the Territory Manager

What costs/rewards are involved?

- What are your fuel hauling charges?
- Can I source my own fuel hauling service to find best value or am I contractually tied to a specific hauler?
- How often are the territory, region, local meetings? Do you have Operator Rewards Programs? What are the rewards?



Areas of negotiation

Volume clauses

Term and volume of contract are key factors when entering into a long-term relationship with a fuel partner.

1. Is the contract based on both term and volume?
2. Are you bound to the fuel partner for the full term if you reach your projected volume target early?
3. What if you don't reach your projected volume at the end of the contract? Are you obliged to continue until that volume is reached?

Areas of negotiation

Forgivable loan

- Most fuel partners offer a forgivable loan (a signing benefit) usually backed up by a line-of-credit (or other security) you provide until volume exceeds the dollar value of the forgivable loan.
- Your line-of-credit is tied up for that period of time until the volume reaches the point that the allowance per litre has met or exceeded the dollar value of the forgivable loan.

Areas of negotiation

Site signage allowance

- In many cases a fuel partner will reimburse to a specific dollar amount the cost of sign identification for that brand on the site.
- You front the cost and provide invoice copies to the territory manager, who requisitions a cheque for that cost.
- These are negotiated values based on the projected volume the site is forecasted or projected to achieve.
- Be clear about who will actually own the site signage once the sign reimbursement question is addressed.



Areas of negotiation

Agreement renewal

- Read your agreement thoroughly and ask the question: what is the process at renewal time?
- Check if the agreement is automatically renewed at the end of term and if that is OK with you.
- Time passes quickly – how will you be reminded of when your renewal time is coming due?

Areas of negotiation

Factors to consider at renewal time

Has the market changed? Eg. traffic volumes, population density, competition.

Is there a better package out there? Get current competitor packages to evaluate your situation and explore your options.

The site signage concern – who owns the existing – what will be the cost of the new fuel company signs if any?

How would changing my brand impact my customer base?

- Loyalty programs
- Fleet card
- Confidence in brand



Areas of negotiation

Pre-paid dealer / Cross lease payment

- A few companies will provide a dealer payment, cross lease payment, other names throughout the length of the contract.
- This revenue stream is typically paid on a monthly basis, but based on the projected volume and a fully signed contract, there is the possibility to negotiate this value to be paid upfront.

Do you need help? Let's talk.

Leverage Mark Walsh & Associates' extensive experience to help you evaluate your options, put together a professional proposal and negotiate the best deal for you.

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