



**Making
insight-driven
decisions in
fuel retail**

Kalibrate

Why trust us?

In five decades supporting fuel retail decision making, we've learned a few things.

The power of data, software, and analytics empowers better decision making.

From independent operators opening new sites to international retailers optimizing portfolios, action guided by insight is the critical factor in success.

In a market where only one operator is implementing a data-led strategy, that operator will outperform their competition on every key metric.

**50
years**

**supporting fuel and
convenience
retailers' growth.**



MAKING INSIGHT-DRIVEN DECISIONS IN FUEL RETAIL



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■ **Selecting gas stations with high potential**

How can data be the driving force behind your site selection strategy to reduce risk and identify opportunities?

■ **Seven steps to take before site acquisition**

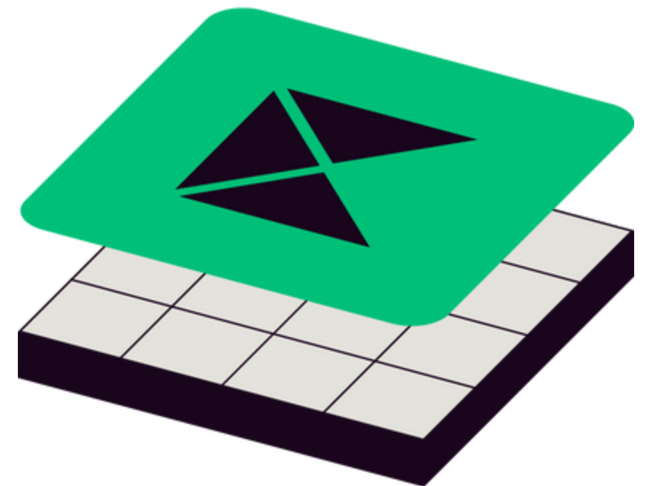
The fastest route to growth is site acquisition. But knowing which sites complement your portfolio is challenging.

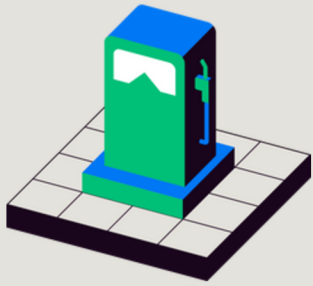
■ **Fuel price optimization**

The competitive world of fuel pricing needs a data science led response. We explore how you can stay ahead.

■ **Understanding EV charging demand**

The growth of electric vehicles presents challenges for retailers. What does the best practice approach look like?





1. Selecting gas stations with high potential

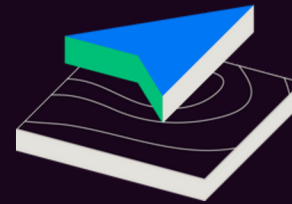
The location of your gas station hugely affects potential — but it's not the only element that influences your success.

Assess your market

Who are your competitors? A busy location is great, but not if there are competitor stations on every corner. If you're in close proximity to multiple competitors you need to understand what they offer, how they price, and how they operate. A full understanding of your competitors will help you to select products and services that differentiate you from the others.

Demographic data can help you to determine who lives in the local area and what you might be able to offer that would entice them to visit your store.

Combined with the competitive market information you've gathered; you'll be able to find a service or product that your local market want that isn't already fulfilled by the competition.



KEY INSIGHT

It's not all about price, you don't have to be the cheapest, but you need to offer something that your local customers want, that your competitors don't offer.





The impact of brand

A brand is more than a company name and a set of colors — it's an identity.

A well-known brand carries with it a set of instantly recognizable elements.

By just looking at a sign above a shop, a passer by understands what products the shop sells, the price point they sell them at, and the level of service they expect to receive.

Gas station owners can choose to fly the flag of a major brand and immediately harness the public perception that comes with it. What's more, flying a brand allows you to take advantage of their big budget marketing and promotion.

Certain brands resonate with different demographic segments. Understanding your market and competitors is key to selecting the right brand.



Forecourt facilities

Adding and changing facilities can be costly, so it's important to get it right from the outset.

To successfully plan your facilities, you need to fully understand the ideal customer journey.

For example, if your site has a convenience store, where will your customers park? Spaces too far from the store will discourage customers who want to stop by quickly to pick up essential items. Complicated store layouts stop them finding what they need and put them off returning.

If you have a QSR, will you offer drive thru? The drive thru lane needs to be easy to enter and exit, visible from the forecourt and the street, and not restrict access to the rest of the facilities.

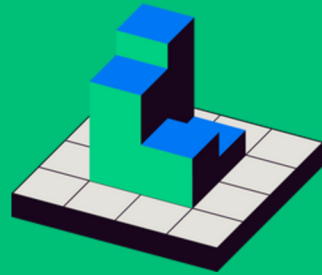


Poorly planned drive thru lanes block access to parking spaces and exits, and put off customers entering your forecourt.



MAKING INSIGHT-DRIVEN DECISIONS IN FUEL RETAIL





OPERATIONS

Technology can be utilized to make the customer experience smoother.

Pay-at-the-pump facilities, self-checkouts, and digital payment methods make your gas station more convenient than your competitors.

The science of merchandising

Good merchandising makes a customer feel like they need something before they even knew they wanted it.

Merchandising isn't just about flashy promotions — although that can play a part — it's about offering the right products and services, at the right time, at the right price, and with the right attitude. This is the art and science of merchandising.

Think about the mix of products and services you'll sell. Make sure you offer a combination of low and high margin items and then display and promote them in a way that entices customers to purchase both.

Gas stations with convenience stores have been known to sell gas as a loss leader. They sell gas at cost or below cost price to entice people into their stores for the higher margin items like candy, snacks, and tobacco. This strategy can work with different products if you get the mix right.

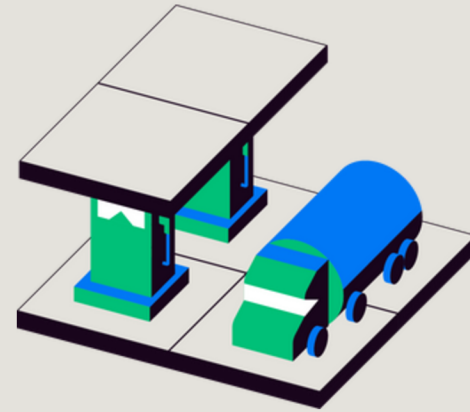
The price is right — but what if it's wrong?

Price is important, but some customers will pay more for a better overall experience.

Price is, of course, a very influential factor in deciding where to buy fuel, but many gas station owners focus so much on price they forget the other elements of success.

The competition matters. When deciding on your pricing strategy you need to understand how your competitors price, and how your price strategy compares. You'll need to offer competitive fuel prices so that your customers feel that they're getting value, but you don't necessarily need to be the cheapest.

Setting a price too high will discourage people from turning in, and they'll never get to see the other products and services you have to offer. But set your price too low and you risk losing margin and not generating enough revenue.



PRICE BETTER?

Later in this document, we discuss fuel price optimization, a critical capability when it comes to maximizing profitability while growing market share.



The 7 Elements for Fuel and Convenience Retail Success



Location

Site location must be understood relative to consumers and their habits.



Market

Successful fuel retailers understand competitors and have insight into their reaction to marketplace changes.



Brand

Retailers should understand the position of their brand relative to critical mass and saturation.



Facility

A facility must fulfill the needs and demands of customers. That goes well beyond considerations about the physical building.



Merchandising

The right products and services, at the right time, at the right price, and with the right attitude, is the art of merchandising.



Price

How a retailer prices fuel or store merchandise influences buyer behavior. Awareness of pricing in the trade area and consumer preferences is key.



Operations

Site-specific, personal, and intangible aspects of management and customer service should complement the investment at any given site.





2. Seven steps to take before site acquisition

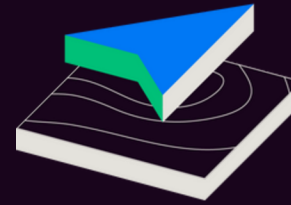
There are a number of steps an investor should consider to ensure the best possible investment decision.

Revisit your strategic investment area definition

Does the site fall within the company's defined strategic investment area?

Successful network developers follow a long-term plan. They are disciplined and consistent about only selecting sites that fall within preferred investment areas.

These areas will have been assessed and selected by the company in terms of market attractiveness and competitive positioning. Factors considered may include supply and distribution costs, margin attractiveness, growth potential, security, and competitive presence.



KEY INSIGHT

As you begin to move toward acquisition, it's critical that you revisit the strategic area definition to ensure you distinguish a site's fit.





Assess on-site attributes

Sites within a strategic investment area, it must also be assessed in terms of their individual attributes.

For example, how big is the plot? Does it have access to high traffic volumes? Is it highly visible with easy access/egress? Is there a shop and QSR? Is there room for forecourt expansion? The list goes on; the important element is that you are following a list and matching these attributes to the goals outlined previously.

Understand and assess potential

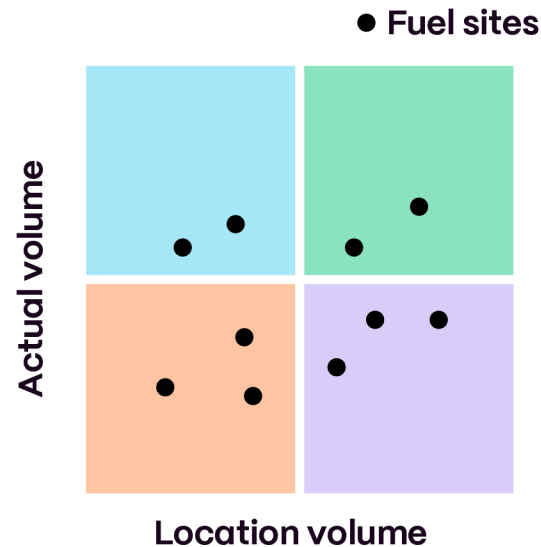
What is the sites current fuel volume and shop turnover? And more importantly, what is the site's potential volume throughput and shop turnover? Has it reached saturation? Could there be an opportunity to achieve higher volumes in the future?



PPQs and performance potential

Assessing potential volume based on location strength and comparing this to actual volume helps you understand the quality of a site.

Kalibrate categorizes sites into one of four quadrants. We call this Performance Potential Quadrant analysis (or PPQ for short).



Low Potential/ High Performance

These are sites that are **over-achieving**, possibly because they have no competitors nearby. They are vulnerable to lose their volume if a competitor builds a more attractive service station in the trade area.

High Potential/ High Performance

These are star sites, i.e., they are **performing as expected**. However, this does not mean that they cannot improve — there is always room for improvement.

Low Potential/ Low Performance

These sites are situated on poor real estate, with **poor prospects for volume growth**. They should be considered for divestment or closure, not for investment.

High Potential/ Low Performance

These are sites that are **under-performing their potential** and offer opportunities to increase volumes/revenues through various capital and non-capital interventions.



Digger deeper

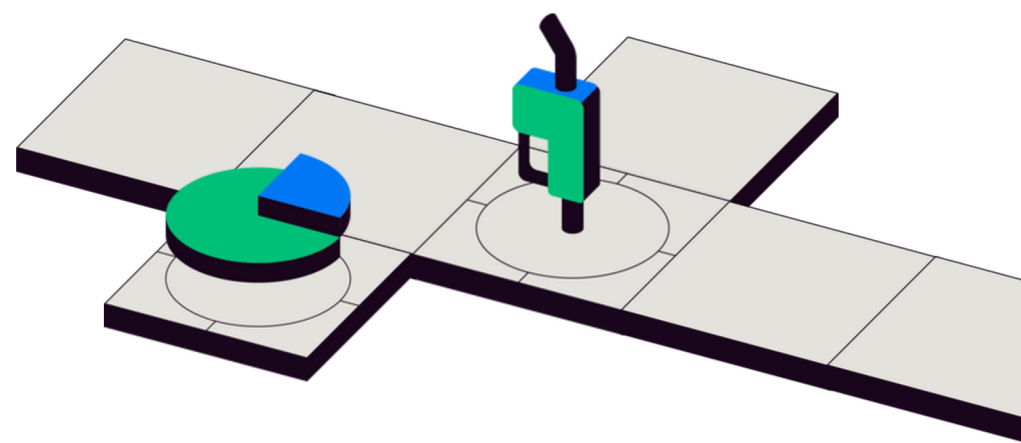
Uncovering factors driving performance helps you understand potential.

In the last step, you've determined which quadrant your potential site falls into. Assuming you are now assessing high-potential sites, drilling down and understanding the variables that drive the site's performance is your next move.

Dive into research, considering traffic, demographics, site facilities, brand strength, competitive position, operating practices and merchandising practices in order to adequately assess areas of weakness and places to maximize potential.

Conduct "what if?" scenarios

Once the areas of weakness have been identified, find a way to model a simulated knockdown and rebuild. With the right technology and partnership, you can request 'what if' scenarios to learn more about your site's potential by changing its attributes.



A simulation can calculate estimated fuel volume and shop turnover improvements for the rebuilt site, but it can go even further by indicating where the volumes come from, i.e. which competitor (or own sites) lose the volume that it gains. This identification will help you understand cannibalization from your nearby sites and assess how heavily your acquisition's volume gains will affect those sites.

Determine payback period

Using the changes modeled in the simulation, the right technology will calculate new fuel volumes and shop revenues for the site.

These projected fuel volumes and shop turnover, together with the capital cost of the required rebuild (and purchase price of the site acquisition) can be inserted into a Financial Model (DCF) to establish the Return on Investment (ROI) and payback period for the acquisition.

When this has been calculated, consider your strategic investment plan, and determine whether the IRR and payback period of this investment meet your strategic requirements.



Plan for cannibalization

When new sites are added, we see a change in fuel volumes and c-store sales at existing sites within the trade area.

By acquiring the site, new volumes and shop turnover is added to the company's network. There may be some loss of volume from other owned sites in the vicinity through cannibalization.

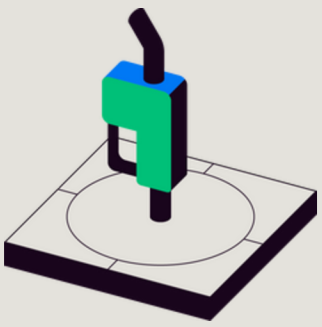
Not only can you measure the effect on one, individual site, but your total company performance in the market can also be measured, through viewing the improvements made to market share and market effectiveness.



TAKEAWAY

It is possible to take the guessing out of a new site acquisition. You can calculate expected performance and return on investment for acquisition before you commit any capital, and can account for the full effect on your retail network.



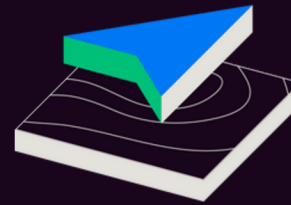


3. Fuel price optimization

There's much myth and mystery surrounding fuel price optimization.

Often thought of as a "dark art" or "black box" many Fuel Pricing Managers are under the impression that price optimization is a complex solution that will generate new and unexpected prices for your products at whichever price position it decides for you — leading many to distrust the process.

This misconception is understandable, but the truth is that price optimization is not a dark art. Optimization is the AI and science driven process that produces a subtle change in strategy that should remain predictable to your loyal customers, and undetectable to your competitors



KEY INSIGHT

As a fuel pricing manager, it's essential that you're commercially astute and well versed in analyzing performance — but you don't need an MSc to comprehend the mathematics used in price optimization.



Data science approach

This visual shows the elements that are analyzed, calculated, and applied to reach an optimized price.

Each of these elements can be combined and calculated to provide a price that's optimized for every individual site, and every product at that site.



Applying fuel price optimization

How to create a business case

It's important to collaborate with teams before you start the optimization process. Other teams have their own objectives and could create barriers if not brought in at the right time.

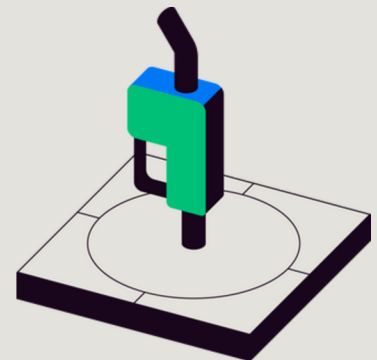
Bringing people on board is often the hardest part of this journey. People resist change, particularly when they're misinformed about the process or the potential outcomes. To build a convincing business case for implementing price optimization, think about the questions on this page.

Document each of these points and they will help you ease concerns from other departments. Make sure you're prepared to be flexible — you might need to rethink the strategy or criteria after other stakeholders have had an input.

You may not be able to get every stakeholder to agree with a change in price position — but you need to ensure they understand it.

Key questions

- What are you trying to achieve?
- Why change the way you currently price?
- Which parameters are you using?
- What's the exit strategy?
- What are the expected outcomes?
- What are your success criteria?
- Who is supporting the changes?
- How will you monitor market response?



Possible challenges

There are several common challenges that you need to look out for.

Resistance to change

Be prepared for push back from other team members or key stakeholders. Be ready with the details of the "why" and "how" to answer any concerns others may have.

Slow response from internal teams

You require data to be fed back from sites quickly. If customers and competitors are quick to respond to price changes you need to be able to act accordingly, slow data feeds will delay your response time.

Unreliable competitor data

AI requires accurate data to effectively learn. Although data science will identify and eliminate outliers, it can't verify all data that's input. If incorrect, inconsistent, or incomplete data is fed into the system, the results will be skewed and may become unreliable.

Hyper competitive environments

If your competitors are hypersensitive to your price changes, they are likely to move with you every time you change your price position. A lower price point could send the market downwards resulting in lost margin for everyone.

Hyper competitive markets aren't ideal for broad ranging price optimization, but that doesn't mean it can't be utilized, it simply requires considered implementation of differentials. You need to ensure you have controls in place so that if you trigger a downward move, you don't then react to a competitor's subsequent drop.



Know your limits

Your brand is an emotional, intangible asset that you've likely spent decades building.

Brand integrity needs to always be upheld, but artificial intelligence does not understand emotion, or the constraints of your brand — unless you set the rules.

The key to successful price optimization is focusing on achieving your brand strategy, and then set parameters, controls, and rules to narrow the funnel and provide a range of applicable and appropriate prices.

The most important rules to get right:



Differentials

Differentials are the most important element in protecting your brand. Decide on and set differentials that will allow you to broaden your current price point, without radically changing your proposition to your customers. You need to ensure that your differentials represent a position that you — and your key stakeholders — will be comfortable in.

Start narrow. If you're open to changing your differentials, start with a small change, analyze the data, and only broaden your differentials when the data suggests that it's beneficial.



Restrictions

Some markets restrict the number of increases, or the number of prices, in a day.

Make sure you set the rules to comply to the restrictions of your market.



Competitive reaction

Your competitors have access to pricing data too. They'll react to your change in price position

So, what can you do if your competitors react in a way that's unexpected?

Having limits and controls in place prevents knee-jerk reactions, which could be damaging, and ensures that you stick to your strategy.

If you've set robust parameters, you can analyze your competitors' reaction and either stay the course, or adjust your strategy accordingly. Before making a fuel pricing decision, consider why the competitor is reacting that way.



Change nothing

If you have well defined controls and parameters, you can stay the course. Keep your optimized price position and continually review the market response and its impact on your defined performance indicators.



Adjust your differentials

You can adjust your differentials to narrow them further and reassess how your competitors respond.



Reverse

If their reaction is so unexpected that you feel the whole change is negative — you can always reverse your position completely and go back to your "normal" stance.



Reaching a sustainable conclusion

Any change of pricing strategy must be tested before it's rolled out.

Measuring the reaction from both competitors and consumers in a controlled environment, over time, will enable you to reach a sustainable conclusion on the impact of new pricing tactics.

The testing process can be an anxious time for Pricing Managers and there's always an urge to react based on an immediate change. But a price test needs sufficient time before a conclusion can be drawn.

Market dynamics permitting, you're likely to see a change as early as the first two weeks, particularly for significant strategy changes, but making decisions on that two-week change could be detrimental.



"12 weeks is the perfect period as it gives enough time for consumer perception to be altered and for your competition to notice and respond to your change in price position. Any shorter and you won't really know if your results are sustainable.

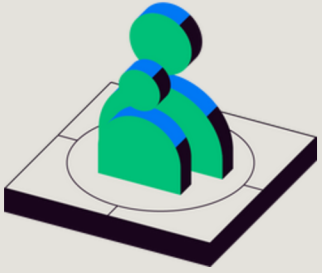
"We regularly run price tests with our clients, as well as pricing trials for prospective clients and always stick to the '12-week rule' — it's the quickest way to reliable results."

BETH THOMPSON

Global VP Customer Success



MAKING INSIGHT-DRIVEN DECISIONS IN FUEL RETAIL



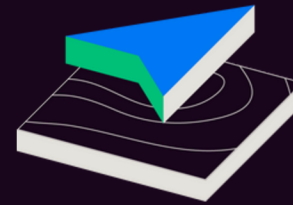
4. Understanding EV charging demand

For fuel retailers, the disruptive potential of EV is well documented.

As adoption grows, the types of locations that become viable candidates for charger installation diversifies.

Understanding the potential of a given site to attract EV drivers – and the revenue generation opportunities they bring – requires interrogation of consumer, site, competitive, and market factors.

Fortunately, there are a range of data points that retailers across industries can leverage to support the creation of their strategy. The challenge for most will be bringing together these disparate data sources to make their outputs actionable.



KEY INSIGHT

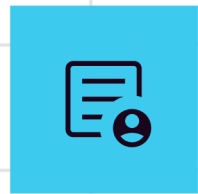
When assessing the EV demand potential of a site – whether fuel, convenience, grocery, healthcare, or any other form of retail – start by assessing the data sources you'll need.



EV decision making: The Data challenge

There is new data available everyday on the consumers that drive an EV.

Charging and utilization behavior, shopping patterns, travel patterns, retail drivers and loyalty, your competition and their offer — and how all of this might change in the future. The key is knowing what to use and how to use it to develop the right strategy.



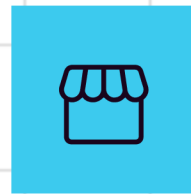
Customer segmentation



Energy supply and rates



Future demand



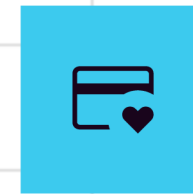
Retail drivers / POI



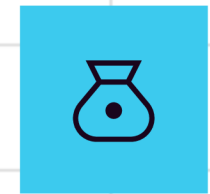
Demographics



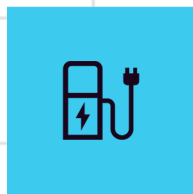
Traffic



Customer loyalty



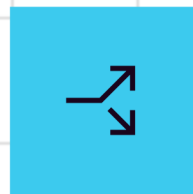
Available funding



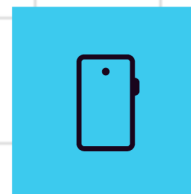
Existing charging network



EV ownership



Competition



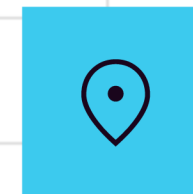
Journey and mobility



Service offering



Existing fuel stations



Proprietary location info



From data to actionable insight

Not all data points contribute to EV demand equally.

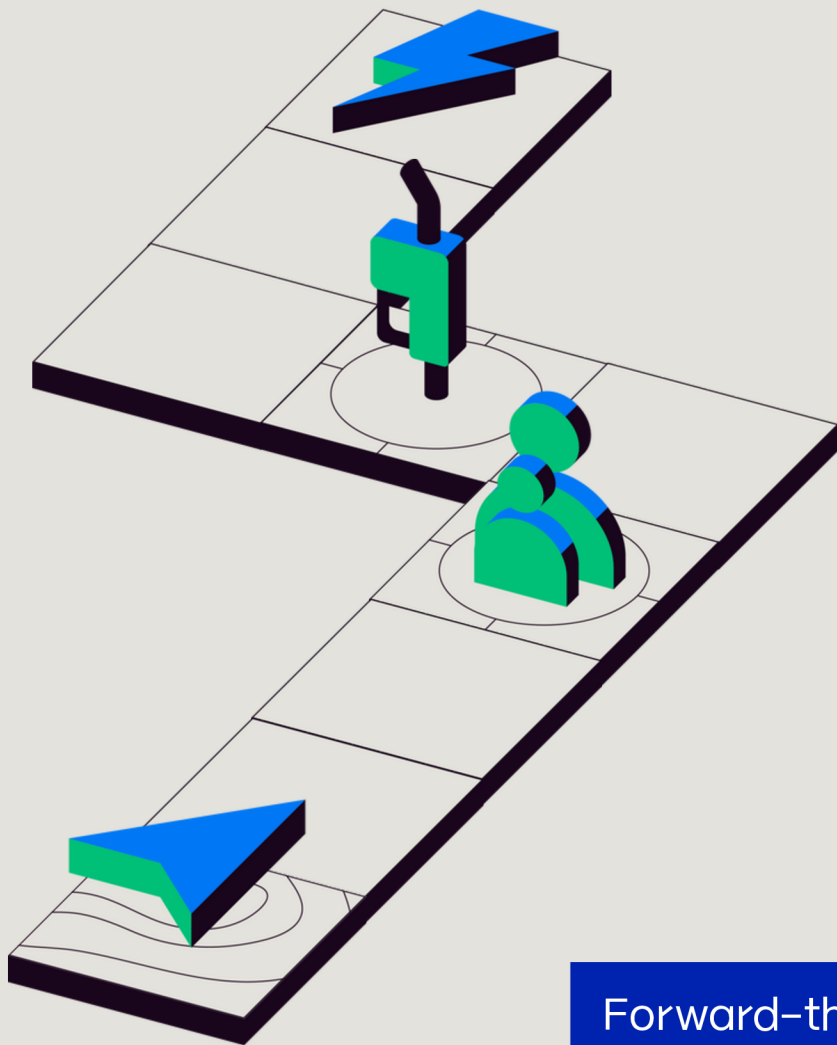
Our tried and trusted methodology gives weighting to factors based on their influence on demand.

Working with retailers, we've created an EV model that utilizes sophisticated EV customer profiles and analytics to help decision makers understand how EV adoption will grow in any given market or geography.

This analysis provides insight into concentrations of EV drivers today – but also how areas and transient routes are likely to experience demand for charging as EV sales move further into the mainstream and mass adoption.



MAKING INSIGHT-DRIVEN DECISIONS IN FUEL RETAIL



No 'do nothing' option

For fuel retailers, the challenge posed by EV adoption is becoming acute

As adoption grows, they'll have to figure out where to add chargers, where to add more amenities to create more of a 'destination' for charging, and, potentially, which sites should be converted wholly to charging. In the medium to long term, there is no 'do nothing' option for those who rely on gasoline sales to pull customers to their locations.

As adoption grows and spreads from the suburbs towards the cities, the limited availability of driveways or on-street public charging will mean commercial operators have a bigger role to play in the overall infrastructure.

Forward-thinking retailers can get ahead of that curve and start planning now. The data is out there. Knowing where and when to act – by understanding which locations will see demand as adoption proliferates – is key to success.



Acting with confidence

The capital investment makes decisions about where and when to offer EV charging to customers a critical one.

Added to that, if you are reconfiguring a site to accommodate charging, you must understand the impact of changes in fueling positions, parking, or additional facilities. There's no point adding new revenue streams if existing income is negatively impacted.

At the current stage of adoption EV drivers are typically affluent – becoming the charging venue of choice with this segment today will mean lasting, valuable relationships long into the future. When mass adoption arrives, the opportunity becomes ever greater – but only if you're ready to attract drivers to your site.



TAKEAWAY

Becoming the charging venue of choice with typically wealthier EV drivers of today will mean lasting, valuable relationships long into the future.

When mass adoption arrives, the opportunity becomes ever greater – but only if you're ready to attract drivers to your site.





Kalibrate

Kalibrate is a global location intelligence firm that specializes in supporting clients seeking actionable insights into questions relating to place and price.

The company's customized analytics solutions consist of leading software platforms, consulting services, and proprietary datasets. Headquartered in Manchester UK, Kalibrate actively serves companies across industries in over 70 countries through office locations in the USA, Canada, Japan, India, and Australia.

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