

# Petrol PLAZA

## “The Mexican gas station sector will grow by 4% each year”

**PetrolPlaza speaks to Roberto Diaz León, president of one of Mexico’s largest fuel retailing associations, to discuss the characteristics of the Mexican fuels market and the biggest challenges ahead.**



Roberto Diaz León

*Roberto Diaz León is the President of Onexpo Nacional and CEO of Combured, a chain of 35 gas stations operating under the Mobil brand. Last year he was included as one of the 100 leaders of the energy sector by the magazine Petr6leo & Energ6a.*

### **How did you get into the service station business?**

It was the family business. I’ve been involved for 21 years. We have participated with service stations in the centre of the country, in the state of San Luis. We currently have 35 sites. Thirteen years ago a group of businessmen decided to merge and join 12 stations. Now we have practically tripled that number, and we have two more under construction. We have also integrated the business with a diesel distributor, convenience stores, car washes and a fuel commercialization. Now we’re in the

process of switching to the Mobil brand. There are 20 sites under the Mobil brand and we expect rebrand the other fifteen by the end of the year. The goal is to have 50 Mobil stations in the next two years.

**Regarding the convenience store segment, have you developed your own concept or have you implemented an existing one?**

We are changing our concept. We signed a strategic alliance with Circle K and now we're in the process of switching from SuperRed to Circle K. There are already have 14 stations with Circle K stores.

**The Mexican market is in a fascinating moment. What do you think are the great challenges of the Mexican service station market?**

There are three big challenges. The first is to develop the infrastructure that is in process. Before 2014 - when the energy reform laws were enacted - there were 77 Pemex terminals with a capacity of 15 million barrels. That's not enough. That is why the necessary infrastructure must be developed to guarantee the country's energy security. We now have seven private terminals and another seven in the final construction process. Together, these 14 terminals will have a capacity of more than 15 million barrels, doubling the country's storage capacity. Today we only have 5 days of inventory. That is the first challenge; to increase the days of inventory until we reach 13.

The second challenge is related to the professionalization of the sector. We must continue to invest in training programs. In Mexico, 99% of service stations are attended. We need to continue professionalizing the sector at all levels and with a strong commitment to those who are in charge of the dispensers, historically known as 'dispatchers'. We must continue training.

The third challenge is the technological development. Taking advantage of all the technological tools to improve the consumer experience.

**Related to the point of professionalization, a few years ago you published a document titled '7 points of ethics' that was applied by various networks of gas stations.**

When the market opened we held a meeting with all the major brands where we signed a code of ethics for the sector. This allowed us to start the new Mexican model with universal principles such as honesty (always providing full litres), good practices, ethics... They are seven universal values that were adopted by the different areas of the groups. Practically everyone agreed that this was the principle for the national liberalization.



Combured station with Mobil and Circle K brands

**The Mexican gas station sector, especially when related to Pemex, seems to be fighting a battle to improve its public image given the bad reputation it earned throughout the years.**

Yes, but those practices are now a thing of the past. Even Pemex has relaunched its commercial image, creating a new model with a competitive image. We believe that little by little the image of the gas station operator has improved favourably. One of the objectives of Onexpo is also to work every day to change that perception. At the last Onexpo convention, seven prizes were awarded to celebrate the best practices in the sector such as social responsibility, environmental responsibility, etc.

**Pemex is going through a process of reinvention. From your perspective, what role will the company play in the market? Will it be able to maintain its dominance?**

The new Mexican government is making Pemex stronger, they want it to continue being an important player in the industry. We are convinced that the government's efforts are yielding results. One of them is the fight against 'huachicol'; a problem that has affected Mexico very seriously in recent years. There are many strategies that Pemex implements in order to have a strong franchise and continue to be the main network in the coming years.

**On the other side you have the large international brands. From the perspective of the Mexican operator, will they be able to compete with them or will they have to cooperate?**

I believe that there is going to be a mixed model in which many gas station businessmen are making alliances among themselves to make purchasing groups and economies of scale. This is the case with

Grupo G500, which made a buying club and partnered with Glencore to launch its own brand. So far it has been very successful. There are other regional brands like La Gas. Of course, the majors like Repsol, BP, ExxonMobil, BP... already come with proven practices from across the world.

About 35% of service stations are currently of a different brand to Pemex. There are 65 brands participating in the market. The growth of the sector will be 4% per year since last year. More and more stations are receiving value propositions from other brands. It will be an interesting combination as there are different strategies in the market. For example, Chevron has an important presence in western Mexico, Mobil in the Bajío while BP's strategy is to bet on a national network.

### **Who is the great beneficiary of this race in the Mexican market?**

The big winner is the consumer. He is receiving different propositions in the market where they not only offer him a full litre, but also offer him different fuels and additives that adjust to his needs. In addition to that, they access promotional campaigns, more competitive prices ... The winner of this new offer will be the consumer.

### **Next year they will lift the limitations on the import of fuel from abroad and prices will be fully liberalized. How are these changes going to affect the market?**

Well, practically these two elements are already in the market. In Mexico, prices depend completely on the retailer. The Mexican businessman has been very responsible and has not raised prices above inflation to stay competitive. Importing fuel into Mexico is a reality. There are brands such as ARCO and ExxonMobil which only sell their own product at sites. There is a new railway infrastructure in Mexico for importing fuel. There are also players like Valero who are importing a lot of product. Total, Repsol, Shell, BP... have announced commitments to develop infrastructure in the country in such a way that once the maritime and inland terminals are finished, they will begin to receive imported products directly. Pemex's leader, PMI, continues to do a great job of importing. We see that there is a tendency to import product, however, the new government has also opted for self-sufficiency in refinery and are working on the construction of a seventh refinery in Mexico.