Petrol PLAZA

Antti Moppel, Olerex: “Time is the new king of the forecourt”

Antti Moppel, Marketing Director of Olerex, provides an insight into the Estonian and Lithuanian fuel retail market. After a number of acquisitions, Olerex is now the leading fuel retailer in Estonia in terms of volume. We discuss the expansion to Lithuania, how demanding the Estonian customer has become, and other key market trends.

Antti Moppel, Marketing Director at Olerex

In the last years Olerex has carried out a number of acquisitions, namely Lukoil and Favora, that have made Olerex one of the leading chains in Estonia. How has the process of integration of these sites been? What growth perspectives do you expect for the company in the near future?

Our acquisition of Lukoil Estonia in 2015 triggered a long series of takeovers in the market and the following market consolidation. In addition to Lukoil we later acquired smaller retail chains like Raktoom, Mahta Kütus, the Estonian subsidiary of Peterburgskaja Toplivnaja Kompanija (PTK), 5+, and Favora. Our competitors carried out some acquisitions as well. As a result, the retail market is now controlled by four big players with Olerex as the market leader in terms of volume. We integrated the acquired sites fast, and our retail chain of 97 stations has been operating under the Olerex brand for a couple of years now. Even though 97 stations out of the 450 that are active in Estonia gives us nice coverage throughout the Republic, there is still room for organic growth, adding 3 to 5 new stations annually, which is our investment plan for the next 3 years.

Additionally, to secure the necessary storage space, we acquired a marine oil terminal at the port of Tallinn customs-free zone from Oiltanking GmbH in 2019.

In 2016 Olerex entered Lithuania. How many sites do you have there? What difference do see between the Estonian and the Lithuanian market?

There are 3 stations under Olerex brand in Lithuania. We are very happy that, despite being completely unknown in Lithuania before 2016, the Olerex brand has been well received by customers. And indeed, our own Estonian customers, which drive through Lithuania in big numbers, recognise and prefer our stations while there. Due to the continuing misbalance in fuel excise tax, the price of diesel is around 20 cents a litre cheaper in Lithuania. This means that our international carriers driving to Europe leave Estonia with empty tanks. They fill up both when leaving and returning to Estonia. As a result, one of our Lithuanian stations on Via Baltica provides the biggest volumes in our entire network. In Lithuania we also operate Subway restaurant franchises at our stations.

In contrast to our position in Estonia, we are yet to prove ourselves as a firm and reliable partner to the Lithuanian society, as well as to increase our presence. Even though the Baltic states stand close to each other geographically and share a common past, the markets are still different due to the cultural diversity. One of the key factors to being successful in foreign markets is to recognise and respect these differences. In comparison to Estonia, the Lithuanian market is bigger, more oriented to transit and B2B market, and not as concentrated.

Do you expect any further expansion to other neighbouring countries?

Since our retail chain in Estonia will soon be ready, we are indeed observing market developments in the neighbouring countries. Regarding our international expansion, our priority is to further expand our B2B fleet card coverage. Today our customers can use the Olerex fleet card in Latvia, Lithuania, Poland, Germany, Finland and Russia. We still see demand from our customers to include other countries.

What trends do you see in the market and how are they shaping your business?

The Baltic states were among the last in the EU to introduce the mandatory renewable fuel blends. Our public opinion remains a little hesitant towards renewables. In time renewables will become an essential part of our fuel market. High gasoline and diesel prices (both currently in the €1.30-€1.40 price range) force customers to actively seek alternatives. We see growth in the sales of LPG (sales volumes still low, around 1.5% of the total fuel market) and CNG as a market newcomer. The number of CNG stations has grown in the last years and one LNG station has opened near Tallinn. AdBlue became a standard solution at our stations years ago, and wind shield washing liquid dispensers are following a similar path. Not to mention that 100% LED-lamps solutions are part of our standard concept. With the introduction of electric vehicles in Estonia, fuel networks have started to install EV charging points. Olerex currently has 12 EV chargers and a clear commitment to install more.

In the c-store, both our sales area and product range are increasing with every next shop. We are experimenting with new offers, like breakfast porridge, lunch soup, afternoon deals of sandwich & drink combo, special offer for vegans, XXL-kebab to beat the hard hunger, and at our biggest format stores offering the full grocery store selection for the local community. There are also a couple of drive-in windows at our newest stations.

We have been playing with the idea of new forms of payment, starting with mobile payments and up to payment by face recognition. At the moment we feel that the balance point for our customers between speed and secure payments is contactless bank cards, our own loyalty program we run based on the Estonian official ID-card and, in some cases, mobile payments.

Do Olerex stations already offer alternative fuels? Is this something that you may invest in?

According to the RED and FQD we blend renewable components into our diesel fuel and 95 gasoline. As the public opinion in Estonia is still hesitant in regards to renewable components, we need to educate our customers on the real effect of renewables. In diesel fuel, for example, we use only HVO renewable component, which exceeds some parameters of the fossil diesel (cetane number, cold properties) and therefore improves the overall quality of our diesel fuel when blended in.

How would you describe the average Estonian customer? What are the main ways to attract them to your sites?

Overall, the Estonian fuel retail market is in a very good shape. There are enough modern stations all over the Republic – in Estonia, site per person ratio is higher than the EU average, the fuel quality is equally good at stations from all operators, and most of the sites are full-scale service stations with big c-stores, carwashes and many additional services. Estonian stations never charge for tyre pressure control and WC, in contrast to many other EU countries, and often offer free, fast WIFI. Strong competition keeps retail margins low, and companies are eager to develop new ideas and solutions to win over customers.

All of this has made the Estonian customer quite demanding. Fully automated sites are gradually losing popularity with heavy competition eliminating price differences between unmanned and manned stations. And our customers have become accustomed to our shops with wide selections and additional services. Time is becoming the king at forecourts. For those in a hurry we have developed smart dispensers, enabling to pay directly at the forecourt and continue the journey without entering the shop. For those who are shopping for just a few items, there is a self check-out counter for quick payments in the c-store. Our emphasis in overall station concept development has shifted from the forecourt to the c-store. What we are seeing is a fundamental shift in the customer’s decision-making process. Choosing where to fill up is now being decided on the basis of how delicious is the coffee or sandwich.

Moreover, we develop menus for vegans, prepare to abandon plastics and bring in 100% biodegradable coffee cups. At the forecourt we are reducing plastic waste introducing dispensers for windshield washing liquid. We raised awareness of the use of plastic cans last year when we gathered thousands of empty plastic cans and designed a Christmas tree at one of the local municipalities.

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