



Exclusive: Exploring Gulf's expansion in Argentina

PetrolPlaza speaks to Eduardo Torrás, General Manager at DeltaPatagonia, the Gulf licensee in Argentina and Paraguay. He discusses the rebranding of stations across Argentina, how they tackle the particular economic challenges of the country and the great potential of CNG.



Q. What have these first two years since the purchase of Oil been like for DeltaPatagonia?

A: We signed the purchase of Oil from YPF for 124 service station in December 2018. Today we supply 130 stations, with 70 of these rebranded as Gulf. The last flagged station we opened is in Bariloche, a touristic city in the south of Argentina.

2019 was a successful year for us with strong growth. In 2020, as we all know, we suffered the pandemic and Argentina had the longest quarantine in the world. If we compare October 2020 with the volumes of the previous year, there was a 25% drop. April was worst month of the year with sales

falling by 50%. Gradually the market has recovered. First it was diesel due to long distance trips and agriculture. Naphtha (gasoline) is still struggling to recover.

All in all, the experience is very positive. Right now we have a market share of 1.6% with only one year of activity. Historically, Argentina has had three major brands: YPF, Axion Energy (formerly Esso) and Shell. They have always shared between 88% and 92% of the market. We aim to have 150 Gulf branded stations by the middle of 2022.

The network we inherited had some issues, some of the stations were not in great shape. The first focus was to re-sign the contracts and ensure effective fuel supply. In a second stage, we have to work with payment methods, banks and convenience stores. We have just signed an agreement with a natural gas retailer to sell CNG. The focus is on the value proposition, channel and end customer.



Q. With that level of competition, what kind of role do you see Gulf playing in the market?

A. The Gulf brand has grown a lot internationally since we signed the first agreement. The Hinduja Group, which owns Gulf, is very dynamic. They signed a contract with McLaren, continued the sponsorship of Manchester United and do other things that help. We introduced a second international brand in Argentina (along with Shell) based on a competitive price level and a focus on flexibility and agility. We are not going to have 10% of the market but we are going to work faster than the big corporations. We want to be more agile and closer to the channel. Many of us come from major oil companies – we have to copy the good and improve the bad.

For context, Argentina has suffered close to 40% inflation and many changes in its energy policy. In a

very challenging macroeconomic context, being able to respond quickly is a great advantage. In countries where there is a more stable context, the differentiation is in end customer offer; here the speed of response is also important.

Q. On the economic front, how does the continuous devaluation of the local currency affect fuel prices, investments and other parts of the business?

A. Argentina has a lot of experience with this. We don't like it but we are used to it. Despite the difficult context we are coping well. Overall, the Argentinean market is moving in line with the devaluation. When YPF, the biggest player, acts in accordance with the devaluation it provides certain stability. With a 54% market share and state-ownership, YPF sets the country's pricing policy. In a way, it sends a positive message to the energy sector that the country will follow a pricing logic.

Q. In November 2020 Gulf signed an agreement with Cinergia for the distribution of compressed natural gas (CNG). What kind of potential do you see for this fuel in Argentina? And for LNG?

A. With the discovery of Vaca Muerta, CNG has a huge potential in Argentina due to the production of natural gas. The raw material is going to be there. The CNG market is very price-oriented, sometimes replacing liquid fuels. The arrival of (CNG-powered) heavy-duty transport has reshaped the market. Until now it was associated with taxis and individual users who wanted to replace naphtha with a cheaper product. Argentina has a highly developed CNG structure. If heavy-duty vehicles convert to CNG they will have plenty of options. We partnered with a player (Cinergia) that has over ten years of experience. They are dynamic and similar to us, working in Uruguay and Chile. There is a lot of potential for CNG, and also for LNG. In Argentina we have blue and green corridors that are setting up refuelling infrastructure.

Right now we have almost 40 dual stations with liquid fuels and CNG. Our first task is to have a competitive offer and to supply the network with CNG. We have many projects to convert sites to dual systems.



Q. You are currently in the process of rebranding the network. When we talk about the expansion of the brand, do you have a specific geographical focus?

A. We bought a network that already had a national configuration. More than 70% of the sites were located in Buenos Aires, Capital Federal, Entre Rios, Santa Fe and Cordoba. These are also the territories with the highest GDP in Argentina. We are growing in those areas and elsewhere. For us it has been a milestone to reach the South and open a station in a city like Bariloche. We have also opened in San Juan and Mendoza.

Q. With only two years of existence you have gone through a major change in government and a pandemic. Not the easiest of beginnings...

A. As DeltaPatagonia we have the Gulf licence for Argentina and Paraguay. Our partners in the region have other brands in Paraguay. Between the different partners we are present in trading, supply and manage over 1,000 service stations. That gives us a very regional view; we know how to adapt and understand the context. This was a stress test but it has given us confidence in the future. As a group we have a very interesting scale and that reassures me.

Q. What trends do you currently see in the market? Do you expect a big increase in the c-store segment?

A. The c-store segment is interesting but depends on the location. In Paraguay, a c-store is a restaurant that serves food, while in Argentina the concept is more of a café. This has to do with labour costs – in Argentina they are very high so you see more packaged food and less items made at the store. In Europe, Mexico and the United States the trend is towards proximity supermarkets with a

reduced stock but long opening hours. In Argentina the trend is still not clear. What is certain is that the surface area used in a service station is very low. We need to look for partners to help monetise the surface area (e.g. e-commerce lockers, places for business meetings...). We all agree on that.

Q. Gulf is growing as an international brand across various regions. How do you coordinate efforts globally?

A. There are global and regional activities between people involved with the brand. There are also events where we meet our customers and partners. This year it was not possible, obviously. But we can talk to colleagues from other regions who are at a different stage in the development of the brand. This allows us to exchange knowledge in order to continue to grow.

Interview by Oscar Smith Diamante