



# Retail Framework for Effective Products Distribution

## The NNPC Retail Story

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November 07, 2012

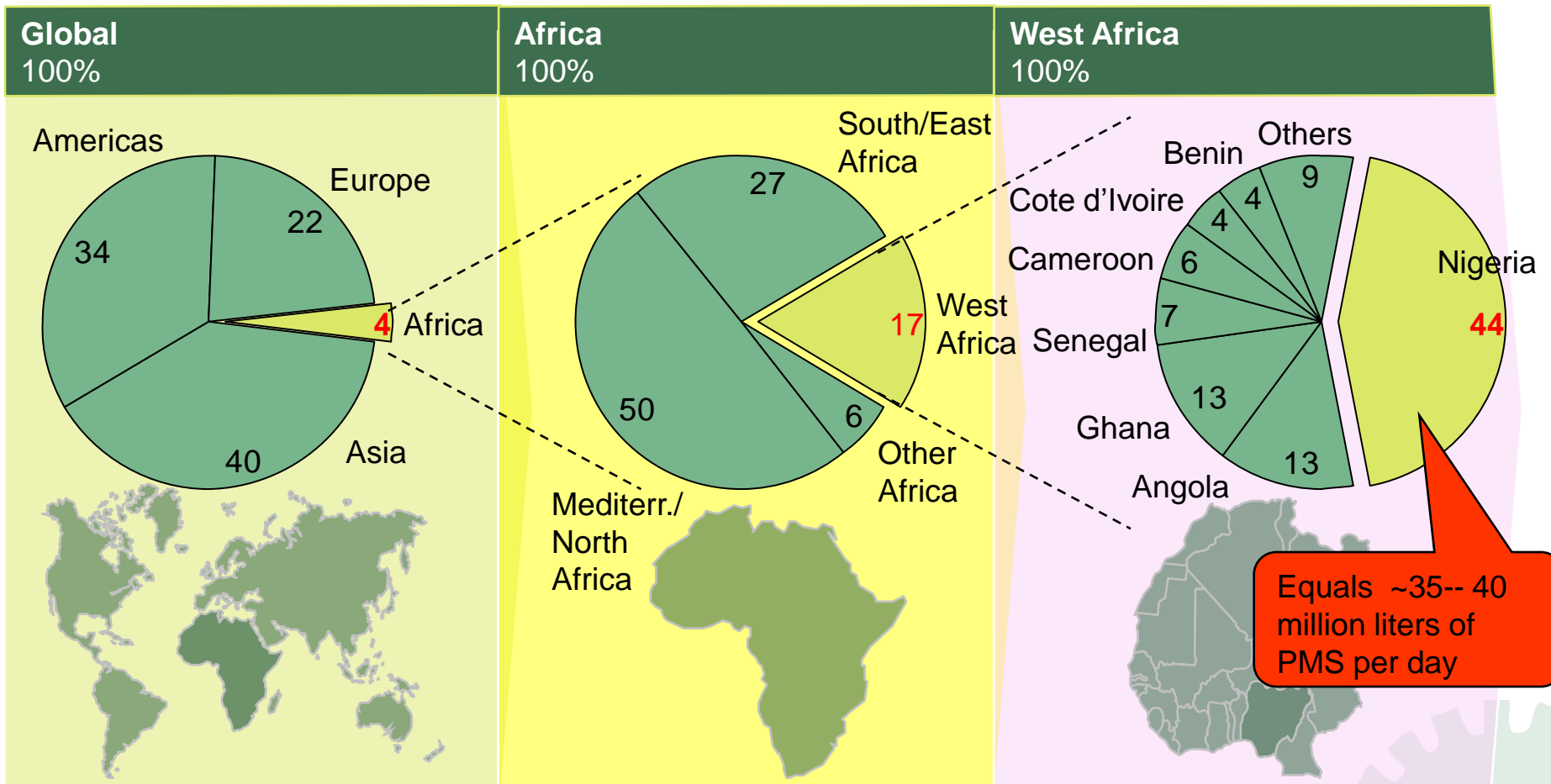
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  - Problems of Nigeria's Petroleum Products Distribution
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# Nigeria clearly represents the largest market opportunity for white products in West Africa

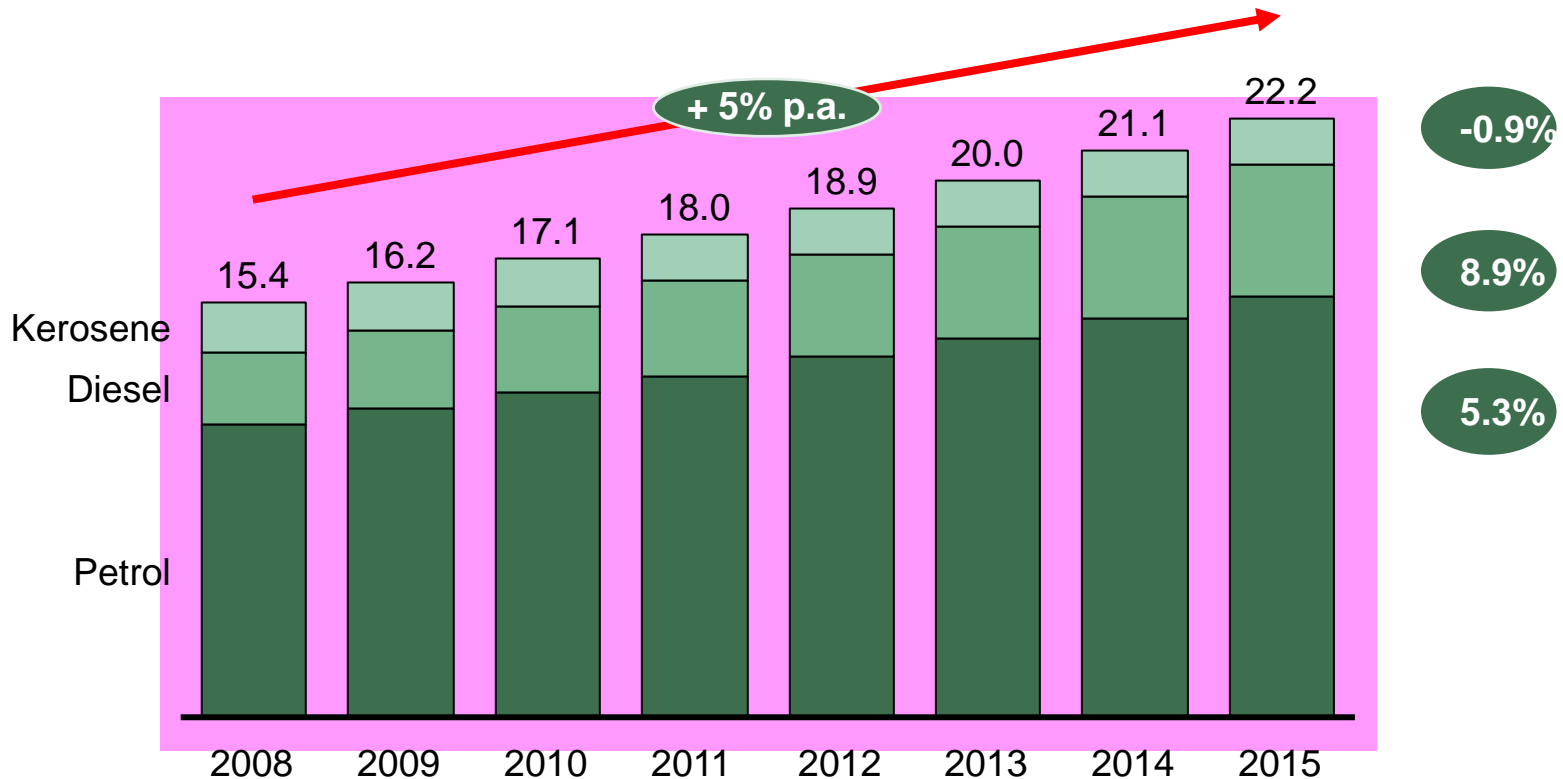


# The Nigerian demand for gasoline, diesel and kero is growing at approximately 5% a year

## Product demand in Nigeria

Billion litres

CAGR 2008-15, %



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- Nigeria's Retail Products Business Potential

- **Problems of Nigeria's Petroleum Products Distribution**

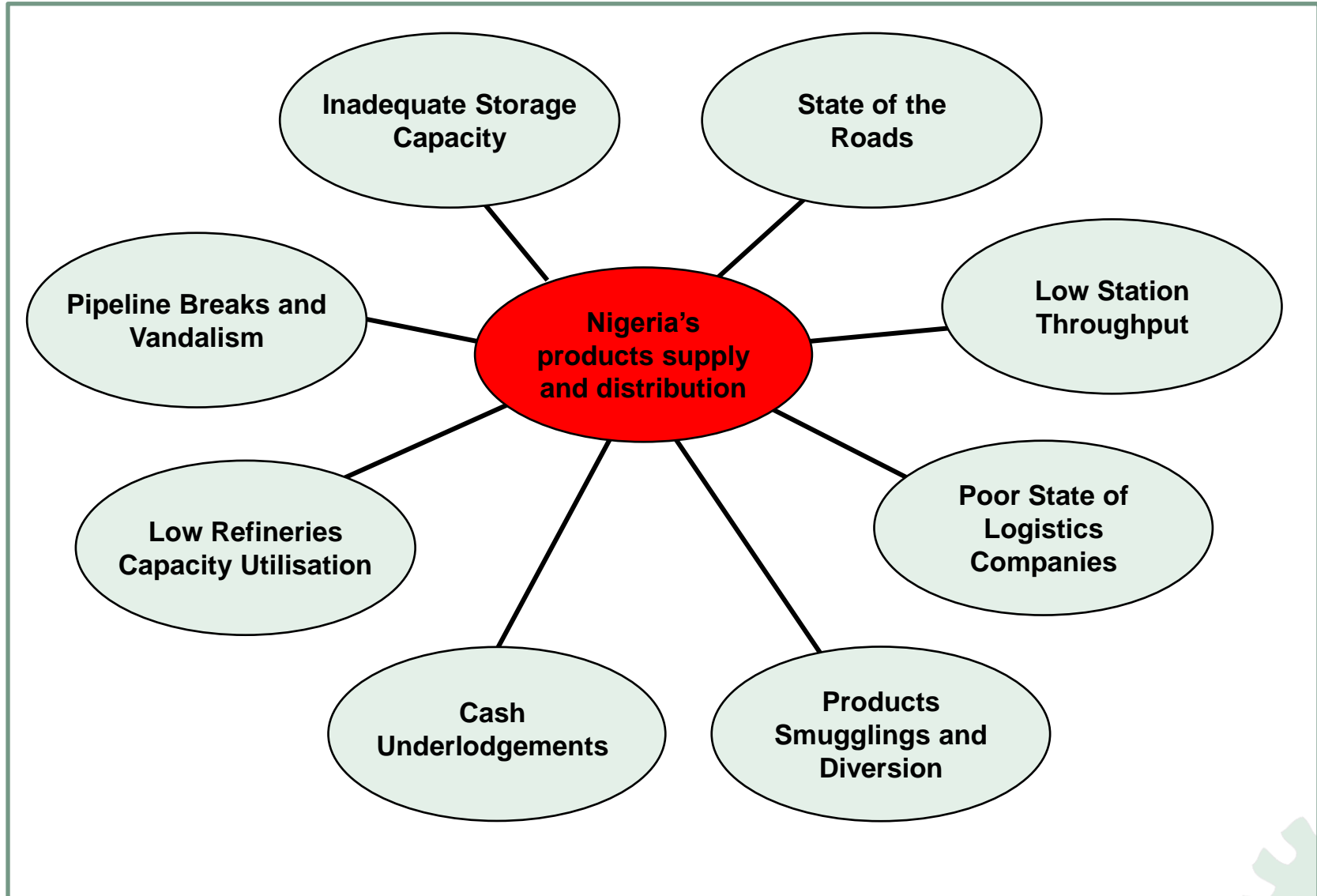
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# Opportunities in the industry over time have been threatened by some factors that include.....



# Decades of past policies on sectors

- 1 Atlas cove jetty was the major single entry point for imported products
- 2 Focus was more on upstream rather than retail  
Downstream after Govt interest was divested from Unipetrol, National and AP
- 3 Most independents came into retailing as a result of the scarcity experienced during the June 12 strike actions. No commitments, just profits.
- 4 Very few transporters were dedicated with the intent of staying long in the haulage business
- 5 Most of the logistics companies have aging trucks and inadequate maintenance culture



# Several factors have hampered effective products distribution

1

State of roads and inadequate training for drivers have caused frequent breakdowns and breach to products supply.



2

Over time accidents on roads have led to loss of lives and products worth millions of naira



3

Frequent industrial strikes by unions which often resulted into fuel scarcity and long queues in stations





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# TAKE A GOOD LOOK.

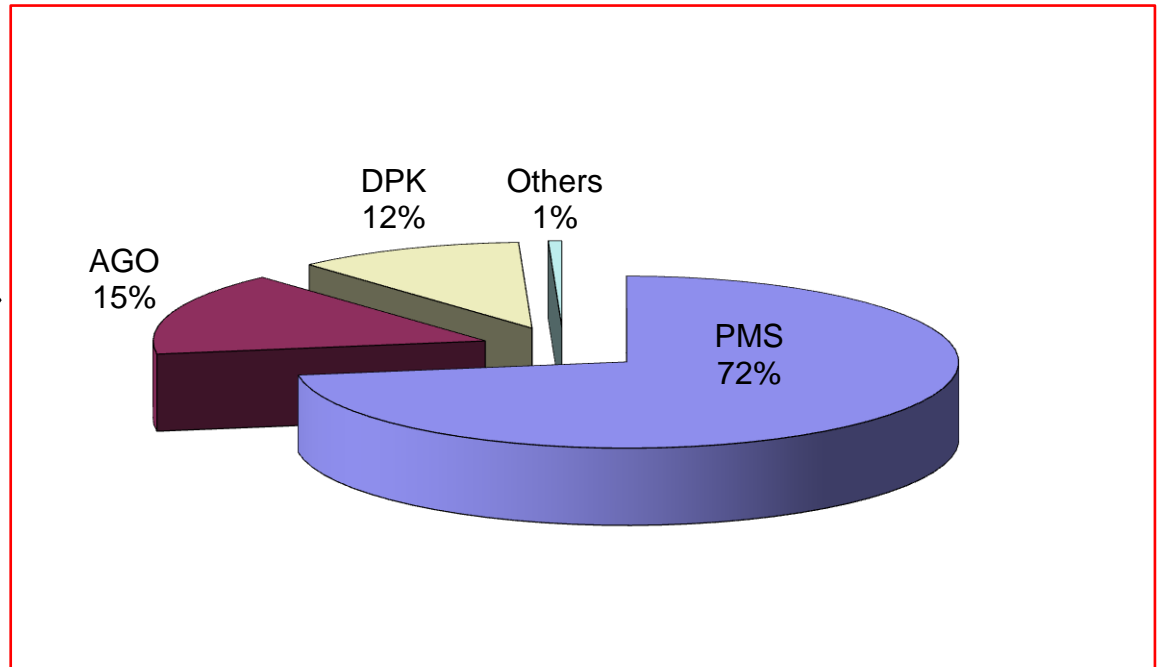
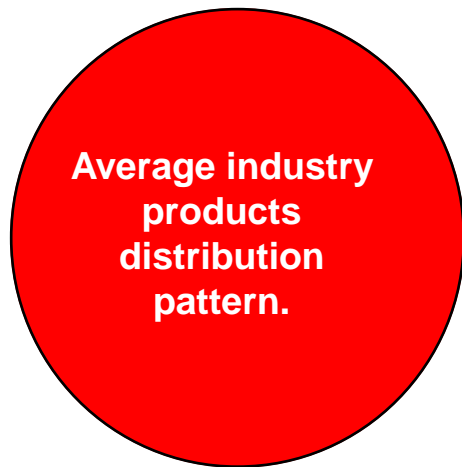


- ✓ Huge demand for fuel
- ✓ Consumers need for convenience



# Products loading and distribution – *PMS is currently the most prominent product*

**Proportional Industry Distribution ..+- 3%**



# NNPC Retail Background

NNPC Retail operations commenced in August 2002, when the first Retail outlet was commissioned in Lagos to market petroleum products to the public. NNPC entry into products retailing was initially a strategic move intended to provide the Corporation with:

- The vehicle for intervention in the market during periods of emergency and avoidable supply interruptions
- A tool to benchmark the activities of key players in the distribution chain and ensure safe, orderly and profitable retailing of products in the country
- Outlets for NNPC products in a deregulated environment on acceptable commercial terms
- A vehicle to achieve NNPC's world class vision by integrating its upstream and downstream businesses in a similar manner to other national and international oil companies.

## Our Assets



NNPC Affiliate station



NNPC Floating station



NNPC Branded truck



NNPC Mega station



## NNPC Retail Outlets



**A Mega Station** in each state



### **Floating Mega Stations**

We are the only ones with presence in the riverine areas



**Affiliate Stations** widely spread throughout the country

# NNPC Retail Strategic Advantage

## THE BRAND!!!



- Product availability across all the states where NNPC Retail has presence.
- Better Customer Service and professionalism at our forecourts
- Guaranteed product quality and reliable measure



# ON-GOING RESTRUCTURING INITIATIVES: Context and objectives

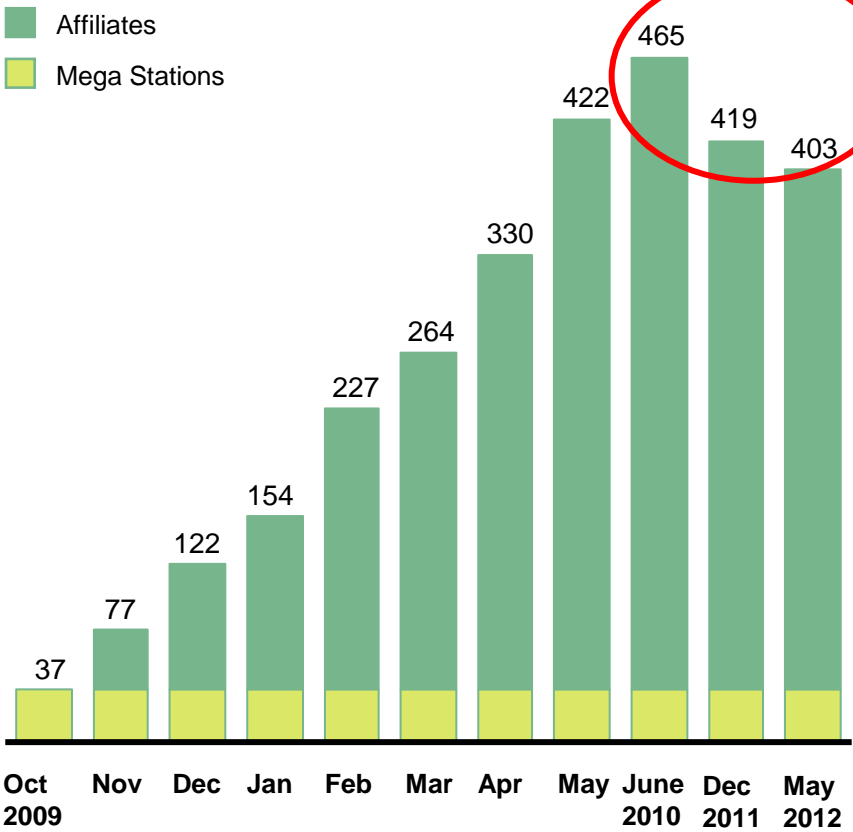
NNPC  Context	Nigerian / International benchmarks
<ul style="list-style-type: none"><li>• NNPC Retail grew very rapidly</li><li>• We faced significant product losses and needed to quickly stabilize the business.</li><li>• The challenge of putting in place processes and control to catch up with ambitious growth plan</li></ul>	 <ul style="list-style-type: none"><li>▪ How do we benchmark these established marketers with strong brands and operational efficiency</li><li>▪ The concept of a National oil marketing company</li></ul>



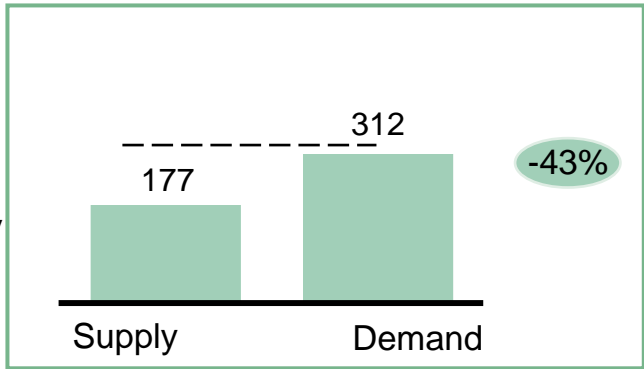
# NNPC Retail has achieved significant market share gain

**NNPC Retail's network grew from 37 in October 2009 to >400 by May 2012**

NNPC Retail station growth from November 2009 to May 2012



Trucks per day



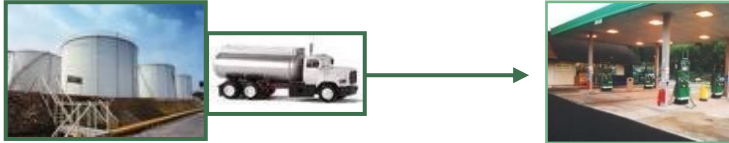
SOURCE: NNPC Retail; Team analysis





# Reducing our Products and Truck Diversions

## From a direct destination loading...



1 Loading Depots

2 Receiving Stations

### Challenges and effects

- Diversion without approval
- Unaccounted trucks
- Dry stations
- Danger to working capital
- Outstanding PEF payments

## ...To Cash & Carry and stock transfer order approach



1 Loading Depots

2 Receiving Depots



### Process and Procedure

- NNPC Retail move products depot to depot
- - Better tracking.
- - PEF Clearance.



3 Receiving Stations

# The Retail framework must reduce the long tail of trucks to improve control and efficiency

The industry standard is to have 40-60 transporters (~2,000 trucks) in fleet ...

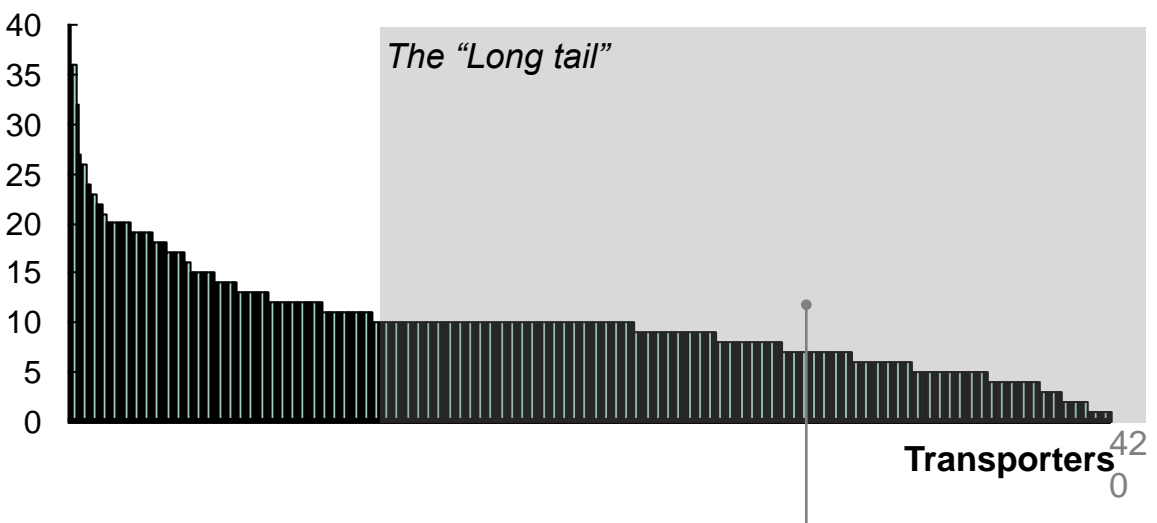
# of transporters	# of trucks
_____	_____



**NNPC  
Retail**

... NNPC Retail manages ~420-600<sup>1</sup> transporters and a fleet of ~4,200 trucks

Trucks per transporter



**Retail's distribution' Long tail' of transporters**  
 ~71% (299) of Retail's transporters have fewer than 10 trucks in their fleet  
 This 'long tail' of transporters creates complexity and makes monitoring and tracking transporters and trucks more difficult



# We focused on Retail truck rationalisation

**A** Reduce trucks in Retail fleet

## Ideal end-state

- ~**2,500** trucks in Retail's fleet to serve all its transport needs
- Faster recovery of debts through bank guarantees

**B** Consolidate transporters in Retail fleet

- **Maximum of 100** transporters with transporters acting as fleet managers
- **Minimum of 20** trucks per transporter

**C** Strengthen transporter management

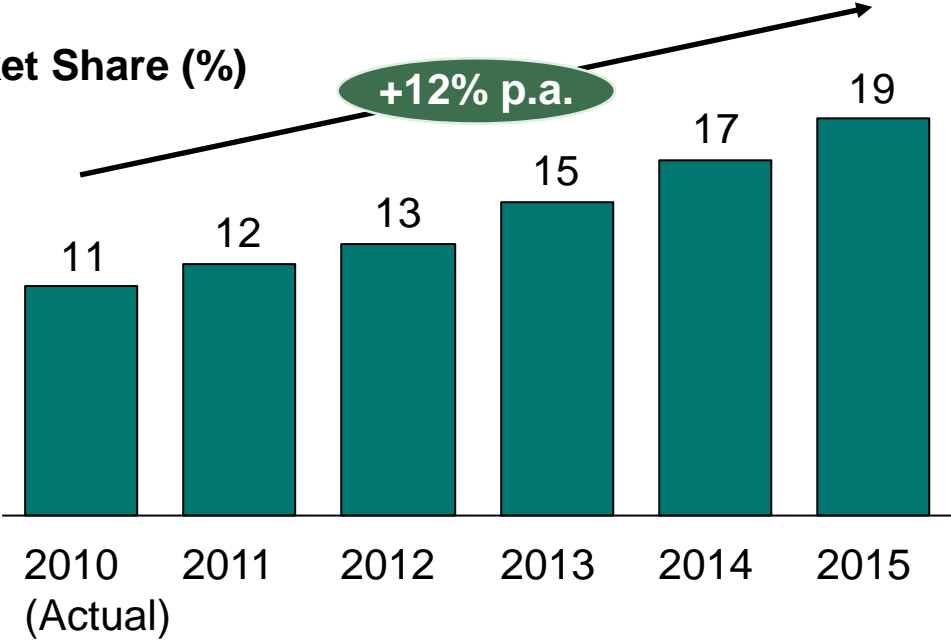
- Clear selection criteria enforced for trucks joining fleet managers for Retail
- Controls in place for operational and performance management



# NNPC Retail Strategic Aspiration

We have the aspiration of achieving 19% market share in the Nigerian retail market by 2015

Projected NNPC Retail Market Share (%)



# of stations



- ✓ Building more Mega Stations
- ✓ Constructing Standard Stations
- ✓ Leasing and Affiliating Stations everywhere to increase our presence



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# The Framework Mapping Of The Sector

- The sector framework must be classified into responsibilities
- The Major oil marketers.
- The Independent Marketers.
- The Regulators



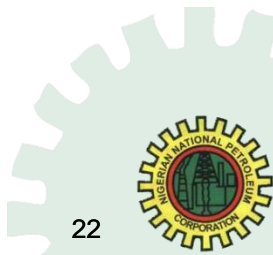
# Marketers operations Roadmap

**A** Infrastructure

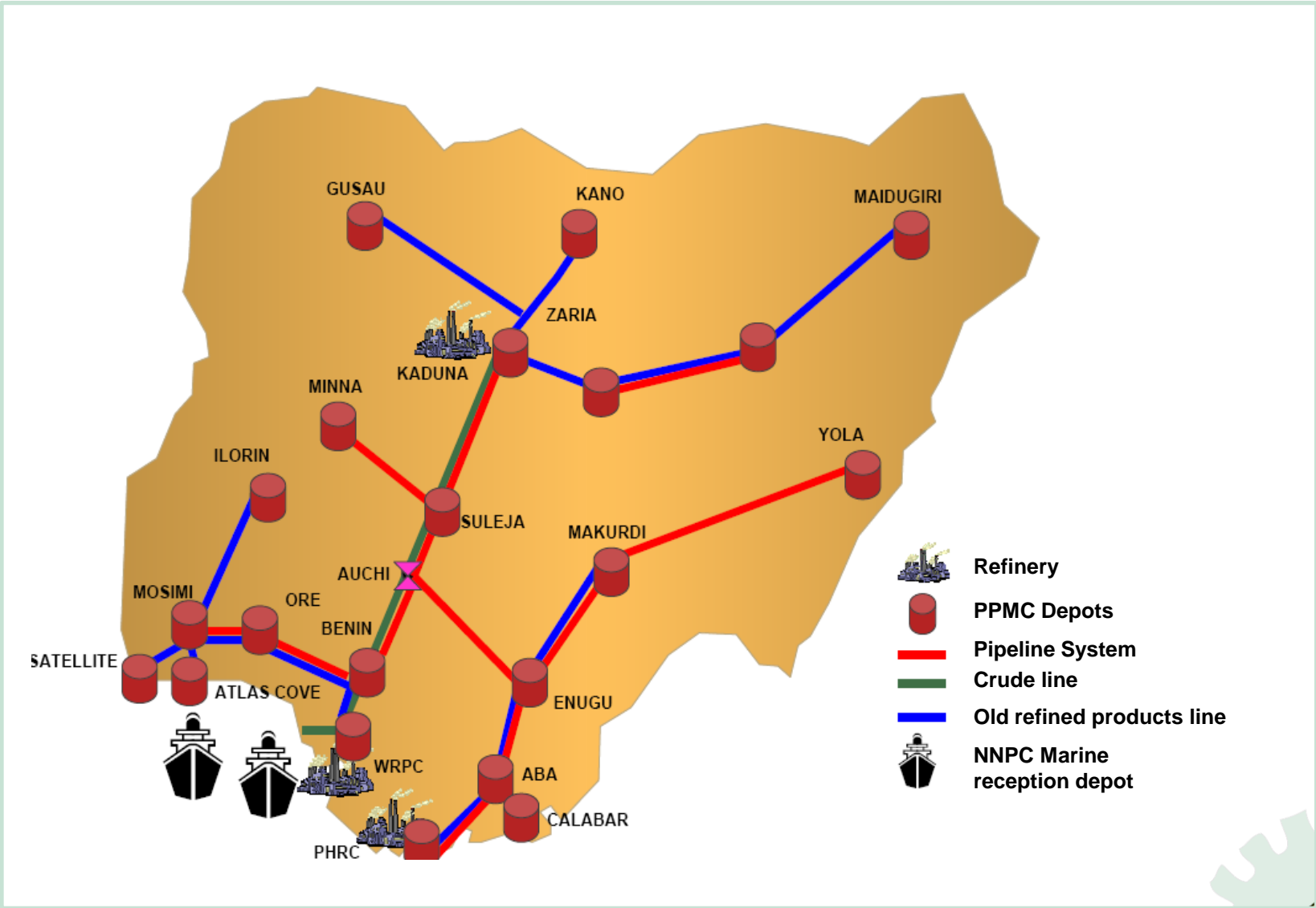
**B** Marketer Monitoring & Control / Financial commitment

Description	Weights
<p><b>The Role of Government is providing basic infrastructures for a business</b>  <i>(Good roads, rail system, waterways dredging, security of pipelines &amp; depots and level playing field. Reduce frequent Changes in Govt Policies)</i></p>	<p>40%</p>
<p><b>Improved enforcement on marketers operations and financial commitment to the sector.</b></p>	<p>40%</p>

**The balance 20% is at the further discretion of Marketers strategic interests..**



# Distribution Network – Products Distribution Map of Nigeria





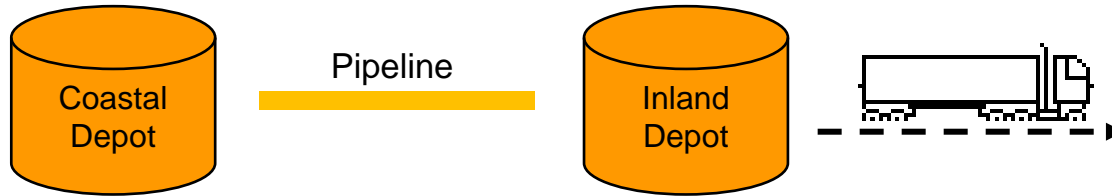
# Means of petroleum products Distribution.

- Sea ....mother vessel
- River... small vessels
- Inland Waterways ...barges.
- Pipelines
- Road
- Rail

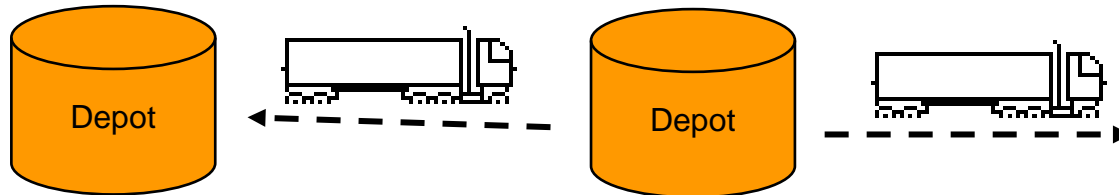


# DISTRIBUTION APPROACH.

A



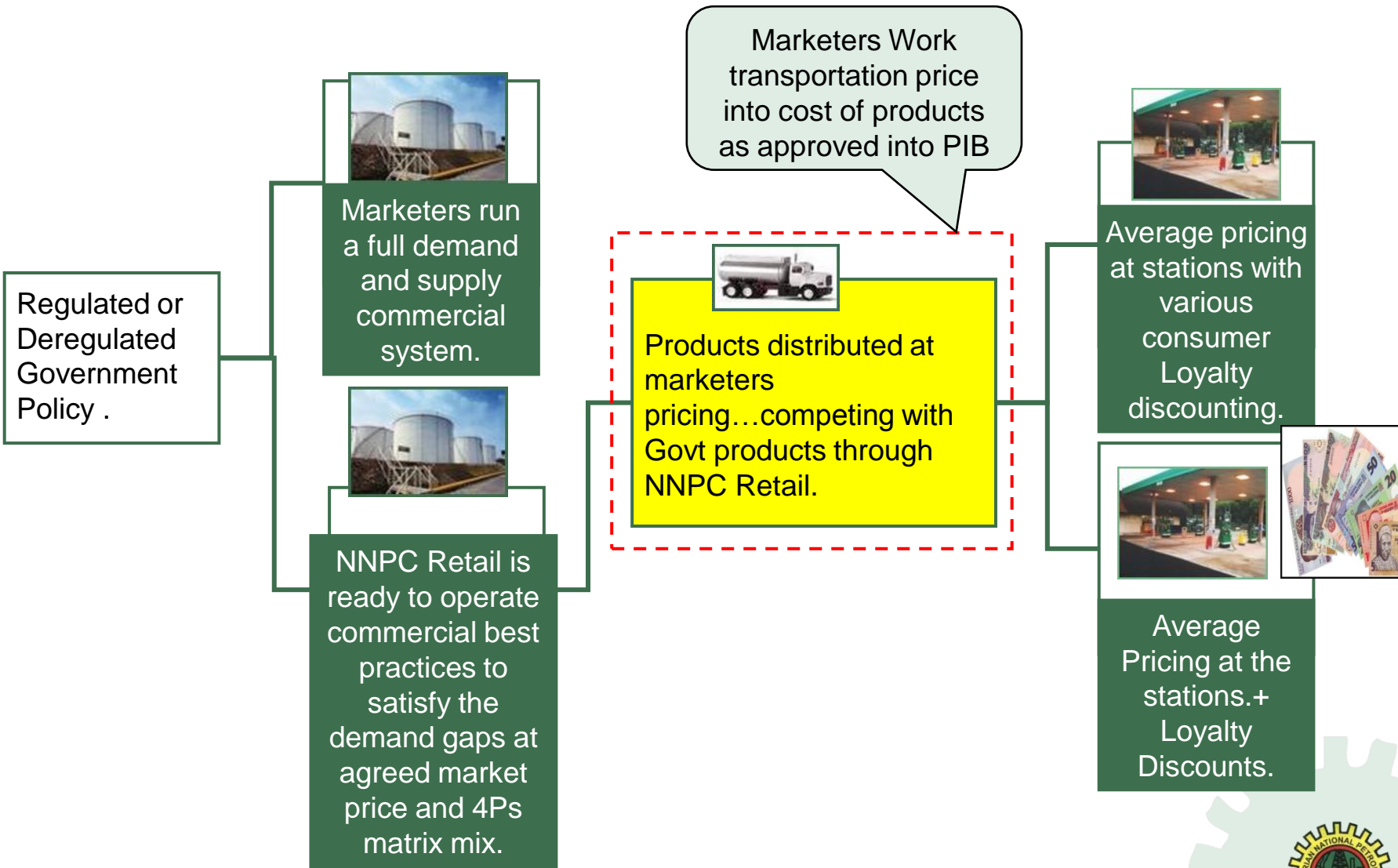
B



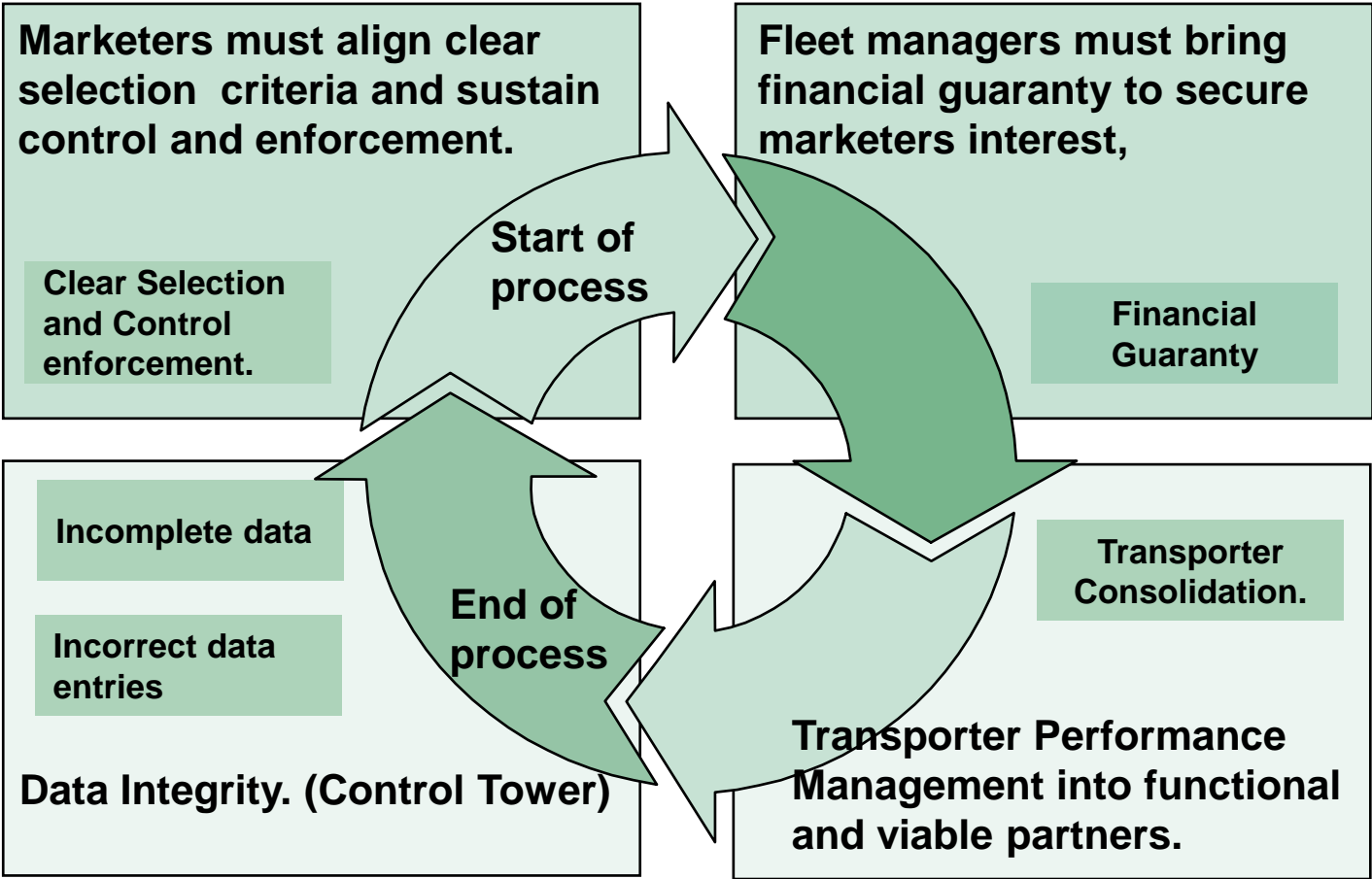
The preferred and most efficient distribution approach is (A).  
But the workable and effective control is (B).

- Transfers
- Inter-district
- Bridging.

# Downstream Products Distribution Framework.



# Major Challenges to reform products distribution.



# Downstream distribution MUST IMPROVE....

## Initiatives

### Product supply

**The market must diversify its supply sources to meet rising demand by**

- Building more refineries and improving capacity utilisation of existing ones
- Product impact planning to close old gap
- Improved logistics at jetties and depots and reduction of demurrage and financing costs
- Enhanced funding through profit sharing

### Physical infrastructure

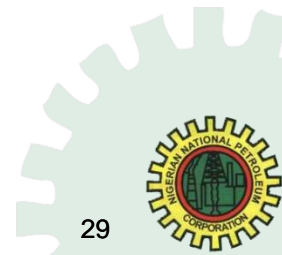
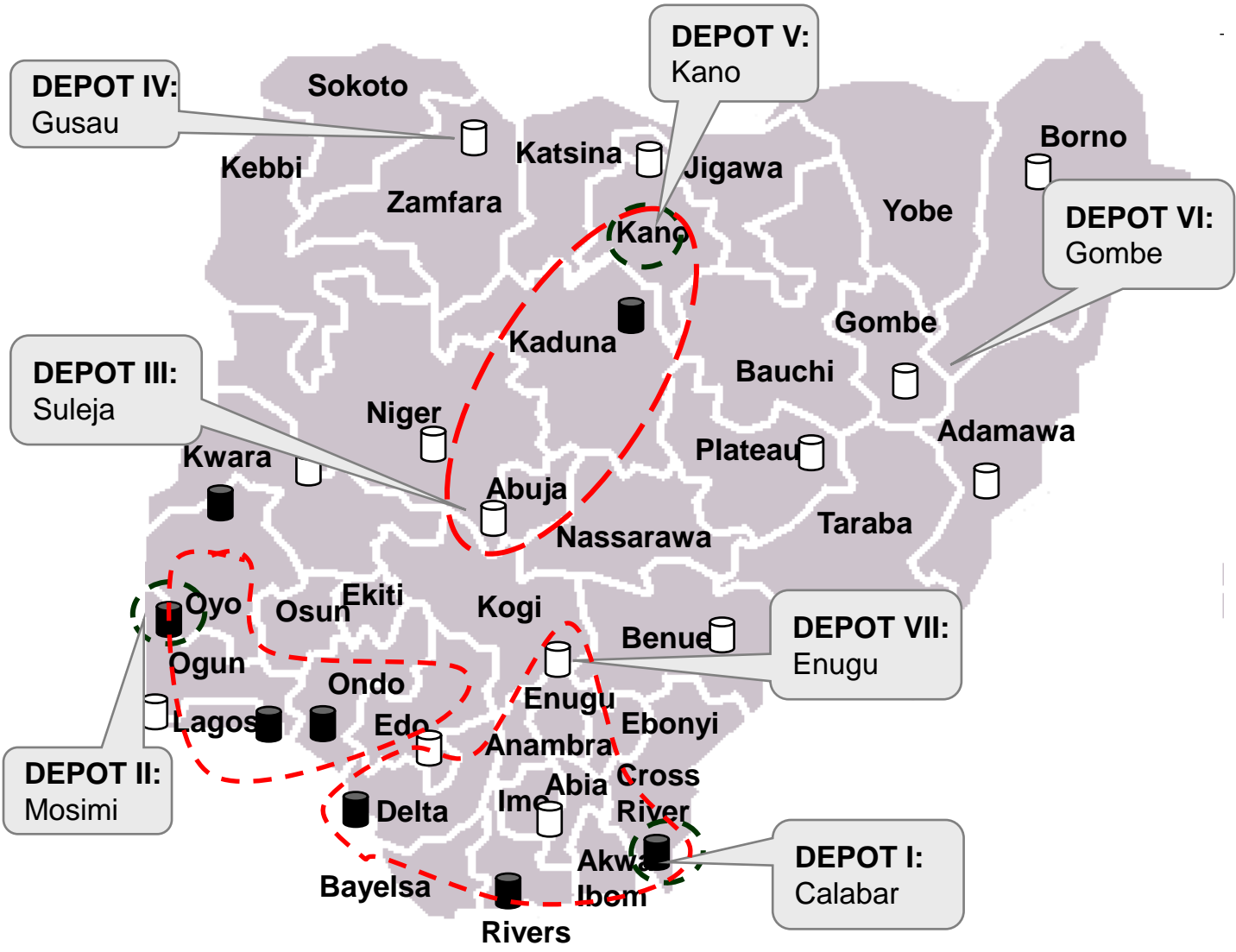
**The market must improve and control the supply chain to improve and effectively serve its network (Tank farm integrity and safety)**

**Inland depots: and Port depots: Joint importation.**

### Support systems

**“ Industry must Go live” on Business Intelligence systems for accountability and monitoring their network**

# Improve depot activities around the highlighted cluster areas for quick intervention into the market.



# Thank You

