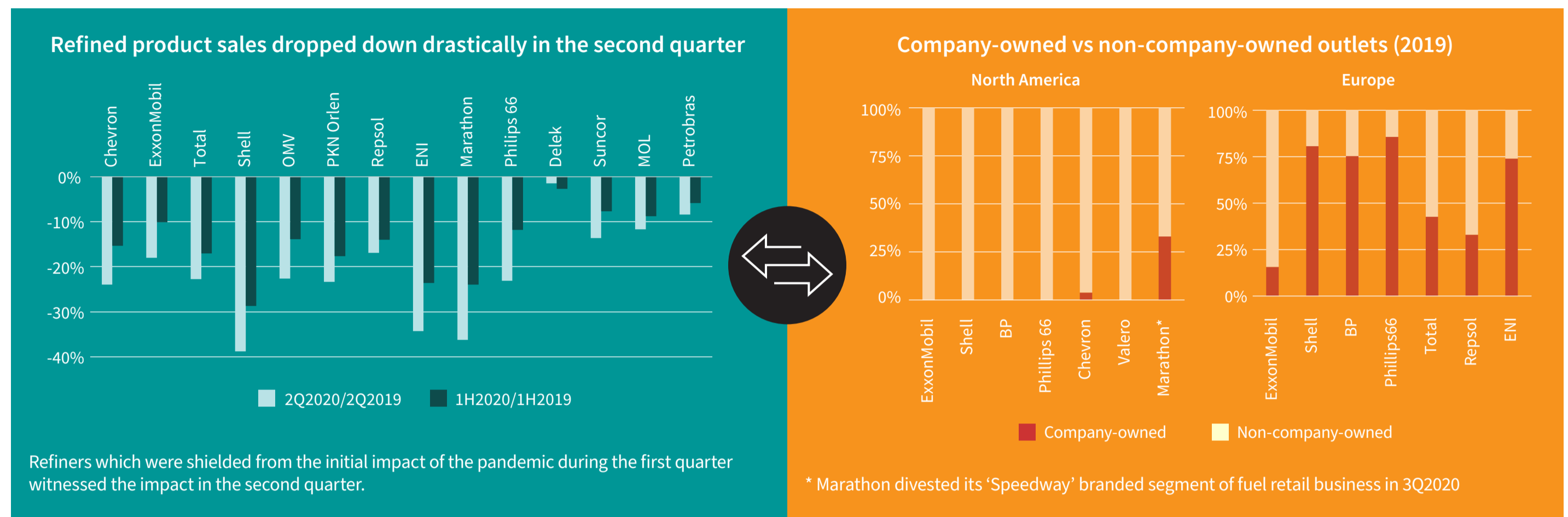


# COVID-19 pandemic offers testing ground for non-fuel retail in US and Europe

## Non-fuel sales were the sole bright point for retailers amid lackluster fuel retail sales

- In several markets, the pandemic has wiped out years' worth of fuel retail growth. Once the market stabilizes, post containment of the pandemic, both fuel and non-fuel sales will bounce back; however, the growth trajectory for both would be different.
- While non-fuel sales will witness a quick recovery and prolonged growth curve, fuel sales growth will be modest, and in some markets, might mark the arrival of peak fuel demand.



## Refiners' focus on retail takes a divergent path in the US and Europe

● US ● Europe

<p>Non-fuel retail sales, remained strong during the pandemic. Fuel sales volumes declined but were balanced by lower crude prices during the first quarter of the 2020.</p>	<p>Refiner-retailers in the US relatively less aggressive compared to their peers in Europe in expanding non-fuel retail business.</p> <p>Slower relative decline in fuel demand ensures that the refiners in the US do not necessarily need to depend on non-fuel earnings to cover up the likely depression in fuel earnings.</p>	<p>Increasing competition from independent retailers has compelled the refiners in the US to relieve control over retail and move towards a branded wholesale model.</p> <p>Retail station ownership confined only to Delek and Chevron (and until August 2020, Marathon).</p>	<p>Nevertheless, non-fuel retail sector in the US will continue to grow but this growth will be led by independent retailers as refiners continue to move away from owning retail assets.</p> <p>At the same time, non-fuel remains a crucial component for refiner-retailers as it garners higher footfalls at a retail station which subsequently translates to higher fuel consumption.</p>
<p>Overall non-fuel sales remained resilient in Europe despite drastic decline in fuel retail sales during the first half of the year.</p>	<p>Amid waning fuel demand, non-fuel retail becomes a crucial part of downstream business for refiner-retailers in Europe.</p>	<p>High demand for electric vehicles (EVs) and support for alternative fuels (LPG, CNG, hydrogen) in Europe ensures a developing alternative retail market, beyond traditional fuels.</p>	<p>Refiner-retailers in Europe, from Global Majors (BP, Shell) to Regional Majors (ENI, PKN Orlen, OMV and MOL) still own and operate a significant portion of the retail network, and so, have devised long-term strategic plans that targets non-fuel retail growth.</p>
	<p>In the current scenario, the pandemic has proved to be a testing ground for European retailers and will provide support to their growing impetus towards non-fuel retail.</p>		