



To Fuel or Not to Fuel

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Jobs are tough to find and often we think ‘what if I had my own business – let’s say a retail service station?’ Each time you fill your car up you can just imagine the cash rolling into the owner’s pockets. You even know of an ideal spot to set it up. If this is what you are thinking, there are a few things to consider before making such a life altering decision.

This **KWIK series** aims to start conversations amongst individuals, social groups, and in organisations. We share practical knowledge – built up over decades, and which would have helped us if we knew it earlier. We believe that people between 25 and 45, if they have access to this knowledge, are ideally placed to lead in rebuilding South Africa.

Think About

- What skills do you have (e.g. financial, marketing, business, management, strategy, legal)?
- What is your current take home pay and what is the minimum you need to survive?
- Why a retail service station (RSS) and not a restaurant or just hang on to your corporate job?
- How much of your own capital do you have to invest?
- How much do you know about the fuel industry and related legislation and regulations?
- Do you know how many hours you will need to work per day, month, or year?
- Do you understand the risks, including the legal and safety risks?
- Do you know how franchising models work?
- Would you prefer a free hand in running your business or do you like structure?
- Have you given any thought to Alternate Profit Centres (APC’s) at the site?
- What is your understanding of Convenience Stores?

Many people ask me what is involved in running an RSS. I normally ask them the questions above as a starting point, even though they are not exhaustive. The most critical success factor is location. So, understand the retail site economics before taking the leap. Most oil companies will require a solid business plan before engaging with you. The ‘petrol’-part of an RSS business is regulated, and most of them follow a franchise model, with training and handholding for you to understand the environment. However, you will still need basic skills to run your business. Senior managers in large corporates often think of going into this type of business. If you earn a six-figure salary, think twice before leaving your day job - an RSS may not give you comparable income. On the other hand, you may be able to build a legacy business for your family in future. Another major factor to consider is that running an RSS is a 24/7/365-day job – which many people underestimate. You need back-up so that you can take a break on a weekend, a day off during the week, or if you want to enjoy an annual vacation with your family. It can take up to three years before your site runs like a well-oiled machine (pun intended!). This extensive implementation period is necessary for you to be in complete control of your ‘liquid gold’ as a product. You may intend to run it as a side hustle with a site manager in charge, but there are many risks with this approach. If you don’t have good controls in place, it’s a recipe for losing money. In addition, you will have to pay your site manager a salary plus incentives, which will eat into your profits. In **KWIK #2 ‘Know Your Numbers’**, I wrote about understanding a ‘high volume, low margin’ business. The fuel business is a classic example. Additional risks stem from the high levels of cash transactions. Controlling your cash takings, at least twice a day in a 24/7 business, is imperative to minimise theft and fraud. The convenience store is also a high-volume business, but with slightly better margins – the challenges are slow moving stock, shoplifting, pilferage, and wastage (if you include fast food). Other additional profit centres (APCs) include a car wash or coffee shop. Research the market well before deciding on any of these APCs – they evolve rapidly and require high capital investment. If you like to have a free hand in running your business, franchising is not for you. But overall, it is a great business model and, with the right location, one can earn a comfortable living.

Practical Tips

- **Location, Location, Location!** Understand all the factors that impact this most important decision.
- Review the Franchise Agreement with a fine tooth comb (get legal advice, if necessary).
- Compare the retail economics with your salary, before quitting you day job.
- Consider a partner or a family member that can stand in for you in times of need.
- Be present at the site, control everything, and keep your own fingers out of the cash register.
- Invest in technology such as CCTV, Point of Sale Systems, barcoding, etc.
- Get professionals to advise you – finance, marketing, legal, and other relevant skills

- We provide coaching and mentoring sessions for young leaders wishing to equip themselves with knowledge to make a difference in society.
- Coaching takes place face-to-face or online, one-on-one or in groups – as suitable for participants.
- Requests for topics to be covered in this series are welcome.
- Other Lucidum Learning resources are available on our website at www.lucidum.africa.

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