

NEW BREATH TO THE EXPANDING TURKISH FUEL RETAIL SECTOR: TÜRKPETROL

Brief History

Türkpétrol started its operations in 1931 as the first private sector investment in Turkish Petroleum Products Distribution Market. The company, becoming expeditiously a remarkable station network for its time, started commercial relations with the world leader British company, Burmah Castrol. First substantial cooperation with Castrol was made by signing a contract on the distribution of various export products in 1954. Castrol and Türkpétrol peaked their cooperation in 1988 and established a partnership. Turcas (**Türkpétrol** and **Castrol**) was established to distribute and trade petroleum products as well as producing and marketing lubricants.

Following the partnership, Turcas Petroleum reached 733 million dollars in revenue, 9,4% market share in fuel products and 11% market share in lubricants in 1991. Turcas went public in 1992 and Tabaş Petroleum Inc. bought majority of its shares in 1996. The two companies merged under the name "Turcas Petroleum Incorporated". A "Mutual Enterprise Agreement" with Shell Company of Turkey is signed in 2006 that include the retail, commercial trade, marketing and distribution operations of fuel oil and lubricant products. Türkpétrol brand name rights being held by the Türkpétrol Foundation were included in the acquisition for just a limited period of time which ended at March 31th, 2012.

As TT Group was planning to invest on fuel and LPG retail trade with an already powerful brand name, an agreement was signed with the Türkpétrol Foundation making the Group the sole owner of the Türkpétrol brand name rights for the next 20 years, beginning at April 1st, 2012.

Brand Power

Although Türkpétrol brand has disappeared from the sector six years ago, it still holds very high reputation in both station network and consumer side. Türkpétrol brand is still being remembered among the six biggest companies of the sector which also constitutes "the Premier League" of the Turkish Fuel Retail Market.

Turkish Fuel Market

By the end of 2011, the total retail fuel market in Turkey represents a volume of about 20 million m³ of fuel oil products (gasoline and diesel) and 2,6 million tons of autogas. Besides, the market continues to grow steadily, but changing the sales structure from gasoline to diesel. In the last five years the total growth reached 8,5% by a combination of 15% growth in diesel sales and 20% decrease in gasoline. The sales amount already exceeded USD 50 billion which causes a hard competition between 51 licensed companies.

Ultimate Goals of Türkpétrol

The ultimate goals of Türkpétrol retail operation by the end of 2017 can be summarized as:

- 1) To create a corporation with high reputation, positioned as the first "Boutique Service Station" of the market,

- 2) To construct a distribution network of 420 station with total turnover of more than USD 1,1 billion per year,

Monthly Station Program:

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
2013	8	8	12	14	13	11	5	5	4	3	2	1	86
2014	5	5	5	5	5	5	4	5	5	4	5	5	58
2015	4	5	5	4	5	5	4	5	5	25	25	25	117
2016	5	5	7	6	6	7	8	9	10	8	9	10	90
2017	5	5	5	6	7	7	1	3	5	8	8	9	69
													420

Total Sales (USD)	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
2013	1.830.340	3.660.680	6.406.190	9.609.286	12.583.588	15.100.306	16.244.269	17.388.231	18.303.401	18.989.779	19.447.364	19.676.156	159.239.591
2014	20.819.797	21.963.438	23.107.079	24.250.719	25.394.360	26.538.001	30.363.595	31.628.514	32.893.433	33.905.368	35.170.287	36.435.206	342.469.797
2015	37.447.142	38.712.061	39.976.980	40.988.915	42.253.834	43.518.754	44.530.689	45.795.608	47.060.527	53.377.882	59.695.237	66.012.592	559.370.221
2016	67.269.465	68.526.339	70.285.962	71.794.211	73.302.459	75.062.083	77.073.081	79.335.453	81.849.201	83.860.199	86.122.572	88.636.319	923.117.345
2017	89.893.193	91.150.067	92.406.940	93.915.189	95.674.812	97.434.435	97.685.810	98.439.934	99.696.808	101.707.806	103.718.804	105.981.177	1.167.704.976

- 3) To take place among the first six companies of the sector with sales volume of about 675.000 m³ and a market share of 3,3%.

2013-2017 TURKISH FUEL MARKET ESTIMATION

No	Companies	2013		2014		2015		2016		2017	
		Sales (m ³)	Market Share	Sales (m ³)	Market Share	Sales (m ³)	Market Share	Sales (m ³)	Market Share	Sales (m ³)	Market Share
1	PETROL OFİSİ	4.483.162	21,7%	4.393.499	21,0%	4.217.759	20,0%	3.964.693	19,4%	3.766.459	18,2%
2	OPET	3.509.620	17,0%	3.544.716	17,0%	3.509.269	16,6%	3.368.898	16,5%	3.301.520	16,0%
3	SHELL+TRCS	3.552.224	17,2%	3.445.657	16,5%	3.342.287	15,8%	3.141.750	15,4%	2.984.662	14,4%
4	BP/SOCAR	1.901.771	9,2%	2.187.037	10,5%	2.405.741	11,4%	2.429.798	11,9%	2.575.586	12,5%
5	TOTAL-ELF	1.044.057	5,1%	1.023.176	4,9%	1.002.712	4,8%	932.522	4,6%	904.546	4,4%
6	TÜRK PETROL	101.500	0,5%	206.063	1,0%	322.438	1,5%	532.729	2,6%	674.625	3,3%
	OTHERS	6.079.523	29,4%	6.078.427	29,1%	6.287.154	29,8%	6.084.348	29,7%	6.451.888	31,2%
	TOTAL	20.671.857	100,0%	20.878.575	100,0%	21.087.360	100,0%	20.454.739	100,0%	20.659.287	100,0%

Not: Companies are ranked according to the data of 2017

- 4) With the propulsion of the terminal and storage facilities which are planned to start their operations in the first five years planning; further growth will be targeted during the second five years planning.

Marketing Plan - Highlights

Turkish fuel retail market is stuck in attracting new customers because there is no possibility to differentiate in terms of product, promotion or pricing strategies. Being successful in the market depends only on two main criteria: a strong and well diffused distribution network and incomparable service standards.

The new brand positioning of Türkpétrol will be "Boutique Service Station" which is supposed to create a great differentiation in the market. The CRM infrastructure will be designed to focus on the customer, the moment he/she steps in the station area. The customer will be recognized and served as a member of Türkpétrol family and be astonished, even spoiled by the limitless service standards and custom advantages identified instantly for him/herself. The ERP architecture is being designed to meet all the necessities of a CRM based fuel retail operation.

The station network will be constituted of an optimum mix of COCO (company owned company operated) and DODO (dealer owned dealer operated) stations. The COCO stations will take place in the critical places of the urban centers or on the main roads to show off the perfect vision of the new Türkp petrol brand, whereas the DODO stations will serve to the quick diffusion of the brand to reach the maximum ratio of our target segment.

Investments and Corporate Structure

As TT Group we are getting ready to start fuel retail operation in line with our business plan. A total budget of about USD 50 million is allocated for the entry period of the fuel retail operation, to be spent during the first five years. This operation will be run by dealers (DODO) but another retail operation as company property (COCO) is also being planned in order to support the DODO operation. The investment is planned to be met by a most optimized mix of capital and loan. On the other hand our group is ready to evaluate strategical partnership opportunities which can create meaningful synergy for both sides. As TT Group, we are ready to take into consideration partnership opportunities in which our group will be part of the management team.

With the right partnership structure, Türkp petrol brand can easily be considered as the best alternative to succeed in Turkish Fuel Retail Market. The targets can be raised in line with the right partnership conditions. The high reputation of the brand at both consumer and dealer side represents a big occasion to elevate the targets far more than the conventional levels. In that sense, a strategical partner may add great value to the organization and reduce the time needed for the growth estimated in the second five year planning. It will also help the organization to become a major player in the energy sector of Turkey which locates at the heart of a region of high geopolitical importance.

New Station Concept

In order to emphasize on the re-appearance of the beloved brand of the market, attractive station visuals are designed. The main target of the station area design is to keep customers into a warm and technological ambiance where they feel themselves special and thus gain brand loyalty.



