

Fuel efficiency

Motor Fuel Group is forecasting exponential growth in the next couple of years. What has got the petrol station operator so pumped up?

Efficiency, you could say, is the reason why William Bannister and Tom Biggart decided to buy Motor Fuel Group (MFG), the fifth largest independent forecourt retailer in the UK, in December 2011 with the support of equity investors Patron Capital Partners and Alasdair Locke. At the time it was a company crying out for an investment of cash and energy – and had the potential to make a lot more money than it did.

“We bought a business that was under-capitalised,” says chief executive Bannister. “It employed 470-odd staff under a direct-managed structure and it had very few systems with which to manage a business that turns over just under £250 million a year.”

So he and his long-time business partner, Biggart, MFG’s chief investment officer, have changed the structure of the organisation, freed up the working capital, changed banks to RBS and injected some much needed enthusiasm. “We set out to create an efficient platform for growth,” says Bannister.

MFG operates 48 petrol stations throughout the UK under the BP, Shell, Esso, Total, Texaco and Jet brands. “There are now about 8,500 petrol stations in the UK, down from 12,500 in 2000 and about 40,000 in 1979,” says Bannister. “Buying a company in this sector is an investment in infrastructure,” he adds. Fewer petrol stations in the country means that each one is more valuable – Bannister and Biggart’s plan is to maximise that value.

When they bought the business, it employed 477 people and managed all its petrol stations directly from head office, including buying all the goods to be sold in the forecourt shops. Now each site is

overseen by a contract manager under a franchise agreement. “It’s a highly controlled and flexible franchise method of working,” Bannister says. “The managers employ all the site staff directly and receive the shop proceeds, so are incentivised to grow the sales. The staff don’t feel that they’re being managed by some remote head office. In return, we get a proportion of their sales.”

The whole business is now run by only 16 directly employed staff. The greatest benefit is liberating the company’s working capital, Bannister says. “When we bought the business, at any time there was £1 million tied up in dry stock, let alone salaries for more than 450 staff. We now apply working capital to invest in redevelopment, regeneration, refitting of our shops and improving the customer experience.”

Switching to RBS to take advantage of its extensive network of branches was also key. “It was taking us five working days to get cash that was paid on site into our bank account,” says Biggart. “Now, if you spend £1 today at one of our petrol stations it will be paid into the bank at 9am tomorrow.”

Nifty technology also makes it easier to pick up anomalies such as fraud or theft. The company has a new computerised daily reporting system (DRS), which does everything from reconciling credit card payments to informing contract managers about fuel price changes. The DRS and Sage 200 integration cost £100,000 to implement, but efficiencies should mean that it pays for itself “within the year”, says Biggart.

Now MFG is more streamlined, growth is the focus. “By the end of 2012 we will be 25 per cent bigger than when we bought the business, following the integration of our first major acquisition, with a turnover of over £300 million per annum,” says Bannister. “After another year, we hope to increase it by 50 per cent. We believe that the controls and the systems we’ve put in place mean we can grow this business more cost-effectively and efficiently than our competitors.” ■

Words/Sarah Campbell Picture/David Harrison

Driving growth: MFG’s new management team (including, below, William Bannister, left, and Tom Biggart) has made significant structural changes aimed at improving the efficiency of the business

DETAILS

NAMES

William Bannister and Tom Biggart

AGES

45 and 46

COMPANY

Motor Fuel Group

LOCATION

St Albans

WEB

motorfuelgroup.com

POSITIONS

Chief executive and chief investment officer

TYPICAL DAY

At the start or end of the week they visit their sites across the UK but on Tuesday they’re up at 4.15am for a flight from Edinburgh to Luton for meetings in St Albans head office.

“We’re easyJet’s best customers,” says Biggart

PERSONAL LIFE

Bannister lives near West Linton in the Scottish Borders with his wife and two children. Biggart lives near Dollar in central Scotland, and is married with three children

BANKS WITH

Graham McWilliam, RBS Corporate & Institutional Banking, graham.mcwilliam@rbs.co.uk



➤ “The controls and the systems we’ve put in place mean we can grow this business more efficiently than our competitors”

THE PRICE IS RIGHT

Adjusting fuel prices at the pumps used to take a couple of hours of phone calls to all the stations. With MFG’s daily reporting system (DRS), the contract managers are alerted instantly. While the DRS does not adjust the prices at the pump or on the signs seen by motorists, it is in the managers’ interest to do this quickly because their daily payments will be calculated based on the updated fuel price