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Depending on location and revenue estimates, becoming a petrol station franchisee can cost up to R40 million, with estimated earnings of around R390,000 per month or R4.68 million a year. Local commercial property agent Cyrus Brokers has 16 petrol stations listed for sale nationwide. Each station has a wide range of asking prices. At the lower end of the spectrum, a service stop located in Randburg, Gauteng, is currently on the market for R3 million. Another one in the North West is selling for R4.85 million, and one in Mpumalanga is going for R9 million. There is a petrol franchise available for R15 million in Pretoria CBD, Gauteng, which is one of the busiest areas in the country. However, if you have more to spend, you can consider one in Limpopo, listed at R16.1 million. The most expensive filling stations on the listings page are one on the outskirts of Pretoria with a barrier-to-entry of R38 million and another in Midlands, KwaZulu-Natal (KZN) for R38.5 million. A service station's value largely depends on its location, which determines its number of competitors and potential income. The final selling price is affected by factors such as whether the buyer will take full or partial ownership, the amount of stock on hand, existing supplier contracts, and whether the property is included in the deal. For example, the most affordable listing on Cyrus Brokers is in Randburg, Gauteng, a densely populated area offering plenty of commuter alternatives. The buyer of this station is required to purchase a minimum 51% stake as stipulated by the supplying oil company, and the deal does not include property rights. Taking into account its location, the deal structure, and its income, the facility fetches an asking price of R3 million, excluding R1 million for stock, with the total coming to R4 million. The most expensive listing on Cyrus Brokers is for a station located in the Midlands, KZN, where there are few other places to go when you need fuel. The purchase agreement includes the property, franchised shop, restaurant/takeaway businesses, and a 10-year supply agreement with an oil company with an option to extend it for another 12 years. The listing states that a buyer would need R38.5 million to purchase this particular station, excluding the stock. Including stock, this jumps to R40 million, of which they will need to have at least R20 million in cash readily available. What you can expect to get out Owning a petrol station in South Africa can be highly profitable due to several key factors. Firstly, the country's robust demand for fuel, driven by a large population reliant on motor vehicles, ensures a steady stream of customers. The strategic location of petrol stations, often along busy highways and urban centres, further maximises sales volume. Additionally, many petrol stations diversify their revenue by offering convenience stores, car washes, and repair services, increasing overall profitability. Government-regulated fuel prices also play a significant role. While these regulations cap the maximum selling price, they often allow for a consistent profit margin, providing a degree of financial stability. However, profitability is influenced by factors such as global oil prices, which affect fuel costs, and economic conditions that impact consumer spending. This is why some stations are more expensive than others and why some make more than others. For example, the income of the Randburg station, according to Cyrus Brokers, is broken down in the following table: Revenue source Monthly sales Fuel 97,066 litres Convenience store R543,061 Electricity R38,470 Air time R18,629 Oil / lube R7,065 Gas R5,048 Across these revenue streams, the Gauteng-based facility achieves a net profit of approximately R84,697 per month. In contrast, the income of the R40 million Midlands-based station is broken down in the following table: Revenue source Monthly sales Fuel 300,000 litres Franchised convenience store R1.1 million Franchised restaurant/takeaways R400,000 Across these revenue streams, the KZN-based service stop pulls in a net profit of an estimated R390,000 per month, meaning a whopping R305,000 difference between the two stations, hence the price differences. These differences remain true across the station on sale, with profit estimates of a particular station varying considerably. According to the properties listed, Cyrus Brokers, a well-known filling station in Gauteng's East Rand, is currently for sale and earns a net monthly profit of R62,513. Another filling station in the same area brings in R156,538. In the Eastern Cape, a station for sale in this province earns R205,711 in profits. In KwaZulu-Natal, two stations are up for grabs, with net earnings of R240,000 and R390,000, respectively. Read: Bad turn for petrol prices in South Africa South Africa pumps more petrol than any other country on the continent - some 11.7 billion litres per year, according to the Department of Energy. Diesel isn't far behind. If such figures, and South Africa's climbing petrol price, tempt you into buying a petrol station of your own, keep in mind that the profits from these billions of litres pumped don't all end up in the pockets of petrol station owners. Petrol stations in South Africa are tightly regulated, with almost 60% of the petrol price now going towards various taxes, levies, and margins. And factors like labour costs, fluctuating oil prices, port delays, the power of large oil companies, and the strength of the rand, can all impact on profit margins and unpredictability. It's also a business that has no downtime - most filling station franchisees must remain open 24 hours a day, every day of the year. Couple that with the need for huge capital outlay and large amounts of working capital, and you might actually be happier to continue paying someone else to handle the hassle of filling up your vehicle. Still, given our dependence on petrol and diesel, the fuel retail industry is surprisingly resilient. There are close to 5,000 service stations in South Africa, and according to the Department of Energy, and these have an annual turnover of approximately R220 billion. Although fuel sales still make up the majority of the profits at filling stations in South Africa (according to Absa, between 80% and 90% of profits), the additional income from forecourt businesses like convenience stores, coffee shops and restaurants, can be a nice backup. In South Africa you can either start an independent filling station, or buy an existing franchise. Opening an independent fuel station The independent route allows for greater freedom, and potentially greater profit, without the restrictions of a parent company. In theory, if you know what you're doing and have enough cash, you can establish a filling station with your own brand. New sites for petrol stations require approval from government, and you'll need to jump through several legislative hoops as stipulated in the rather daunting Petroleum Products Act regarding petroleum products site and retail licences. Before you can even think about pumping petrol, you'll need to obtain environmental authorisation and land use rights. Once you have these approved you apply for your operating licenses. Not getting the approval right could be a real problem. See also: Guilty: BP has been convicted of environmental crime in South Africa - and could now face massive fines. If you're familiar with the petrol industry and you want to go independent, your best bet is to purchase an existing filling station. This may enable you to bypass some aspects of the Petroleum Products Act that governs locations of new stations. Opening a petrol franchise via Engen, Shell, or other oil companies A far safer option for first-time owners is to buy an existing franchise from one of the major oil companies, even if it comes with some restrictions. You'll be tapping into the expertise, workflow and brand of established players. Most major oil companies operate their customer-facing operations as franchises in South Africa. The likes of Engen, Shell, Caltex, BP, or Sasol are open to new franchise locations, but with licensing and locations hard to come by, your best option may be to purchase an existing franchise operation. The cost of these franchises vary according to the location, fuel pumped, and other add-ons like convenience stores. Engen is currently selling a relatively small franchise in Gauteng for R2.6 million, excluding stock and assets. It has no convenience store, and pumps an average of 267,000 litres of fuel per month. Engen requires 20% of this selling price in unencumbered cash and a working capital stash of R1.2 million. A larger Engen petrol station in Johannesburg pumping close to 200,000 litres of fuel per month, with a forecourt Quickshop, is currently selling for just over R4 million. The working capital required for this location is R1.3 million. The convenience store adds to the cost of the station, but according to Engen in this case it generates R309,000 in average monthly turnover. At the top end of the scale you can expect to pay closer to R7 million for an Engen. This is for a filling station with a Quickshop and Corner Bakery franchise that pumps an average of 300,000 litres of fuel per month. Engen also requires that applicants will complete a psychometric assessment at their own cost to ensure a good fit with the business. Similarly, a large Sasol filling station can easily cost tens of millions. The company is currently selling a franchise in Gauteng, with convenience store a monthly fuel average of 315,000 litres, for R10 million. A smaller Sasol franchise in Port Elizabeth, that sees an average of 203,300 litres per month, is currently on the market for just under R6 million. Most major petrol station franchisors require new owners to undergo an extensive vetting process and pass exams before they can proceed to the actual building or handover phase. After passing the exams and psychometric assessment, and handing over the required percentage of unencumbered cash, you can then begin the thankless task of pumping fuel to a constant stream of grumbling motorists. Source: Business Insider South Africa - www.businessinsider.co.za There are different options to franchise a petrol station in South Africa, but the price will inevitably be dependent on a variety of factors. Overview The fuel retailing industry in South Africa and all around the globe is a highly complex industry to enter and operate in. One of the most common ways for people in South Africa to enter this industry is through franchising. There are several costs associated with franchising a petrol station, including those of opening a new location and purchasing an existing franchise. It is also possible to open an independent petrol station without having to franchise. The fuel retailing sector in South Africa The fuel retailing industry has always been complicated, with fluctuating micro- and macro-economic influences, as well as foreign exchange markets and local infrastructure making it difficult to plan and maintain a steady income from petrol stations. For owners involved in the fuel retailing sector of South Africa, it could sometimes seem like there is an impossible number of considerations to be made in a day. Especially when you factor in the technological advancements in hybrid and electric vehicles, fuel stations will always have to adapt to their consumers. However, there are also a multitude of reasons why owning and operating a petrol station could be quite a profitable endeavour. How much is a petrol station franchise in South Africa? The fuel retailing industry is a resilient industry, and this is what draws most owners and investors to purchasing or franchising a petrol station. However, entering this industry does usually require a significant upfront capital investment to get the business started, even if you are just obtaining the rights to open a franchise from one of the leading oil companies, and will be operating the business side of things on your own. There are several financial considerations to be made for franchising a petrol station, and several ways to go about the transaction. The cost for each of these options will be based on a myriad of different factors. There is also the option to open an independent petrol station. How to go about franchising a petrol station? If the initial investment of opening an independent petrol station is too much, a safer option would be to purchase a franchise from one of the leading oil companies in South Africa. Some examples of oil companies that offer franchise options in South Africa are Engen, Shell, Total, Caltex, BP, and Sasol. There are two main routes to owning a franchise petrol station. You can either develop a new location to franchise, or you can buy an existing franchised location from the oil company if one is available for purchase. The price of each of these options will be highly specific to the oil company that you are acquiring the franchising rights from, and multiple other factors. What is the cost of franchising a petrol station? When it comes to purchasing an existing franchise operation, there are several pricing considerations, including the location of the franchise, the amount of fuel pumped, other add-ons to the location like retail stores, and the age of the station and its equipment. The influence of these factors as they relate to the price of purchasing the petrol station can be summarised as follows: Factor Influence on price Higher amount of fuel pumped Higher price Desirable location Higher price Retail store on the premises Higher price New equipment Higher price The price of purchasing one of these existing petrol stations will reflect all of these factors and can vary drastically from one brand and station to the next. Some of these existing locations have been listed for between R6 million and over R 22 million. What is the cost of an independent petrol station? The other option for opening a petrol station is to invest in the property itself, and build a new petrol station from scratch. Here, there are several start-up and development costs to consider, like building the infrastructure and the roads to access the petrol station. Locations near freeways offer the highest potential profits as they usually have high demand, but these locations also usually have a higher overall development cost. The investment costs for opening an independent petrol station can also vary, with reported prices ranging from R10 million to R100 million, depending on the size and location of the development. Final thoughts The fuel retail industry in South Africa is very dynamic and entering this industry is quite complicated. There are different opportunities when it comes to franchising a petrol station, which are associated with different costs. Similarly, opening an independent petrol station also has its own costs, and there are various other factors to consider that will influence the price of owning a petrol station. Source: Political Analysis South Africa: www.politicalanalysis.co.za