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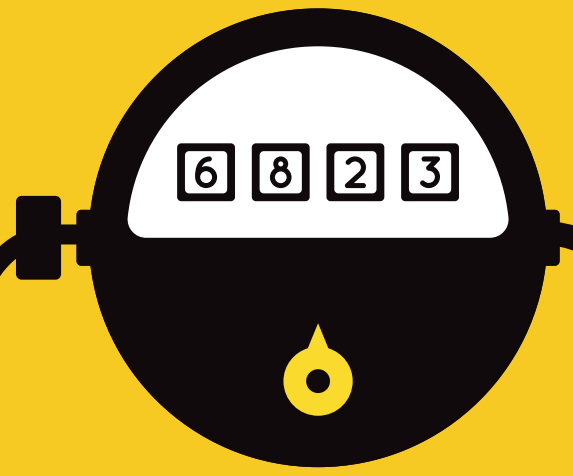

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Innovation in pricing transparency and customer relationships in the aviation fuel market is leading FBOs and customers to expect better deals and service

Words | **Ben Sampson**

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With aviation fuel being such a highly developed and competitive market, suppliers are seeking to differentiate themselves through digital technology, promoting the environmentally friendly and sustainable aspects of their business and offering additional services.

The business of delivering fuel to business jet owners and operators is essentially a logistical one and as such is about physical infrastructure and commodity pricing. But as in many other logistics sectors, digital technology is affecting the supply and distribution of fuel.

Irene Lomas, global general aviation sales and marketing manager for aviation fuel supplier Air BP, says, "Crude oil is still around US$50 a barrel and globally there haven't been any big changes in the supply chain. The changes are in what customers need and want – easy access solutions, efficiency and competitiveness on price. These are important factors for customers buying fuel. But we also provide the technical solutions and safe reliable operations our customers still value. It's about the entire offering and our customers are increasingly looking for something more."

Lomas is betting heavily that the "something more" her customers are looking for is the RocketRoute app. Most of Air BP's future strategy is invested in the route planning app, in which the company has acquired a minority stake. Since that investment in April 2016, the app has been developed so users can buy Air BP's fuel with it. More recently it has been expanded so that customers can buy services provided by third parties, such as ground handling, concierge services and trip planning. More services will be added as companies sign up. The aim is for RocketRoute to be a comprehensive marketplace for the business aviation sector, like Amazon in the e-commerce consumer sector, offering not just its own products and services, but also those from third parties.

"The prevalence of technology in the fuel decision-making process means that FBOs must be more proactive with prospecting"

Jon Boyle, vice president of contract fuel, Avfuel

Although any customer, including contracted customers, can use the app, Air BP wants general and small business aviation customers to adopt it first. Lomas believes the community will find it the most useful. "We believe everyone will be using the app in the future," she says. "This is a global solution for fuel and other aviation services you can access anywhere, free of charge from any device. We think it's a unique offering."

Lomas also believes the app will have a positive impact on airports and FBOs and help to make them more competitive. "Our app should help airports," she says. "The marketplace lets an FBO know what is coming, what type of services the customer is going to request and the level of demand. It gives airports a lot of advance visibility and brings them more traffic."

Transparency

Jon Boyle, vice president of contract fuel for supplier and logistics company Avfuel, says that an increase in the use of technology has changed the way the end user approaches the fuel transaction.

"Often, the first point of contact is online through fuel pricing indexes," he says. "The market has become more transparent and flight departments are better able to plan trips by comparing prices and services. The prevalence of technology in the fuel decision-making process also means that FBOs must be more proactive with prospecting, reaching out to customers rather than waiting for customers to reach out to them."

The company has responded to this change by working to ensure that fuel pricing, scheduling systems and its website are using the latest software and internet technology for tablets and phones. The use of mobile devices with internet connectivity has also enabled faster and easier transactions, by using point-of-sale software and remote access to a database of customers' accounts.

Above: **Air BP fuels more than 6,000 flights every day**

Left: **Avfuel can plan trips to optimize fuel usage to increase efficiency and reduce costs**

Below: **Established loyalty program AVTRIP rewards customers with cash awards**

Revenue opportunities

According to Boyle, FBOs would still rather make their money on fuel than on a ramp fee. He sees an opportunity for FBOs to increase revenues from fuel by working closely with flight departments that are planning trips with multiple legs. “While large jets with international capabilities could fill their tanks at their home base, where fuel might be more economical, it could actually be costlier for them. The extra weight means it takes more fuel to make the ascent and a heavy load when landing is hard on landing gear.

“For these reasons, some flight departments we’ve talked to would be willing to work with FBOs on negotiated fuel rates to fuel up incrementally, rather than take one large load from their home base.”

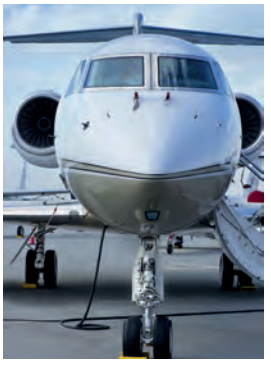
By analyzing a jet’s trip patterns to determine a fuel price that is competitive with the price at the point of origin and point of destination, operators will be more likely to buy the fuel from FBOs. “Even if that means a fuel discount, selling fuel at a lower price is still more lucrative than not selling it at all,” says Boyle. Avfuel’s Contract Fuel team offers this trip analysis and fuel pricing service.

Green partnerships

Parallel to developments in customer services and pricing through digital technology is the technical development of aviation fuel, primarily to make it more environmentally friendly and sustainable. The Avfuel Technology Initiatives Corporation (ATIC), which was founded in 2012, is involved in developing bio and renewable fuels and no-lead avgas replacements, domestically and internationally.

The head of the ATIC is involved in the Piston Aviation Fuel Initiative, a cross-industry US program to identify an unleaded fuel alternative for general aviation operators by 2018 (see next page).

“In terms of an alternative fuel, any alternative must be fairly distributed to achieve competitive, realistic pricing, equal and consistent access, and quality fuel. We are prepared to help with the supply and distribution of alternative fuels to meet that market’s needs when the time comes,” says Mark Haynes, vice president of sales for Avfuel.



Top: **Avfuel has a fueling network that covers more than 3,000 locations**

“You should choose two or maybe three fuel suppliers to work with, as that will cover 98% of your global fueling needs”

Craig Sincock, CEO and president of Avfuel

How to choose fuel?

Craig Sincock, CEO and president of Avfuel, gives his views on what motivates operators when purchasing fuel

With such a diverse, global fuel-buying climate, it’s no wonder I’m constantly asked, “How should I buy fuel?”

Let me tell you a little secret. There is no one solution – one company – that can provide fuel at every location around the world at the best price. So how should you buy fuel?

First, take the ‘logical man’ approach. Most fuel providers have redundancies, covering the same airports. Though I should be telling you to always buy from Avfuel, in the logical man approach you would choose two or maybe three fuel suppliers to work with, as that will cover 98% of your global fueling needs. As a sophisticated and active participant in aviation, you already know which companies are at the top.

Second, choose companies that are invested in the industry and will be around for the long term. These are likely the same fuel suppliers that offer the most comprehensive services, the widest range of locations and highest service levels.

Third, consider hidden costs. Companies committed to aviation and consumers will be close in price. Your evaluation should include a review of additional charges, such as card processing fees, interest rates on late payments and credit extensions.

There are also two areas that are often misunderstood and can create risk for your company and flight department. First, many flight operators aren’t aware that they are exempt from certain taxes or are unsure which taxes apply to them when purchasing fuel through third parties. To address this issue, we process in excess of 4,500+ tax returns annually. Second, there’s product liability insurance to consider. It’s critical to understand when the excess product liability insurance that branded fuel suppliers provide applies to you – and more importantly, when it doesn’t.

And lastly, do your homework – try to dig past the obvious advertised fuel cost.

Right: **Craig Sincock, CEO and president of Avfuel**

US transition to unleaded Avgas has global impact

As part of business aviation's push towards more environmentally friendly fuels, the FAA and industry leaders from piston aviation are co-managing a five-year effort to test and evaluate a fleet-wide replacement for 100LL (leaded) avgas in the USA.

The engine/aircraft test program is expected to finish by the end of 2018 and will be followed by transitional activities that may, with time, have broad impact internationally.

Swift Fuels has developed one of two fuels that have reached the final phase of the program. Swift intends to license its fuel technology and formulations so refiners can produce high-octane fuels once it has been approved by FAA.

The introduction of high-octane unleaded avgas will be controlled by regulators and there are no details on the implementation yet. However, Chris D'Acosta, Swift Fuels CEO, believes adoption of the unleaded fuel will be "spontaneous" and widespread because of its "substantial" benefits. He says, "Long-term I would expect pilots will save up to US$0.50 per gallon on routine maintenance items when using unleaded fuel and hopefully achieve longer time between engine overhauls."

According to SL270, engine-maker Lycoming has found that regular use of unleaded fuel can double the interval time for oil changes. Improved ignition systems, oil technologies and engine performance features will also all become more front-and-center once unleaded fuels displace 100LL.

D'Acosta anticipates use of the unleaded fuel will catch-on in international markets once the transition to unleaded begins – sometime after 2019. "We're optimistic. We expect availability in select markets worldwide will occur once FAA defines a clear policy and certification pathway for eliminating 100LL. After that point, other nations will be in a position to quickly follow the transition to unleaded avgas."

Above: **Air Total is to convert refineries to produce biofuels**

Top: **Fuel suppliers aim for a smooth refueling process to reduce the burden on aircrews**

"In the long term I would expect pilots will save up to US$0.50 on routine maintenance items per gallon of unleaded fuel"

Chris D'Acosta, CEO of Swift Fuels

Right: **Swift Fuels plans to license its unleaded fuel**

Environmental concerns and sustainability also remain important considerations for Air BP. The company launched its environmental solutions business last year – a consultancy that helps airports and FBOs comply with local legislation and improve the environmental performance of fuel operations. "Last October we certified that all our operations at airports are carbon neutral," says Lomas. "That was a big milestone. We are seeing a lot more interest from customers for carbon offsetting. It's a cultural change in the sector, so it will take a while for everyone to adopt, but we believe in it for the future."

Similarly, Air Total is pressing ahead with the development of more sustainable and environmentally friendly fuels. Pascale Garcia, head of supply at Air Total, which operates at more than 300 airports across five continents, says, "In the coming months we plan to transform one of our existing refineries in the South of France into a biofuels refinery, with the capacity to produce biojet and UL91 Avgas. We are also engaged in long-term programs to make the development, production and sales of Jet A-1 as sustainable as possible."

Air Total is involved in the development of the four jet-fuel pathways so far certified by the international fuel standards body ASTM. Biojet, which is made from sugar, is being tested by several commercial airlines, including Air France-KLM and Cathay Pacific.

Environmental considerations also affect investment and technology development in Total's infrastructure and supply chain. "We are always looking to improve our supply chain's quality, while reducing the price and environmental impact of delivery methods," says Garcia. "Pipeline transportation will always be preferred instead of trucks. The principles are adapted to the specific logistics of every airport.

"We also aim for a supply chain that is secured, with no risks regarding provision. The supply chain has to be reliable regarding its transportation, and comply with our quality values and rules."

The aviation fuel market remains governed primarily by its fundamentals of infrastructure and pricing, but the sector is far from static. It is now also being driven by environmental concerns and digital technology. These factors are causing suppliers to innovate in new ways, ultimately delivering end users and FBOs a better service and a better deal on fuel. ○