

How to Open a Gas Station

People all over the world need fuel for their cars, trucks, and other vehicles. Gas stations can be good investments and profit margins have been growing in recent years.

<http://www.forbes.com/sites/sageworks/2014/01/21/profit-margins-at...>

Part 1 of 4:

Making A Business Plan



Draw up a business plan for your gas station. Discuss it with an accountant to get a realistic professional opinion about your estimated expenses and income.

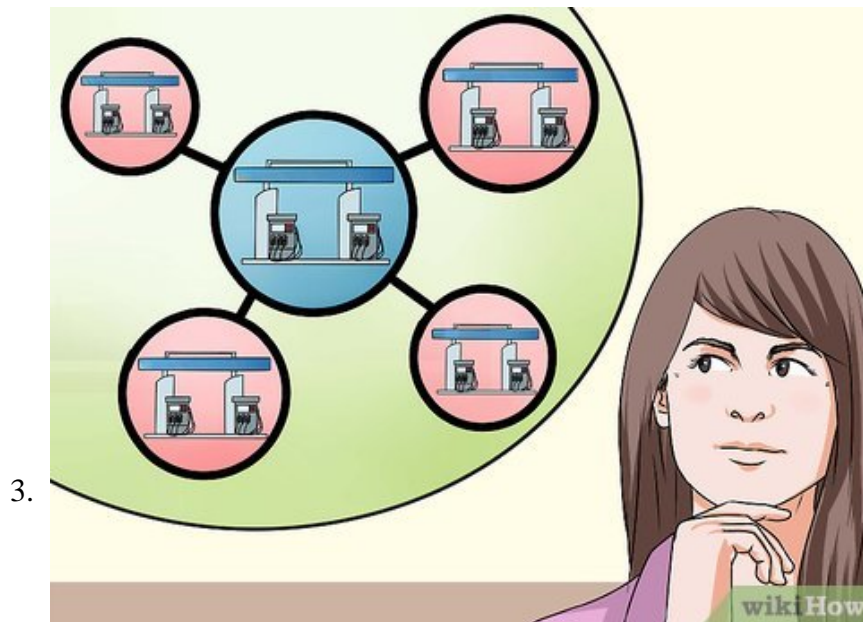
1. A business plan involves several key pieces of information and is more than just a simple outline. You will need to include as much detail as possible.
2. A fully fleshed out business plan will be more attractive to lenders and investors.
3. You will need to include a description of the services, products, and amenities (air stations, car wash, vacuum stations etc.)
4. For example, you will want to detail how many gas pumps you will have, if you will have a carwash, an air pump or vacuum station, how many restrooms, what type of snacks/food your convenience store will carry.
5. An analysis of the local market and competition will need to be included.
6. You will need to explain where other similar businesses are located and why your business will do well in competition.
7. Provide a detailed plan of the organization and management of the business.

8. For this section you will need to detail who will be running the finances of the company, who will be managing the store and inventory, and who will handle any legal concerns.
9. Include an advertising and marketing strategy.
10. Suggest ways in which you will advertise in local papers, and get business going.
11. Make a detailed budget and estimation of start up costs.
12. For this section you will need to include costs on how much the property will cost, how much you will need to run the day to day operations, costs of gas contracts and franchise fees etc.
13. Write a mission statement and goals for your gas station business.



Research what types of insurance and permits you will need to operate a gas station. This can vary by country, state and county.

1. You may need a permit if you wish to sell tobacco and alcohol.
2. Most gas station owners are liable for any gas and spills from underground storage tanks under EPA or other equivalent regulations. Most gas station owners have insurance for these purposes.
3. You may be required to have liability for customer injury. Many insurance policies are available to business to cover these instances.
4. You will need to make sure you are not personally financially liable for damages. You may need to consult an attorney to draw up legal contracts.



Think about whether or not you will be part of a franchise agreement. If you want to open up a Sunoco or BP station, for example, you would be part of a franchise. [2]

1. A franchise agreement allows a franchisee (you as a business owner) to use the trademark, products, and business models of a larger company.
2. For example, if you entered into a franchise agreement with Sunoco, you would essentially own a Sunoco station.
3. Franchisees have to pay royalties to the parent company. This is usually a percentage of sales or a monthly fee.
4. Most gas stations are part of a franchise agreement.
5. Before you decide to franchise or sign a specific franchise agreement, you will need to do your research.
6. Talk to other business owners who have a franchise agreement with the chain you want to open.
7. Know what you are getting into. Look at a franchise contract to know what your rights and responsibilities are.
8. Watch out for specifics in your contract. Most franchise agreements benefit the company more than the business owner.
9. Talk to an attorney or other suitable legal professional to make sure of the legalities of any franchise agreement.



Make a budget for your new business. You will need to include funds for start-up as well as operation.

1. Your budget plan should definitely include real estate costs: purchasing the land and building costs, or the cost of purchasing an existing gas station.
2. An estimation of legal costs, such as attorneys' fees for drawing up business contracts and consultations, will need to be included in your budget.
3. Insurance and permits will be costly and you should include this in your budget estimate.
4. You will need funds for set-up of your gas station.
5. Include an estimation of costs for promotions, advertising, and signage.
6. Make sure you have an estimate of costs of start-up inventory and cash you will need to have on-hand.
7. Build the costs of gasoline supply and convenience store inventory into your budget. You will need to do research into gas suppliers and store warehouses to see where you can get a cost-efficient contract.
8. Finally, include an estimation of salaries and employee costs, as well as day to day expenses such as gasoline and utilities. You will need to do research in the industry for standard employee salaries as well as costs of gasoline.



Research different companies and obtain a gas supplier contract. You will need someone to supply the gas for your station. ^[3]

1. Different suppliers may offer you different contracts. Basically, a supplier contract stipulates that the supplier will earn a cut of your gas sales.
2. Typical profit on gas sales for many gas station owners is 8-13 cents per gallon. This varies around the globe.
3. Don't immediately sign a fuel contract with a local supplier unless you are required to contract with a specific company by your franchise agreement.
4. It is best to shop around for companies which will offer you the most profit on your gas.
5. You should have an attorney look over your contract with your fuel supplier to make sure all the agreements are mutually beneficial and will not involve you in a legal loophole.

Score
0 / 0

Part 1 Quiz

What kind of information must be covered in your business plan?

Permits for selling cigarettes or alcohol.

Not quite! If you decide to sell cigarettes or alcohol, you will need a permit. Still, you don't have to sell either and if you do have the permit, it doesn't need to be included in the business plan. Try again...

An analysis of the local market.

Absolutely! Your business plan should cover the advantages and drawbacks of opening your gas station in a specific location. You'll also want to include information on your potential competition in the area. Read on for another quiz question.

Your insurance and coverages.

Not exactly! It's very important to have comprehensive insurance in order to open a gas station, as there are many things you want to be prepared for. Still, you don't necessarily need to include this in the business plan. Choose another answer!

Your contract with a local fuel supplier.

Nope! Your business plan will help you to get initial funding, so it's a good idea to do your research and find prices that can work for your business. If a local supplier is efficient and inexpensive, that's fine, but you have choices to consider. Choose another answer!

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Part 2 of 4:

Choosing a Location for Your Gas Station



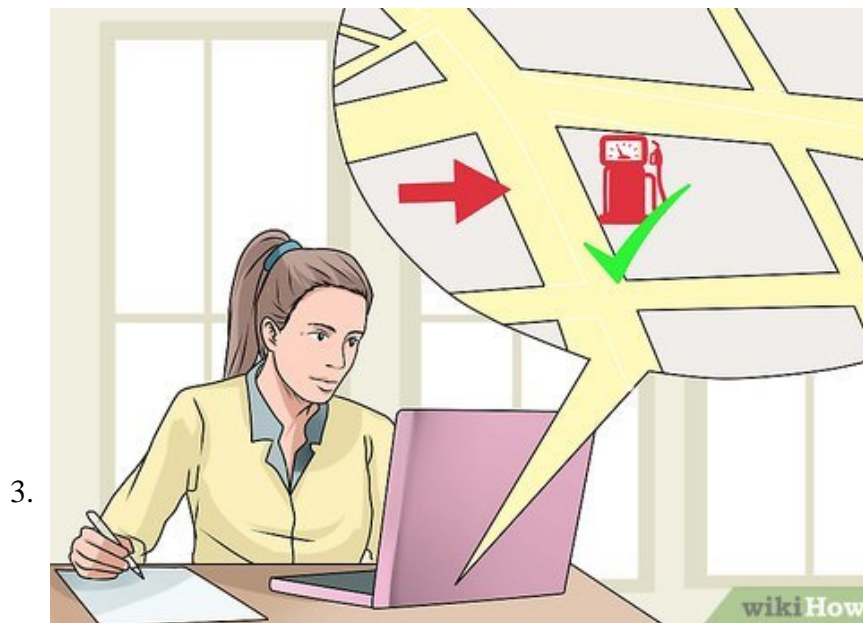
Think about open land available in your region. Can you think of an area in need of a gas station?^[4]

1. Market analysis has shown that one of the top things a consumer thinks about in choosing a gas station is location.
2. Customers will want a location that is along a major route to work and convenient in terms of traffic patterns.
3. Think about the set up of your station as well. Customers will want to go to a station that is easy to enter and exit from nearby roadways.



Consider the local competition. You will want to avoid an area that is already saturated with gas stations. [5]

1. Look into areas where there is a lot of growth, such as around major cities. As new neighborhoods and business districts crop up, there will be a demand for new gas stations.
2. Research the locations of big-box retailers such as Sam's Club which offer steep gas discounts.
3. You will want to place your gas station a distance away from these places to avoid the competition.
4. Consider hiring a modeler to work with you. Many companies exist for site modeling. These professionals will help you build a digital model of your gas station at the site you are planning.
5. This can help you decide whether or not your design is feasible at the location and if there is too much competition nearby.



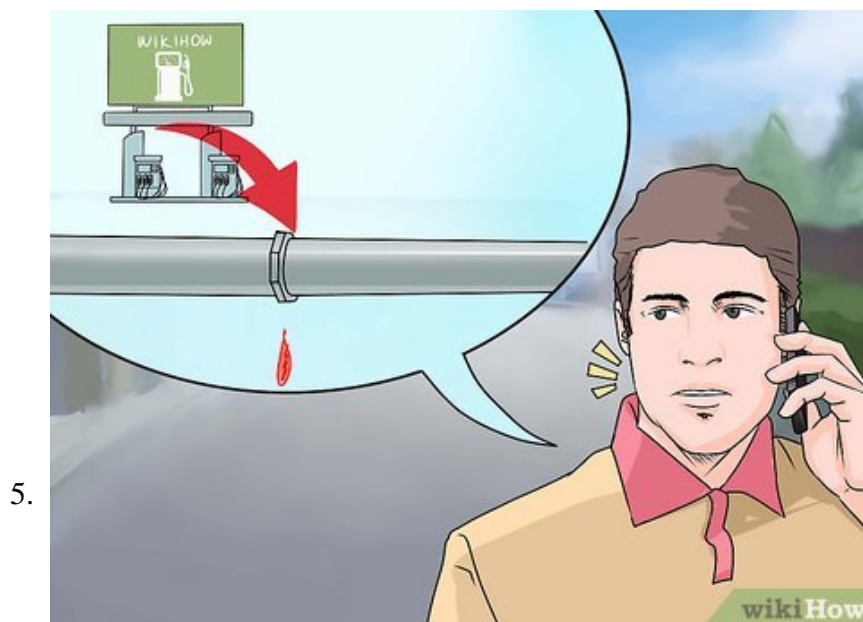
Think about the accessibility of a potential gas station to local roads and interstates. Your presence along a key interstate or street will draw in customers. [6]

1. If your site is close to an interstate or major highway exit, consider investing in advertising signage along that route to increase your business.
2. Take into consideration the flow of traffic during different times of the day.
3. You will want your gas station to be on the same side of the road as heavy traffic during peak times.



Research current and future construction projects in the area. You will want to avoid opening a new business along a route affected by long-term construction.

1. Customers will try to avoid highways and roads with heavy construction.
2. If there is a plan for long-term construction at or near your location, consider purchasing a different lot.
3. Even short-term construction projects can impede your business. Remember, your goal is to get lots of customer traffic near your gas station.



Consider local and state regulations about the building and location of gas stations. There may be local restrictions or fees associated with opening this type of business. [7]

1. Check the history of the site you are considering.
2. If you are purchasing an existing gas station, be aware of any spills or leaks that occurred in the past. You could be held liable by local or state laws for any future complications.
3. If you are purchasing an existing station, check if you are held to the gas supplier contract for that site. Some places have laws that will bind you to an existing agreement.

Score

0 / 0

Part 2 Quiz

If you are purchasing an existing gas station, the most important thing you should do is:

Make sure it is in a convenient location.

Not quite! You want to make sure that your gas station is in a convenient and accessible location regardless of whether it was previously a gas station or not. There are specific things to consider for existing gas stations. Pick another answer!

Hire a modeler to work for you.

Not exactly! A modeler will help you to determine if a location is effective and convenient to serve as a gas station. If you already have your location, you won't need a modeler. Click on another answer to find the right one...

Check out the gas supplier.

Correct! If you are reopening an existing gas station, it's important to check and make sure that the location isn't tied to a pre-existing supplier, as some places have laws that will bind you to an earlier agreement. Read on for another quiz question.

Learn about future construction.

Try again! Regardless of whether you're finding a plot of land or a pre-existing gas station, you want to make sure that there isn't any construction or road work planned for the near future that will impact your business. Pick another answer!

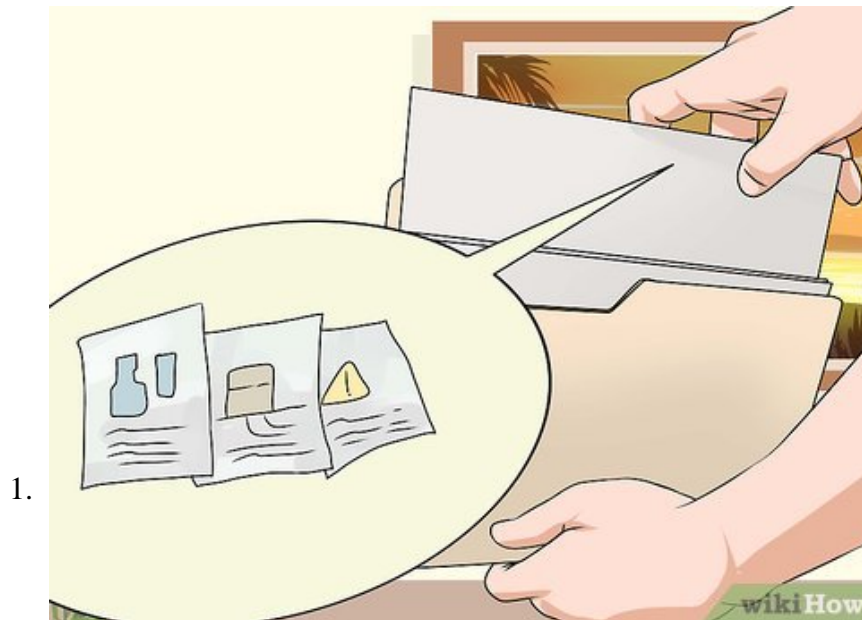
Make sure it's on the right side of the highway.

Not necessarily! If you already know the location of your gas station, then it's too late to pick the more efficient side of the highway. Still, if you're in the process of picking a good spot, it's important to consider the flow of traffic. Guess again!

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Obtaining Financing For Your Gas Station



Get together documentation to obtain a gas station loan or appropriate loan available where you live. You will need to collect the following types of documents in some countries:^[8]

1. A copy of your detailed business plan.
2. Three years of tax returns (both personal and business)
3. Supplier Agreements (for gas and convenience store items)
4. Business Interim Financial Statements
5. Inventory Schedule
6. AR/AP Schedules
7. Franchise Agreements
8. Budget for operating and start-up costs



Understand that obtaining a gas station business loan is very difficult. The market is becoming very competitive and costs are going up.^[9]

1. This is why having a fully researched business plan is essential.
2. Your location will have to be ideal for being a successful gas station.
3. Your budget will need to be a realistic and detailed explanation of funds needed.
4. You may have to visit several banks and financial companies before your plan is accepted.
5. Understand that you may have to modify your business plan according to investor suggestions.



Consider a small business loan backed by the Small Business Administration. These are often the easiest to obtain. ^[10]

1. Gas stations come with a lot of environmental and other real-estate valuation concerns.
2. Often times, SBA loans can cover costs of environmental issues or re-appraisals.

3. Other banks can provide similar loans, but lenders suggest it is often easier to obtain financing for purchasing an existing gas station rather than building a new one.



Shop at banks to get a good rate on a fuel loan. If you cannot get enough start up funds from a loan from the better business bureau, you can try for a more traditional business loan.^[11]

1. Make an appointment with a loan officer from a bank.
2. Show him/her your business plan for your gas station.
3. Fill out any forms and bring any documentation with you such as tax returns, identification, legal contracts etc.
4. Apply at several banks. Your credit history, tax information, and viability of your business plan will all be factors in getting your loan.
5. Different banks may offer you different interest rates on your loan with more or less flexibility for repayment.
6. Carefully weigh the pros and cons of each offer you get and decide accordingly.

Score
0 / 0

Part 3 Quiz

When it comes to obtaining a gas station loan, you will need to provide information on everything EXCEPT:

Your past few years of taxes.

Nope! Since loans deal directly with finances, the bank or supplier will want to familiarize themselves with your taxes to ensure you are a reliable candidate. Try another answer...

Any franchising agreements you may have.

Try again! If you've decided to take the franchising route then you're going to need to provide information on the franchise agreement. Click on another answer to find the right one...

Agreements you have signed with your suppliers.

Not quite! Showing you have official agreements with suppliers for gas, coffee, and snacks shows you are properly developing your business. It might make it easier to land that loan! Pick another answer!

Information on your home value.

That's right! While getting a loan does require collateral, you don't need to bring that information yourself. If the bank wants to go through, they'll determine the value of your collateral. Read on for another quiz question.

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Part 4 of 4:

Running Your Gas Station



Establish regular hours of operation. Decide on these before you officially open.

1. You may have to research when the busiest traffic times are.
2. If none of the other gas stations nearby are open late, consider having late night hours. Consider becoming a 24 hour gas station if there is a market for business after midnight.
3. Always open promptly at the set time. Customers will not want to wait for opening.

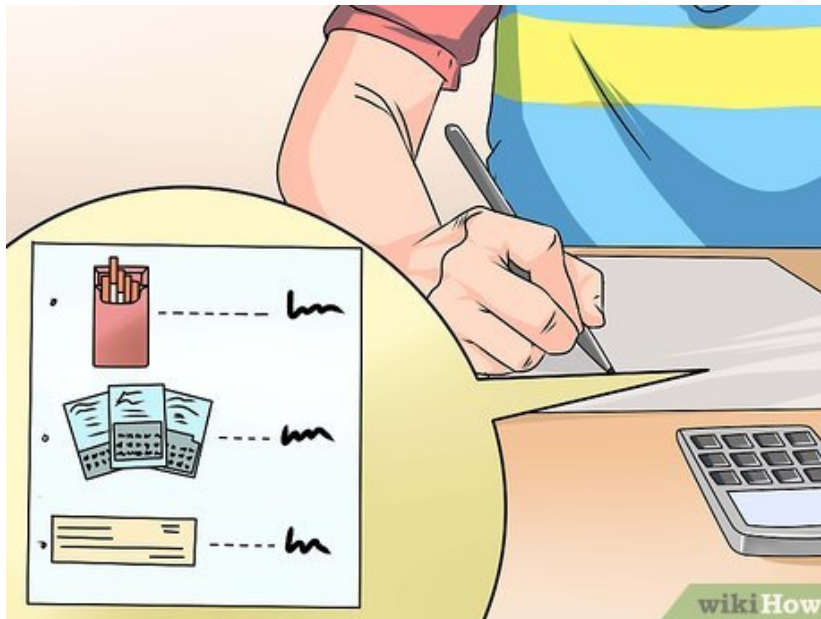
2.



Interview and hire reliable employees. Make sure they understand all aspects of their job.

1. You will want employees who will show up on time for their shifts.
2. Schedule your employee shifts to allow for ample coverage during the entire business day.
3. Have a store manager on duty for all shifts.

3.



Take inventory on a regular basis. You should inventory all cigarettes, lottery tickets, and money orders at the end of every business day.

1. Put in inventory orders in a timely manner. If you are constantly out of supplies in your convenience store, customers will complain or be less likely to shop at your business.
2. Consider how long it takes your vendors to make deliveries. Plan ahead and order popular items well in advance.
3. Run inventory and cash reports at the end of every business day. Keep a ledger with this information so you can keep an eye on losses.

4. Deposit cash to the bank every day.



Consider the safety of your employees. While most gas stations operate without many incidents, accidents and robberies do occur.

1. Keep only small amounts of cash in your registers.
2. Install a drop safe for employees to deposit cash from their registers.
3. Clear your drop safes at the end of every business day and deposit cash to the bank.
4. All employees should be trained in fighting fire, as a fire at the fuel pumps can happen.
5. Install shatter proof glass windows.
6. Consider a 24 hour security system with cameras.

Score
0 / 0

Part 4 Quiz

What should you do for your business every day?

Run safety checks.

Not necessarily! Gas stations do have some potential hazards and it's a good idea for your employees to have training in case there is a fire or another emergency. Still, you don't need to run safety checks every day. Click on another answer to find the right one...

Run cash reports.

That's right! Keeping a complete inventory is one of the best ways to keep your books and ensuring you stocks are always full, so do your best to run cash and inventory runs every day. You won't want to lose customers by placing a delivery order too late. Read on for another quiz question.

Keep a watchful eye on the employees.

Not quite! Of course, when you first hire someone new, you want to make sure they're doing a good job. Still, unless you're worried about the employees or the gas station, you don't need to watch them all the time. You should strive to only hire trustworthy employees. Click on another answer to find the right one...

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