

SYNOPSIS

In recognition of the growing demand for satisfactory automobile servicing and driveway services which service stations can provide, Esso Standard Malaya Limited has accordingly placed greater emphasis on the service station, particularly the company-owned or assured type, in its retail sales operations. Consequently, the service stations have become the mainstay of the company to spearhead its sales operations in the petroleum industry.

This graduation exercise is an attempt to study the company's ~~evaluation~~ ^{evaluation} of investment on the assured service station. It embodies the following objectives:

- 1) The examination of the company's retail marketing philosophy and concepts in relation to its sales function.
- 2) The methodology of selection and evaluation of a site to be developed into a service station.
- 3) The various activities undertaken by the company for purposes of appraising the actual performances of recently built outlets; and for supplementing the retail sales development programme of the company.

The evaluation of the company's investment on the service station is necessary, owing to its importance in the company's investment portfolio as well as the sales operation.

The marketing philosophy and concepts, it is found, are very aptly defined and consistent with the company's policy of having a continuous assurance of desirable channel of distribution for its products. The site selection process, though very well-devised to take into consideration all relevant factors capable of affecting the sales potential of a site, is however, hampered primarily by the lack of statistics or required data, thus subjecting the process of selection to some degree of inaccuracy. As regards the evaluation process, the Discounted Cash Flow (DCF) Analysis, one of the main evaluating tools, is weakened by the questionable estimation of the cash inflow, and consequently the discounted rate of return, due to the treatment of the residual value of the assets and depreciation in the analysis. The writer has suggested that (i) the residual value should be determined by estimating the net realisable value of the assets at the end of the planning period rather than by following the practice of doubling the amount of original investment and (ii) if depreciation has been taken as a non-cash expense, as it should be, the discounted rate of return

would have been more accurate. Finally, it can be said that the "Second Full Year of Operation" Report on retail outlets and the Retail Market Development Survey are essential for appraising the actual performances of the retail outlets and for supplementing the retail sales development programme of the company. In conclusion, the evaluation of investment on assured service station, as adopted by the company, can be described as sound and realistic, apart from its few shortcomings.