

INTRODUCTION

Esso Standard Malaya Limited (S.S.M.L.) is one of the major oil companies in Malaya. It is a subsidiary of the Esso Standard Eastern (S.S.E.) which is again affiliated to the parent company, the Standard Oil Company of New Jersey.

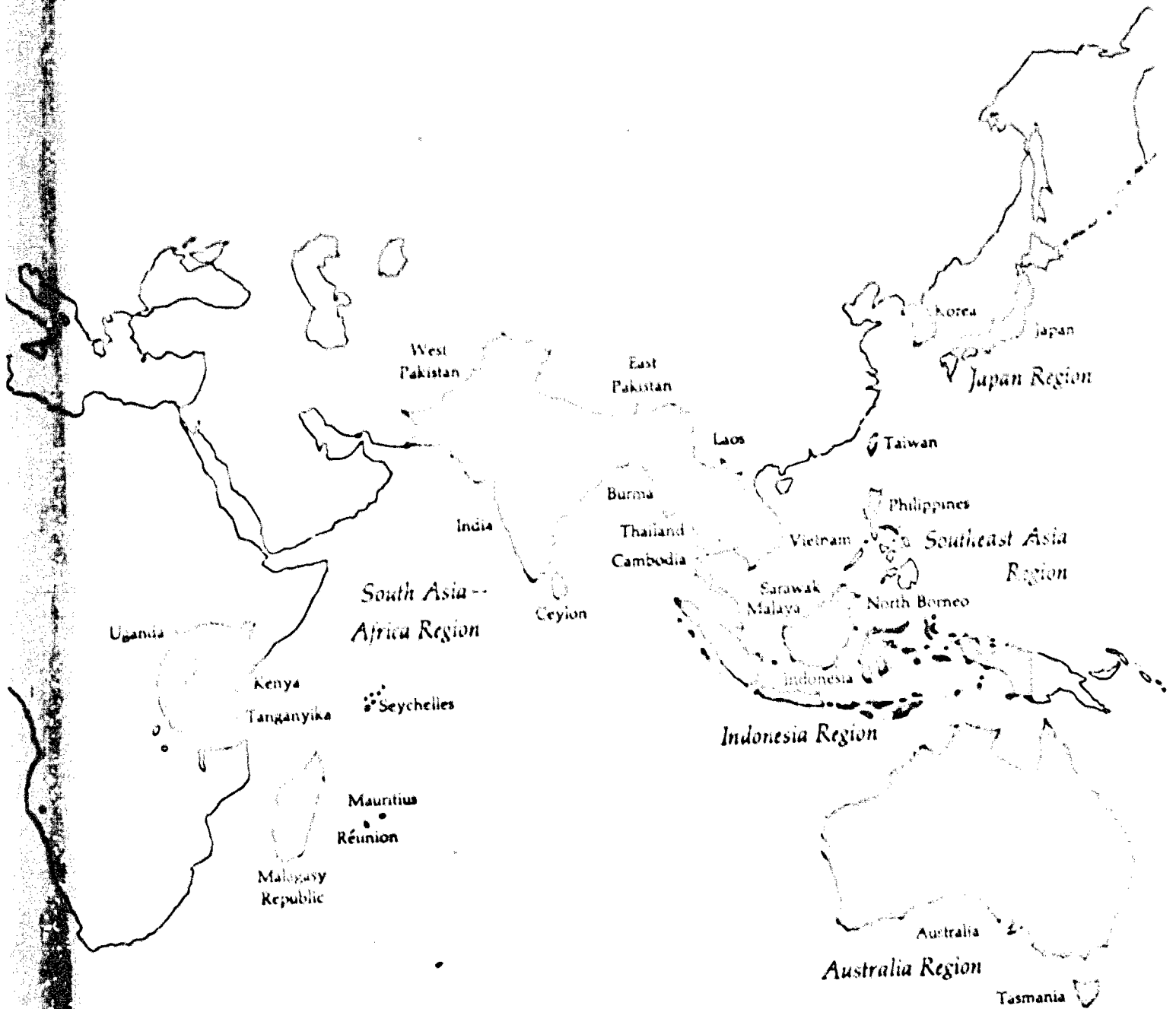
Prior to the year 1962, Esso operated jointly with Mobil under the registered name of Standard-Vacuum Oil Company in the present Esso Standard Eastern area (see illustration 1). Esso was then primarily engaged in the processing of petroleum products while Mobil was responsible for the marketing aspect. However, a significant change was witnessed in 1962, resulting in the separation of this giant concern. Esso then bought over the entire operation of Standard-Vacuum and operated under the name of Esso Standard Eastern. Esso Standard Malaya Limited was consequently set up with 35% of its authorised capital subscribed to by the local people.

Since its inception, Esso Standard Malaya Limited has progressed so tremendously that it has now come to stay firmly with its principal competitor, Shell, as the leader of the petroleum industry in this

ILLUSTRATION 1

ESSO STANDARD EASTERN

4



- ESSO STANDARD EASTERN
- JOINTLY OWNED OPERATIONS
- NOW UNDER ESSO STANDARD AFRICA



part of the world.

Scope and Objective of the Study

The organisation of the Marketing Department of E.S.M.L. can be schematically represented as follows:

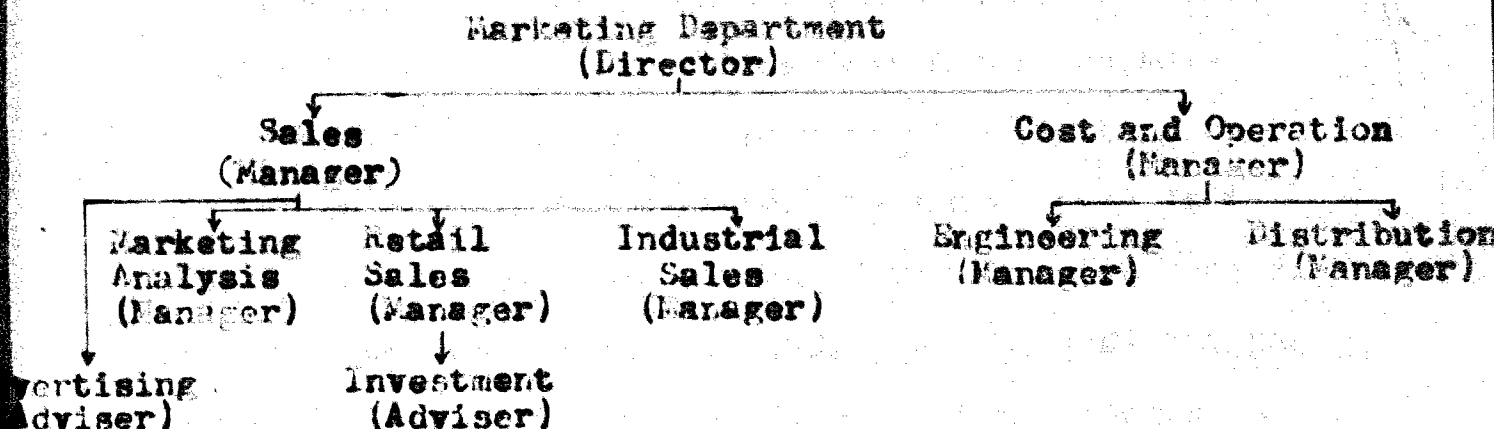


Illustration 2: Organisation Chart of the Marketing Department, E.S.M.L.

Source: Personal interview with the Investment Adviser of the E.S.M.L.

Apparently, it will be too mammoth a task to try to make a study of the activities and operations of the Marketing Department, let alone those of the entire Esso Standard Malaya Limited. However, it may not be insurmountable if the scope of a study is narrowed down to a specific aspect of the Department.

The writer in this exercise intends to study only one small yet significant aspect of the Retail Sales Department; that is, the approach towards selection of a site for development into an "assured"

retail service station. A retail outlet may be a service station, a filling station or a curb pump.¹ A Retail outlet may be further classified into "assured", "other assured", or "non-assured". An assured outlet may be defined as one which is on company-owned land and building; and "other assured" outlet is one which is on leased-land but company-owned building, and the company has the right of operation through a contractual agreement such as a lease; and a "non-assured" outlet may be defined as one which is not company-owned (building and land) but the merchandising of the company's petroleum products is guaranteed through an agreement. This last category of retail outlets can best be exemplified by a curb pump. By far, the service station is the most important and common type of retail outlets in Malaya. In this exercise, the writer intends to make a study of the company's approach towards the setting up of an "assured" type of service station and the method of

¹ A service station sells gasolines as well as provides servicing and greasing of automobiles; whereas a filling station is only concerned with selling of gasolines. A curb pump is a retail outlet where a filling pump is installed for purpose of selling gasolines on the front portion of a shop-house or the curb of a firm, usually a automobile distributor. However, the selling of gasolines forms only a subsidiary part of the shop's or firm's operation.

evaluating the performance of such an outlet. The motive behind making such a study is due largely to the fact that this particular category of retail outlet has gained much significance recently. It is the company's policy to invest in this category of retail outlet, whenever possible.

The objectives of the study are as follows:

- 1) The role of retailing in the marketing operation of Esso.
- 2) The approach towards the selection of sites for development into an "assured service stations.
- 3) The evaluation of the performance of such outlets.

Methodology

Much of the materials contained in this exercise is collected during the writer's brief stay of 3½ months with Esso Standard Malaya Limited at its Head Office in Kuala Lumpur. The writer was assigned to the Retail Sales Department of the company under the Second Grant-In-Aid Programme sponsored by the company. The writer had not faced any difficulty, as far as the collection of materials was concerned. However, there are few publications which are particularly relevant to the topic. The writer has been most kindly granted access to all files and documents. He relied heavily on

the two important publications of the company, namely:

- 1) Esso Standard Eastern, Inc., Retail Sales Development, January 1, 1963.
- 2) Esso Standard Eastern, Inc., Retail Marketing Seminar, Bangkok. March 29 - April 9, 1965.

Through frequent discussions with his supervisors, the Retail Sales Manager and the Investment Adviser, the writer was able in the course of his daily work to supplement whatever information and data which were inadequately derived from the above books. In addition, much data and information were gathered while the writer was participating in the Retail Market Development Survey (R.M.D. Survey) of Penang and Ipoh, both during the preparatory stage in the Head Office and in the field trips.

Limitations

Although every access had been accorded the writer to gather data and information for this exercise, it is not, however, without some short-comings:

First and foremost, the reliance on merely two publications definitely could not enable the writer to make a thorough research into the study. Even if deficiency could be supplemented by field trips and discussions with the most appropriate persons concerned, the writer could only try as best he could to consolidate

relevant facts into this exercise. Such limitation is inevitable and can be explained by the writer's inexperience in this area.

Secondly, owing to insufficiency of data, the writer could only depend on the trivial knowledge and scanty sources that he possessed in the writing of this exercise. This refers particularly to the section on estimating the volume potential of a station. The guide book, Retail Sales Development, advises that the preparation of Comparative Worksheet and Inherent Worksheet be made, as they provide a good cross-check on the accuracy of the estimated sales potential of a new station. However, this would involve looking up voluminous files and documents prepared years ago and data unavailable now, for example, stations' sales for the years 1962 and earlier which are no longer available in the Head Office Vault Room. Most likely, such records have already been destroyed. Indirectly, the writer was made to realize that only files of the years 1963 and later are available in the Vault Room. Besides, the writer was handicapped by the time factor in collecting and compiling data. The brief stay of 3 1/2 months can be described as hectic, with little working hours going idle. Right up to the eve of his departure, the writer was still involved in preparing and compiling data on performance such as sales volumes for purpose of evaluation, in particular, those which have failed to

to achieve at least 90% of their target sales - the estimated volume of sales computed by area salesmen when making proposals to set up new retail outlets. As such, the compilation of this exercise can never be satisfactorily complete.

Also in taking traffic count in Ipoh, the writer can only manage to take such count for 3 hours, that is from 10.00 a.m. - 1.00 p.m., due to lack of time. In order to be representative of the traffic flow pattern in any particular site which may be developed into a service station, in the writer's opinion, a count for at least one whole week and for all the trading hours each day must be made. Such a belief had been verified by the Investment Adviser. Under such circumstances, the evaluation of the estimated sales potential of the station in this study must necessarily be less accurate and realistic. However, in making such a deviation, the principle of volume estimation has not been completely sacrificed.

Finally, much as the writer wishes to make this study thorough and realistic in the sense that actual figures may be used for gross profit margins in the calculation of the Retail Outlet Proposal Analysis, commonly known as BUD-12 in the company

and that real survey findings can be quoted for the
Retail Market Development Surveys,³ the writer has
been advised not to reproduce such figures which are
highly confidential. To turn against the
management's wishes would be a most ungrateful act
to do. However, examples which, nevertheless, are of
the same nature are given in the exercise so that
reality need not be sacrificed for such an obligation on
the part of the writer. This is also true in the
case of re-evaluation of retail outlets which have
completed two full years of operations in chapter
VII.

Acknowledgements

In making this study possible, the writer
is very greatly indebted to the following persons:
Mr. Christopher Chew, Retail Sales Manager of E.S.M.L.
who is the writer's supervisor while the latter was a
Grant-In-Aid Trainee attached to his department.
Without his kind permission and his assigning of work
to the writer, much of the data could not have been
possibly gathered. Mr. Chan Hon Kit, the Investment
Adviser, who has been most kind to lend the writer
the guide book, "Retail Sales Development" for purpose

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See chapter VIII.

of reference. It was also through him that information which was not available in books or publications was gathered. Discussions that the writer had with him had been very informative.

Mr. Liew Peng Kong of the Marketing Analysis Department with whom the writer constantly consulted on the method of evaluating sales potential of a proposed new retail outlet as adopted by the writer.

To my supervisor and lecturer, Mr. Lee Ming Chong, my gratitude cannot be expressed by mere words. His painstaking guidance and patience in going through the manuscripts have finally enabled the writer to complete the exercise in a much improved shape.

My thanks are also due to Mr. Chong Sin Jee who was my supervisor until the transfer of supervision of this exercise to Mr. Lee.

My sincere thanks are also extended to all those who have, in one way or another, helped and contributed towards making this exercise possible.

Lastly, the writer wishes to acknowledge that any error in this exercise is entirely his, and full responsibility is acknowledged.