

## CHAPTER III

### SOME PHYSICAL ASPECTS OF A RETAIL SERVICE STATION

Past marketing experience and research indicate that in every retail market customer loyalty is stronger to the service station than to the brand. This phenomenon was evidenced by the recent change-over from stanvac brands to Esso brands in many areas with virtually no loss of business and, in fact, in some areas more customers had been gained.<sup>8</sup> While brand recognition, acceptance and image are extremely important and the advertising that supports the brand makes a real contribution to Esso's success, there are other very important factors in retail marketing, namely, the service station and the dealer which play a very important part in the success of retail marketing.

A service station in reality is the package which attracts the customers and the dealer is the one who sells the products and keeps the customers coming back. It is the company's policy to invest in an assured outlet in strategic locations in the

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<sup>8</sup> Personal interview with the Retail Investment Adviser.

retail market. - at which the exclusive sale of the company's motor fuels is assured through ownership of land or building during the effective duration of the contract regardless of competitive practices. The investment in the strategic locations will ensure the company that such outlets which are capable of high sales volumes will cover and draw business from a wide marketing area. This is because one high-volume outlet is usually much more profitable to the company than a number of smaller-volume outlets covering about the same marketing area.

It is the company's policy that where the alternative exists, a careful economic study should be made to determine the advantages of owning versus leasing service station land. In order to have a continuing assurance and control of assured retail outlets, and successful execution of the retail marketing function, purchasing of land is preferred to leasing of land for development into retail outlets, except in those cases where the cost of purchasing is uneconomical as compared to leasing, or if political conditions make the future uncertain and risky for such a course of action. If leasing is necessary, the authority concerned would then attempt to negotiate a base lease plus renewal options that will permit time for the company to recover its capital investment.

It is the company's retail policy that company-owned service stations be developed to take into consideration future growth potential in the area where the present scope of retailing is small, but where future growth can be expected. The land plot should be of sufficient size to allow for future expansion when such an action is justifiable.

Also closely connected with the company's retail policy is the representative or strategic existing service stations which are under short-term contract or with a limited tenure of leasehold. Such outlets will be assured by means of purchasing, may it be land or building or both, when possible and economically attractive to do so, or by the execution of new contracts or leases.

To be in accordance with the policy of retail marketing, all retail outlets should be representative of the company and maintain their position as the leader in petroleum marketing. This means rigid standards of painting, maintenance and cleanliness. The company wishes to maintain a continuous programme for upgrading its retail outlets in terms of appearance, facilities and service, and to gradually eliminate company or dealer-built outlets of a marginal nature that cannot meet the company's standards in terms

of appearance, service and profit potential.

of physical facilities and profit potential.<sup>9</sup>

In this regard, it is proper to mention some of the areas which the company constantly pays careful attention to:

### 1. Retail Outlet Design

In the development of the service station design, the customer as well as the dealer are considered. While it is necessary for the dealer and his servicemen to have adequate and convenient space in which to work, it is equally important that the service station building and driveway layout can attract customers through distinctive design and good accessibility (see illustration 3).

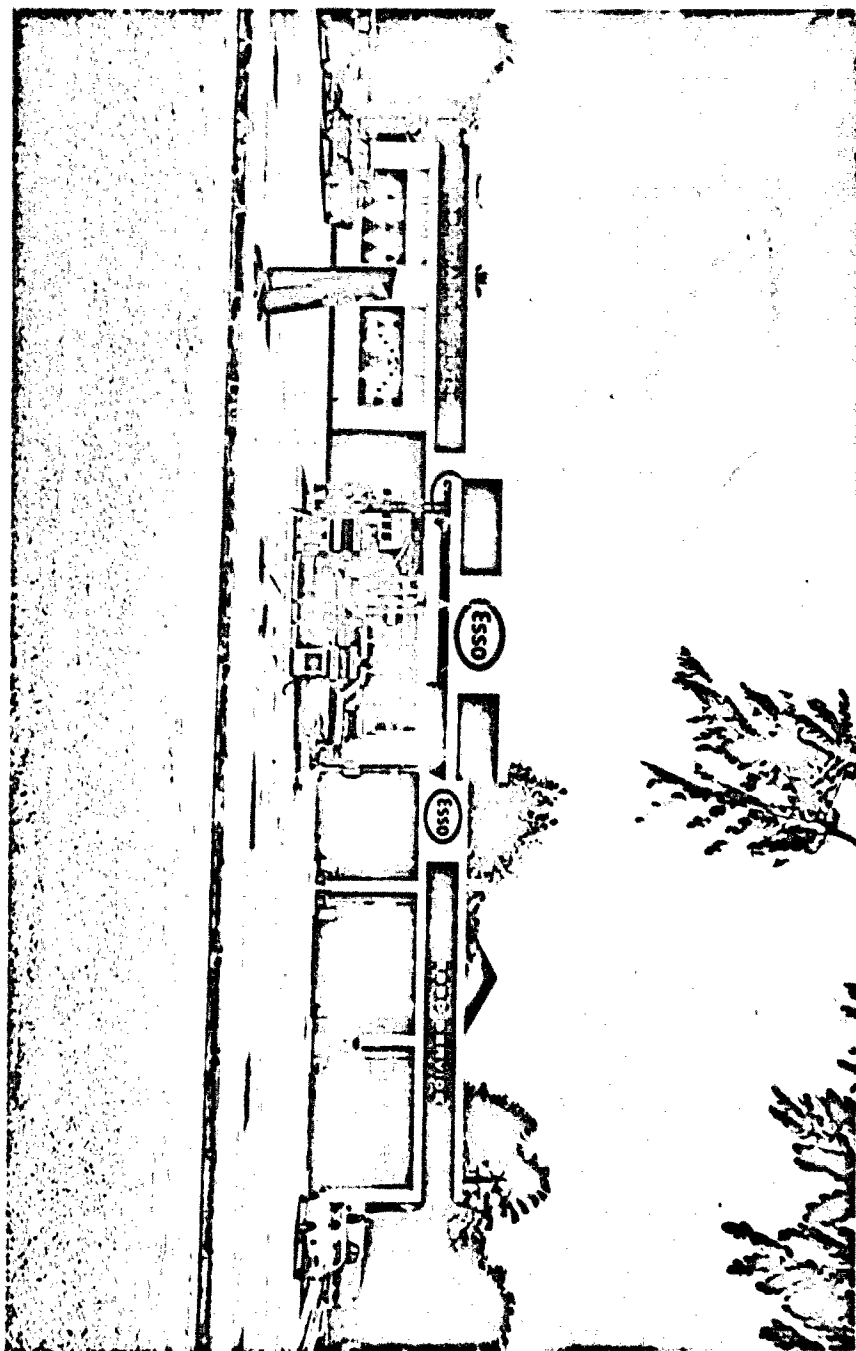
### 2. Accessibility

By accessibility is meant that a retail outlet should have the quality of being easy to get to, or to approach, or the characteristics that afford easier entrance and exit. Related to a service station's business, accessibility is the customers' gateway. The easier it is for the motorist to turn out of a traffic lane and pull up to a pump island, the more likely he is to trade at the station regularly. Therefore, a

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<sup>9</sup> It is worthy of mention here that all outlets built since 1959 have remained in operation, due apparently to the soundness of the company's retail investment planning.

ILLUSTRATION 3: THE RETAIL SERVICE STATION DESIGN



service station at a good location with a good layout will greatly enhance the success of the station. (see illustration 4).

The size and shape of the service station lot, and the direction of traffic flow also contribute to station accessibility. In determining whether a station has good accessibility, several important factors have to be considered:

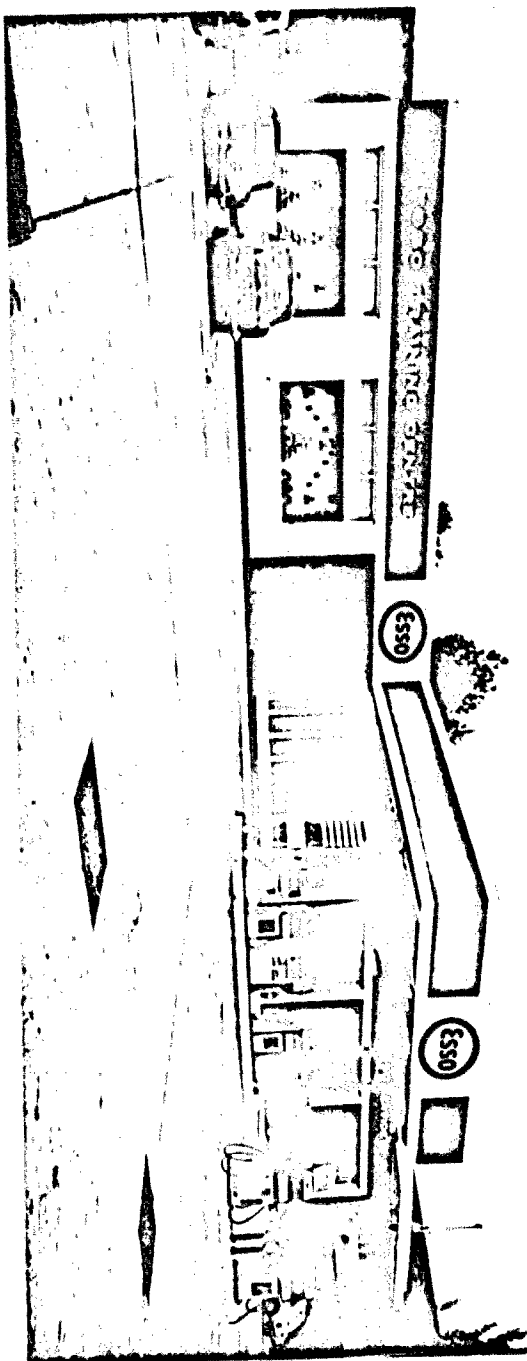
- i) Inviting approaches (ingress and egress.)
- ii) Clear and wide driveway.
- iii) Good location of pumps.
- iv) Good location of other service area, e.g. the lubricatory of automobile servicing.

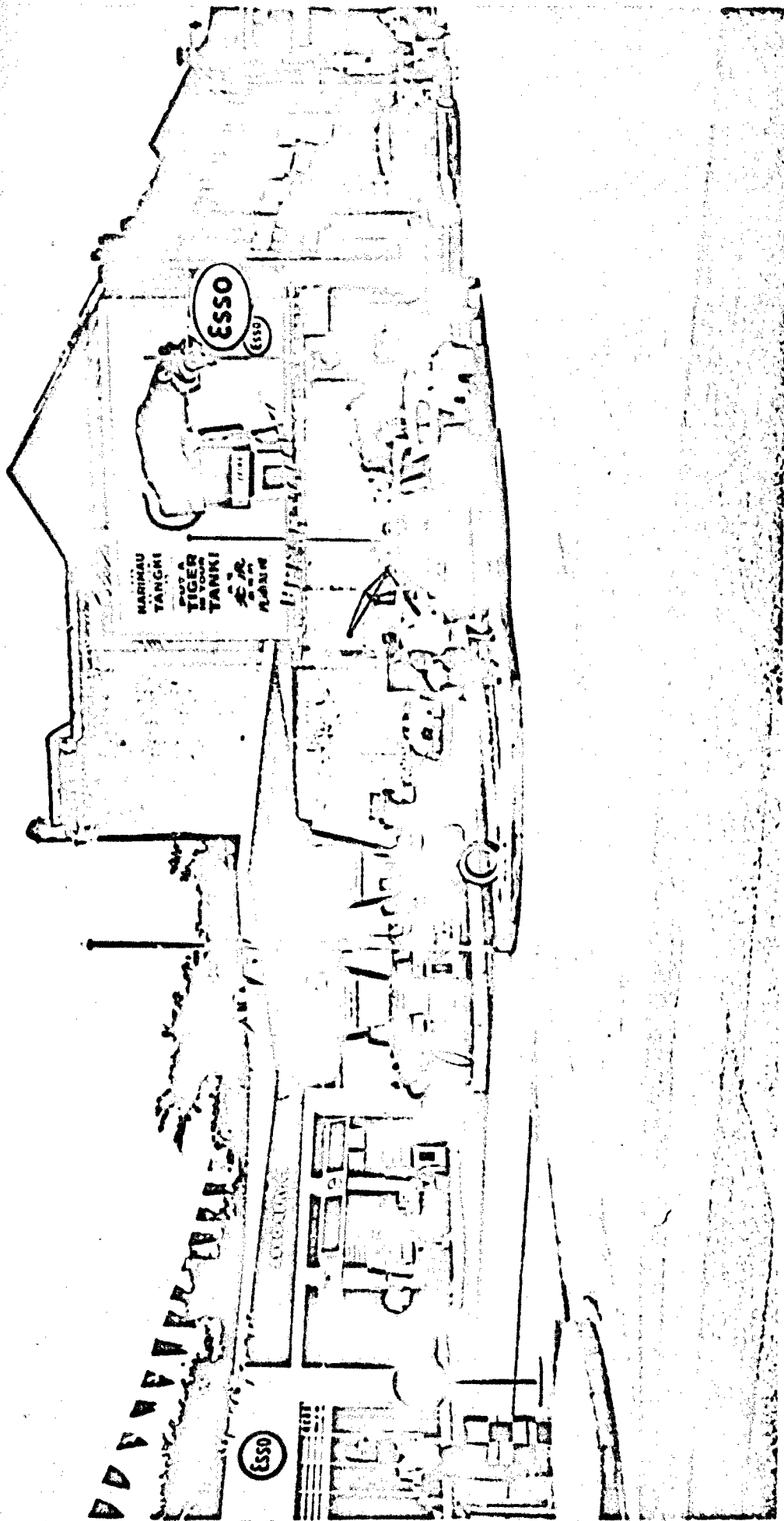
They are necessary in order to assure a customer a sense of freedom in moving about the station as he drives in for gasoline or servicing, or as he leaves after being served. The appearance of easy approach and easy manoeuvring, once he is in the station, accentuates good accessibility. However, there should be no extravagant use of space in an attempt to achieve accessibility.

### 3. Visibility (See illustration 5)

It means the state or degree of a retail outlet being seen. Good visibility means that a driver of a moving automobile, looking for a place at which

**ILLUSTRATION 4: ACCESSIBILITY TO A SERVICE STATION**





**ILLUSTRATION 5: VISIBILITY OF A STATION**

**THE ESSO ORAL TELLS A MOTORIST THAT**

**HE IS APPROACHING AN ESSO STATION**



to stop for gasoline or service, must know at a glance that:

- i) he is approaching a service station;
- ii) the station carries the brand of gasoline he prefers;
- iii) all, or most of the major automotive services are available; and
- iv) the station is open, and fast service is available on the driveway.

To achieve good visibility for a service station, one must be concerned with what the motorist can see quickly, and how much he can be told at a glance about the products and services that are available. Factors contributing to good visibility are:

- i) The identification sign, the Esso oval, which should be placed at the right place so as to achieve maximum visibility. A visibility distance of about 200 feet is considered average.



Illustration 6: The Standard Esso Identification sign.

- ii) The building - its location, distinctive design and colour scheme of red, white and blue.
- iii) The pumps - the location of pump islands

and their illumination.

- iv) The types and locations of displays of Esso products.
- v) Personnel in uniform - they should be visible and active on the driveway.
- vi) The lighting of the ingress and egress (i.e. the entrance and exit), driveway and building.

### The Service Station Dealer

After the facilities, the next important element in retail marketing is the dealer of a service station and his staff. It is to be noted that in the retail marketing of petroleum products, the keen competition among the oil companies takes mainly the form of quality of service that a service station can provide. If the service provided by a service station dealer and his staff is not as satisfactory as what a customer can obtain elsewhere, a great deal of business will be lost. On the other hand, if the service provided by them is ~~better than that~~ of other competitive outlets, the return will be high for both the dealer and the company. To ensure high quality of service at an outlet, dealer selection and retail training of the dealers and his staff are important. The basic qualifications for dealer selection are industry, trustworthiness of dealer and sound financial backing and the primary responsibility for dealer selection and

dealer retail training rests with the area manager and salesmen.

The company has taken a positive and realistic approach towards the assurance of high quality of service as required of the dealers. A Training and Experimental Service Station<sup>10</sup> is established to provide retail training for the dealers. The training programme consists not only of initial training for those who have just been selected, but also of refreshing training course for dealers who are already in the petroleum business. The training programme is usually very comprehensive and includes courses geared to good salesmanship, inventory control and record keeping, customer record, and even the technique of how to hold customers as well as how to regain the lost customers. There are also other activities which aim at maintaining a high standard of performance by the dealers. One such activity is the "Dealer of the Year" competition with a very attractive prize of a free trip to Hong Kong or Bangkok for a duration of two weeks with all expenses paid by the

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This is a service station which provides retail training facilities, besides the usual retail facilities such as salesroom, pump islands and lubritories. The Training and Experimental Station is presently located at Jalan Selangor in Petaling Jaya. See illustration 2.

company.<sup>11</sup> Others are like the "Winners' Circle"  
contest,<sup>12</sup> and the "Tiger Scooter Contest". These  
are definitely great incentives for the dealers  
to maintain a high standard of performance and to  
aim at successful retail business.

It can be generalised that working dealers  
are usually better than absentee dealers. To encourage  
working dealers, the company also considers the extension  
of loans to them for purposes of developing their stations  
into very highly competitive ones. For example, the  
competition may be so keen that the dealer may  
want to find other financial resources to finance his  
credit sales, or to counter act on the cash discounts

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<sup>11</sup>  
The prizes for the 1964 and 1965 "Dealer-  
of-the Year" competitions were a free trip to Bangkok  
and Hong Kong respectively. The programme itself was  
so well-received that, according to the Marketing  
Director on the evening of the celebration dinner for  
the 1965 competition more ambitious rewards would be  
contemplated.

<sup>12</sup>  
The "winner Circle" is a "Dealer Impact  
Programme" contest with the following objectives:

- 1) To have the dealer's retail outlet clean.
- 2) To make sure that the dealer gives  
efficient and friendly Esso Service.
- 3) To increase dealer's sales and profits
- 4) To consider dealer as a potential candidate  
for the "Dealer-of-the-Year" competition.

Source: The Esso Dealer: Vol. IV. No. 7 -  
a monthly magazine for Esso Dealers.

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given by other competitive outlets for cash purchases. However, there is a limit to this kind of financial assistance and the loan is usually secured by collaterals. For example, the company will take a first mortgage on the land, if it is dealer-owned, and the facilities in the station. The loan generally does not exceed 2/3 of the appraised value of the dealer's property. In addition, a charge for interest commensurate with the market rate is made.

In connection with the selection of efficient dealers, the company also envisages a programme called "Manager Plan". Enterprising persons are recruited, given training, and eventually allowed a service station to operate. The dealers may even be financed by the company if such an action is justifiable. This will invariably assure the company of a number of successful retail outlets operated by successful dealers.

### The Retail Salesmen

Retail Salesmen are assigned to the marketing districts<sup>13</sup> and are exclusively devoted to retail

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A marketing district may be defined as an area which is so demarcated that the responsibilities of a retail salesman both in terms of sales volume and supervision of retail outlets under his charge can be effectively executed. For example, a retail salesman may be in charge of Ipoh Municipality and West Perak which together form a marketing district.

outlet sales development. They have no responsibilities in other classes of business activities such as sales to industrial consumers or direct consumers who buy in bulk from the company, but not for the purpose of reselling to the individual final consumers. These latter responsibilities are those of the Industrial Salesmen. Within a metropolitan area and its environs with no unusual traffic problem, a retail salesman is expected to be able to take charge of 20-25 retail outlets, although there is no hard and fast rule as to how many retail outlets a retail salesman should be responsible.

The company looks upon the retail salesmen as the company's representatives to the dealers in the capacities of business advisers and experts in all phases of retail marketing. A retail salesman is also responsible for determining the extent and need for the company's retail coverage in his area, and, with the district manager, for laying out a long range retail distribution plan in his area. He is also expected to keep an up-to-date record of retail outlets in his area. Such records comprise retail outlets' monthly sales volumes, the retail outlets physical conditions so as to ensure that they are always highly competitive with rival outlets, and reports on the need for modernizing or improving retail outlets.

Besides, the retail salesman is expected to keep a record of the sales volumes of rival retail outlets of other oil companies.<sup>14</sup> Information about rival outlets' sales performance as well as Esso's own retail outlets is contained in a record called Planned Distribution Survey (P.D.S.). Further, a retail salesman is expected to be able to make proposals of new retail outlets which are capable of future development, as this is consistent with the company's retail marketing objective of wide and effective coverage of the market.

### Cost Control

Within the overall retail marketing philosophy, concepts and objectives, it is also the company's policy to minimise costs involved in conducting its retail sale business. In this respect, the following areas require special attention:

1. Endeavour to incorporate economy in service station construction. However, this responsibility is within the functional area of the Cost and Operation Department. In a market

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<sup>14</sup> The writer regrets as to how competitors' outlet sales figures are obtained. Perhaps this is done through business intelligence service.

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where sales potential is relatively small, unnecessary investments in a service station should be avoided. For example, extra lubricatories which may become under-utilized should be avoided.

2. Limit new pump installations, costly equipment such as car hoists to locations where expected sales volume or quantity of automobile servicing will justify them.
3. Endeavour to find less costly means to maintain and repair existing retail outlet facilities and equipment.
4. Encourage greater utilization of existing delivery equipment such as night deliveries or full tank truck deliveries by offering economically feasible incentives if necessary.

### Competitive Position

Existing competition and new competition are becoming increasingly intensive nowadays. They can take the form of improved quantity of products, lower prices, better facilities and service, extended credit, cash discounts, or a combination of these factors. The company must take or maintain a completely competitive posture at all times. This implies that

it will not only meet competitive action but take the offensive to meet its retail marketing objectives.

When new competitors enter a market, the market share of the company is certainly expected to be reduced through volume dilution. In such a case, the objective is that the company should lose as little as possible by means of intensifying its retailing activities.

