WOOLWORTHS – ENGEN. IS A STRATEGIC ALLIANCE FEASIBLE?

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Submitted in partial fulfillment of the requirements for the degree of
Masters of Business Administration

The Graduate School of Business
Faculty of Management
University of Natal (Durban)

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15 September 2003

CONFIDENTIALITY CLAUSE

To whom it may concern

Re: confidentiality clause

Due to the strategic importance of this research it would be appreciated if the content remain confidential and not be circulated for a period of ten years

Sincerely

Greig Jansen

15 September 2003

DECLARATION

I, Greig Michael Jansen, hereby declare that this study dissertation is my own original work and that all sources have been accurately reported and acknowledged, and that this document has not previously in its entirety or in part been submitted at any university in order to obtain an academic qualification.

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G.M. Jansen 11 September 2003

ACKNOWLEDGEMENTS

I wish to thank Professor Elza Thomson of the Graduate School of Business for her guidance and her encouragement. I would also to thank the management of Woolworths and Engen for their open support in providing me with information. I would also like to thank Craig and Caroline for their support.

ABSTRACT

The ability to grow market share in a saturated market is often difficult if that market is stable. In a country that has an economy that is not performing, growth of a company is often vital so as to allow the prosperity of a company. One such way to grow is for the company to form strategic alliances with other companies that are strong where the other company is week and in so doing stimulate a competitive advantage.

In retail store outlets and location play an important role in competitive advantage by creating" new markets" , and if these new markets could increase the companies existing market share, then this results in a win – win situation for the company. Often moving into new markets involves risks as it is the unknown.

By making a move to sell product in two pilot project Woolworths- Engen forecourt stores, Woolworths are moving into a market where they can sell a product group HMR's (home meal replacements) where currently they have no close competitors, thus capitalizing. This move is heralded However as this is a totally new format of selling, Woolworths need to ascertain if brand integrity will be affected and whether such a project is more than just a good idea.

It was found the NPV's and IRR's (the way Woolworths evaluate projects and project feasibility) from a Woolworths perspective were both extremely positive. From Engen's position, this initiative brought about a substantial increase in both petroleum and food store sales for the two pilot projects, comparable with those figures prior to the pilot projects launch.

Woolworths as a company were very interested in the qualitative results conducted by an independent consultant, as they were concerned about maintaining brand integrity. This fear was not founded as the survey done by actual customers shopping the pilot project stores show that customer confidence over Woolworths brand integrity was not affected. Instead customers enjoyed the convenience.

The strength of this Alliance is that both members have brought to the part aspects where the other member currently does not perform. Woolworths bring their good food and strong brand name linked with market dominance and Engen bring their immense outlet network, and prime locations. I.e. the strategic fit between these two corporates is extremely strong. All parties involved in this venture namely Woolworths, Engen Head Office and the petroleum station dealer benefit financially from this initiative.

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CHAPTER1: INTRODUCTION

1.1. Introduction

The world of retail is a cutthroat business showing great inelasticity to the economy and spending power of the consumer. In South Africa, the retail industry is a relatively saturated industry with a fair percentage of customer loyalty being driven by convenience and price/value. As the majority of retailers are posting losses at the end of the previous financial years (2000, 2001, 2002), there is a constant battle between retailers to gain market share from each other. Retailers that traditionally have served the upper tier LSM groups face the biggest challenge in respect to gaining market share in South Africa under its current economical conditions. One such blue chip retailer is Woolworths, whose management have risen to the challenge by searching for new niche or existing markets that they can enter into.

Woolworths currently enjoys majority market share in the convenience meal or home meal replacement (HMR) market. Bearing this in mind and linking this to the customers want for convenience, what if Woolworths offered HMR's and convenience in the form of easily accessible long trading hour outlet stores? Better still what if Woolworths offered their products at sites where people were destined to stop anyway, say at a petrol station. Would this be a feasible venture in terms of both qualitative and quantitative (such as brand integrity) factors? Would it be sustainable, and which petroleum company should Woolworth's form a strategic alliance with?

If this proved successful not only could this result in a new market, but this could also result in greater market share in Woolworths current trading market as these stores could capture new customers who because of misconceptions could previously not have been exposed to Woolworths product.

This study focuses on the Woolworths decision to enter into this new market segment and tries to identify whether this is a profitable sustainable project that will give the company the long term edge over its competitors, and how best to set this up with a petroleum company such as Engen.

1.2 Background and Context

In 1999 there were 2330 small outlet stores in South Africa (980 forecourt stalls) as opposed to 662 large outlets. Growth in small stores had been tracking at 16 % per annum as opposed to a 0.1% decline in large stores. The current small / convenience store market is currently estimated at approximately R35 billion, with the size of these stores ranging from $65m^2$ to $250m^2$. During the same time period the growth in forecourts grew by 23%, with 65 % of these forecourt customers dedicating themselves to one particular small store. Surveys have tended to indicate that customers visit these forecourt stores on average 18 times per month, with 25% of the customers purchases being non petrol. Surveys have also demonstrated that customers regard convenience and value for money as the most important reason for choosing a convenience store. If this formula could be perfected, the successful party would have an extremely lucrative business on their hands. This point is made more prominent by the fact that 80% of convenience stores are open 24 hours a day, with the remainder trading from 06:00hr to 23:00hr.
Convenience stores in the UK stock between 2500 and 3000 lines, although this is extremely large in S.A. terms, a general model can be drawn from this. UK stores concentrate mainly on 4 product areas: treats and gifts, top up, HMR and news agency. Hot food is also available in 98% of UK convenience stores. Select is the fourth largest sandwich retailer in the UK behind Tesco, Boots and M&S.

Why look at Engen as a potential partner? Engen currently has the largest network in S.A. with a 31% share of the fuel market (1450 sites) [35% with the addition of Zennex]. Engen also has the largest convenience network (40%) with 372 shops. Engen currently has capital resources in place for projects and expansion. In addition Engen have the flexibility for proactive decision making, offering a basket of brands and exclusive projects (e.g. ticket web). Engen currently command a brand equity of R12 Billion. Engen also own the sites with the Franchisees paying a rental- hence more control over the end process.

For this new venture to be a success, Woolworth's brand integrity must be maintained, and the correct locations must be chosen for the proposed sites.

1.3 Motive for the study

The motive of the study was generated to ascertain if there is merit for a company such as Woolworths who operate in a fairly unique sector of the retail market to form a strategic alliance with a company that operates in the lower end of the market segment. Especially one where retail is a secondary focus, taking its energies away from its core business.
In addition, to ascertain whether the move into this market segment of convenience food outlets is feasible (considering both quantitative and qualitative variables), with a company such a Woolworths who strength has been built around its brand integrity looking at forming an alliance with a petroleum country It needs to be tested whether this project is sustainable and not just a good idea worth trailing; and if so how best to set up a structure between these two companies?

In so doing, it is hoped that conclusions drawn from this study can be recommended to management, ultimately leading to an increase in market share.

1.4. Value of the Study

There are many components that contribute to the outcome of the Woolworths-Engen initiative. This study hopes to pull all those components together to present a clear picture of the positive ness of such a venture for all parties concerned. Often when companies evaluate projects, if the projects responsible for driving the project are passionate, they would want to see the project succeed. This study hopes to give an unbiased report with conclusions on the venture undertaken by Woolworths and Engen

1.5. Problem Statement

Traditionally retailers have traded during normal working hours (9 am to 5 pm). These limited trading hours have negative consequences for retailers and customers and potential customers. For customers; shopping has usually been restricted to normal trading hours, making it difficult for customers who hold down a 9am to 5pm job to buy merchandise. This is especially the case of people who work unusual and/or extended hours for example staff who work on shifts such as hospital, shipping and milling staff. From the retailers' perspective, these are new customers who potentially have the need for their goods, but do not have access to them through factors beyond their control. The challenge for the retailer is access. The retailer needs to trial offering this customer access to their goods without having to undergo a huge capital investment.

The retailer is further challenged by what format these goods should be offered in to the customer, bearing in mind that convenience is the overriding factor determining these customers shopping habits. Lastly, will such a venture bring financial reward or will it result in a "white elephant" scenario. Is it feasible for Woolworths to move away from trading in traditional stores and traditional trading hours, to one of convenience, where a product is traded twenty four hours a day? Will selling products from a forecourt store be sustainable in the long term, both from a brand integrity perspective and from a financial perspective? What type of agreement should exist between the two companies in terms of control, bearing in mind the contribution to total sales this new venture will attract and the overriding bid for Woolworths to maintain brand integrity at all costs?

1.6 Objectives

- To ascertain whether it feasible for Woolworths to look for new markets in the convenience longer trading hours stores.
- To ascertain whether selling product from a forecourt store is sustainable in the long term, as people will prefer to shop full line stores.
- To ascertain whether Engen is the best petroleum company in S.A. to form a joint strategic alliance with in terms of strategic fit.
-

1.7. Limitations to the study

Most of the figures and statistics had to be obtained from highly sensitive and highly confidential documents. This put a limitation on the amount of data available and the form that the data was presented. In most cases only relevant figures were released and not whole financial feasibility studies. This has presented a challenge in terms of creating a strong thread of overlapping evidence in proving the success of the Woolworths- Engen initiative. However as is evident in this study, there is still overwhelming evidence to prove the success of this strategic alliance. Much of the evidence presented does not have the reports listed in this study to back up the data. Reason being due to the sensitivity of the information, only certain information was released and not the whole documents.

1.8. Structure

Chapter 2 talks about the theory behind competition dealing in today's business markets and how important it is to know what is going on around you. It goes on further to discuss that in order to survive in today's cutthroat world of competition, a company needs to look for a competitive advantage it can hold over its competitors. Once such way to create a relatively cost effective and quick advantage is by forming an alliance with another company that is strong where the other company is weak. From there it discusses the fit for an alliance and the things to consider when forming an alliance. The possible problem areas of alliances are also included as well as guidelines to consider when choosing an alliance partner. Chapter 3 discusses how the data and information was collected and analyzed, including the use of an external consultant. And Chapter 4 presents the finding and discusses the observations noted through examining the various forms of information. It also gives an introduction to a few facts necessary to understand before looking at the data. In Chapter 5, recommendations are made and conclusions drawn.

1.9. Summary

in the world of retail, companies are continually looking for ways they can create a competitive advantage over their competitors. One way Woolworths have tried to do this is by capitalizing on the growing trend among consumers for convenience and have formed an alliance with Engen. The purpose of this alliance is to test two pilot project concept stores. These stores are mini market "cubbys" found within an existing Engen Quick Shop. The products Woolworths would sell in such a "cubby" would predominantly be the HMR's (home meal replacements)- an area where Woolworths currently enjoy market dominance.

However because the Woolworths business has been built on brand integrity, the numbers are not enough to prove that this concept is viable for Woolworths. Rather brand integrity needs to be maintained and the numbers need to be good.

From the results, it can be seen that both criteria are met and all parties involved, namely Woolworths, Engen and the dealer benefit from the venture.

Infact this is an avenue for Woolworths to attract new customers to their full line stores.

CHAPTER 2: A LITERATURE REVIEW

2.1 Strategic Competition

In the business world today it is very rare to come across a company that has the monopoly over a certain industry. Rather in most instances most industries are ruled and governed by a oligopoly of large corporates that wrestle their might against each other in order to try gain a larger segment or market share of the industry they are in, and in so doing allowing for great profits and a greater return to the companies shareholders.

In order for a company to perform in this arena it is imperative for a company to understand their competitive situation and how competitive advantage might be achieved (Michael Porter, 1980).

In order to achieve this business' need to have an effective strategy. According to Porter, " the aims of a firm's strategy are to decide its goals and the means by which they can be achieved". In deciding these goals and means, managers must take into account internal factors such as the companies' skills, resources and values, and external factors, including opportunities and threats in the business and industry environment. Porter (1997) argues that a business without a clear strategy would have no basis on which to integrate its activities and achieve consistency between its various functions and units.

Porter (1997)puts the strategic business decisions of the individual firms in the context of economic forces. These forces are derived from the industry within the company operates or from even further- the business environment as a whole. These forces affect companies' costs, the prices it can charge and its sales and profits. Many if not all of these factors or forces affect all of the competitors in an industry and limit the average profitability within it. The focus on an individual company strategy is therefore how to achieve and sustain above average returns- plainer said, "how to bend the forces of competition in its favour".

In order to understand the threats and opportunities in a industry, it is essential to be clear about its scope, the forces that drive competition within it, its potential for profitability and how all these are changing. Porter (1997) proposes a "structural analysis of industries", using a tool commonly called the Five Forces Model (see fig 2.1.)

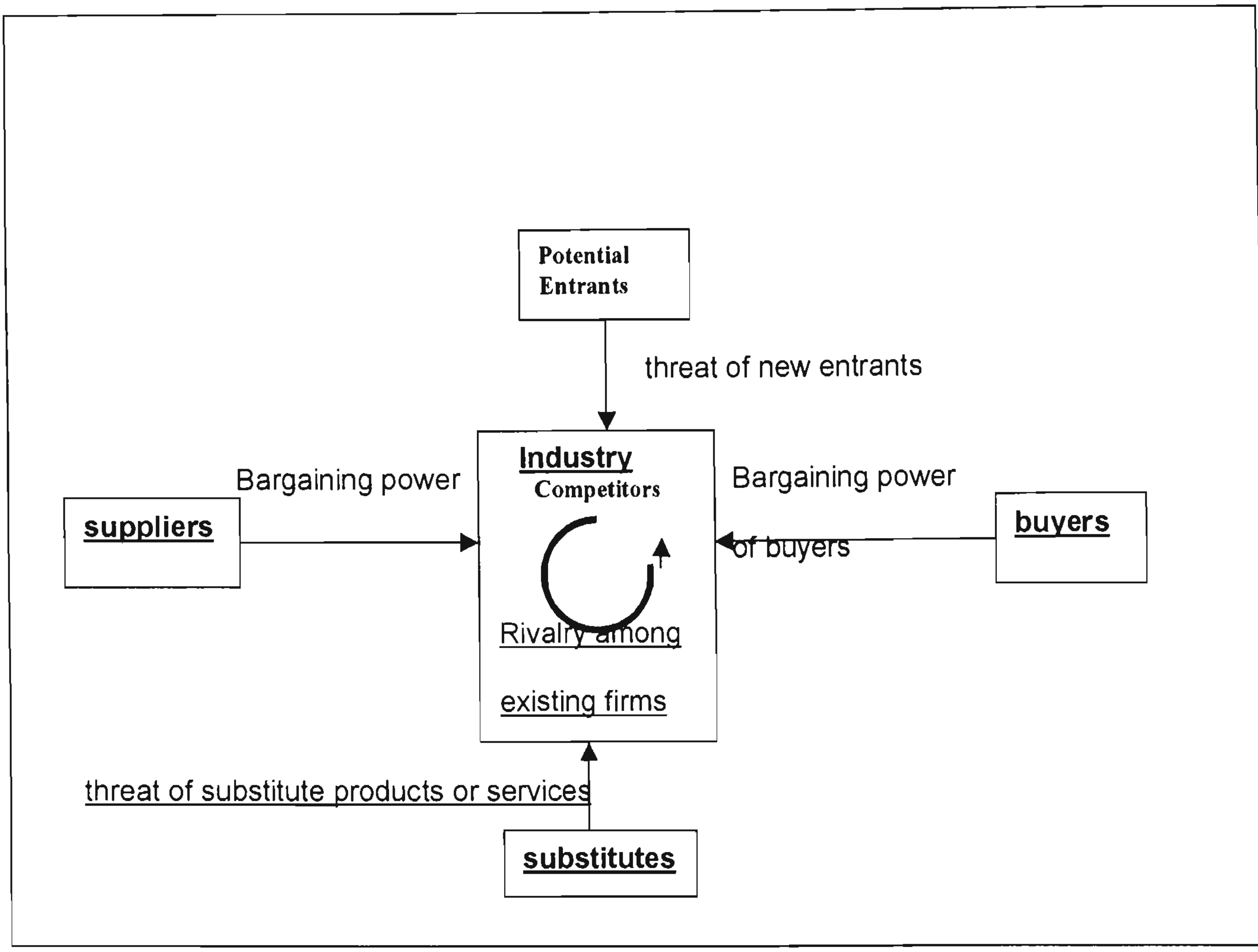

Figure 2.1: Forces Driving Industry Competition

in so doing derive a competitive strategy, which would be constantly revisited, so as to minimize the threats and maximize the opportunities in the industrial arena within which they operate.

Further evidence for strengthening the argument that companies need to derive a competitive strategy is once again given by Michael Porter (1997). In today's business world, Porter(1997) believes that there are 3 main misconceptions, which in recent times has led companies to not focus on competitive strategy in its entirety. These include a "new dogma" based on the belief that competitors can quickly replicate any market position. Competitive advantage is therefore only temporary. Such beliefs he contends, lead companies down the route to mutually destructive competition. The second is that the search for operational effectiveness has spawned many management techniques, like outsourcing, TQM and re-engineering. As a result, "bit by bit almost imperceptibly, management tools have taken the place of strategy." Thus, " the root of the problem is the failure to distinguish between operational effectiveness and strategy." Operational effectiveness involves doing similar activities better than competitors. Strategic positioning on the other hand involves performing different activities or doing the same thing but in different ways. Porter does not dispute the value of operational effectiveness. Infact he states that constant improvement in this area is critical for achieving superior profitability. His contention is that few companies can compete successfully over any length of time on the basis of operational effectiveness. And he states two reasons for this; firstly "best practice" now spreads quickly because can imitate management techniques. This has been accelerated and reinforced by consultants who working across the industry employ the same techniques across companies. And secondly "competitive convergence"- strategies converge as rivals benchmark the same companies, imitate each other's improvements and increasingly outsource the same activities (often to the same third parties). Porter(1997) warns that this last approach tends down a road of a series of races down identical paths that no one can win.

The third is that after a decade of restructuring and cost –cutting, many companies are turning their attention to growth. Too often, efforts to grow blur uniqueness, create compromises, reduce fit and ultimately undermine competitive advantage. In fact the growth imperative is hazardous to strategy.

Strategy is concerned with defining and then communicating the companies' unique position, making trade offs and forging fit among activities.

According to Porter(1997), companies can only outperform competitors if they can establish a sustainable difference. This difference should enable the company to offer greater value for customer or to offer the same value at a cheaper cost, or both. The differences between companies can be attributable to the different activities that companies perform or go through which ultimately adds up to the costs incurred as well as the value delivered. Thus in broad terms "activities then are the basic units of competitive advantage.

Competitive strategy is about being different. It requires a choice to either perform the same activities and competitors but do them differently or perform a different set of activities in its entirety. This seems to be the only way of offering a "unique mix of value". If a company does not set out to do this then the companies' strategy "is nothing more than a marketing slogan that will not withstand competition".

So far from the literature we can conclude that in order for a company to be successful it needs to have a strong competitive strategy in place. This competitive strategy should include a combination of being different of offering services of products that differ from the competition or both. The key being in the difference. Companies aim to handle competitive forces successfully, to achieve superior profits and to establish a position that is defendable in the long run. Porter lists three "generic strategies" that a company could use.

1. Overall cost leadership- delivering acceptable quality so as to merit at least average prices but at the lowest cost.
2. Differentiation- serving customer needs uniquely so as to merit premium prices by selecting added cost in areas producing high added value.
3. Focus- selecting a limited target market in terms of customer group, product range, geography, or vertical integration. Competitive advantage

comes from serving the selected market more efficiently or effectively or both.

Porter argues that companies are most likely to succeed if they focus on one of these generic strategies as each strategy require different capabilities and are supported by different organization structures and culture. Bearing this all in mind Porter warns, "that competitive advantage is ultimately gained through a firms activities, not through devising strategic goals."

What does it take to build a sustainable strategic position? Porter argues forcibly that rather than extend a strategic position, companies should deepen it. Become more distinctive, tighten the fit and improve communication with customers who should value what is offered. It is no answer to chase "easy" growth by adding new products or services without adequate strategic screening or targeting new customers and markets where the company has little to offer. Instead managers should find where and how the existing set of activities could offer things that "rivals would find impossible or costly to match".

2.2 Strategic Alliances

On such way that a company can achieve a competitive advantage or create a difference from its competition is by creating a strategic alliance with another company. Broadly defined, a strategic alliance is any relationship between companies involving a sharing of common destinies. Basically it is an agreement between two or more partners to share knowledge or resources, which could be beneficial to all parties involved (Vyas, Shelburn and Rogers, 1995). Murray and Mahon (1993) provide a stronger definition- a strategic alliance is a coalition of two or more organizations to achieve strategically significant goals and objectives that are mutually beneficial. "Mutually beneficial " does not however imply equality of benefits, but does signify that all parties to the alliance receive benefit from it in proportion to contributions made.

Strategic alliances can be either very simple or very complex. They could simply involve the sharing of marketing resources and/or technology, or in contrast involve several companies across several continents. These companies might in turn be linked with other organizations in separate alliances. This giving the net result of a maze of intertwined companies, which may be competing with each other in several product areas. However each alliance is unique (or in some instances joint venture), like a fingerprint and there can be no exact prescription for success (Antidote, 1997).

As a result of the maturation of several trends of the 1980's- intensified foreign competition, shortened production cycles, soaring capital investment costs, and the ever growing demand for new technologies- alliances have become an attractive strategy (Vyas et al 1995).

Alliances are forged along a variety of dimensions. Looking at these alliances along these dimensions helps understand the motivation behind this trend and help look at a few factors critical to their success.

Alliances can take place inter or intra industry. The companies wanting to protect their 'turf' in and industry usually motivate Intra industry alliances. As was the case where three US auto makers formed an alliance to develop an efficient electric battery for an electric car so as to combat the threat of foreign (Japanese or European) competition and prevent the loss of US market share to imports, (Shan, 1990) brought about by policy change in the US where a certain percentage of cars in the state of California had to be pollution free by the year 2000.

Intra- industry alliances are usually motivated by a pooling of expertise to create synergies. Such as the case between the Dupont (chemical giant)/Merck (pharmaceutical giant) alliance. Merck wanted to speed up the costly process of bringing products to market and Dupont wanted to establish itself as a player in the pharmaceutical market. Merck brought its market rights to certain products and established skills in bringing products to commercial fruition, while Dupont

brought its productive discovery capabilities along with imaging- agent's business experience into the alliance (Huston, 1991).
Area of alliance is also important, as many companies have found great advantage in forming alliances with companies operating in different countries such as the case of the US automakers forming alliances with foreign manufactures. This has allowed for the blunting of foreign competition into their local markets (Hamil, Doz and Prahalad, 1989).

In some instances alliances are built of relationships or better-said relationship constitutes the next dimension of strategic alliances. In this instance the alliance is often between a company and its supplier. This is usually brought about because the supplier is a known quantity for the company, with the relationship facilitating terms of agreement, resulting in a high level of trust built on past business transactions. An example of comes from the computer hardware industry. Intel Corp. (USA) and NMB Semiconductor Co. (Japan) have supplied each other for many years with a variety of electronic items. However it was only once they teamed up to build a semiconductor foundry in Japan that these companies really boomed. Intel had an assured source of high quality memory chips and NMB had access to Intel's world wide sales and marketing network, and area where they had previously been weak (Kuhn, 1989).

The influence of market related factors and technology also motivate these alliances. Factors that determine the nature of these alliances include: distribution channels (going around entry barriers); synergy (to pool resources, increase efficiency, share expertise, reduce cost, increase market share, and become more competitive) and sourcing raw materials (Lapedus, 1993; Valigra, 1991).
One lesson that companies everywhere are learning is that no one company is big and strong enough to do everything on their own. Companies form alliances to allow them to build up in some of the areas mentioned above where they are currently not that strong- exposing them to competition or competitors. In so

doing – allowing the companies a relatively quick and cost effective method of bridging that gap. E.g. Caterpillar Inc. (USA) and Mitsubishi (Japan) have decided to combine their production of forklift trucks and in so doing expect to benefit from joining forces rather than compete against each other for market share.

This move will bump them up to the number three spot of forklift producers in the world (Capon and Glazer, 1987; Dambrot, 1990; Gross and Neuman, 1989).

Linked to this some alliances are driven by the state of technology. What often happens is either recently matured technology (and available for application) or technology that is in its embryonic state (needing additional R&D) form the basis of strategic alliances. Companies wanting to create an immediate competitive advantage will seek alliances in new but readily available technologies- commonly called technology transfer, while those who want to remain at the cutting edge of technology and plan for long term growth tend to form alliances with companies whose technology is in the embryonic stage.

An example of technology transfer is the booming market of GPS (global positioning system) hand held instruments. The technology was developed for the military, but has been exploited by the commercial market for civilian use (Kanter, 1990; kogut, 1991; Pisano 1990).

An example of companies forming alliances to make use of technology in its embryonic stage is most commonly seen in the computer industry and the pharmaceutical industry.

According to Vyas et al 1995, fusion of technologies is the last dimension considered in the formation of strategic alliances. One of the partners may contribute the specific knowledge of a process (assembly, miniaturization, coating etc), which is critical to gain competitive advantage or to even create the final product.

The alliance between SmithKline (USA) and Kubota (Japan) is a case in point. Kubota, Japans largest producer of agricultural machinery, shipped in 1988 from a new facility its first mini-supercomputer, one of the most advanced in the world

The design chips were all American. Kubota used its superb assembly know-how to produce a high quality product (Kodama, 1992; Kogut, 1988).

As all trends point toward cooperation as a fundamental growing force in business, the world has never been so interdependent as it is now. In the past decade the number of new business alliances has about doubled each year, and this trend seems set to accelerate in the future (Lapedus, 1991).
In order for strategic alliances to be successful it may be necessary to institute a few changes within a company. Management style is one such change. Table 2.1 gives a clear comparison between traditional management ways and a new form of management style required to run a company involved in strategic alliances.

Government can play apart by reassessing its tax and anti-trust laws to facilitate co-operative ventures. Japanese and South Korean governments have taken a lead in such facilitating efforts. Through the Japan External Trade Organization (JETRO), trade missions representing selected product areas travel the world seeking new partnerships. The South Korean government plans to set up a $10 million fund to expand efforts for industrial links with US companies. The Trade, Industry and Energy Ministry has tapped two business groups, the Korean

Foreign Traders Association and the Federation Of Korean Industries to raise cash for the funds over five years (Wall Street Journal, 1993).

Cultural differences often create dilemmas when it comes to ensuring the success of strategic alliances, especially between Asian and Western companies. For example, Asian companies place their employees interests ahead of the shareholder's interests, while western companies place their shareholders interests above all else. Such differences can cause serious conflict over investment and dividend decisions. Language barriers can add to the frustration, although English is becoming a common international language. In the end however management learning is the key to lowering cultural barriers.

Vyas et al (1995) came up with a Strategic Alliance Model (Fig 2.2), which identifies the steps and variables involved in the working of a strategic alliance. According to the model, the first step in developing the strategic alliance is to scan the environment for opportunities. This includes the company's own SWOT (strengths, weaknesses, opportunities and threats) analysis.
A clear understanding of its strengths and opportunities, allows the firm to set its short
and long term objectives, while the analysis of weaknesses and threats provides direction to look for allowances. These may include competitors, suppliers or other companies, which could provide the needed strengths. These companies constitute the group with alliance potential (GWAP).

The Model is broken up into segments and give a clear path how a company should go about a strategic alliance.

The critical path as shown in the mode is given by SWOT Analysis to Goal compatibility to Barriers to Success the final net result a Successful Strategic Alliance.

Traditional style	New style
Total control over resources to achieve objectives	Shared/ distributed control
Enterprise structure: "closed system" Conflict resolved through hierarchy when other means fail	"Open system" Absence of such a "hierarchy" in the alliance. Heavy dependence on negotiation skills
Corporate culture: Success based on competition	Success based on cooperation. Competitors regarded as potential strategic resources
Emphasis on secrecy of operation	Need for sharing of information with partners
Focus on generating internal resources/ know-how/technologies to maintain/ create competitive advantage	Using alliances as a strategic leverage to procure resources to maintain/ create competitive advantage
"Not invented here" (NIH) syndrome common weakness	NIH discouraged. Identifies need for new mind set. Encourages search for better ideas beyond corporate boundaries
Internal stereotypes "us-they" at various levels of workforce may persist	Such stereotypes are discouraged with specific actions such as training, open communications, team-building efforts at all levels of workforce
Enterprise structure of "closed" may lead to workforce behaviour such as "turf protection", accepting status quo, etc.	Rethinking , relearning, adopting new ideas, experimentation to do better to avoid the trap of yesterday's wisdom
Value/importance of good communication is not obvious because of functional organisation	Value of formal and informal communications is stressed. Cross-functional approach to management builds collective understanding
Fear of failure	Failure tolerated and expected to lead to new insights
Alliance often viewed as a threat (reduced control/power, loss of job, hence resisted or at worse rejected	Alliance viewed as a strategic tool
Slow to react to changes	Permits rapid and flexible response to changes
Short-term perspective: to reduce cost, avoid investment and move manufacturing to offshore where labour cost is low	Long-term view: develop long-term objective for gaining access to newly acquired capabilities
No specific programs to seek out alliances and make them successful	Specific programmes to broaden the experience and education of the workplace. Mutual learning and mutual dependence encouraged through formal training and informal networking.

Table 2.1. Comparison of traditional management style versus New Style.

The company should perform similar SWOT analyses for its major GWAP firms to help negotiate the strategic alliances.

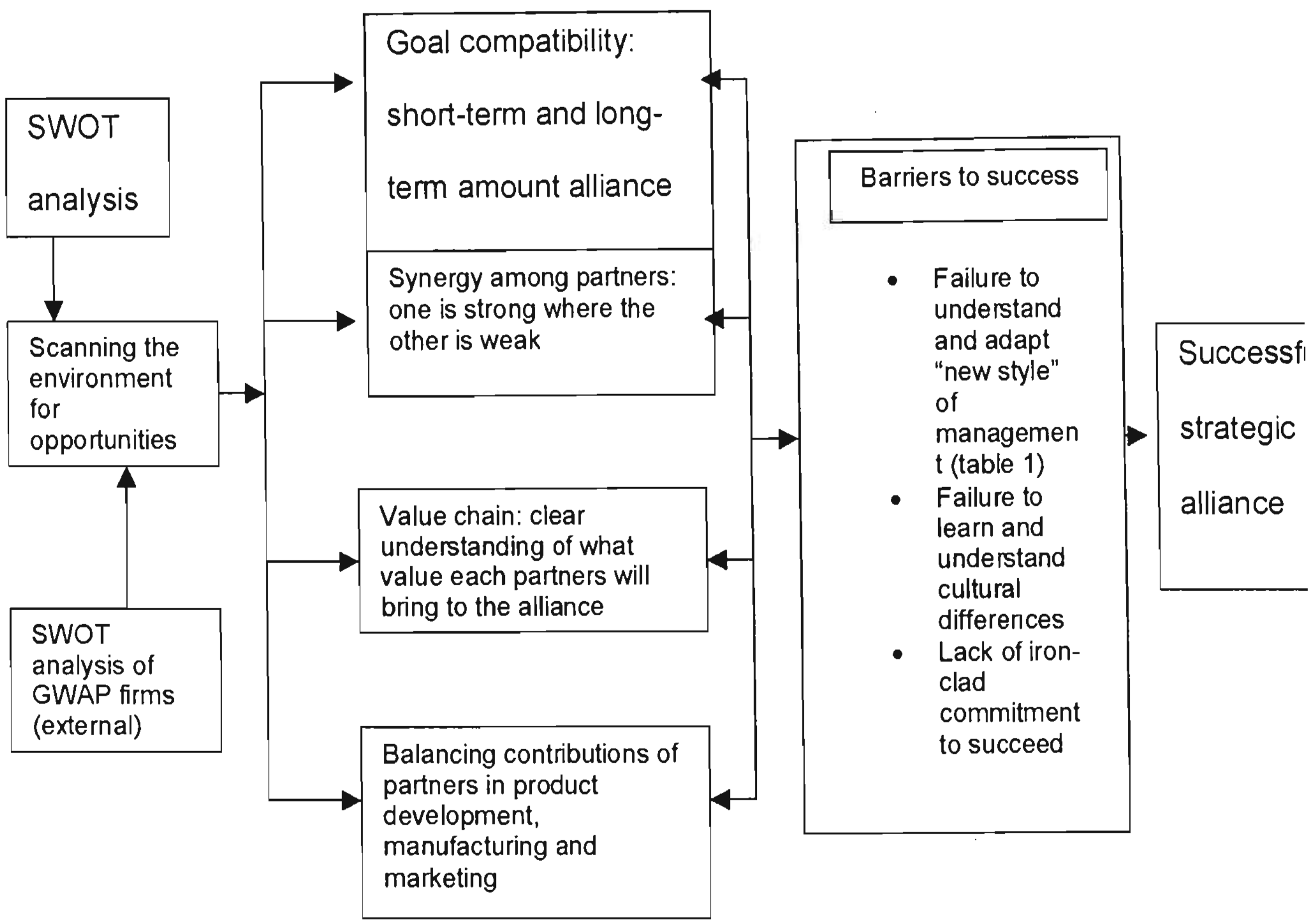

Figure 2.2. Dimensions of strategic alliances

The model identifies four critical issues in order for the alliance to be a success:

1. Goal compatibility; short term and long term among alliance partners. Without such compatibility, the alliance partners may pull in different directions
2. Synergy among partners; one is strong where the other is weak. This is the major reason for and the advantage of the alliance. The partnership is

efficient, effective and as a result much more competitive compared to each alliance partner performing the similar task individually.

3. Value chain; clear understanding of what value each partner will bring to the alliance is the foundation on which trust and relationships are built for future success.
4. Balancing contributions of partners in the areas of product development, manufacturing, and marketing are necessary so that no one partner dominates the alliance. Absence of such a balance result in the take over of the weaker partner by the dominant firm or a short-term relationship, usually resulting in breaking the alliance without achieving its full potential.

Vyas (1995) go on to state that there also tend to be three major generic barriers to successful strategic alliances. These include:

1. Lack of total commitment to succeed. Often the individuals who originally negotiated or implemented the initial alliance agreement may change due to promotions, transfers, retirement or terminations. Continuity of total commitment for the alliance is needed at all levels in the organization without which the alliance will fail t reach its full potential.
2. Failure to understand and learn the cultural differences. Not only do the cultural differences exist among international firms seeking to form alliances, but also corporate cultures may be different among firms from the same country. Flexibility and learning are the greatest tools in overcoming this barrier.
3. The failure to understand and adapt to "new style" management as detailed in Table1. The adaptation of a new style of management requires a change in corporate culture, which must be initiated and nurtured from the top.

Although many authors have written about the motives for forming alliances (Devlin and Bleakley, 1988; Murray and Mahon, 1993; Porter and Fuller, 1986; Ring and Van de Ven, 1992), Lorange et al (1992) find that when it comes to retail there are four generic motives for forming alliances: as a defense; to catch up; to remain or to restructure. Murray and Mahon (1993) believe that alliances in retail occur in response to two underlying motivations: a "defensive" instinct to survive or an "offensive" desire to achieve competitive advantage.

In summary, objectives for forming alliances can be divided into two main groups. Namely, alliances that are used as an efficient way to expand strategic capabilities, and those used as a means of market control by reducing competition.

Thus for retail, alliances in this sector could be classes as competitive alliances. This is because the role of the alliance is primarily strategic in focus and the role of the alliance is to increase members' effectiveness in the market. This would be one of the key driving motivating factors in Woolworth's decision to search for a strategic alliance partner.

In addition to considering the joint venture consumer products companies that should perform well through a recession are those with strong retail partnerships, leading brands, relevant innovation, resources to support those brands and lean cost structures (Woolworth's have the majority of these). Those companies that will succeed will be able to maintain and grow as retailers expand, at the expense of weaker brands (Lynch 2002) or as a result of a move into new markets.

In this modem age, with our interdependence growing towards a unified market, building stronger domestic and international business is a commercial necessity. The trend toward strategic alliance is clear; it is not a passing fad. Deregulation, the emergence of regional trading blocs, the ease of technology transfer, and the intemationalization of markets have prompted firms to look at each other in a different light- as allies rather that adversaries.

When valuing a project the Net present value of that project is often calculated to ascertain the present day value that the project will add. The NPV is calculated at the interest rate the company expects/need to get back on the project to make it viable. NPV is a good method to use as it takes into consideration the time value of money (Arnold 1998). Internal rate of return is also a popular method as it is easy to understand. Both methods should more or less give the same answer. Arnold, 1998 lists the pros and cons of using each method.

CHAPTER 3 RESEARCH DESIGN AND METHODOLOGY

3.1 Sample and Sampling Technique

The sampling frame will be the financial statements for the last year for the two pilot projects currently up and running in Cape town- namely the site in Orange Street and the sight in Meadow ridge. The sampling frame used to measure the quantitative variables took the form of those customers stopping at the forecourt. The size of this population was 84. This population was sampled on the actual forecourt site within the store, once they had made a purchase so as to account for the "Hawthorn Effect".

3.2 Design and Analytical Techniques

The research design has taken the form of a case study. There will be no control group and the qualitative, and quantitative variables will be sampled at a specific point in time (the qualitative by means of an experience survey). The quantitative variables will be analyzed using financial indicators such as Net Present Value (NPV.) and Internal rate of Return (IRR) over a fixed period of time. There will be two approaches to the information, 1. From a Woolworths approach 2. From an Engen approach.

3.3 Feasibility

Data to be collected for the feasibility study will be via a semi- structured questionnaire, through an interview. An outside consultant will conduct the interview. The study is a cross sectional study with the candidates being interviewed systematically. The researcher being independent and unbiased will not be able to manipulate the variables. The above applies to the collection of qualitative data. The quantitative data will be collected via the pilot projects financial figures for every month since initiation. The quantitative results For

Woolworths will be based off a proposed NPV and IRR model with projected sales vs. Actual sales once average sales data has been collected. From an Engen perspective the Quantitative and qualitative merge in a feasibility study. Sustainability will be based on results prior to the initiative, and there after monitored on a monthly basis. Sustainability will measure both inter and intra – business units.eg. Both food shop and petrol sales.

3.4 Sustainability

The Net Present Value and Internal Rate of Return will be calculated using formula found in the International Management textbook. Figures used for these Equations will come from company Financial Statements and from the financial statements of the two pilot projects.

Data to be collected on which petroleum company to go in with and how best to structure the control will come from secondary data. This data will be made up of data from the A.C Nielson Report, and company documents. Secondary data will also be collected from company archives and structure reports, as well as post implementation reviews. This data has been presented in the background to the case study.

3.5 Data Analysis Techniques

Data obtained from the feasibility will be analyzed using parametric techniques. Quantitative data will be analyzed using financial formulae based on NPV and IRR. Data collected from AC Nielson (and partnership) will be analyzed using parametric techniques.

CHAPTER 4 OBSERVATIONS AND FINDINGS

4.1. Introduction

The concept of having a $\pm$ 11 m^2 Woolworths mini market "cubby" integrated as part of the $\pm$ 50/60 m^2 quick shop has proved extremely viable for the two partners involved. The "cubbys" offer includes the HMR's and take away convenience food. It also includes those items often forgotten e.g. the meat for a braai, or salad stuff or even pudding. The core fundamental behind the range that the shop carries is convenience. This obviously also extends into the convenient shopping hours. From looking at the peak hours of trade, it was seen that the two stores had slightly different peak trading hours due to the locality they find themselves in. Orange Street, which is situated in town has peak trading hours around 5-6pm. While Meadowridge which is situated in near Constantia in a residential suburb has peak trading hours from 5:30 pm to 7:30 pm. Both stores have a spike in sales over the lunch time period, with Orange Street selling more than double what Meadowridge sells over lunch. (see Appendix G). All site identification has occurred between or has been cited by Woolworths and Engen HO.

Other sites selected for future development include:

Durban	
Lagoon Service Station	Athlone RD, Durban North
Palm Service Station	Rinaldo RD, Glen Hills
Cape Town	
Sonnendal	Hendrick Verwoerd Drive
Vinyard	Main Rd Newlands

Johannesburg	
William Nicol	William Nicol, Fourways
Bryanston	Peter Place, Bryanston
Mimosa	DF Malan Drive, Blackheath
Brentel Motors	Andries pretorius St, Edenvale

Role out plans are dependant on the success of the pilot projects and the confidence in the maintenance of brand integrity by the dealer.

This also applies to the dealer selection and all the Capex for construction of a site suitable for a Woolworths-Engen initiative is picked up 100% by Engen. HO. Capex for the equipment needed in these stores is picked up by the dealer. The pricing of the good sold in these stores has been kept the same as the prices in the Woolworths full line stores so as to not to disrupt customers expectations when they shop the full stores

Currently these mini-markets are run by the dealer and his staff that have had limited exposure to Woolworths and their protocols. This obviously being a concern for Woolworths and their brand integrity. However documents have recently been completed which list clearly defined controls necessary to protect the Woolworths customer experience and these include:

- Hygiene disciplines
- Sell-by disciplines
- Cold chain disciplines
- Quality control disciplines
- Return policy
- Tilling service and procedures
- Customer care

These control documents are in the process of being handed over to the Engen body and the Engen dealers.

The buying, selling and procurement IT systems are currently Engen systems, which extract the information to provide Woolworths the sales and waste figures on a daily basis via the web from the dealer. All financial information is web enabled allowing Woolworths to better understand their customer buying patterns. All IT systems and set up has to comply with the minimum specifications set out by Woolworths.

4.2. Findings

The original feasibility of the Woolworths- Engen initiative (the two pilot project stores within an Engen forecourt store) was based on the following calculations produced 1 month prior to the opening of the first pilot store September 2000 These calculations include financials for all costs of the business from Capex costs to commission and consultancy costs and will be discussed later in this document. From these findings the Net Present Value and the Internal Rate of Return have been calculated. This is a Woolworths generated table and reflects all the considerations from a Woolworths perspective

Table 4.1. Original feasibility based on Sales of R70 000 a week (from a Woolworths perspective)

Engen @ R70000 sales turnover per week

Capex	
- Foods	-17,500
- Other	0
Total Capex	-17,500
Development Expenses	(25,000)

Comment
Assumption intro of WW perol card/costs for Engen
Life expectancy of the quickshop is 5 yrs

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales					
- Inflation		8.00%	7.00%	7.00%	6.00%

- Average weekly sale	R70,000	3,640,000	3,931,200	4,206,384	4,500,831	4,770,881
- Sales Excl. VAT	11%	3,279,279	3,541,622	3,789,535	4,054,803	4,298,091
- Waste	0.00%	0	0	0	0	0
- Shrinkage	0.00%	0	0	0	0	0
Maximum Sales		3,279,279	3,541,622	3,789,535	4,054,803	4,298,091
Cost of Sales	32.00%	2,229,910	2,408,303	2,576,884	2,757,266	2,922,702
Revenue						
- Commission (PAF)	10.15%	226,336	244,443	261,554	279,862	296,654
- Contribution to promotion	0.00%	0	0	0	0	0
- Supplier rebate	1.00%	36,400	39,312	42,064	45,008	47,709
- Supplier marketing allowance	0.25%	5,575	6,021	6,442	6,893	7,307
Total Revenue	7.37%	268,311	289,775	310,060	331,764	351,670
Operating Expenses						
Inflation			8.00%	7.00%	6.00%	6.00%
- Travel Budget	Fixed costs	-4,444	-4,800	-5,135	-5,444	-5,770
- People costs	Fixed costs	-33,500	-36,180	-38,713	-41,035	-43,497
- Marketing cost	Fixed costs	-1,777	-1,919	-2,054	-2,177	-2,307
- Replacement visuals	Fixed costs	-5,000	-5,400	-5,778	-6,125	-6,492
- Stock loss (shorts & overs)	0.00%	0	0	0	0	0
- Audit Costs	Fixed costs	-8,000	-8,640	-9,245	-9,799	-10,387
- Swell allowance - stock damages	0.05%	-1,115	-1,204	-1,288	-1,366	-1,448
- Debtors Book Costs Settlement	0.25%	-5,575	-6,021	-6,442	-6,893	-7,307
		0	0	0	0	0
Total Expenses		-59,411	-64,164	-68,655	-72,839	-77,209
Profit Before Tax		208,900	225,612	241,405	258,925	274,461

Taxation	30.00%	-62,670	-67,684	-72,421	-77,678	-82,338
Net Profit		146,230	157,928	168,983	181,248	192,122
Return on Sales % (After Tax)		**5.85%**	**5.85%**	**5.85%**	**5.87%**	**5.87%**
Sales Transfer	8.00%	-262,342	-283,330	-303,163	-324,384	-343,847
Margin	7.50%	-19676	-21250	-22737	-24329	-25789
Adjusted Net Profit		126554	136679	146246	156919	166334
Adjusted ROS % (After Tax)		**5.07%**	**5.07%**	**5.07%**	**5.08%**	**5.08%**

Note:

Sales = cost of sales plus revenue

Set up costs accounted for in cash flow only

Discounted Cash Flow (NPV)	**R478,971.37**					
		Year 1	Year 2	Year 3	Year 4	Year 5
IRR		**592.74%**	**704.87%**	**717.57%**	**719.18%**	**719.39%**
Cash Flow	-17,500	121,230	157,928	168,983	181,248	192,122
Cost of Capital	18%					
EPS	912000000	0.00016	0.00017	0.00019	0.00020	0.00021

Table 4.2 uses the same costing structure but differs in the spreadsheet above as in the sales calculation, the actual sales as per last week have been inputted to show a real life analysis of how from a Woolworths perspective, the initiative is currently tracking. Note in both tables a relatively low inflation rate, reflective of the actual economy.

Table 4.2. Sales based at Current Scenario to ascertain current IRR and NPV .of project.

Engen @ Current Scenario

Capex	
- Foods	0
- Other	0
Total Capex	0
Set Up Cost	-

Comment
Assumption intro of WW perol card/costs for Engen
Life expectancy of the quickshop is 5 yrs

		Year 1	Year 2	Year 3	Year 4	Year 5
Sales						
- Inflation			8.00%	7.00%	7.00%	6.00%
- Average weekly sale	R150,000	7,800,000	8,424,000	9,013,680	9,644,638	10,223,316
- Sales Excl. VAT	11%	6,842,105	7,389,474	7,906,737	8,460,208	8,967,821
- Waste	0.00%	0	0	0	0	0
- Shrinkage	0.00%	0	0	0	0	0
Maximum Sales		6,842,105	7,389,474	7,906,737	8,460,208	8,967,821
Cost of Sales	32.00%	4,652,632	5,024,842	5,376,581	5,752,942	6,098,118
Revenue						
- Commision 1	10.15%	472,242	510,021	545,723	583,924	618,959
- Contribution to promotion	0.00%	0	0	0	0	0
- Supplier rebate	1.00%	78,000	84,240	90,137	96,446	102,233
- Supplier marketing allowance	0.25%	11,632	12,562	13,441	14,382	15,245
Total Revenue	7.20%	561,874	606,824	649,301	694,752	736,437
Operating Expenses						
Inflation			8.00%	7.00%	6.00%	6.00%
- Travel Budget		0	0	0	0	0
- Greg Smith	Fixed costs	-200,000	-216,000	-231,120	-244,987	-259,686

Buyer	Fixed costs		0	0	0	0	0
- Finance/Administration	Fixed costs		-18,000	-19,440	-20,801	-22,049	-23,372
- Stock loss (shorts & overs)		2.00%	-136,842	-147,789	-158,135	-167,623	-177,680
- Regional mgt	Fixed costs		0	0	0	0	0
- Support infrastructure	Fixed costs		0	0	0	0	0
- Debtors Book Costs	?						
	Fixed costs		0	0	0	0	0
Total Expenses			-354,842	-383,229	-410,056	-434,659	-460,738
Profit Before Tax			207,032	223,594	239,246	260,093	275,699
Taxation		30.00%	-62,109	-67,078	-71,774	-78,028	-82,710
Net Profit			144,922	156,516	167,472	182,065	192,989
Return on Sales % (After Tax)			**2.78%**	**2.78%**	**2.78%**	**2.82%**	**2.82%**

Note:

Sales = cost of sales plus revenue

Set up costs accounted for in cash flow only

Discounted Cash Flow	**R515,415.96**					
		Year 1	Year 2	Year 3	Year 4	Year 5
IRR						**#NUM!**
Cash Flow	0	144,922	156,516	167,472	182,065	192,989
Cost of Capital	18%					

From table 4.1 it can be seen that after all things taken into account the numbers say that this is an extremely viable venture. The actual numbers that have been inputed further backs this up (table 4.2). Since receiving this data it has been learned that both stores are trading on average around the R190 000 a week mark. With the cost of capital set at 18%, to receive cash flows fro the next five years as presented above, numbers wise, prove once again the viability of this venture. The Actual observations of the IRR's and the NPV's are mentioned below.

Because Woolworths business has not only been built on the number, but also on the brand; the survey submitted by the independent consultant is weighted equal if not more than the numbers in determining the viability of the project.

Table 5.3. Summarizes the findings from the independent consultant who probed the qualitative aspects of the initiative as well as the probe into the customer profile. The findings are listed per pilot store, as each store has different attributes, customer responses stemming from different customers. In addition in the table there is a general section that list general comments from the customers.

<u>Table 4..3. Table showing Orange street Vs Meadowridge customer profile and findings</u>:

Orange Street	**Meadowridge**
• Young age profile 25-34years and 18-24 years • High % male customers • Occupation: managerial, sales and entrepreneurial • Majority claim to have either a diploma or a degree • Origin: majority city bowl • Estimated 45 %new customers • Existing Woolworths shoppers shop at V&A and Century City • They shop here for convenience. Quick in and out-	• Profile mature and affluent (35-49 years) • Mostly professional, pensioners and entrepreneurs • Education: std 10 (older profile) and postgraduates. • Mostly married people with children in primary and secondary school • Origin: Meadowridge, kreupelbosch, Constantia • They shop here mainly for convenience, quick in an out

convenience. Quick in and out- one stop shop 24 hours a day • Most customers frequent the store three times a week • The customers love the concept; the whole experience is definitely not degrading. Woolworths brand intact • The till area and trained staff a major problem-not Woolworths standards	shopping. Parking not a problem. It is perceived as a one stop shopping experience 24 hours a day • Frequency of shop- three to five times a week • The customer loves the new concept and is a positive shopping experience, not degrading to the brand.
General -Orange street • Woolworths card critical, customers do not want to carry cash • Parking is a problem • Customers visit the store at all hours because of the customer profile and nightlife in the area • This store is constantly bust and customers complained that there is no space for them to move around. Space too small- table too big	**General -Meadowridge** • Constantia shoppers do their daily shop here. Only 6% from Claremont • Woolworths card critical, customers do not like carrying cash • Mothers buy sandwiches daily in late afternoon for children in school • Customers complained about the availability of meat, but it seemed resolved

In addition to the information provided above, the following were the main conclusions drawn from the survey.
" The Woolworths section at Engen represents enormous convenience for Woolworths customers. It represents, the best of both worlds- convenience Woolworths (WW) foods at a quick convenient location."

" the two current locations have brought such joy and delight to customers and they speak so highly of these, that removing them would result in anarchy. The feelings were very strong in this regard."

"However, the customer opinion confirmed that the following issues are of vital importance:

- We must ensure that the Engens we choose are clean, hygienic and management/ location are in line with WW principles.
- We must continue to offer the "convenient foods" and not sell a range that we are unable to maintain.
- We must improve availability
- We must continue to keep prices the same as I our stores (WW). Many customers have been introduced to WW because of their exposure in these stores and are "surprised at the excellent prices".

A comment quoted from one customer, helps Woolworths to understand from a qualitative point of view just how viable the venture is.

" I always though Woolworths was expensive. Now that I've realized what good value the prices are, I shop at the Engen and have begun shopping at Woolworths traditional stores."

Although there are obviously concerns, the overriding feeling from the numbers and the survey conducted on customers shopping the store tend to indicate that this venture is extremely viable and forms part of a strong competitive advantage strategy that would be hard to replicate in the short term.

4.3. Observations discussed

Apon delving into the research, it was found that there were three role players that participate in this alliance, namely Woolworths, Engen Head Office (HO) and the Engen Dealer. Although there are three role players involved, from a high level approach the Engen dealer and the Engen HO have been grouped as one. Thus the feasibility study has been conducted for Woolworths vs. Engen.

Although this is the case, on the ground level, there was also work done in deriving a model where all role players benefited.

To combat or try and gain the upper hand in the game of retail, Woolworths has come up with a strategy, which has been generically named "The Difference". This strategy is a competitive one and has been aimed at outperforming the competition in the race for market share and ultimately sales and profit. From the literature it can be seen that this strategy of differentiation involves serving customer needs uniquely so as to merit premium prices by selectively adding cost in areas producing high added value (Porter, 1998). This applies to all aspects of the business and covers all of Woolworths functions and operations, from food development, to financial services to new micro store design to store format. (Although on a trolley full of goods Woolworths is no more than between 2 – 4% more than the competition, this from recent research conducted).

In line with this thinking Woolworths has implemented these two trial stores (or "cubby" concepts within the Engen forecourt store) and has been extremely successful as the results reflect. In any alliance it is critical that all members benefit, otherwise there would be no use in forming an alliance and this is certainly the case. From an Engen perspective, Engen has benefited tremendously from this alliance.

Each member has brought their unique strengths into the equation, which has resulted in a synergy, ultimately resulting in an extremely positive outcome for all parties concerned. Woolworths have brought their absolute dominance of HMR (home meal replacements, their innovative good food and strong brand following. Engen has brought their distribution network, its 1400 outlets in prime sites and their dominance in the petroleum industry (petroleum sales- 31%share in the current market-Engen).

This alliance that has materialized between these two corporate giants has been born from the realization that the formal unmeasured forecourt food market is currently worth R46.5bn (Nielsen 2003). For Woolworths this represents a sector of the market that has been previously uncaptured, and for Engen, this represents the opportunity to gain a larger share in this market by attracting more customers into their stores and possibly having a spin off on their primary business-namely petroleum sales. The second reason that has attracted Woolworths to this alliance is the second half of the Woolworths food strategy, which is on of convenient foods. Engen has given Woolworths the tools and format to trial marketing their product in a 24 hour trading environment.

If we look at the figures drawn from tables 5.1&5.2, it can be seen from a Woolworths quantitative point of view this project is extremely feasible. From the original scenario where sales were R70 000 a week, the net present value (NPV) of the project was given at R478971.37 (the life of the project taken over 5 years). From an internal rate of return (IRR) this scenario yielded in yr 1 R121230, and in yr 5 R192122. These figures being highly in favour of the project. When we submit the actual sales scenario of on average R150 000, the NPV of the project comes out at R515415.96 and the IRR for yr 1 is R144922 and for yr 5 R192989. In order for the project to be viable the net present value has to be has to be a positive number. From the results the NPV is hugely positive.

Because it is important to Woolworths to protect their brand integrity at all costs, it is necessary to evaluate the qualitative date, before deciding overall if this project is viable. From the data collected from the customer survey, and market research in the trial stores: 40%of the people who shopped there did not previously shop in Woolworths stores, 60%believe that 24 hour shopping is very important, 32%shop daily at Engen Woolworths and 52% of the customers who shopped Orange street store were males. (According to Nielsen 70% of customers who shop our stores are female). In addition customers loved the experience and convenience of shopping a "24hour Woolworths store" and felt that this did not detract from the Woolworths brand in any way. (This being important as Woolworths in essence are giving Engen their product to sell, and rely on Engen personal to maintain protocol; necessary in protecting the brand integrity of Woolworths food).

What does this all mean? In essence Woolworths have picked up a new customer base that are being exposed to the Woolworths Brand. In so doing Woolworths have created the opportunity to attract new customers into their full line stores. The fact that such a high percentage of customers commented on the importance of 24 hour trading and hence convenience highlights the attractiveness to entering this market. The high percentage of male customers once again allows for exposure of the Woolworths brand to a customer segment that traditionally has a low percentage of buyers.
From An Engen perspective, the feasibility is based on both their primary and secondary markets, namely petroleum and shop sales. From the figures for Orange street store (Appendix E and F), it can be seen that the food shop sales went from R439667 per month prior to launch of the new store (Average 11 months prior to December 2000) to R2203527 (March 2003), which represents a 500% upliftment in food store sales. The petroleum sales for the same period went from 526993 litres per month (2000) to 799615 litres (2002) to 795497 litres (2003), which represents a 51% and 0% upliftment respectively.

Meadow ridge performed in a similar way, (Appendix C and D) seeing an upliftment in sales in both their primary and secondary markets. In the food market, the 11-month sales average prior to the store opening (September 2001) went from R722758 per month (September 2003) to R1759175 (March 2003). This represents a 214% upliftment in sales. The petroleum sales for the same period went from 456012 litres per month (August 2003) to 701449 litres(March 2002) to 730606 litres (March 2003). This represents an upliftment of 53% and 4 % respectively.

Thus in both stores, the sales of both their primary and secondary markets has increased significantly. The number of customers through the stores also increased. This was measured by the comparing the number of shop transactions in the stores to the figures in for August 2003. In Orange Street the %upliftment in shop transactions was 13%, and Meadowridge showed an upliftment of 16% in transactions.

The last piece of the puzzle is to ensure that all three parties in the alliance, namely Woolworths, Engen HO and the Dealer collectively and individually find the alliance profitable. From the current business model financials for the dealer (Appendix A)can be seen that if a product retails for R100, R70.00 is paid to the supplier for the product, the Woolworths wholesale buying margin equates to R7.11 and the retail buying margin from the dealer is R22.89. in effect this means the dealer receives R22.89 before expenses. Once expenses have been deducted and Engen HO have deducted their R4.00 commission, the dealer is left with a net contribution of R3.61.
From a Woolworths side (Appendix B) Woolworths receive R7.11. Once deducting expenses, listed as depot shrinkage, swell allowance, other cost to produce, debtor and procurement costs, the net contribution comes out at R3.99. However Woolworths require a minimum net contribution of R4.50 to cover corporate overheads. In order to compensate for this difference Woolworths can propose that the dealer pays for his goods seven days from the date of delivery via direct debit. In essence what this does to the figures is allow R0.81 to be deducted from the debtors expense, resulting in a net contribution of R4.80.

The commission the dealer pays to Engen HO is to pay for the investment of the infrastructure and administration costs. The cost to build a Woolworths-Engen shop comes in around the R1.6mill mark. The dealer contributes R400 000 to Capex, which is depreciated over five years and Engen HO pick up the remaining amount. Summarizing this all parties benefit from this financially.

4.4. Summary

In summary, the numerical results strongly indicated that all partied benefit from this project, venture. However since brand integrity means so much to Woolworths as it forms the basis of their business, the survey conducted by the independent consultant was weighted more important. This was so as Woolworths did not want to damage their existing reputation by tarnishing their brand. The results from the survey, indicate that brand integrity is in place and that customers would literally revolt if Woolworths decided that this was not feasible, as this concept has brought a new level of convenience to the customers lives.

CHAPTER 5:RECOMMENDATIONS AND CONCLUSIONS

Based on the findings of this investigation, the following conclusions are drawn:

1. In order for a company to prosper in today's economic climate it is imperative that the company be aware of its surroundings. One of the simplest methods of doing this is to conduct a SWOT analysis, which sums up the strengths, weaknesses, opportunities and threats that relate to the company. Once this has been concluded those trouble areas can be focuses on.

2. A threat facing just about every company is the threat of competition. Competition comes in many forms and from many different sources. Porters Five Forces Model show us that competition is not just merely the companies one is in competition with, but rather that there are other forces such as substitutes and the collective power of large suppliers and buyers that can influence competition. Competition can cause loss in market share and ultimately loss in profits and shareholders value.

3. One way to combat this competition is by creating a strategic competitive advantage. The work strategic implies that the aim of this is to gain an advantage over ones competitors, but also to derive a sustainable solution that will last longer than one trading season. One way of doing this is by looking to form strategic alliances with companies that are strong where your company is weak, or where your company has relatively little expertise or assets. This is the case with the Woolworths-Engen initiative.

4. From market research customers want convenience food. This extends further down the line than food that can be cooked in the microwave in less than 5 minutes, and extend to the accessibility of this food. Woolworths, the market leaders in HMR's (home meal replacements)

have the right profile product, but traditional have traded in stores that keep regular office hours. Engen who have market share of the petroleum market, have accessible sites that trade 24 hours a day and had fairly recently moved into the secondary business for them- the Engen Quick Shop. By combining the two one arrives at a winning business formula.

5. The strength of the Woolworths-Engen initiative is that the two members in the alliance have common goals – to grow their primary businesses, they have a synergy fit, they clearly understand the value that each member brings to the table and they have balanced the contribution of the partners in the areas of the product. And the success of this has been built on these foundations.

6. The extremely positive NPV figures show that from Woolworths quantitatively, this venture is extremely viable. From the qualitative research it seems that Woolworths fears of maintaining brand integrity have not been founded as customer relish the shopping experience. However it should be noted that the introduction of the Woolworths card paying system in these shops are essential and will most likely attract a higher ACP (average customer purchase). By changing payment terms to seven days, Woolworths will be able to exceed their minimum net contribution to cover corporate overheads by reducing their risk to debtors.

   Woolworths can learn from analyzing the sales in these Woolworths – Engen stores linked to the buying patterns of certain geographic regions and can incorporate this learning into some of their full line stores found in the same geographic location. Woolworths can also run promotions in these stores to attract customers to their full line stores in order to raise their ACP. This venture is certainly a competitive advantage as there is no other retailer in the South African market that can compete with Woolworths HMR's.

Woolworths by strong product innovation have created a strong category of food, and by marketing this product in a 24 hour trading store, Woolworths are exposing potential customers to their brand that these customers would not normally shop.

By choosing Engen as a strategic alliance, Woolworths have given their project the best possible chance of success, due to Engens market dominance and situation of their petrol station. From Engens perspective, the fact that they offer a strong well recognized sought after brand in their quick shops has been a huge competitive advantage for two reasons. One, Engen is offering a unique service and convenience to the customers that shop petroleum at their sites. Creating a draw card for customers to shop at Engen sites, not only those particular pilot project sites, but also their additional petroleum sites. The offer of Woolworths at an Engen site results in a return appeal for the customers to that specific site, evident in the increase in petroleum sales and the increase in the total food shop takings. The second reason is that because the Woolworths brand is synonymous with quality and affluence, the initiative tends to upgrade the status of the petroleum station, or in other words strengthens the brand of the petroleum station. An attraction to the customer to further boost this venture is the security of the location, especially after hours.

In order to ensure brand integrity, Woolworths need to have trained the dealer and his staff in Woolworth's protocols and Woolworth's culture. One possible way of doing this is by offering a program by which the Engen personal would attend a programme made up of two aspects. The first would be a series of interactive lectures laying down the foundations of Woolworths, and the second would be a two-week attachment for the people concerned in a current Woolworth's store. Woolworths could go one step further, by ensuring that these Woolworths-Engen sites were audited one a year. Mystery shoppers could be used to ascertain if the correct disciplines and Woolworth's ethos were being followed.

7. It can be noted however that there is a factor, that if not present would result in these ventures not being a success and that is location. Woolworths and Engen need to choose sites that are convenient for people to stop at .i.e. on the major routes in, out and around town. Within eyesight of peoples normal commuting routes. Linked to this there must be adequate parking available for customers.

8. The two pilot projects prove that this form of strategic alliance is successful and beneficial to the two members concerned. As the sites role it, it would be recommended that the teams responsible for running this venture resit and rework the numbers in terms of commissions and buying margins to ensure that at the end of the day the benefit goes to the customer. That is what will ensure the sustainability of this venture.

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Current Business Model: Financials –Appendix A

Current Engen Business Model - Dealer

Revenue

Retail Buying Margin – Dealer R22.89
Wholesale Buying Margin - WW R7.11
Paid to Supplier R70.00

Dealer Receives R22.89

TOTAL R100 = Retail Selling

Expenses

Distribution R3.42
Waste R2.31
Shrinkage Stores R0.77
Engen HO Commission R4.00
Direct Store Costs R9.70

Total Expenses = R20.2

Other Revenue

Swell Allowance R.0.15
Interest Received R0.77

Debtors da
30 days

Total Revenue = R0.92

Net Contribution = R3.61

Current Business Model: Financials
Current vs Proposed Engen Business Model – WW Appendix B

Revenue

WW Receives R7.11

Changes Proposed

- Dealer pays 7 days from date of delivery via direct debit

Expenses

Shrinkage Depots R0.07

Swell Allowance R0.15

Other Costs to Produce R0.41

Debtors Costs R1.08

Procurement Costs R1.82

Minus

Revised Expens

Debtors Costs R0.81

Total Expenses = R3.12

Total Expenses = R2.31

Net Contribution = R3.99

Net Contribution R4.80

NB: Minimum contribution required to cover corporate overheads = R4.50

Code:	**TRR021**	Appendix C
Title:	**Retail Sales Category**	
Criteria:	**Site: 2ELV Meadowridge Service Centre**	
	From: March 2002	
Report Info:	**Report Status: No Status Available**	
	Number of Sites: 1 (1 Mar 2002 - 31 Mar 2002)	

Profit Center	Category	Sub	Sales	Cost	GP	GP%
Click on to expand or collapse report						
Alternate Profit Opportunities			351	0	351	100%
	APOs		351	0	351	100%
		Car Wash	351	0	351	100%
Forecourt			[illegible]	[illegible]	[illegible]	[illegible]
	Fuel		2,853,794	2,616,322	237,472	8.30%
		Premium	1,398,761	1,283,432	115,329	8.20%
		Unleaded	1,263,063	1,156,496	106,567	8.40%
		Diesel	191,969	176,394	15,575	8.10%
	Lubes		13,688	8,466	5,222	38.20%
		Engen	13,549	8,366	5,183	38.30%
		Castrol	140	100	40	28.60%
Fast Foods			57,591	22,187	35,404	[illegible]
	Fast Food		57,591	22,187	35,404	61.50%
		Barcelos	57,591	22,187	35,404	61.50%
Quick Shop			[illegible]	[illegible]	[illegible]	[illegible]

Woolworths	681,552	456,801	224,751	33.00%
Other	153	104	49	32.00%
Biltong	21,556	13,828	7,728	35.90%
Value Added Poultry	24,008	15,599	8,409	35.00%
Desserts	28,137	17,221	10,916	38.80%
New Meat	5,868	4,356	1,512	25.80%
Party Food	27,381	17,581	9,800	35.80%
Prepared Salads	19,056	12,086	6,970	36.60%
Take-Aways	63,962	41,009	22,953	35.90%
Long Life Dairy	20,225	14,346	5,879	29.10%
Special Occasions	16,712	11,691	5,021	30.00%
Value Added Meat	25,258	17,246	8,012	31.70%
Salads	50,159	33,210	16,949	33.80%
Snacks	14	8	6	42.90%
Recipe Dishes	73,274	46,588	26,686	36.40%
Vegetables	40,155	27,250	12,905	32.10%
Poultry	23,839	16,676	7,163	30.00%
Deli	46,634	29,670	16,964	36.40%
Butchery	7,913	6,011	1,902	24.00%
Dairy	74,010	58,906	15,104	20.40%
Pies and Pizza	27,776	18,182	9,594	34.50%
Horticulture	29,176	17,125	12,051	41.30%
Fruit	56,287	38,107	18,180	32.30%
TOTALS	4,478,752	3,731,844	746,908	16.70%

All turnover figures are VAT exclusive unless otherwise stated.
DISCLAIMER : Gross Profit calculations are dependent on dealers capturing the correct cost price and hence may not be accurate. Gross sales accurately re
The data in this report is collected directly from each Quick Shop site based on Engen approved product codes. Where dealer specific codes are used, the sa

MONTH Mar-02 %Con - Sales	Sales	Cost	GP	GP%	YTD Apr 2001 to Mar 2002 %Con - Sales
0.00%	1,553	0	1,553	100%	0.00%
100%	1,553	0	1,553	100%	100%
100%	1,553	0	1,553	100%	100%
64.00%	27,326,391	25,054,009	2,272,382	8.30%	65.40%
99.50%	27,206,028	24,979,321	2,226,707	8.20%	99.50%
49.00%	15,418,827	14,166,926	1,251,901	8.10%	56.70%
44.30%	9,867,722	9,055,135	812,587	8.20%	36.30%
6.70%	1,919,479	1,757,260	162,219	8.50%	7.10%
0.50%	130,363	84,688	45,675	35.00%	0.50%
99.00%	129,307	83,931	45,376	35.10%	99.20%
1.00%	1,056	756	300	28.40%	0.80%
1.30%	510,897	207,897	303,000	59.30%	1.20%
100%	510,897	207,897	303,000	59.30%	100%
100%	510,897	207,897	303,000	59.30%	100%
34.70%	13,627,679	9,906,436	3,721,241	27.30%	33.90%

43.90%	5,499,860	4,067,355	1,432,505	26.00%	40.40%
0.00%	356	249	107	30.10%	0.00%
3.20%	57,255	39,264	17,991	31.40%	1.00%
3.50%	64,269	42,159	22,110	34.40%	1.20%
4.10%	74,571	45,954	28,617	38.40%	1.40%
0.90%	14,731	11,080	3,651	24.80%	0.30%
4.00%	71,289	46,805	24,484	34.30%	1.30%
2.80%	51,064	32,859	18,205	35.70%	0.90%
9.40%	157,847	102,601	55,246	35.00%	2.90%
3.00%	54,772	39,665	15,107	27.60%	1.00%
2.50%	31,170	22,057	9,113	29.20%	0.60%
3.70%	66,211	45,741	20,470	30.90%	1.20%
7.40%	128,075	85,154	42,921	33.50%	2.30%
0.00%	27	16	11	40.70%	0.00%
10.80%	194,470	125,059	69,411	35.70%	3.50%
5.90%	105,091	72,075	33,016	31.40%	1.90%
3.50%	63,523	44,517	19,006	29.90%	1.20%
6.80%	128,384	82,120	46,264	36.00%	2.30%
1.20%	21,504	16,037	5,467	25.40%	0.40%
10.90%	196,929	158,731	38,198	19.40%	3.60%
4.10%	72,514	47,708	24,806	34.20%	1.30%
4.30%	77,647	46,016	31,631	40.70%	1.40%
8.30%	165,167	113,881	51,286	31.10%	3.00%
	41,476,519	35,178,343	6,298,176	15.20%	

flect all transactions processed.
es information is summarized as Category 'Miscellaneous'. The 'Miscellaneous Products' report (by site) lists these products. Engen will be performing a site cleanup to ensure

Appendix D

Code: **TRR021**
Title: **Retail Sales Category**
Criteria: **Site: 2ELV Meadowridge Service Centre**

Report Info: **From: March 2003**
Report Status: No Status Available
Number of Sites: 1 (1 Mar 2003 - 31 Mar 2003)

Profit Center	Category	Sub	Sales	Cost	GP	GP%
Click on to expand or collapse report						
Alternate Profit Opportunities			654	65	589	90.10%
	APOs		562	0	562	100%
		Car Wash	562	0	562	100%
	Workshop		92	65	27	29.30%
		Tyres	92	65	27	29.30%
Forecourt			3,256,869	2,961,417	295,451	9.10%
	Fuel		3,242,213	2,951,519	290,694	9.00%
		Premium	1,336,282	1,216,958	119,324	8.90%
		Unleaded	1,654,133	1,505,075	149,058	9.00%
		Diesel	251,799	229,487	22,312	8.90%
	Lubes		14,654	9,897	4,757	32.50%
		Engen	14,563	9,836	4,727	32.50%
		Castrol	91	62	29	31.90%
Fast Foods			61,270	25,107	36,163	59.00%
	Fast Food		61,270	25,107	36,163	59.00%

Appendix D

MTN Virtual	22,476	18,675	3,801	16.90%
Vodacom Virtual	41,964	36,269	5,695	13.60%
Cell - C Virtual	4,337	3,644	693	16.00%
Telkom Virtual Voucher	18,044	16,221	1,823	10.10%
Promotions	7,118	4,543	2,575	36.20%
Below the line	7,118	4,543	2,575	36.20%
Woolworths	773,858	525,161	248,697	32.10%
Biltong	19,692	12,620	7,072	35.90%
Value Added Poultry	22,971	14,503	8,468	36.90%
Desserts	32,095	20,118	11,977	37.30%
New Meat	11,631	9,620	2,011	17.30%
Party Food	21,941	14,051	7,890	36.00%
Prepared Salads	22,246	14,088	8,158	36.70%
Take-Aways	91,280	59,427	31,853	34.90%
Long Life Dairy	24,853	17,653	7,200	29.00%
Special Occasions	13,376	9,430	3,946	29.50%
Value Added Meat	26,528	18,714	7,814	29.50%
Salads	47,899	31,725	16,174	33.80%
Recipe Dishes	94,424	61,002	33,422	35.40%
Vegetables	43,019	28,896	14,123	32.80%
Poultry	23,807	18,290	5,517	23.20%
Deli	58,082	36,785	21,297	36.70%
Butchery	7,618	6,573	1,045	13.70%
Dairy	96,408	76,675	19,733	20.50%
Pies and Pizza	27,413	18,141	9,272	33.80%
Horticulture	27,843	16,553	11,290	40.50%
Fruit	60,731	40,300	20,431	33.60%
TOTALS	5,077,967	4,205,940	872,027	17.20%

All turnover figures are VAT exclusive unless otherwise stated.
DISCLAIMER : Gross Profit calculations are dependent on dealers capturing the correct cost price and hence may not be accurate. Gross sales accurately re
The data in this report is collected directly from each Quick Shop site based on Engen approved product codes. Where dealer specific codes are used, the sal

MONTH Mar-03 %Con - Sales	Sales	Cost	GP	GP%	YTD Apr 2002 to Mar 2003 %Con - Sales
0.00%	8,753	461	8,292	94.70%	0.00%
85.90%	8,038	0	8,038	100%	91.80%
100%	8,038	0	8,038	100%	100%
14.10%	714	461	253	35.40%	8.20%
100%	714	461	253	35.40%	100%
64.10%	34,488,020	31,695,431	2,792,589	8.10%	64.80%
99.60%	34,336,170	31,596,097	2,740,073	8.00%	99.60%
41.20%	15,134,198	13,935,132	1,199,066	7.90%	44.10%
51.00%	16,699,985	15,371,155	1,328,830	8.00%	48.60%
7.80%	2,501,987	2,289,810	212,177	8.50%	7.30%
0.40%	151,850	99,334	52,516	34.60%	0.40%
99.40%	150,853	98,630	52,223	34.60%	99.30%
0.60%	997	704	293	29.40%	0.70%
1.20%	676,070	295,466	380,604	56.30%	1.30%
100%	676,070	295,466	380,604	56.30%	100%

25.00%	184,396	155,266	29,130	15.80%	20.60%
46.60%	334,915	289,272	45,643	13.60%	37.50%
4.80%	26,503	22,264	4,239	16.00%	3.00%
20.00%	137,854	123,653	14,201	10.30%	15.40%
0.40%	31,737	8,251	23,486	74.00%	0.20%
100%	26,727	5,989	20,738	77.60%	84.20%
44.00%	7,799,522	5,282,907	2,516,615	32.30%	43.20%
2.50%	241,166	152,293	88,873	36.90%	3.10%
3.00%	215,347	135,812	79,535	36.90%	2.80%
4.10%	369,010	227,249	141,761	38.40%	4.70%
1.50%	88,617	70,950	17,667	19.90%	1.10%
2.80%	249,994	159,618	90,376	36.20%	3.20%
2.90%	237,235	148,950	88,285	37.20%	3.00%
11.80%	798,063	518,511	279,552	35.00%	10.20%
3.20%	238,961	169,947	69,014	28.90%	3.10%
1.70%	28,669	20,199	8,470	29.50%	0.40%
3.40%	263,978	185,976	78,002	29.50%	3.40%
6.20%	502,071	329,854	172,217	34.30%	6.40%
12.20%	994,499	649,903	344,596	34.70%	12.80%
5.60%	490,473	331,483	158,990	32.40%	6.30%
3.10%	254,743	184,811	69,932	27.50%	3.30%
7.50%	539,116	342,772	196,344	36.40%	6.90%
1.00%	73,403	61,211	12,192	16.60%	0.90%
12.50%	956,818	774,927	181,891	19.00%	12.30%
3.50%	330,965	220,094	110,871	33.50%	4.20%
3.60%	353,711	210,415	143,296	40.50%	4.50%
7.80%	572,582	387,865	184,717	32.30%	7.30%
	53,212,419	44,574,101	8,638,318	16.20%	

flect all transactions processed.
es information is summarized as Category 'Miscellaneous'. The 'Miscellaneous Products' report (by site) lists these products. Engen will be performing a site cleanup to ensure

Appendix E

Code: TRR021

Title: **Retail Sales Category**

Criteria: **Site: 2ENA Oranje Service Centre**

From: March 2002

Report Info: **Report Status: No Status Available**

Number of Sites: 1 (1 Mar 2002 - 31 Mar 2002)

Profit Center	Category	Sub	Sales	Cost	GP	GP%
Click on to expand or collapse report						
Alternate Profit Opportunities			466	284	182	39.10%
	Workshop		466	284	182	39.10%
		Other	193	121	72	37.30%
		Tyres	273	163	110	40.30%
Forecourt			3,027,817	2,769,212	258,605	8.50%
	Fuel		3,015,505	2,760,659	254,846	8.50%
		Premium	1,619,088	1,483,459	135,629	8.40%
		Unleaded	1,249,629	1,140,557	109,072	8.70%
		Diesel	146,788	136,643	10,145	6.90%
	Lubes		12,312	8,553	3,759	30.50%
		Engen	12,312	8,553	3,759	30.50%
Fast Foods			136,862	60,389	76,473	55.90%
	Fast Food		136,862	60,389	76,473	55.90%
		Barcelos	122,168	51,461	70,707	57.90%
		Pizza Den	14,693	8,927	5,766	39.20%
Quick Shop			1,843,281	1,245,489	597,792	32.40%

Vegetables	40,402	27,522	12,880	31.90%
Poultry	20,475	12,972	7,503	36.60%
Deli	45,625	28,677	16,948	37.10%
Butchery	10,227	8,588	1,639	16.00%
Dairy	65,755	50,428	15,327	23.30%
Pies and Pizza	23,528	15,428	8,100	34.40%
Horticulture	22,023	13,117	8,906	40.40%
Fruit	61,685	41,907	19,778	32.10%
TOTALS	5,008,426	4,075,373	933,053	18.60%

All turnover figures are VAT exclusive unless otherwise stated.
DISCLAIMER : Gross Profit calculations are dependent on dealers capturing the correct cost price and hence may not be accurate. Gross sales accurately re
The data in this report is collected directly from each Quick Shop site based on Engen approved product codes. Where dealer specific codes are used, the sal

MONTH Mar-02 %Con - Sales	Sales	Cost	GP	GP%	YTD Apr 2001 to Mar 2002 %Con - Sales
0.00%	1,358	863	495	36.50%	0.00%
100%	1,358	863	495	36.50%	100%
41.40%	859	557	302	35.20%	63.30%
58.60%	499	306	193	38.70%	36.70%
60.50%	29,986,104	27,392,476	2,593,628	8.60%	62.50%
99.60%	29,876,857	27,318,948	2,557,909	8.60%	99.60%
53.70%	18,126,453	16,591,371	1,535,082	8.50%	60.70%
41.40%	10,345,293	9,446,649	898,644	8.70%	34.60%
4.90%	1,405,112	1,280,929	124,183	8.80%	4.70%
0.40%	109,247	73,527	35,720	32.70%	0.40%
100%	109,247	73,527	35,720	32.70%	100%
2.70%	1,308,927	693,951	614,976	47.00%	2.70%
100%	1,308,927	693,951	614,976	47.00%	100%
89.30%	1,161,725	636,024	525,701	45.30%	88.80%
10.70%	147,202	57,927	89,275	60.60%	11.20%
36.80%	16,689,806	11,920,126	4,769,680	28.60%	34.80%

5.20%	111,912	76,745	35,167	31.40%	1.60%
2.60%	57,743	37,757	19,986	34.60%	0.80%
5.90%	130,774	83,146	47,628	36.40%	1.90%
1.30%	26,370	21,491	4,879	18.50%	0.40%
8.50%	179,812	140,438	39,374	21.90%	2.60%
3.00%	61,921	41,082	20,839	33.70%	0.90%
2.80%	61,996	37,662	24,334	39.30%	0.90%
7.90%	178,718	123,701	55,017	30.80%	2.60%
	47,986,195	40,007,415	7,978,780	16.60%	

flect all transactions processed.
es information is summarized as Category 'Miscellaneous'. The 'Miscellaneous Products' report (by site) lists these products. Engen will be performing a site cleanup to ensure

Appendix F

Code:	**TRR021**
Title:	**Retail Sales Category**
Criteria:	**Site: 2ENA Oranje Service Centre**
	From: March 2003
Report Info:	**Report Status: No Status Available**
	Number of Sites: 1 (1 Mar 2003 - 31 Mar 2003)

Profit Center	Category	Sub	Sales	Cost	GP	GP%
Click on to expand or collapse report						
Alternate Profit Opportunities			139	86	53	38.10%
	Workshop		139	86	53	38.10%
		Other	105	65	40	38.10%
		Tyres	34	21	13	38.20%
Forecourt			3,461,733	3,125,605	336,128	9.70%
	Fuel		3,448,246	3,115,855	332,391	9.60%
		Premium	1,574,510	1,419,827	154,683	9.80%
		Unleaded	1,673,727	1,512,363	161,364	9.60%
		Diesel	200,009	183,665	16,344	8.20%
	Lubes		13,488	9,750	3,738	27.70%
		Engen	13,488	9,750	3,738	27.70%
Fast Food			142,006	49,270	92,736	65.30%
	Fast Food		142,006	49,270	92,736	65.30%
		Barcelos	124,097	41,631	82,466	66.50%
		Fish Fryer	9,250	3,685	5,565	60.20%
		Pizza Den	8,659	3,953	4,706	54.30%

Biltong	35,977	23,110	12,867	35.80%
Value Added Poultry	20,983	13,372	7,611	36.30%
Desserts	39,035	24,204	14,831	38.00%
New Meat	10,855	8,957	1,898	17.50%
Party Food	34,386	21,712	12,674	36.90%
Prepared Salads	30,356	19,039	11,317	37.30%
Take-Aways	183,138	119,233	63,905	34.90%
Long Life Dairy	35,598	24,913	10,685	30.00%
Value Added Meat	22,476	15,756	6,720	29.90%
Salads	55,956	36,705	19,251	34.40%
Recipe Dishes	109,225	70,021	39,204	35.90%
Vegetables	40,388	26,690	13,698	33.90%
Poultry	22,182	16,374	5,808	26.20%
Deli	44,138	27,956	16,182	36.70%
Butchery	7,507	6,595	912	12.10%
Dairy	88,533	68,142	20,391	23.00%
Pies and Pizza	13,829	9,127	4,702	34.00%
Horticulture	21,530	13,016	8,514	39.50%
Fruit	55,611	36,730	18,881	34.00%
TOTALS	5,807,405	4,656,762	1,150,643	19.80%

All turnover figures are VAT exclusive unless otherwise stated.
DISCLAIMER : Gross Profit calculations are dependent on dealers capturing the correct cost price and hence may not be accurate. Gross sales accurately refle
The data in this report is collected directly from each Quick Shop site based on Engen approved product codes. Where dealer specific codes are used, the sales

MONTH Mar-03 %Con - Sales	Sales	Cost	GP	GP%	YTD Apr 2002 to Mar 2003 %Con - Sales
0.00%	3,738	2,324	1,414	37.80%	0.00%
100%	3,738	2,324	1,414	37.80%	100%
75.50%	1,893	1,197	696	36.80%	50.60%
24.50%	1,845	1,127	718	38.90%	49.40%
59.60%	36,664,040	42,602,166	-5,938,126	0.00%	61.70%
99.60%	36,499,919	42,497,031	-5,997,112	0.00%	99.60%
45.70%	17,949,350	23,029,627	-5,080,277	0.00%	49.20%
48.50%	16,622,323	17,682,647	-1,060,324	0.00%	45.50%
5.80%	1,928,246	1,784,757	143,489	7.40%	5.30%
0.40%	164,120	105,135	58,985	35.90%	0.40%
100%	164,120	105,135	58,985	35.90%	100%
2.40%	1,666,899	613,109	1,053,790	63.20%	2.80%
100%	1,666,899	613,109	1,053,790	63.20%	100%
87.40%	1,444,312	503,465	940,847	65.10%	86.60%
6.50%	90,436	36,778	53,658	59.30%	5.40%
6.10%	132,151	72,865	59,286	44.90%	7.90%

4.10%	391,078	246,236	144,842	37.00%	4.50%
2.40%	225,998	141,486	84,512	37.40%	2.60%
4.50%	402,363	245,568	156,795	39.00%	4.60%
1.20%	92,291	73,627	18,664	20.20%	1.10%
3.90%	339,529	215,072	124,457	36.70%	3.90%
3.50%	330,668	206,102	124,566	37.70%	3.80%
21.00%	1,525,274	988,609	536,665	35.20%	17.60%
4.10%	356,764	248,857	107,907	30.20%	4.10%
2.60%	232,040	160,035	72,005	31.00%	2.70%
6.40%	508,501	331,231	177,270	34.90%	5.90%
12.50%	1,245,071	804,279	440,792	35.40%	14.30%
4.60%	460,960	309,932	151,028	32.80%	5.30%
2.50%	229,399	158,806	70,593	30.80%	2.60%
5.10%	428,323	269,802	158,521	37.00%	4.90%
0.90%	83,063	70,463	12,600	15.20%	1.00%
10.20%	796,094	615,124	180,970	22.70%	9.20%
1.60%	207,355	138,189	69,166	33.40%	2.40%
2.50%	262,125	154,518	107,607	41.10%	3.00%
6.40%	571,505	382,861	188,644	33.00%	6.60%
	59,768,908	57,613,153	2,155,755	3.60%	

ct all transactions processed.
information is summarized as Category 'Miscellaneous'. The 'Miscellaneous Products' report (by site) lists these products. Engen will be performing a site cleanup to ensure