

Recommendations for improving the distribution policy of the Agip Romania S.R.L- the administered gasoline stations

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Abstract: *The paper aims at identifying those real solutions of improving the distribution policy of Agip Romania S.R.L - the administered gasoline stations. For this purpose there has been carried out a qualitative research activity of the managers administering the Agip gasoline stations, regarding the efficiency and efficacy of the distribution system. The research findings showed that the distribution policy is essential for this business, the distribution system is an efficient one, but there is also a series of minuses that need to be remedied. To achieve this goal, the paper suggests an action plan that aims at improving the distribution system concerning these stations. The improvement measures are presented in the Gantt chart, a highly-used schedule tool. These measures aimed at clearly determining responsibilities of the personnel in the head office, improving communication between the administered gasoline stations and the head office, improving the support means of the activities of the stations outside Bucharest, increasing the percentage of goods provided by suppliers others than the system ones, concluding agreements with other suppliers, improving storing conditions offered by the supplier, improving transportation conditions, increasing Agip products and services promotion activities etc. These measures require financial and human resources who will apply them (the persons in charge). The estimations regarding the necessary resources and the persons responsible for implementing these measures have been also presented in this paper.*

Keywords: improving, Gantt chart, research, managers, Agip, station, administration, distribution

Introduction

Agip Romania Ltd is present in Romania since 1995 and has as main activity the construction and operation of service stations and fuel stores, the management of stores in stations, the marketing of lubricants, greases and maintenance of AGIP products, and LPG commercialization. Agip is a company owned by Eni SpA in Eni

International BV Amsterdam (99.95%) and by private associates (0045%) (http://www.agip.ro/ro/html/folder_1757.shtml).

The main activity according to the certificate of registration tax is: *Retail trade of fuels for motor vehicles - CAEN code 5050.*

The main range of products and services that our society accomplishes are:

- *retail distribution of motor fuel through the network of own stations and the associated ones;*
- *auxiliary services for motor vehicles;*
- *sales of goods and non-food goods in stores associated to fuel distribution stations;*
- *activities of bar and restaurant in their own stations;*
- *distribution and transportation of LPG for heating and auto traction through their own and associated networks;*
- *transport and distribution of automotive and industrial lubricants;*
- *distribution and transportation of fuels and motor fuels in the Wholesale.*

Profitability and the evolution of turnover for Agip Ltd. Romania

In 2006, AGIP Romania took over two units from the Fix Oil (company with Cypriot shareholders), thus reaching a network consisted of 27 petrol stations.

At the end of 2007, AGIP Romania was making a major leap taking over ten MOL petrol stations in Romania (as a consequence of an agreement signed between the Hungarian petroleum group MOL and the Italians from Eni, and this meant the sale of ten MOL petrol stations to AGIP Romania, at the same time with the purchase of 26 petrol stations of AGIP by MOL in Austria) (<http://www.zf.ro/companii/agip-merge-inainte-cu-dezvoltarea-5-7-benzinariii-noi-in-acest-an-3811821/>).

As a consequence of this agreement, AGIP will consist of a network of 37 petrol stations and will control 2.5% of the market.

"Due to recent acquisitions, our market share will be of 2.5%, but our goal has been and it still remains that by the end of the investment plan in four years, to ensure ourselves on the local market, a share between 8 and 10%", specifies Meuli.

The company in 2007 recorded a turnover of 84 million euros and is based on an increase in business this year, too, although it is expected a decrease in fuel consumption.

The evolution of turnover at Agip Ltd. Romania during 2003-2007 has an upward trend, recording every year, significant increases (see Table 1).

Table 1: Evolution of turnover at Agip Ltd. Romania
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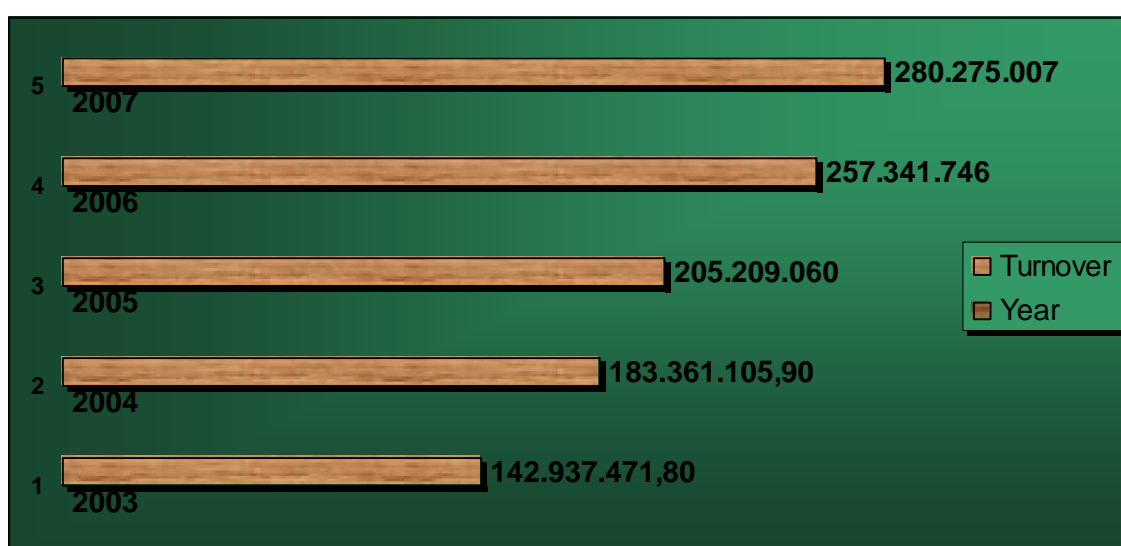
Year	2003	2004	2005	2006	2007
Turnover	142.937.471,8	183.361.105,9	205.209.060	257.341.746	280.275.007

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As shown in the table, the percentage increases in turnover were the following:

- 2004 compared with 2003: **28,28%**;
- 2005 compared with 2004: **11,92%**;
- 2006 compared with 2005: **25,40%**;
- 2007 compared with 2006: **8,91%**.

Graphically, the evolution of turnover is represented as shown below.



Graphic 1: Evolution of turnover at Agip Ltd. Romania

It can be noted that in the period under review, the turnover of AGIP Ltd. Romania almost doubled (the increase in 2007 compared to 2003 was 96%).

As for net profit of AGIP Ltd. Romania in 2007, it registered a growth of 502.19% compared to 2003. Its evolution in the period 2003-2007 is given in Table 2.

Table 2: Evolution of net profit at Agip Ltd. Romania

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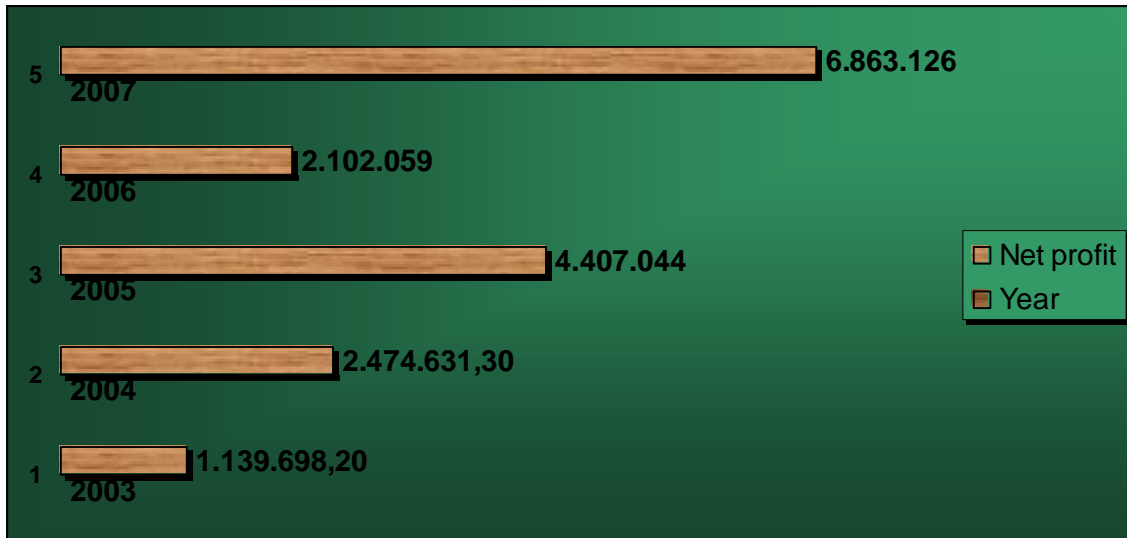
Year	2003	2004	2005	2006	2007
Net profit	1.139.698,2	2.474.631,3	4.407.044	2.102.059	6.863.126

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In the year 2005 it was first recorded a spectacular profit growth, increasing in comparison with 2004 with 78.1% and compared with 2003 to 286.7%. 2007 was a really good year for the organization, which led to an

increase in net profit by 226.5% compared to 2006 and 502.10% compared to 2003.

Graphically, the evolution of net profit is represented as below:



Graphic 2: Evolution of net profit Agip Ltd. Romania

There is a big question mark as regards the fact why the group representatives did not communicate the value of sales last year.

"The financial crisis will affect the entire economy as a whole. The dynamics of loans to households and businesses has declined, as well as resources for credit, so the phenomenon, which includes all sectors, is leading to a decrease in sales of goods and services and consequently to a reduction in fuel consumption. We can not know precisely how the consumption will drop and how much it will reduce demand for petroleum products in Romania, "said the representative for Agip Romania (<http://www.zf.ro/companii/agip-merge-inainte-cu-dezvoltarea-5-7-benzinarii-noi-in-acest-an-3811821/>).

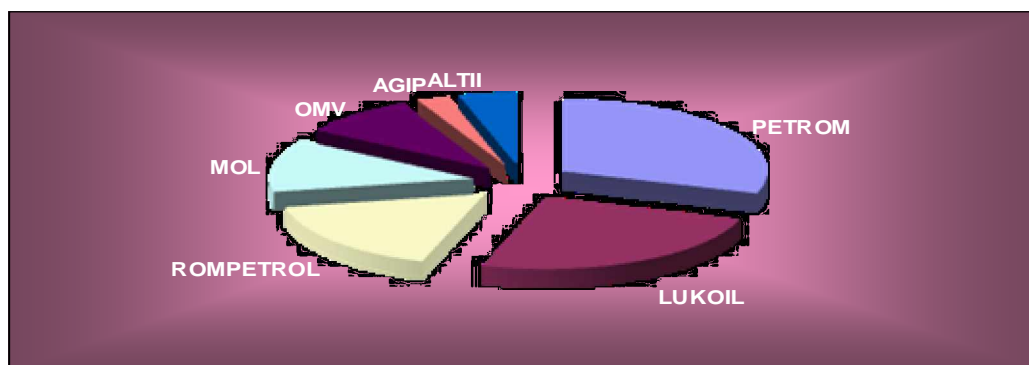
Position of the company on the targeted market

Until 2011, Agip Ltd. Romania aims to reach a market share of up to 10% compared to 2.5 today, consequence of an investment plan of 36 million Euros. "For 2009 we expect an increase in turnover. The investment budget corresponds to organic development plan, where it is provided the construction or purchase of other units 5-7 units, so at the end of 2009, a portfolio of 42 -44 stations Agip to be reached, "said Nicola Meuli, general manager of Agip Romania (<http://www.zf.ro/companii/agip-merge-inainte-cu-dezvoltarea-5-7-benzinarii-noi-in-acest-an-3811821/>).

Major players in the distribution sector of petroleum are (http://www.moneyline.ro/articol_26969/de_la_1_ianuarie_2009_benzinariile_vor_comercializa_numai_carburanti_euro_5.html):

- **Petrom**, which has about **550 fuel distribution stations** in Romania with a market share of **approximately 30%**. Petrom has activities in the Exploration and Production, Refining and Petrochemical Products, Marketing, Natural Gas and Energy. The company owns, also an international network of 257 petrol stations in Moldova, Bulgaria and Serbia. The Austrian group OMV holds 51,011% in Petrom shares. AVAS holds 20.64% of Petrom shares, the Property Fund holds 20.11%, and the European Bank for Reconstruction and Development 2,026%, while 6214% are held by the minority shareholders.
- **Lukoil Group**, the second largest producer in Russia, is present on the Romanian market through the subsidiary LukOil Romania. LukOil Romania has more than **300 petrol stations** and has a market share of **25%**. On 25 November 1991, it was founded the state company LangepasUraiKogalymneft from the Russian Federation, which included associations of Langepasneftegas production, Uraineftegas, Kogalymneftegas and some capacities of processing crude oil. LUK acronym resulted from the name of LangepasUraiKogalymneft. Petrotel Ploiești refinery was taken over by the oil company LukOil in 1998.
- **Romp petrol NV Group** is a multinational oil company, based in Amsterdam, the Netherlands, and holds activities in 13 countries and most of the assets and operations in France, Romania, Spain and South-Eastern Europe. Rompetrol Group is involved in activities of refining, marketing and trading, and additional operations - exploration and production, oil service, EPCM, transportation etc. The state company of Kazakhstan, KazMunaiGaz, acquired in August 2007, 75% from the shares in the Rompetrol Group. Rompetrol in Romania has a market share of approximately **15-17%**.
- **Mol** has currently in Romania **121 stations** and a market share of **12%**. The company aims for a market share of 15%, for the next five years. MOL entered the market in Romania in 1995. MOL is a petroleum retail company, part of MOL Group based in Budapest, Hungary. With 15,000 employees, the company operates in Europe, Middle East, Africa and CIS countries. MOL owns three refineries in Hungary, Slovakia and Italy and operates 1,000 power stations in Central and South-East.
- **OMV Romania** has **77 stations**, representing a market share of **9%** in the distribution of fuel sector. OMV Group, which is part of OMV Romania, currently owns over 2524 stations for fuel distribution in 13 countries. With the group sales of 20.04 billion euros and a workforce of 33,665 employees in 2007, OMV Aktiengesellschaft is the largest Austrian industrial company listed on the stock exchange. OMV is active in 13 countries in the Refining & Marketing (R & M). The Company sells, too, over 13 billion cubic meters of natural gas per year.
- **Agip Romania** has a share of **2.5%** of petrol stations in Romania, where it is present with 37 stations. Agip Romania is a property company owned by Eni SpA in Italy, by Eni International BV Amsterdam (99.95%) and private shareholders (0,045%). The advantage of the company consists of stations that have premium locations!

Therefore, the market in sector of the fuel distribution is divided as follows: **Petrom - 30%, Lukoil - 25%, Rompetrol - 17%, Mol - 12%, OMV - 9% and Agip - 2,5%** (see graphic 3).



Graphic 3: Market Shares in the fuel distribution sector.

With a market share of 2.5%, Agip Romania is the sixth player in the market, but having, according to general manager's declarations, important expansion plans for the coming years.

4. Recommendations for improving the distribution policy of the Agip Romania S.A.- the administered gasoline stations

Agip in Romania has established a network of 37 petrol stations. Of the 37 petrol stations, 6 are in administration: 2 in Bucharest, 2 in Pitesti, one in Craiova and one in Targu Jiu. These stations and more precisely their distribution system, have been at the center of an author's concerns, being realized a comprehensive research among those who manage these petrol stations.

The research had as objectives:

- Clearer understanding of partnership between Agip Ltd Romania and managers who manage the stations, as regards the distribution system;
- Appropriate identification of the supplying system of goods in stations in administration and more specifically, of its efficiency and effectiveness;
- Observing the efficiency or inefficiency of the transport, handling and storage of goods;
- Analysis of the degree of satisfaction of customers about how to buy goods from Agip stations;
- Identifying the degree of satisfaction of Agip dealers in connection with the partnership agreement concluded with Agip Ltd Romania.

As a consequence of the research, a number of positive aspects on the distribution policy of these stations, but, unfortunately, also, a number of difficulties and minuses that dealers cope with in managing their business, emerged.

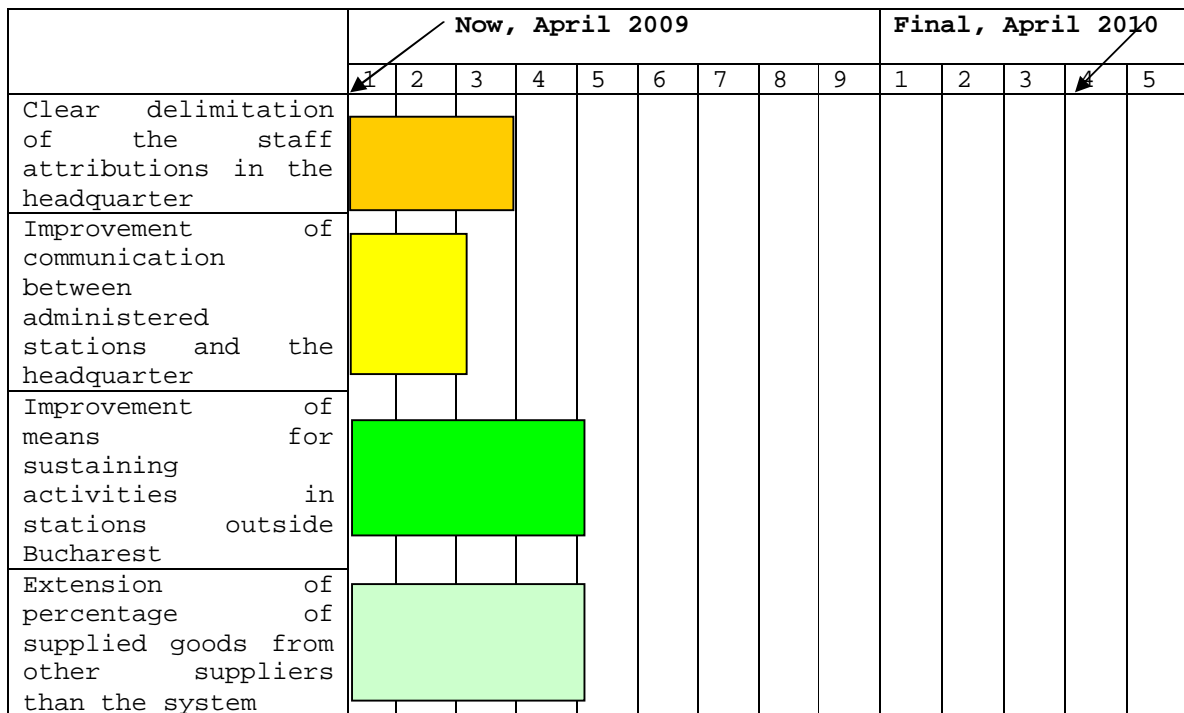
Main minuses of the distribution policy are: quite limited offer of listed products and the incapacity of purchasing other products; rigidity of the distribution system, excessively centralized, which are limiting their processes at the level of stations put into administration and the **main problems** dealers have to come across are represented by: excessive

centralization of business; lack of clear demarcations of each person who is developing their tasks in the headquarter; cumbersome communication with Agip Romania headquarter; inefficient sustaining of the activity in the territory, in comparison with stations in Bucharest; competitive advantage of the other direct competitors (in particular, OMV and Rompetrol) arising from their marketing campaign/ image, and also, from a better coverage of the territory of Romania (as compared with Agip).

To improve these minuses an action plan using Gantt chart is being proposed. Gantt chart is a planning tool often used with a bar chart (CODECS - The Open University, 2002, p.14). This is done in the following way (Codreanu T., D., 2005/2007):

- activities are represented on the ordinate, and the time on abscissa;
- a rectangular or a line showing its realization period are drawn for each activity;
- the dependencies between activities are shown;
- the hatched part of the rectangle or the part of the marked line represents the time allocated to each activity that has already elapsed;
- the present moment is represented with a line that can easily show the activities developed in advance or delay.

Gantt chart which contains measures to improve the distribution system at Agip Romania-stations which are in administration is as follows (Figure 4.):



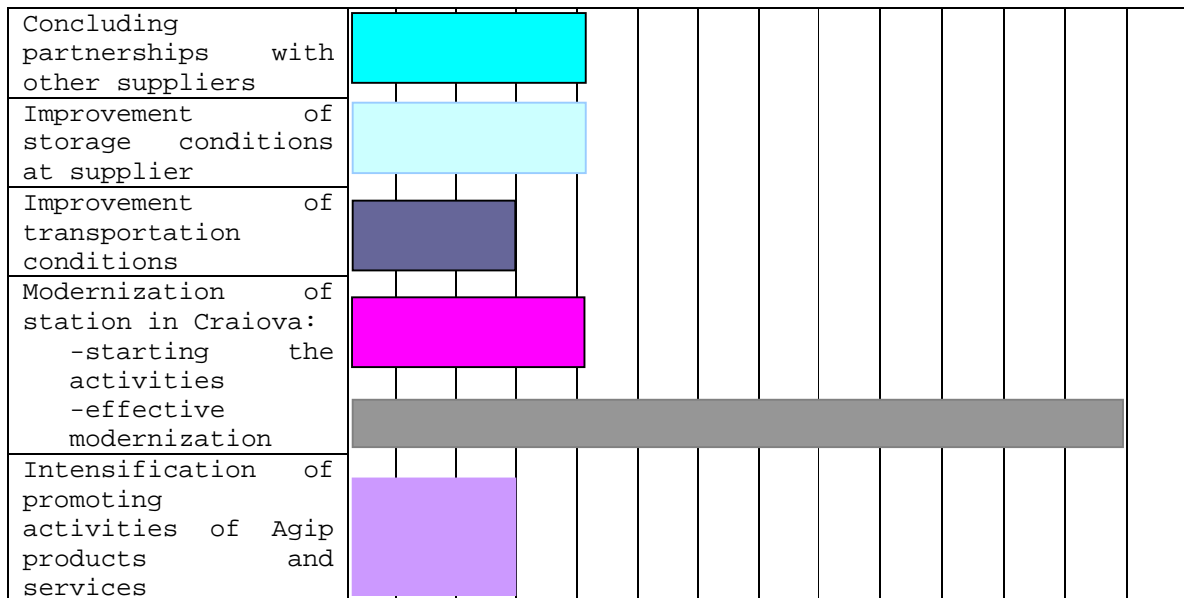


Figure 4: Gantt chart for improving the policy of distribution

The measures listed above require financial resources and people who should take care of their putting into practice (the responsible persons). The estimates of resources needed and the responsible persons for implementing these measures are presented in the table below.

Table 3: The resources required for implementing measures to improve distribution policy and the responsible persons for implementation

Critical no.	Measures	Financial resources	Responsible persons
1.	Clear delimitation of the staff attributions in the headquarter	This does not require financial resources	General manager together with the 9 managers of activities
2.	Improvement of communication between administered stations and the headquarter	5.000 Euro/Station/Year	Purchase manager and area manager
3.	Improvement of means for sustaining activities in stations outside Bucharest	5.000 Euro/Station/Month	Purchase manager and Marketing manager
4.	Extension of percentage of supplied goods from other suppliers than the system	1.000 Euro/Station	Purchase manager
5.	Concluding partnerships with other suppliers	1.000 Euro/Station	Purchase manager
6.	Improvement of storage conditions at supplier	It cannot be estimated	Suppliers

7.	Improvement of transportation conditions	It cannot be estimated	Suppliers
8.	Modernization of station in Craiova: -starting the activities -effective modernization	50.000.Euro 500.000 Euro	Purchase manager and Technical manager
9.	Intensification of promoting activities of Agip products and services	50.000 Euro	Purchase manager and Marketing manager

These solutions for improvement will be reflected in an increased efficiency and effectiveness of the distribution system, which will lead to better meet the customer's needs, leading finally to an increase in their number (on one hand), and an increase in the customer's loyalty (on the other hand). As the success of such a business is the number of clients, it is evident that these measures will lead to its development...

Conclusions

This study presented the possibilities for improving the distribution policy in administered Agip stations. The main improvement directions aimed at:

- Clear delimitation of the staff attributions in the headquarter
- Improvement of communication between administered stations and the headquarter
- Improvement of means for sustaining activities in stations outside Bucharest
- Extension of percentage of supplied goods from other suppliers than the system
- Concluding partnerships with other suppliers
- Improvement of storage conditions at supplier
- Improvement of transportation conditions
- Modernization of station in Craiova
- Intensification of promoting activities of Agip products and services

The responsible persons for improving these measures will successfully carry them out, and the effects will be felt at the level of the distribution activities of administered stations and not only....

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