

# Q8

APRIL 2002



# SAILS

The Magazine of Kuwait Petroleum International

Issue No.1





# editorial

Dear colleagues,

Almost 2 years have elapsed since the last issue of the KPI in-house magazine, *Inflow*, was published. Most of the content of the last issue was about the Phoenix Project, which designed the reorganisation, following the decision to move the Head Office to Kuwait. The new organisation became much leaner and as part of the plan to cut down the activities to the minimum, the in-house magazine was discontinued.

Past spring, a first assessment of Phoenix was done, both a survey and the Managing Director's opinion highlighted that our Affiliates (Operating Units according the Phoenix terminology) were losing touch with the group and the communication was not enough to share the news, knowledge and goals between the Head Office and the Operating Units.

In my opinion this means that everyone of us values the fact of being part of a big group, and that we highly appreciate this team spirit. We do not want to lose this sense of belonging. As a result of this, it has been easy to decide the objectives and the audience of this magazine. We want to transmit a corporate identity and spread information about the ongoing activities, values and culture of the shareholder, KPI, the Operating Units and, why not, of the countries where we operate.

The final aim is to spread a shared corporate identity. It is a very ambitious target that cannot be achievable with this magazine only - which on its turn happens to be one of the many efforts by the Corporation to achieve this ultimate target.

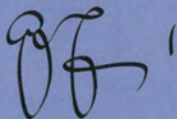
Taking into consideration the language problems, the distribution will be as wide as possible among the employees of the group and only the most relevant articles will be included in the local language magazines.

Q8 SAILS (previously *Inflow*) will be issued three times a year and will include three main sections.

- Corporate activities
- Operating Units Highlights
- KPC world and Kuwait as a country

I hope I can fulfil your expectations through this magazine, and I thank all the Operating Units for their collaboration in helping me make this first issue a reality.

Giuliano Franzi





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The KPD Building »



# interview

## with the Chairman



Mr. Jamal Al-Nouri

**After a year and a half of the new organization in Kuwait, what are the main achievements and the existing weaknesses?**

The main drive for moving the office to Kuwait and restructuring the headquarters was to run the business more efficiently, having better lines of communications and cost savings. Equally important, the move to Kuwait would provide the opportunity to be closer to the shareholders and thus allow for more frequent and open communication. Prior to the move, it can be fairly said that perhaps we were closer to the Operating Units and were not maintaining the right balance.

This was at the expense of our shareholders and their understanding of the business. Now, through frequent contacts the shareholder's comprehension is much more improved. So after a year and a half, if we evaluate the pros and cons, I think we have much improved in the level of interface with the different sectors of KPC. This has helped in having a better and more efficient decision-making process in KPC. Comparatively, in terms of having more efficient relationship with the affiliates with streamlined procedures, we believe that by having less layers we require less time in taking and carrying out decisions. However, what we still need to work on, is being present despite the fact that we are too far. So far, this has been achieved through an extensive amount of traveling and yet communication is not up to the standards we would like it to be. This is considered as the major drawback and we still need to work on the communication lines from the technical point of view and address other issues: for example, we've gone too far in the cutting down of the number of employees and therefore the work load in some sectors has increased dramatically. As a result of this, I believe that our business processes still has room for improvement.

**How did you feel personally with such a small staff (compared to the previous one) and so many people (17) reporting to you?**

Definitely I am more involved in the operations and I am enjoying this closer contact with Operating Units. This new method of working is representing a heavy work load for my team and myself but I believe that the more we become familiar with the business process we chose in the Phoenix project - the more we'll be efficient. As I already mentioned, reducing the layers means a leaner process. We introduced the balanced scorecard and the Centers of Excellence which are two important tools to be used in order to achieve efficiency.

Balanced scorecard means not concentrating only on financial targets but also agree in advance on our strategic objectives and focus on them. Focusing will help in the process of making decisions because these are taken on the basis of common criteria. The other important tool, is the Centers of Excellence. The previous London organization had expert coordination offices facilitating knowledge sharing and issuing guidelines, standards, and best practices to run the business. Now the CoE has to fulfill this task and we strongly believe that the outcome of this tool will be better in terms of fulfilling the Operating Unit needs. We have to take into account that the members of the CoE are from the Operating Units and the objectives are chosen by the Operating Units themselves. We have to admit that



these tools are not functioning properly and still need more attention from our side. The next year budget will start with the agreed targets for the balanced score card and we are reviewing the CoE in order to give them the right resources. In conclusion, continuing to work on Phoenix will give us the proper focus. Focusing on few important things is the key of an efficient business.

**This past November the Board of KPC Aruba Holding has been totally renovated, what can you say to the past members and what is the inheritance for the new ones?**

I want to thank the previous board for the very good relationship they maintained with the Management of KPI and that of its Operating Units. Running the company was really done by a team through the continuous co-ordination of the Board Members and KPI Management. Following from there, we are on the right track again with the new board members. The board members reflect a very good unit of different professional expertise and experiences covering all aspects of the oil sector. We have members from finance, refining, marketing, and corporate planning and all of them have impressive career profiles. All members were immediately interested and enthusiastic about KPI activities and have already visited Benelux and Italy. This month they visited GB and have plans to visit the Scandinavian countries in the coming June. The board members will continue to be in the field in order to have a better understanding of the business and meet with the local management in order to have a personal relationship with them.

**In these new nominations of KPC, you have been nominated MD and Chairman of KPC International Operations. This adds to your responsibility as KPI Chairman all the downstream operations out of Kuwait: What does this nomination mean in terms of workload and new activities?**

The structure of Phoenix was designed for a position of a President reporting to the Chairman of the Board. Since last November, I've had the additional responsibilities of Chairman of the Board. Being the Chairman of the Board makes me the focus of interface with KPC, so I am involved in all the actions i.e. the budget, major projects, explaining results and so on. In addition to that I have another job which is being MD for the International Operations - that's being responsible for developing downstream opportunities outside Europe, and outside Kuwait of course. Currently for example we've been busy in trying to acquire a business in India - and this required a lot of involvement from my side; it was not a small project by all standards.

**Are you thinking of making some changes in the organization because of your new role?**

We are considering this possibility and for this purpose we appointed the same consultant (Accenture) like we did during the Phoenix project. The outcome of the study will be ready in a few months.

**There is an increasing number of Kuwaitis in the OU's of KPI, is this part of a specific program and what are its objectives?**

One of the most important non-financial targets of our company is to build knowledge and culture, this is the basis of every success. Historically in KPC we had Professional expatriates to benefit from their experience, and have constantly been using the advice of our European Organizations Research and Technology (KPR&T) and our Refineries - for our activities in Kuwait. If Kuwaitis are to work in Kuwait and Europeans in Europe we will still be having a difficult time in running the business. The idea is to have young Kuwaitis working in the field in Europe and European expatriates in Kuwait, the purpose of this, is the integration. We expect the young Kuwaitis to learn about the downstream business, cover different positions in the Operating Units, and understand the local cultures. So when the Kuwaiti employees are back in Kuwait they will definitely be part of the future of KPC/KPI management with better skills and understanding of our foreign operations. One good example of such an experience is Mr. Al-Jassar - Vice President - who used to work in KPI London and in the Operating Units for ten years, covering even senior positions as Manager of Retail in KPCGB. That experience helped him a lot when he became the Head of Strategic and Planning group. On the other hand the expatriates in the Kuwait office will learn more about the shareholder culture, I strongly believe that this will help the governance process of the company. The objective is the integration and reciprocal trust.



**What about the younger employees of the group? What would you say to them about the future perspective for their career?**

The main concern for the younger employees in any company is developing and progressing in their career, based on their work and upon merits. They also look for adequate recognition in being heard and not being dictated when some decision is taken. From this point of view, some business environment such as telecommunication seems to be more attractive and modern to many of the young employees, while the oil business seems old and unattractive. I believe that the so called new economy apart of having proved to be very risky (but that's not the point) is not the only solution to be a dynamic environment. Our challenge is to have a lot of "new economy" in our company, We want to have a modern information system, we want to work with the most advanced technology and communication tools and therefore we are following the Internet world. Moreover we have excellent training covering the previously mentioned subjects in addition to the managerial skills needed, and we are striving to create professional managers. As a matter of fact, in the past we were hiring people from other oil companies for senior positions, while now the replacement of senior people is done through a career and succession planning system which takes into consideration internal resources. Another thing I would like to point out: The culture of Q8 is fairly new and structured less than other major oil companies, and actually gives more room to creative and local ideas. For example in Denmark we had Qviknet (internet solution for direct business) and Qviktank (automatic fill up through credit cards) and in Italy we did the white gas oil (diesel water emulsion). In Benelux we set up partnership with a big retailer with whom we organized a large loyalty promotion. In GB we launched the automat on the supermarkets, and in Sweden we had the flexibility to form an unusual joint venture with a cooperative (OK). This is only naming a selected few, but what I want to say is that all of them were generated by the local Operating Units and are a living example for the fact that there is always a room for people to come up with great ideas developed locally.

**How do you evaluate the results performed since you became the President of KPI?**

We have been very successful and the operating profit soared up from \$97M in 1999/2000 to \$179M in 2000/2001, this year we should reach a satisfactory result. After 9 months we have already posted an operating profit of \$170 M. It is true that these results were boosted by a positive evolution of the margins, but at the same time we improved a lot in terms of efficiency and capability of generating revenues. Nevertheless, the room for improvement is still quite big. In term of contribution to the KPC group we have not been the most successful in the past years however, I hope that this current result and the future improvements will change our image in KPC and increase the shareholder commitment to the downstream.

**You mentioned some positive evolution of the market: Do you believe that we are well equipped for the market place where KPI has to fight with all the major oil companies, bigger and older than KPI?**

Personally, I am optimistic about our future, there are places where we are in strong position, on which we can enhance our competitive position in the market; in Sweden we are the number one player, in Denmark and Belgium we are well positioned, in Italy we are third player and in Luxemburg we are well positioned as well. In these markets, we have to focus on our business in order to be sustainable in the long term.. In other areas where we are in a slightly weaker position, we are working hard to restructure the business to become more robust against adverse market conditions. Yes, the bigger companies have an advantage, given by their size (Brand awareness, economy of scale, visibility etc.), but I believe that an appropriate management to run the business can build on being more responsive to changes in the customer attitudes and the market needs. Changes and customer perception are often easier to handle in a small organization than in a bigger one.

**Do you believe that this will be enough in the view of the huge movements which consolidated the market creating bigger players (Exxon Mobil, BP Aral, Chevron Texaco etc.)? What are the options left for KPI?**

Yes, we are concerned by these movements and we are looking closely at the different markets and segments: We are currently working on these issues with



KPI Head Office is located in the 5th floor of Kuwait Chamber of Commerce & Industry building



KPC and McKenzie consultant to have a fresh look at the business and see how we can adopt new strategies to improve our position in the market. Re-evaluating and focusing on our strength and look for better ways to exploit them taking into consideration the changes in the market.

**You mentioned the strategic study under way, can you anticipate what is the likely picture of the group in the future, both marketing and refining?**

Going from north to south I think in the Scandinavian markets we have a leading position, so we need to look after the business and maintain our competitiveness. In the Benelux, while in Belgium and Luxembourg we can limit ourselves to improve our base case, in the Netherlands we are looking forward to the possibility of increasing our market share. In GB our results have been disappointing in the recent years, however following the acquisition of BP's direct business they improved significantly and we are reviewing the options to return the affiliate to profitability.

In Italy we have a significant market share and we are still open to improve it, if some opportunity comes up in the market.

Spain, France, and Germany are key countries for IDS, and we look forward to enhancing this business segment. As part of this development program we are improving the offer to the customer adding new countries to our network.

In Thailand we succeeded to create a very efficient retail network. The harsh competition doesn't justify at the moment any strategic investment, but we are exploring the possibility to enhance the results through a significant enhancement of the shop revenue to counter balance the weak fuel margins. As a matter of fact, we recently approved the investment for three pilot tests in selected sites. In Aviation, we have plans in place to expand it and are already in the process of implementing them.

In the lubes business we created a new central structure in order to capitalize on the superior quality of our base oils and grow the market share of finished products. In refining we had significant investments in the joint venture with Agip in Milazzo and we will continue to do so to improve its competitiveness. In Europort, we recently approved \$50 M investment to produce ultra low sulphur diesel and to revamp the vacuum 2. This decision has been taken despite a margin environment and an industry over capacity which hardly justifies traditional investment for expansion or bottom conversion. Our plan is to keep the refinery capable to maintain the production in line with the tighter environmental specifications and to look at other ways to build on current assets. For example, we are exploiting the possibility to enhance our revenues through the improvements of specialties production facilities. Our main focus here is to put our house in order to optimize on the assets we have.

**This sounds like consolidating our existing position or having limited growth: Where in this picture is the mission of the company of selling Kuwaiti Hydrocarbons stands? What is the shareholders' view and commitment to the downstream?**

KPC does believe that expanding in downstream activities is an area that they want to develop and the growth of the downstream activity both refining and marketing in Europe and Asia foreseen in the KPC strategy. The key criteria for this is to develop it in a way that is long term, sustainable and profitable and have a link with Kuwait Hydrocarbon, those were challenges that we always have to face. I think that if we are capable of producing a proposal suitable to the above mentioned objectives, then we'll have receptive ears in KPC and in Kuwait in general. I don't think that till now we have wasted Kuwait's money. As a matter of fact, whenever we have senior officials from KPC or the Government visiting the retail stations, our offices or the refineries they are impressed by the quality of our operations. But there is always a lot of emphasis on the competitiveness of the market. Of course KPC is also looking for financial returns. The financial results since KPI was formed may not have been as impressive as hoped, we see there is a lot of potential for improvement and this is proved by the most recent trends. We have to work very hard to pursue both the growth and the profitability.

This objective is only achievable if we work together: this is the last message I'd like to give. And when I say together I mean a close collaboration among the shareholders, the KPI management and the Operating Units. ■





# BOARD

for KPI

Last November a new KPC Holding (ARUBA) AEC Board (Managing Board of KPI Group) has been appointed for 3 years. Below are the new distinguished Board Members and their profiles:



**JAMAL AL-NOURI**

**Age** : 43

**Education** : BSC Industrial Engineering from Syracuse University, USA

**Employment Record** : From 1979 to 1999 he held several positions in KNPC, KPC - International Marketing (Sales, Supply Departments). In 1999 he became EAMD (Executive Assistant to Managing Director) and President of KPI. Currently he is the Chairman & MD of KPC Holdings (Aruba) AEC. He also participated in several committees / roles in OPEC, GCC Emergency Supply Plan Group, and large projects i.e. Milazzo Refinery Joint Venture.



**FAISAL AL-MUDHAF**

**Age** : 45

**Education** : Bachelors of Science in Marketing, from St Cloud State University.

**Employment Record:**

Had worked in the Ministry of Oil from 1979 to 1980. He joined KPC in 1980 where he held positions in the Sales Department. He has been board member of KAFCO, and Chairman of KPC Far East.



**ALI A. AL-HAJERI**

**Age** : 43

**Education** : Bachelors Degree in Accounting from Kuwait University

**Employment record** : Since 1982 to the present he has covered several positions in the Finance dept. in KPC and now he is Manager - Cost and Budget.

He has been board member of KOTC, KOC, Central Bank of Kuwait, and in several professional organizations; Kuwait Association of Accountants and Auditors, Graduates Society, High Committee for Treatment of Kuwaiti Banks, Oil Sector Special Fund and GCC Organization for Accounting and Auditing.





## MAHMOUD AL-JASSAR

**Age** : 46

**Education** : Britain's Air University, Scotland.

Slough College of Higher Education, Post Graduate Diploma in Management Studies

Brunel University – MBA

### **Employment Record:**

Mahmoud (Mr. Al-Jassar) Started his working life as an Aeronautical Engineer with Kuwait Airways in 1977. He started as a Trainee Engineer and was the Technical Planning Manager when he left Kuwait Airways to Join KPI in 1990. He obtained an MBA before he left the airline business. With KPI, Mahmoud held several positions covering Marketing, Supply and Planning both at Head Office level and in the Operating Units, KPIAC and KPGB. Currently he is Vice President of KPI, EAMD Strategy Director & acting HR Director.



## HUSAIN ISMAIL

**Age** : 48

**Education** : BSC Chemical Engineering from the University Of Wisconsin.

### **Employment Record:**

From 1978 to 1984 held several positions at KOC. In 1984 to the present date he has held positions in Mina Abdulla Refinery and Shuaiba Refinery. He is currently the Refinery manager at KNPC in the Shuaiba Refinery.

## ABDULATIF AL-HOUTI



**Age** : 45

**Education** : BSC Mechanical Engineering from University of Bridge-port, and a Masters Degree in Mechanical Engineering from North Carolina State University at Raleigh.

### **Employment Record:**

From 1978 to 1982, he held several positions in the Ministry of Education, and went on Scholarship as a Graduate student in 1979. From 1982 to 1999 he has held several positions at KNPC's Major Projects Department, and the Shuaiba Refinery. From 1999 to the present he has been assigned as the Executive Assistant to Managing Director of Corporate Planning at KPC. He was a Board Member of KOTC and PIC



## MUSAED AL-SAEED

**Age** : 44

**Education** : Bachelors in Accounting from Kuwait University

### **Employment Record:**

From 1979 to 1988 he held several positions at Kuwait Airways. In 1988 he joined KUFPEC where he held several positions in the Finance Department. From March 2000 to this date he has occupied the position of Executive Assistant Managing Director & Chief Financial Executive at KUFPEC.





## The KPD Building

Last year KPD moved into the new Headquarters at Banevaenget 13, in Birkerød-Denmark. The new building was designed by the architect Mr. Henrik Hvidt from Hvidt & Moelgaard Architect Company, Mr. Hvidt succeeded in transforming his vision into reality. His concept was to create a working place that provides an atmosphere of serenity, space, light and life, all of this was achieved by his installation of the "atrium"-which he calls the (heart) of the building. He designed it in a way by which all the three floors overlook the atrium through huge glass windows, while both the cafeteria and the reception are located within the atrium itself. Extra tables and chairs are scattered all around the place offering the employees more space to gather in an exquisite atmosphere in addition to doing their work in a different setting. The basin is located right under the magnificent spiral stairs guarded by two big plants. The ceiling is constructed by using plenty of glass to maximize the flow of light.

The office layout is by no means the conventional one where people are separated by walls, employees at KPD in this unique setting are together in a friendly widely open area allowing easier communication.



## QvikNet@KPD

QvikNet is an e-commerce site that allows customers to order their heating oil through a user-friendly online format, where the customer is offered several different options in determining a final price. The site was launched in November 2000 and was highly appreciated by the users who found it more convenient to use than the traditional way. Its convenience stems from a system of discounts that is not offered through offline purchasing. QvikNet offers the customer discounts based on the following criteria:

- \* **Volume:** the more you buy, the more you save.
- \* **Delivery time:** the longer you wait for the delivery ( maximum 7 days ) , the more you save.
- \* **Geography:** Based on postal codes . The closer you live to a depot, the more you save.
- \* **Payment:** Customers using credit cards – as opposed to invoice, receive a discount.
- \* **Filling up:** While the customer is filling up, if he ticks "yes" and his tank has room for a bit more than he has ordered, Q8 will fill up the tank to the top – at a lower price.

QvikNet sales have now reached 12 per cent of the total home heat volume.



## Best Website in the Business

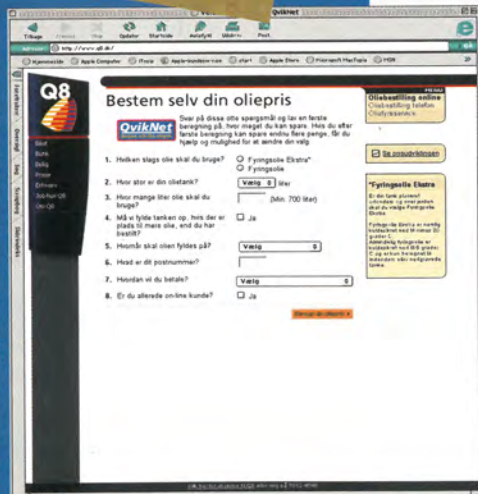
100 companies of Commerce in Denmark were rated by Centre of Electronics at the University of Commerce in Copenhagen, and in the section "Supply & Energy", KPD's website, [www.Q8.dk](http://www.Q8.dk), was rated as the top.

### Leading on functionality

"The leading jersey is primarily due to the QvikNet and its new function that includes payment which our competitors are lacking" states KPD online Marketing Manager Henrik Rasmussen.

KPD's QvikNet is a service provided to home heat customers to order and pay for the ordered quantity of heating oil via the Internet and thereby saving money.

"Furthermore, our fully updated price information is highly used by our customers," adds Henrik.



Screen dump from [www.Q8.dk](http://www.Q8.dk)- the QvikNet site.



## KP Great Britain

### KPGB Takes on BP

KPGB's recent acquisition of BP's direct fuels operation in Central and Southern England has doubled KPGB's market share in these areas, increased the company's overall business in the UK by 25%, and welcomed 150 people into the KPGB fold.

The move continues the strategic expansion of Q8 Fuelcare – KPGB's Company-owned reseller operation - with the acquisition of four fuel distributor depots as well as BP's Heating Services Division in the area. Together the business service over 50,000 household, agricultural and commercial customers and 30 retail service stations.

The addition of the Heating Services division marks a new departure for KPGB, enabling it to service and maintain customers' boilers in addition to providing heating oil.

KPGB managing director and chief executive Brian Stanley comments, "The acquisition is a massive vote of confidence in KPGB committing significant investment to growing our place in the market and will provide many exciting opportunities for the company's employees. It is also an excellent deal, perfectly complementing the geography of our existing network and building on our successful philosophy of offering the kind of personal, local service which customers still want from distributors."

Since the takeover in May 2001, total sales volume delivered in the 6 months from July 1st was up 34.3% on the same period in 2000. In addition, activity rates in Fuelcare have accelerated as we have progressively moved into the winter period. In December 2001 our sales were up 69%, made possible only by the acquisition of the four new depots and significant increases in staffing levels.



### Direct Delivers for KPGB



KPGB Direct Division's national accounts business has shot up a staggering 25% in the last six months thanks to the National Accounts team and the kudos that KPGB has gained from taking over BP's direct business.

During the period from 1st July to 31st December, 39% of the total National

Accounts sales volume delivered was derived from accounts opened in that period. In December, sales to

National Account customers were 207% of their level in 2000.

The National Health Service, the UK Government's buying agency and the fire and rescue service for the UK's second largest city are just some of the big names now buying from KPGB. Stuart Grimley, National Accounts Manager explains, "The BP acquisition sent a message that KPGB is a serious supplier with the capability to service major pieces of business. We're capitalising on this and it's working".

75% of the business is now delivered by Q8 Fuelcare meaning the total number of deliveries made by Fuelcare has risen by 40% in just six months, thus building its reputation for being an efficient and reliable distributor of smaller drops. Explains Stuart, "This is a great selling point for us as many of the bigger oil companies have neither the interest nor the capability to handle these contracts, but with our network of 11 depots it's perfect for us".

In addition to the large public utility accounts, Fuelcare now have a number of prestigious accounts including the Prime Minister's country residence Chequers and Aston Martin cars.



### KP Thailand Tennis Tournament Sponsorship With Volvo Car (Thailand) Ltd. on

# Volvo Women's Open 2001

From November 3-11, 2001 top-level female tennis players from around the world came together for the Volvo Women's Open in Thailand. The event was organized by the Thai Lawn Tennis Association, as part of the World Tennis Association (WTA) Tour. This year's event had total prize money of close to U.S.\$110,000, the highest of any tournament ever held in Thailand.

The event attracted a large number of Thai tennis fans, who came to cheer local stars Tamarine Tanasukan as she played against some of the worlds leading female tennis players. It was an exciting tournament right to the end, which saw Patty Schnyder from Switzerland defeat Henrietta Nagyoya of Slovakia 2/0 winning U.S.\$16,000 in prize money. In the double final, top seeded Wynne Prakusya of Indonesia and Liezel Huber of South Africa lost to second seeded pair Iroda Tulyaganova of Uzbekistan and Asa Carisson of Sweden 1/2, sharing U.S.\$5,500 in prize money. Kuwait Petroleum (Thailand) Ltd. (KPT) has joined Volvo as a sponsor of this event for the past four years. The company was especially pleased to be involved in this year's event, being the first of its kind held in Thailand. A KPT promotion booth was opened at the venue of the event in the Dusit Resort Pattaya.

KPT lubricants and other products were displayed at the booth, providing the opportunity for KPT to inform the public of the range of services, including car wash in addition to the everyday convenience stores, available at Q8 service stations around the country.

The Volvo Car (Thailand) Ltd. also organized the Volvo Family Caravan from Bangkok to Pattaya. The rally was timed to allow participants to see the finals. Starting in the morning of the semi-finals, cars left the Volvo Head Office in Bangkok. Joining the many Volvo motorcars taking part in the rally were two cars representing KPT. In the first stage the participants left Bangkok along the Bang Na Trat Road. As part of the fun, competitors were required to purchase petrol and products in everyday convenience stores from a Q8 service station and give the receipts to the race referee.

The last stage of the rally started from the Q8 petrol station in Central Pattaya and ended at the Dusit Resort Pattaya the night before the finals of the Volvo Women's open 2001. Mr. Thanan Marukatat, KPT Retail Operations Manager and KPT Marketing Development Manager, Ms. Busaya Tanjasiri were part of the organizing committee for the rally.

To end a great day's fun, participants enjoyed a Volvo Rally Night Party where prizes were presented to the winners, a package tour to Europe was the first prize. As part of the games a prize draw was held at night with four winners receiving watches and jewelry as prizes. The following morning children whose families had competed in the rally had the opportunity to take part in a tennis workshop with Thai tennis star Tamarine Tanasukan. Upon completion of the workshop children received certificates.





# From Strength to Strength



"The secret of success" is a phrase which we could well apply to KPI's International Diesel Service business. First of all, it has a well established record of quality performance against almost every measure. With each year it has shown growth, whether we look at site numbers or volumes or satisfied customers and, importantly, it has a consistent profit history. Despite it's long term good results, this segment has kept a fairly low profile in house, and this new company magazine is a perfect opportunity to blow a small trumpet!

Back in the mid 1980's KPI supported the European roll out of IDS which was a concept developed by our colleagues in Denmark. The idea of a fully automated diesel only chain, which is aimed at serving the needs of the International haulier seeking a speedy and highly secure refuelling across Europe may not seem too radical, now that we see Retail automats in many parts of our operations. However, even today IDS is almost unique in the way it offers this service. Most of our competition provide On The Road diesel from their retail sites and most of them issue cards as a member of a wider oil company alliance. While this approach appeals to many hauliers in Europe, our track record clearly shows the specialised way that IDS serves the market which appeals to a large and increasing number of customers.

IDS has moved into the 21st century as a substantial business. Our network of outlets comprises over 700 sites in 20 countries, and this year we will sell more than 1100 million litres of diesel. Many years of rapid growth means that we have now reached the right time to check our position in the market place and this has begun with a major piece of market research last year. Over 500 drivers and 700 decision makers were questioned about their expectations when purchasing fuel on the move, and they gave us valuable insights about our current operation and how we should fine tune it for the future. It was good to hear that they confirmed all the fundamentals of our IDS strategy; the need for competitively priced fuel across a strong European automat network with a high focus on security. They also gave us good pointers on how to be even more attractive to our customers in the future.

For example, the feedback told us that having network in the key locations was much more important than sheer site numbers. Thus, the next few years will see IDS placing more emphasis on the highest trafficked European locations and even purifying some less important sites from the network.

A perfect example of such a key location is the IDS flagship site at Calais. This very strong location, situated in a high traffic area with a major fuel duty price difference at the adjacent border has been in our network since 1992, and it had peaked at a volume of 36KM3 p.a. However, the site had become dilapidated and sales were falling substantially so that KP France saw the need to not only modernise but also extend and enhance the site. At a total cost of \$1.1M the size of the site was doubled and the brand new forecourt offers a total of 7 filling lines. KPF has also added parking bays and a restaurant which is operated by a local partner. After only 9 months since it's re-opening, Calais is not only running at 120% of it's previous highest ever rate but also presents a fine image for IDS as you can see from these photographs.

In the next few months we will be setting up new IDS Centre of Excellence with colleagues from across the group to address all the results of our market research. We will be looking at promoting our product in more effective ways not only to decision makers but also, for the first time across Europe, to drivers too. We will be upgrading and re-launching many of the IDS features such as bringing card security on-line and improving our valuable VAT recovery service.

The IDS team in the Operating Units and at the Head Office in Woking are committed to ensuring that the IDS success story continues and is also more familiar!



International Diesel Service



There has been an addition to the KP Family...

# Kuwait Petroleum Austria

The partners of Kuwait Petroleum in Austria are BP the former "Mobil" which started IDS card acceptance in 1993, as well as, OMV which offered access to IDS customers as of 1996. However, the contract with BP ended recently in 2001, and that with OMV will be terminated by the end of the year 2002. Accordingly, under these unfortunate circumstances IDS will cease to exist as of 2003. That is not acceptable, especially in a country like Austria known to be extremely important to international hauler and enjoys a steady growth in total truck diesel demands. It is noteworthy to mention however that the past performance of IDS in Austria was identified by a 100% hospitality network, primarily at motorway sites.

It is the aim of "Kuwait Petroleum Austria" to ensure fuelling capacities to IDS in Austria, as well as become completely independent with no partners.

Austria is characterized by few yet highly frequented motorways. This provides an opportunity to create a network with few outlets - approximately ten sites - if

strategically located, it should cover the requirement of IDS customers.

During the year 2000, KPG IDS started to explore the market for potential hospitality partners. Searching for land suitable to build IDS sites turned out to be quite a challenge, because of Austria's high mountain topography. The supply situation was investigated along with authority requirements and legislations related to unmanned sites. These sites are not usually authorized for building, yet they were thoroughly revised. This allowed us to apply our plans in spite of the imposed strict regulations.

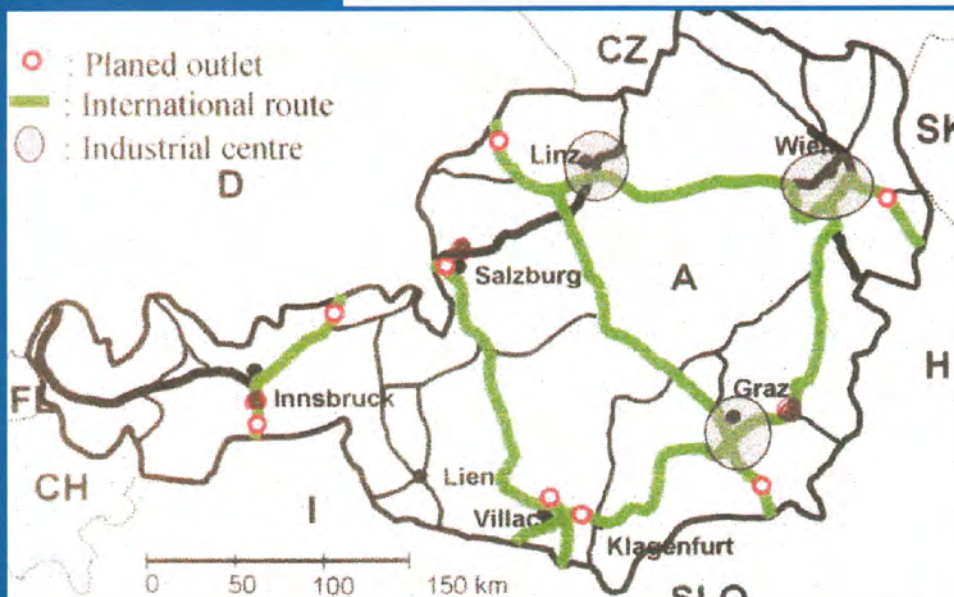
Following the approval of both the Austria IDS strategy by KPI, and the foundation of Kuwait

Petroleum Austria GmbH, one hospitality has been realized "Shell World", along with SSt. Veit" Which is a card acceptance company. Further, "Sinabelkirchen" which is a hospitality near Graz, has already received its building permit. The site is currently under construction and will be finalized in the near future. Also in progress, are two strategic sites in separate locations:

- Gries am Brenner, the most important transit route from Germany to Italy through the Alps.
- Suben, located at motorway A8 that connects Munich to Linz via Passau, Vienna in the east and Graz, Slovenia and Italy in the south.

Land contracts have been negotiated, and currently building permits are being prepared. Both sites should be added to IDS network in Europe as soon as the Austrian authorities and weather conditions allow.

During the years 2002 through 2003 and onwards, implementation of another 5 - 7 stations, as either stand alones or hospitality locations, is scheduled to put us in a position to get our fare share of the business.





OKQ8 Sweden

# Market Leader Through a Joint Venture

## *Market Shares Gained Through Joint Venture*

### OKQ8 Became Market Leader in Sweden



The Swedish joint venture OKQ8 is a unique but successful phenomenon in Kuwait Petroleum. When two companies merge the result is usually a loss of market shares, but Kuwait Petroleum's marketing joint venture grew instead and went ahead of the market leader Statoil.

Sweden is a large country with only 9 million inhabitants spread over a huge area. As distances are long, Swedes are travelling a great deal, often by car.

For the petrol companies, it is important to offer a good coverage of outlets to be able to attract the Swedish card-customers. By the joint venture OKQ8, Kuwait Petroleum and the consumer co-operative OKF has got a strong position with more than 1,100 outlets throughout the country, as well as nearly 120 IDS outlets.

In the mid-90s, Statoil dominated the Swedish retail market with a quarter of the shares. No other company, was close, while OKF and Q8 had 25 per cent together. Forming a joint venture in 1999 made OKQ8 an equal competitor to Statoil, and by achieving marketing and cost synergies, OKQ8 also gained market shares and became the market leader.

Today OKQ8 has 27 per cent market shares, with a large card customer base.

#### **Long Co-operation**

The joint venture was preceded by a 20 year long co-operation between Q8 and OKF. From the start it concerned base oil supply, but during the second half of the 90's it grew to include a joint lube blending plant, card co-operation and distribution of oil products.

In June 1998, a letter of intent was announced and the joint venture OKQ8 was formed in January 1999. However, the

letter of intent was preceded by 18 months of hard work. All matters were thoroughly discussed to ensure that common objectives and directions are established, an important process according to executive chairman Göran Lindblå:

"We don't live on contracts, but on a mutual approach," he says.

A five-years business plan was set up, and this plan has been followed in all essentials.

OKF and Q8 own 50 per cent each of the joint venture and have three representatives each on the board. KPI's representatives on board are Mahmoud Al-Jassar, Steffen Pedersen and Brian Stanley. There are also two staff representatives who, according to Swedish law, have the right to vote.

#### **Strategic Choice**

Apart from getting on well, the two companies also complemented each other well.

"There was a fantastic strategic fit with very little overlapping" says managing director Jens-Erik Højgaard.

OKF held a very strong position in retail, especially in the north and middle of Sweden. Q8 had a larger share of the direct market and were also stronger in retail in the south and along the national highways. Q8 also had their own terminals and distribution which OKF historically bought from 3rd parties.

There were little, if any, negative reactions on the forming of the joint venture, while both customers and staff have been positive. The few surprises that have occurred have mostly been positive, as when the market-leading car producer in Sweden, Volvo, last year choose to work exclusively with OKQ8. Before, Volvo had a card co-operation with both Q8 and Norsk Hydro.

The forming of the joint venture has, consequently, been smooth and successful. For the future, Göran Lindblå and Jens-Erik Højgaard hope for OKQ8 taking an even larger share of the retail market, not the least in the after market that makes up 50 per cent of the retail income. Shops and car wash are large parts of the after market, but also car rental with a fleet of 2,500 cars and do-it-yourself halls.

The company also aims at a larger part of the business market, and a great challenge is to increase the share of fuel oil.

Göran Lindblå and Jens-Erik Højgaard have both been involved in the process of forming and running the joint venture and with their experiences they believe that others could follow this model.

"I would encourage others to do the same thing as we did, if a strategic fit and a mutual approach can be ensured" Jens-Erik Højgaard says.



# Motorists on Q8

Motorists in Benelux see Q8 as 'fun', 'original', 'fast', 'young' and 'clean'. However, increasing Q8's familiarity remains a slow process. Brand and Communications Manager Guy Gogne from KPBNL analyses the results of the latest Benelux survey into the familiarity of Q8.

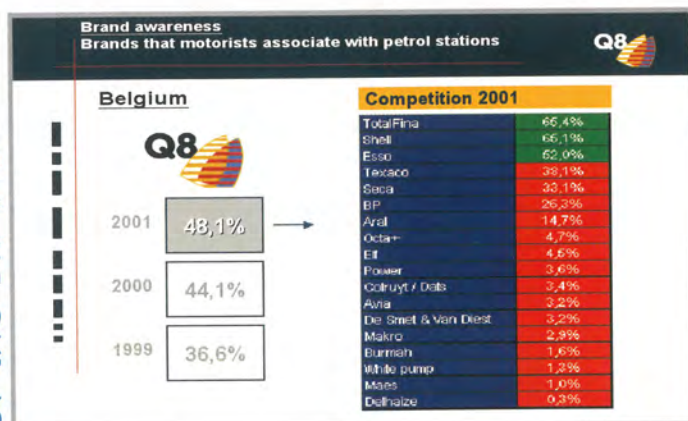
"In Belgium our market share is growing massively, while our familiarity is not doing so" Says Brand and Communications Manager Guy Gogne. It will take some time to gain more familiarity. Anyone who asks motorists to name well-known brands off the top of their head will first hear the big names. What is positive is that Q8 currently appears significantly more often on the list. Spontaneous familiarity rose in Belgium in particular, where 48% of those questioned in a major survey named Q8 among the top brands. 'We are now ranked number four, behind Totalfina, Shell and Esso, but ahead of Seca and Texaco. In Belgium the familiarity of all the main brands has dropped, except that of Q8 notes Guy Gogne. 'In the Netherlands we have grown, which is slightly surprising because we are the smallest of the major players, that is so because of the great deal of media promotion on local radio. We have also updated the POS (point of sale) material.' In Luxembourg, Q8's familiarity has fallen, like all other players, but we are still in third place behind Shell and Aral.

The information on the position of the Q8 brand in Benelux is based on a large-scale consumer survey carried out in the three countries in Autumn. In the CATI (computer-aided telephone interviews) survey 800 interviews were recorded per country with people aged 18 and older who occasionally drive a vehicle. Another qualitative survey was also carried out in Belgium with two focus groups, specifically concerning the image of Q8.

### What does the consumer find?

- Customers see filling up with petrol as a necessary evil. First and foremost they want the process to be quick and efficient;
- In the last three years motorists have become less and less loyal to specific brands and specific petrol stations;
- Motorists who do not buy in the petrol station shop, do so mainly because they think that the prices there are high;
- In terms of 'top of mind' (first answer to the question of what petroleum companies do you know) Q8 continues to be less than hoped. Gogne: "That is because we are a young player in the market. Q8's brand and logo have only been in existence since 1986".
- Throughout Benelux, location and price are still by far the most important reasons for choosing a petrol station. Habit, loyalty systems (and promotions), good service and personal contact also remain important;
- In the three countries, the Q8 network is seen as modern and well-equipped; the brand is associated with good, reliable quality;
- The panel survey in Belgium also showed that in each case motorists make their choice on the basis of the possibility of filling up efficiently, with relatively short waiting times, clean and well-lit petrol station. Men find personal contact particularly important, for women the safety aspect is crucial.

FAMILIARITY of the BRAND



Percentage that spontaneously names Q8





## Joint Management of Oil Spills

With a large number of companies in Rotterdam's harbour and Industrial Area, KPE has joined hands to improve the containing and clearing up of spills in the harbour. As part of the collaboration, the companies are combining their oil booms in a joint 'boom pool'.

Some time ago, a serious oil spill at the Maasvlakte Oil Terminal called for a decisive step for a broad collaboration between companies in the Rotterdam harbour. One work group advised placing the front-line work with the Municipal Port Company (Gemeentelijk Haven Bedrijf, GHR). The so-called "Boom Pool" had emerged during a study, by which the oil pollution could be tackled more effectively, which means that the companies need to put less effort to tackle such

spills, thereby cutting down costs. In the case of KPE this involves a 300-m long 'oil boom', that is kept ready for tackling spills. The Joint Fire Service in the Europort-Botlek area will be responsible for organizing the administrative and operational parts. The booms will be stored at centrally, carefully chosen locations, enabling pollution to be contained more quickly. Thus allowing high-quality, well-maintained equipment to be used efficiently while reducing investment and maintenance costs for KPE and the other participants like Shell, Esso, Nerefcoc and various other shipment companies who are also taking part in the Oil Spills.

As of 1 January 2002 the new organisation is operating in full power.

## The New Italian "Rally Delle Meraviglie" Promotional Campaign

In September 2001 KUPIT launched its new promotional campaign: "Il Rally delle Meraviglie".

Thanks to such initiatives, KUPIT is the first oil company in Italy with significant market share, that launched a promotional campaign based on "smart cards".

Within the company's marketing activities, careful attention is needed towards our positioning in the market as well as confrontation with competitors.

In this scenario, KUPIT introduced promotional campaigns at the beginning of the 80's, as a new marketing instrument to improve sales and customer's loyalty.

After more than 10 years of successful promotional activities, KUPIT is main commitment was to change the way of living and present the campaign, evolving, from the traditional stamps or "scratch and win" format, into a content of modernisation and technology. This is done through the use of point of sale and smart cards, thus allowing a sharp collection and management of customers' data.

KUPIT's campaign is actually covering 80% of its network with further additions still coming from more service stations. Supporting this success, KUPIT implemented an on-line Internet service where customers may check their own transactions and points in real time.

Today KUPIT is still the only company that carries out a fully integrated electronic process to manage promotional campaigns with a hardware investment of \$ 5,5 M.

In the case of "Il Rally delle Meraviglie", KUPIT uses an initial stage of CRM system (customer relationship management); that allows the collection of information from customers participating in our promotional campaign through a smart card assessment, creating a customers' data base in order to establish a direct relationship between KUPIT and the motorist.

"Il Rally delle Meraviglie" is characterized by the following:

1. Smart cards distributed and card reader installed
2. Prizes from recognized brands
3. Self-liquidating scheme (Customer contribution for higher value prizes)
4. A 12 months lasting campaign aiming at turning this issue into a (continuing promotional scheme).

This marketing initiative is an effective response to discount campaigns activated in Italy by AGIP and IP in a selected number of outlets (without any possibility of collecting customers' information).

Through "Il rally delle Meraviglie" KUPIT is confident to gain customer loyalty, and is perceived as innovative, evolved, and capable of building a sense of belonging to the Q8 brand.

This is the way to turn from a mass market approach, to a "one to one market" approach, by being more selective, qualitative and targeted rewardings for different customers.







# First KPI - Kuwait Spring Camp



On a beautiful sunny morning in the desert, the blue flags of Q8 fluttered in the distance around three large tents marking the First spring camp for KPI - Kuwait staff and their families. The day promised to be fun filled with activities from camel rides to pony rides, candy floss and popcorn and even a paintball field. As it turned out, it was loads of fun.



The day began at 10 a.m. when everyone made their way through the desert to the camp, which was appropriately nicknamed by Zahra Al Essa as "The Land of Sand". After a traditional desert breakfast of boiled chickpeas and fava beans, the festivities began with games and activities for all ages. The kids had a ball on the bouncing trampoline and the ladies enjoyed the ancient art of Henna tattooing.

The highlight of the day was the volleyball final where Strategy, led by Mahmoud Al Jassar played against Finance led by Graham Smith. With everybody cheering for their team, the match was really close and after a fierce competition, Finance landed the trophy. It turned out that Graham didn't need the handicap points after all.

Also included in the events was a show of the Artha dance, a traditional sword dance of the Gulf region. It was a wonderful scene to see our staff, led Mr. Jamal Al Nouri, participate in the dance, especially our expatriates who did it with style. It was a lesson in culture for all of us.

At the end of the day, Mr. Al Nouri presented the prizes to the winners, topped by the grand raffle prize, a round trip from Kuwait to any destination in Europe. The day would not have been complete without a beautiful show of fireworks that lit up the desert sky magnificently, marking the end of the first spring camp. It was truly an event that will remain in everyone's memory.



# Kuwait

## Celebrates

### 11 YEARS OF LIBERATION & 41 YEARS OF INDEPENDENCE

The grand celebrations marked by the State of Kuwait on the 41st National Day and the 11th Liberation anniversary, expressed the popular jubilation on having an independent sovereign country. Historically, Kuwait used to celebrate the National Day on the 19th of June for two successive years after it's independence in 1961. Later on, the date was changed to February 25th and named the National Day by the Sate of Kuwait to commemorate the accession of the late Amir, Sheikh Abdulla AlSalem Al Sabah, better known as the "Father of Independence and the Constitution."



The 26th of February, marks the liberation of the State of Kuwait from the claws of the vicious invasion and occupation when the Iraqi forces were routed and defeated in 1991. The celebration this year was special. Not only did the Kuwaitis celebrate the two glorious occasions, but they also received His Highness the Amir after his return home following his recent illness. All Kuwaiti people of different social walks, including members of the royal family, Members of the Parliament and Cabinet ministers danced Al-Ardha (National Sword Dance) at the Flag Square amid wide popular attendance. Various parades were seen everywhere. Beautiful fireworks decorated the sky of Kuwait and added wonder to the heavenly stars.

## Latest News

Following the regrettable incident at Al-Rawdhatain oil fields, the Oil Minister Dr. Adel Al-Sabeeh took full political responsibility for the event and resigned. The new minister Ahmad Al-Fahad declared he will grant the continuity of the Oil Minister following the track of his predecessor.







KUWAIT PETROLEUM INTERNATIONAL LIMITED  
Kuwait Chamber of Commerce & Industry - 5th Floor  
P.O.Box: 1819 Safat 13019 Kuwait  
Tel: (965) 2404087- Fax: (965) 2430760

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