



Work Project presented as part of the requirements for the Award of a Masters Degree from NOVA – School of Business and Economics

**Consulting project for the Iberian Marketing Oil department of Galp Energia:
Strategy and Marketing guidelines for Galp Energia's convenience business in the Iberian market**

Consulting lab carried out under the supervision of:
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First of all, we would like to thank our dearest advisors, professor Constança Casquinho and professor Fábio Santos. They were always available for us with inexhaustible patience, giving us fundamental guidance and support and they were present each step of the way, since day one. We can say without a doubt, that it was this strong care that made this work possible.

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Furthermore, a special thanks to Nova School of Business & Economics, its professors and all the staff members. We are proud of belonging to such an institution that helped us grow and helped shaping us as professionals, but mainly for giving us tools to become ethical and humble human beings.

In addition, we wanted to thank the professors Pedro Neves and Sara Alves for the advice and academic guidance and a special thanks to our other consulting lab team members for all the hours we spent together and that made it fun and easy to go to work everyday.

Last but not least, to our parents, families and friends and to all those who encouraged us through the whole project.

“Give us the tools, and we'll finish the job”

Winston Churchill, 1941

The main objective of this field lab is to provide a hands-on-approach experience to students with little or no experience in the job market

OVERVIEW

The Consulting Labs provide to master students a **truthful, real-life consulting challenge**. Our team embraced the challenge of **developing strategy and marketing guidelines for Galp Energia's convenience business in the Iberian market**. All this, under the supervision of two remarkable Professors with a strong professional background in consulting firms.

Throughout 3 months, our team worked daily at Galp's headquarters and was able, through **hard work** and **syndication**, to build a strong working relation with several members of the Iberian Marketing Oil department. We truly believe that we have **immersed the client's corporate culture** and **added value to the company**.

OBJECTIVES

- Immerse in client's corporate culture through a *hands-on-approach* experience in order to simulate a real-life consulting challenge
- Apply **theoretical concepts** learned throughout the academic life to a real project
- Meet **client's expectations** and **add real value** to a company
- Learn **working methodologies and soft skills** – team work, empathy, syndication – that will be useful throughout student's professional careers

ADVISORS



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EXECUTIVE SUMMARY

This project is conceived for the Convenience Business of Galp Energia. This company is the biggest Oil&Gas company in Portugal, which represents a great opportunity to deepen knowledge and work skills of students

About Galp

Founded on April 22nd of 1999 and holding a current **volume of 17 million euros**, Galp Energia is the **biggest energy company** in our country. It is currently the only integrated group of oil products and natural gas in Portugal, employs about **6800 workers** and it is present in **14 countries**. In addition to these characteristics, it is also the only refining company in Portugal and explores, develops and produces oil and natural gas on four continents, supplying energy every day to millions of people. Galp Energia is divided into **three business segments** that are: **Exploration & Production, Refining & Distribution and Gas & Power**. Its motto “Energy in motion” defines the activities performed within these business segments that extend from exploration and production of oil and natural gas, refining and distribution of petroleum products, distribution and selling of natural gas and the generation of electricity¹.



About the Project



This project is inserted in the **Convenience Business** of the **Iberian Oil Marketing Department**, which belongs to the **Refining & Distributing** business segment. In the Convenience Business, **33 employees** are responsible for the strategic planning, services development and full-time management of approximately **900 convenience stores** in **Portugal** and **Spain**. Last year, both countries faced an economic recovery, that gradually lead to an increase of traffic on the roads which and consequently to an upturn in sales of the stores attached to gas stations². In addition, **convenience** is a **business area that, in both countries, is growing** in volume, and it is becoming a **valuable trend** in everyday life³. By working together with both areas, **Convenience and Marketing Intelligence**, this project aims primarily to **seize this growth opportunity** and through the development of a strategy and recommendations, **help transform Galp’s convenience area** into a more robust business that distinguishes itself from the competition.

1) Galpenergia.com, (2016). A Galp Energia num relance - Galp Energia.

2) Dbk.es, (2016). Estudio Sectores de DBK - Tiendas de Conveniencia Set 2015

3) Based on information provided in the External Analysis of this work

The main challenge of the project is to increase sales in the Convenience Business through an innovative set of strategic actions

Challenges

- How can Galp Energia's Convenience Business seize the opportunity in this sector and increase sales?
- Since convenience is a trend that it is becoming more present everyday, how can Galp adapt its current offering to this trend?
- How can Galp Energia's Convenience Business be less dependent on the fuel business?
- How can the Convenience Business improve and optimize the marketing and strategy plan in order to be distinguished from the competition and adapt to the changing environment of this sector?



Aim and Objectives

Aim: To propose a strategy for the Galp's Iberian Convenience Business, and support it with an action plan, in order to increase sales

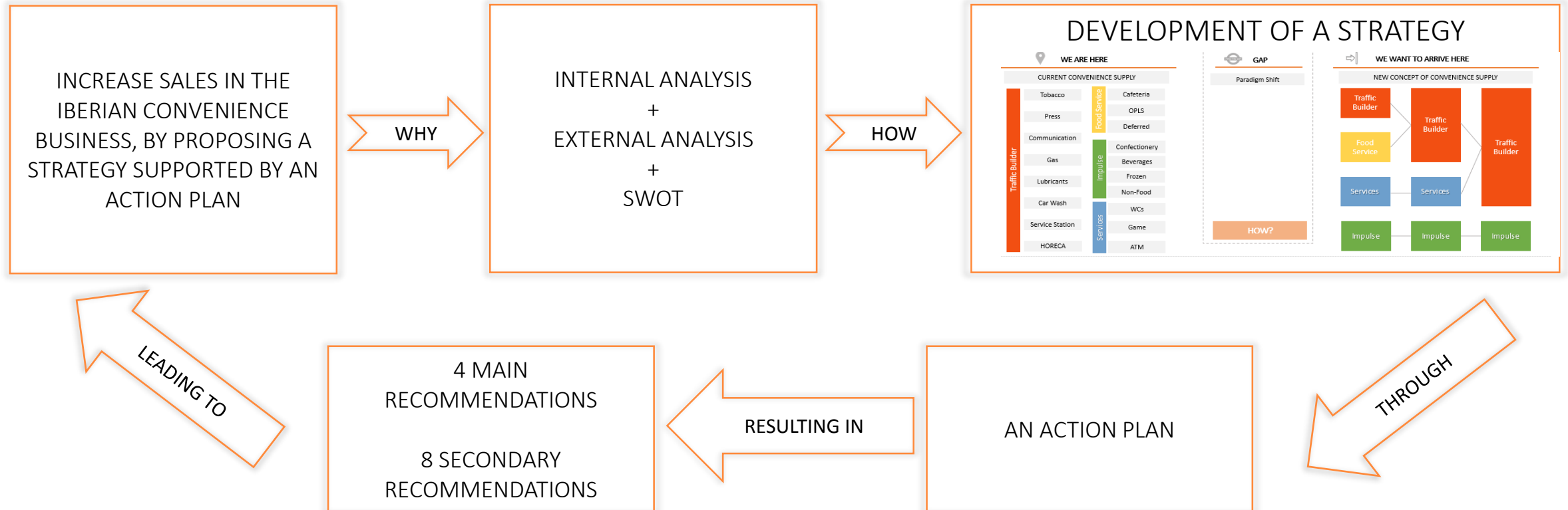
Objectives:

- Understand the Iberian Marketing Oil department dynamics and its business areas
- Analyse how the Convenience Business operates, its constituents and practices
- Identify the current trends national and internationally regarding the convenience industry
- Evaluate the enterprise's current situation internally and externally, including Current offering on products and services, financials, market situation, competitor's practices, clients choices and behaviours
- Assess the main strengths, weaknesses, opportunities and threats of the Convenience Business
- Develop a strategy and propose recommendations accordingly to the analysis performed
- Support the recommendations with an implementation plan and a P&L analysis







In order to provide a solution for the challenges presented, we developed a strategy to support the action plan, resulting in 4 main recommendations and 8 secondary recommendations

Solution



By implementing the main recommendations provided, Galp will be able to generate an added value of 730k€ per year through the Convenience Business, with an additional upside if the set of secondary recommendations provided is implemented

Recommendations					4 Main Recommendations (brief overview)	8 Secondary Recommendations	
	Initial Investment	Incremental Earnings/Year	Payback Period	<div style="border: 1px solid orange; padding: 10px; text-align: center;"> <p>Total incremental earnings per year 730k€¹</p> </div>			
 New coffee shop concept	880k	370k	2,4 Years		<ul style="list-style-type: none"> New coffee shop concept: Develop a distinctive concept for coffee shop with a modern and cosy environment and adapt supply to customer preferences and trends 	+	<ul style="list-style-type: none"> Grab&Go Differed Offer Street Vending Car Sharing Books Collection Convenience App Cross Selling Perception
 Laundry Service	135k	118k	1,1 Years		<ul style="list-style-type: none"> Laundry service: Offer a pickup and delivery laundry service 		
 Pick&Go	N/A	144k			<ul style="list-style-type: none"> Pick&Go: Develop a pick up point service, providing lockers to customers at Galp's gas stations 		
 Store Supply	16.8k	100k	0,2 Years		<ul style="list-style-type: none"> Store Supply: Adapt store offer according to customer profile such as fitness, healthy and female products 		

Total added Value for the Client

- Improvement of the overall structure of the Convenience Business Marketing Plan for Portugal and Spain:
 - Restructuring and upgrading of the previous marketing plan
 - Addition of new necessary sections (e.g. Information Systems and Industry Trends)
 - Different analysis provided for the first time in this area (e.g. sales evolution analysis, analysis made in the Offer section concerning Tangerina Store Gross Benefit by category; in the Financials section and a SWOT analysis made for the Car Wash business; analysis of the correlation between fuel and stores' sales per segment)
 - New perspectives on the existent data (e.g. new approach of the customer analysis, by studying not only the Current clients but also potential clients and its demographic and behaviour profile; new approach analysing customers also per segment of business, store and car wash)
 - Standardization of the document concerning the overall analysis for the Iberian Peninsula (e.g. the Store segmentation that was different for both countries)
- Development of an innovative strategy and action plan, resulting in recommendations to help increase sales in the Convenience Business

1) Incremental earnings per year of each initiative was calculated with illustrative values due to confidentiality constraints. The detailed P&L analysis is presented in the Strategy and Recommendations section of this work (chapter 5)

TABLE OF CONTENTS

1. METHODOLOGY

GENERAL METHODOLOGY

PHASE I DIAGNOSIS

PHASE II ANALYSIS

PHASE III STRATEGY & RECOMMENDATIONS

2. INTERNAL ANALYSIS

ORGANIZATION

BUSINESS MODEL

INFORMATION SYSTEMS

OFFER - PRODUCTS AND SERVICES

FINANCIALS

3. EXTERNAL ANALYSIS

INDUSTRY TRENDS

MARKET

COMPETITION

CLIENT

4. SWOT ANALYSIS

SWOT ANALYSIS BY BUSINESS

TABLE OF CONTENTS

5. STRATEGY AND RECOMMENDATIONS

STRATEGY

RECOMMENDATIONS

NEW COFFEE SHOP CONCEPT

LAUNDRY SERVICE

PICK&GO

STORE SUPPLY

6. INDIVIDUAL REPORTS

7. REFERENCES

1. METHODOLOGY

GENERAL METHODOLOGY

PHASE I DIAGNOSIS

PHASE II ANALYSIS

PHASE III RECOMMENDATIONS

2. INTERNAL ANALYSIS

3. EXTERNAL ANALYSIS

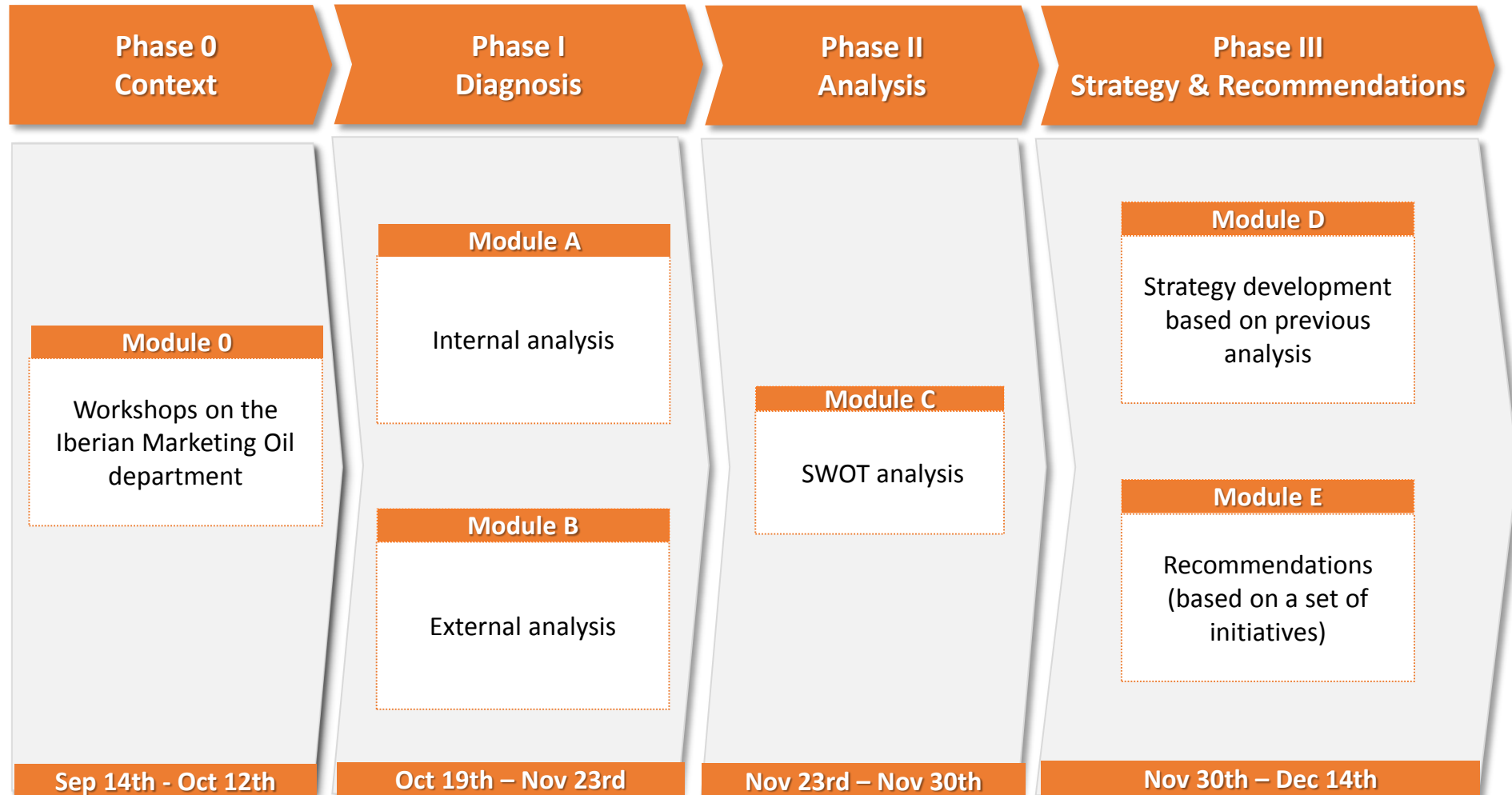
4. SWOT ANALYSIS

5. STRATEGY AND RECOMMENDATIONS

6. INDIVIDUAL REPORTS

7. REFERENCES

The project is structured in three main phases, divided into five work modules which constitutes the methodology:





The first phase of our methodology, Diagnosis, is composed by two modules – the first one is the internal analysis

Module A – Internal Analysis

Objective: Analyse Galp’s internal environment in which Galp operates (in terms of convenience) to determine strengths and weaknesses

Method: The main goal when performing an enterprise's internal diagnosis is to review the organizational resources and capabilities (which include human resources, informational resources, financial resources and supply resources), assess its current offerings (to analyse the products and services it currently offers to know where it stands before making plans to move ahead), analyse the previous performance (prior year sales, prior year profits and other financial results, historic trends in sales and profits by product, geographic region, customer segment, results of previous marketing plans, etc.), keys to succeed and any warning signs that may point to significant changes ahead.^{1) 2)}

Main activities:

Organization

- Collection of data on the Refining & Distribution business segment and Iberian Marketing Oil department (organizational charts)
- Assessment of the six areas that constitute the Convenience Business: division of areas, responsible, functions, number of employees

Business Model

- Check and update the number of Galp’s convenience stores in Portugal and Spain
- Bring up-to-date the number of stores and car washes divided by distribution channels (COCOs/CODOs/COFOs and DODOs)
- Characterization of the distribution channels

Information Systems

- Understanding and description of Galp’s current IT system – the Tiger Program, and creation of an illustrative scheme exposing its flow
- Evaluation of Tigers’s tools, specially those that hold direct interfaces with the Convenience Business

Products & Services

- Assessment of the Convenience Business’s current offer, divided into five areas: Stores, Car Wash, Auto, Partnerships and Horeca
- Breakdown of the main characteristics of each store and car wash segment (Local, Metropolitan, Road, Long Distance)
- Products' sales and gross benefit analysis by category and by segment
- Homogenization of all the information between PT and SP

Financial Analysis

- Analysis of the contribution per business concerning prior and current year sales, prior and current year profits and other financial results for PT and SP, for all the businesses included in the Convenience Business (eg. Store, Car Wash, Horeca)
- Correlation between Store sales and Litres of Fuel consumed per Store

1) Wood, M. (2011). *The marketing plan handbook*. Boston: Prentice Hall.

2) Wood, M. (2007). *Essential guide to marketing planning*. Boston: Prentice Hall.



The first phase of our methodology, Diagnosis, is composed by two modules - the second one is the external analysis

Module B – External Analysis

Objective: Study the external environment in which Galp operates (in terms of convenience) to determine threats and opportunities that can affect strategic decisions

Method: The main goal when performing an external analysis is to study environmental trends: political-legal (e.g. next elections period and changes that might occur), economic (e.g. current status and prospects for the future), social-cultural (e.g. factors that are likely to drive change the business), technological (e.g. new technologies on the horizon that will radically affect this industry) or ecological (e.g. the future of oil&gas and how will that affect the convenience stores next to gas stations). These trends generate changes that can affect marketing decisions, performance, opportunities and threats, and potential profits. To be aware of all these external characteristics it is fundamental to analyse markets and customers by researching market-share trends, product demand and customer characteristics such as buying habits, need, wants, attitudes, behaviours and satisfaction.^{1,2}

Main activities:

Industry Trends

- Study of the socio-economic and demographic trends over the next 10 to 15 years
- Assessment of the convenience industry trends that will affect the course of the business and the market
- Analysis of the impact, timeframe and likelihood of occurrence of the selected trends

Market

- Research concerning the recent developments on the convenience legislation for Portugal and Spain
- Analysis of the macroeconomic context and its evolution
- Characterization and analysis of the evolution of the sales and number of stores for three markets: Convenience Stores, FMCG and Horeca

Competition

- In-depth study and characterization of the direct and indirect competition of Stores and Car Wash businesses
- Analysis of the prices and consumer preferences for the Car Wash business
- Examination and analysis of Galp's market share vs. competition in gas stations stores of Portugal and Spain

Clients

- Characterization of the current and potential client and its demographic and behaviour profile
- Analysis of customers per segment of business such as store clients and car wash clients
- Scrutinise of the questionnaire report "Tracking do Retalho bimestral 2015" to analyse Galps clients' profiles

1) Wood, M. (2011). *The marketing plan handbook*. Boston: Prentice Hall.

2) Wood, M. (2007). *Essential guide to marketing planning*. Boston: Prentice Hall.



The second phase of our methodology is the SWOT Analysis which is divided by business unit

Module C – SWOT Analysis

Objective: Create the foundation of a strategy taking into account what Galp can do as well as any potential favourable or unfavourable conditions related to the company's products or services, giving a global picture of Galp's position in the market

Method: To perform an overall evaluation of a company's strengths, weaknesses, opportunities, and threats involves monitoring the external and internal marketing environment.¹ According to Wood (2011), it is relevant to evaluate how each factor contributes to the ability to accomplish or prevent a goal from being achieved. Furthermore, to perform a solid SWOT analysis, the consultation of strategic decision-makers inside the firm is crucial. These specialists teach their views on which are the most important opportunities to explore, threats to counteract, strengths to build on, and weaknesses to defend against.²

Main activities:

Convenience SWOT

- Evaluation of Galp's convenience business strengths, weaknesses, opportunities and threats
- Use of internal issues to examine the strengths and weaknesses, and the use of external topics to determine the opportunities and threats

Stores SWOT

- Assessment of Galp's Stores business strengths, weaknesses, opportunities and threats

Car Wash SWOT

- Assessment of Galp's Car Wash business strengths, weaknesses, opportunities and threats

1) Kotler, P. (2000). Marketing management. Upper Saddle River, N.J.: Prentice Hall

2) Wood, M. (2011). *The marketing plan handbook*. Boston: Prentice Hall.



The last phase of our methodology, Strategy & Recommendations, is composed by two modules – the first one is Strategy development

Module D – Strategy development based on previous analysis

Objective: To develop a strategy that is consistent with Galp’s internal and external environment and that help transform Galp’s convenience area into a more robust business that distinguishes itself from the competition.

Method: To perform a successful strategy it must be consistent with a company’s goals and values, resources and capabilities, structure and systems. It is also important an effective implementation of simple and agreed objectives, a profound understanding of the competitive environment and an objective appraisal of the organizational resources¹

Main activities:

Strategy Development

- Development of a new strategy, taking into account the convenience current situation, its threats and opportunities
- Explanation of the strategy in detail, describing the different streams of activity and their respective initiatives recommendations

1) Grant, R. (2008). *Contemporary strategy analysis*. Malden, MA: Blackwell Pub



The last module of the methodology is composed by a set of innovative initiatives

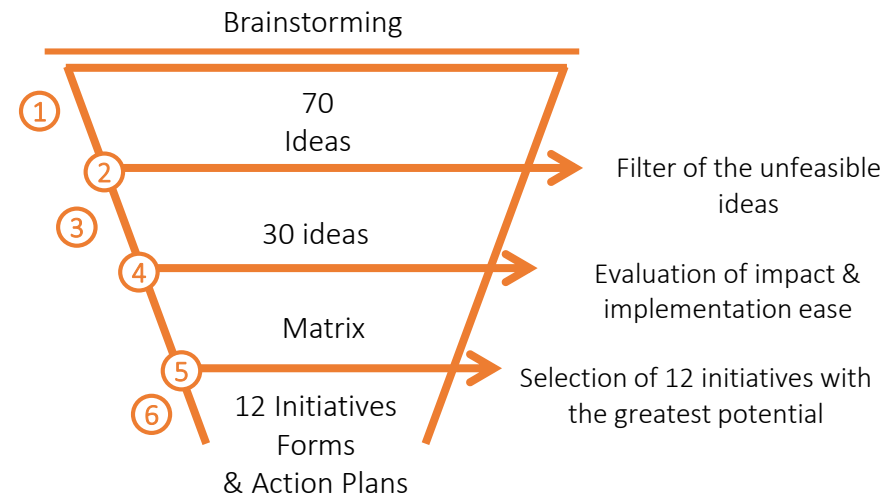
Module E – Recommendations

Objective: To indicate our recommendation based on the description of a set of initiatives (supported by a plan of action)

Method: Methodologies such as Metaplan were used to list and filter the initiatives proposed. The intent of this method is to create an open and informal atmosphere in which all participants can speak with total freedom. This approach creates opportunities to translate thoughts into actions right from the start, and helps the generation of new ideas.¹ An action plan is a way to make sure your organization's vision is made concrete. It describes the way your group will use its strategies to meet its objectives.²

Main activities:

- 1 Brainstorming Process – apply the Metaplan Methodology
- 2 Apply a first filter in the ideas collected – incorporate Galp team’s opinion
- 3 Evaluate the impact and ease of implementation of the ideas – Ranking from 1-5
- 4 Design a matrix for impact vs ease of implementation
- 5 Select the ideas with the greatest impact and ease of implementation
- 6 Develop a descriptive form for the 12 initiatives and create an implementation plan for each of them (also support the initiatives with a P&L analysis)



1) Metaplan.com, (2016). *Metaplan Structure & Strategy Consulting*.

2) Ctb.ku.edu, (2016). *Chapter 8. Developing a Strategic Plan*

1. METHODOLOGY

2. INTERNAL ANALYSIS

ORGANIZATION

BUSINESS MODEL

INFORMATION SYSTEMS

OFFER - PRODUCTS AND SERVICES

FINANCIALS

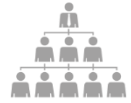
3. EXTERNAL ANALYSIS

4. SWOT ANALYSIS

5. STRATEGY AND RECOMMENDATIONS

6. INDIVIDUAL REPORTS

7. REFERENCES



ORGANIZATION

- ✘ Convenience is an Iberian business inserted within the Iberian Marketing Oil department
- ✘ Within the six departments of Convenience 88% of the employees operate in the stores segment



BUSINESS MODEL

- ✘ In PT, Galp controls a significant part of the stores network and in SP controls almost half of it
- ✘ The convenience has different business models (COCOs/CODOs¹, etc.) in order to maximize the channel outcome, with implications for the control of risk and profitability



INFORMATION SYSTEMS

- ✘ Through the assessment of the advantages and disadvantages of Tiger C program, it was possible to understand that it enables the integration of core systems in real time. However, in SP there are still 97 gas stations using the *Estagás* system, revealing that there is not an uniform system for Iberian business
- ✘ One of the main disadvantages for the convenience is the limited availability of the retail promotions module



OFFER - PRODUCTS & SERVICES

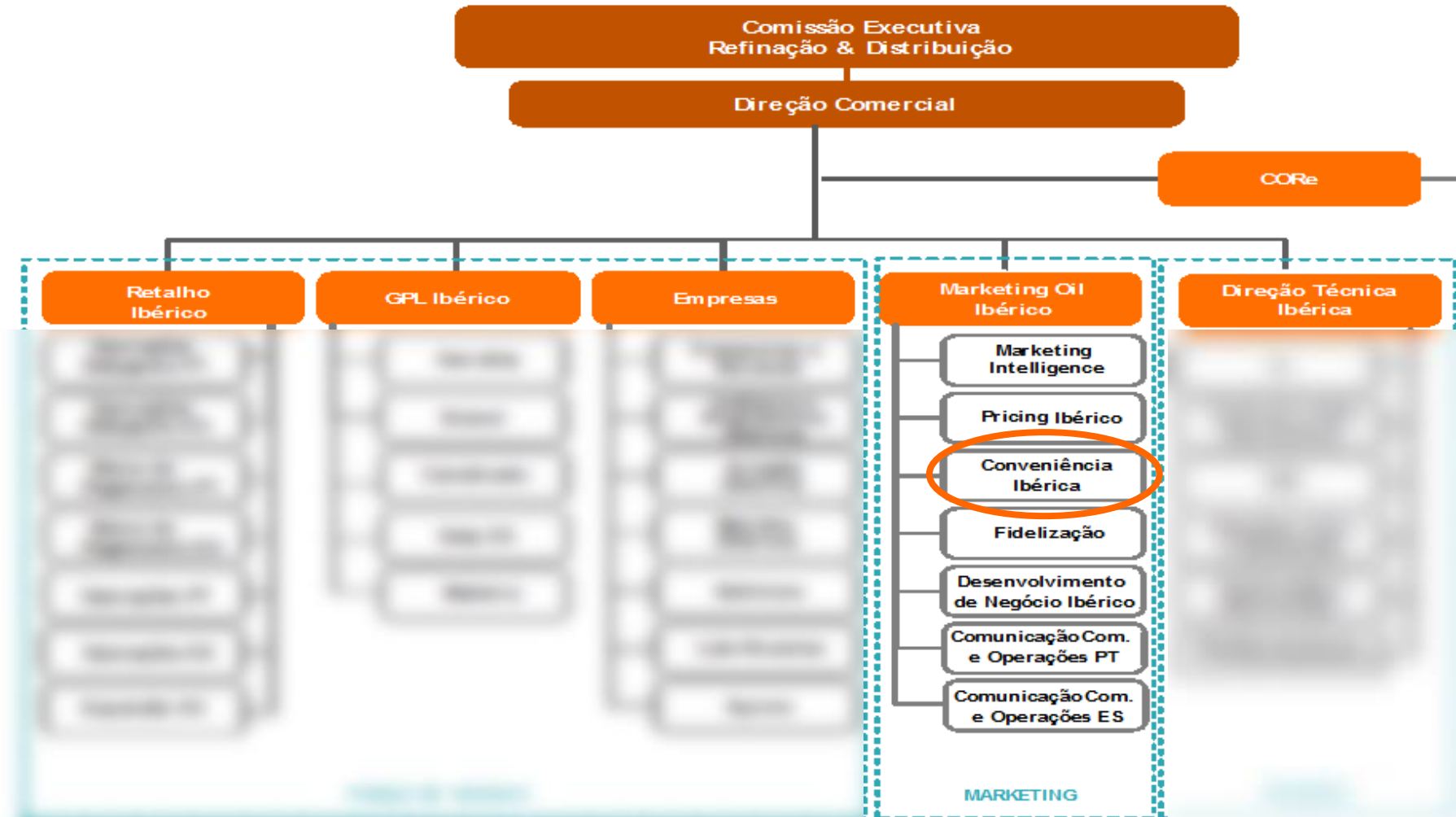
- ✘ Regarding the stores and the car wash, it was created a new segmentation to SP in order to standardize the Iberian segmentation
- ✘ In PT and SP store sales increased in the last two years
- ✘ When analysing sales by category in PT, Tobacco and Cafeteria contribute significantly to total gross benefit while in SP are the drinks and confectionery who contribute the most for the total gross benefit



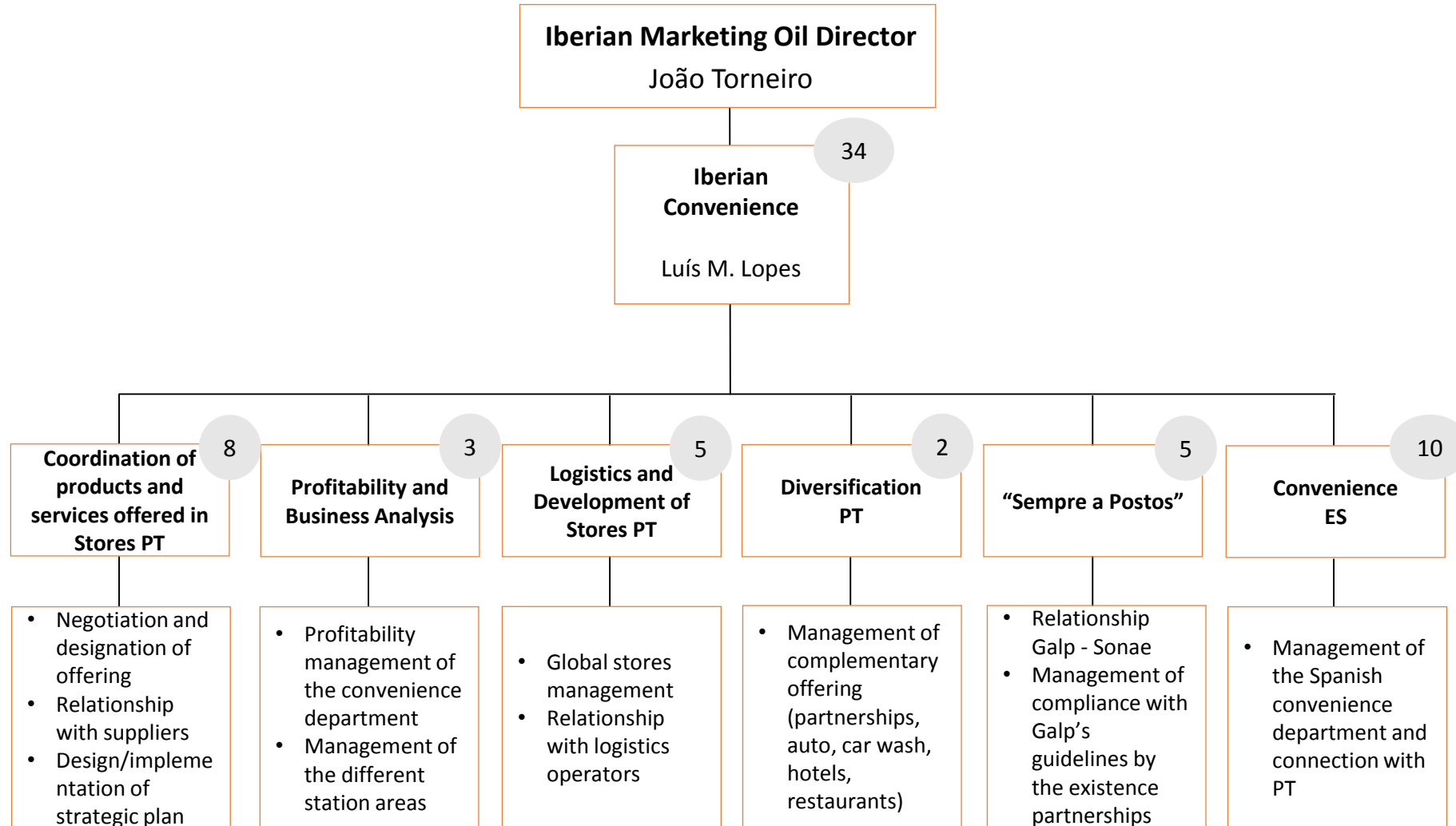
FINANCIAL ANALYSIS

- ✘ Regarding sales, PT stores exceeded 100 000 k € while SP stores were about 40 000 k €
- ✘ In terms of operating profit, total PT stores achieve twice the operating profit of total SP stores
- ✘ In general, the store consumption is positively correlated with fuel consumption (PT). In SP there is no significant correlation between store sales and fuel sales, indicating that fuel is not the only motivation that lead customers to the stores

The Iberian Convenience business is inserted within the area of Refinement & Distribution, more specifically within Iberian Marketing Oil department





Within the six areas of the Iberian Convenience, 29 of the 33¹ employees (88%) work for the Stores business, which shows the expression of this segment in this department



● # of employees

1) Excluding the Iberian Convenience Director (Luís Madeira Lopes)

From the existent 1301 Galp gas stations in Portugal and Spain, convenience stores are present in ~900. In PT the convenience is present in 375 of the 736 stations (islands included), whereas in SP is present in 524 of the 565 service stations.

Distribution Channels								
	COCO	CODO COFO	DODO	TOTAL	COCO	CODO COFO	DODO	TOTAL
Tangerina	89	156	11	256	126	23	1	150
Galp	12	69	38	119	85	120	147	352
Spar	-	-	-	-	12	-	-	12
Areas	-	-	-	-	10	-	-	10
Total # of stores	101	225	49	375	233	143	148	524
Total # of car wash	55	122	25	202	124	91	117	332

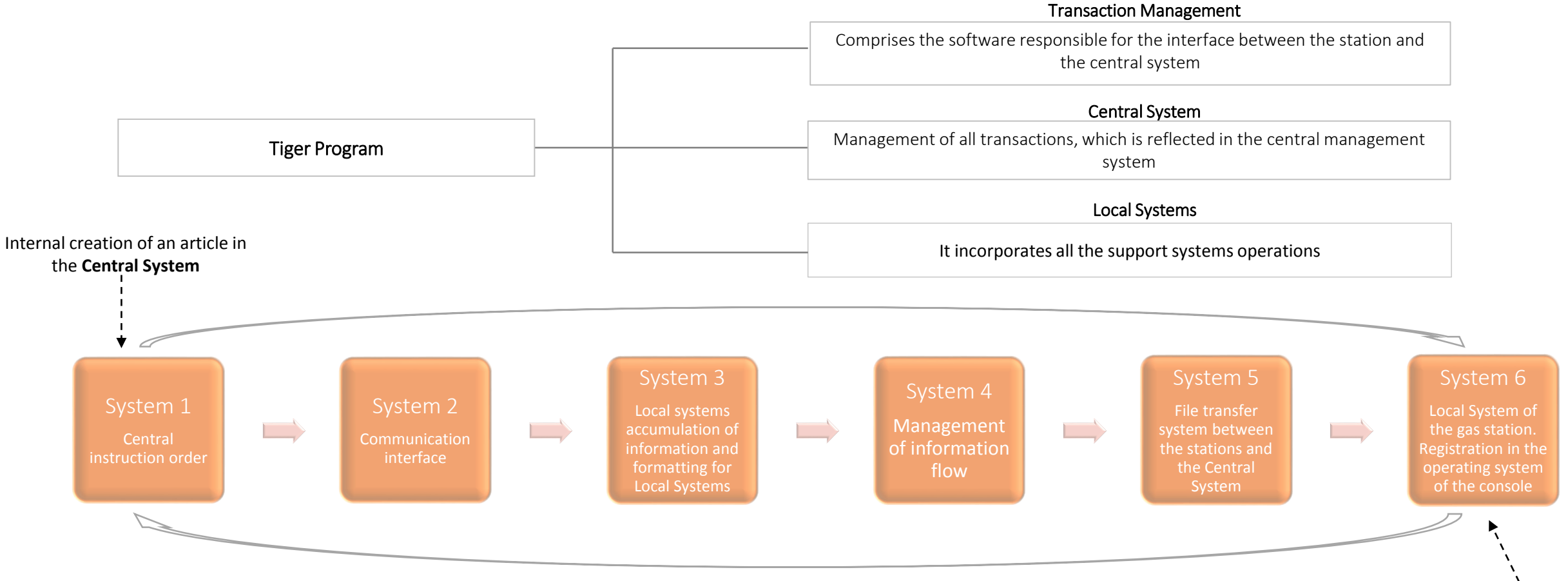
In PT, Galp controls all Tangerina stores (101 COCOs + 156 CODOs and COFOs + 11 DODOs). Within Galp stores, 12 COCOs and 3 COFOs are controlled by Galp, and in total this corresponds to 72% of control of the chain's stores in Portugal.
 In SP, Galp controls all the self management stores (233 COCOs) which corresponds to 44% of the chain's stores in Spain.

Galp services are divided in at least four distribution channels, and each distribution channel has its own characteristics and different performance margins

DISTRIBUTION CHANNEL CHARACTERIZATION		COCO	COFO/CODO	DODO
	# Of Stores	334	368	197
	# Of Car Wash	179	213	142
I.	Capital employed	●	◐	◑
II.	Costs FTE + FSE	●	○	○
III.	Stock management	●	○	○
IV.	Operation control	●	◐	◑
V.	Credit risk	○	◐	◑
VI.	Profitability (contribution margin)	●	◐	◑

There are different types of business models for the convenience business that are chosen according to several factors. With the maximization of results in sight when choosing a distribution channel, Galp knows that there are implications at several levels, such as the operational control, the risk involved and the profitability. The designation of the business model is always evaluated with an aggregated view of Fuel and Non-Fuel

Galp uses the Tiger Program as its information system. It operates in 3 major sections: Transaction Management, Central System and Local Systems. The process that begins with an internal creation of an article in the Central System, goes through several phases and information systems until the article is sold at the gas station



As it can be observed, the flow of information occurs in both directions in an attempt to transmit information on consumption, usages, etc. This cycle is repeated whenever an update of information related to the parameterization of articles (sales price, cost price) is needed.

Within the Tiger Program, Galp created and developed an initiative for the Convenience Business, which is called Tiger C

Tiger C

PROS

- The Program allowed an integration of the central systems in real time:
 - Enabled online management of current accounts (fuel)
 - Gave access to data on consumption, usage and consumer average ticket (fuel)
 - Easiness on regularization and upgrading of data and customer cards (fuel)

CONS

- Complexity of information systems
- It does not allow an individual customer analytics analysis
- Unavailability of the retail promotion module:
 - Impossibility of articles configuration in menus
 - Use of electronic vouchers
 - Deficient control of promotions from the customer and operations point of view
- In Spain there is no uniformity in the information systems

The Tiger C initiative has had as its main objective the support of the convenience business. However, there is still space for the development of one of the most important components in this business – the retail promotions module

In Spain there are still 97 stores that currently use “Estagás” information system. As a consequence, in BW there is no data from all stores. In the future, the aim is to migrate these stores migrate and start using the Tiger system.

The products and services offered in the Convenience Business are divided into five areas: Tangerina Stores, Car Wash, Horeca, Auto and Partnerships



PRODUCTS AND SERVICES Convenience

TANGERINA STORE



- Tobacco
- Press
- Telecommunications
- Gas
- Cafeteria
- Grab-and-Go
- Minimarket
- Food impulse
- Non-food impulse
- Lubricants and Car care

CAR WASH



- Jet Wash
- Auto (Porch and Tunnel):
 - Simple
 - Super
 - Special
 - Extra
- Complementary Cleaning:
 - Carpet beater
 - Carpet washer
 - Vacuum cleaner

HORECA



- Ibis
- Ibersol
- Areas
- Eurest
- McDonalds
- Burguer Ranch
- Burguer King

AUTO



- Midas

PARTNERSHIPS







- Telecommunications antennas
- ATM contract
- Space rental
- Pick-up Points
- Vallas Publicitarias (SP)
- Prize machines (SP)

The Stores are divided in four segments, mainly distributed by location:

DESCRIPTIVE CHARACTERISTICS

EVOLUTION

	LOCAL 	METROPOLITAN 	ROAD 	LONG DISTANCE 
DESCRIPTION	Stores that are visited daily for the acquisition of tobacco, newspapers, magazines and cafeteria. Serve as a meeting place, with a higher time of stay	Reference stores to purchase tobacco, newspapers and magazines. Strong cafeteria component, mainly for coffee and breakfast and impulse items (food and non-food)	Stores visited by customers who are travelling in shortest routes but that have a higher frequency of visit	Stores visited by customers who are travelling in longer journeys and presented with a reduced number of stores. Consequently, have a lower frequency of visit
OFFER TYPE	Basic offer Traditional cafeteria adequate to the market	Cafeteria and sweets Minimarket offering in some locations	Grab & Go at the cafeteria OPLS Drinks and adequate products for moment of pause in a travel Food impulse and non-food impulse	Grab & Go at the cafeteria Reinforcement of the cafeteria OPLS Drinks and adequate products for moment of pause in a travel Food impulse and non-food impulse
MODE	x m ²			
MIN VS MÁX	xm ² – x m ²			
# STORES	x stores			
% SM* vs % RC	x% CODOs; x% DODOs			
2013 vs 2014				
Δ Stores	+ x store			
Δ Sales**	+ x M (+x%)			
Δ Average Sales per store	+ x%			

CONFIDENTIAL

*Self Management Stores (Gestão Própria) Resale Chain Stores (Rede Revenda)

**Sales of self management stores in the continent (271)

All the products that Galp Stores offer were segmented into several different categories:



The analysis of sales by category showed that Tobacco is the main sales driver

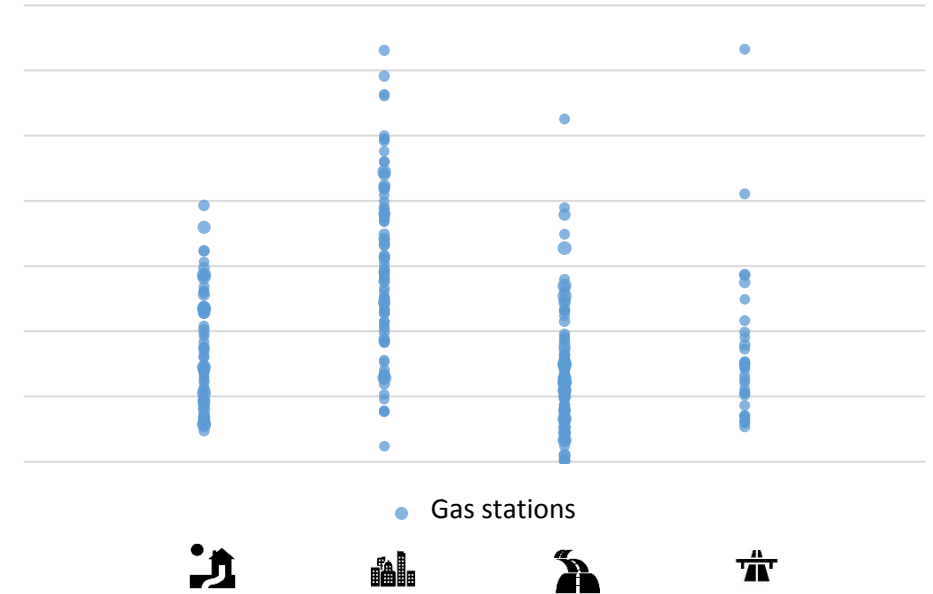


SALES*	x M € (x%)			
AVERAGE SALE/STORE	x K €			
SALES/CATEGORY	x %	x %	x %	x %
	x %			
	x %			
	x %			
	x %			
	x %			

CONFIDENTIAL

SALES EXCL/ TOBACCO

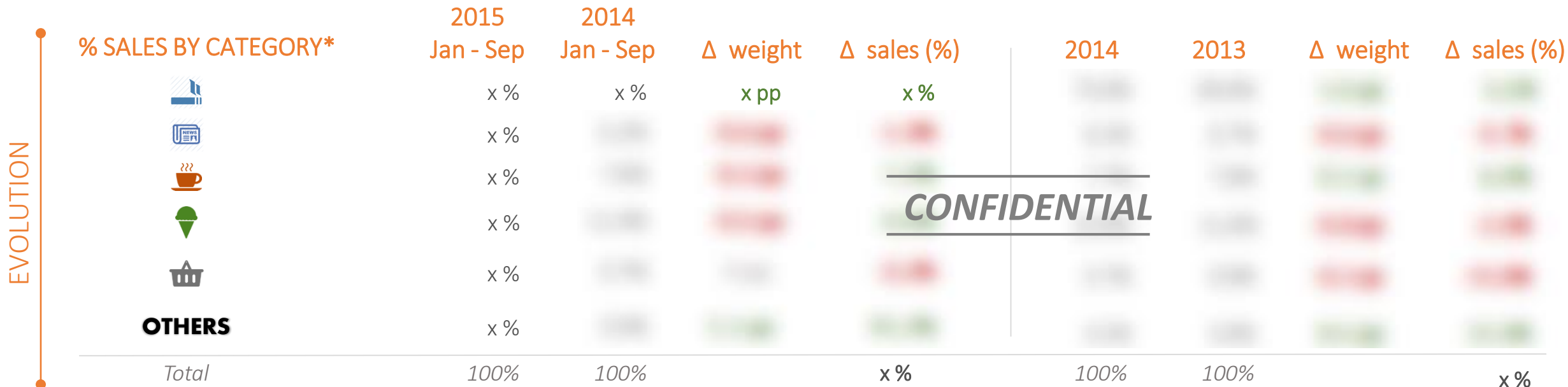
SALES DISPERSION (M€)



- **Tobacco** is the category with more weight in all segments. In Long Distance it has the lower weight.
- After Tobacco, the category **Impulse** is the one that has more relevance in all segments.
- The category **Minimarket** has a reduced expression in all segments
- **Press** has a significant expression in most segments, except in Long Distance.
- The **Metropolitan** segment has the highest sales volume and also the greater dispersion

*Sales of self management stores in the continent (271)

The past year has showed sustainable increase of sales, with the Foodservice category playing a significant role

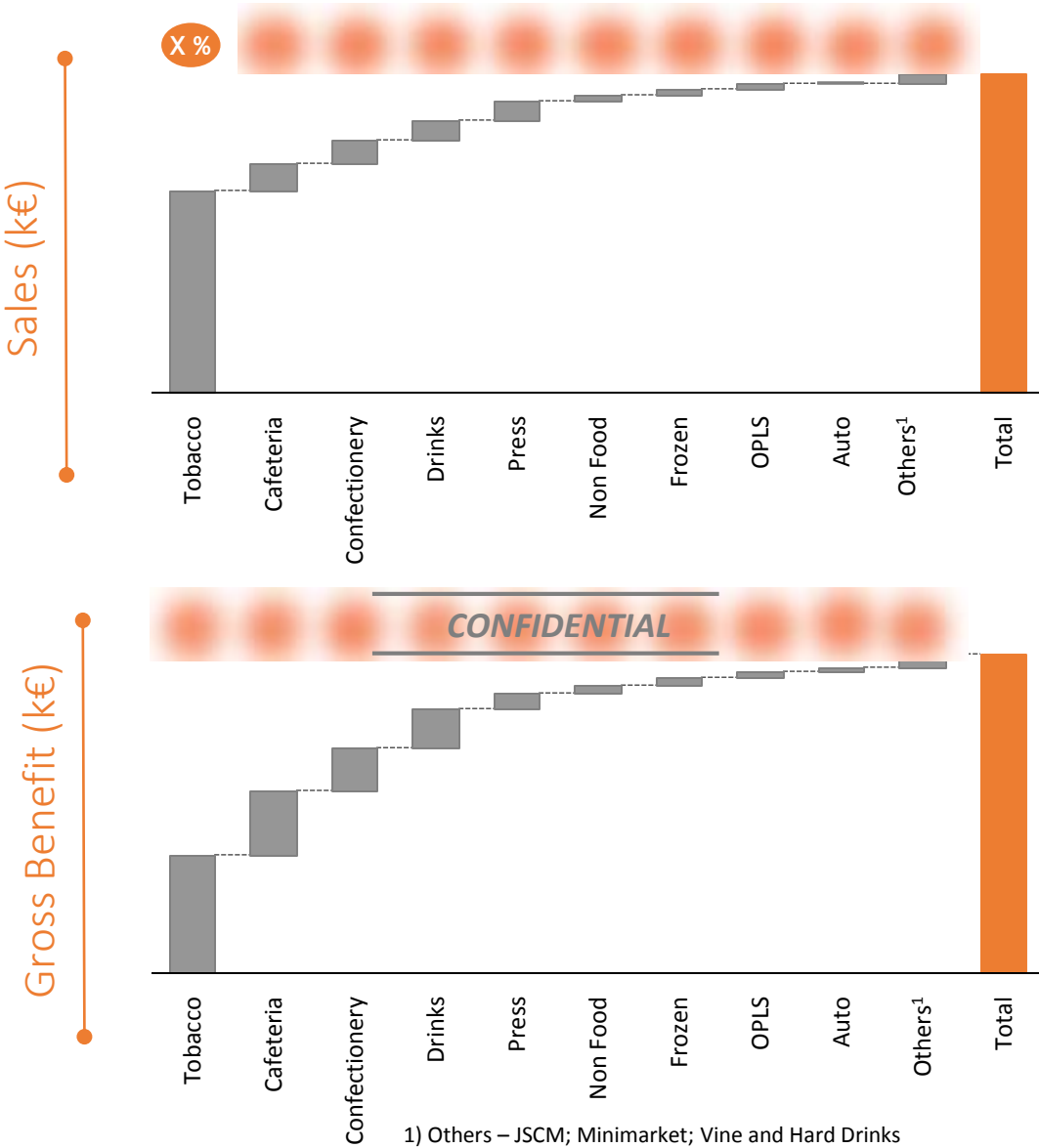


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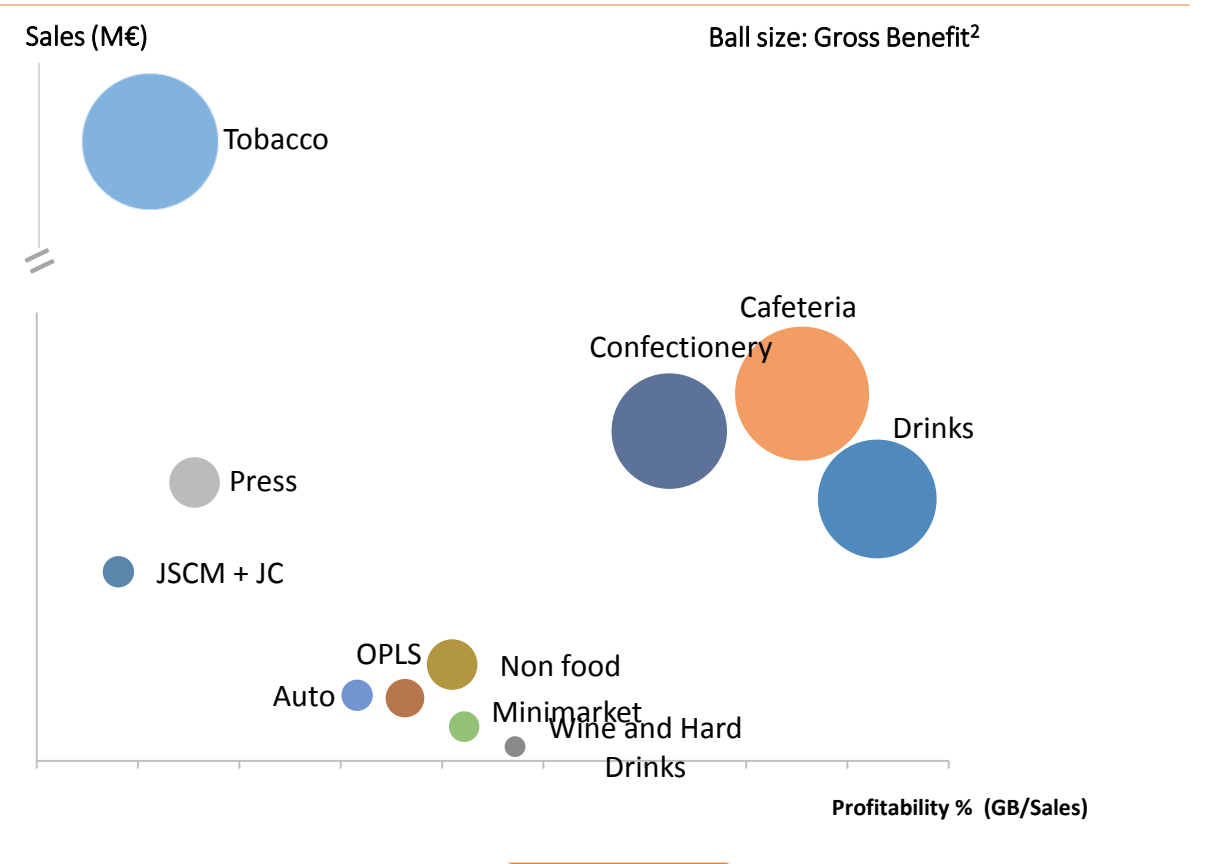
- Total sales **increased** in the last two years. In 2015 they grew more than twice that in 2014.
- This increase is explained by sales growth of the categories **Tobacco** and **Others** (JSCM and “Raspadinhas” are the fastest growing products)
- The **Food Service** category shows sustained growth, 2014-2015. **Impulse** reversed the negative trend with a positive growth in 2015
- However, we can also observe a **decrease in sales** of the categories **Press** and **Minimarket** in both years
- In terms of weight categories, either in 2014 or 2015, there were no substantial changes

*Sales of self management stores in the continent (271)

A Gross Benefit Analysis of each category was conducted to better understand the main components of the Stores' Business profit



Gross Benefit of Main Categories (M€)



- **Tobacco** and **Cafeteria** represent a large slice of the store sales, contributing significantly to **total gross Benefit**
- The **Minimarket** and **Wine and hard drinks** categories have a low contribution in the total benefit

1) Others – JSCM; Minimarket; Vine and Hard Drinks

2) Gross Benefit: Sales-Costs of Sold Merchandise - Breaks -Logistics Costs- Comercial costs

The Car Wash Service is divided into two segments according to existing offering: Private (automatic and manual) and Companies

GENERAL CHARACTERISTICS

	PRIVATE		COMPANIES			
	Automatic		Manual			
DESCRIPTION	<ul style="list-style-type: none"> Automatic washing Wide network of gas stations with good location Diversified offer of loyalty products and services (ex .: cleaning books 3 + 1) 	<ul style="list-style-type: none"> Manual washing Wide network of gas stations with good location 	<ul style="list-style-type: none"> Wide network of gas stations with automatic wash and good location Diversified offer of loyalty products and services (eg. Notebooks 4 seasons) Product offering tailored to customer needs (ex .: valleys wash + suction) 			
# INFRAESTRUCcTURS	• x Automatic washers		<u>CONFIDENTIAL</u>			
SM e RC	• x COCOs; x CODOs/COFOs; x DODOs					
OFFER	<ul style="list-style-type: none"> x% Porch x% Tunnel 					
SALES BY CATERGORY (SM)	SALES (k€)	Mg Contribution (k€)	SALES (K€)	Mg Contribution (k€)	SALES(K€)	Mg Contribution (k€)
Jet Wash	-	-				
Tunnel	xxx	xxx				
Porch	xxx	xxx				
Vacuum/carpet cleaners	-	-				

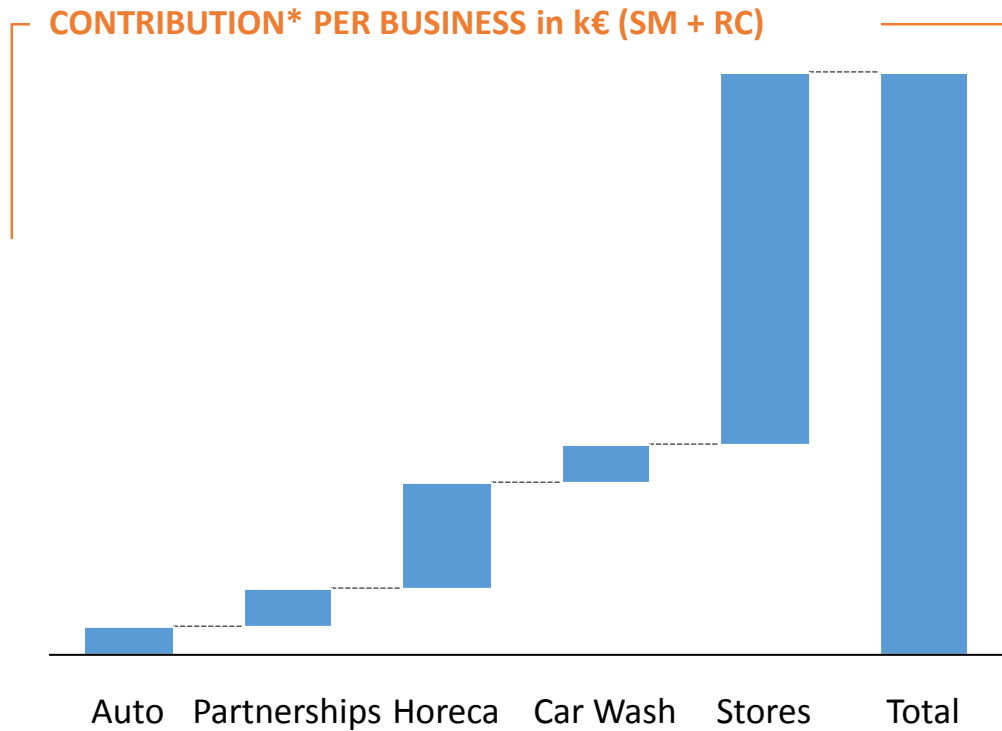
The Stores Business is the largest contributor for the Convenience

2014	STORES		CAR WASH		DIVERSIFICATION
	SM	RC	SM	RC	SM
# INFRASTRUCTURES/SERVICES	93	165	55	147	-
SALES (k€)	Xx xxx				
COST OF GOODS SOLD (CMV) (k€)	Xx xxx				
GROSS MARGIN (includes breaks and logistic costs) (k€)	X xxx				
REVENUES AND RAPPEL (- incentives) (k€)	X xxx				
TAXES (k€)	-				
OPERATIONAL COSTS (k€)	X xxx				
OPERATIONAL PROFIT (k€)	X xxx				
OPERATIONAL PROFIT (k€) / Business	Xx,xx				

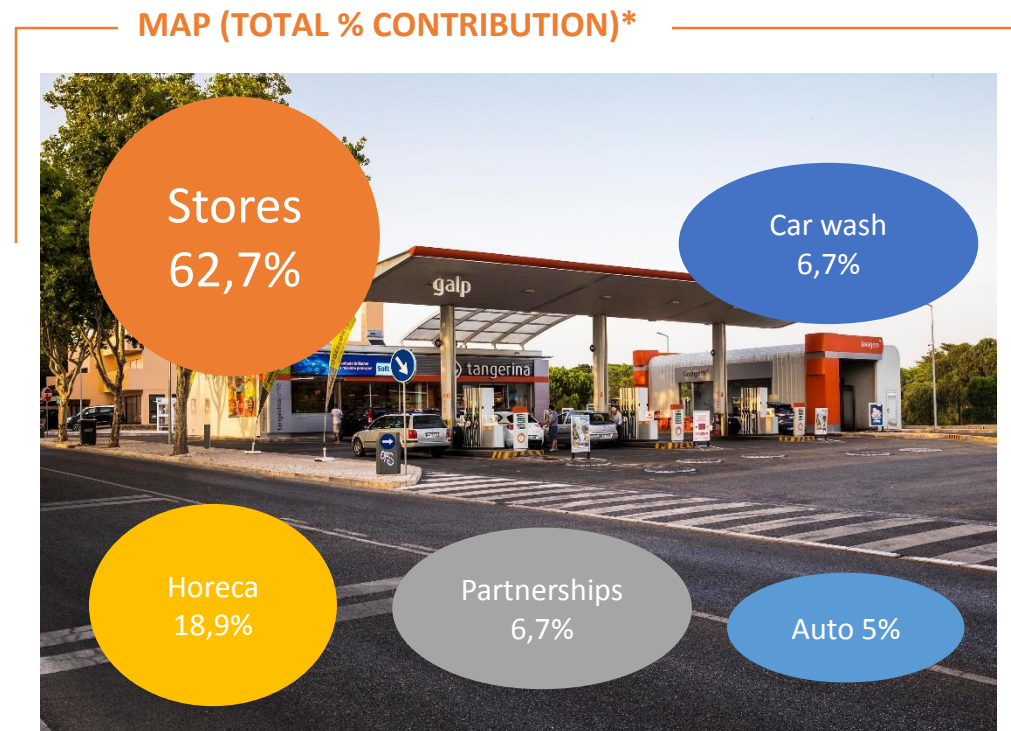
CONFIDENTIAL

- Stores sales exceeds the 100 000 k€
- The costs incurred by all the service do not exceed 10 000 k€
- The total operating income of the total self managed and resale chain stores is higher than 10 000 k€ and 3 000 k€, respectively.
- Per store, the operating profit is three times higher in a SM store than in a RC

In Portugal, the Convenience Business as a whole, contributes to the operational profit of Galp's Network with a significant amount



Dados referentes ao ano de 2014



*Contribution of each business to the total operational profit

- The stores give the greatest input in the Galp final result, reaching almost 63%
- Horeca is the second largest contributor with ~19% of the operational profit

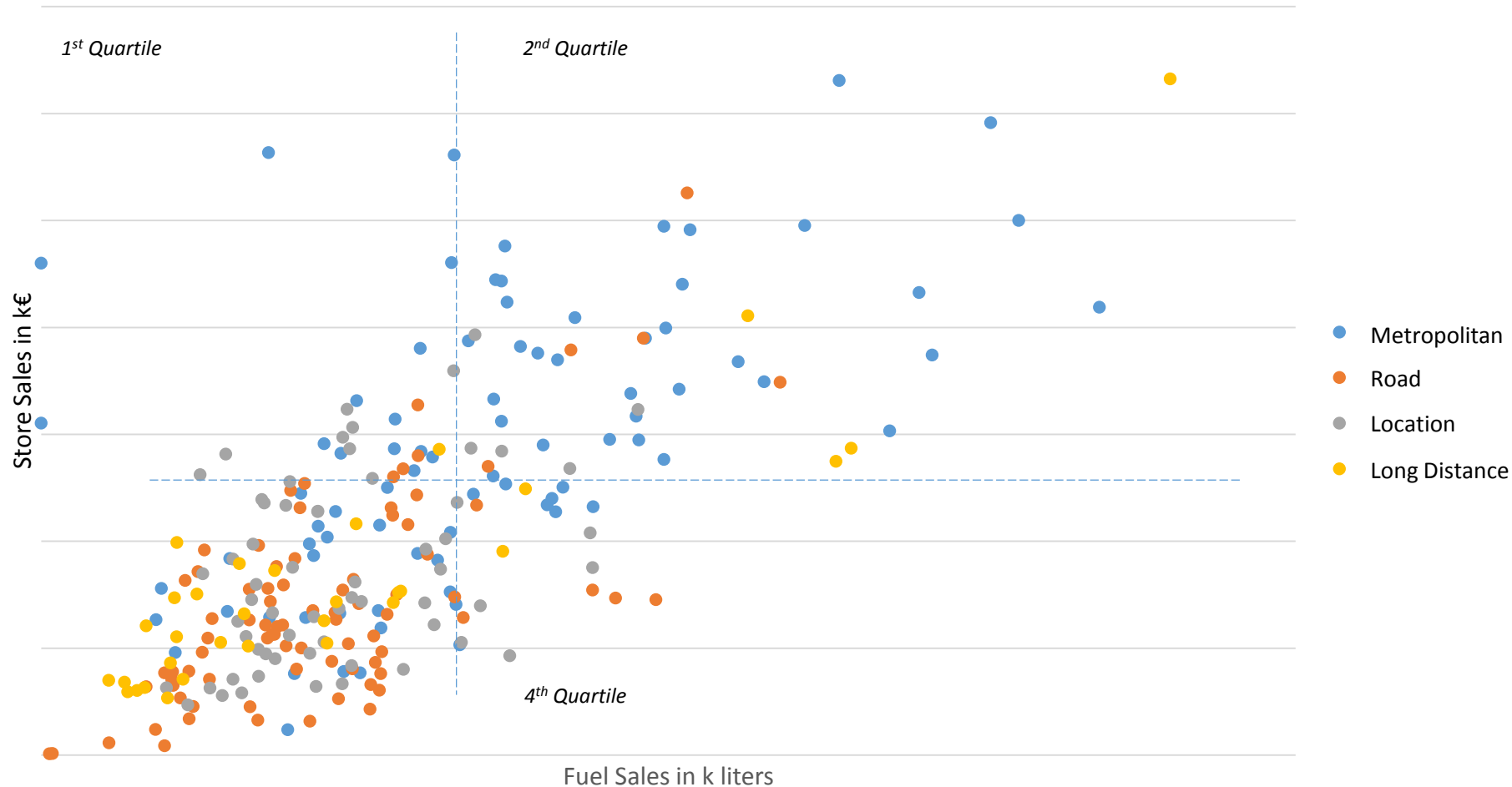
This table presents the distribution of each business's infrastructure per segment. As it can be observed, the Metropolitan segment holds the highest number of infrastructures in all of the five businesses

	STORES	CAR WASH	HORECA	AUTO	PARTNERSHIPS
LOCAL	23%	29%	×	×	26%
METROPOLITAN	32%	39%	56%	92%	41%
ROAD	32%	31%	×	8%	28%
LONG DISTANCE	12%	1%*	44%	×	5%

SEGMENTS

The following analysis has demonstrated that store consumption is positively correlated with fuel consumption in all types of Segments with the exception of local stores

SALES FUEL VS NON FUEL



The most powerful stores in term of sales are in the 1st and 2nd quartiles, where the convenience sales are higher than the average.

These stores could serve as good example to follow for the other stores that are located in the 3rd and 4th quartiles

1. METHODOLOGY

2. INTERNAL ANALYSIS

3. EXTERNAL ANALYSIS

INDUSTRY TRENDS

MARKET

COMPETITION

CLIENT

4. SWOT ANALYSIS

5. STRATEGY AND RECOMMENDATIONS

6. INDIVIDUAL REPORTS

7. REFERENCES



INDUSTRY TRENDS

- ↘ In 10 to 15 years time the population will get older but more qualified and with higher wages
- ↘ There will be a higher demand for convenience services and the upcoming generations will live in a more virtual and online world
- ↘ Big data and personalized communication and relation with clients will have a high impact in the convenience sector in the short term



MARKET

- ↘ In the future, there are going to occur several legal changes concerning Tobacco and Alcoholic Beverages
- ↘ Regarding the macroeconomic context, it seems like an economic recovery is being faced, but it is still unstable
- ↘ In PT there are about 1251 convenience stores in gas stations, and sales have increased between 2013 and 2014
- ↘ In PT, in FMCG and Horeca markets the number of points of sale have decreased
- ↘ In SP the convenience stores business volume in 2014 exceeded 1.000 M€
- ↘ In PT and SP between 2013 and 2014 Horeca sales have increased



COMPETITION

- ↘ In Portugal, Galp has 1/3 of the market share of the convenience stores in gas stations, being the number one player
- ↘ In SP Galp faces a different scenario, it is the third player in the market (REPSOL owns ~50% of the market)
- ↘ Galp's Car Wash service in PT is the most wanted by clients
- ↘ In SP Galp's Car Wash services evaluation is on average when compared with the competition



CLIENTS

- ↘ In PT, the client's demographic profile is very distinct between the Store Business and the Car Wash Business
- ↘ The clients that nowadays do not buy at Tangerina, do not consider it an adequate shop alternative
- ↘ Product pricing is the main reason not to buy in these stores, and it is the factor that clients pay more attention to
- ↘ Clients's perception on Stores and overall Galp's Gas Station is positive
- ↘ Drivers in SP choose Gas Stations based on the fuel price, followed by loyalty cards and proximity

The study of socio-economic and demographic trends is fundamental to analyse markets and customer characteristics such as buying habits, needs, attitudes, behaviours and satisfaction

Less people, older and alone

- Slight reduction of local population until 2030
- Ageing population: +65 years old people will represent 26% of the population (vs 19% in 2010)
- Decrease in the number of married households (<44 years old) with children (18% vs 12%)
- Increasing urbanization

Increase in private consumption

- Very small increase in the disposable income of households (above the inflation rate)
- Increase in private consumption and generation of new jobs (vs 2015)
- Consumption limited by the need to make savings in order to face uncertainty

Higher average level of education

- Increase in the education and qualification of the population
- Approach to Europe in terms of education levels

Female Up & Rising

- Greater equality in terms of gender conditions
- Women's disposable income per capita will increase up to 14% in 2020 and 20% in 2030
- More women as main support of households

After care examination and deep research, 12 industry trends stood out. The research involved the convenience stores and retail sectors, and these were the chosen trends because they were considered to have the highest impact in the convenience sector and affect Galp's business

A

Seamless shopping experience

The consumer is going to look for a fast, fluid, effective and technological experience when shopping

B

Virtual and interactive shopping experience

Stores deeply focused on the consumer - personalized and virtual services that result in innovative shopping experiences

C

The same business but better

Higher demand for quality instead of quantity

D

Convenience

A convenient shopping experience will determine future consumer choices Higher demand for convenient services that make life easier

E

Always On

New generations increasingly living in an online world

F

Big Data

Development of the data streamings analysis
Real time client's analysis and business intelligence

G

Client empowerment

Consumer as co-creator of brands: bigger influence on products development

H

Customized offer

Consumer is increasingly interested in exclusive and personalised products

I

Sharing economies

Consumers are going to become more open to the use of second hand products. There will be a higher sharing environment

J

Social and ecological responsibility

Corporate social and ecological responsibility will be a very important factor when choosing brands and when buying products

L

Healthy living

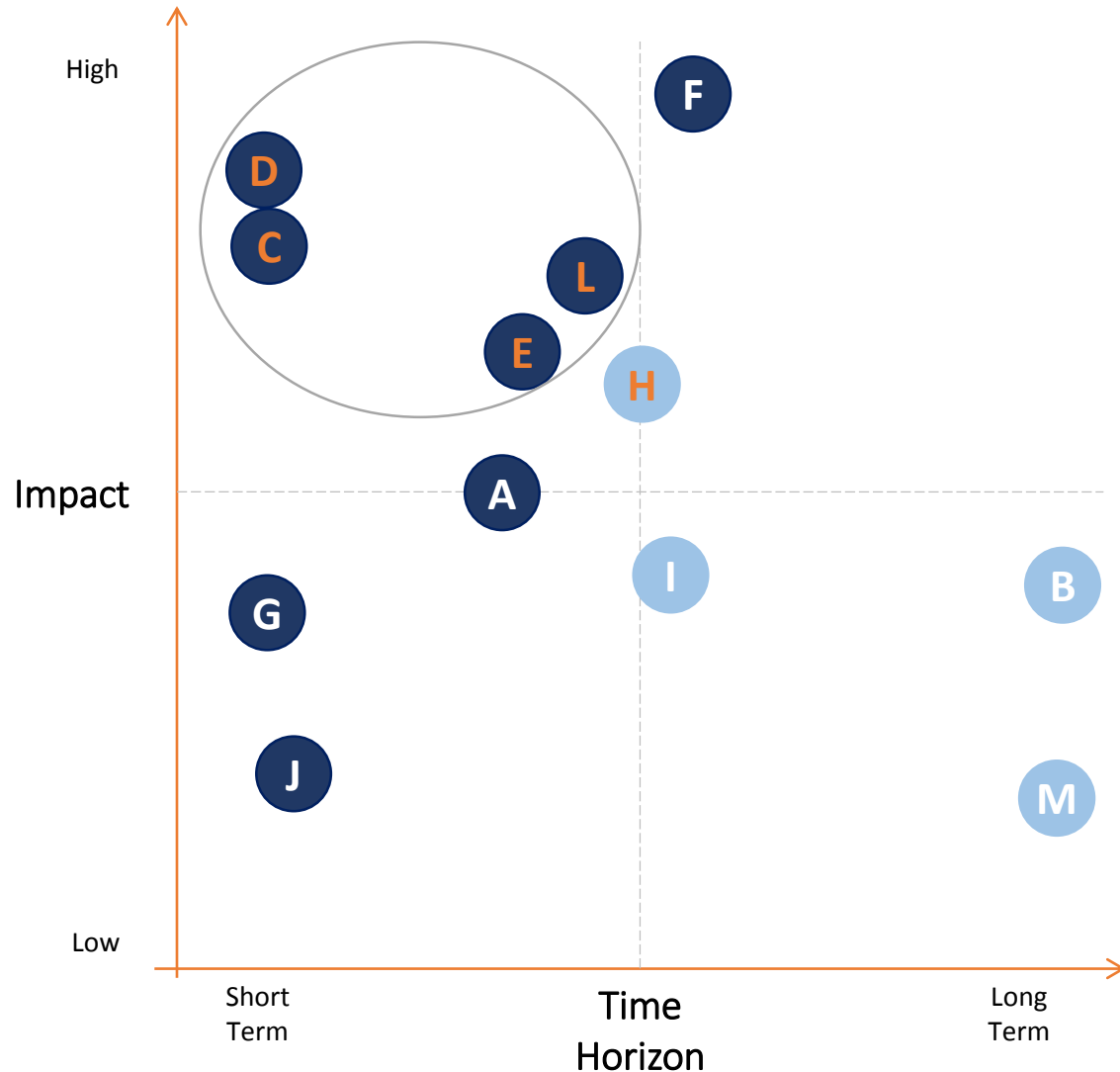
Higher attention to fitness, healthy lifestyle, rich diet, healthy products, vitamins, etc

M

New mobility, new energies

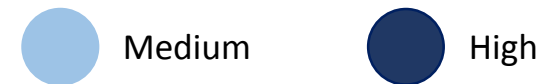
New forms of mobility will arise, new types of vehicles and different types of fuel and energy

A priority matrix was conceived considering the impact, time horizon and probability of execution in the market place for each of the 12 trends. Descriptive forms for all the trends were created (the forms of the five trends with the highest “score” and relevance will be shown next¹)



- A** – Seamless Shopping Experience
- B** – Virtual and interactive shopping experience
- C** – The same business but better
- D** – Convenience
- E** – Always On
- F** – Big Data
- G** – Client empowerment
- H** – Customized offer
- I** – Sharing economies
- J** – Social and ecological responsibility
- L** – Healthy living
- M** – New mobility, new energies

Probability of execution in the marketplace



1) The remaining descriptive forms can be found in the Appendices section of this work

Instead of quantity, clients will look for quality and innovative services



The same business but better

- There will be a demand for quality instead of quantity
- The next decade will award creative businesses that innovate and transform the existent products and services in premium offers¹
- Innovation comes in different forms and not just by new technologies
- Investment in soft innovations will increase, in order to create new experiences to consumers²
- Enhancement of the aspect and appearance, in and out of the store (physical space improved)



Consequences or potential impacts:

- Soft innovations tend to increase the value of the existent items
- Higher criteria requirements when selecting the consumption place
- “Cool” environments encourage purchases (eg. Apple store)
- Greater variety of niche products



Relevant questions for the business:

- Deep market research to understand new demand
- Need to fit the offering of products and services with the demand
- Premium equals increase in prices which is harmful to the convenience business, already perceived as expensive

1) Bain.com, (2016). *The Great Eight: Trillion-Dollar Growth Trends to 2020 - Bain & Company*. Available at: <http://www.bain.com/publications/articles/eight-great-trillion-dollar-growth-trends-to-2020.aspx>

2)Lowry, E. and Lowry, E. (2011). *Creating Amazing Customer Experiences Through "Soft" Innovation*. Fast Company. Available at: <http://www.fastcompany.com/1778870/creating-amazing-customer-experiences-through-soft-innovation>

Customers in general, are valuing convenience products and services in order to maximize their free time and spend more time doing the things they value

D Convenience

- A shopping experience considered convenient defines the present consumer choices¹
- “Fast lane” - nowadays there is no time, consumers demand faster services, fewer waiting times, mostly from brands they are loyal to²
- The “Amazon Effect” (deliveries in 1 hour) causes high expectations in all the other brands for fast deliveries³
- Convenience stores in gas stations with new roles: fuel will no longer be the driver⁴
- Localization as a critical success factor for convenience



Consequences or potential impacts:

- Increasing demand for convenient services (eg: “pick up points”, “return locations”, “drive-throughs”)
- Development of new, better and faster ways to get the products to consumers' hands⁴



Relevant questions for the business:

- High initial investment for the development of infrastructures and logistics (to supply complementary services on gas stations)
- Development of services that offer combined services in-store and online
- Opportunity to diversify the products/service mix and expand partnerships with online brands (eg.: Ticketline, Yahoo!, Shopping Online)

1) Convenience Store News, (2015). *Envisioning Convenience Foodservice in 2025*. Available at: <http://www.csnews.com/product-categories/foodservice/envisioning-convenience-foodservice-2025?nopaging=1>

2) GfK.com, (2015). *Convenience is no.1 driving retail trend; price competition expected to have decreasing impact | GfK Chile*. Available at: <https://www.gfk.com/es-cl/insights/news/convenience-is-no1-driving-retail-trend-price-competition-expected-to-have-decreasing-impact/>

3) gd.com, (2015). *Five online grocery trends to watch*. Available at: <https://www.igd.com/Research/Retail/Five-online-grocery-trends-to-watch/>

4) trendwatching.com, (2016). *10 TRENDS FOR 2015 | trendwatching.com*. Available at: <http://trendwatching.com/trends/10-trends-for-2015/>

A brand that does not exist online will cease to exist, since future generations are going to live always online and connected and expect the same from brands

E Always On

- New generations will increasingly live in an online world and brands take advantage of this reality¹
- Before a purchase, consumers use social networks to exchange and share information²
- There will be an enhancement of personalized communication with consumers throughout the shopping experience³
- All devices, computers and machines will be connected in order to optimize organization and people's lives⁴



Consequences or potential impacts:

- Higher business diversification with the support of technology
- Faster purchasing process
- Offers and promotions increasingly personalized
- Greater operational efficiency



Relevant questions for the business:

- Usage of consumer insights for the development of a product or service
- Development of an improved strategy to communicate better with the new type of costumers
- Creation of new online communication and social networks platforms (eg .: Galp app)

1) Anon, (2016). Available at: http://www.strategyand.pwc.com/media/file/Strategyand_Rise-of-Generation-C.pdf.pdf

2) Levy, O. (2015). *How Mobile Tech and Social Media Are Merging to Change the Shopping Experience*. Entrepreneur. Available at: <http://www.entrepreneur.com/article/246430>

3) Vendhq.com, (2016). *12 Retail Trends and Predictions 2015 | 12 retail trends and predictions to watch for*. Available at: <https://www.vendhq.com/university/retail-trends-and-predictions-2015>

4) Mckinsey.com, (2016). *An executive's guide to the Internet of Things*. Available at: http://www.mckinsey.com/insights/business_technology/an_executives_guide_to_the_internet_of_things

Mass customization, enabled by technologies, is when personalized goods are produced to meet consumer's diverse needs with mass production prices

H

Customized offer

- Consumers are increasingly interested in having exclusive and tailored made products¹
- Store services tailored to each consumer, based on the availability of information about the client
- Customization is already a reality in some areas but it is expected to expand to the majority of the business areas
- By customizing their products, retailers provide a better, faster and memorable service, as wished-for by the consumer²
- The proliferation of 3D printing facilitates customization



Consequences or potential impacts:

- Customization tends to connect consumers and brands, increasing brand loyalty
- The mass customization of the product line is an example of the buyer's market where specialization is the new standard³



Relevant questions for the business:

- The need for a strong investment in market research in order to capture the needs of even more specific segments
- Logistical difficulties considering the current business model

1) Harvard Business Review, (2014). *Make Customers Want to Buy Offline*. Available at: <https://hbr.org/2014/06/make-customers-want-to-buy-offline/>

2) Accenture.com, (2016). *Who are the Millennial shoppers? And what do they really want? | Accenture Outlook*. [online] Available at: <https://www.accenture.com/us-en/insight-outlook-who-are-millennial-shoppers-what-do-they-really-want-retail>

3) BusinessDictionary.com, (2016). *What is mass customization? definition and meaning*. Available at: <http://www.businessdictionary.com/definition/mass-customization.html>

The search for a healthier and fit lifestyle is a present trend that will gain even more weight in the future

Healthy Living

- Consumers are increasingly concerned about their lifestyle, hence the higher demand for a sustainable and healthy lifestyle^{1,2}
- Growing concern over the physical appearance
- Present offering of products more oriented to a healthier consumption



Consequences or potential impacts:

- Existence of more services and technologies that contribute to the welfare and health of the consumers
- Growing number of clients in the healthy & fitness products market
- More rational and less susceptible to impulse buying consumer



Relevant questions for the business:

- Increase/adaption of the product mix focused on this trend
- Possible partnerships with recognized companies operating in this market
- Incongruity within the product mix: Tobacco vs. healthy products
- Impulse consumption might change, need to redefine it to healthy impulse

1) OpenMind, (2016). *Imagining the Future: Consumer trends for the Future*. Available at: <https://www.bbvaopenmind.com/en/article/imagining-the-future-leading-the-way-in-a-changing-world-consumer-trends-for-the-future/>

2) Thegbrief.com, (2016). *Millennials "Changing the Game" for Fitness Industry*. Available at: <http://thegbrief.com/articles/millennials-changing-the-game-for-fitness-industry-507>

In a near future, several changes in the legal framework may occur^{1,2} that can create a huge impact on the convenience business

Tobacco

Current Situation PT: The law n.º109/2015 proceeds the first amendment to the Law n.º 37/2007, which approves norms to protect the citizens from the involuntary exposure to tobacco smoke and measures to reduce demand related with the dependence and cessation of their consumption.

Following a European Directive, tobacco will undergo changes in their packaging (packs, bags, cans), with warnings (shocking images and health warnings) to cover, for cigarettes, about 70% of the area of the pack on both sides.

It is also planned that next year, there will be restrictions considering the consumption of electronic cigarettes containing nicotine, in enclosed public places.

Current Situation SP: In 2016 it will be forbidden any kind of agreement between the tobacco companies and retailers (*Estancos* – tobacco sellers and 2nd channel) and it will also be forbidden to negotiate any kind of action from the communication point of view at the point of sale. This will have an impact on revenues. It is also planned that next year, there will be restrictions considering the selling of electronic cigarettes containing nicotine by convenience stores.

Alcoholic Beverages

Current Situation PT: Decree Law n.º50/2013 states that it is forbidden the availability, sale and consumption of alcohol in gas stations located on highways or outside localities, including in convenience stores. However, the decree does not include restaurants in gas stations. It is also illegal to sell alcohol to under-18s.

Within the locations, selling is allowed but within a restricted time (prohibited between 00h and 08h).

Current Situation SP: The “Antibotellon” law remains active and more restrictive, which reduces consumption. The Law "Ordenación del Mercado de Tabacos RD 748/2014" is also active: it allows *estancos* to convert into convenience stores (which means that they are also allowed to sell alcoholic beverages), which increases competition. The legislation is increasingly becoming more restrictive and it is specific to each Spanish autonomous region.

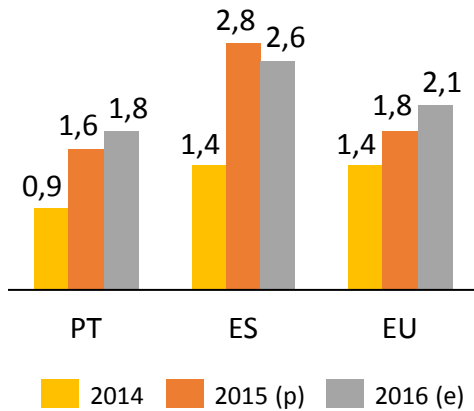
The legal situation involving Tobacco and Alcohol in PT and SP represents the major challenges for the Convenience Business. However, these challenges can be faced as opportunities for business development

1) Direitodamedicina.sanchoeassociados.com, (2016). Available at: <http://direitodamedicina.sanchoeassociados.com>. Law n.º 106/2015 – proceeds to the first amendment of the law n.º 50/2013 – Medicine Law

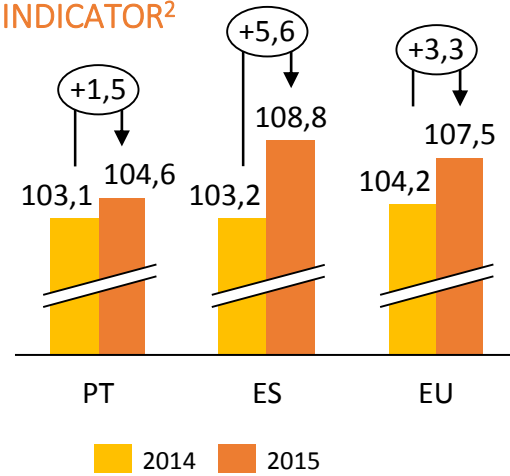
2) Anon, (2016). Available at: <https://www.boe.es/boe/dias/2015/11/20/pdfs/BOE-B-2015-34834.pdf>

According to the OECD¹, the Portuguese economy can grow up to 2% in 2016. SP has become the "star" of economic recovery in Europe, since the GDP is growing more than twice comparing with the euro zone

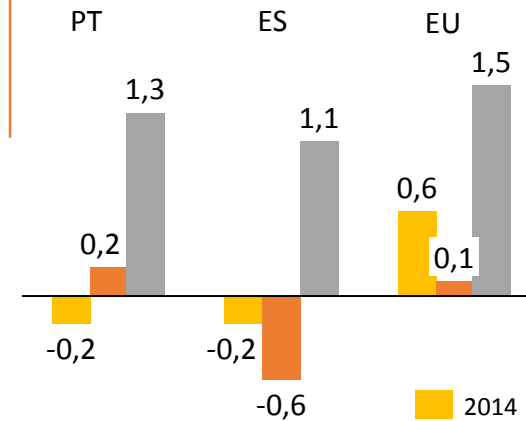
GROSS DOMESTIC PRODUCT²
(FLUTUATION %)



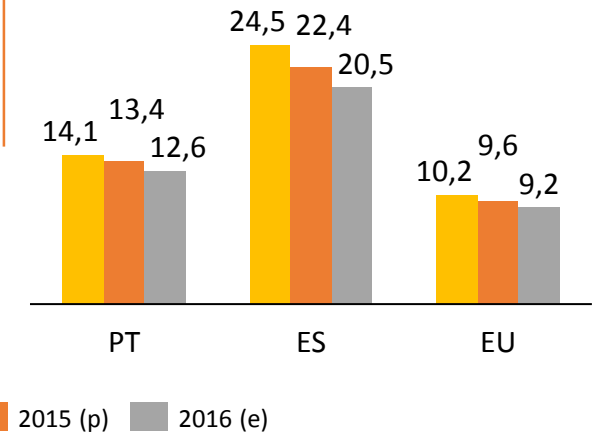
ECONOMIC SENTIMENT INDICATOR²



PRICE INDEX VARIATION²



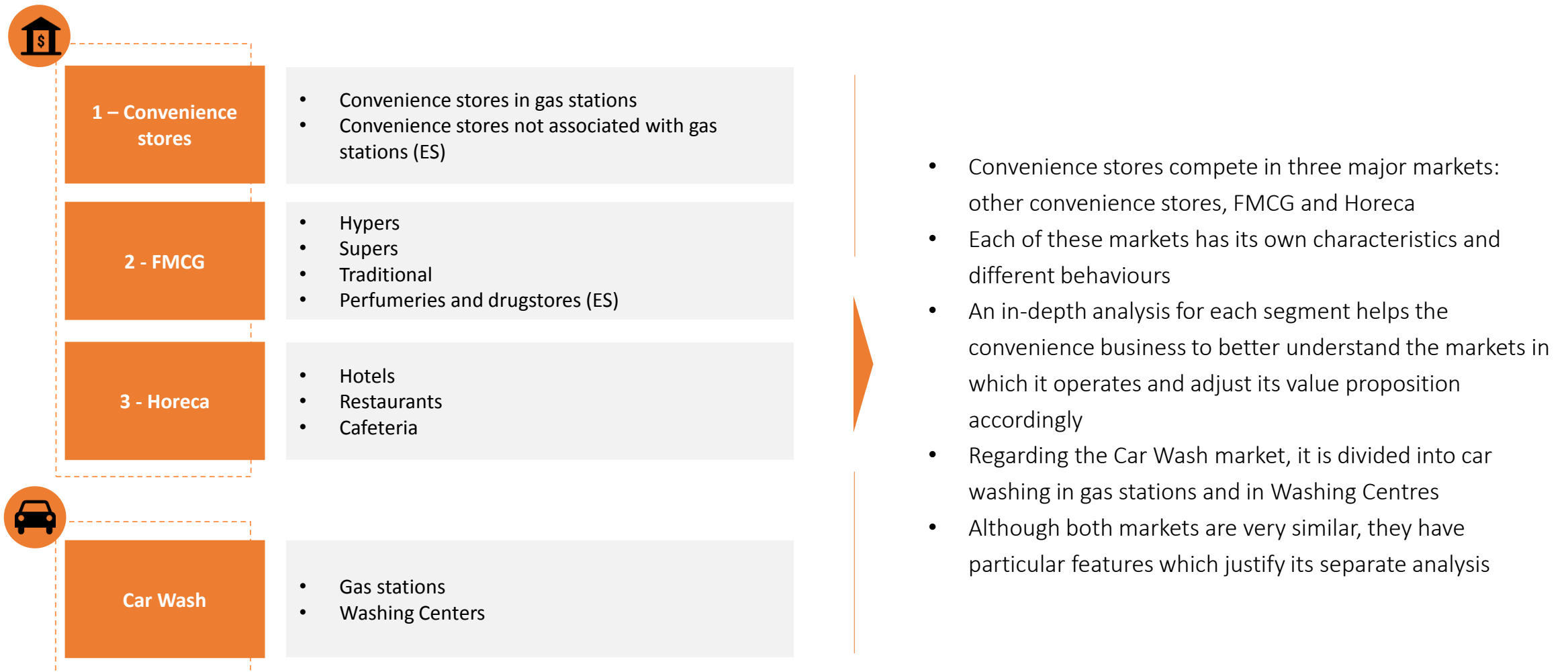
UNEMPLOYMENT RATE²
(%)



- In PT projections anticipate a GDP moderate growth
- Up to 2017 it is expected a gradual increase in the growth rate
- It is expected that Spanish GDP growth doubles by 2015 (from 1.4 to 2.8)
- The economic sentiment indicator rose in PT, SP and the EU, indicating that both consumers and companies, in general, are optimistic about the market conditions

- In 2014 deflation in PT and ES has decelerated the economy
- However, in PT, the variation went from negative in 2014, to positive in 2016, 1.3. SP has followed this trend
- In general, the unemployment rate is decreasing
- An economic recovery is being faced, however it is still highly unstable

Currently, Galp Convenience Stores Business competes not only with the stores of the remaining fuel players, but also with FMCG and Horeca. For the Car Wash Business, the market is divided into gas stations and other washing centres



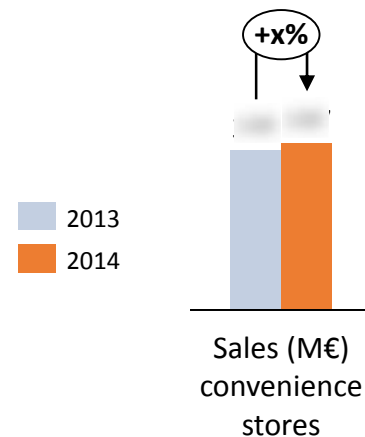
In PT there are about 1251 convenience stores in gas stations and the variation sales between 2013 and 2014 was positive*

Convenience	Small stores with an average area of 130m2 and a daily schedule of at least 16 hours. The product mix is varied and should include at least four categories (eg, tobacco, newspapers and magazines, food products and drinks)	Convenience Dimension	# of convenience stores in gas stations 2014	1251
			Sales* 2014	320 M€

of Stores



Convenience Sales**



- The number of convenience stores in gas stations increased between 2013 and 2014
- Total sales rose from 2013 to 2014
- Therefore, the market value of convenience stores in gas stations grew
- Contrary to expectations, this market is growing, which has changed the trend of recent years
- This increase may be due to big Hypermarket and Supermarket chains that recently enter the convenience business

Source: Nielsen 2014

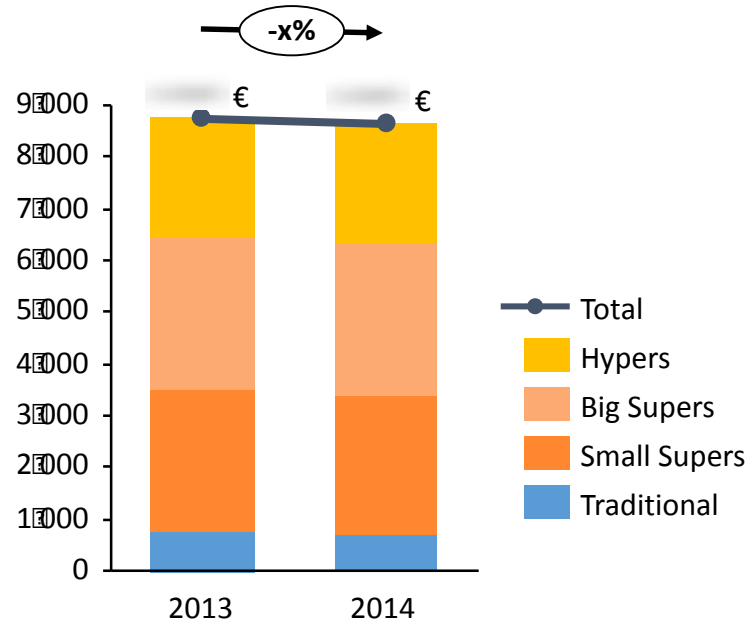
*The volume of Convenience business in 2013 was internally estimated.

**The % growth is estimated by Nielsen to convenience market excluding PRIO and considering just 341 stores (from Self Management Stores and Resale Chain Stores)

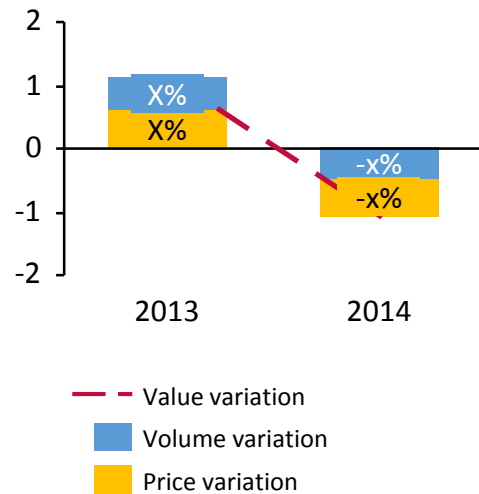
The total number of establishments in 2014 has decreased, and so as sales, maintaining the downward trend of recent years

FMCG Channels	Hypers	Large surfaces with an area bigger than 2500m2	# Hypers	95
	Supers	Includes large Supers (areas between 1500-2499m2) and small Supers (areas between 400-1499m2)	# Supers	1829
	Traditional	Area smaller than 400m2, includes all grocery stores, drug stores and other food services	# Traditionals	13 960

FMCG Sales* (%)



FMCG Market Dynamics

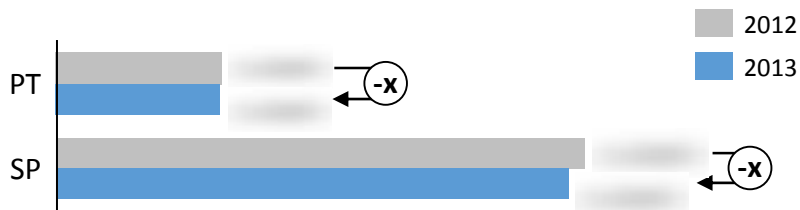


- The number of FMCG's points of sale has been declining over the years
- Contrary to this trend, Hypermarkets and Supers segments increased the number of points of sale
- The traditional channel as a whole is the biggest in terms of number of stores
- The "modernization" of this proximity commerce (traditional) is a priority for the small retailers
- Franchising stores attached to major retail chains are growing (Jerónimo Martins, Sonae and some Cash & Carry)
- Sales of the FMCG market have grown from 2012 to 2013, but from 2013 to 2014 sales have decreased
- Hypermarkets + Supers with the fewest number of stores are responsible for almost all the business volume of this market

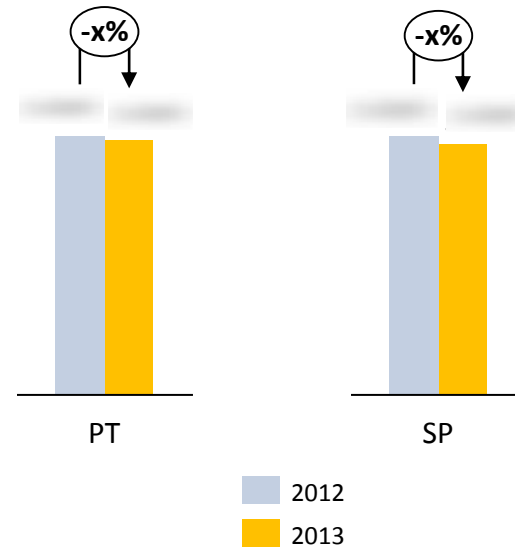
Between 2012 and 2013, in PT and SP, Horeca was decreasing in sales and in number of infrastructures. However, in 2014 sales for both countries have grown, and the number of infrastructures in SP has also grown

HORECA	Hotels, Restaurants and Cafeterias	HORECA DIMENSION	# of infrastructures 2013*	PT 66 321 ES 207 117
			Sales fluctuation 2014**	PT +x% (restaurants) +x% (hotels) ES +x% (horeca)

infrastructures Horeca



Sales Value 2013 (M€)



- PT: The number of infrastructures has been declining
- For the past 13 years Horeca sales have suffered a large decrease
- The sales in the Horeca market fell 1% between 2012 and 2013 but recovered slightly in 2014 in the restaurants section
- ES: In 2014 the number of infrastructures has increased, about 500 more
- The Horeca universe in ES is stabilizing
- In terms of sales, in ES there has been growth between 2013 and 2014

Source: AEOC Shopper View study; Nielsen

*infrastructures in PT includes Cafés (Traditional), Fast Food, Snacks e Restaurants (Traditional e Moderns), and in ES includes Cafés, night consumption e External consumption

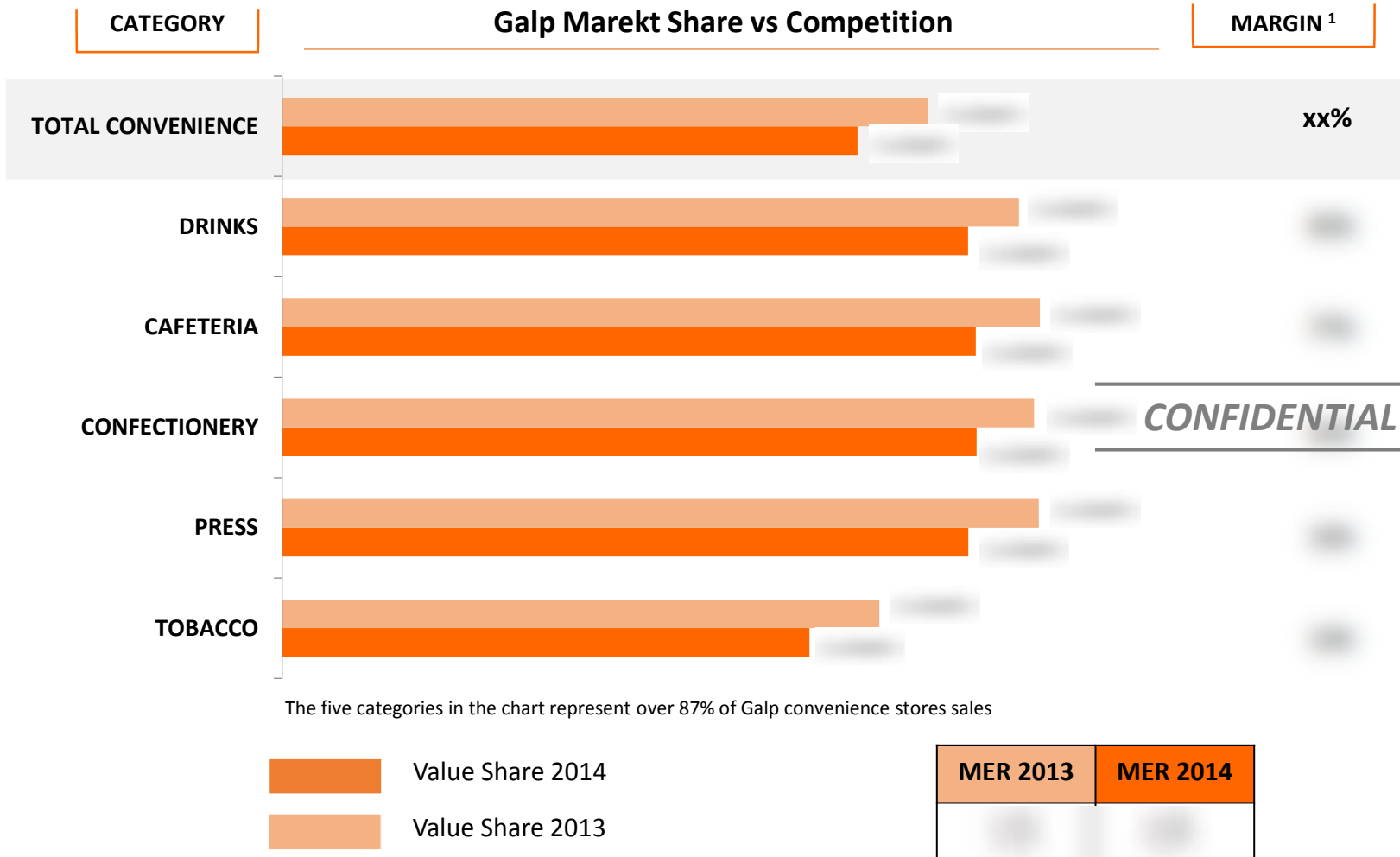
** Source: Nielsen 2014

In direct competition with Galp's convenience stores are the convenience stores that are also attached to gas stations of other major players competing in the fuel market

	GALP	BP	REPSOL	CEPSA	PRIO
STORES ATTACHED TO GAS STATIONS	340 stores Penetration rate ¹ : 46% Tangerina Tangerina Caffè Galp	298 stores Penetration rate ¹ : 86% BP Shop	363 stores Penetration rate ¹ : 80% Sprint	180 stores Penetration rate ¹ : 71% Depaso Depaso Café Mini Market	70 stores Penetration rate ¹ : 73% Hiper Mini Market
CAR WASH	241 Penetration rate ¹ : 55% Automatic Jet wash	177 Penetration rate ¹ : 51% Automatic Jet wash	202 Penetration rate ¹ : 45% Automatic Jet wash	91 Penetration rate ¹ : 36% Automatic Jet wash	47 Penetration rate ¹ : 49% Automatic Jet wash
PARTNERSHIPS	<ul style="list-style-type: none"> - Promoção Continente - Caetano Retail - BPI - Worten 	<ul style="list-style-type: none"> - Pingo Doce (Poupa Mais) - ACP, Inatel, Estoril Praia - Federação de Motociclismo de Portugal - ANTRAL, Acap 	<ul style="list-style-type: none"> - SLBenfica, FCPorto, SCBraga - AXA, Direct, UNIVERcidade - Montepio, Santander Totta, Caixa Drive, Caixa Agrícola - El Corte Inglés - Cartão Solidário 	<ul style="list-style-type: none"> - Cartão Deco 	<ul style="list-style-type: none"> - ANTP, Seaside - Federação Portuguesa de Ténis de Mesa - Walk in Clinics, Optocentro
INNOVATIVE SERVICES	<ul style="list-style-type: none"> - Pay & Go - Via Verde - Customer service - Wi fi - Click&Go 	<ul style="list-style-type: none"> - Automatic payment - Customer service - App 	<ul style="list-style-type: none"> - Automatic payment - Solred Via T - Solred Directo - Customer service 	<ul style="list-style-type: none"> - Automatic payment - App - Wi-fi - Anti-drop sponge 	<ul style="list-style-type: none"> - Inexistent customer service - Automatic payment

Sources: Cepsa.com, (2015). CEPESA-Serviços. Available at: http://www.cepsa.com/cepsaPt/O_Que_Oferecemos/Postos_de_Abastecimento/Servicos/
 bp.com, (2015). Available at: http://www.bp.com/pt_pt/bp-plus/portugal/rede-de-postos-bp/encontre-o-seu-posto-de-abastecimento-bp-mais-proximo.html
 Anon, (2015). Available at: http://www.cepsa.com/stfls/CepsaPt/Contenidos_comunes/Documentos/Cepsa_lanca_Cartao_Trans_Club.pdf
 Galpenergia.com, (2016). a sua energia positiva - Galp Energia. Available at: <http://www.galpenergia.com/PT/Paginas/Home.aspx>
 Príoenergia.com, (2016). PRIO | Energias Top Low Cost. Available at: <http://www.prioenergia.com>

Analysing the market share in 2014, Galp holds about a third of the market. There has been a slight decrease when comparing it with the 2013's value, which can be explained by the entry of PRIO in the competitive panel

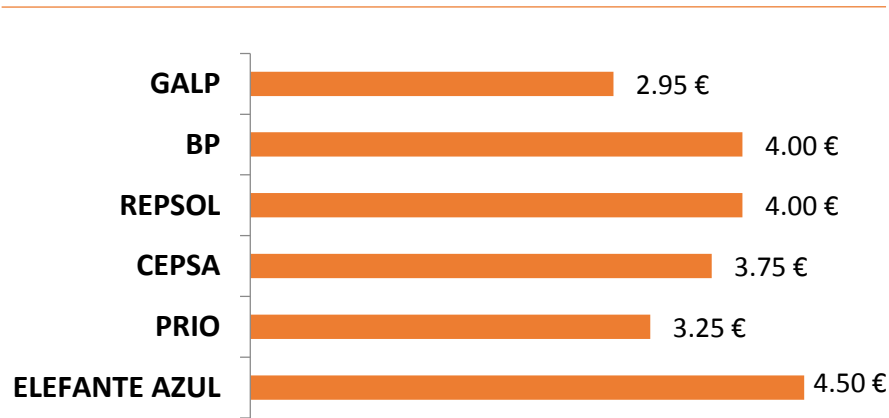


- The slight decrease of the market share value between 2013 and 2014, is a general trend, and it was caused mainly due to the entry of a new player in the market – PRIO
- In 2014, Galp holds about a third of the market, being the player with more representation in the market regarding the convenience in GS
- Analysing the categories with higher margins (Drinks, Cafeteria and Confectionery), we realize that Galp has a higher market share compared with the convenience total market share
- In contrast, Tobacco is where Galp owns a smaller share. In comparative terms, this tells us that Galp should have a higher return when compared with its competition
- With the entrance of a new player, the MER coefficient, despite a slight decrease, remained greater than 1.

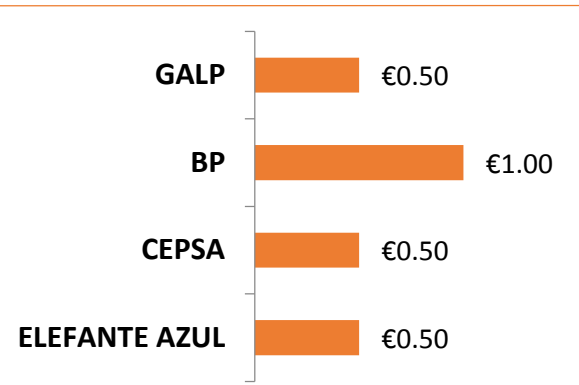
MER = Value market share/ nº points of sale market share
 MER: Maximum Efficiency Rate
 Confectionery= Cookies + Snacks + Bakery + Sweets

In general, Galp’s Car Wash service has the most attractive prices of the market, specially the prices of the Automatic Wash (Simple)

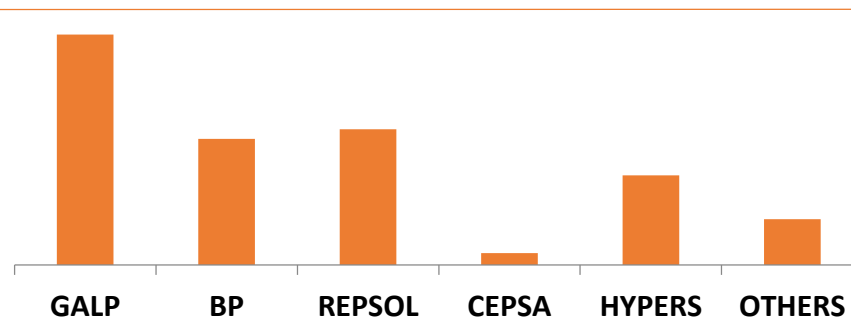
AUTOMATIC WASH PRICE* (SIMPLE)



JET WASH PRICE



CHOSEN GAS STATIONS WHERE COSTUMERS WASH CARS



- In general Galp’s Car Wash has the lower prices when compared with the competition
- The price of a Simple Wash (the most basic wash) at Galp is 2.95€ and at Elefante Azul (representative player of Washing Centers) is 4,50€, making it clear that the latter is more expensive
- Studies reveal that Galp Car Wash is the player, within gas stations, with the higher utilization rate
- Galp holds more than a third of the consumers preferences when choosing where to wash their cars, and none of the other GS players compares to it.
- The places outside the major fuel competitors are not considered by customers as good places to wash their vehicles - the “Hypers” and “Others”

Source: GALP collection 2014

Source: Study “Tracking do retalho, Bimestral 2015”

-The investigation universe for this study (tracking do retalho) is constituted by a group of individuals with 18 years old or more, with driving license that drive regularly their own car and pay their own fuel. They live in Portugal (mainland) in homes with landline or mobile (source: TGI Marktest 2013)

The study was conducted by IMR

- There were retrieve 675/wave and a sampling error of 3.8pp is associated with an confidence interval of 95%

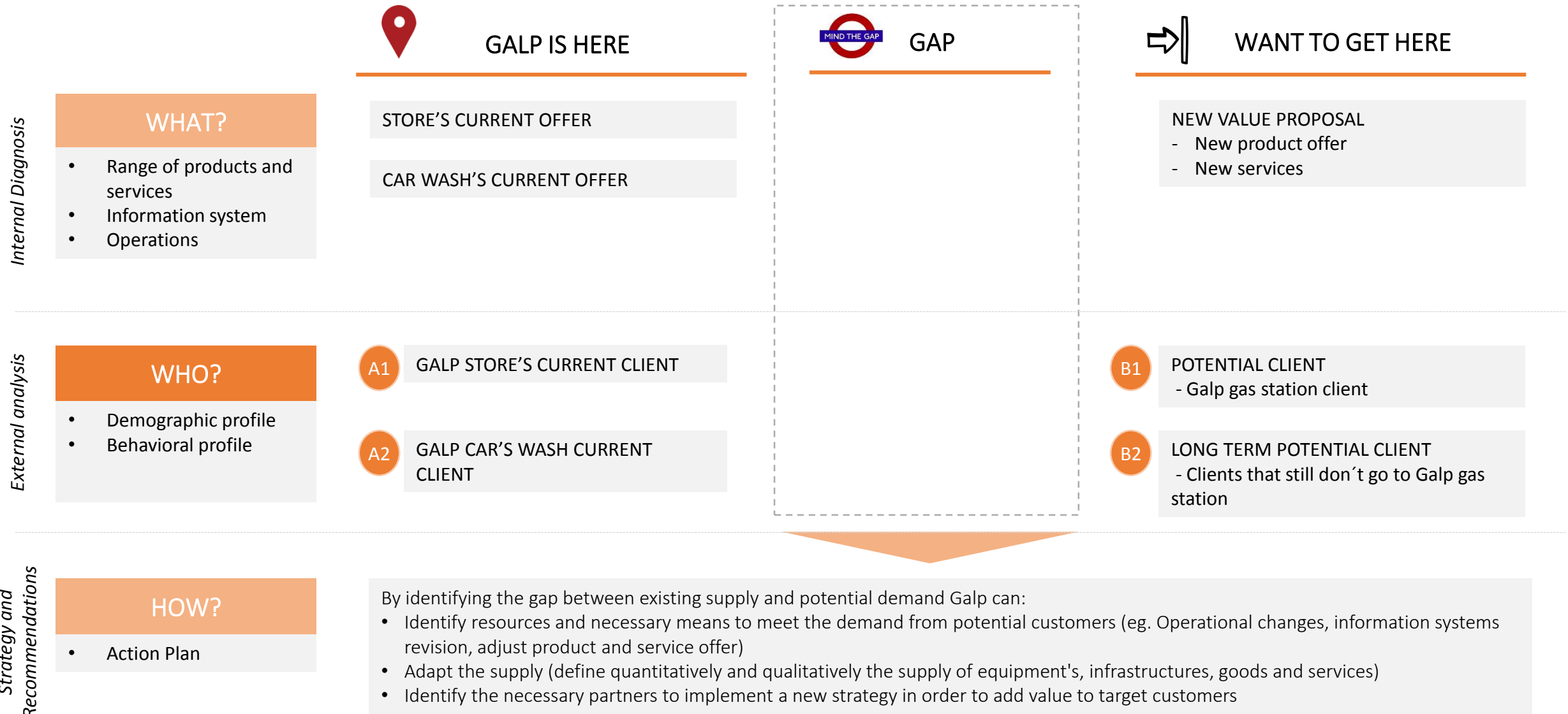
- The information collection is done quarterly during the year of 2015: 1)February/March: February 20th to March 30th; 2) June/July: July 10th to 18th

- The study belongs to the biannual result, in which 1350 waves were retrieved with a sampling error of 2.7 p.p

Analysing every other business model that rivals with Galp's Convenience Stores and Car Wash, we can conclude that each one has different particularities that grants them advantages and disadvantages

	STRENGTHS	WEAKNESSES	
STORES	GAS STATIONS ✓ Strategic location, accessibility for those who travel on the road ✓ Simplicity and speed of service ✓ Extended opening hours (night time)	✗ Limited range of products, focus on leading brands of most products ✗ Sale prices slightly higher than the other surfaces	<ul style="list-style-type: none"> • The FMCG and Horeca have as main advantages over convenience stores, the wide range of products and low prices • The great advantage of the convenience stores in gas stations is its strategic location and its extended opening hours • The main benefits of Wash Centers relies on the fact that wash activity is its primary service, which gives them a perception of a higher quality
	FMCG ✓ Product diversity and extension of the offered mix ✓ Price, commercial mechanisms and promotional activities ✓ Private labels, parking and location	✗ Size and dispersion of the product ✗ Reduced customization of customer service ✗ Waiting time for payment ✗ Reduced proximity of some stores	
	HORECA ✓ Recognition by the consumer as coffee shop experts ✓ Pedestrian access	✗ Limited range of products and services ✗ Reduced working hours	
CAR WASH	GAS STATIONS ✓ Strategic location, accessibility for those who travel on the road ✓ Convenience, possibility of washing the car and refuel at the same place	✗ Less complete and personalized service	
	WASH CENTERS ✓ Convenience, since the service is performed while the customer makes another activity ✓ Quality of service, specialized companies	✗ Location with limited visibility and accessibility	

The External Diagnosis will also address another very important question, namely "Who are Galp's store current and potential clients?"



Customers segments were developed, such as “Current Galp Store Customers”, “Potential Store Customers”, “Current Galp Car Wash Customers” and “Potential Car Wash Customers”, to better understand its behaviours and preferences

STORE CUSTOMERS



CAR WASH CUSTOMERS



Source: Study “Tracking do retalho, Bimestral 2015”

-The investigation universe for this study (tracking do retalho) is constituted by a group of individuals with 18 years old or more, with driving license that drive regularly their own car and pay their own fuel. They live in Portugal (mainland) in homes with landline or mobile (source: TGI Marktest 2013)

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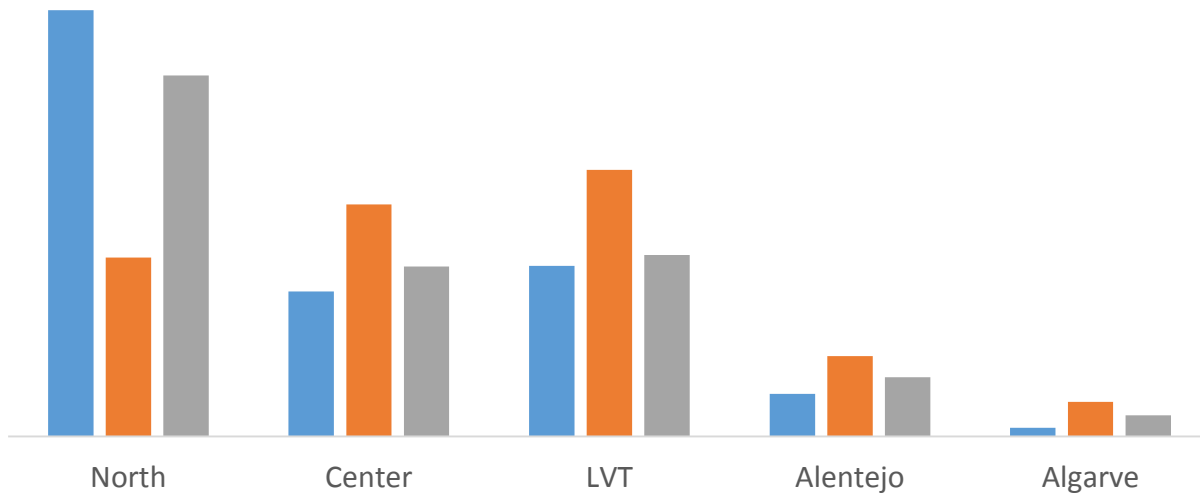
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The demographic profile of the customers is different between each business, for example in Car Wash business, the current customers are mostly male, while Stores current customers are almost 50% male and 50% female

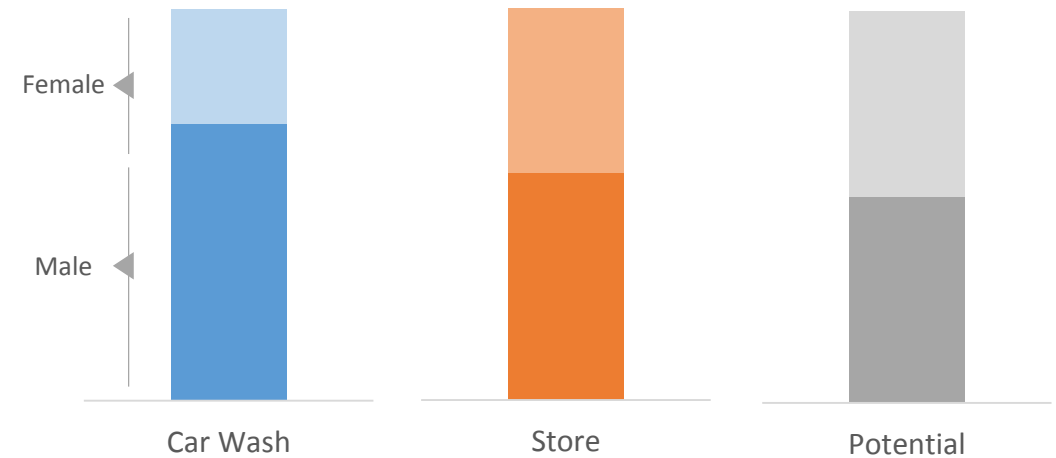
REGION

% of the clients by type of client



GENDER

% of the clients



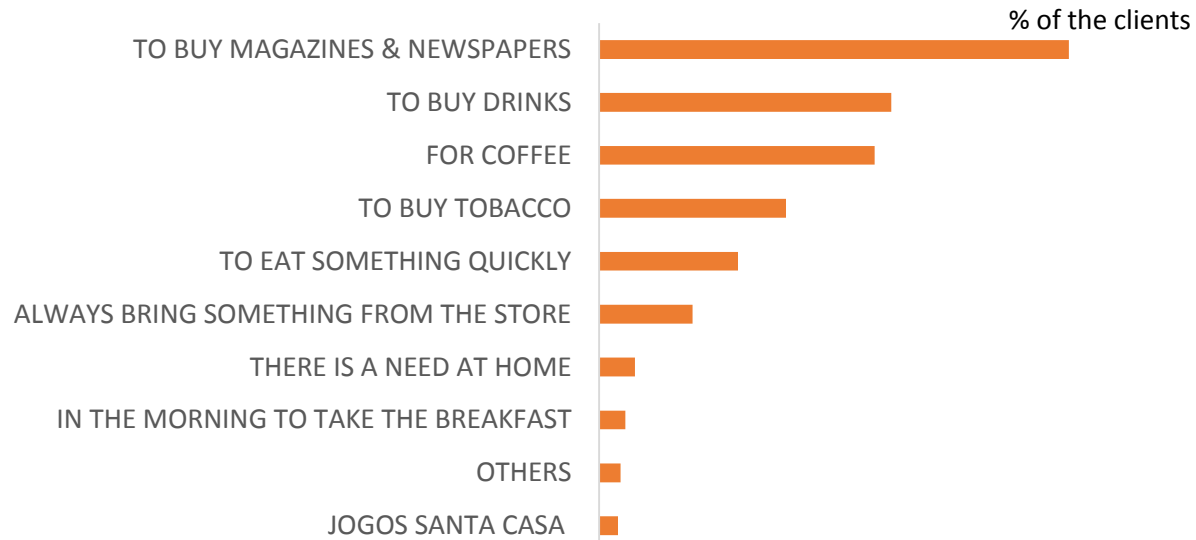
- Store clients are mostly at Lisboa Vale do Tejo - LVT , while the majority of the potential clients are at North
- The Car Wash clients are mostly at North and LVT
- Alentejo and Algarve are the regions with the lowest percentage of clients

■ Wash ■ Store ■ Potential store

- A significant number of Car Wash’s clients are male
- Concerning Store clients, the distribution between men and women is equivalent
- Car Wash clients represent an opportunity to attract more men to the stores
- Concerning Stores, there is also an opportunity to capture more women

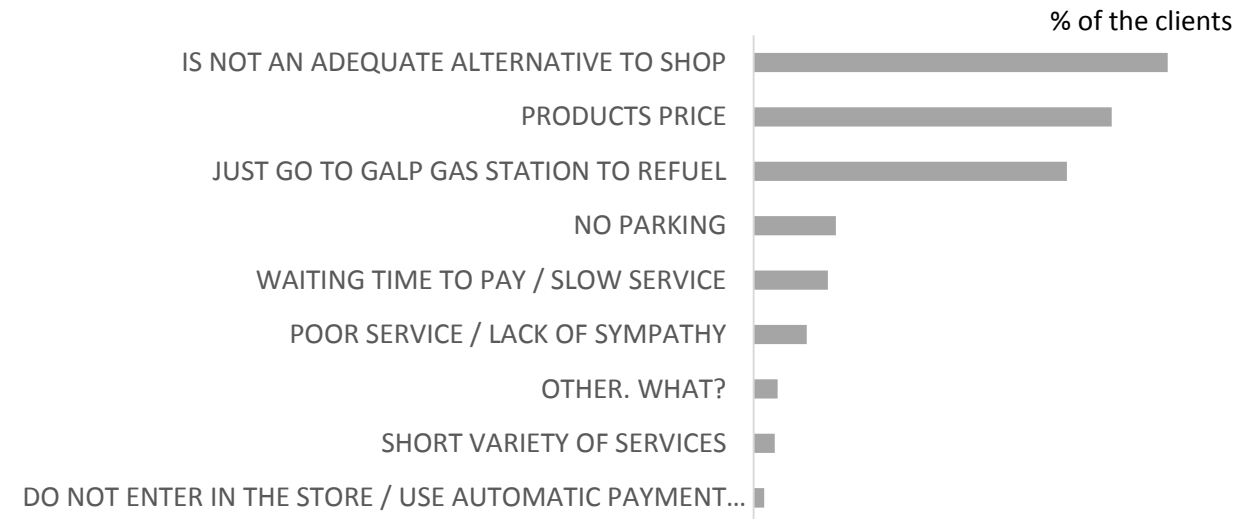
When analysing the behavioural profile of customers, it is important to take notice that Store potential customers say that the Tangerina stores are not a suitable alternative for shopping

CUSTOMERS REASONS FOR SHOPPING IN STORE



- A large percentage of the store clients say that the main motive to enter the store is to buy Magazines and Newspapers, followed by the Drinks and Coffee
- Although Tobacco is the store’s sales leader, only a small percentage say that it is the main reason to visit the store
- “Eat something quickly” and “Always bring something from the store” comes up as the main reason for a considerate amount of the clients
- Just a small part of the clients go to the store for domestic urgency motives

POTENTIAL CUSTOMERS REASONS FOR NOT SHOPPING IN STORE

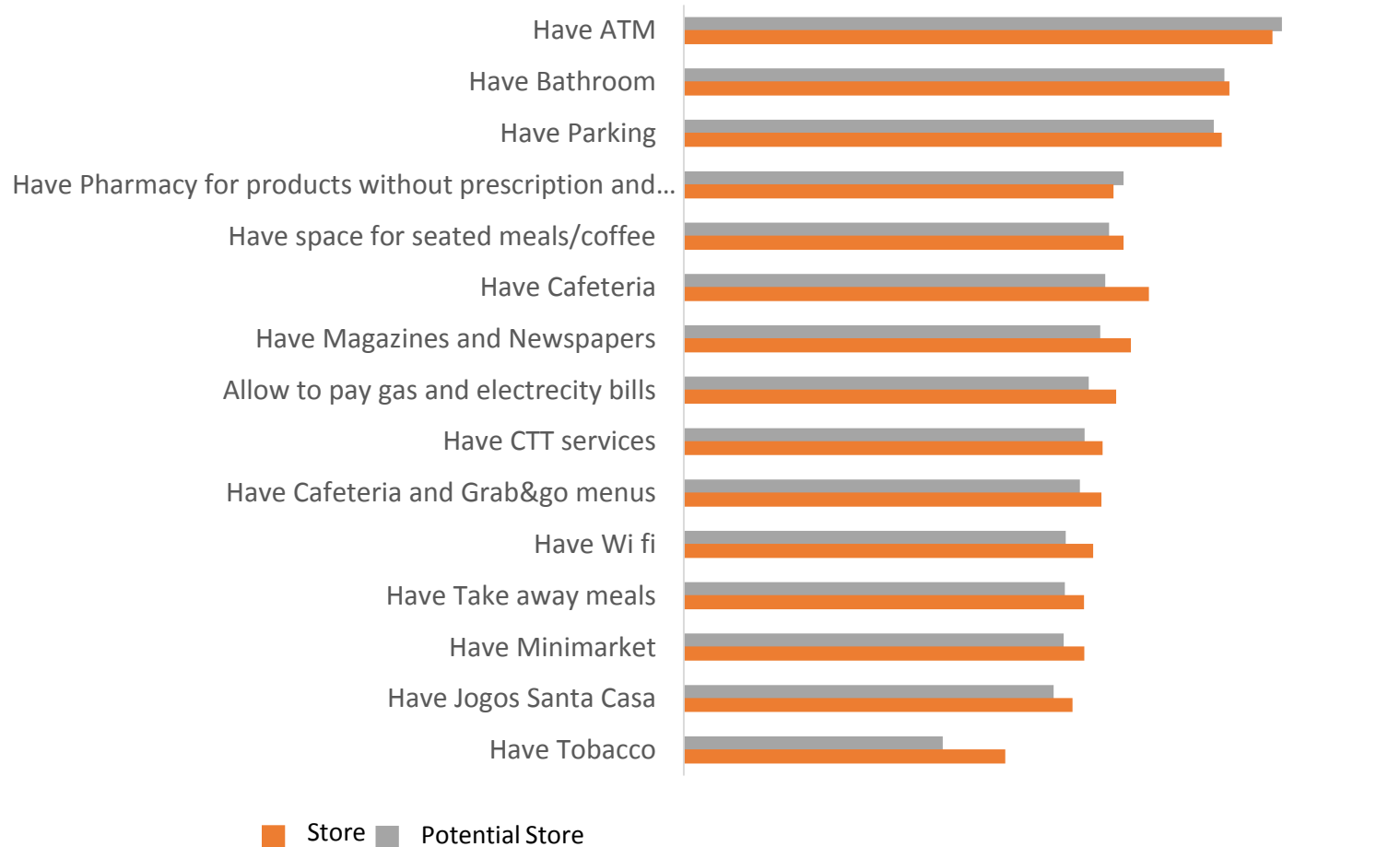


- The main reason for potential customers not to visit the store is because it is not considered as a suitable alternative to shop
- The price, or the perception of it, is a key reason not to buy in the stores for a significant part of the clients (knowing that in 80% the products have fixed prices)
- A large part of the gas station clients go to Galp just to refuel

Classification of the Important features on gas station stores is consistent among the current and potential customers

IMPORTANT FEATURES IN GAS STATION STORES

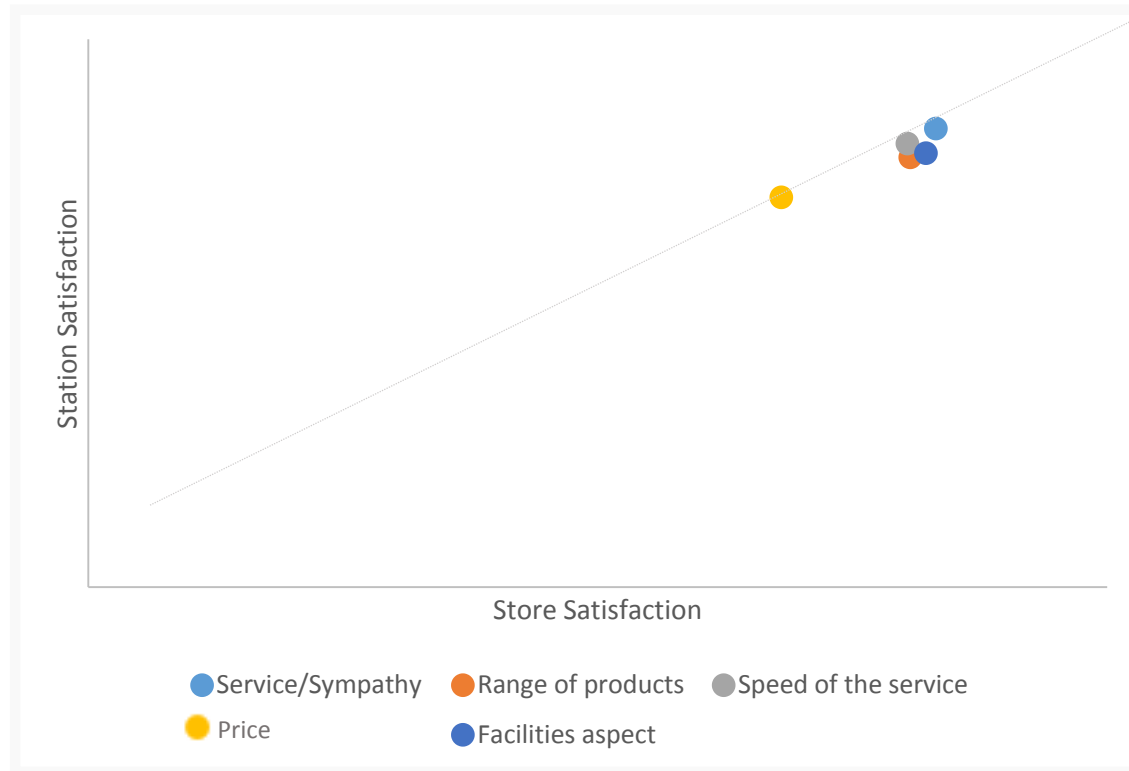
Average importance (1 to 5)



- The most important factors in gas stations, for current and potential clients are: to have an ATM machine followed by having bathroom and parking space
- Having Cafeteria and Magazines and Newspapers is important for the existing customers
- To have seated meal and coffee spaces is important for Current and potential clients
- Tobacco is the least important thing to have in a gas station, despite being the category that sells more
- For potential clients it is important to have pharmacy products
- To provide services such as ATM, WC, Pharmacy is one of the more important factors to bring customers to Galp

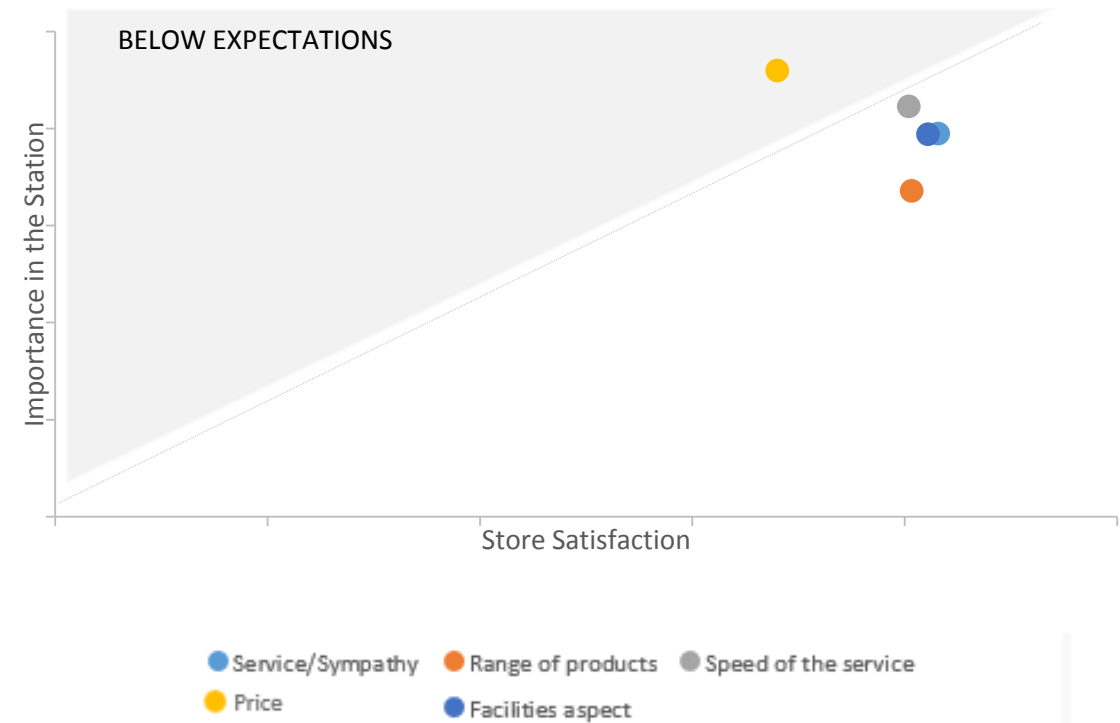
Clients satisfaction about the store and the gas station is positive, however it is not yet fully aligned with the importance given to the respective factors

STORE CUSTOMERS SATISFACTION – STORE VS POST



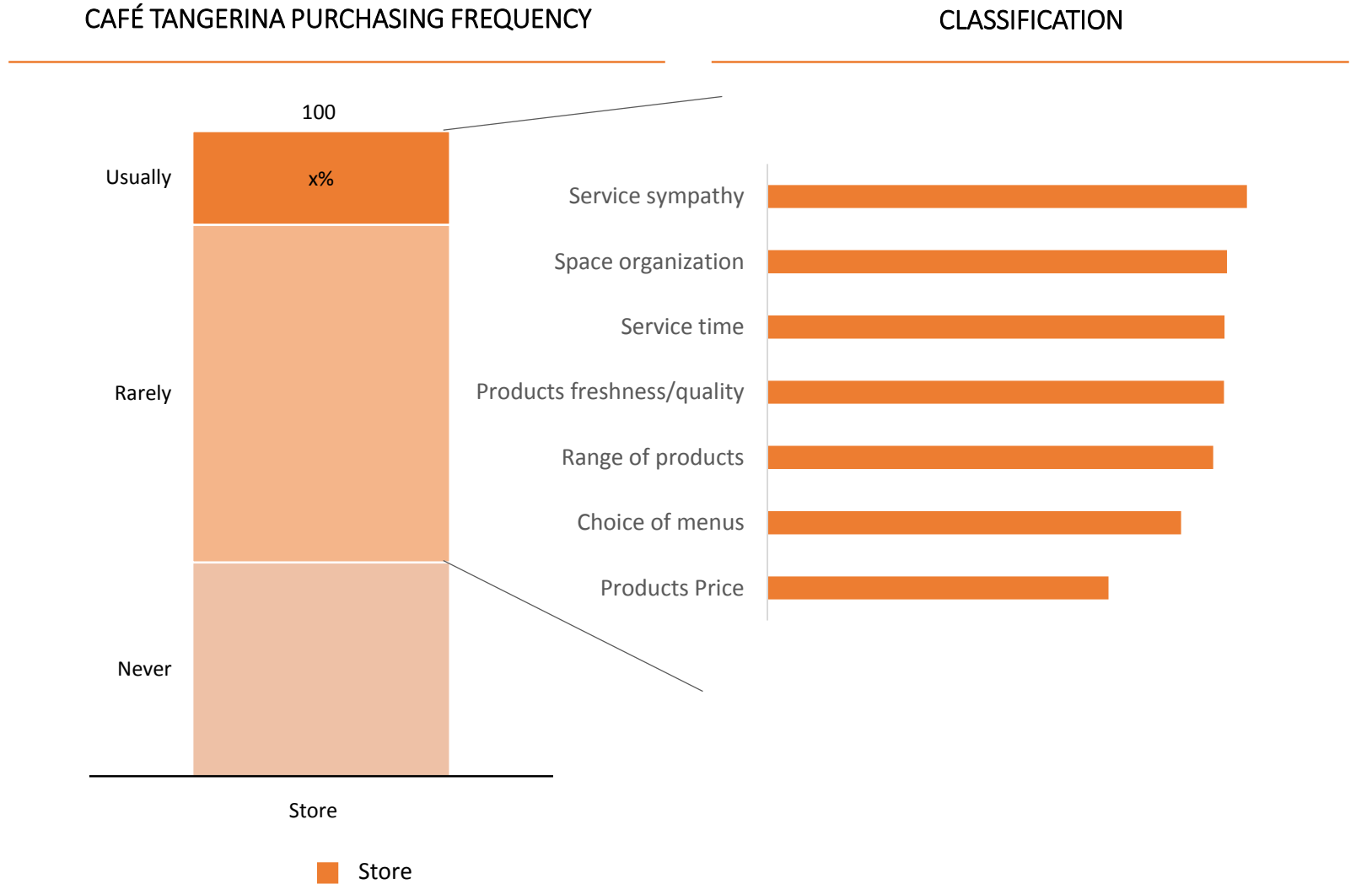
- The perception that customers have on Store is similar to the perception that they have of the whole gas station, and both are positive

STORE CUSTOMERS SATISFACTION VS GAS STATION IMPORTANCE



- The price is the factor that customers give more importance to, however it is the factor which customers are more dissatisfied with
- The satisfaction with the other factors is above the respective importance, highlighting the "range of products", that customers do not value but they are very satisfied

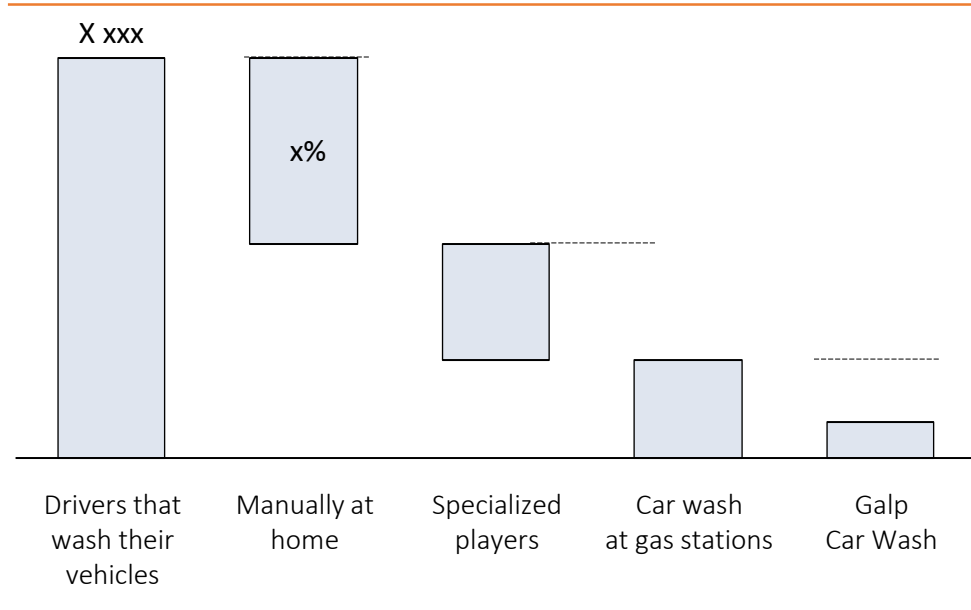
A few number of the store clients “usually” go to the Tangerina Café while half of them “rarely” do it



- Store customers that attend Tangerina Café rank it on average as "GOOD"
- Customers who attend the cafeteria classified positively the majority of the asked features
- The price is the indicator which clients are less satisfied and is the only one with a rating below 3, followed by the variety of menus
- One third of the store clients do not attend Tangerina Café

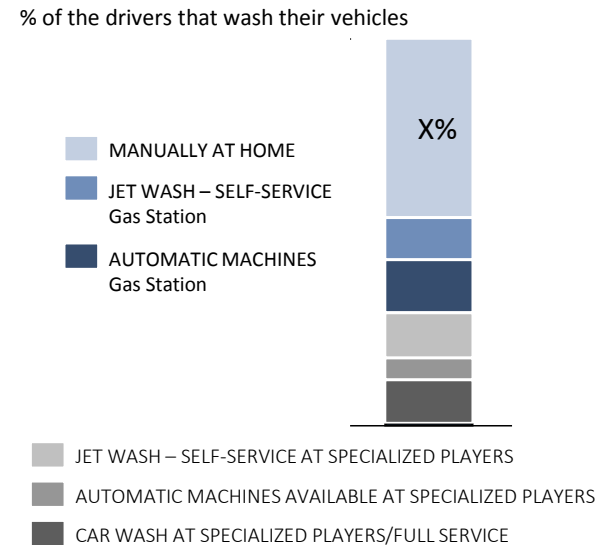
Galp’s Car Wash Business market share, when compared with the other gas stations players, is in line with the market share in the Convenience and Fuel businesses

DRIVERS WASHING PLACE



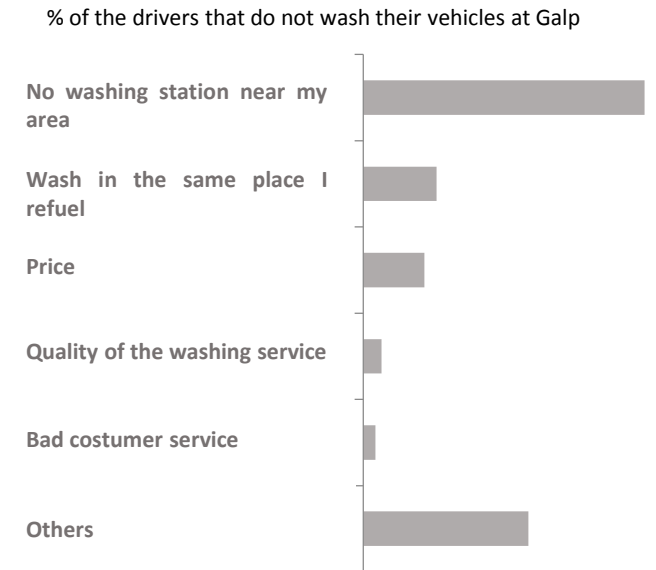
- Galp’s Car Wash customers represent less than 10% of drivers who wash cars, and more than 30% of drivers who wash their cars at service stations
- Almost 50% of drivers hand wash their cars at home, and this can be seen as an opportunity to capture new customers

WASHING SYSTEM USED



- Nearly 10% of the drivers use Jet Wash
- A higher percentage washes in the automatic machines at gas stations

MOTIVES NOT TO WASH AT GALP



- The main reason for drivers not to wash their cars at Galp is because they do not have any Galp Car Wash service in their area
- The second reason is because they prefer to wash at the station where they are refuelling
- Some say the price is a major factor not to wash at Galp, although Galp prices are competitive (wrong perception)

1. METHODOLOGY

2. INTERNAL ANALYSIS

3. EXTERNAL ANALYSIS

4. SWOT ANALYSIS

SWOT ANALYSIS BY BUSINESS SEGMENT

5. STRATEGY AND RECOMMENDATIONS

6. INDIVIDUAL REPORTS

7. REFERENCES

After the internal and external analysis breakdown it was possible to extract some of the strengths, weaknesses, opportunities and threats with the intent of supporting the strategy plan development

STRENGTHS

WEAKNESSES

CONVENIENCE

- Reputation, brand recognition
- Extended stations network
- Localization
- Iberian presence (synergy, bargaining power)
- Traffic on the gas stations
- Positive perception of the stations and shops, customers are generally satisfied

- Convenience is a complementary area, limited investment
- Lack of alignment between the resellers and the internally managed stores (operational control, operations, promotions, pricing)
- Resale negative perception that may negatively affect Galp reputation as a whole
- High price perception considering the store products and CAR WASH
- Limited information systems and not aligned with Spain
- Limited space for parking

STORES

- Store organization and existence of a store concept to fit its type (offer clusterization and range of products extension)
- Partnership with Portugal's largest retail network (Sonae)
- “Impulse” current strategy has shown good results (More than 10% of the customer always bring anything from the store)
- Customers who attend the coffee shop classify it positively

- Limited variety of menus
- Potential customers (those that refuel at Galp but who do not buy in the store) do not consider Tangerina store as a suitable alternative to shop
- More than half of the potential customers pay the fuel in the store and do not buy anything

CAR WASH

- Range of services

- Negative perception about the quality of brushes and the maintenance equipment status

The fact that the convenience market is growing, despite being poorly explored in Portugal, and attached to the circumstance that Galp has large empty areas in their gas stations, creates a great opportunity to explore new possibilities

OPPORTUNITIES

THREATS

CONVENIENCE

- Convenience market is growing in Portugal
- Convenience market still poorly explored in Portugal
- Gas stations with large areas (free space, rental)
- Opportunity to increase the products and services offered, extending the range of services provided
- Growth of complementary businesses to the usual convenience offer
- Partnerships with brands/concepts with high notoriety

- Emergence of new fuel players (low-cost brands and hypermarkets)
- Growth of business models operated by immigrants that function as convenience stores
- Convenience market poorly explored in Portugal (big competition in the modern distribution, convenience is not valued in PT)
- FMCG chains show intent to enter the convenience industry
- Generally, customers are more rational and weighted
- The driver to purchase is now more associated to the price and to the search for promotions, impacting the brand choice and buying place

STORES

- Enlargement of the range of services provided
- Focus on "shopping experience"
- Coffee shop concept gaining size and popularity in Portugal
- Food Service (Grab & Go) is one of the main reasons to visit the store

- Growth of the local markets
- Laws changing in relation to alcohol and tobacco

CAR WASH

- Galp car wash represent only 7% of the universe of drivers that wash their cars
- Approximately 50% of drivers say that they hand wash their cars at home (penetration opportunity)

- Growth of the Wash Centres
- More than 10% of the customers prefer to wash their vehicles in the station where refuel

5. STRATEGY AND RECOMMENDATIONS

STRATEGY

RECOMMENDATIONS

NEW COFFEE SHOP CONCEPT

LAUNDRY SERVICE

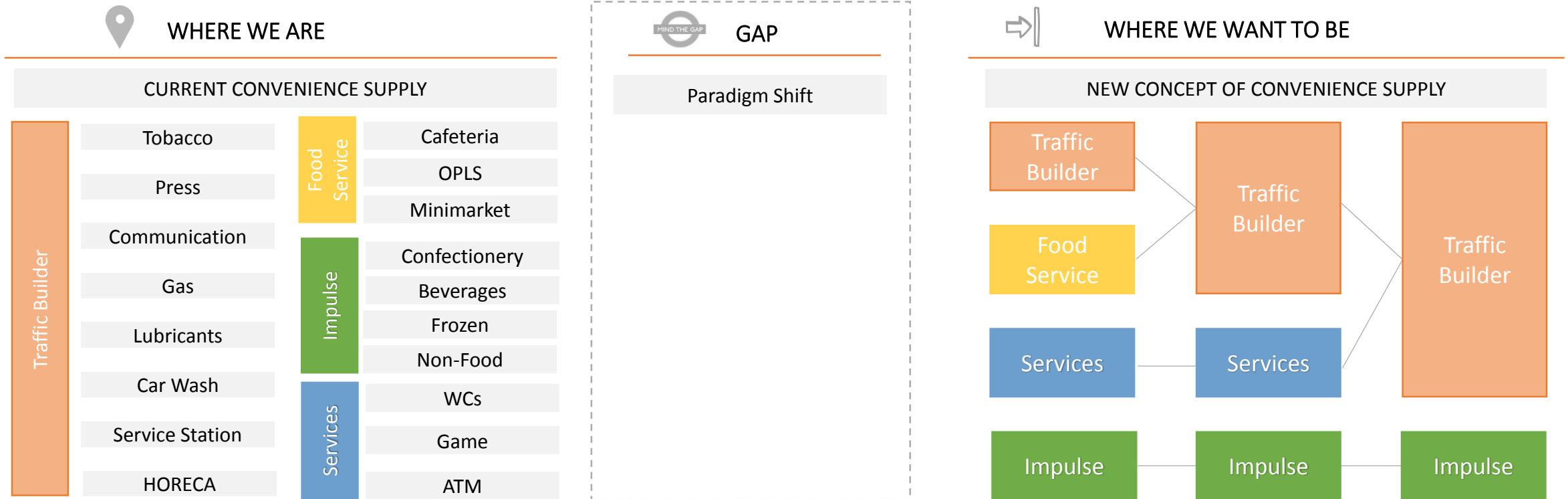
PICK&GO

STORE SUPPLY

6. INDIVIDUAL REPORTS

7. REFERENCES

The diagnosis carried out showed that there will be a paradigm shift (e.g. new trends, different customer preferences, changes in the market environment) making it necessary for the convenience department to reinvent itself in order to take advantage of these new challenges



- Today, convenience supply is divided in four main categories – Traffic Builder, Services, Impulse and Food Service
- The Traffic Builder (TB) category plays a key role, as it is fundamental to attract customers to this business

HOW CAN GALP ADAPT?

- The strategy proposed is based on a new concept of convenience supply
- The new offer is continuously built on Traffic Builders (TB) but with a broader offer:
- In the first phase the Food Service category will evolve to new Traffic Builders, and on a second phase, the Services category will also evolve to new TB
- Impulse is a category that will remain present since it represents a significant sales portion and has been increasing for the last years

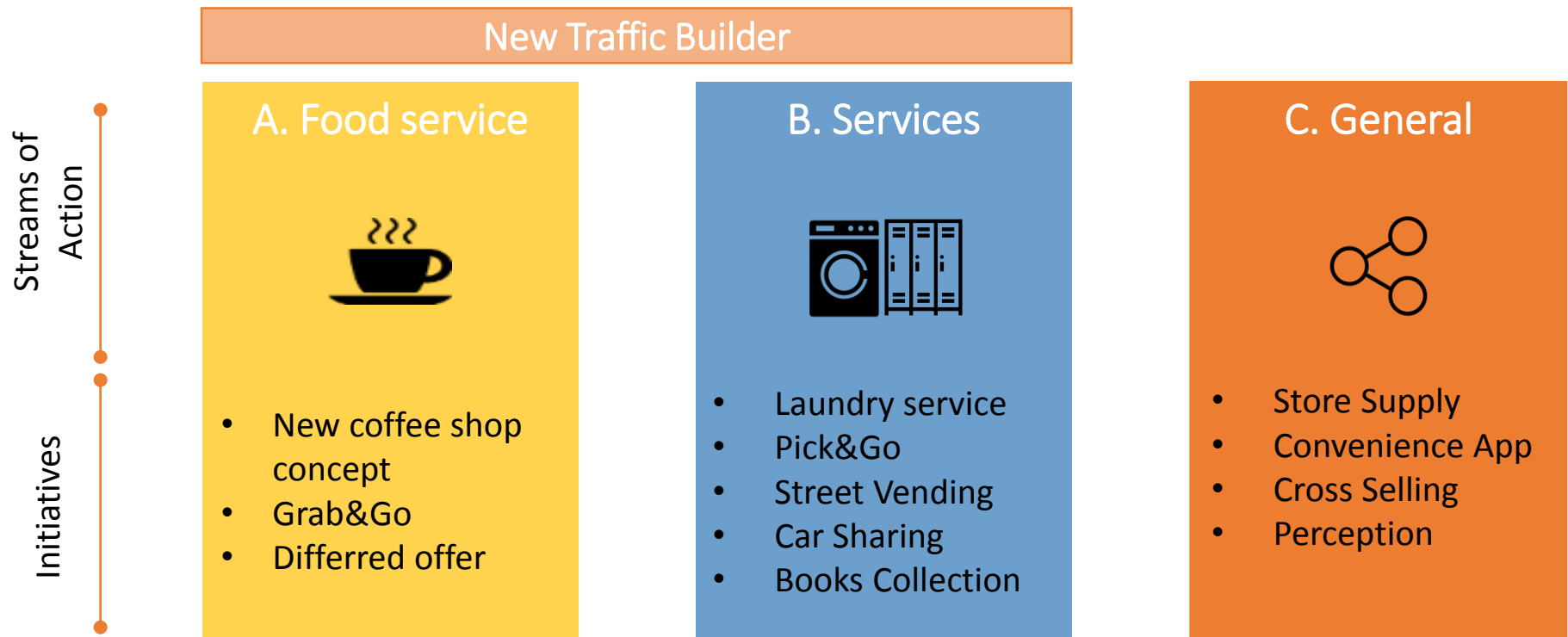
The strategy will be addressed by an action plan which is divided into three main streams – Food Service, Services and General – with a set of innovative initiatives and services

HOW CAN GALP ADAPT?

Plan of Action and Implementation

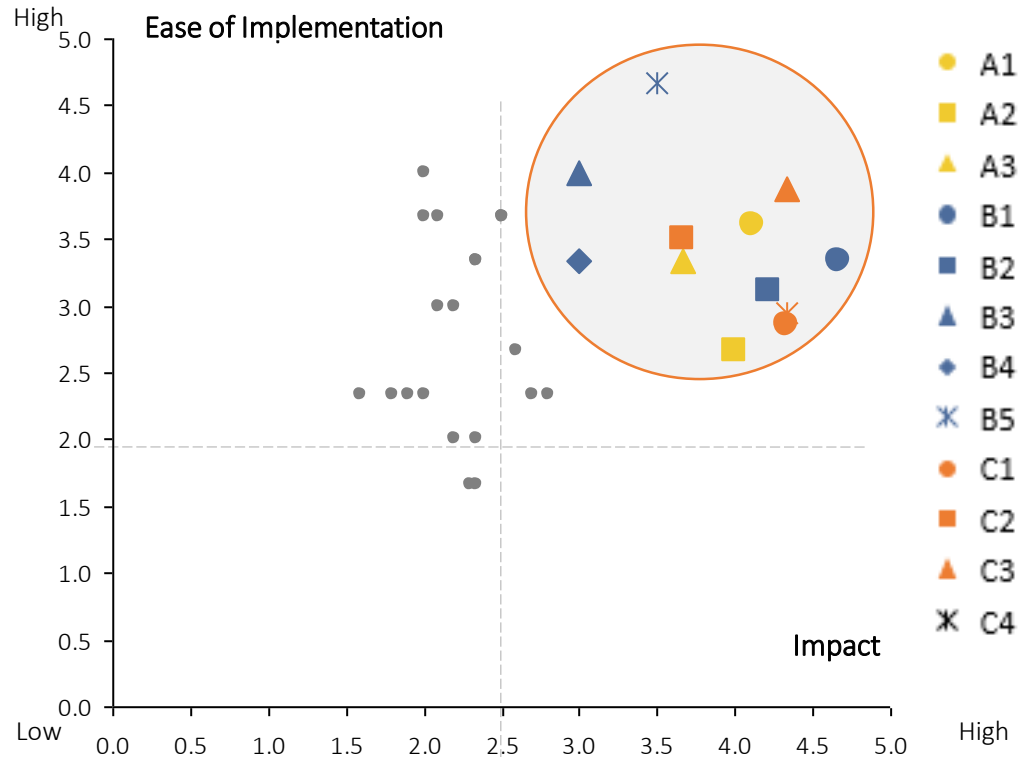
In order for the convenience to present a new concept and to become an independent business where supply has the ability to attract and retain customers, it has to follow the paradigm shift through the following strategic streams:

- **The Food Service stream** will focus on initiatives directly related to the food offer: development of a new coffee shop concept, improvements of the Grab&Go and Differred offer
- **The Services stream** will involve initiatives that make available convenient services and other services adjusted to new lifestyles and trends
- **The General stream** will consist on cross initiatives which assist the development of the strategy



The action plan was developed after an evaluation of 30 ideas and a further selection of 12 with the highest potential, both in terms of impact and ease of implementation

30 Initiatives Evaluated



12 Selected Initiatives

- A1 New coffee shop concept**
Develop a distinctive concept for coffee shop with a modern and cosy environment and adapt supply to customer preferences and trends
- A2 Grab&Go**
Reinforce Grab&Go offer such as breakfast menus to take away; Bistro Boxes, packaged drinks to go
- A3 Diferred offer**
Provide frozen food, takeaway, and supermarket products through a partnership such as Click&Go
- B1 Laundry service**
Offer a pickup and delivery laundry service
- B2 Pick&Go**
Develop a pick up point service, providing lockers to customers at Galp's gas stations (GS)
- B3 Street Vending**
Rent available areas in GS to Street Vending trailers
- B4 Car Sharing**
Be the "First Mover" in Portugal to connect a Gas&Oil brand to Car sharing
- B5 Books Collection**
Conduct a campaign to collect school books and provide a big box for the initiative
- C1 Store Supply**
Adapt supply according to customer profile such as fitness, healthy and female products
- C2 Convenience_APP**
Develop an app for the convenience department to provide information and services such as LGP orders, digital vouchers and customized promotions
- C3 Cross Selling**
Enhance bundle promotions among different services: "10€ spent in store = 3mints of Jet Wash"
- C4 Perception**
Improve customer perception of Galp convenience services by aligning key factors (price and appearance) of Resale Chain (e.g.: rigorous rules for RC contracts)

- A descriptive form was developed for the 12 selected initiatives and an implementation plan was created for each of them
- Due to space constraints, only 5 initiatives² (A1, B1, B2, C1 and C2) are presented next with the descriptive form, implementation plan and Profit and Loss analysis²

1) Detailed description of the remaining initiatives were inserted in the Appendix
 2) The implementation plan and the P&L Analysis for the Convenient App is not developed since there is a high level of uncertainty if it will be possible to insert these new features on the App they are currently developing or if they would develop this app from the start.

A new coffee shop concept should be created in order to address recent trends and adapt to customers’ preferences

A1 FOOD SERVICE – NEW COFFEE SHOP CONCEPT

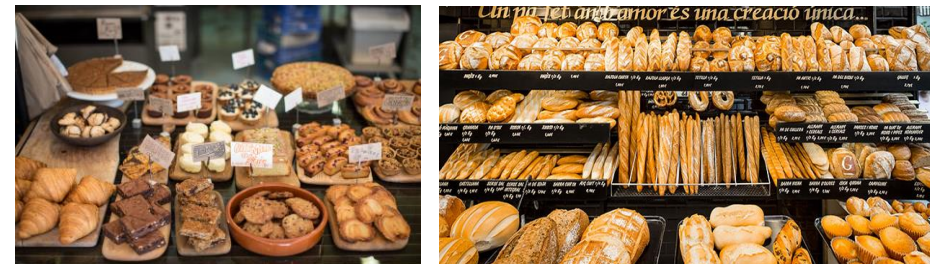
DESCRIPTION

- Develop a distinctive concept for coffee shop , creating a modern and cosy environment (ex .: functional but also comfortable tables, chairs and sofas ; Background music, wifi and access to newspapers and magazines)
- Adapt cafeteria supply to suit new trends and consumer preferences (ex .:hot bread with batches throughout the day, varied pastry (croissants , cakes, traditional cakes; diversified menus, cafes, teas and natural juices)
- Improve the quality and efficiency of service (increase number of employees to the GS’s traffic and its rush hours; Training of the task force; Introduction of a ticket system for the cafeteria)

RATIONALE & BEST PRACTICES

- Coffee Shop sales has been increasing and is one of the categories that most contribute in terms of gross benefit (Internal analysis - IA)
- +30% of customers enter the store to drink coffee and more consumers look for quality (ext. analysis - EA)
- "Having Cafeteria and sitting space “ are important features for customers (EA)
- Success stories : Starbucks, Padaria Portuguesa

PROTOTYPE



RESPONSIBLE

- Director of the Convenience Department
- Partnerships Manager

BUSINESS



OBJECTIVES

- Increase sales from Shop/Cafeteria
- Increase store’s traffic
- Improve client’s perception in relation to cafeteria

KPIs

- No. of stores with the new cafeteria concept implemented
- % of sales increase with new concept vs with old concept (%)
- Customer satisfaction regarding cafeteria, its offer of assortment and environment

The coffee shop implementation plan is divided in three phases: analysis (8weeks), Set-up (16 weeks) and the Pilot (24 weeks)



A1 FOOD SERVICE – NEW COFFEE SHOP CONCEPT

8 Weeks

Analysis

- Analyse market trends and portuguese consumers preferences in the Coffee Shop sector
- Conduct a national and international Benchmarking
- Assess demand from Current and potential customers
- Analyse market suppliers and possible partnerships
- Analyse the operations (service operation; processes; players in the process)
- Evaluate business model (own or partnership Brand)
- Define Criteria to select the GS in which the initiative will be implemented (store area, GS with high traffic and high potential)

- Trends and preferences
- Best Practices
- #Current and potential customers
- CAPEX
- Possible suppliers / partners
- Identification of selected GS
- Financial and sensitivity analysis
- Defined business model
- Implementation Plan and Schedule
- Communication Plan and Schedule
- Definition of the Pilot Project

16 Weeks

Set-Up

- Agree terms of partnership
- Conclude the partnership
- Set-up the pilot project in 3 to 4 selected GS (Purchase and installation of equipment needed for the refurbishment ; staff training; Setting Manual procedures)
- Prepare the communication for the pilot

- Contract with suppliers / partners
- Stores reshuffle
- Communication deliverables
- Metric definition for evaluation

24 Weeks

Pilot

- Launch Pilot Project and its communication
- Monitoring results
- Customer feedback collection
- Adjustment of processes and mechanisms
- Decide expansion to other selected GS or the conclusion of the project

- Evaluation Report
- Feedback
- Financial Return

Roll-out

ACTIVITIES

OUTPUTS

The Value added of this initiative is driven by an increase of both, the number of coffee shop customers and the average ticket

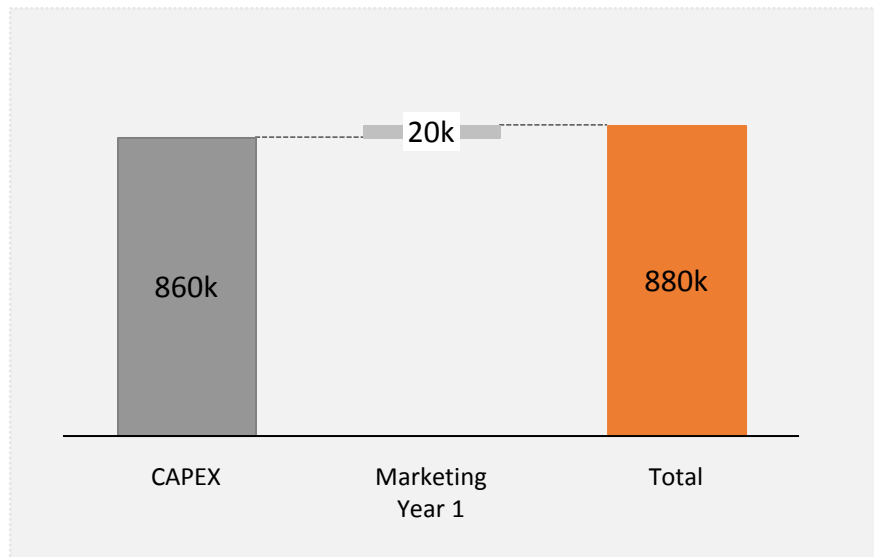
ILLUSTRATIVE



A1 FOOD SERVICE – NEW COFFEE SHOP CONCEPT

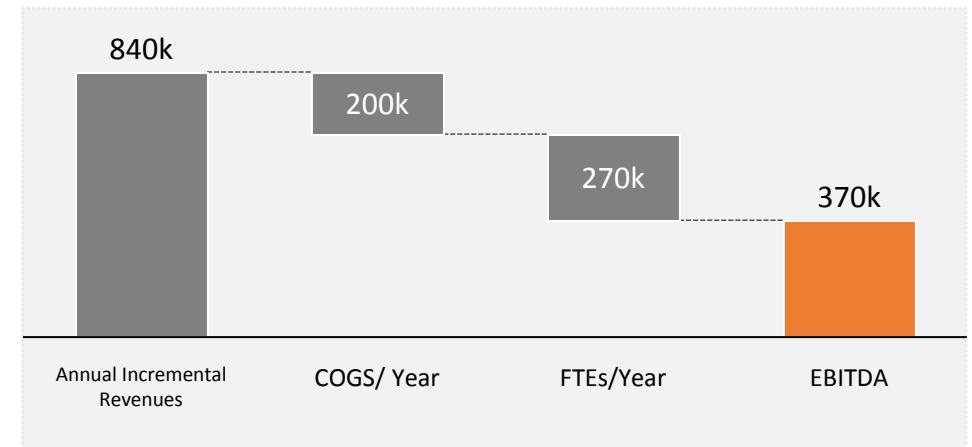
Estimation of initial investment

- **Total Initial Investment: A+D**
- **A) CAPEX: (B+C)*E**
 - B) Reshuffle cost per store¹: 30k€
 - C) Equipment cost per store (ex.: Showcases, Ovens, juice machines, ticket system): 3.6k€
- **D) Launching Marketing Campaign²: 20k€**
- **E) #Stations that provide this service: 30**



Estimation of incremental earnings

- **Total Incremental EARNINGS: A-J**
- **F) Incremental Revenues per Coffee Shop: 20k€**
 - G) Average Sales of Metropolitan Segment Stores³: 700k€
 - H) Cafeteria Sales of total sales (%) ³: 8%
 - I) Increase of Coffee Shop Sales: 50% (85% via increase of customers and 15% via average ticket increase)
 - Increase of Coffee Shop customers: 7p.p. (15%³ → 22%)
 - Increase of Average Ticket (without/vat): 20% (1.50€ → 1.80€)
- **J) Incremental Operational Costs: (K*F)+ L**
 - K) COGS (% of sales)⁴ : 24%
 - L) Costs with personal (1 FTE per coffee shop): 270k€



1) Based on Galp's previous refurbishment investment in 2008
 2) Based on information given by Galp's Communication Department

3) Based on Information provided in the Internal Analysis
 4) Based on information provided in the internal analysis "COGS = 1-BB" (BB= Benefício Bruto: Vendas-CMV-Quebras-Custos Logísticos-Custos Comerciais)

In order to attract more customers to Galp’s Convenience Business a new convenient service of laundry should be launched

B1 SERVICES – LAUNDRY SERVICES

DESCRIPTION

- Offer a laundry service
- Provide a collection/delivery box (see figure) in selected GS, where the "Check -in " is done automatically in the machine or through an application
- Galp ensures that the clothes will be delivered in the respective GS already with the finalized treatment
- A notification will be sent (email, app notification) to alert that the order is now available to be picked up
- Offer a loyalty program, ex .: " Laundry Galp : 10th Free Delivery " or "Next wash offer coffee " (cross-selling) in order to build customer loyalty to this service but also to Galp (promotions may also be offered through the application and thus they are able to be customized)
- The laundry partner is a renowned company (eg.:5àSec)

RATIONALE & BEST PRACTICES

- Consumers with less and less time, who seek quick and convenient offers and services (DE)
- Location appears increasingly as critical success factor in the convenience sector (DE) , and the fact that Galp GS are located on the way home - work can be leveraged
- Success Stories : Partnership 7-Eleven with "My Laundry Station " (New York , USA)

PROTOTYPE



RESPONSIBLE

- Convenience Department
- Partnerships Manager

BUSINESS



OBJECTIVES

- Increase store sales
- Create new Traffic Builders

KPIs

- Number of deliveries at " laundry Galp "
- No. of stores with this service implemented
- Comparison between sales growth with new service vs no service in T- 1 (%)
- Direct revenues and costs of the laundry service vs the budget

The laundry service implementation plan is divided in three phases, analysis (6weeks), Set-up (8 weeks) and the Pilot (24 weeks)



B1 SERVICES – LAUNDRY SERVICES

6 Weeks

Analysis

- Evaluate potential demand for laundry service
- Benchmarking
- Assess possible partnerships (eg . 5àSec , MySec) and interest from these companies
- Study possible technological companies and its development proposals
- Assess Business Model (Partnership or Private Label)
- Evaluate Delivery Model (Responsibility of Galp or partner; Outsourcing in distribution)
- Evaluate Operation Model (Service Operation; Processes; Players in the process; method of payment)
- State criteria to select the GS in which this initiative will be implemented (location with much traffic , path - house work, metropolitan segment)
- Define communication campaigns through flyers, LED panels or application (eg.: " offer to a friend a Galp laundry service by sending this code";" washed & starched shirts in 24h")

- Types of partnerships and respective business models
- # Potential customers
- Average Ticket
- CAPEX
- Financial and sensitivity analysis
- Business Model
- Identification of selected GS
- Implementation Plan and Schedule
- Communication Plan and Schedule
- Definition of the Pilot Project

8 Weeks

Set-Up

- Agree terms of partnership
- Conclude the partnership
- Set-up of a pilot project in selected GS (Technological development, Purchase and Installation of equipment, Staff Training , Setting Manual procedures)
- Prepare communication for Pilot

- Partnership Agreement
- Lockers installed
- Communication deliverables
- Metric definition for evaluation

24 Weeks

Pilot

- Launch Pilot Project and its communication
- Monitoring results
- Customer feedback collection
- Adjustment of processes and mechanisms
- Decide expansion to other selected GS or the conclusion of the project

- Evaluation Report
- Feedback
- Financial Return

Roll-out

ACTIVITIES

OUTPUTS

Initial Investment is supported by Galp but the business is operated by the laundry partner and Galp receives a fee for renting the space

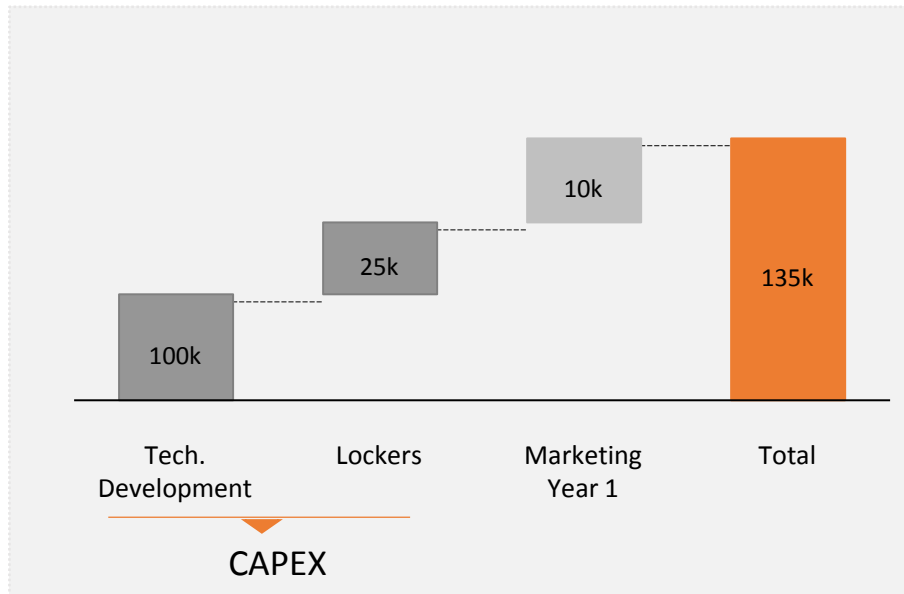
ILLUSTRATIVE



B1 SERVICES – LAUNDRY SERVICES

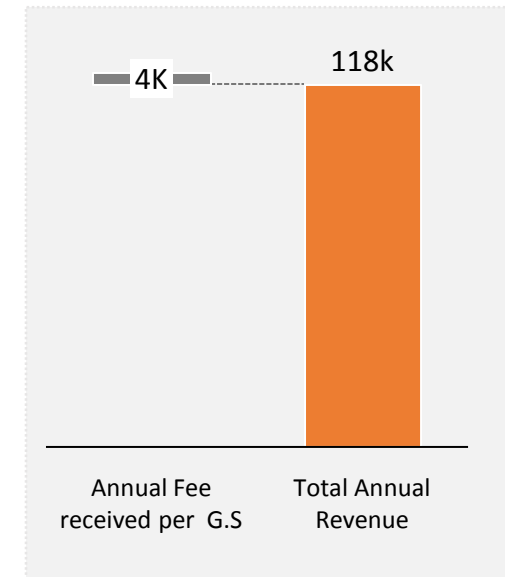
Estimation of initial investment

- **Total Initial investment: $A + (B * E) + D$**
- **A) Technological development:** 100k€¹
 - Hiring an external company for the technological development
- **B) Cost of a set of lockers (24uni.)**²: 0.85k€ (0.6k€ + 0.25k€)
- **D) Launching Marketing campaigns**³: 10k€
- **E) #Stations that provide this service**⁴: 30
 - E.1) Great Lisbon: 20
 - E.2) Abroad: 10



Estimation of incremental earnings

- **Equivalent Fee paid to Galp (Profit Mg for Galp @ 8%)**⁵: 330€/month
 - $$\frac{((\text{Incremental Revenue} - \text{Incremental Operational Cost}) * \text{Profit Margin for Galp})}{\text{\#Stations that provide this service}}$$
- **Incremental earnings of the service: F-M**
- **F) Incremental Operating earnings:** $((G * H * I * J) * K * (E2/E1) * L$
 - G) Car flow in great Lisbon⁶: 500.000/day
 - H) Market share Galp⁷: 33%
 - I) % of Galp customers that would use this service: 2%
 - J) Frequency of use: 1x/week = 52x/year
 - K) Average Ticket (s/iva)⁸: 9€
 - L) Operating Margin: 60%
- **M) Delivery Incremental Costs: N+O**
 - N) Costs with personnel: 56.4k€
 - #FTE: 6
 - Cost per FTE⁹: 9.4k€
 - O) Transportation Cost (6days/week): 9k€
 - Fuel consumption cost per car: 8€/day
 - #Cars: 4
 - Leasing Cost: 16.8k€



1) Based on information made available by Galp's Information Systems Department
 2) Based on ebay website "6 lockers for 150€" plus 250€ per set of lockers for the technological instalment
 3) Based on information given by Galp's Communication Department
 4) High level estimation based on discussions conducted with the convenience Department (need further analysis)

5) The profit margin is based on information given by the Diversification Department; The value calculated is within the range of rents receive from its partners, such as BPN (ATM)
 6) PÚBLICO, (2002). *Do que precisa Lisboa? De melhor mobilidade. Um exemplo: dias sem carros* (2)
 7) Based on Galp's internal documentation
 8) Based on 5àSec price "Especial 5 camisas por 1.98€/cada" plus 0.5€ for the convenience service
 9) Salary of a courier based on the website "meusalario.pt"
 Refer to Appendix 20 for a detailed description of the profit and loss analysis

Galp should exploit a partnership with a delivery/online shopping company, to provide a pick-up-point service and consequently attract more customers to the store

B2 SERVICES – PICK&GO

DESCRIPTION

- Develop a deliver/pick up point service
- Provide lockers of several sizes to facilitate the delivery / collection process, ex .:
 - Books (Amazon)
 - Keys (AIRB & b)
 - Backpacks (Backpackers , tourists)
 - Supermarket (Continent)
- Partner with online shopping sites (eg.: Amazon; Asus) or with delivery companies

RATIONALE & BEST PRACTICES

- Leverage the extensive network of Galp’s GS
- Consumers with less and less time, who seek quick and convenient offers and services (DE)
- Location appears increasingly as critical success factor of convenience (DE)
- Online shopping has been growing in Portugal (DE)
- Case Study: Lawson & 7 -Eleven Partnership with Amazon

PROTOTYPE



RESPONSIBLE

- Convenience Department
- Partnerships Manager

BUSINESS



OBJECTIVES

- Increase store sales
- Create new Traffic Builders

KPIs

- Number of deliveries/pick-up at Galp GS
- No. of stores with this service implemented
- Direct revenues of this service (rent)
- Comparison between sales growth with new service vs no service in T- 1 (%)

The pick-up-point implementation plan is divided in three phases, analysis (6weeks), Set-up (3 weeks) and the Pilot (24 weeks)



B2 SERVICES – PICK&GO

6 Weeks

3 Weeks

24 Weeks

Analysis

Set-Up

Pilot

Roll-out

- Assess possible partnerships (eg .: Amazon, OLX, Ebay) and an eventual interest from these companies
- Assess Business Model (Galp only rent the space or are responsible for other investment / operations)
- Evaluate the cost/benefit of the space dedicated to lockers
- Evaluate the Operation Model (Location of lockers , Service Operation)
- State criteria to select the GS in which this initiative will be implemented (decision made together with partner)
- Pilot project (Decide with partners the need to pilot)

- Agree terms of partnership
- Conclude the partnership
- Set-up pilot project in selected GS (Installation of equipment, Staff Training, Setting Manual procedures)
- Prepare communication for Pilot together with partner

- Launch Pilot Project and its communication
- Monitoring results
- Customer feedback collection
- Adjustment of processes and mechanisms
- Decide expansion to other selected GS or the conclusion of the project

- Types of partnerships and respective business models
- Cost / benefit analysis of the space devoted to lockers
- Identification of selected GS
- Implementation Plan and Schedule
- Communication Plan and Schedule
- Definition of the Pilot Project

- Partnership Agreement
- Lockers installed
- Communication deliverables
- Metric definition for evaluation

- Evaluation Report
- Feedback
- Financial Return

ACTIVITIES

OUTPUTS

Initial Investment and the operation are supported by Galp’s partner and Galp receives a fee for renting the space

ILLUSTRATIVE



B2 SERVICES – PICK&GO

Estimation of initial investment

- N/A

Estimation of incremental earnings

- **Incremental Annual Revenue: 144k€**
 - Rent paid to Galp per Station¹: 400€/month
 - **#Stations that provide this service⁴: 30**



1) The rent value is based on information given by the Diversification Department and is within the range of rents receive from its partners, such as BPN (ATM)

Galp's store offer should be adapted in order to address its customers' demographic and behavioural profile and recent trends

C1 GENERAL – STORE SUPPLY

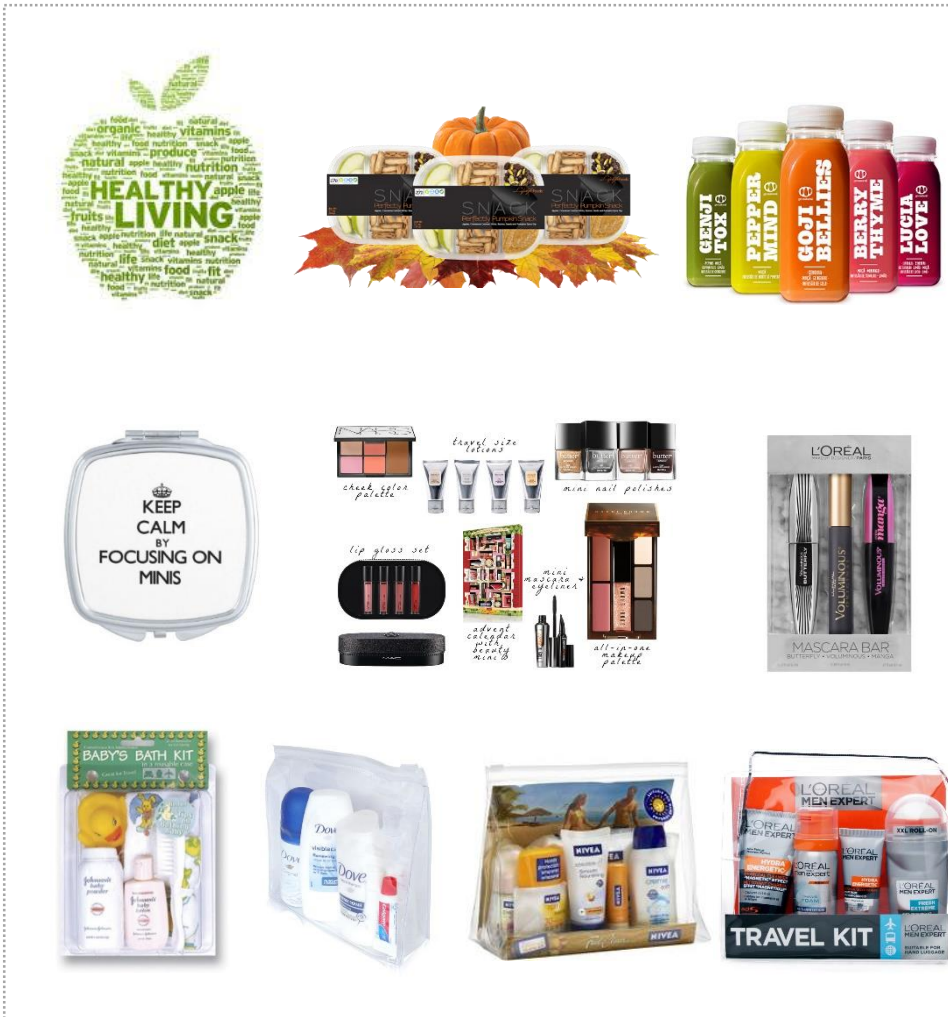
DESCRIPTION

- Adapt store offer according to trends and customer profile and preferences verified during the diagnosis phase:
- Offer healthy products and products related to fitness (eg.: fruit and vegetable juices, dietary supplements and vitamins, healthy snacks, partnership with a notorious chef or with a renowned brand such as GoNatural)
- Offer products targeted to female customers (eg.: make-up, beauty products, mini travel kit, Baby products , diaper change in WC)
- Appeal to impulse buyers, who find themselves irresistibly drawn to ten items on the way to the cash point since everything is so cheap and appealing
- "Shopping with entertainment": Release CDs / books , live radio broadcasts

RATIONALE & BEST PRACTICES

- Growing number of clients in healthy & fitness market (DE)
- 42% of store customers are women (DE)
- The existing offer is poorly targeted to women
- Success Stories : impulse category sales have been increasing

PROTOTYPE



RESPONSIBLE

- Convenience Department
- Partnerships Manager

BUSINESS



OBJECTIVES

- Increase female customers who buy at Tangerina stores
- Define a new category "healthy"
- Increase store sales
- Increase brand loyalty and customer engagement

KPIs

- #female customers who buy at Tangerina stores
- %increase in impulse category sales
- %increase in non-food category sales
- % increase in new category "healthy" sales
- % Increase in sales

The pick-up-point implementation plan is divided in three phases, analysis (6weeks), Set-up (3 weeks) and the Pilot (24 weeks)

 **C1 GENERAL – STORE SUPPLY**

ACTIVITIES

OUTPUTS

	6 Weeks Analysis		3 Weeks Set-Up	24 Weeks Pilot	Roll-out
ACTIVITIES	<ul style="list-style-type: none"> ▪ Evaluate potential demand for this product offer ▪ Benchmark at national and international level this type of product offers (healthy, feminine and impulse products) ▪ Review communication plan for these new products (website, social networks , app, in store , flyers, etc.) ▪ Assess possible partnerships/suppliers (eg.: healthy products – Go Natural; feminine and impulse products - Loreal, unileaver) and interest from these companies 	<ul style="list-style-type: none"> ▪ State criteria to select the GS in which this initiative will be implemented (location with much traffic for the pilot) 	<ul style="list-style-type: none"> ▪ Agree terms of partnership with suppliers ▪ Conclude partnership ▪ Set-up of a pilot project in selected GS (Purchase products and shelves, and test the different spots to place the product) ▪ Prepare communication for Pilot 	<ul style="list-style-type: none"> ▪ Launch Pilot Project and its communication ▪ Monitoring results ▪ Customer feedback collection ▪ Adjustment of processes and mechanisms ▪ Decide expansion to other selected GS or the conclusion of the project 	
OUTPUTS	<ul style="list-style-type: none"> – #Potential clientes – Trends and preferences – Best Practices – Potential Suppliers 	<ul style="list-style-type: none"> – Financial and sensitivity analysis – Implementation Plan and Schedule – Communication Plan and Schedule – Definition of the Pilot Project 	<ul style="list-style-type: none"> – Partnership Agreement – Product Shelves installed – Communication deliverables – Metric definition for evaluation 	<ul style="list-style-type: none"> – Evaluation Report – Feedback – Financial Return 	

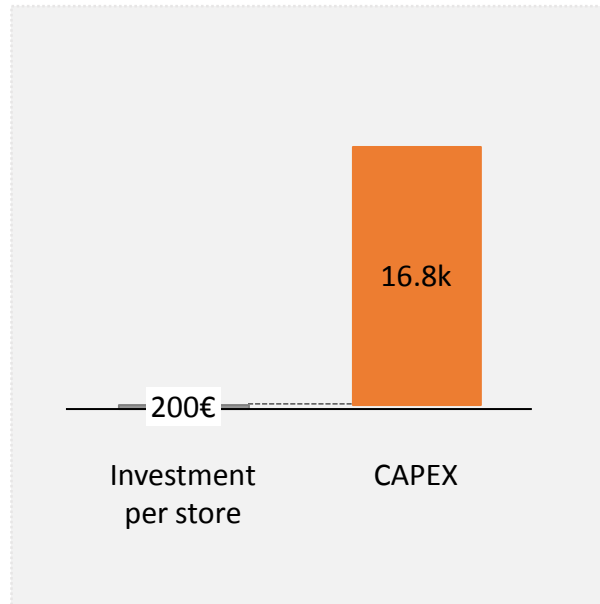
The Value added of feminine products reinforcement is driven by an increase in feminine purchase volume

ILLUSTRATIVE

C1 GENERAL – STORE SUPPLY

Estimation of initial investment

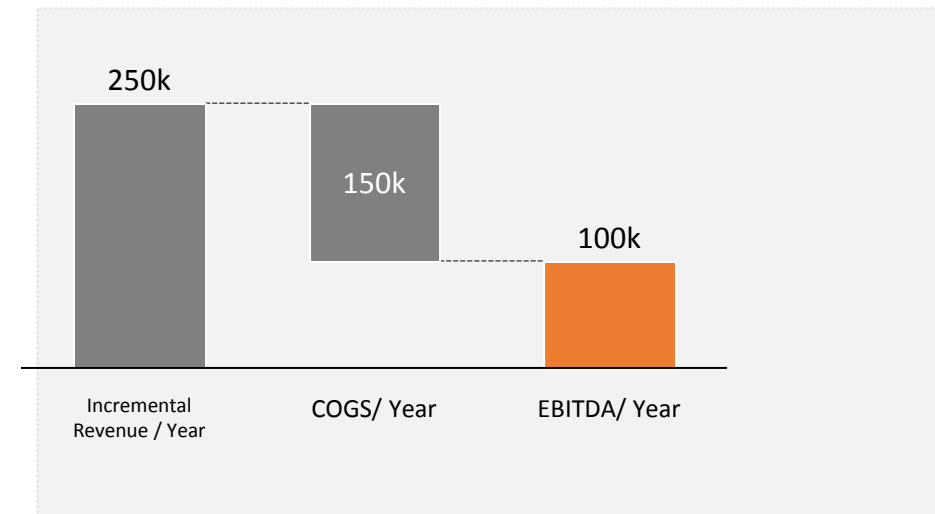
- **A) CAPEX:** B*C
- B) Cost of new shelves/space improvement¹: 200€ per store
- **C) #Stations that provide this offer (Metropolitan stores):** 84



1) Based on Galp's previous reshuffle investment in 2008

Estimation of incremental earnings

- **Incremental EBITDA:** D-I
- **D) Incremental Revenues:** E*F*G*H
 - E) Sales of Metropolitan Segment Stores³: 60.000.000€
 - F) Non-food Sales of total Sales (%)³: 2%
 - G) % of women that frequent Tangerina stores⁴: 44%
 - H) Increase of Non-food sales via new products available: 50% (Assumption: new Average Ticket: 2.70€; %purchase:5%)
- **I) Incremental Operational Costs:** D*J
 - J) COGS (% of sales)⁵: 40%



3) Based on Information provided in the Internal Analysis

4) Based on information provided in the External Analysis

5) Based on Information provided in the Internal Analysis "COGS = 1-BB" (BB= Benefício Bruto: Vendas-CMV-Quebras-Custos Logísticos-Custos Comerciais)

Galp should develop a convenient app to increase its brand loyalty and customer engagement specially of young adults

C2 GENERAL – CONVENIENCE APP

DESCRIPTION

- Developing an app for the convenience department or the integration of the following features in a more general app:
 - Orders to Take Away or anticipate request (Food, bread or LPG bottles)
 - Access to coffee shop menus; Bread batches schedule and notification option
 - Car wash and Cafeteria Vouchers (9+1 for free)
 - Services : laundry service, dynamic tables to facilitate lubricants purchase, car sharing,
 - Customized promotions to the customer profile
 - Cross-selling opportunities “Buy 10€ in store and get 3minutes Jet Wash”
- Offer of a free breakfast menu for anyone who downloads the app and one week to use the voucher

RATIONALE & BEST PRACTICES

- According to the "Always On" trend (DE) , the development and evolution of the business will rely increasingly on technology
- It is an efficient use of big data: access to more detailed customer profile and offer customized promotions
- Customers demand fast buying processes as well as more personalized offers and promotions
- Success Stories : 7-Eleven app (gift vouchers)



PROTOTYPE



RESPONSIBLE

- Convenience, Communication and Marketing Intelligence Departments

BUSINESS



OBJECTIVES

- Increase store's traffic
- Increase brand loyalty and customer engagement
- Enable young customers to frequent Galp



KPIs

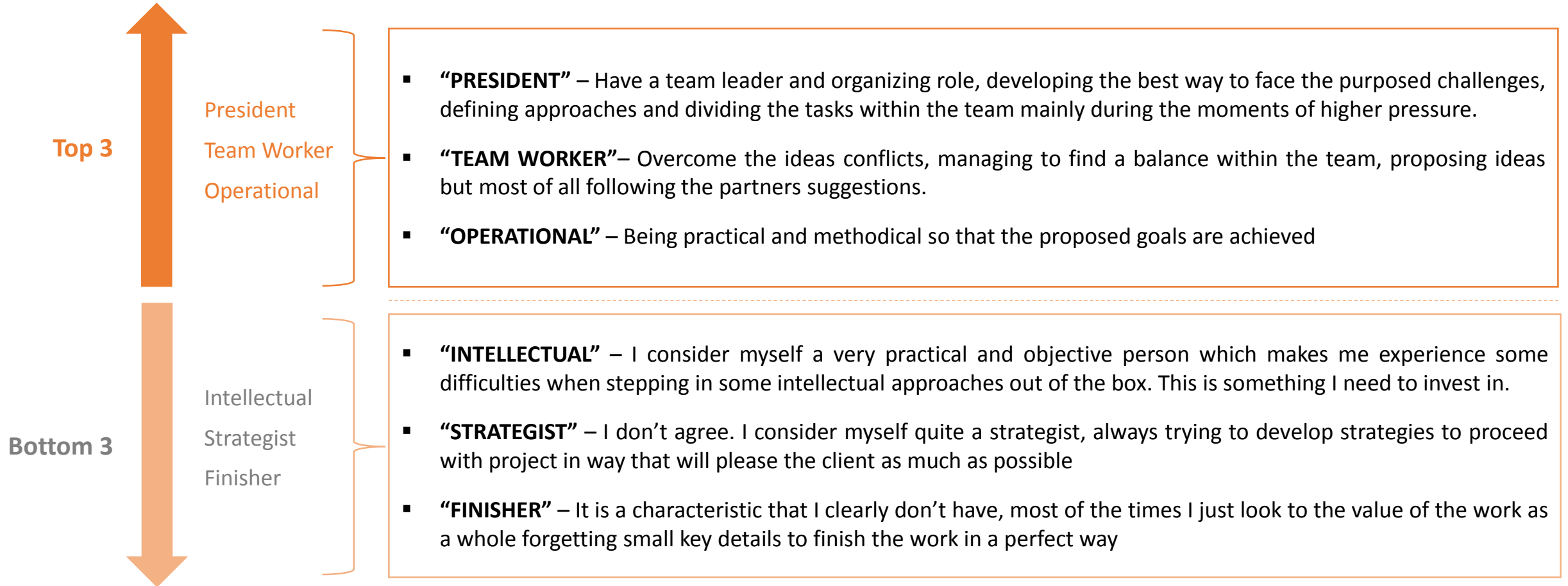
- Increase #customers who frequent the store and CAR WASH
- Number of app downloads
- App/ features utilization rate

5. STRATEGY AND RECOMMENDATIONS

6. INDIVIDUAL REPORTS

7. REFERENCES

The obtained Belbin results were very important to understand my natural professional behaviours, however I consider myself as someone that adapts easily to different work situations, being able to develop several tasks in a team



The project for Galp was great at many levels, it granted us to evolve personally and professionally becoming more able to deal with future challenges



PERSONALLY

CHALLENGE

We need to face the next day as another challenge to achieve success. The ability to motivate ourselves to make always more and better is hugely important. We live in an increasingly competitive world, thus to win we need to give our best.



RECEIVE FEEDBACK

We are now starting our career and in many cases, despite the knowledge previous gained, we often don't have the necessary tools to develop our work in the best way. It is important to be flexible and listen to others advices and ideas so that we can take as much as possible and learn with it.



MANAGE A TEAM

There are few activities that are made individually and so it is important to know how to deal with others. It is hugely important to find the balance between a good relationship with everyone and the ability to set moments of concentration to develop a quality work.



PROFESSIONALLY

UNDER PROMISE OVER DELIVER

Managing a relationship with a client was one of the most important things I've learned. In terms of expectations or deadlines, we can not commit when we don't have guarantees that we are going to deliver on time, however to have to strive to do our best within the schedule.



SYNDICATION

Keeping a close relationship with the working team and its Managers is something that it should not be forgotten. The surprise factor isn't always good and in many cases can lead to unexpected reactions. Keeping the team posted about the work in progress is an advantage.



TEAM WORK

Team work often leads us to set aside our egos for a greater good. It is the same for our day to day work and for client presentations as well. It is important to contribute individually but if the work group doesn't work well, the output won't be the one expected.

This project helped me develop my skills as a professional and it mainly taught me to work better within a team and how to build a solid relation with a client



Looking back and thinking about my professional behaviour during the course of this project versus the Belbin results, I believe that they are aligned. Not the roles as titles but the main characteristics that constitute each of them. Regarding the “President” role I can relate because I consider myself a good coordinator and communicator and an extroverted person. These features were essential during the whole project because we had to develop relations with several of the client’s team members and participate in weekly meetings to present results, and I truly believe that thanks to these skills I always felt much at ease in those environments. I also consider that the “Team worker” main features perfectly apply to what I have experienced. Even though me and my team members got along and they made it easy for me to go work every day, I still tried to promote unity and harmony within the group. As described, I consider myself as “someone who works well in heterogeneous groups and manages to solve conflicts”. Concerning the “Strategist” role, I can relate because it helped me realize that sometimes I shouldn't impose so much my personal points of view. Reaching this conclusion definitely made me grow as a professional. I can say with absolute certain that I am built to work within teams, and as Meredith Belbin once said “Nobody is perfect but a team can be”.

Every individual displays characteristics of all the team roles but in different proportions. In my case, although these were the roles with the lowest scores, I reached the conclusion that I possess some features from each one of them. For example considering the "Prospector" role, I do identify myself with it, especially because this role represents the social person who is enthusiastic and positive and is good at improvising. Throughout the project I also revealed some traits of the “Finisher” role, more specifically in finding errors not detected by others and by being too much of a perfectionist sometimes. However, I lacked the sense of urgency necessary to help finishing the tasks on time, typical of this role, even though sometimes it was not up to us as we were dependent on receiving relevant information from the client. The “Operational” role is the one that is further away from my personality mainly because I believe I have a lot of flexibility and I do not have difficulty in adjusting to new situations. Overall, this was an amazing experience that helped me grow and I totally relate to the consulting labs "hands dirty" practical approach where each team member “learns by doing”. As Kurt Lewin once said “Learning is more effective when it is an active rather than a passive process”.

All the key learnings were fundamental to successfully deliver this project and to be able to add value to the company



PERSONALLY

COMMUNICATION

I have definitely improved my communication skills and learned how to establish and maintain positive and productive relationships with those around me. I have learned how to sell and communicate my ideas better and more clearly. There were innumerous times when we had to show results without previous preparation and I was able to present them without difficulty.



RESILIENCE

In three months I have learned how to keep the focus on the solutions when there were obstacles and adversity. In addition to that, I learned how to deal with failure and learned to find strategies to win without losing motivation. This project helped me to face hurdles in a more professional and objective way .



TEAM WORK

For my professional and personal life it is fundamental to learn how to work in a team, and it is one of the best things I have experienced in this project. In my team, although we faced some stressful times, we always supported each other, mainly because it was very balanced. Working with other makes us learn a lot about ourselves, and that is exactly what happened in my case.

PROBLEM SOLVING

One of the most important skills I have developed was how to face challenges in a more critical and analytical way. Besides learning more about excel, powerpoint (and think cell) I was able to understand the problems, think of creative, efficient and effective solutions, plan and implementation strategies and validate the results, in a continuous improvement perspective.



SYNDICATION

One of the main takeaways from this project was to learn how to do “syndication” with the client. That is, to maintain a close relation with the client’s team and more importantly to listen to what they have to say. That is why we had weekly meetings, to know if our project was going on the right direction. Listen more, speak less. We learned it on day one and I will never forget it, for sure.



UNDER PROMISE OVER DELIVER

This was another concept that was present since day one. To never promise something we cannot deliver and to always exceed the client’s expectations. It is important to deliver our very best work and to be creative and innovative when thinking of solutions. This way, we can surprise the client, in a good way.



PROFESSIONALLY

After three intensive months working in a group project, key individual strengths and weaknesses became quite evident and influenced the group performance throughout the project. The Belbin Model and its results helped me to realize which team role do I perform and which are my strengths and weaknesses as team contributor, in order to improve them in the future



Since we were constantly under pressure and with time constraints I felt it was crucial to prioritize the team’s tasks and to use each team member in a most productive way. Thus, the distribution of tasks was done by taking into account the skills and knowledge of each one, showing my coordination and discipline skills

Furthermore, I proposed regular meetings to discuss the status of each one’s responsibilities. When the team was losing the focus or having difficulties to put into action the proposed ideas, I tried to redirect the members, stating what were the priorities, the strategic objectives, deadlines and the expected output for each one’s tasks, making evident my leadership and guidance skills.

Additionally, I always tried to contribute to the group with innovative and disruptive ideas to go beyond the client’s and team’s expectations. I truly believe that consultants should over deliver and give innovative recommendations in order to add value to the client. As an example, I applied new approaches to the problems and gave disruptive suggestions such as the introduction of new services and products in the client’s business model.

Finally, in many occasions, I was responsible for bringing the consensus to the group in topics that generated discussions. In order to achieve the consensus, I had to analyse all points of view and balance and weight their respective pros and cons. At the end of the day, what is important is the team result and not individual result. Individual performance is important to take conclusions about what must be improved and what has to be kept, but the team performance is the most important thing since in the end, the team spirit is reflected on the output of the project

Since I am very enthusiastic person sometimes I get frustrated and anxious with the lack of commitment and enthusiasm of other team members. In the future I have to improve the way I react in this type of situation and better understand that people have different motivation levels and it does not necessary mean they will underperform.

I tend to impose discipline on the other team members to guarantee that the project will be successfully performed. However, not every person works at the same rhythm and too much pressure may affect their productivity and have the opposite effect.

Finally, I felt that sometimes I should be more pragmatic. In some meetings, I was always trying to give more ideas, inputs or recommendations but there is a time where we must stop trying to achieve the perfect result and move forward. The 80/20 rule is something I will try to improve in the near future since it will allow me to achieve better productivity

This business project was a constant learning experience, both at personal and professional level. Throughout the project, I was able to strengthen the following skills



PERSONALLY

LEADERSHIP SKILLS

- Manage the project in terms of structuring the workplan, defining objectives, tasks and deadlines for each member and the team as a whole
- Guarantee the consensus among the members and make sure that everyone is working towards the same objective
- Obviously, a leader has also to be a listener, and I was always very opened to suggestions of my colleagues in case of missing something



MANAGEMENT OF DIFFERENT WORK METHODS & MOTIVATION LEVELS

- To understand work methods and the rhythm of the other team members was fundamental, favouring different approaches, which was crucial to achieve the final result.
- To recognise different motivation levels from the members was important to take the best from each, by trying to align the tasks with the motivation of each member.



TEAMWORK AND COLLABORATION

- Work better together with the other members by leveraging the skills and knowledge of each other and help each other when one is struggling with a task or with a tough pipeline of work.
- To know when to be a leader and when to be a follower, with the objective of achieving common goals
- Regular meetings to align group expectations and to give constructive feedback



PROFESSIONALLY

SYNDICATION

- A good relationship with the client is essential for the success of the project. This boils down to one word: Syndication - make constant update in order to certify that the consulting and client's team objectives are aligned and that we are within expectations.
- Involve the several team members from the client throughout the project, so that they feel part of the project and do not feel their work is being judged



COMMUNICATION SKILLS

- Being able to communicate and present to several types of audience (from team members to board members) adapting the speech accordingly
- Know how to summarize and pass the main messages during presentations even when suddenly we are surprised with a shortage of time (from one hour presentation to 20 minutes presentation).
- Listen and interpret client's feedback and incorporate into the project is essential to project success



CRITICAL OBSERVATION

- It is not enough to collect and manipulate data, it is essential to know how to analyse and interpret it. In other words, it is important to decipher the story out of all the data and information that is a part of daily business
- It is crucial to highlight the key messages, alert for areas of risk (if they exist) and suggest next steps.
- Make sure the arguments are presented with solid backup data and analysis so that even the unexpected questions are answered

5. STRATEGY AND RECOMMENDATIONS

6. INDIVIDUAL REPORTS

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