

Masana:

by Cheryl van der Merwe



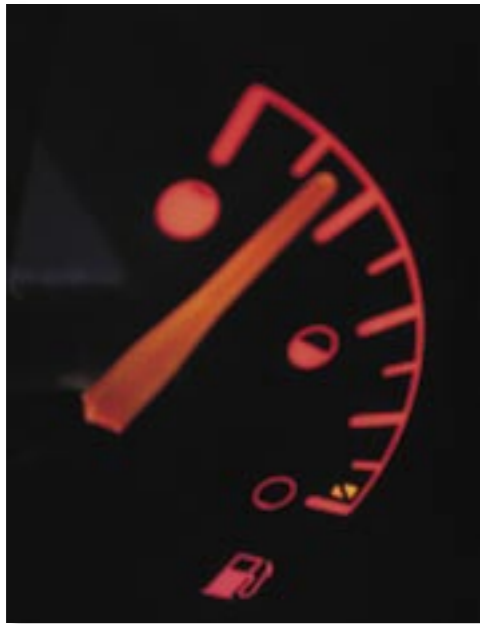
where passion burns bright

Masana Petroleum Solutions is a unique organisation – a year old this May – that is based on the fundamental business principle of operatorship.

The process of the organisation's creation started in February last year, when BP South Africa announced the sale of a going concern of its commercial and industrial fuels marketing business to Masana Petroleum Solutions, in a deal worth R265-million. For the first time in South Africa, a major oil company took a minority share in an empowerment venture, with three other empowerment partners making up the balance.

"These partners bring a wealth of experience with them, and it is important to note that Masana is not an empowerment venture from an investment perspective," says Khumbu Luthuli, Sales Director: Fuels at Masana. "This company is completely BEE-managed, -controlled and -operated. We are in a unique position in this industry as a result, as other concerns are often only BEE compliant from an investor perspective."

All BPSA's existing commercial customers, including BMW, SAB, Tongaat Hulett's, Richards Bay Minerals, Richards Bay Coal Terminal, Phalaborwa Mining, Imperial, Unitrans and Hulett's Aluminium, signed up with Masana at the outset. The company therefore started its operations with 7% of South Africa's business-to-business petroleum market.



In 2001, BP sold 25% of BP Southern Africa's equity to the Mineworkers Investment Company and WDBIH. Central to the agreement with BP was that MIC and WDBIH would be actively

involved in commercial and industrial business, as well as serve as catalysts for skills transfer and value creation.

At that time, BP also committed itself to forming a separate joint venture company – with empowerment partners owning the majority shares, and more importantly, in control of this venture – out of a section of its commercial and industrial business. This culminated in the birth of Masana Petroleum Solutions on 17 February 2005. Masana then started trading on 1 May 2005.

The Mineworkers Investment Company, Women's Development Business Investment Holdings and Masana management and staff hold 55% of the shares in the company, with BP holding the other 45%. Shares being held by such broad-based empowerment entities enable more than 400 000 previously disadvantaged South Africans, particularly in rural areas, to benefit from the wealth of the local petroleum industry.

"We market BP-branded oils and fuels to the business-to-business commercial, industrial and mining sector," says Luthuli. "It is important that everybody involved in the day-to-day operations and management at Masana has a hands-on approach, as this is a competitive industry, and our expertise is one of our differentiators."

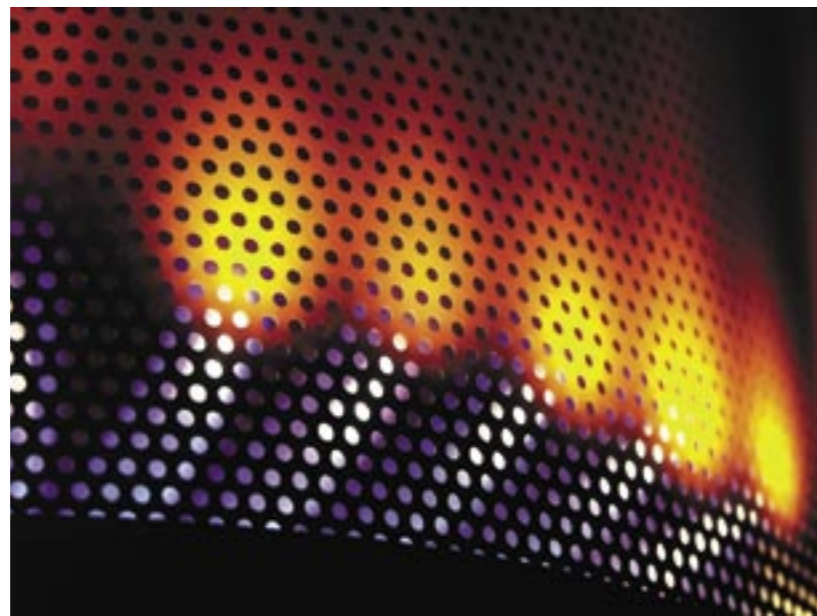
It's all about values

Masana is underpinned by five very critical brand values, and it is evident from speaking to the company's leadership team that these values form the very core of every decision, operation and relationship that the company engages in. "Our values are so important to us that if we feel they may be compromised through any transaction, we will rather back out than do so," says Kholeka Mzondeki, Finance Director. "We believe that we will only be able to offer our customers excellent services when all our values are in place."

The first of these is customer service. In an industry that experiences a continuous price war, cost is not a differentiating factor. "Margins are small, and fluctuate constantly, so one cannot base your differentiation on price alone," she says. "What makes us stand out amongst the crowd is the service we offer clients. We build relationships with our clients, and become partners with them in their busi-

ness endeavours, enabling them to reach their business goals."

Luthuli adds that customer relationships are so important that almost 60% of his team is focused on looking after existing clients alone. "To really offer a client value, you have to get to know that client," he says. "You can't just touch base with them now and then, or try and offer them a one-size-fits-all solution."



Sizwe Mncwango

A South African citizen, Mncwango was born in 1966 and educated here and abroad, graduating with a BSc and MSc in civil engineering from Northwestern University in the United States followed by an MBA from the University of Cape Town in 1997.

Mncwango's career began in 1990 as a design engineer for Chicago Bridge and Iron in the United States. This was followed by 12 years in the oil industry, ten of which were spent with BP Southern Africa (Pty) Limited. His varied experience here ranged from exposure in different roles as a sales engineer, technical product developer, to regional manager and finally as head of strategy for the entire BP downstream Africa business.

From 1997-1999 Mncwango was head-hunted by Exel Petroleum to help set up Exel's commercial and industrial (CI) operations. He is credited with growing the Exel CI market share from nothing to 4% within a year-and-a-half in charge.

His passion for customer value made Exel one of the most admired empowerment brands in the oil industry.

Before joining Masana, Mncwango was employed by Old Mutual, the company he joined in mid 2003 as managing director of their healthcare business. He will be remembered for turning around a business that had been losing money for three years into profitability within his first year at the helm. This was mainly achieved through his abilities to put together a very young but strong leadership team that resolutely implemented his strategies. Until recently, he headed up Old Mutual's group schemes, a recognition deservedly earned after his major contribution in the healthcare business.

Sizwe Mncwango, MD



It's about customising our offerings, and tailor making them to each client's specific needs. It's also about monitoring the relationship, as clients' needs change over time, and what worked for them a few months ago, may not necessarily work for them in the future."

Luthuli also says that keeping abreast of developments within the industry is equally important, as this helps the team at Masana to assist clients in making informed decisions around the solutions they require.

The next brand value is caring for the environment. As Managing Director Sizwe Mncwango says, in order to ensure sustainable business and environmental integrity for future generations, it is imperative for companies such as Masana to adhere to stringent environmental standards in all of their operations.

"We place such a great emphasis on safety and the environment that each member of management has a safety or environmental aspect as part of their performance contract," says Mzondeki. "In our daily functions, we subscribe to BP's global health, safety, environmental and security goals. These stated simply: 'no accidents, no harm to people and no damage to the environment.'"

Thirdly, Masana believes in the power of its people. "In order for us to really prosper, and fully imple-



ment our operatorship strategy, we have to have a strong people-centred focus," says Mncwango. "Our staff complement is diverse and multi-talented, and comes with a wealth of experience. They are our greatest resource in building strong and sustainable relationships with all of our stakeholders, particularly our clients."

Masana's management team is young and dynamic, and has a 'can do, will do' attitude that is refreshing and inspiring. "Simply put, we are confident that we can provide our clients with the high levels of excellence that they have come

to expect from us," says Mncwango. "Confidence is, in fact, the next of our brand values that we aspire to."

As any new company will admit, confidence in business is critical to success, particularly when trying to penetrate a highly competitive market. "We believe that just because we are young, it doesn't mean that we aren't confident of our capabilities, and our ability

to provide service excellence," says Luthuli. "It is this confidence in what we have to offer that has allowed us to retain the clients that we acquired when Masana was bought as a going concern, and grow the business even further."

Lastly, and perhaps most importantly, Masana aspires to be innovative. "Without innovation, the preceding four values have

little or no importance when it comes to growth," says Mncwango. "We have to continually find innovative ways of solving our clients' fuel needs in a manner that is cost-effective and client-specific. Without an innovative team behind everyday decisions and offerings, we would stagnate and continue along the same path.

Khumbu Luthuli

Luthuli joins Masana from BPSA, showing the confidence that he shares with the shareholders in the future prospects of Masana Petroleum Solutions. During his time with BP, Luthuli has held many sales and marketing roles, and led the project that culminated in the establishment of Masana Petroleum Solutions.

A South African citizen, Luthuli was born in 1968 and educated in South Africa, graduating with a B Com (Educ.) from University of Durban-Westville followed by an MBA from University of North West.

Luthuli's career began in 1995 as a Management Trainee at BP Southern Africa. He spent 10 years at BPSA in different businesses ranging from Distribution, Sales, Marketing and Strategy. One of his main achievements was rationalising and transforming the Pretoria Depot.

Luthuli's forte is strategy development and he has a demonstrable passion for people, customers and transformation. He has intimate knowledge of the B2B markets in Southern Africa, with first hand experience in developing and maintaining customers in the Industrial, Transport and Mining sectors.

His most recent achievements include leading a project to set up the \$40m valued Masana Petroleum Solutions and facilitating the transition of the business from BP to the new company. On this project Luthuli excelled in negotiations, project management discipline and stakeholder engagement and alignment.

Khumbu Luthuli, Sales Director: Fuels



That is not our aim. We want to make sure that although we are not the biggest company in our sector, we are the most forward-thinking and progressive, especially where servicing our clients is concerned."

This focus on innovation has led to the development of two value added offerings that Masana Petroleum Solutions has sole distributorships for, although it does not own the technology. The first is FuelMaster, a refuelling system that offers a secure solution to combating financial losses due to card fraud.

"This smartcard-based refuelling system allows for secure refuelling at the pump and eliminates the possibility for fraud, while providing the fleet manager with the required transaction information to effectively control fuel expenditure," says Luthuli. "This system boasts superior technology that has ISO9001 certification and has the capability to load multiple payment applications on the FuelMaster tag."

The system ensures that only authorised vehicles refuel with the correct grade of product, in the correct quantities – it is tank capacity driven. Transactions are either processed via the Fleet

Bank of the customer's choice, or directly through BP.

"The main benefits to the customer of using this system are that card fraud is eliminated and transparency and accuracy are enhanced," says Luthuli. "Refuelling is also fast and convenient, and drivers cannot purchase more fuel than the tank's capacity. All of these factors work together to provide fleet managers with an extremely cost effective tool for managing fuel costs, and also limit the unforeseen and unnecessary costs often incurred with the normal fuel card system."

FuelMaster is offered to fleet customers through a BP network of 520 national refuelling facilities, which cuts across South Africa, Namibia and Botswana. "Because we believe in the principle of sustainable and mutually beneficial business partnerships, we have created the processes and resources to support the FuelMaster offer extensively," explains Luthuli. "Customers in the commercial and government sectors use the system effectively, and a 24-hour helpdesk offers round-the-clock service to FuelMaster customers."

Another of Masana's value added offerings is Energy+, a high performance industrial energy management package also offered by BP, and available to Masana customers. "This is a

unique combination of fuel technology and energy management services, and offers many benefits to users," says Luthuli.



"Aside from reducing specific energy costs, it also reduces pollutant emissions, which is in line with our aim to be as environmentally-friendly as possible."

This package also improves plant reliability, availability and yield, and improves product quality. Its ease of use allows for coordinated and systematic energy strategies, and significantly improves management information and decisions.

"The focus of this package is to reduce customers' specific

energy costs and improve environmental performance," says Luthuli. "The main market segments in which we offer Energy+ are manufacturing process plants, textiles, rubber, plastics, cement, food and beverage, and glass. Almost any process that burns fuel for thermal or mechanical energy can benefit from the successful application of Energy+."

Fuelling SA's economy

Masana's main business focus lies in the bulk wholesaling of petroleum products in the areas of commercial transport/fleets, manufacturing and processing, mining, civil engineering/construction, government and distributors. "We offer main fuels such as diesel, petrol and heavy furnace fuel, bitumen, and gases such as LPG, stented and unstented propane and butane," says Luthuli. "These are all supported and underpinned by our solutions offers in the form of FuelMaster and Energy+."

Masana also has a strategic alliance with Castrol, which enables it to offer customers a total product solution. Acquired by BP in 2000, Castrol products are sold in more than fifty countries. Castrol is a world leader in the supply of specialised products and services to industries such as transport and metal component manufacturers.

Luthuli and his team face a number of challenges in the fuels sales sector of the industry. "We are operating in a market-driven, semi-regulated industry that is constantly involved in price competition, and is open to discounting," says Luthuli. "Margins are small and volumes are large, resulting in a fight for market share. We believe that by consolidating our position and our resources, we will succeed in this fight. We will never sit back on our laurels and decide we have enough customers, or that the customers that we have can operate on their own. Communicating with our existing customers on a regular basis, and continually





striving to find innovative ways of attracting new business are part of our consolidation strategy.”

Luthuli goes on to say that it is imperative for Masana to continue on a steady growth path, and that the best way to do so is maintain a high level of uncompromising customer service excellence.

“The industry has a pretty standard way of servicing customers,” he says. “We want to make sure that we stand out from that standard, and surpass it. That is why the majority of our team in sales is focused on customer care. Those that go to market and source new business are equally focused

on customer care, and are dedicated to providing potential customers with strategies that will add real value to their operations. We don’t have a ‘copy-and-paste’ approach – each potential client is treated as an individual, with unique needs and challenges.”

Another area of differentiation for Masana is the very fact that it is one of the smallest players in the industry currently. “Being small is not always a disadvantage – small organisations are often a lot more nimble than their larger counterparts,” explains Luthuli. “The trick with the ability to be nimble is to actually use it. It doesn’t help that you have the capability to make quick decisions and minimal turnaround times if you don’t actually put those capabilities into practise.”

Although there are four profit-generating sectors in the fuel value chain, Masana currently operates in the commercial and industrial sector. “Once we have consolidated our position in this sector, we will naturally be looking at ways to participate in the other links in the chain. Our first area of expansion will most likely be into the lubricants arena, as this is where we feel our expertise can be most aptly applied. The two links in the chain – namely refinery and retail, or service stations – are not areas that we wouldn’t consider, but they are certainly further down the list with regards to growth and expansion.”



Kholeka Mzondeki

Mzondeki was born in Johannesburg and educated mainly in Botswana and the United Kingdom. She graduated with a BCom from the University of Botswana and qualified as an accountant with one of the oldest and largest accounting institutions in the world, the Association of Chartered Certified Accountants (ACCA) in the United Kingdom. She sits on the International Assembly of ACCA, which meets annually in London, giving input into Council on policy issues.

Mzondeki joined Masana from Mintek where she was CFO and General Manager of Corporate Services. Her portfolio included, Finance, HR, IT, PR and Communications, Estate Management and Board Secretariat. In her short stay before she was headhunted to join Masana, she made inroads on transformation, not only on employment equity, but also introducing business best practices raising the bar. She made a great impact on working capital management, measurable performance indicators, and realignment of Corporate Services and employee motivation.

Before joining Mintek, she worked for 3M South Africa as Director and General Manager of Finance. Her Finance portfolio covered all of sub-Saharan Africa. The best experience she gained from 3M was using Six Sigma tools to improve all business processes, whether in top line growth or costs containment. Execution! Execution! Measure! & Improve! being the name of the game. This resulted in working capital improvements on the total supply chain leading to cash in the bank, driving her philosophy that “CASH IS KING”. She was involved in restructuring exercises, moving poor performing subsidiaries back to profitability by revising their business models and setting up BEE outsource operations with the Exco team.

Other companies she has worked for are Eskom, seconded to Rand Merchant Bank, Coopers & Lybrand, now Price Waterhouse Coopers.

Mzondeki’s passion in the workplace lies in skills transfer, accountability, performance management and providing a constant learning environment. That she believes leads to employee motivation and a culture of excellence.

Kholeka Mzondeki, Finance Director



Consolidating for Growth

Sales and customer services aren't the only areas of Masana that have consolidation as their focus – the finance department also finds this a crucial aspect for growth. "Of course we want to look at new opportunities, and find innovative ways to grow our business, but we strongly believe that without first consolidating our financial position, we would not be able to make as great a success of any new ventures," says Mzondeki. "As a company, we are highly geared, so it is important for us to make meeting our loan obligations a priority. The quicker we liquidate our debt balance, the quicker we are able to invest in new projects such as joint ventures or product innovation."

Engaging stakeholders is another key element of business success, and Masana has placed a great emphasis on this. "Our stakeholders are important strategic partners for us going forward, and it is vital that we cultivate good relationships with them," she says.

Government is one of these stakeholders, and Mzondeki feels that it is particularly important to engage government, as Masana supports its ideals of economic growth and BEE. "Our aim, however, is to make a meaningful contribution to BEE, and not just participate from an investment point of view," she says. "We believe that this is truly the way forward for empowerment in this country."

Other stakeholders include Masana's financing agencies, as well as its investors, customers and suppliers. "We really have great relationships with our stakeholders, particularly BP, who is sometimes both supplier and customer to us."

BP is the largest oil company in Africa south of the equator, and offers customers an unbroken chain of service stations from Cape Town to Nairobi. As one of the world's largest international petroleum and petrochemical groups, its key strengths are in exploration and production, refining and marketing, backed by high quality research and technology.

"It is great having BP as a strategic partner, being able to draw on their expertise, and certain functions that we did not initially have in-house," says Mzondeki. "However, moving forward, we hope to build upon the trust in our brand that BP has provided us with, and establish our own brand firmly as a contender in the marketplace."

The future beckons...

Masana is certainly on its way up the ladder in its sector of the industry – its first year of operation saw a turnover of R3-billion, and Mncwango's aim is for the company to be placed first or second in the long term. "First, however, we have to put a medium-term strategy in place that will allow for solid, sustainable growth over the next few years," he says. "One cannot expect to expand too rapidly, as this causes instability within a company, and we are looking for exactly the opposite. It is more important for us to service our existing customers with the highest level of innovative service possible, and to ensure that new customers are also exposed to the Masana experience that makes us unique."

In an industry as cutthroat as the one Masana has chosen to play in, differentiation is the key, and Masana certainly has its finger on the pulse of what sets one player apart from the next. "We know our limitations – we are not the biggest, or the oldest," he says. "However, we do not let those limitations get in the way of providing what we believe is the best service available in the industry, with offerings that truly add value, and relationships that develop into strategic partnerships for the benefit of all concerned."

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