Gas and a Big Gulp
by Tara Croft  Posted 11:26 EST, 7, May 2004

When the Israeli government opened the fuel industry to competition in 1989, David Wiessman was one of the first on the scene. Until then, Israel had just three official state gas companies: Sonol Israel Ltd., Paz Ltd. and Delek Israel Fuel Co. Ltd., an unofficial Israeli cartel.

Wiessman did his homework. In 1991, he saw the potential in a fuel company called Alon Israel Oil Co. Ltd. Israel's kibbutz movement, using its co-op lands to establish profitable gas stations, had started Alon in 1989. Wiessman moved in. In 1991, he bought half of Alon from the kibbutz through his Bielsol Group, a private investment company he had started with his cousin in order to pick up a few gas stations of their own.

Alon, headquartered in Kibbutz Yakum, Israel, challenged the gas company triumvirate. And not without a little drama. Wiessman's father, Yosef Wiessman, had been given a Sonol gas station in Israel in the 1970s in exchange for a debt. While in school, David Wiessman had worked at the station as a filling attendant and worked his way up to oil changes, until, at age 25, he became the station manager. By the end of the 1980s, his family had acquired nine stations — all of them under the Sonol, Paz and Delek names. In Israel today, his family is also his competition.

In challenging his more-established rivals, Wiessman has fared nicely. Today, Alon Israel is Israel's largest fuel company by revenue. Operating more than 400 gas stations, Alon has a grasp of approximately 25% of the market.

But Wiessman wasn't content to stay at home. When it looked like Alon's prospects for gasoline expansion were thinning in Israel, he began to look at Europe and the United States.

"We chose to do it not in Europe, but to do it in the States because I think Israel and the States are very similar countries," Wiessman says.

"It seems to us that it is much easier for us to work in the States rather than Europe, although the distance is so far."

It didn't take long for Alon Israel to become the biggest Israeli company in the United States. In 2000, Wiessman moved Alon into Dallas, forming Alon USA with the purchase of Franco-Belgian oil company TotalFina SA's U.S. operations. The $150 million cash deal included 1,100 miles of fuel pipelines, six oil storage and distribution terminals and the rights to supply a chain of 1,300 independent, mostly Fina-branded, gas stations in West Texas and New Mexico.

The purchase was also Wiessman's introduction to the 7-Eleven convenience store franchise because it came with a 34.4% stake in Southwest Convenience Stores LLC, an operator of 174 7-Eleven stores. A year later, in May 2001, Alon purchased the remainder of Southwest and its 7-Eleven franchises, which are each attached to a Fina gas station, for $28.6 million. Alon is now the largest 7-Eleven franchiser in the United
States.

"My view was then and still is today that oil companies do not make very good retail operators," says Alon USA president and CEO Jeff Morris, who had previously headed TotalFina's U.S. operations. "But I advocated buying the remaining interest, and the reason my mind changed was because of Alon Israel's background as a retailer. The interesting thing we have going for us in the U.S. is that we're one of the few successful refiners and retailers."

Wiessman, who lives with his wife and three children near Tel Aviv in Givatayim, Israel, has plans to move even further into retail. In June 2003, Wiessman, together with Canadian financier Matthew Bronfman, purchased Blue Square-Israel Ltd., a major Israeli supermarket chain with 162 stores, for $360 million.

For Alon Israel, which also controls the Pizza Hut and Kentucky Fried Chicken chains as well as Segafredo Café coffee shops in Israel, Wiessman sees endless branding opportunities with varying combinations of Blue Square supercenters, or what he calls "hypermarkets," Alon gas stations and fast food. Alon Israel has already put Pizza Huts and KFCs into some Blue Square stores.

Wiessman plans to continue expanding in the United States and has said that he and Bronfman would consider bringing Blue Square to the United States. He and Morris already know how their convenience stores would compete, or even co-exist, with the likes of Wal-Mart Stores Inc.

"We're the neighborhood store — that's what the convenience store business is all about," Morris says. "People value convenience, but they don't value convenience at any price."

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