

**Paper On**

**Royal Dutch Shell Plc and Its Supply Chain Management**

**By**

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## **Introduction:**

Royal Dutch Plc is a very huge brand in Gas & Petroleum industry, operating since 1907 by merging two organizations such as; “Royal Dutch Petroleum Company” and “Shell Transport and Trading Company”. Royal Dutch Shell Plc is the Netherland based multinational organization which is operating in all over the globe from the past 106 years. Royal Dutch Shell Plc is considered as the 2<sup>nd</sup> largest organization for its revenues in the Petroleum & Gas industry after ExxonMobil. Royal Dutch Shell Plc deals in two major products such as; Natural Gas & Petroleum in all over the globe including; Australia, China, Pakistan, India, United States of America (USA), Brazil, Canada, Denmark, France, Germany, Kuwait, United Kingdom (UK), South Africa, Nepal, New Zealand, Egypt, Qatar and Sri Lanka etc. Royal Dutch Shell Plc headquarters are in Netherlands and United Kingdom (UK) and Mr. Peter Voser is the Chief Executive Officer (CEO) and Mr. Jorma Ollila acts as the Chairman of Shell. Royal Dutch Shell Plc has large number of employees in all around the world which are almost 1, 00,000. Royal Dutch Shell Plc is the public limited organization whose shares are traded as the LSE and NYSE in the Stock Exchange & Commission. Royal Dutch Shell Plc also has very strong financial position including; US\$ 467.153 billion (Revenues), US\$ 52.046 billion (Operating Income), US\$ 26.840 billion (Profit) in the year of the 2012 (Finance.yahoo.com, n.d.). Royal Dutch Shell Plc has several subsidiaries including; Shell Oil Company, Shell Gas & Power, Shell Australia, Shell Pakistan, Shell Chemicals, Shell Nigeria and Shell Canada etc. In a single day, Royal Dutch Shell Plc produces almost 3.1 Million barrels of oil from almost 44,000 service stations all across the globe (Shell.us, n.d.).

## **Supply Chain & its Role in Royal Dutch Shell**

In today's environment, supply chain includes different parties which are the direct or indirect part of the organization in order to fulfill the requirements of the organization. In previous days, supply chain was considered as the manufacturers and suppliers, but now it is used in order to manage inventories and transport to the customer's end. Supply Chain Management (SCM) focuses on the external market in order to grab favorable opportunities in order to provide relief to the organization e.g. rates vary day by day so, SCM orders needed material during less expensive days. After buying cheap material Supply Chain Management (SCM) transports this material at organization's warehouses then organization starts production. Thus, Supply Chain Management (SCM) is a cycle which starts from buying material and deliver the material to the organization which leads the organization to start its production. There are many organizations which are operating very successfully within the high competitive environment such as; Wal-Mart, Dell and Royal Dutch Shell Plc etc. In high competitive markets effective Supply Chain Management (SCM) is considered as the most important competitive advantage because due to the effective Supply Chain Management (SCM) organization's cost reduces as compared to the other competitors in the market (Shell.com, n.d.).

In Royal Dutch Shell Plc Supply Chain Management is very effective because they provide best quality hydrocarbon products to the Shell Plc including; Gas & Oil in order to facilitate the customers. As Royal Dutch Shell Plc is operating all around the world including; United States of America (USA), Brazil, Canada, Denmark, France, Germany, Kuwait, United Kingdom (UK), South Africa, Nepal, New Zealand, Egypt, Qatar and Sri Lanka. However, it is very difficult to supply quality Oil & Gas to the Shell Plc because Shell has 300 terminals and 9,000 Kilometers of pipelines, but they are working very efficiently as they are providing best quality fuel to the customers (Shell.com, n.d.).

## **Main Issues in the Supply Chain**

Although, Royal Dutch Shell Plc's Supply Chain Management (SCM) is working very efficiently in order to provide Shell's customers quality services, but there are some very obvious issues to the SCM. These issues are; Cost Control, Planning and Risk Management and Suppliers/Owners Relationship Management etc. In recent days, these are the main issues to the Supply Chain Management (SCM) due to the increasing globalization of the businesses so; Supply Chain Management's issues are increasing day by day (Moser, 2005). Other possible details about each issue are discussed as follows;

### **Cost Control:**

In today's environment, businesses are increasing from one country to another therefore; Supply Chain Management (SCM) feels difficulties to deliver goods to the different areas in all over the globe. In addition, Supply Chain Management (SCM) use freight mode in order to deliver the product to the organization so, extra costs are incurred by the SCM in order to provide best services to the customers (Boyle, 2002). Moreover, increasing prices of the fuel is also very huge threat for the Supply Chain Management (SCM) because it creates extra costs for them.

### **Planning and Risk Management:**

As Supply Chain Management (SCM) predicts material prices on the basis of the past results of the market, but there are huge chances errors so, risk has been increased for the Supply Chain Management (SCM). Due to the effective Supply Chain Management (SCM) organizations achieve huge brand name in the market, but due to the poor performance organizations can lose its image within a single moment. Thus, it is not an easy job because it has

a lot of technicalities which cannot be easily understood by the layman so; they work hard in order to achieve desire results (Moser, 2005).

### **Suppliers/Owners Relationship Management:**

Royal Dutch Shell Plc has different stations all over the globe including; China, India, Japan, Australia, United Kingdom (UK), Brazil, Unites States of America (USA), New Zealand and Pakistan. Thus, different stations in different countries have different rules to measure or access the quality of the Oil & Gas so, the chances of the conflicts increase between the suppliers and owners (Boyle, 2002).

### **Shell's Strategies to Overcome these Issues**

In order to overcome these issues related to the Supply Chain Management (SCM), Royal Dutch Shell Plc has established some strategies such as; Use Best Mode of Freight, Appointment of Competent Staff and Clear Policies for the evaluation of the Oil & Gas Products. These are the main strategies which are used by the Royal Dutch Shell Plc in order to reduce these issues because they know that it is impossible to finish those issues from the core level. In order to reduce the freight costs Royal Dutch Shell Plc uses most economical mode of the freight because it reduces the cost. In addition, in order to minimize the level of risk Royal Dutch Shell Plc has appointed competent employees who has good eye in order to evaluate the market condition effectively. In last, in order to reduce the chance of conflicts and clashes Royal Dutch Shell Plc has formed clear policies in all the branches to evaluate the Oil & Gas materials so, due to the clear polices about the assessment of the Oil and Gas product relationships between the owner and suppliers will remain good (Jiang, 2002). Thus, these are some appropriate strategies which

have been established by the Royal Dutch Shell Plc in order to reduce issues related to the Supply Chain Management (SCM).

### **Evaluation of these Strategies**

As competition is very high in the Oil & Petroleum industry therefore; effective Supply Chain Management (SCM) needed in order to operate successfully within the high competitive markets. Although, there some issues related to the Shell's Supply Chain Management, but they established some effective strategies in order to reduce these issues such as; Use Best Mode of Freight, Appointment of Competent Staff and Clear Policies for the evaluation of the Oil & Gas Products etc (Kayis & Karningsih, 2012). These strategies are good because due to these strategies Royal Dutch Shell Plc reduced issues related to the Supply Chain Management (SCM) because without effective Supply Chain Management (SCM) cannot operate successfully in the high competitive markets as big market players are operating such as; Bp Plc., Total S.A., ConocoPhillips, Chevron Corp. and ExxonMobil Corp.

The issues are very significant which can lead Shell towards very negative results therefore; it was very important to resolve that issues within the time that's why; Royal Dutch Shell Plc did right to establish good strategies in order to resolve that issues including; Use Economical Freight Mode, Appoint Capable Staff and Develop Same Policies in order to access the material's quality. However, there are also very a chance of increasing that issues with the presence of the formed strategies, but at some extent these issues are reduced so; Royal Dutch Shell Plc has reduced their insolvency's chances. Because due to the mismanagement of the Supply Chain organizations can lose its reputation in the market and customers shift towards the other available brand in the market. Thus, Royal Dutch Shell Plc has formed very good strategies in order to resolve that issues otherwise; they could face serious issues including; Decrease in the

Sales, Decrease in the Brand Image and Cessation of the Operations etc (Kayis & Karningsih, 2012).

### **Appropriate Recommendations**

Although, these strategies; Use Economical Freight Mode, Appoint Capable Staff and Develop Same Policies in order to access the material's quality were good, but there are some suggestions to the Royal Dutch Shell Plc which are as follows;

1. In order to reduce the risk and planning threat most of the organizations including; Military and Commercial use Supply Chain Operation Reference (SOCR) because it leads to the faster implementation which helps in more complex identification of the potential risk related with the customers and suppliers. Further, SOCR helps the organization to evaluate the current condition of the market and establish new appropriate strategies thus; in order to reduce the risk of the planning SOCR model should be used because it has several benefits to the organization (Winch, 2003).
2. Due to the Supply Chain Operation Reference (SOCR) model communication becomes very easy within the organization because SOCR provide a simple language for the supply chain analysis and classification. Due to the simple language everyone can easily understand the regulations and policies which enhance the evaluation of the Oil & Gas products (Winch, 2003).
3. In SOCR, there are numbers of matrix which can control such costs including; Level 1 metrics are strategic, high-level measures that typically cross multiple SCOR processes. Thus, managers need to zero in on the critical few that drive total supply chain costs within their organizations (Winch, 2003).



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