

Chapter 2

Company background and basic knowledge

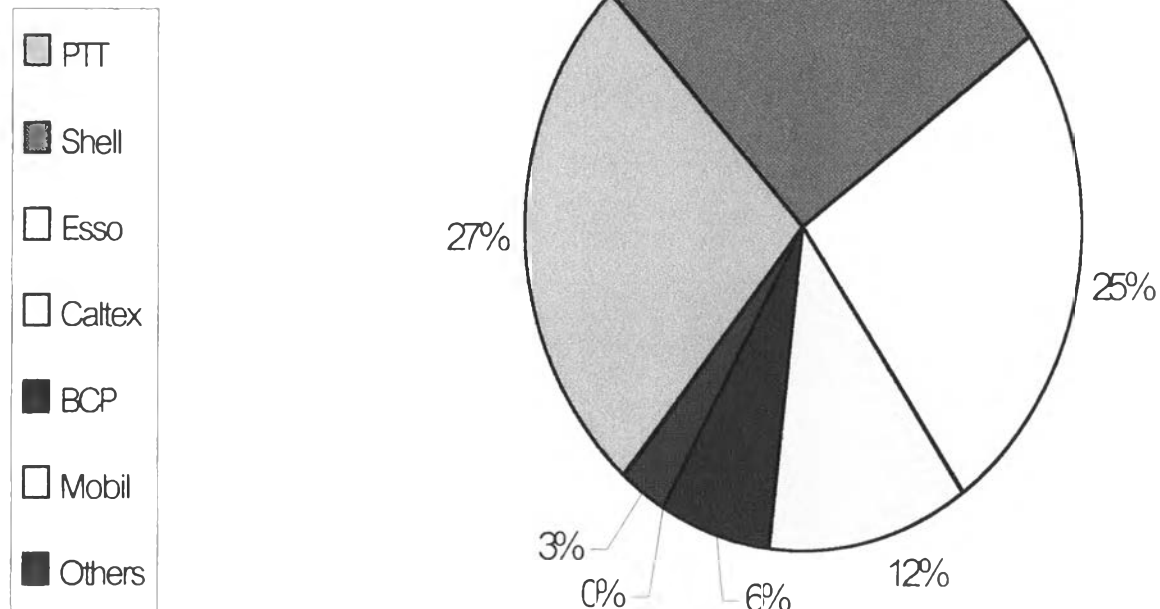
2.1 Company history

The company under study, Shell Company in Thailand, is involved in a wide spectrum of Thailand's petroleum and chemicals industries, from exploration and production and refining of crude oil to marketing of various forms of oil and chemical products.

The company started marketing oil products, mainly kerosene, in Thailand in 1892 through agents. Kerosene was the necessary fuel for every family at that time. In 1914, it established direct marketing operations and expanded its products such as gas oil, fuel oil and lubricant oil for industry. Now it operates a main storage and import terminal for oil and chemical products at Chongnonsri, Bangkok, which, together with its 12 upcountry depots, serve a large retail network comprising over 900 service stations throughout the country.

The company has been established more than 100 years in Thailand. The company's market share is also higher than other oil companies. There are many types of product that the company distributes here such as lubricant oils, fuel oils, gasoline, solvent and so on.

Market Share of Fuel oil



Source: Ministry of Commerce Information

Chart 2.1 Fuel oil market share as Oct' 98 in Thailand

First is gasoline such as diesel fuel, benzene fuel that is consumed by automobile. Second are lubricant and heavy fuel oils. They are very necessary for many factories. Lubricant oil is used in most of machinery such as hydraulic system, gear system, air system and turbine system, etc. For heavy fuel oils, they are used for heating system in many processes in factory. The machinery that devise for generating steam. The steam is used in many processes in the factory such as food processing, plywood and paper, etc.

2.2 Company organization

Because the company that is studied has two lines of product which are necessary for both of industry and automobile, the oil company set many functions for supporting them. Hence, the organization just reduces the levels of management for efficiency. It is a flat organization. Chairman and chief executive can manage and control all of departments in the organization.

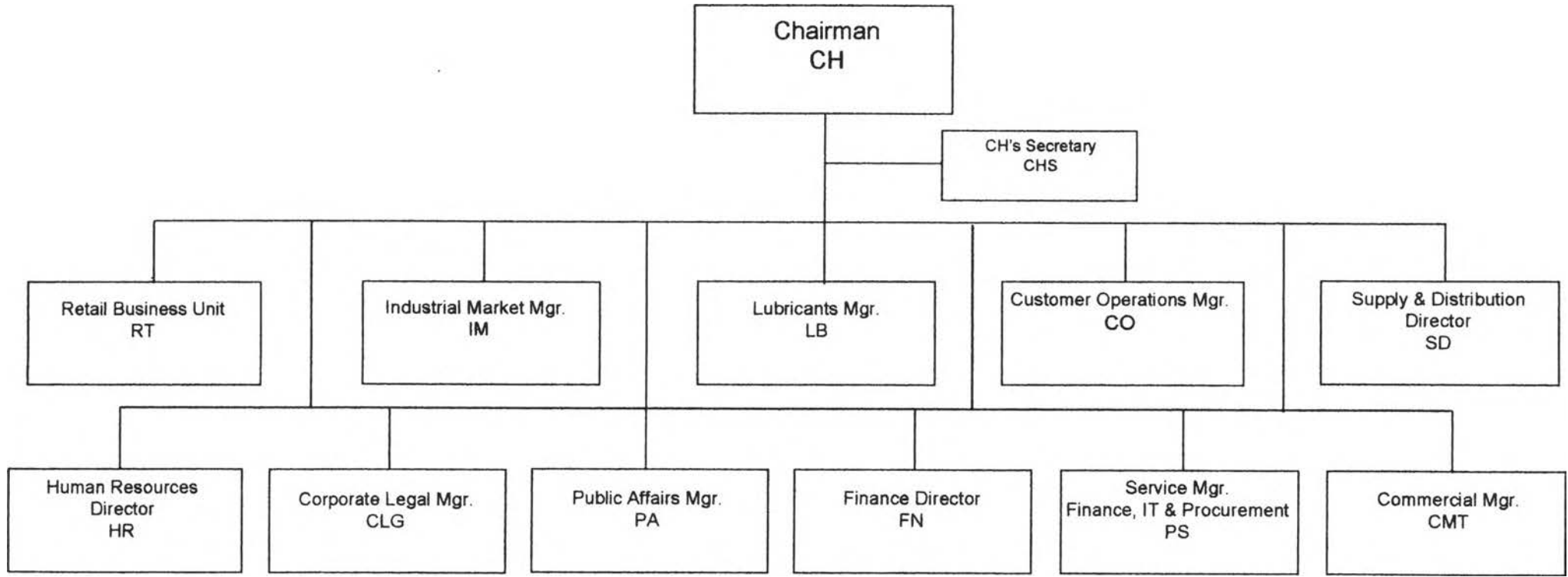


Chart 2.2 Over all organization chart

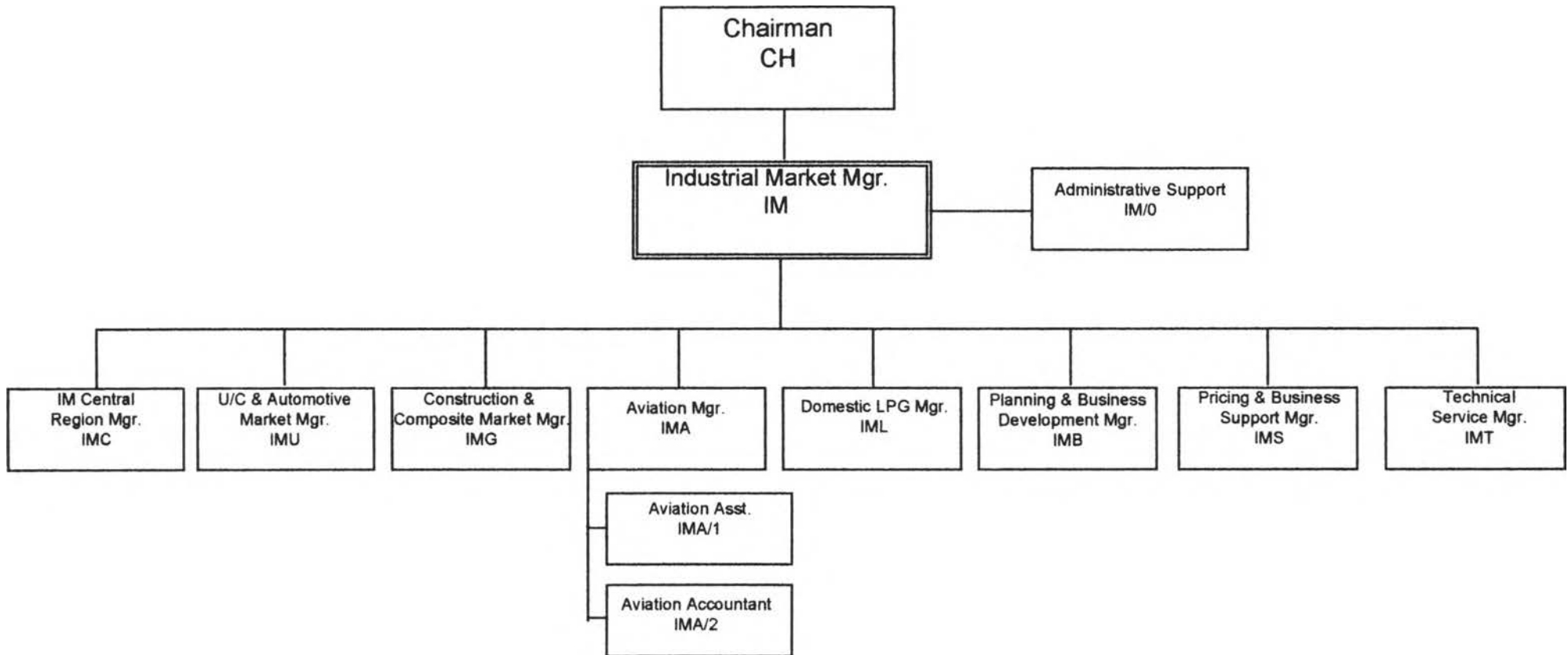


Chart 2.3 Industrial Marketing organization chart

Especially, Executive Marketing Director, Supply and Operations Director are very important for the company because these departments have the front-end staffs who have to contact with outside customers.

2.3 Basic components and systems

The products that marketing department concentrates are fuel and lubricant oils for industries and service centers. Fuel oil is the type of heavy fuel oil that used in the steam boilers in many factories. The lubricant market isn't same as fuel oil market. There isn't much investment for lubricant customers but fuel oil customers need to use tanks for keeping their stock for boiler consumption.

Most factories use boilers in their manufacturing processes. Boilers device for generating steam. The two general categories of boilers are hot water and steam boilers. Most small commercial buildings, manufacturers, and even some food processors use hot water boilers.

Steam boilers are found in many different configurations, but all serve one purpose: to contain water and transform it into steam by the application of heat. Some boilers heat the steam even hotter than the boiling point temperature.

The primary function of a boiler is the efficient transfer of heat from hot combustion gases to water or steam. To accomplish this task, three variables must be properly controlled: combustion efficiency, heat transfer, and steam distribution effectiveness.

However, the boiler needs to consume fuel for operation. Fuel that the boiler consumes is heavy fuel oil or gasoline or butane & propane gas. Most of boilers in Thailand factories use heavy fuel oil or stove oil because the cost of it is cheaper than others.

Heavy fuel oil is a classification for the petroleum fraction that produced in conventional distillation operations. The product is used for heating and electric power generation. Products included in this classification are grade A, grade C, and grade D fuel oils. [See Appendix A]

2.4 Fuel oil market

In Thailand, there are many industries such as food processing, beverage, iron and steel, cloth or textile, sport shoes, etc that want to use fuel oil for their production. Most of them use it for heating because it is cheaper than other combustible materials. Some productions use fuel oil direct heat in their process but some use it passed steam boiler. Hence, the fuel stock for boilers is very necessary because it can make the production shut down. This is a reason that every oil company requires the service to protect this incident.

In this market most of oil companies set the strategy to serve this customer group and to gain competition with their rival. First of all, they have to know the customers needs. There are three steps of service that customers need from oil companies.

Firstly, oil companies have to know that what types of fuel oils their customers' machines need such as fuel oil grade A. It can know by notice at machinery manual. It depends on application and location of factory also.

Secondly, oil companies have to plan the stock volume of the fuel oil after they knew the type of fuel oil that customers need. This information can help them planned for size of the tank and delivery times. If they do this in the right decision, the customers won't face with shutdown situation.

The oil company that is studied has two types of tank for fuel oil storage.

2.4.1 Horizontal tank

- + 15,000 liters storage tank

- + 20,000 Liters storage tank

2.4.2 Vertical tank (store fuel oil more than 100,000 liters)

For horizontal tank, it suits for the customers who don't consume much fuel oil and haven't much area for installation tank. Otherwise, this oil company will recommend the vertical tank for customers who consume fuel oil in more volume and have big area for it.

Thirdly, the miscellaneous services such as price, installation service, accuracy of volume before and after loading (not cheat), combustion test for efficiency of fuel oil and so on. These services are very important for customers also.

Finally, customers will prefer an oil company who can offer services more than others.