

Marketing



The Marketing BU markets and trades refined petroleum products such as motor gasoline, diesel, fuel oil, liquefied petroleum gas (LPG), asphalt, sulphur and lubricants to direct end users, distributors and traders both locally and in the Asia Pacific region. These activities are undertaken by the Retail Sales and Development, Commercial Sales and Lubricants Sales units.

The Market Development and Ventures unit provides stewardship on the existing joint ventures and selectively seeks and evaluates new downstream investment opportunities to grow and strengthen the BU's businesses. The Operations and Logistics unit supports all the units within the Marketing BU by providing efficient and cost effective operation, logistic and engineering support services.

In line with the Company's vision, the BU's aspiration is to be an outstanding marketing outfit in Asia delivering value to the customers, stakeholders and the community in which the Group operates.

Despite significant market challenges in 2005, the Marketing BU achieved higher sales volume and sales revenue of approximately 12 percent and 53 percent respectively compared to the year before. The enlarged retail network coupled with robust product demand and higher product prices in 2005 contributed to the strong performance for 2005.

The BU's strategic focus on being quicker, better and more cost effective in its operations has given the Group a sustainable competitive edge in a market place characterised by intense competition and volatile product prices. This strategy coupled with the ability to capture and realise significant market opportunities in Commercial Sales, positive contributions from the enlarged retail network and effective cost management enabled the BU to sustain and increase its contributions to the Group.

SPC had smoothly integrated and successfully rebranded the expanded service station network. Since April 2005, these stations bear the vibrant colours, prominent and consistent SPC markings. Motoring customers islandwide



Left : SPC's market share in the domestic LPG business has increased significantly in 2005 following the acquisition of BP's LPG business.
Right : Customer service excellence is a core competency in SPC's retail operations.

are now able to experience greater reach and convenience, excellent service and exciting value added offerings. In June 2005, the SPC&U loyalty card was launched. The SPC&U card provided instant recognition and rewards to regular customers via a uniquely SPC loyalty programme.

With the expansion of its domestic LPG business and dealer network through the acquisition of BP's LPG business, SPC took the opportunity to strengthen its SPC LPG corporate identity in 2005. The Marketing BU managed and completed the rebranding of the LPG cylinders and associated facilities and equipment within a year.

The Lubricants Sales unit successfully expanded its Speedy Care network from six to 13. Today, Speedy Care, a one-stop convenient car care and maintenance auto service centre, is available in 12 SPC service stations. SPC has also grown its Speedy Care business in China and currently operates five standalone outlets in the provinces of Guangdong and Zhejiang.

Looking ahead to 2006, the Marketing BU will continue to focus and leverage on its core strengths and turn its execution competency into a distinct competitive advantage. This approach will translate various planned initiatives into distinctive marketing programmes, value added marketing events and effective customer retention activities. These initiatives would contribute to higher brand awareness and greater brand equity and improved financial performance.

Commercial Sales

The Commercial Sales unit consists of the Inland Sales and Special Products channels. The Inland Sales channel covers the marketing of petroleum products (except lubricants) to the domestic commercial, industrial and wholesale markets. The Special Products channel engages in the marketing, trading and export of special products like LPG, asphalt and sulphur in the Asia Pacific region.

In 2005, Inland Sales captured a 25 percent growth in sales of petroleum products domestically. The Inland Sales team was able to capitalise on market opportunities including seasonal spikes in domestic demand and BP's exit from the domestic market. A strategic focus on high margin accounts also contributed to Inland Sales' success. Equally important is Inland Sales' ability to selectively retain key industry's customers through effective and targeted customer cultivation and retention. Given the volatility of the high refined products price environment, Inland Sales mitigated price risk exposures through effective inventory and sales management.

In special products marketing and trading, the increase in demand kept prices reasonably robust although price volatility continued to be a challenge. This sector of Commercial Sales activities remained a significant contributor to the unit's profitability.

SPC currently retails LPG in Singapore through its joint venture company, SPC Wearnes Pte Ltd (SPCW). During the year, SPC completed the rebranding of its LPG cylinders. Its market share in the domestic LPG business had since increased significantly. 2005 proved to be an extremely challenging year in the retailing of domestic LPG with increasing LPG contract prices and an intensely



Left: SPC offers round-the-clock refuelling service by well trained and friendly forecourt attendants across its network of 39 service stations. *Right*: SPC has the largest network of manual car wash service with 24 service locations islandwide.

contested marketplace resulting in a margin squeeze. Despite the twin challenges of increasing costs and keen competition, SPCW was able to maintain its market share. SPCW will focus on further streamlining its operations to weather the difficult market for domestic LPG.

Retail Sales and Development

The Retail Sales and Development (RSD) unit manages and operates the Marketing BU's retail network of 39 service stations in Singapore. The unit also champions the SPC brand building efforts through its marketing and promotional programmes. The SPC brand awareness, popularity and recognition have been greatly enhanced with a four-fold expansion in its retail network size in 2004. The speedy and trouble-free completion of the retail rebranding exercise in April 2005 has provided a boost to the SPC brand equity value.

With the expanded retail network, contributions from the RSD unit to the overall Marketing BU's performance increased significantly. The sterling performance is also attributable to the RSD unit's continued commitment to deliver better value offerings to SPC's loyal customers. Building on tried, tested and proven appealing and exciting promotion programmes, the RSD unit managed to significantly increase its sales volume and brand recognition.

One of the most successful marketing programmes in 2005 was the introduction of SPC's very own loyalty card - SPC&U. The card offers very attractive savings through a multi-tiered discount-reward mechanism for increasing level of fuel purchases. Given the intense competition and dynamism of petrol retailing, the RSD unit will continue to keep a keen focus on differentiating

its retail offerings and initiating innovative programmes that will effectively deliver on the SPC's better value proposition and uncompromising fuel shopping experience.

With the completion of the rebranding programme across its network (including SPC Bukit Merah, the 39th service station, and SPC Toa Payoh which it successfully retained in an e-bidding tender in February 2005), all SPC service stations have been re-designed as a destination stop for its customers. Operating 24 hours daily, SPC service stations provide one-stop convenience for fuel refilling, grocery shopping and quick bites, and auto care servicing.

On 1 December 2005, SPC introduced Ultra-Low Sulphur Diesel (ULSD) across its network of service stations in Singapore. The new diesel of Euro IV standards, currently the highest clean fuel specification, has 0.005 percent sulphur in its formulation. SPC ULSD is expected to substantially reduce the emission of fine particulate matter from diesel powered vehicles. The timely launch of SPC ULSD underscores the Company's commitment to a clean and green environment and its support of the 'clean diesel drive' by the National Environment Agency of Singapore.

Looking ahead, as consumers become even more sophisticated, the lifestyle element of service station operations will continue to evolve. SPC's retail modus operandi would need to evolve to meet the competition and the demand of a more sophisticated clientele. The RSD unit is fully aware and responsive to changes in consumer needs and buying behaviour. It would continue to streamline and improve in all areas of its operations and impart even greater meaning to the SPC retail motto, 'Your Friendly Neighbourhood Service Station'.



Left : Speedy Care provides one-stop convenience in professional car care and maintenance service at 13 locations islandwide.
Right : To be operationally ready at all times, SPC employees undergo fire fighting training regularly.

Lubricants Sales

2005 had been a challenging year for the Lubricants Sales unit. Finished lubricants' costs continued to escalate as base oil, packaging and freight costs increased throughout the year to reach historical record highs. Base oils marketing and trading were extremely difficult in 2005 due to the high price environment and the tight availability of base oils in the region.

Despite these challenges, the Lubricant Sales unit maintained its focus on building its business and earnings through the growth of niche products and services. Specifically, the unit placed great emphasis on customer relationship building, partnership creation and business development, and networking.

In 2005, a total of seven additional Speedy Care automotive service centres were established to provide motorists with professional and convenient auto care services in Singapore. The Lubricants Sales unit also added three new Speedy Care outlets in Hangzhou, Guangzhou and Shenzhen in China. The expanded Speedy Care network has contributed to the growth in awareness and sales of SPC branded premium lubricants in Singapore and China.

The SPC Lubricants Sales units continued to build its presence with increased market sales and coverage in other key markets including Australia, Indonesia and Malaysia.

As the unit continues to extend its geographic reach and coverage, SPC has also tapped into available technological improvements to develop new lubricant formulations. In 2005, SPC launched a range of new lubricant products

meeting the new API SM quality standards. It also developed new products for the industrial and specialised market segments.

To increase its share of the growing lubricant market in this region, the Lubricants Sales unit is continually evolving its product and service offerings to meet the needs of the motoring public. Equally critical are promotional and marketing programmes to spearhead SPC's brand building efforts in the region to compete against the more established brands of competitors.

Market Development and Ventures

The Market Development and Ventures (MDV) unit is responsible for seeking and evaluating potential downstream marketing investments and market development opportunities in the region. The MDV unit's investment recommendation must meet SPC's ultimate objective of adding value to its bottomline and increasing shareholders' value.

Apart from seeking and evaluating investment prospects, the MDV unit provides stewardship on the existing marketing joint ventures and investments. In this role, best business practices in management, operations and business processes are shared with these joint ventures to enhance their performance and investment returns for SPC. In 2005, Tiger Oil Corporation (TOC), an associated company of SPC, witnessed a steady improvement in performance following a strategic review by the MDV unit to adopt a changed set of key operating guidelines for TOC.

Presently SPC has downstream marketing investments in China, South Korea and Singapore under the purview of the MDV unit. As regional countries such as China and Indonesia progressively open up their regulated petroleum sectors to attract more foreign investments, the MDV unit would be fully engaged in evaluating the regional opportunities to grow SPC's downstream businesses and expand its geographic coverage.

Operations and Logistics

The Operations and Logistics unit performs a critical support role in the smooth operations of the Marketing BU. The unit contributed successfully to Marketing's performance in ensuring that sufficient products were available to meet all levels of demand in a cost effective and efficient manner at the Jurong Bulk Plant (JBP) terminal. Apart from providing products storage and terminalling services, the unit also assists the Marketing BU in providing engineering and transportation support services.

The successful completion of the retail service stations' rebranding project five months ahead of schedule without any EHSS (Environment, Health, Safety and Security) incident and within budget, demonstrated the high level of engineering competency and experience of the unit. The unit achieved 304,121 manhours worked without any loss time injury working on 28 stations between November 2004 and April 2005, an industry record unlikely to be emulated.

Given the enlarged SPC retail network in 2005, JBP handled a significantly higher volume of fuel products, a 26 percent increase over 2004's throughput. Commercial Sales achieved higher diesel sales in 2005 and this also placed increased demands and workload at the bulk terminal. Additional support was also rendered by the unit to SPCW to manage the higher LPG sales volumes.

Environment, Health, Safety and Security

As Singapore's only home-grown integrated oil company, SPC recognises that it assumes diverse roles in the business place and social community where it operates. It appreciates that corporate responsibilities go beyond the provision of best quality products and the most reliable service at a fair price and keeping a focus on profitability, earnings growth and value creation for its shareholders. In its entire operation, from the well head to its customers, SPC is committed to providing a clean, healthy, safe and secure work environment for its employees, business associates and customers.

SPC is well aware that working in partnership with its counterparts in the industry, government agencies and relevant institutions to advance EHSS awareness and

preparedness would be far more effective than embarking on these efforts on its own. In 2005, SPC participated in dialogue sessions with several governmental agencies including the Ministry of Manpower, Singapore Civil Defence Force (SCDF) and the Internal Security Department to discuss EHSS issues. The discussions allowed the participating agencies and SPC to share EHSS ideas, concepts and initiatives to balance and more effectively manage issues arising from both health and safety implications and business interests. Through these interactive forums, SPC, together with the industry players, provided much insight to the legislative bodies in Singapore on the feasibility of various EHSS initiatives. On 16 February 2005, the authority implemented the new Flammable Material (FM) Regulations, also known as Fire Safety (Petroleum and Flammable Materials) Regulations 2005. The new requirements were fully supported by all established oil companies with operations in Singapore.

To engage the staff on EHSS matters, SPC has a designated EHSS web portal to share and communicate EHSS information to its employees. In addition, an EHSS Committee was set-up to review and recommend EHSS programmes to enhance the Company's EHSS management readiness. This committee and appointed fire wardens from the BUs and Support Units also serve as EHSS information channels within the Company.

The EHSS unit conducted employee talks, trainings and drills to elevate the awareness and operational readiness of SPC employees to handle different types of emergencies. These talks and practical training exercises, in partnership with the Singapore Police Force and the SCDF, provided critical knowledge and skills to the staff. Other general EHSS trainings included a road safety talk by the Traffic Police to encourage safe and considerate driving habits.

SPC's operations involve trading and acquisition of cargoes of crude oil and petroleum products which are transported by sea. To enhance SPC's response capability associated with any marine tanker emergencies, the Company subscribed as a member to East Asia Response Limited (EARL) in 2005. Through alliances with its counterparts across the globe, EARL is able to provide resources to respond to emergencies on a global basis to its members, including SPC.

SPC is committed to managing its operations responsibly and will continue to collaborate with the relevant authorities, industry players, consultants and the academia to explore innovative and practical solutions to evolving EHSS challenges, as well as invest time and resources to achieve environmental and safety excellence through accepted best practices. This is the hallmark of a responsible good corporate citizen.