

Introduction to 118 (by 2030) million barrels



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Introduction

Saudi Arabia ARAMCO Company is an international producer, marketer and distributor of oil and gas products. Competing in the global markets, ARAMCO Company is one of the leading companies in the industry however, along with its competitors; the firm faces various challenges of rising costs brought about by the high demand for quality, rapid evolution of production industries to conserve the environment and rising market division. A highly contested but promising E-market segment was in place through the recent system's automation. Firm management strategies highly depend on resources and facilities as a measure towards economical expansion. Supply chain management consequently depends on progressive and efficient production and distribution.

Brief History of ARAMCO

Arguably, Saudi Arabia ARAMCO Company has the most heavily traded oil products and gas in the world. Production and trade of the commodities is critical due to their value in the market. Saudi ARAMCO is a world-leading producer of the two manufactured goods with a production of approximately ten million barrels per day to satisfy only 10% of the world consumers (Lambert, 42).

Saudi ARAMCO Company is concern with processing, refining and distribution of the resources across the extensive international network. The company owns an array of crude oil and gas auxiliary branches and joint ventures across the globe for enhanced supplies. It has a connection to the world's leading convoy of greatest oil-transporter tankers to deliver crude oil and

refined oil products or gas across its worldwide customer base. The firm has an extensive impact on the global economy due to the quantity of oil products it handles and therefore the need for an engagement that runs far beyond the need for management of a large, successful and profitable business.

Saudi Arabia ARAMCO Company faced various challenges connected to management of employees, production and supply activities as well as organization procedures. This was an urgent call for automation of the systems to enhance management and incorporate all its expansion programs, which were growing at an alarming rate in the 1990s. The performance was well but the system faced a common weak point of lacking a proper mechanism to share information across the branches. Today, the ARAMCO company has an interconnected system among all its myriad organizations such as “ Geo-steering Centre, Hydrocarbon Supply Chain management, Aviation, Medical Services and Project Management” (Lambert, 42).

Analysis of the industry’s performance

The oil and gas manufacturing industry is among the highly advancing firms with regard to the economy. The economic growth indicates that such companies are a big support to the other production and retailing companies. ARAMCO experiences a huge and persistent growth in the production and supply industry concerning consumer base, however growth of demand increases the need for the firm to undertake effective promotional strategies, specifically concerning the recent global economic challenges that restrain industrial developments. The 2007 financial crisis resulted in a change of supplies in various countries.

The international fight against global warming activities and misuse of non-renewable resources has also had an impact in the industry. Saudi ARAMCO has nevertheless managed to improve its financial performance. The increased regulation within the industry by government or non-governmental organizations such as regulations on various environmental issues relevant to the industry has seen the industry enhance compliance with the set regulations and various tax policies. Considering the population growth rate, estimated at 10 billion by 2070, there are huge expectations on increases in oil and gas production due to demands. There has been a steady increase on demand, with an average yearly increase of 1.7% within the past several years as reported by International Energy Agency (7), the trend is speculated to continue with gas demand increasing from approximately 91 (2010) to 118 (by 2030) million barrels daily consumption and the gas will increase in a similar pattern.

Global Energy Demand

In a position of securing the supply needs, Saudi ARAMCO puts in a strategy over budgeting. According to analysis, the company plans over the recent past rounds off to 45 billion dollars for the material needs. They have to ensure quality as per the consumer demands and the urgency. ARAMCO has to ensure supply of defect-free raw products that promote the quality and timely delivery within the budget. This is achievable through proper supply of requirements for production and distribution. The table below indicates the estimates on material demanded by Saudi ARAMCO.

Saudi ARAMCO Material Demand

The presentation of the company's material suppliers indicates more reliance from Europe and America while little is from Middle East. The total numbers of approved suppliers are 1540 according to company statistics.

Saudi ARAMCO Suppliers

Future Trends

1. Economic trends

The future for ARAMCO is bright, considering the fact that the global economy is improving from the economic recession. The economic recuperation will also result in recovery of the other sectors, such as the firm's financial sector. There is a guarantee that the firm has a global reach especially considering its ever-increasing supply chains in the aim of increasing market size, competition and widen the market share. To certify the global accomplishment, the automation strategy set out by a Germany automation company; 'SAP' will enhance performance of the firms supply chains within the domestic market. Through the acquisition of a computerized system, the firm stands great-fuelled growth rate (Kurtz and MacKenzie, 19). The recovery of the financial sector will enable the management to accomplish its global expansion goals, because of easy in accessing the financial institutions. The economic recovery will also lower the interest rates and the firm will be able to finance its activities effectively because of low financial costs.

2. Consumer trends

By integrating technology into the operation of the firm's supply chains especially marketing sector through electronic marketing, the company will

be able to have easy in introduction of new products or marketing of the old ones. Incorporation of technology aims at improvement of the firm marketing strategy as well as operational efficiency (Coyle and Langley, 72). Electronic marketing entails strategies for soliciting and facilitating online transfer of products and services. The electronic transfers also enables the firm to provide the customers with the product information they are looking for effectively essentially to assist them in their decision making process (Coyle and Langley, 72).

With the growth in technology, there is a change in attitude among the consumers. This is because the consumers are integrating technology in their buying process, such as through online buying. Various technology products such as cable TVs, telemarketing, website marketing, talking ads, fax mails, video brochures, virtual market groups as well as interactivity are emerging and consumers warmly embrace them.

This translates to an elevation of the online sales. Through online buying, the consumers will be able to make orders and purchases more cost-effectively. This means that the firm has to engage an automated system to increase its volume of production and shipment and hence the level of profits.

There is also a change in the consumer's lifestyle that results from the elevation in the rate of globalization. Some of these notable changes include the competitive strategies for future developments, achievable through rational gain to information access. In line with Wisner (8), the elevation also entails the global distribution of current information, qualitative shifts of global prices and consumer capacity management.

3. Political trends

Most governments have a commitment to improvement of the international trade in an effort to improve the economic growth rate.

They enhance international trade by ensuring fair trade and compliance with international trade laws and regulations. The governments also support industries such as Saudi ARAMCO to develop sufficiently in the international markets in the aim of meeting growing demands. In the recent past, most countries are implementing policies that enhance an increase in the volume of trade with other countries, through incorporating international free trade agreements. Companies are therefore able to venture into the foreign market through foreign and direct investments because such trading blocs results in elimination of international trade tariffs and other trade restrictions among countries. In some cases, firms intending to undertake foreign direct investment are required to form partnerships with other private or public firms in the host countries (Wisner, 10). This limits the operational efficiency of the firm. Formation of free trade agreements eliminates barriers related to foreign direct investment.

Supply chain concepts

Saudi ARAMCO has an integration of the logistics required for the formation of a link between productions, distribution and warehousing to work as a single entity for the oil and gas products. The concept of a whole supply chain is evident in the company, which makes it agile enough to be in a position of meeting demands, the growing competition and the dynamism in the industry (Chopra and Meindl 237). The company faces wide expansion procedures due to its range/categories of products, and the oil markets are

more volatile and unpredictable due to the changes on the products or demands in support of environmental friendly products. The concepts of the supply chain stores are evident from the procurement procedures, production, storage and distribution of oil products internationally. The company also faces the modern logistics of supply chains known as leanness, where the stock ought not to be more than demand.

This calls for automation of process in the aim of eliminating procedures or assets that may delay response time and thus increase production and delivery costs. The lean and agility are two concepts visible in the current setting of ARAMCO in offering sufficient services for the growing demands.

SWOT Analysis

Strengths

Good reputation among customers: most ARAMCO franchises have an upper hand in Customer loyalty across the globe. By having multiple brands, the company is able to reach more market niches. Competition: with other prospective entrants in place, ARAMCO has been able to remain comparatively on the competitive edge, by ensuring that their products are up-to-date and are enhanced with the latest technology, their intellectual property also enhance the embracement of the current consumer expectations.

Weakness

Customer Certification: with independent of upcoming developers and suppliers of the same product, there are varieties of substitutes that pose a threat to the company. High cost structure: ARAMCO have remained competitive in the oil market giving other producers and distributors to seek <https://assignbuster.com/introduction-to-118-by-2030-million-barrels/>

alternative means of lowering their pricing structure. Low prices on similar products in the market leave ARAMCO on edge of losses in the fight of the competitors. Distribution Channel: Distributed channels that lack proper and synchronous automated interaction may mislead customer to product specification requirements.

This may be viewed more of lack of access to key distribution mechanisms. Tarcy (6) simplified Strategies planning by stating that, “ weakness may be the flip side of the strength”. Analysis of both strengths and weaknesses shows that ARAMCO has greater weakness causing challenges but comparatively the flip side are the strengths and opportunities that includes well established market, easy networked channels and advanced technology.

Opportunities for ARAMCO supply chains

Market segmentation

In order to remain competitive, the Saudi ARAMCO company has to tailor its operations to meet the needs of the different customer categories.

This strategy will enable the firm to meet the product needs of a particular target audience effectively. The company also has to consider market segmentation strategy, which refers to the process of identifying the various portions of the entire market that are unique from others. Through segmentation, there are probabilities of attain higher levels of customer satisfaction. In subdividing the different customer categories, the company is also able to discover cosmopolitan nature of its international markets as an effective approach to penetration of the different foreign markets.

Value addition

To ensure that the strategy succeeds, the management ought to invest in research and development. A research and development department ensures continual value addition to the firm's products. The department involvement is on conducting customer market research on a repetitive basis. This enables the management to identify the changes in consumer tastes and preferences. Through customer market research, the management will be able to undertake value addition more effectively since the changes should integrate in the products. The firm will be able to attain a competitive edge by supplying products that integrate changes in tastes and preferences (Tarcy, 7).

Product differentiation

To attain a competitive advantage, there is urgent need to differentiate oil products clearly. Effective differentiation of its products to meet different customer priorities creates a positive appeal to various market niches.

Competitive Strengths

For competition, the strategies ARAMCO requires to implement entails: Offering the free trials or price friendly products as demos or prototypes before the release of new products The company has to allow the customers a chance to preview and order upcoming products through the internet at affordable and considerable fees.

This enhances the marketing strategies because prior approaches allow consumer approvals through pre-views of upcoming products. This also enables the company to overcome the need for marketing the manufactured products. Besides lowering the marketing costs and strategic needs, the

prototypes is an excellent test for the future expectations and opportunity to shape products.

Threats

Competition is a key issue the company has to face. The company need strategies of expanding in the markets and enhancing the technology in improvement of products.

Potential loss

The fast rate of innovation is increasing the degree of global complexity. The scientific innovations are equally increasing at a rapid rate and solar engines are taking over.

People have understood the importance of enhanced global safety and are thus insisting on renewable resources and global friendly oil products. This poses a threat to the operation of Saudi ARAMCO because it has to meet the set standards of production and supplies, to avoid low market shares and thus low financial returns. The consumers are also very dynamic; most people are embracing technological advancement and consequently the possibility of reduced usage of the polluting oil products. This means that the change in consumer attitude and the growth in technology present a risk to the firm's competitive strategy.

SWOT Analysis summary

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S-T (MAX-MIN)W-T (MIN-MIN)