Royal Dutch Shell Oil Corporation

Company Prospectus

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Period 1, Bale

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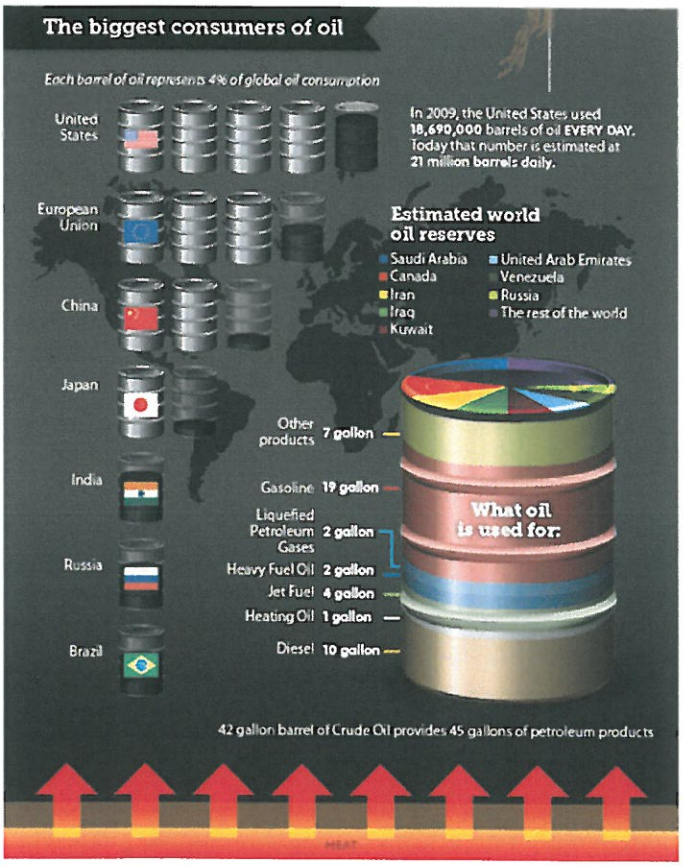
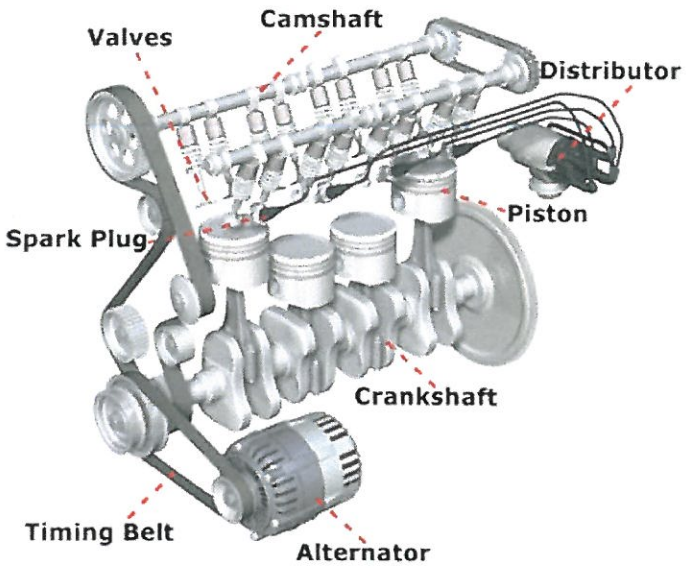
Product Lineup

The Royal Dutch Company offers both products to the domestic consumer sector as well as to the industrial sector. All of these products that the Royal Dutch Company offer are manufactured from one source: crude oil.

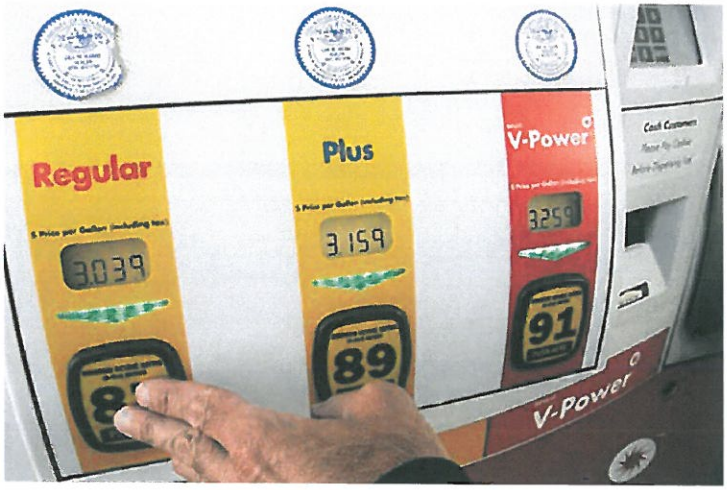


The Royal Dutch Company extracts massive quantities of crude oil from different countries which is transported through pipelines and vehicles to refineries or chemical plants. In a year, Shell will transport about 12.9 billion barrels of crude oil. The crude oil that is transported to refineries will be transformed into gasoline, diesel, and heating fuel.

In order to get into the different types of gasoline and diesel, it is important to first understand how a normal car engine works.



For a regular gasoline powered car, the engine will compress a mixture of gasoline and air in the valves. The amount of pressure placed on the mixture of gasoline and air varies depending on the car and engine. Normally, high quality cars as well as cars that have more horsepower tend to have their valves exert more pressure. After these valves compress the mixture, a spark plug is used to ignite the mixture which releases energy that will power the car. Overtime, as massive quantities of gasoline and material passes through the engine, there will be a buildup in the valves of the engine. This buildup can cause problems as it will be an obstacle for the mixture of gasoline and air to be compressed resulting in a decrease of efficiency.



When a normal consumer drives to a Shell gas station, that person will probably see something like this.

The three types of gasoline offered are Shell Regular, Shell Plus, and Shell V-Power Premium. While the three are different, they all use Shell's Nitrogen Enriched formulas.

Originally, Shell added an additive into the gasoline that helped remove and prevent the buildup explained previously. However, Shell improved the additive by adding nitrogen which makes the molecule more stable. The increased stability of the additive allows it to survive in harsher temperatures and pressures. The Nitrogen Enriched formulas also decrease the amount of emissions that are harmful for the environment.

The Shell Regular gasoline has an octane rating of 87 and is for vehicles whose manufacturers recommend regular unleaded gasolines. The octane rating determines the amount of pressure that can be placed on the gasoline before it ignites. The higher the octane rating, the more compression the gasoline can take before it ignites. The Shell Regular gasoline is the cheapest out of the three and is also the most basic. The next grade of gasoline is Shell Plus. Shell Plus has an octane rating of 89 and is for vehicles whose manufacturers recommend regular unleaded, but engine knocks with regular unleaded. Engine knocking is a scenario in which the mixture of gasoline and air in the valves are ignited by the spark plugs at the wrong time. An engine has a very systematic way of igniting the mixture at precise times. When the mixture is ignited at the wrong time, there will be too much pressure and too high of a temperature in the valve which can causes a "pinging" like noise. Engine knocking can be extremely destructive for the engine. The Shell V-Power Premium has an octane rating of 93 and contains five times the amount of cleaning additives than the amount required by the Environmental Protection Agency. This type of fuel is Shell's highest grade gasoline.

Besides just gasoline, Shell offers diesel too. Diesel engines are much different than gasoline engines because they heat and compress the air first before injecting the diesel to ignite. With this type of ignition, there is less pressure placed on the diesel which is why diesel has a lower octane rating than gasoline. Diesel is the most expensive fuel which is followed by gasoline according to grade.

Shell also provides many different types of lubricants to its consumers. These lubricants are used by consumers in order to oil and lubricate the piston and valves. When the engine is running, the valves and pistons are always in constant contact which creates friction when compressing the mixture of gasoline and air. the lubricants help relieve the pressure and friction between the valves and pistons.

For the crude oil that is transported to chemical plants, it is transformed into plastics, resins, lubricants, and chemical products. Some of the chemicals produced in the chemical plants are ethylene oxide/ethylene glycols, higher olefins and derivatives, lower olefins and aromatics, phenol/acetone and nonene, and solvents. These chemicals are used in and by both industrial and consumer products and processes. Other than crude oil products, Shell Oil also extracts about 289 billion standard cubic feet of natural gas from natural gas deposits making the Royal Dutch Company one of the largest natural gas companies. After being extracted from the ground, the natural gas is then converted into liquids for easier transport.

Outside of products, the Royal Dutch Company provides automobile repair services for consumers through Jiffy Lube. Some of these repair services include oil changes, engine repair, and battery maintenance.

Key Competitors

ExxonMobil

Background

ExxonMobil's history stretches as far back as 1870, when Rockefeller created Standard Oil. Standard Oil was broken down into 34 different companies, two of which eventually became Exxon and Mobil. In 1999, the Exxon and Mobil merged together to form one large company, ExxonMobil. As of now, ExxonMobil one of the leading competitors of the Shell Oil Company. With locations in around 52 countries and 42 branches in the United States of America alone, ExxonMobil Corporation pulls in an annual revenue of around $394.1 billion as of 2014.

ExxonMobil offers a variety of products similar to the Shell Oil Company. They target both individual consumers and businesses.

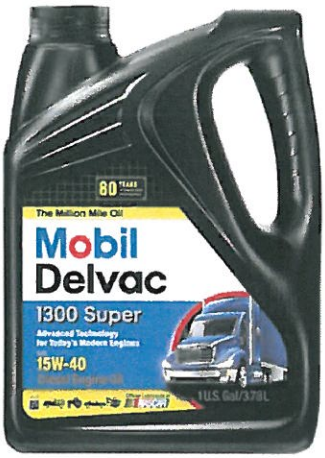
Product Lineup

ExxonMobil Gasoline: ExxonMobil offers Exxon and Mobil Regular Unleaded (Octane 87), Exxon Plus and Mobil Special Unleaded (Octane 89), and Exxon Supreme and Mobil Super+ Unleaded (Octane 91-93) for regular vehicles and sports vehicles.

ExxonMobil Diesel: ExxonMobil offers Ultra Low Sulfur Diesel Fuel for any vehicle requiring Diesel.

ExxonMobil Passenger Vehicle Lubricants: Mobil 1 synthetic motor oil is used in motorsports and factory-fill more than any other motor oil brand.

ExxonMobil Commercial Vehicle Lubricants: Mobil Delvac 1/Mobil Delvac heavy duty lubricants used by owner/operators and fleets to satisfy their fuel economy needs.



Mobil Industrial Lubricants: Industrial lubricants to improve plant and machinery productivity.

ExxonMobil Marine Lubricants: Lubricants used to protect the engines and equipment for fleets to ensure that they operate effectively and efficiently.

ExxonMobil Aviation Lubricants: Lubricants, including ExxonMobil Jet Oil and Aviation Grease, used in commercial and general aviation. Includes synthetic turbine oils, hydraulic fluids, and aviation greases.

ExxonMobil Base Stocks: Lubricant base stocks that help enhance performance for any lubricant.

ExxonMobil Asphalt: Asphalt used in roads that can withstand different conditions.

ExxonMobil White Oils and Waxes: White oils, including Marcol and Primol, and waxes, including Parvan, Prowax, and Waxrex, used in adhesives and elastomers, polystyrene, phytosanitary industry, pharmaceutical/cosmetic purposes, and animal vaccines.

Chevron

Background

Chevron's history also stretches back to the time Standard Oil was broken apart due to the Sherman Antitrust Act. The company that broke off became part of the "Seven Sisters," which dominated the oil industry for some time. At the time, Chevron was a name being used to sell the company's retail products. The company eventually changed its name to Standard Oil of California and later to Chevron Corporation. As of now, Chevron's one of Shell Oil Company's leading competitors within the United States. With locations in over 30 countries and nearly 8,000 stations in the U.S. alone, Chevron rakes in an annual revenue of around $200.49 billion as of 2014.

Chevron offers similar products to Shell Oil Company. They also target both individuals and businesses.

Product Lineup

Chevron Additives: Chevron Oronite lubricant additives dissolve deposits, inhibit corrosion, control oxidation, and reduce friction. Techron fuel additive cleans the engine and delivers less emissions. Techron Concentrate Plus and Pro-Gard remove deposits from fuel injectors and other areas that can cause loss of power.

Chevron Aviation: Chevron supplies jet fuel and aviation gasoline to the general aviation industry.

Chevron Base Oils: Chevron's ISODEWAXING catalyst is used to produce its premium base oils, which are used to manufacture lubricants and motor oils.

Chevron Chemicals: Chevron produces chemicals including olefins, polyolefins, aromatics, styrenics, specialty chemicals, piping, and proprietary plastics that are used to make food packaging, cleaner fuels, biodegradable solvents, and medical devices.

Chevron Fuels: Chevron's Ultra Low Sulfur Diesel and Caltex Diesel with Techron D fuel is used to power vehicles using diesel fuel. Chevron also has its own brand of premium gasoline.

Chevron Lubricants: Chevron's motor oils include the Chevron brand, Havoline, Delo, and Ursa. Havoline and Ursa protect engines against harmful deposits and Delo is used in truck/bus transport, construction/mining, agriculture, and power generation.

Chevron Marine: Provides marine fuels and lubricants.

British Petroleum

Background

BP plc's history dates back to 1908 when British geologists discovered a huge amount of oil in Persia and created the Anglo-Persian Oil Company. After World War I, APOC began distributing its products all throughout Europe. It also formed a joint marketing company with Royal Dutch Shell in the United Kingdom. Eventually, its named changed to Anglo-Iranian Oil Company when requested by the Shah of Iran. By 1954, The name had changed once again to the British Petroleum Company (BP). As of now, BP plc is one of the leading competitors for the Shell Oil Company. With locations in over 80 countries, BP plc brings in around $358.7 billion annually as of 2014.

BP plc offers a variety of products similar to the Shell Oil Company. They target both individual consumers and businesses.

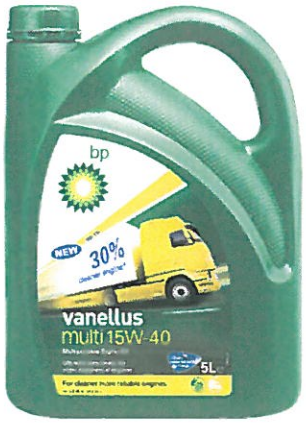
Product Lineup

BP Gasoline: BP offers three grades of BP gasoline with Amoco Ultimate that help protect fuel system components from sludge and corrosion.

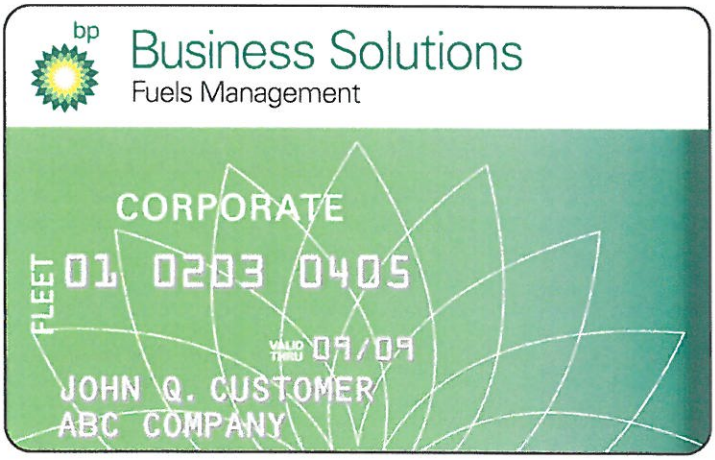
BP Diesel: BP offers BP Diesel, which is an ultra-low-sulfur diesel for vehicles that run using diesel fuel.

BP Car Engine Oil Lubricants: BP offers BP Visco with CleanGuard Engine Protection Technology, which are synthetic engine oils designed to help preserve engine cleanliness.

BP Commercial Vehicle Engine Oil Lubricants: BP offers BP Vanellus, which are available as synthetic heavy duty diesel engine oil, mineral heavy duty diesel engine oil, and monograde oil. They are used for any vehicles that run using diesel fuel.



BP Rewards: BP offers businesses Fleet fuel cards to give them discounts on BP products. They also offer gift cards for purchase.

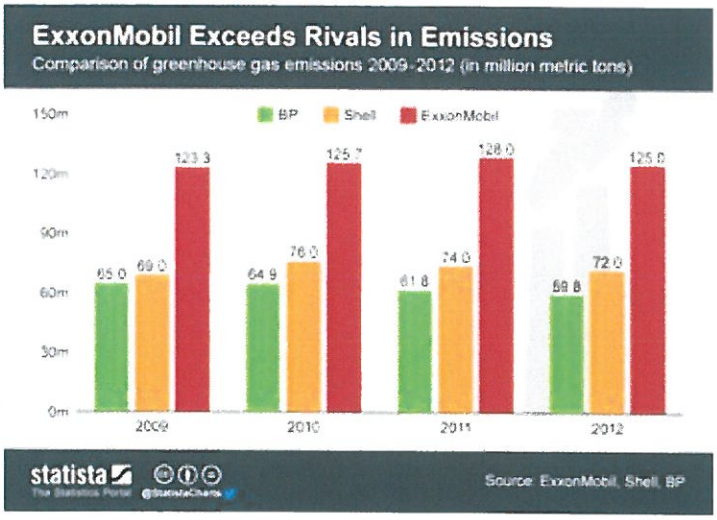


BP retail: BP offers a variety of retail products in their U.S. retail brand, ampm. They mainly offer food and drink.

Summary

Shell's fuels, lubricants, chemicals, and other products are similar to ExxonMobil, Chevron, and BP plc in quality and quantity. However, Shell is more successful than its competitors in certain aspects. Shell's annual revenue exceeds that of its competitors by a wide margin. In 2014, Shell's revenue was $421.1 billion. In addition, Shell's practices are much more ethical and environmentally friendly.

ExxonMobil is responsible for the Exxon Valdez oil spill, in which Exxon spilled 11 million U.S. gallons of oil into the Prince William Sound. The oil spill considered the worst worldwide due to the damage it caused to the environment and death to animals. Exxon was criticized heavily for their slow response, leaving spilled oil in the area for over 10 years. They were also responsible for the Brooklyn oil spill, which consisted of 17-30 million U.S. gallons of petroleum products spilled from the mid-19th century to the mid-20th century. They also allowed a benzene and pipeline oil spill to occur at the Baton Rouge refinery, initially lied about the amount of damage, and caused harm to neighboring citizens. Apart from this, they were involved in the Yellowstone oil spill, which caused oil to leak into the river from a pipeline. They lied about the extent of damage they caused in this case as well. Lastly, they were responsible for the Mayflower oil spill, which released 12,000 barrels of oil into the environment and forced 22 people to evacuate their homes. Apart from their extensive history of environmental damage, ExxonMobil has also been involved in funding global warming skepticism to promote their company and has been involved in human rights controversy.



Chevron is responsible for environmental damage in Ecuador. Texaco, a branch of Chevron, had been dumping billions of gallons of toxic waste into areas of Ecuador. They were

ordered to spend $40 million to clean up the area, but they did not complete the job. Chevron was ordered to pick up the responsibility for fully cleaning the area, but they fought back heavily in courts. Through Chevron's deeds, many local villagers fell ill and developed defects/diseases prematurely. Chevron was also responsible for oil spills in Angola and it became the first multinational corporation fined for unsafe practices in the area. In addition, Chevron caused another oil spill in Rio de Janeiro by releasing crude oil off of the southern coast of Brazil. Apart from environmental damage, Chevron was also involved in a number of other controversies. In 1989, there was an explosion and fire in the Richmond refinery in California. Chevron was fined because they never provided their employees with protective equipment although their employees had repeatedly asked. The explosion and fire caused noxious fumes to enter the air, ultimately hospitalizing many employees and residents in the area. Lastly, Chevron was involved in the KS Endeavor jackup rig explosion, which caused the death of 2 workers on board. Engineers had told Chevron to stop digging in an area with a massive buildup of pressure, but they refused and kept drilling, triggering the explosion.

BP plc is responsible for dumping hazardous substances from 1993-1995 on the Alaska North Slope. They were forced to pay a large fine for their unsafe disposal of toxic wastes. BP is also responsible for releasing harmful chemicals into the air because of their failure to repair malfunctioning equipment. 474 citizens in the area filed a lawsuit against BP for harm caused to the citizens through air pollution. BP also damaged Colombian farmlands with their Ocensa pipeline which caused landslides, and damage to soil/groundwater, leading to poor crop yield. BP's lack of maintenance for its equipment also led to the Prudhoe Bay oil spill. The oil transit pipeline had corroded, releasing 212,252 US gallons of oil over the North Slope. BP was slow to clean up the area. BP is also involved in a multitude of human rights violations. In the 1995 Sea Gem offshore oil rig disaster, BP had hastily converted an oil rig to allow drilling operations. As a result, the oil rig capsized, killing 13 crew members. BP also caused damage through the Texas City Refinery. There was a 2005 explosion, causing 15 deaths, 180 injuries, and the evacuation of people in the area. There was also a 2007 toxic substance release and 2010 chemical leak causing harm to the health of citizens nearby. Lastly, BP caused the Deepwater Horizon explosion and oil spill. The incidents caused the deaths of 11 people, leaving 16 injured. In addition, the lasting damage from the oil spill destroyed marine ecosystems in the area. Exposure to the toxins released caused fish to develop liver problems and go into cardiac arrest.

While Shell is also responsible for some environmental damage and violations, the number of offenses Shell has had over the years pales in comparison to those of its competitors. Shell's old and corroded pipelines in the Niger-Delta have caused many oil spills in the area that have killed off vegetation and fish. Shell had initially refused responsibility for environmental damage caused by the pipelines, but was later forced to take responsibility. Shell has been in a few human rights cases, where they were accused of crimes such as torture, inhumane treatment, and the assassination of the Ogoni tribe in southern Nigeria. Shell agreed to pay a settlement, but the allegations were never confirmed to be true or false. Shell's use of gas flaring and slow response to oil spills has also sparked issues in the area.

Ultimately, Shell offers the same variety of products as its competitors, pulls in a much larger annual revenue, and approaches environmental damage and human rights violations in a much better and more ethical manner than its competitors.

Industry Analysis and Forecasting

Recent Trends

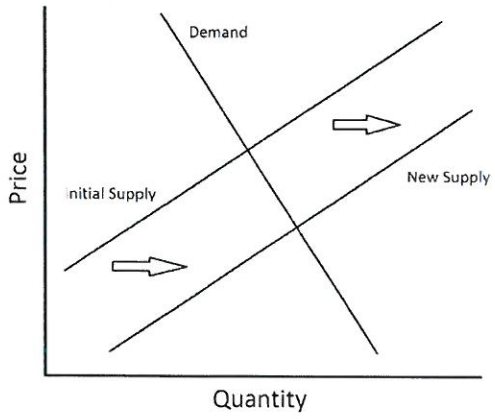
History of the Industry

Ever since the industrial revolution, the oil industry has grown to be one of the most important in the world. the United States began as a major oil producer, with Standard Oil leading the way as a monopoly. The product is inelastic, as all countries and homes need it to function. As the 20th century developed, other oil producers began to rise up, including Russia and the Middle East. Some of these countries formed the Organization of the Petroleum Exporting Countries, which have dominated the market and squeezed the US out, causing the country to rely on the Middle East for oil.

US Shale Gas and Oil Boom

The exploration of oil and shale gas over the past half decade has increased the supply in the industry by boosting productivity. In conjunction with growing demand as the economy grows, it has led to increased profit within the industry. Shell Oil itself has advanced researching tools that has led it to be one of the captains developing the oil found, especially in the Arctic and the gulf. The increase has cut into the reliance on the Middle East after concerns of being too dependent and having the country's geopolitical goals compromised.

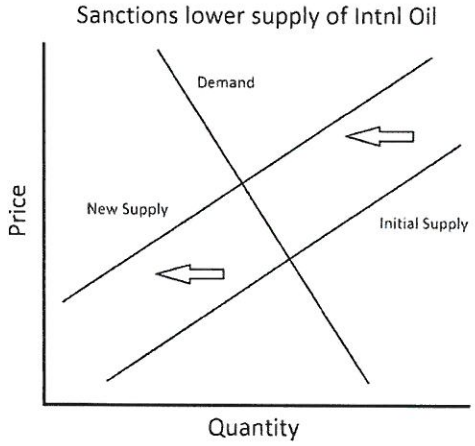
Shale Boom increases Oil Supply



Russia Sanctions – Crimea

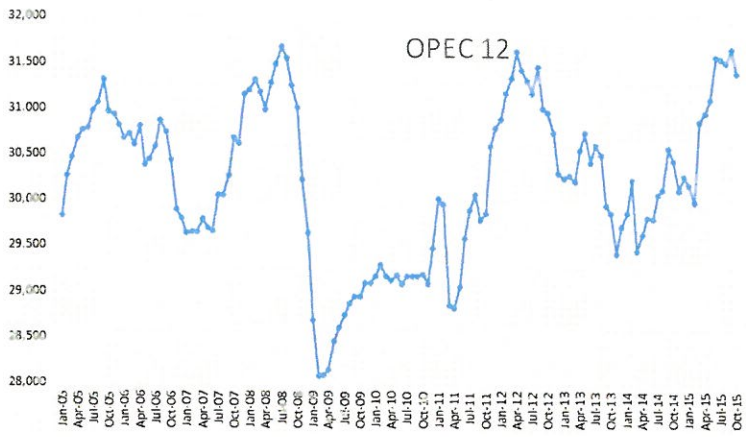
In response to Russia's annexation of Crimea, the United States participated in a world effort to impose sanctions on Russia. This form of governmental regulations has reduced the number of suppliers of oil in the United States allowing US oil producers to take a greater market share. Because there is less oil, the price increases as a result, and US supplies are able to make

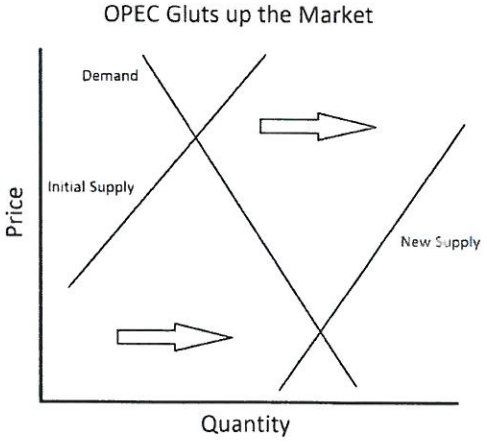
an increased profit. Now, the Russian economy is struggling as a result of one of its major sectors being out of commission, but the US oil industry has definitely taken advantage of the situation.



OPEC Gluts Up the Market

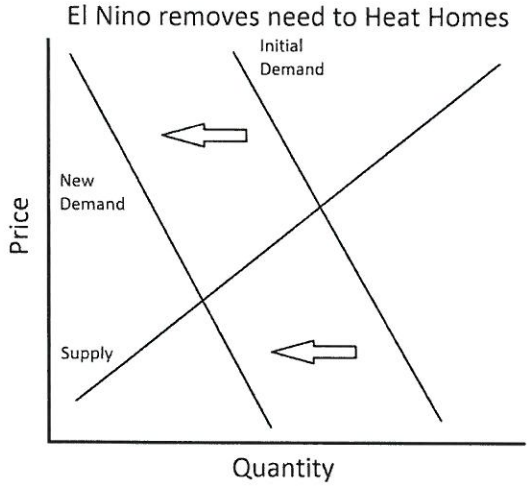
Seeking increased market share and wanting to drive out US shale gas and oil , OPEC has poured out oil causing a glut, slashing oil from around $80 a year ago to around $40. As a result, US oil companies have fallen on hard times, and in the third quarter of 2015, Shell reported a loss of over seven billion dollars in profit, as compared to 4.5 billion profit the third quarter of 2014. This has been a double-edged sword, as OPEC is reeling themselves. The poorer countries are driven to near bankruptcy as the prices are well below the $80 profitable range for Saudi Arabia. Expectations of oil, however, are mixed as they could drop further to below $30 or they can see a rebound. Either way, this event has been the most important event in the recent past year, drastically decimating the price to the point that other changes are very small in comparison. The impact is so immense that the world has not met this low of prices in years, which is another testament to the power of OPEC.





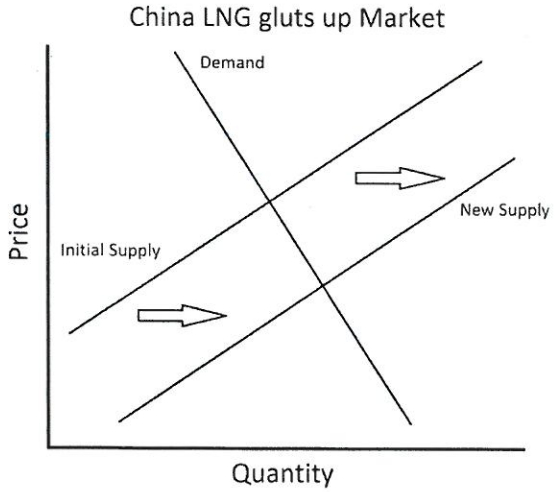
El Nino Warms Temperatures

This change in demand is a combination of consumer expectations and tastes. The relatively cold winters of the past have maintained stable demand for natural gas to heat up homes. But the demand shifts left because the temperatures are warmer in general at this time than in previous years so there will be lower use of natural gas and other forms of heating for homes than in the past.



China Increases LNG Exports

The weak performance in China means that the country is looking to export its excess natural gas. Because production costs are lower across the world, it can gain entry into US markets with relative ease. Thus, a large increase in suppliers with China's excess means a large increase in supply driving down prices. Even worse for US, the cost of the Asia natural gas is cheaper, harming the US suppliers as a whole, specifically a loss in profit and market share and performance.

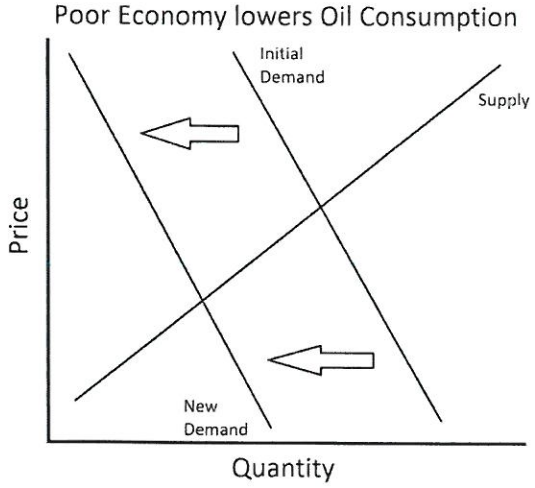


Weakening Economic Performance

In order to consume oil at a high level to keep up demand, economics must be healthy and produce at a high level. But several hits have been incurred on major portions of powerful global economics that cut into oil performance, most notably China, Europe, and other developing countries. Ultimately these problems have cut into the number of consumers causing a shifting left of demand due to less opportunities for the industry to capitalize on oil consumption.

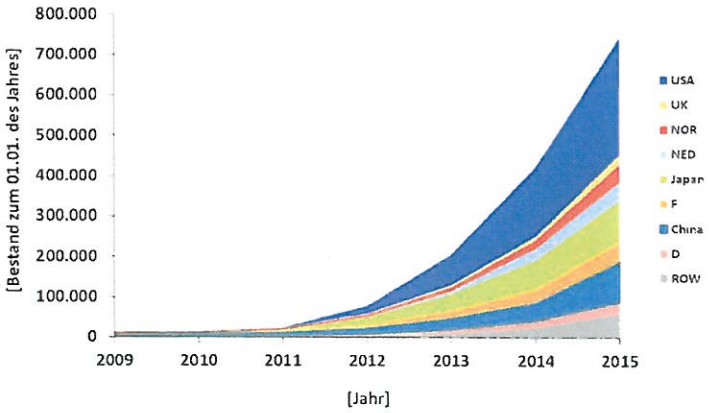
China's issue has been the weakening of the renminbi; there are two ramifications. First, the dollar is a signifier of the economy. This means that a weak currency means slow growth for China. Being the world's largest oil importer, that means trouble for the industry as a major consumer is not looking to gobble up oil. Second, a devaluation of currency means that the businesses who buy oil cannot afford to purchase the normal amount. Sellers have their profits cut into because the currency made by consumers is weak and does not have the power to purchase a lot of oil.

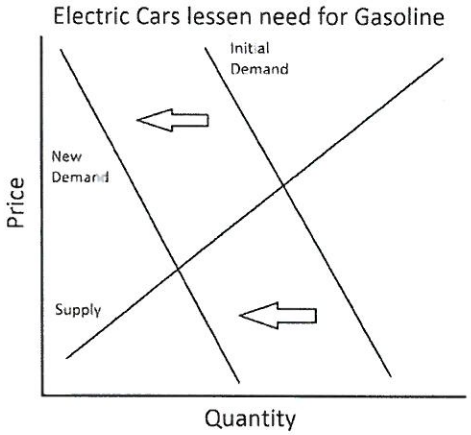
The economics of Europe and other developing countries have straight up been faltering, causing a loss of demand from those specific pockets of countries. The lack of consumption has cut into industry profits, and with poor performance comes efficient energy use. Europe, specifically, has been a major leader in renewable energy (both private and public sector) substituting for oil, thus drawing away buyers as a result of a combination of consumer tastes, price of substitutes, and government regulations.



Electric Car Takeover

Despite the lowering of oil prices, the demand for electric cars has increased over the past half-decade and is projected to increase further. Thus, the changing consumer tastes means that the complement to oil is no longer used as much. As a result, gasoline cars lose market share in favor for electric vehicles. As a result, demand for oil and Shell's project is shifted to the left.



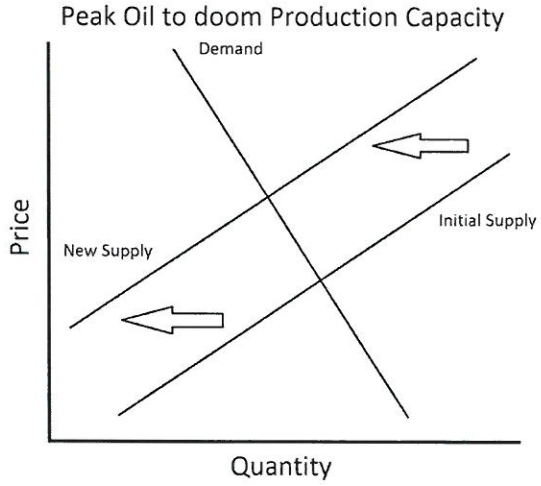


Industry Forecast

Short term, the oil industry will remain strong and one of the largest in the United State and globally. The status quo characterized low prices caused by the glut of the Organization of the Petroleum Exporting Countries cannot last as it is not sustainable for both the world's reserves and the countries that dominate the industry. Thus those prices will rebound back to a profitable range for most oil companies and nations. The reason is that oil has an inelastic demand so no matter the price relatively similar amounts will be purchased because most people, households, and countries around the world absolutely need it for their daily functioning. Especially within five years, starting from 2016, oil prices will go back to around $80 or higher as OPEC stops glutting the market and reserves around the world begin to decline. Then, taking advantage of higher prices, US oil can both explore for more causing increasing supply and also sell their current oil for a profit. For Shell specifically, the change will be especially advantageous as it is one of the leaders in oil exploration and quality. While it just cancelled its plans to explore the Arctic, Shell still has the technology to redouble its efforts in the area. In summary, the conditions will rebound back to a profitable range causing the industry to remain strong.

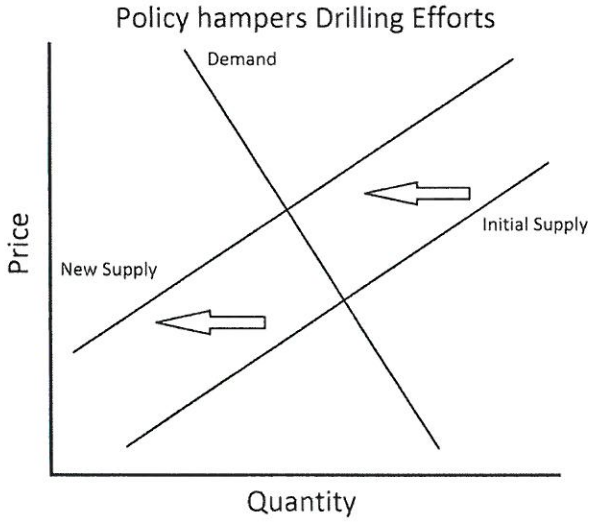
Long term, however, the industry looks bleak as several structural trends in the energy industry as a whole, the economy, and people's daily lives will phase out the use of oil almost entirely. Eventually, the major players of the US oil industry will either dissolve or shift into other form of energy. Most important, oil's inelasticity will be gone as it will have to deal with comparable ways of using energy allowing for heavily increased competition. Thus, Shell's main products, oil, natural gas, and diesel, will eventually no longer be in demand as they all are affected by the following trends and shifts:

Peak Oil – This is the concept that at a certain point, the world will hit maximum production and production will slowly come to nothing as world reserves begin to decline. The loss of oil would shift supply left as there are fewer suppliers in the market and also inhibit productivity since there is enough oil to make full of existing technology. Shell, can capitalize as they are leaders in oil exploration, especially in the Gulf and the Arctic allowing them to find the remainder reserves to sell. The price of oil will go up leading to profits, but the lack of natural resources will make it short-lived. Some experts predict that peak oil is as close as 2030, giving the industry only decades to continue operations.

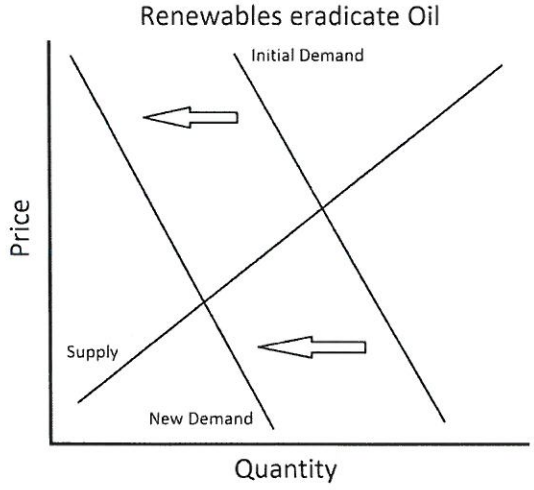


Environmental Regulations – A partway contributor to decline in oil will be environmental regulations as drilling becomes less and less popular. Oil has tremendous harmful effects to the environment in a whole slew of fashions. First, the threat of oil spills are incredibly fearful as they destroy the ecosystem. BP's disaster in the Gulf led to incredible public backlash, and Shell's recent exploration of the Arctic, while abandoned mostly due to unprofitability, also had negative backlash against it. The other environmental impact is global climate change. Governments are viewing this as a major problem. The Kyoto Protocol was a major event on the international field and the Paris Change Conference on November 30, 2015 is another major

international summit that seeks to address climate change. Ultimately, additional governmental regulations will ensue causing lower supply of oil and demand cutting at profits.



Renewable Energy – People have long recognized the potential benefits of wind, solar, hydraulic, and even nuclear energy. The main goal was to make these technologies cost competitive with oil. Now, as cost of oil exploration grows and these substitutes' prices lower, renewables will become increasingly capable of stealing market share from oil. In Europe, major advances have been made, as France runs on nuclear and England is a major captain of wind energy. Thus, Shell and the oil industry face stiff competition as it will have its market share lowered especially with the intersection of peak oil and cheaper clean energy. Eventually, as the world runs out of the oil and these technologies are developed, oil will be phased out completely.



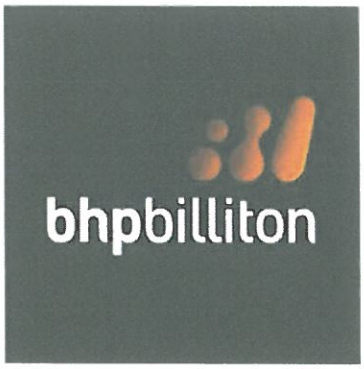
History of Company

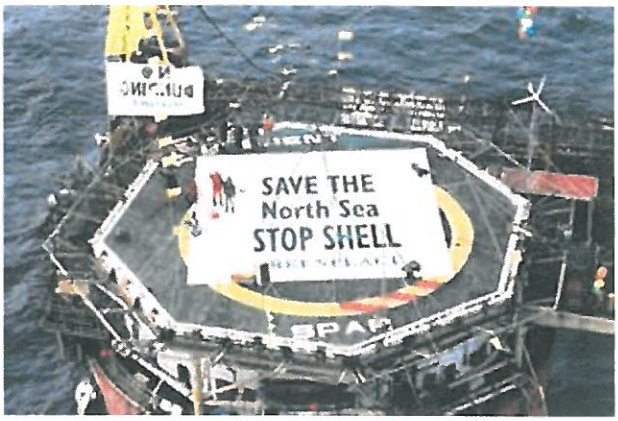
Company Background

The Royal Dutch Shell Oil Company was founded through the merger of two companies; the Royal Dutch Petroleum and Shell Transport Trading Company in 1907. The Shell Transport Trading Company began in 1833 by a London shopkeeper, Marcus Samuel, who expanded his business to import sea-shells as antiques.

The business flourished and was passed on to his sons, Sam and Marcus Samuel Junior. With the invention of the internal combustion engine and Karl Benz's Mercedes, oil demand increased in 1886. The company was then reformed into a trading company through bulk transportation and took the name of Shell Transport and Trading Company in 1897. Meanwhile, in the East Indies (which was a Dutch colony), the Royal Dutch Petroleum began in 1890 and built tankers and bulk storage compartments to compete in the market of low transportation costs in 1896. The two merged into the Asiatic Petroleum Company for protection against Rockefeller's Standard Oil in 1903, but remained separate entities due to different nationalities. They fully merged in 1907, with Royal Dutch Petroleum owning 60% of shares, and Shell Transport earning 40%.

During WW1, Shell became the main supplier of the British Expeditionary Force, which boosted its public image. However, the German invasion in 1916 dropped production by 17%. Shell Chemicals was later founded in 1929 to advance the refinement of chemicals from crude oil and by the end of the 1920s, Shell was the world's leading oil company. However, in the 1930s, the Great Depression caused job cuts, and oil soon became politicized, as their assets in Mexico were seized by the local government. In 1947, Shell built its first commercially viable offshore oil well in the Gulf of Mexico and was allowed to sell petroleum under its own name in the United Kingdom by 1953. In 1970, Shell purchased Billiton, a metal mining company, which later was sold in 1994 to form what is now known as BHP Billiton.





However, their good luck took a turn as in 1973, the Yom Kippur War quadrupled oil prices because the OPEC (Organization of the Petroleum Exporting Countries) tried to use oil as a political tool to stop Israel from retaliating. The Iranian revolution in 1979 then doubled oil prices because of the dried-up oil supply, but in 1986, the oil glut caused prices to drop, and the OPEC lost power. Shell opened the Bintulu plant in Malaysia in 1993, but received criticism over the Brent Spar oil drill in 1995. According to *BBC News*, Shell was originally planned to dispose of the large storage platform through deep-sea disposal. However, they received international public outcry and even the environmental group Greenpeace interceded, claiming that it would "release highly toxic chemicals into the water and cause widespread marine pollution". Two activists climbed aboard the rig and refused to leave in order to prevent the disposal. Shell eventually gave into the peer pressure, and the Brent Spar oil rig was reused to build the foundations of a ferry terminal in Norway. The company revamped their ethical standards and became more sensitive to environmental issues due to this event. During the 1990s, the LNG (liquified natural gas) business grew, and in the 2000s, Shell expanded into new areas of the world especially in China and Russia. In 2005, the two companies officially delisted from their respective exchanges and formed one parent company, Royal Dutch Shell.

Shell continued to become involved in other controversial issues. Its oil overstatement scandal in 2004, caused the company's stock to drop 10% overnight. In accordance with *The New York Times*, the chairman was forced to resign and the company was fined a total of $150 million by the US Securities and Exchange and Britain's Financial Services Authority. Then, although it claimed that it had no involvement, Shell also had to pay a $15.5 million fine in a Nigerian Human Rights Case in 2009, for allegedly collaborating in the murder of Nobel Peace Prize nominee Ken Saro-Wiwa and other leaders of the Ogoni Tribe. *PBS News* stated that Shell said that the $15.5 million was not a

census to the accusations, but rather a "humanitarian gesture" towards the wellbeing of the Ogoni Tribe. In 2011, according to *the Guardian*, the Nigerian oil spill dumped 40,000 barrels of crude oil into the delta, causing outbursts from local environmental and human rights groups. Satellite pictures suggested that the spill was 70 km long and was spread over 923 square kilometers (356 sq miles). In 2012, the environmental activist group, Greenpeace, began their "Save the Arctic" campaign against Shell. Much to Greenpeace's dismay, according to *The Seattle Times,* the Arctic-drilling project, which was originally planned to begin 2012, received permission from the Obama Administration to continue in 2013. However, Shell recently announced that it decided to halt the $7 million drilling project in 2015, acknowledging "the high costs associated with the project and the challenging and unpredictable federal regulatory environment in offshore Alaska" (The New York Times).

Today, the company headquarters is stationed in the Hague, Netherlands, with its current CEO being Ben van Beurden. Due to oil prices, its stocks have been decreasing and is around $48 in the New York Stock Exchange.

Logo History

When Marcus Samuel Junior and Sam Samuel created the Shell Transport Trading Company, they incorporated the memory of their father's seashell business into their company name and logo. The first logo of the Shell company was originally a mussel shell in 1901, but was changed into the "pecten" scallop shell emblem in 1904.

The reason of the color change color of the logo to red and yellow in 1948 is not certain, but most evidence points to Spain. On the Shell website, it claims to have chosen the two colors in order to not to offend Californians because of the state's strong connections to Spain (since it once was a Spanish colony). The same colors have not been changed since and is still part of the well-known Shell logo that is used today.

Media Presence

Recent Advertising Strategies

Shell uses every social media site they possibly can to reach as many consumers as possible. Everything from Facebook, Youtube, Instagram, Blogs, and SlideShare. These social media sites are not only methods of promotion, but also methods to communicate with the consumers. Through SlideShare, Shell shares their powerpoints for their investor shareholders meetings. Every social media site Shell runs covers almost every area of communication with the public. For example Facebook provides an outlet of advertising to those more attracted to that social media site attracting different kinds of audience members through videos, print ads, and posts. However they use instagram for more targeted advertising to a wide range of specific audiences through their varying posts. For example Shell posts pictures relating to the workers, the engineering, the behind the scenes of oil production, the old advertisements, and finally their focus internationally and in local communities. Most of their social media use is through widely popular websites.

Fig. 1 - Blog Site

However Shell has tried to take attention away from their oil production into how they are giving back to the environment through blog sites. Using their blog, they promote Climate Change by addressing the new technology developed around the world. However this blog fails to properly address how Shell is contributing to Climate Change. This blog, written by David

Hone who is a Climate Change Advisor for Shell, briefly glosses over how Shell is helping others. And rather focuses on other technology developed around the world.

Because Royal Dutch Shell is a universal company, it also advertises through social media sites such as Weibo; Weibo is commonly used amongst Chinese. Furthermore Shell advertises through their many sponsorships at racing events in the U.S.

Shell's most prominent advertising campaign was their Let's Go! Arctic Campaign. This campaign was more known for its failure rather than its success. The advertisements in this campaign featured different animals and how Shell is helping these various aspects of the environment. However another group, Greenpeace, felt as though Shell was being contradictory due to their oil production and created spoofs attacking the company. These spoofs, along with the actual campaign, were posted on billboards nationwide. Shell soon ended the campaign and began a more generic Let's Go! However many still associate Shell with their previous hypocritical campaign.

Fig. 2, 3 - Old Let's Go! Arctic Campaign

Recently, Shell has been unsuccessful in advertising to the public due to their failed Let's Go Arctic campaign. But they are on the rise and are increasing their advertising by taking a new approach to the Lets Go! campaign.

Fig. 4, 5 - New Let's Go! Print Ads!

Future Proposals

Due to the most recent advertising fiasco, Shell is trying to create a new image for itself. With new advertising strategies, Shell will be able to successfully recover from the previous Let's Go! Arctic campaign. Shell, due to its technology and safety, has not had an oil accident in the recent years such as BP. A campaign that focuses on Shell's safe technology will promote its lack of harm to the environment in comparison to others. For example, a video advertisement

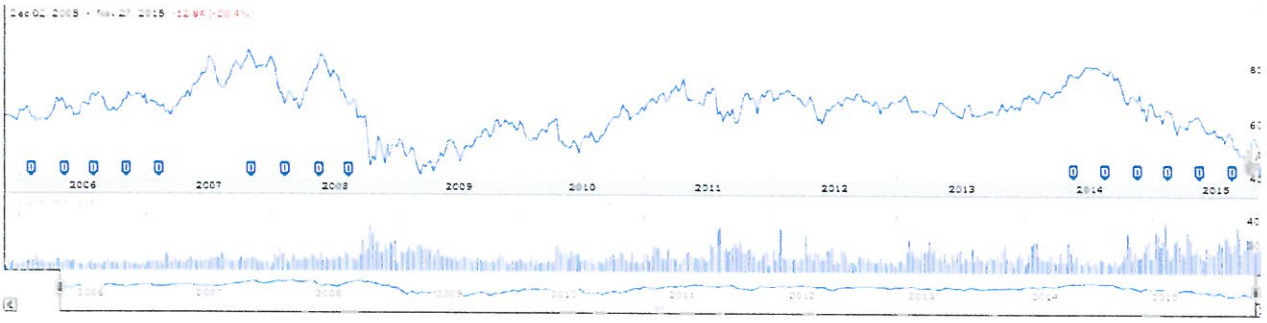
could give a short tour of their facilities and show what mechanisms specifically help to prevent the disasters that can destroy the environments.

Another idea could be to not only advertise about how climate change affects the environment, but to also develop technology do so (see prototype advertisement in appendix). Or at least come up with theoretical solutions to advertise. Shell could also relate their expensive oil with good quality by using celebrity sponsors. For example, if Shell could use Jordin Sparks, a singer that rose through the ranks, then they could show that Shell is working hard to do the best they can. If Shell could focus on the hard working status they slowly could achieve, then the public might change their minds.

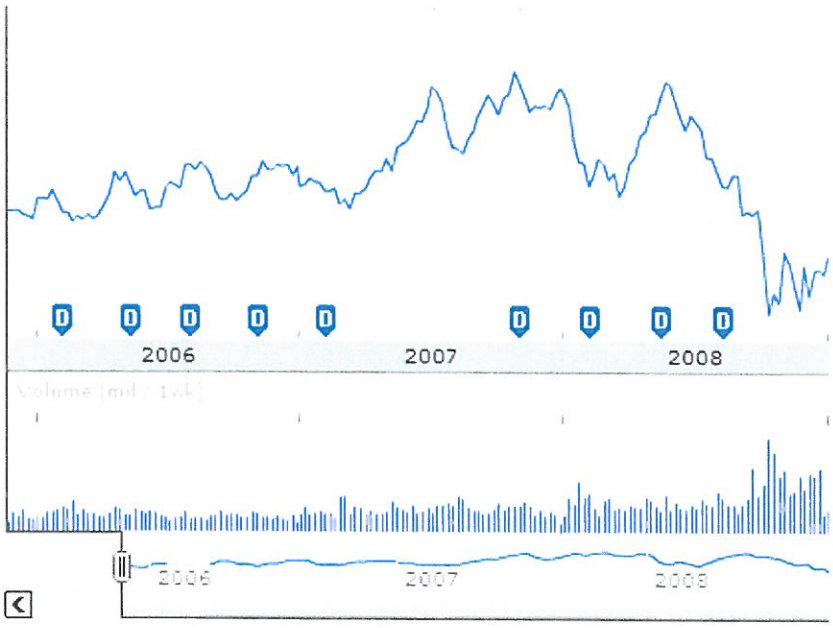
Another idea for future advertising could be a campaign focusing on the type of workers that exist at Shell. Regardless of their reputation, consumers relate to how Shell chooses employees that all want to give back to their community. Gas is something that many people that drive cars have to deal with. But the workers, technology, and celebrity advertisements might all contribute to a more united front. Rather than advertising climate change, which is bound to be attacked as oil production harms the environment, Shell can focus on the people that make Shell available to all.

Shell does a pretty good job covering all possible media sites. Therefore I believe no more sites should be covered. But maybe they can increase their worldwide advertising by having print ads in more airports.

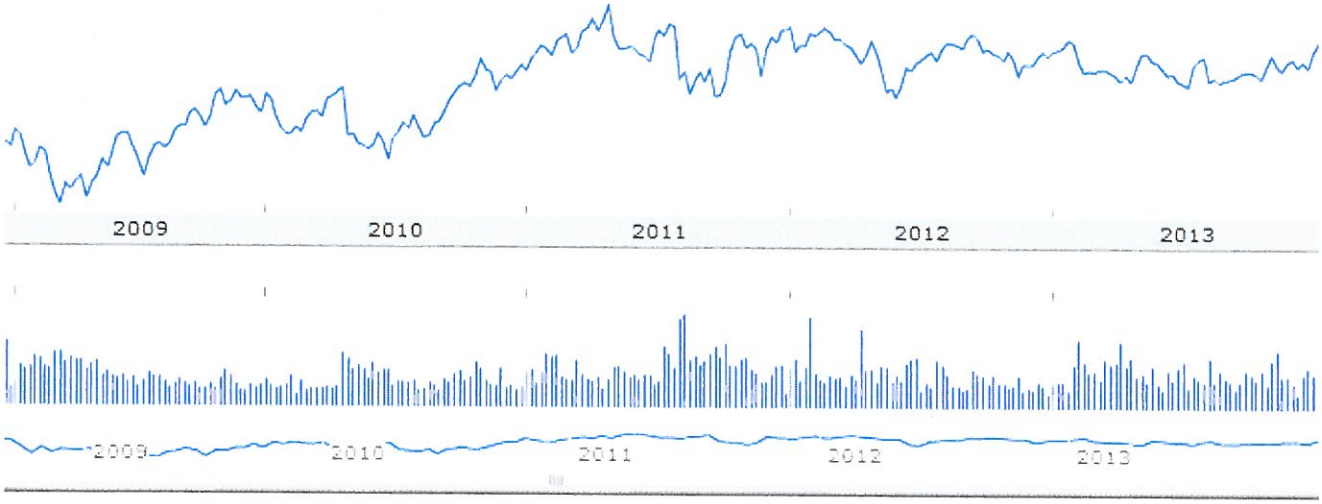
Market Performance



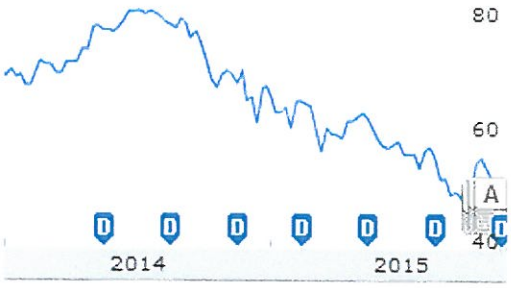
Royal Dutch Shell, a Dutch oil company, began its U.S business investments on July 22, 2005. Formerly known as two different companies, Royal Dutch and Shell Transport, the two unified to create Royal Dutch Shell plc on July 20th, 2005. Since its inception, the company has seen many ups and down in its stock.



In this first period, Shell sees its first major increase in stock price nearly two years after its inception. With a shaky year between 2007-2008, there is a major fall near the end of 2008, leading up to the inevitable recession of 2009.

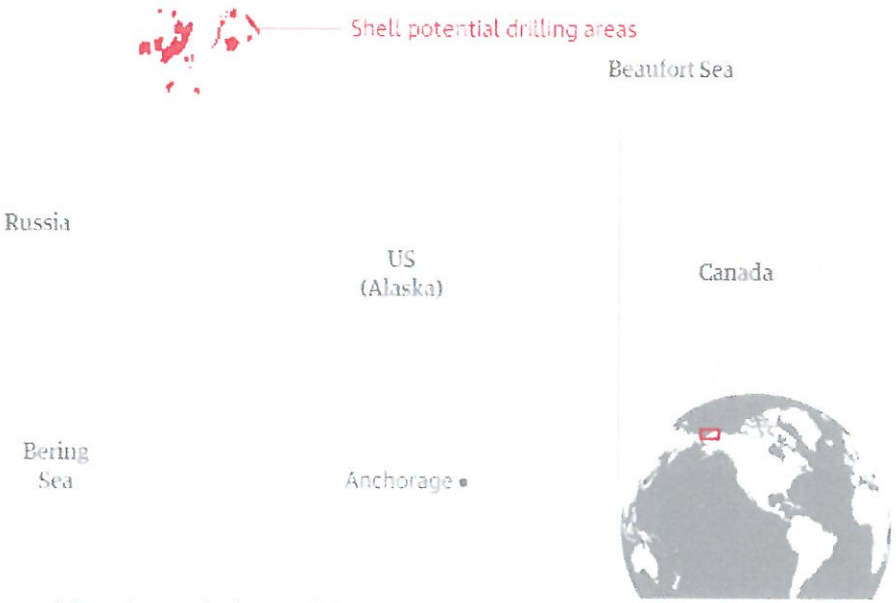


The second period of time starts of extremely low. In the beginning of 2009, stock prices have hit an all-time low. But as the government took action to increase investments and stimulate the economy, there was a steady increase in stock prices. Since the beginning of 2011, prices have remained the same.



Finally, here we are in present time. With three years of economic stability, Shell has seen its worst decline in prices since the 09' crash. As we have been observing all of 2014 and early 2015, oil prices have skyrocketed, and as a result, so have gas prices. Lack of consumer spending has brought down the company's stock value. However, investors are now bullish about investing in Shell. Over the past 60 days 3 earnings estimates have gone higher compared to none lower for the full year, while we are also seeing a ratio of 2:1 in terms up:down revisions for the next year time frame too. These revisions have helped to boost the consensus estimate as 60 days ago RDS.A was expected to post earnings of $3.71 per share for the full year though today it looks to have EPS of $4.13 for the full year.

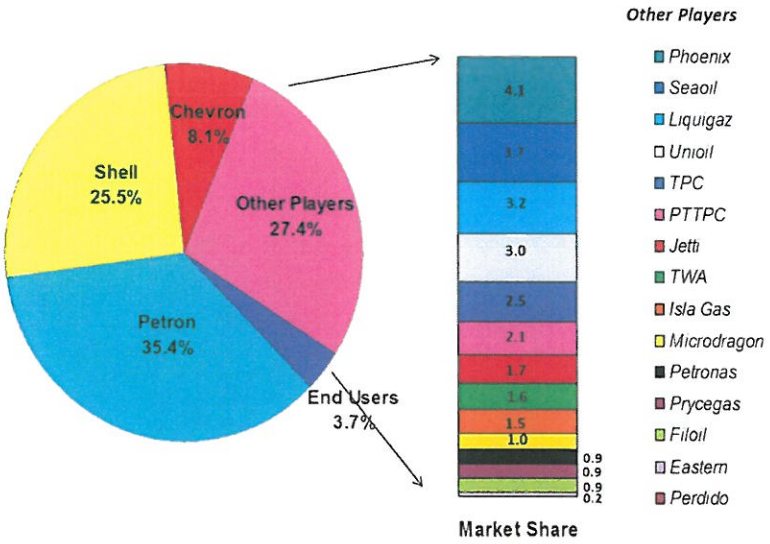
Arctic drilling areas



Yet, even with substantiating evidence leaning to the bullish prediction of Shell's economic future, a recent corporate decision may lead to a decline in stock prices. Shell has abandoned the Alaskan Arctic drilling "in the face of mounting opposition" from environmentalists. They have spent over $7 billion searching for oil, and with this project becoming another lost cause, will take a hit of around $4.1 billion on future earnings.

Still, Shell has a consistent customer base to help keep up sales even when in these harsh conditions for oil producers. At 25% of the market in fiscal year 2014, the amount of people using its products is substantial.

Fig. 3 FY 2014 Market Share (Total Petroleum Products)

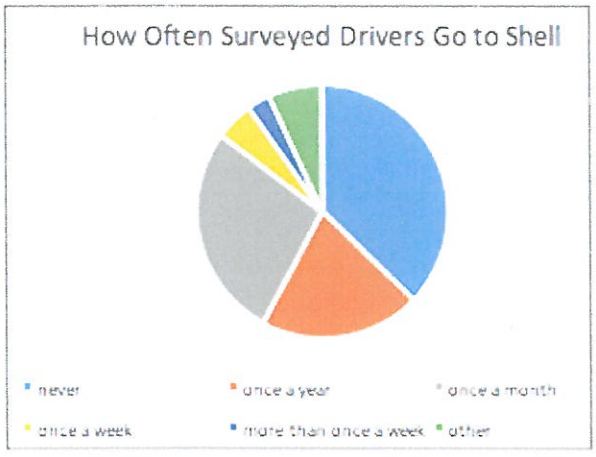


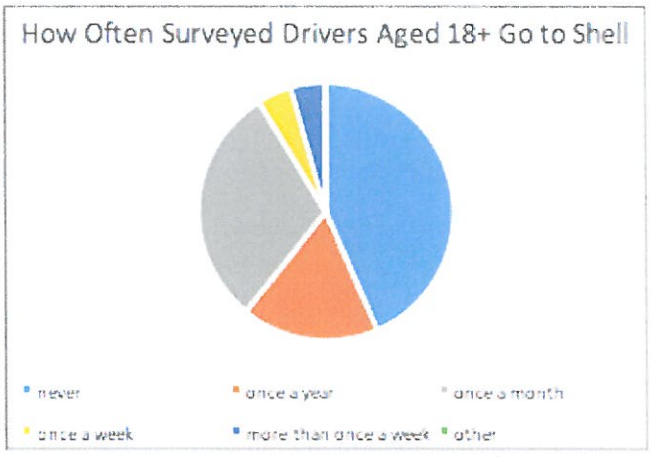
Focus Groups

To understand how consumers are feeling about Shell Oil, we conducted both an online survey and in-person focus groups.

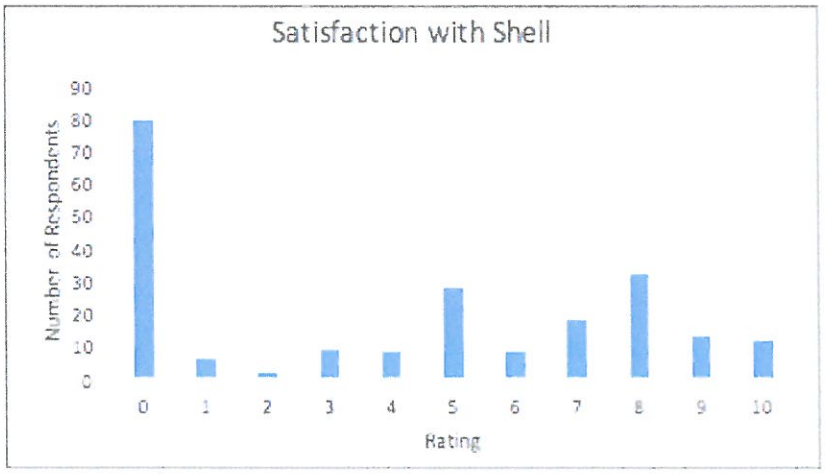
Since Shell does extensive advertising, we wanted to understand the effectiveness of its publicity efforts. We first tested consumers' familiarity with the Shell logo by asking them the first word that comes to mind when given the logo to the right. Out of 213 responses, 131 could associate it with Shell, 61 associated with gas or oil, and there were 21 outlier responses. This success in recognition of the logo can probably be attributed to Shell's presence on the roadside. According to one of the subjects in our focus groups, "Shell has plenty of gas stations throughout the state and country." Additionally, none of the participants in the focus groups had seen the Shell advertisements, at least "not in this country." Although Shell attempts to advertise on social media sites like Facebook, Instagram, and Twitter to reach out to consumers of all ages, including adolescent drivers, the physical gas stations with the gigantic Shell logos may have been more useful in promoting Shell.

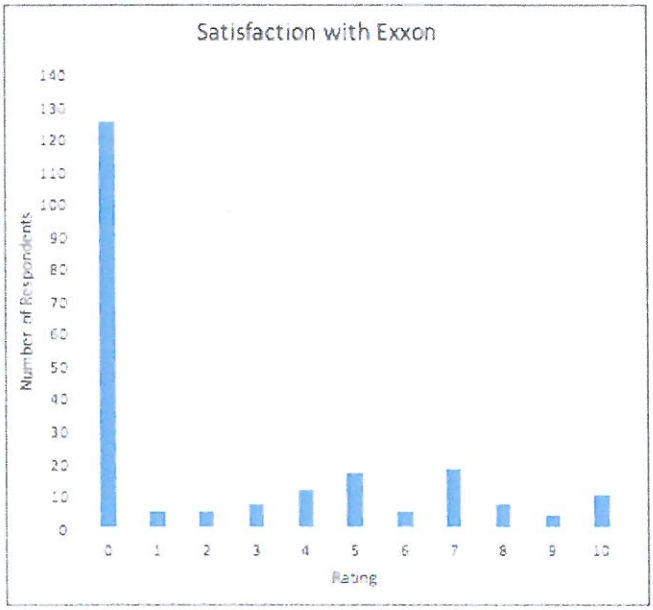
Out of the 102 drivers, 38 said they never/almost never go to Shell, 21 go once a year, 28 go once a month, 5 go once a week, 3 go more than once a week, and 7 had outlier responses. In other words, more than 3/4 of the drivers rarely go to Shell for gas, instead citing Rotten Robbie's, Chevron, and Costco as better options. We wanted to know if age had an impact on frequency of visits to Shell. The trend continued with drivers aged 18 and up.

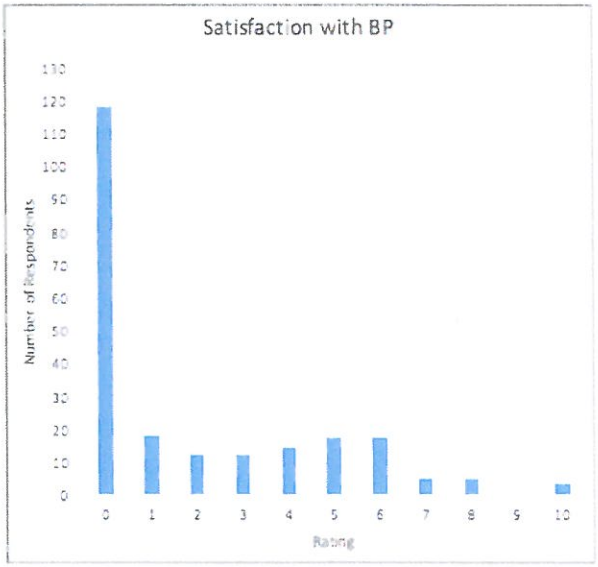




We also wanted to gauge consumers' satisfaction with Shell, compared with satisfaction with its competitors BP and Exxon, since Shell is a US subsidiary of Royal Dutch Shell and its name is known on the international level. To understand consumers' impression of Shell, we asked consumers to rate their satisfaction with Shell on the scale of 1-10 (least satisfied to most), or 0 if they didn't know what Shell was or didn't visit Shell. There was quite a range in the ratings.

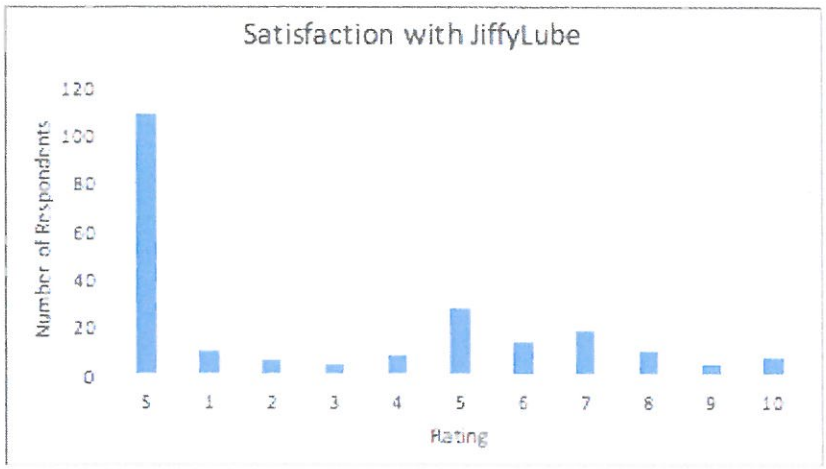






We asked respondents to explain why they were most satisfied with whatever option they chose. Many respondents actually explained their dissatisfaction with BP because of its notorious oil spill and being "bad with the environment." As one respondent said, "All I hear about BP is the oil spills they cause HAHA". Shell strives hard to clean up the environment using advanced technology, and it seems that the money spent on the machines has helped Shell preserve a more environmentally-friendly reputation. Some respondents who preferred Exxon described Exxon as

having lower gas prices. Those who preferred Shell wrote phrases like, "Advertisements make Shell seem better and I see more Shell stations around," "good gasoline; reasonable prices; easy user interface," and "I only know Shell! Also, my parents go to Shell because apparently they have high-quality gasoline!" On the other end of the spectrum, there were respondents who labeled Shell's gasoline as expensive.



Even though we received a breadth of responses, as seen in the graph, the three corporations received many 0 ratings, because the respondents either hadn't visited any of the three's gas stations, or because didn't know much about them. This basically induced nonresponse bias. Therefore, we asked a more specific question in the focus group, targeting the teen demographic in the Cupertino/San Jose area and their preferences with gas stations. We first asked them to describe Shell in one word. The responses were as follows: "rich," "affordable," "oily," "fast," and "expensive" (which was mentioned multiple times). Like the respondents of the online survey, they were able to associate Shell with the petroleum industry, and some identified Shell as costly. We wanted to understand why drivers would prefer certain gas stations over others. One popular gas station was Valero, because of its cheaper prices. Costco and Chevron were also popular options because of the lower prices. One participant said his parents generally visit the most convenient gas stations, but specifically stay away from Shell because "it's expensive."

Although the focus group participants did not visit Shell's gas stations regularly, they acknowledged its merits: One admitted that if she "had a more high quality car, [she] might go to Shell… because it feels like it's higher quality." Another participant explained that because his parents had bought a new car recently, his parents decided to frequent Shell's gas stations more often because "the quality of the gas legitimately matters…for newer models."

We asked people to rate JiffyLube, one of Shell's subsidiaries that offers oil changes and repair services, in our online survey, to see how successful Shell's businesses were faring. The responses can be seen in the graph to the left. When participants in the focus group were asked about JiffyLube, while others may have seen JiffyLube's logo before, only one participant was able to describe her experience with that business. She rated JiffyLube as a 7 because even though the employees did get the job done, they were slow with her car repair. To gain a better understanding of consumer satisfaction with JiffyLube, perhaps we should conduct a focus group with adults next time, because if teen drivers were to get their cars repaired, it is unlikely they would go alone to JiffyLube, even if they purchase gasoline by themselves.

Overall, the sentiments toward Shell were neutral in the focus groups, which allowed us to gain a better insight on how consumers were feeling about the company, eliminating the problem of a lack of responses to certain questions in the online survey. We were also able to understand the mindsets of a particular demographic — high school drivers. While some viewed its gasoline as more expensive, there was a consensus regarding the seeming higher quality of its oil. Although the teen drivers in the focus groups driving relatively older cars did not use Shell's services often, one of them did say that when he passes by Shell gas stations, they seem pretty crowded. Perhaps in addition to adding its easily recognizable logo to the myriad of gas stations around the country and continuing on with its responsible oil drilling practices , Shell can focus more on advertisements that target new car owners to attract more consumers.

Appendix

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Prototype Advertisement