Energy Course for Whitehall

Retail Presentation: 20th June 2012

UK Retail Landscape

- Estimated 35bn litres, although declining retail volumes are increasing UK refinery length

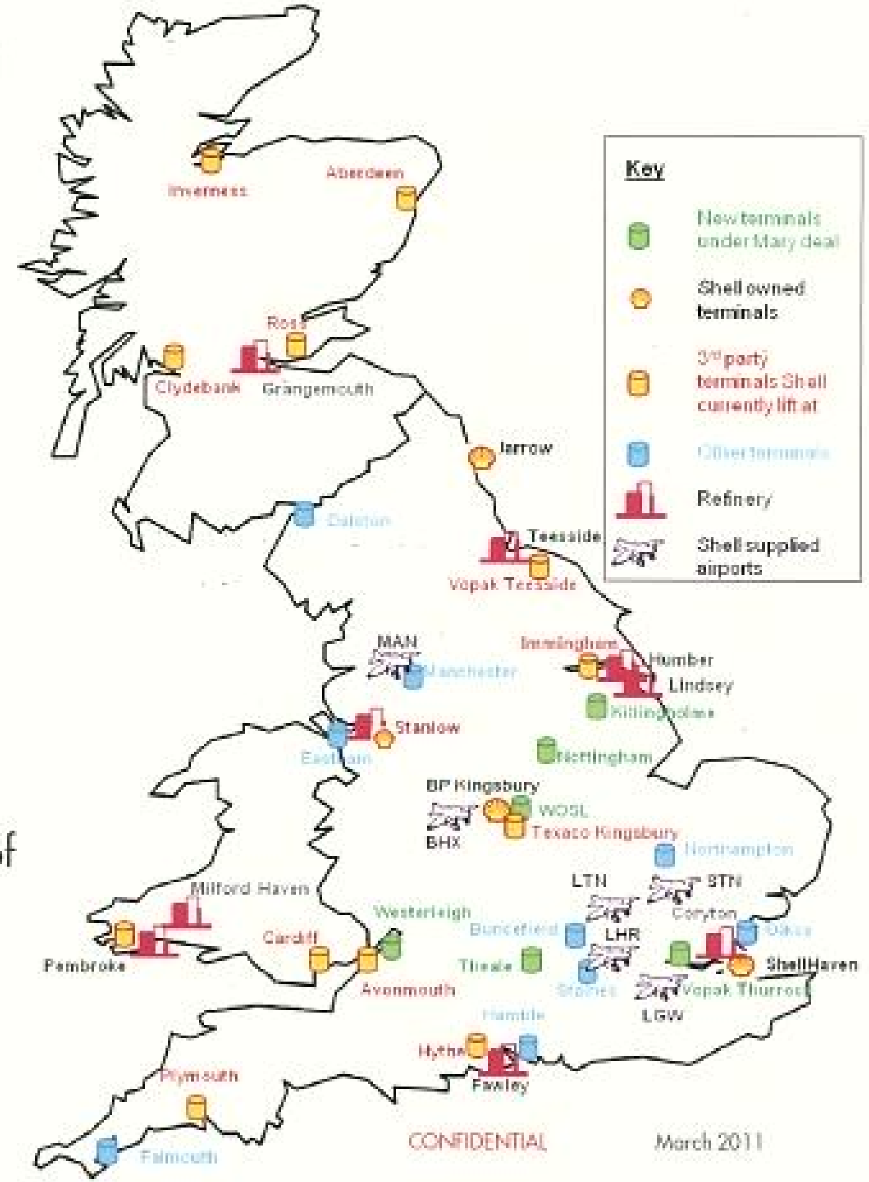
- The UK is overall long petrol and short diesel; the Southeast is reliant on import volumes

- >3,500 sites

- Mix of traditional and non-traditional fuels retailers and mix of operations

- Rationalisation taking place in the DS business generally

- Refineries: Margins low and IOC's being replaced with independents hence marketing businesses have less influence over robustness of their supply chains



Shell Retail UK – Basic Dimensions

•Approx 1100 sites of which ~800 RBA

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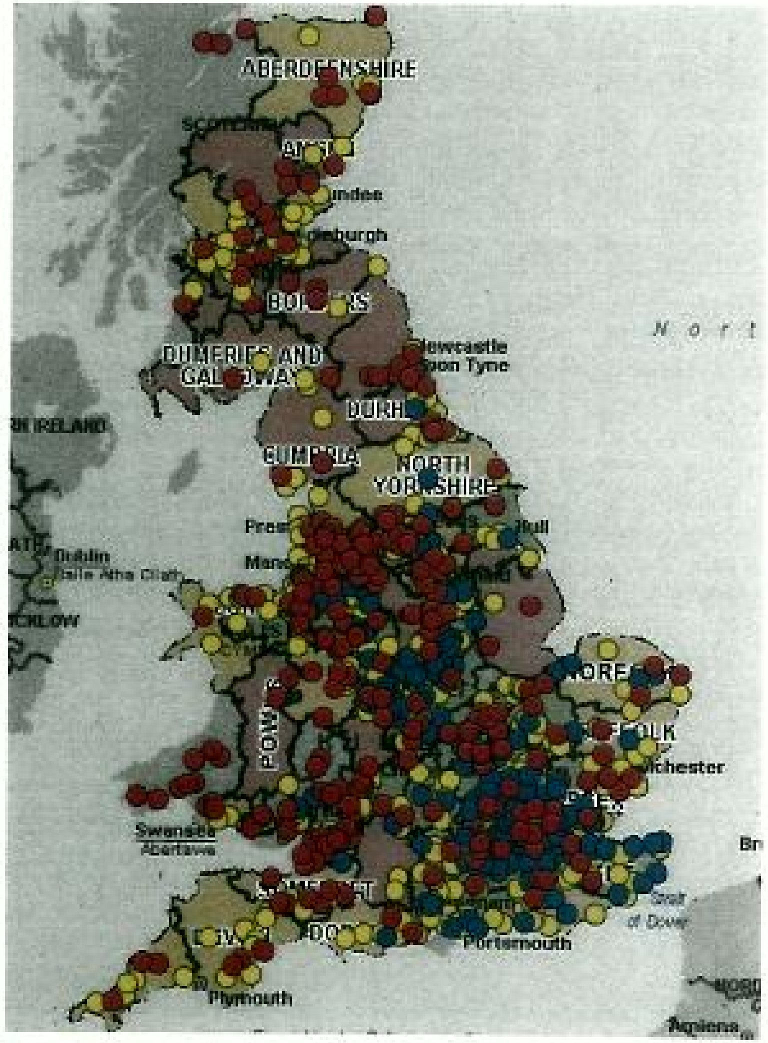
•5m customers per week

•Key components of customer offer:
- •Convenient, quality network
- •Differentiated, quality fuels
- •Drivers Club/ Shell Card
- •Food & Coffee
- •Service



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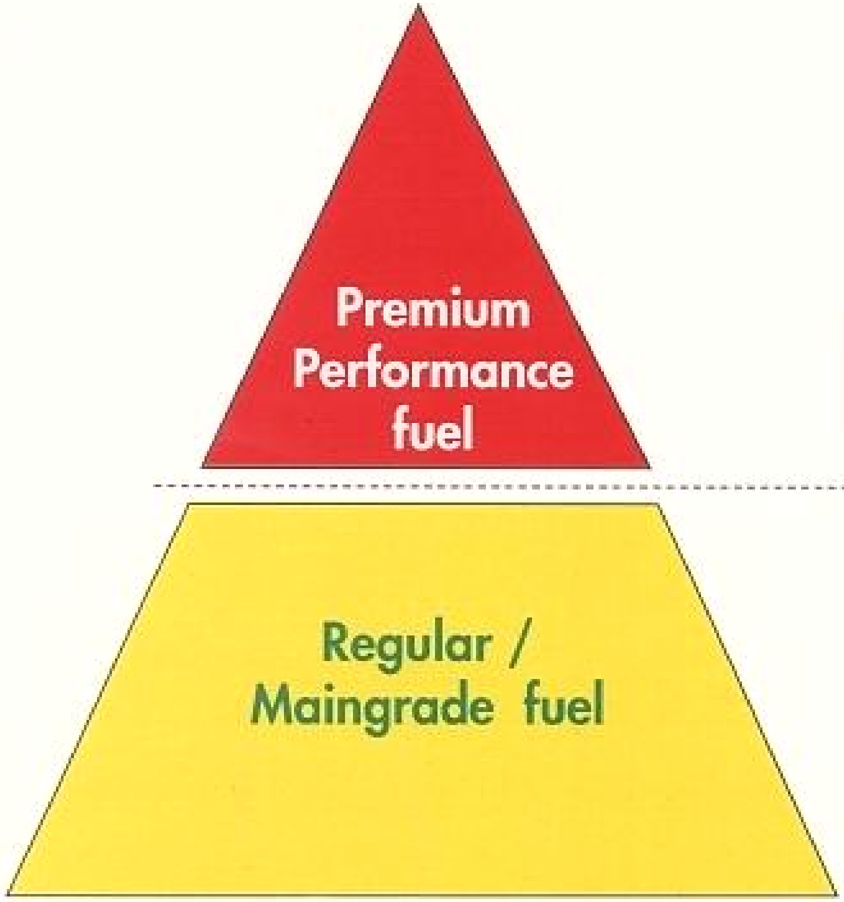
Shell Retail UK – Product Portfolio



Shell V-Power Unleaded & Diesel

Shell V-Power fuels are designed to offer improved performance on the road

Shell FuelSave Unleaded & Diesel

Shell FuelSave, our fuel economy Regular fuel

Delivering on the RTFO (Renewable Transport Fuel Obligation) targets both Shell V-Power and Shell FuelSave are blended with a bio-component, E5

Shell Retail UK – Pricing

The pump price is influenced by many factors:

- government taxes
- oil price
- exchange rates
- local competition

Tax makes up ~63% of the pump price and 33% is the cost of the base product. Shell makes pennies per litre at the pump.

Retail business needs to be independently profitable: no cross subsidisation takes place. Therefore cost reduction and improved efficiencies are always crucial

Customer awareness of price very high and a key driver of site choice. Awareness particularly high in a rising market or at times of duty increases. Heavy competition means industry self regulates

Industry Challenges

•Low margin business
•Increasing costs

•Highly competitive, diverse business models
•Independent retailers vs large supermarkets

•Declining demand: price of fuel, recessionary effect, efficiency of cars, rising duty & taxes, road taxes
•Environmental pressures

•Industry rationalisation – across the whole downstream

•Customer experience: currently a grudge purchase and a break in the journey
•Savvy – looking for deals, instant rewards and gratification, always connected, community/social

But also a lot of opportunities......

Q&A

Over to you......!