

Some members of the HASM team, at the Taiz branch



A PARTNERSHIP POISED FOR TURNING BUSINESS AROUND IN YEMEN

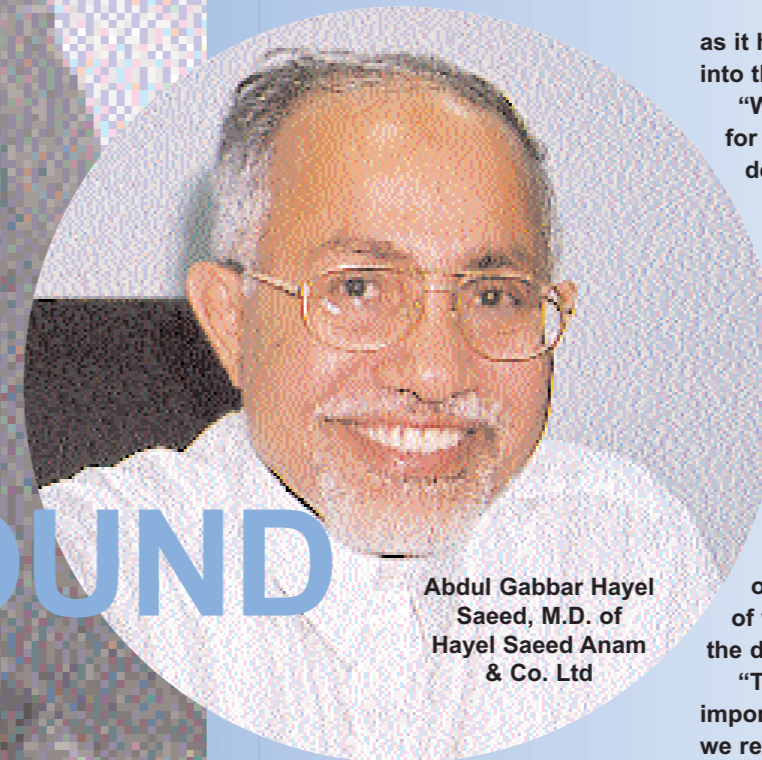
Shell has been in partnership in Yemen with the Hayel Saeed Anam Group, the leading business conglomerate in the country, for over 50 years. Today, the two companies share business interests in the marketing and distribution of Shell-branded Lubricants in Yemen through Hasco and Shell Marketing YSC (HASM) and in a Lubricants blending plant, Yemen Lubricants Manufacturing Company Ltd (YLMC). Despite disappointing results for both HASM and YLMC in the recent past, the year 2000 proved to be a turnaround for HASM, and business prospects are now becoming increasingly bright. 'Shell in the Middle East' goes to Yemen to talk to those involved in managing the business to find out why...



Marc Stigter, Country Chairman for Shell in Yemen and GM of HASM

MARC STIGTER is Country Chairman for Shell in Yemen, and General Manager of Hasco and Shell Marketing YSC (HASM), a joint venture established in 1994 between the Hayel Saeed Anam Group and Shell to market and distribute Shell-branded Lubricants in Yemen. The Hayel Saeed Anam Group has a 51 per cent shareholding in HASM, whilst Shell has a 49 per cent stake in the company.

"I joined Shell about four years ago and worked for Shell in the UK, Australia and now here in Yemen," says Marc. "It was quite a decision leaving behind the good life in Melbourne in March 2000 for unknown Sana'a. Looking back, however, it has been a decision that both Elizabeth, my wife, and I do not regret as we have been fascinated with the Yemeni people, culture and countryside. Living in Yemen does provide its own challenges, which are unique and ▶



Abdul Gabbar Hayel Saeed, M.D. of Hayel Saeed Anam & Co. Ltd

ABDUL GABBAR HAYEL SAEED is Managing Director of Hayel Saeed Anam & Company Ltd's Industrial Division and a Board Member of Hasco and Shell Marketing YSC (HASM). He says, "The partnership between Shell and Hayel Saeed Anam goes back more than 50 years and has always been good. Over the years, however, there have been problems in the local economy with import restrictions on Shell products, high customs duties and other factors. "Shell is getting to understand the local market better and the HASM team, under the Shell-seconded MD Marc Stigter, is performing excellently. We are giving Shell the full support of the Hayel Saeed Anam Group to prepare HASM for the future. "In 2000, HASM had a very good year. We hope that this trend will continue into 2001, and that we can build on the relationships we have developed with customers like the Ministry of Defence. We must, of course, keep the momentum going, but we are positive about HASM and look forward to developing the business." Mr Abdul Gabbar moves on to say, "As for our relationship with Shell in the establishment of the Yemen Lubricants Manufacturing Company [YLMC], this has also been a good experience for the Hayel Saeed Anam Group, and for Yemen,

as it has brought foreign investment into the country. "We all had high expectations for the blending plant. However, despite the fact that Shell products are well known and of an extremely high quality, we were still unable to meet our expectations for this plant in the early days. Things did not work out as planned for many reasons, amongst which were the high import duties which were levied on the raw materials we needed to blend the Lubricants and the high levels of smuggling in the country, all of which had a direct impact on the demand for Shell products. "The customs rates levied on importing the base oils and additives we require at the YLMC blending plant are almost the same as those for finished imported Lubricants, so we are currently lobbying the Government to get them reduced. If we achieve this, and we work hard to develop more Government contracts, YLMC will go on to be much more successful. "All of us involved in the marketing of Shell products in Yemen have to exert the maximum effort to convince the Government to use local suppliers, such as HASM and YLMC, for their needs. We must also build on having more effective marketing campaigns for the consumer, to bring the Shell brand to the forefront in the market. "The Yemen market is small but it is growing and Government policies are moving towards privatisation. I think, therefore, that it would be good for Hayel Saeed Anam and for Shell to look at future developments in areas other than just Lubricants. We would certainly like to expand our relationship with Shell and diversify into other areas in which Shell operates, such as marine bunkering, the establishment of retail petrol stations, aviation fuel supply and bitumen for road construction. "So," he concludes, "we hope that Shell will consider Hayel Saeed Anam as their number one partner in Yemen for the next 50 years as they have for the last 50 years." S

TURNING BUSINESS AROUND IN YEMEN

← impact on one's personal life.

"Professionally, of course, it was quite an opportunity for me to be able to manage a Shell operating company under challenging circumstances at the age of 33. Hasco and Shell had, for different reasons, been experiencing poor results in previous years, and being confronted with the opportunity to try and build on the early signs of improvement which emerged at the end of 1999 was an attractive challenge.

"So, during 2000, we made a lot of changes to the company. We transformed our Merchandisers into fully trained Sales Representatives with clearly assigned customers, targets and incentives. We secured and effectively delivered a significant deal with the Ministry of Defence. We successfully launched a new product, SD-50, in the mainstream Diesel Engine Lubricants market. We restructured our Marketing Team into 'Classes of Markets', and our Industrial Sales Team was restructured as well as trained.

"We also benefited from working



Mohammed Abdo Saeed,
Regional Manager for
Hayel Saeed Anam & Co. Ltd

"THE HAYEL SAEED GROUP OF COMPANIES is Yemen's biggest business enterprise, with its main activities concentrated in the food industry. Over the years, the Group has diversified and expanded internationally and, at the present time, is involved in the food industry in Saudi Arabia, Egypt, the UK, Indonesia, Malaysia and, of course, Yemen," explains Mohammed Abdo Saeed, Regional Manager for Hayel Saeed Anam & Company Limited.

"The Group also has trading operations in Yemen, the UAE, India and China.

"Our 50-year partnership with the Shell Group goes back to when

Hayel Saeed Anam was the representative for Shell Products in what was then known as Northern Yemen. Our relationship with Shell was so good that, in the 1970s, we invited Shell to come to Yemen and explore for oil but, unfortunately, the results

turnover and transformed the company into a profitable and revitalised one with a good future here in the Yemeni market.

"As for the under-utilisation of the Yemen Lubricants Manufacturing Company [YLMC], Shell has a

were not encouraging.

"In 1996, we entered into a joint venture with Shell and Mobil to set up the Yemen Lubricants Manufacturing Company (YLMC) in Taiz in the southwest of the country. The plant blends a wide range of Lubricants for Shell, which are marketed by HASM. YLMC also, of course, produces Lubricants for Mobil, which are marketed not by HASM but by Mobil themselves.

"At the time that we set up the YLMC Lubricants blending plant, the Yemeni market was opened up to competition from both inside and outside the country. Whilst some of this competition was legitimate, much of it was not, which meant that the market was flooded with low cost, very poor quality products. A lot of Yemen's people have very low incomes and so they naturally choose the cheaper products.

"However, due to the concerted efforts of our staff and the Shell-appointed General Manager at HASM, Marc Stigter, things have been turned around. The people are being educated to buy better, high quality products to protect their cars and equipment. HASM is now recapturing some of its market share, which had been lost in the past, and the company is showing a profit for the first time in several years after a prolonged period of making losses.

"This is very good news for all of us. We hope that our relationship with Shell will continue for another 50 years, and, most importantly, that it will be a profitable relationship for everyone - Hayel Saeed, Shell and, of course, the people of Yemen," he concludes. **S**

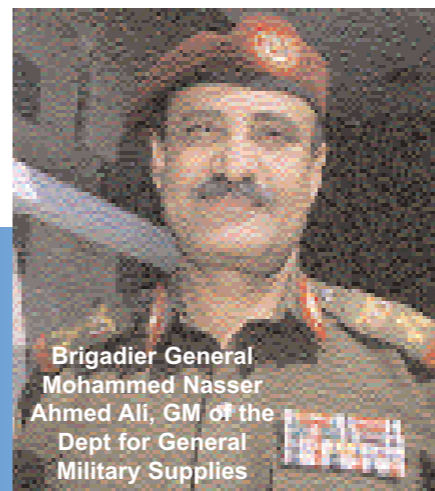
15 per cent stake in YLMC's plant and although HASM increased its throughput by more than 150 per cent in 2000 [versus 1999], the plant would benefit significantly if it could increase its utilisation further," he concludes. **S**

KHALED DOUGAISH is General Manager of the Yemen Lubricants Manufacturing Co. Ltd (YLMC).

He explains, "The YLMC plant is based on Shell know-how and technology and was built with a production capacity of 54,000 cubic metres of finished product per annum.

"It is a Lubricant manufacturing plant. It has four filling lines, one for one litre tins and composite containers, one for four and five litre containers, tins and plastic, which can also be used for one litre containers for certain products. We have a third line for 209 litre drums and 20 and 25 litre pails, and a fourth line for the supply of bulk products.

"The plant produces a range of more than 42 different products for Shell and Mobil. These include diesel engine oils, gasoline engine oils, hydraulic fluids, and gear and industrial



Brigadier General
Mohammed Nasser
Ahmed Ali, GM of the
Dept for General
Military Supplies

A VALUED CUSTOMER

HASM has recently been awarded a contract to supply Yemen's Ministry of Defence with Shell Lubricants. Brigadier General Mohammed Nasser Ahmed Ali, General Manager of the Department for General Military Supplies, says, "The Ministry of Defence [MoD] has renewed a contract with HASM to supply us with Shell-branded Lubricants, which will be used for all our transportation needs, for our trucks, jeeps and other motor vehicles.

"We have purchased Shell products because they are made to the highest international standards and are well



Left: Marc Stigter with
Khaled Dougaish,
GM of YMLC

oils. The base oils are purchased from sources approved by Shell and Mobil as being of sufficiently high standard to meet the requirements of both companies. Individual additives to blend the products of Shell and Mobil are supplied by the companies for their own particular products.

"The plant has a storage capacity for base oils of 13,000 metric tonnes in five separate tanks and a bulk additives storage capacity of 560 metric tonnes in five separate tanks.

"In the five years since the plant was set up, we have suffered some under-utilisation of the plant's capacity. However, in 2000, HASM's requirements for Shell-blended products from YLMC was two and a half times the quantity of products required in 1999.

"While there is still some under-utilisation of the plant, we hope that we will be able to solve this in the coming years, and one of the ways in which we intend to do this is by focusing on the supply of bulk products to major industrial Lubricant consumers," he concludes. **S**

known for their quality. However, there is a lot of competition in the Yemeni market, and I hope that HASM will sharpen up its prices the next time we negotiate this contract.

"What is very important to us at the MoD is that the Lubricants are produced locally here in Yemen, in Taiz, at the YLMC plant, so by entering into this contract we are supporting the local economy of Yemen.

"The service we have received from HASM and YLMC has been excellent and the supply of Lubricants has been carried out efficiently with deliveries on or ahead of schedule.

"It is essential that our Army has the best products to ensure that we can operate effectively. The contract is for the supply of both diesel engine oils and gasoline engine oils, and is for a large volume, supplied in drums.

"So far, everything has worked out well, and I would like to thank all those involved for all their hard work and efforts on our behalf." **S**

THE PAST IN PERSPECTIVE

TONY DEVINE, Commercial Sales Manager for Shell in the Middle East and S. Asia, says, "HASM is a young business, going through the business life cycle in a complex and fiercely competitive local market environment.

"The priorities in the first few years, 1993 to 1996, were to get the business off the ground, to set up the joint ventures, to build the blending plant with our partners, recruit staff and set up offices, whilst building the customer base.

"The bottom line, however, was that with the amount of work required, combined with the negative effect of a civil war in 1994 and an unforeseen drop in sales of Shell products, the ambitious business targets which had been set were unlikely to be met in the short to medium term.

"The challenge for Caspar Ridley, who was CEO of HASM from 1996 to 2000, was to present a 'fresh face' to resolving longstanding shareholder issues, to build on staff competencies, and to carry out and respond to market research. Caspar developed an advertising campaign based on 'One World, One Shell', and undertook fundamental market research to identify key customer issues. The challenge was to put the business on a growth curve to improve profitability.

"Marc Stigter is doing an excellent job in building on the work started by his predecessor in developing new and exciting initiatives. These fundamental changes will provide an important platform for continued growth and profitability of HASM.

"The most critical factor in any joint venture is maintaining a constructive dialogue between the two partners, and it is very satisfying to see that Marc is continuing to build on our strong understanding with our partners, and under his leadership HASM is going forward to build on its strengths with a high potential for real growth." **S**



Tony Devine,
Commercial Sales
Manager for Shell in
the M.E. and S. Asia



Delivering the new SD-50

closely with our local partner, the Hayel Saeed Anam Group.

"Looking back now," says Marc, "all of these changes resulted in a great 2000, as we doubled 1999