

UK HAULAGE INDUSTRY

BRITISH PETROLEUM COMPANY

Assignment 2

Moodle code: Strategic Management and sustainability (LCBB6004)

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British Petroleum Company

INTRODUCTION

The Haulage industry in the UK has a competitive streak that is unparalleled to any other industry in the UK. The advent of COVID-19 and Brexit created a severe supply shock in the Haulage industry. The UK experienced acute labor shortages in an industry that seems to have lost its appeal. (Mick Marchington and Marilyn Carroll, 2003) Haulage industry firms adopt a familiar approach since they stick to a certain 'recipe' (Spender, 1989). Differences between haulage firms create a competitive advantage making it difficult to retain labor (Boxall, 2003). This paper aims to conduct a comprehensive and strategic analysis of British Petroleum in light of its operation in the UK's Haulage industry. The paper will offer an assessment of the strategies taken by British Petroleum during the crunch of Brexit and the supply shock caused by the pandemic. Furthermore, it will explore the resource alignment of British Petroleum to its business strategies and its impact on the environment.

MAIN BODY

British Petroleum's key business strategies can be evaluated through Porter's generic strategies. Porter's framework explores how companies establish competitiveness and profitability in an industry. According to the framework company's approach these aims by utilizing its strengths to create a cost advantage and engage in product differentiation. Porter's generic strategies include differentiation, focus, and cost leadership. Differentiation can only be achieved if British Petroleum develops products that are unique for the industry. To ensure superiority and high quality these products need to be viewed by the target market in comparison to their competitors (Griffin, 2008)

British Petroleum has adopted a smart product development strategy which has enabled the company to succeed in differentiating its products. British Petroleum has been actively involved

in encouraging the use of scientific research while exploring and producing oil. The company's marketing and refining segment has also facilitated effective differentiation through the promotion of its products in markets all over the world. Furthermore, the company has also been making strides in research and development by investing in alternative sources of energy (Hayward, 2010)

The producing country offers average or low-cost pricing within its industry. This is to the requirements of Porter's framework. This enables higher market share and profits within the industry. Companies that aim to achieve cost leadership in the industry make an effort to gain access to low-cost raw materials and suppliers. Companies with this vision also engage in heavy cost-cutting, enhancing the operations of the business and decision making that employs vertical integration in every aspect. (Griffin, 2008) British Petroleum has successfully attained cost leadership within the industry. This achievement has been realized by British Petroleum's efforts to enhance the transportation efficiency of crude and refined oil across multiple destinations.

Furthermore, the focus strategy in Porter's framework involves businesses devoting their attention to a specific market or segment of production. This allows businesses to achieve differentiation or cost leadership in an industry (Griffin, 2008) British Petroleum has not actively pursued this strategy since its sole focus has been on the provision of oil and petroleum-based products to key stakeholders. It has remained true to its purpose of serving multiple segments in the oil market (Hayward, 2010)

The Ansoff growth matrix can also be used to identify and evaluate the key business strategies of British Petroleum. The Ansoff Matrix enables businesses to engage in decision-making centered around the growth of a business. The four strategic choices of an Ansoff Matrix involve market penetration, product development, and diversification. A business may choose any one or a combination of these strategies which is dependent upon internal and external factors. External

factors may include the political climate and the economic state of a nation. Internal factors may include the management of talent or the availability of resources at a given point in time. British Petroleum has pursued the strategies developed through the Ansoff to aid international growth. Hence, the Ansoff Matrix has formed an integral part of its international strategy.

The market penetration strategy is employed by businesses to increase the growth of their existing brands. The pursuit of market penetration by British Petroleum has enhanced the productive capacity of its existing products. This has and will continue to enable British Petroleum to enhance the scale of its reach to its customers. There has been evidence of greater efficiency and effectiveness that has led to controlled overhead costs. Enhanced attractiveness and competitive pricing have led to a sharp rise in sales for existing products which has, in turn, facilitated increased market penetration.

A rise in marketing investment would enable British Petroleum to gain more outreach through its marketing and advertising campaigns to increase market penetration. The engaging communication developed by British Petroleum has helped increase market penetration in various market segments. Exploration of new and innovative means of distribution by enhancing the performance of IT in this process has allowed and will allow British Petroleum to reach previously inaccessible consumer groups within the industry. Competitive pricing and price cuts will increase the appeal of its products in light of the pandemic. It has and will lead to further consumer engagement, increased sales, and market penetration. The supply shock can be tackled by focusing more on reducing operational costs and increasing competitive pricing. The lower operating costs will enable greater affordability and accessibility for market penetration.

The pursuit of acquisition strategies by British Petroleum of competitive players in the market would allow the company to reach different consumer groups and segments. The acquisition will

allow for diversified distribution channels and products. Partnerships and Joint ventures with major competing players in the market will enable British Petroleum to gain access to diversified consumer groups, behaviors, and distribution networks. This will enhance its outreach not only to existing but also to undiscovered markets. Partnerships will cushion the blow of losses incurred due to new investments. Innovation through the creation of new features and characteristics in existing products would create new consumption patterns and behaviors that could prove to be quite useful. Increased consumption frequency of British Petroleum products would increase the sales volume of the company in existing markets allowing for greater market penetration.

The consistent pursuit of Market development strategies can enhance the growth of British Petroleum through the introduction of existing products in previously undiscovered markets. Employing research and development strategies will expose British Petroleum to new cultures, trends, and consumer behaviors. This will allow for greater traction in diverse markets. Regional expansion by tapping into cities within the same geographic region has proved to be and will continue to be quite successful for British Petroleum's growth. British Petroleum's international expansion strategies are in line with a comprehensive SWOT, PESTLE, and Porter's 5 forces. This has enabled British Petroleum to gain recognition and a stronghold within the international market. Brand awareness through brand recall and new consumer segments has proven to be successful in enhancing British Petroleum's position within the competitive industry. Customer education is vital for ensuring the success of the market development strategy since people need to be aware of the product options and offerings multiple times.

The pursuit of Product Development by British Petroleum has been quite calculated since it entails an expensive research and development process which was initiated for some products that appeared to have a strong potential in the industry. British Petroleum has made certain

modifications to existing products to enhance increase consumer traction and enhance its sales. Strategic partnerships can and have always proven to be quite useful for British Petroleum's growth since there is minimal risk involved. It has and will continue to enable the company access to new product developments.

Diversification involves business growth through new product development in new markets. This strategy is essential for British Petroleum to remain relevant and competent in the industry. It can also prove to be useful during the shortages caused by the pandemic and Brexit since it would allow for expansion in the product portfolio of the company. This strategy can be achieved through vertical diversification. This process is not new to the company and it just involves the introduction of new products under existing product lines. Horizontal diversification may also be beneficial if British Petroleum decides to launch a new product that is not associated with existing product lines. This has been successful for British Petroleum in some instances but it is riskier than vertical diversification. Mergers and acquisitions haven't been pursued in the past but they can offer great support to British Petroleum. Diversification towards a new business would not be viable for British Petroleum. This approach has not been pursued in the past since the company already has a strong position in its existing industry.

The resources and capabilities of British Petroleum are essential in enabling the company to achieve its goals, objectives, and missions. The resources and capabilities are always weighed in terms of the opportunities available to the business in the external environment. The external environment is often unstable hence, British Petroleum cannot rely wholly solely on volatile externalities. The company makes use of internal resources and capabilities while formulating key business strategies. The productive assets owned by the company are its resources and the capabilities refer to what British Petroleum can do. British Petroleum has strong threshold

resources. According to the financial report of British Petroleum the company has been quite profitable. It has equity resources that add up to 101.6 billion dollars for 2009 and \$236 billion in company assets for the same year (Financial, 2010).

British Petroleum has immense threshold competencies that involve research and development of renewable energy, exploration, and production of oil and natural gas, extraction, and production. (BP.Com, 2009) The company has the capability and technical knowledge to provide insight into the effective implementation of renewable energy strategies. British Petroleum has initiated the carbon capture and storage technology that can store carbon gases (PLC, 2010) Furthermore, British Petroleum can design thin-film photovoltaic cells that aid in the reduction of manufacturing costs borne by the company during oil extraction and refining. British Petroleum Shipping can provide a safe working environment for all its workers. This can be gauged from the reduction in injuries and spills during the company's operations in the past ten years. By the SWOT analysis the company has experienced many oil spills and disasters however, its capabilities in line with the progress of British Petroleum Shipping have successfully handled this weakness for good. The company has also aligned its capabilities with its strengths by utilizing the opportunities it has to develop outside of its singular focus of petrochemicals.

The Value Chain Analysis of the company involves looking into the activities of production and manufacture of oil-based products to identify the processor stage that adds value. The value addition activities of British Petroleum include primary and support activities. The primary activities of extraction of natural gas, crude oil shipment through pipelines, and transportation transit lines. The support activities aid the function of the primary activities. Experienced employees carry out support activities which include British Petroleum Solar (BPS), Carbon Capture and Storage technology (CSS), and Bright Water Technology.

The VRIO analysis aims to determine whether the internal resources of British Petroleum will enable it to benefit from a sustainable competitive advantage. The VRIO analysis also takes into account each stage at which these resources could be to provide a greater competitive advantage. The resources of British Petroleum are valuable since they are differentiated and brand loyalty is high. The resources are also rare highly specialized and qualified people can handle them. Since the resources of British Petroleum are patented, they are not imitable. The resources are well organized since British Petroleum uses them to capitalize on opportunities and deflect threats. In light of the VRIO analysis, the financial resources and the distribution network of British Petroleum provide it with a sustained competitive advantage. British Petroleum's strategies meet the SAF criteria in terms of their sustainability, feasibility, and accessibility.

CONCLUSION

To conclude, there were various strategies used to analyze British Petroleum's core business strategy, since its entire concentration has been on the distribution of oil and petroleum-based products to key stakeholders, British Petroleum has not actively developed its porter's general strategic plan. It has stayed committed to its mission of serving a variety of oil market areas. Instead, to promote international growth, British Petroleum has adopted the Ansoff-developed strategy. As a result, the Ansoff Matrix has become an important aspect of its global strategy. According to the VRIO report, British Petroleum's financial resources and distribution network provide it with a long-term competitive edge. In terms of sustainability, feasibility, and accessibility, British Petroleum's strategies meet the SAF criteria.

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