

Welcome to IF Consulting's e-newsletter

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Our regular email tackles the topical issues that surround all marketing channels and their underlying strategies.

New joint venture sets channel wheels in motion

Motorists in China will soon have access to fast lube service facilities thanks to a new joint venture between the Shanghai Automotive Group Company Limited (SAGC) and Shell. The Anji Jiffy Lube Automotive Services Company Limited, to be modelled on the USA's pioneering Jiffy Lube chain, will offer motorists convenient, high quality branded preventive maintenance service. The service will introduce a new concept in car maintenance to China.

The partnership is the first of its kind between an energy company and an auto manufacturer in China. SAGC is one of the largest automobile makers in China while Shell Lubricants is a global leader in finished lubricants. The joint venture plans to open 10 pilot outlets in Shanghai in its first year. The outlets, to be named "Jiffy Lube Automotive Preventive Maintenance Centre", will display Jiffy Lube and Anji logos and sell lubricants products provided mainly by Shell.

Both parties are extremely positive about the future of the new venture. Shen Jianhua, Vice President of SAGC, said: "The launch of the joint venture will provide growth value for the sales of SAISC in future car service and trade areas. Meantime it also has strategic significance in elevating the Anji brand in the national auto after-sales service areas." CEO of Shell Lubricants, David Pirret explains that the strength of the partnership lies "in the experience that each party brings to the joint venture... this partnership enables us to continue our downstream growth in the service industry and expand into a brand new market."

<http://www.the-eic.com/News/Archive/2005/Apr/Article385.htm>

IF Comment

The SAGC/Shell joint venture is unique, not only because it is the first of its kind between an oil company and an auto manufacturer, but also because it opens a very special marketing channel for Shell's lubricants in China

It is generally accepted that lubricants generate more profits for oil companies than gasoline. However, many oil companies have attempted to run quick lube chains with mixed success and, generally, have not achieved their goals. These precedents, combined with fact that the Chinese business scene is littered with failures by major corporates in a broad spectrum of industries, spells danger for companies seeking entry into the Chinese market. Successful Western businesses often fail in countries such as China because of an inability to adapt to Asian cultures and ways. Partnership with a major Chinese firm can only advance Shell's Chinese lubricant sales.

Through its SAGC joint venture, Shell will open a low cost lubricants channel. In addition, promoting Shell's brand in Anji Jiffy Lubes should result in additional lubricants sales to the vast number of motorbikes in China.



Marketing Channel
Strategy Consultants
Maximizing shareholder value
through creating the best route
to market

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Shell is a proven international powerhouse. The SAGC joint venture is yet another example of its international expertise.

Snippets

The British Broadcasting Company (BBC), has announced plans to test a program that would make full-length versions of its television shows available for download over the Internet.

<http://www.ecommercetimes.com/story/9O5j0PRGmqbe7M/BBC-Breaks-New-Ground-with-TV-Show-Downloads.shtml>

Frustrated with the lack of space and promotion within the giant chains, fashion labels are opening their own single-brand stores. Following the trend set by companies such as North Face's parent VF Corp., Ralph Lauren, Liz Claiborne, and Lacoste, apparel makers are now seeking tighter control over their brand images and futures.

http://www.businessweek.com/bwdaily/dnflash/may2005/nf20050517_2302_db016.htm

Essar Oil Ltd is planning to open 5,000 petrol pumps by 2008. The company, part of the multi-diversified Essar Group that ventured into petroleum retailing a year ago, will franchise the retail outlets rather than use the company-owned-company-operated model.

<http://www.business-standard.com/common/storypage.php?storyflag=y&leftnm=lmnu1&leftindx=1&lselect=1&chklogin=N&autono=189172>

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