

Management Analysis Report 2019

Introduction

Despite the challenges faced in 2019, Oman Oil Marketing is proud to continue leading the growth of the fuel marketing sector. With dedication, evolving around customer centricity and bringing innovations to the fuel market, we have spared no efforts to exceed our customers' expectations towards targeting their wants and not their needs only. We are living by the same standards in Saudi Arabia and Tanzania where we are present with a retail network and lubricants.

Looking towards a promising future, we are committed to reinforce and contribute to Oman's economic and social advancement as we keep innovating, enriching and advancing all sectors of the industry while designing solutions. Our teams are driven by delivering benefits to customers and energizing their life.

As always, we will align our ambitions with the country's developments, driving the progress of both the company and Oman in the years ahead. As the market leader, we believe in our responsibility towards all stakeholders while growing in a sustainable manner only.

HSEQ-T & SD

At OOMCO, our most valued resources are our employees, our customers, and the communities we serve. We are dedicated to provide a safe environment for employees and customers, protecting the public, and preserving OOMCO properties and assets. This year 2019, Oman Oil Marketing has maintained a Safety record of zero Lost Time Injury in 17 million working man-hours and below 0.3 as Total Recordable Injury Rate. OOMCO also achieved a Safety record for the third year since it has not recorded any major road traffic accident considering the transport of its fuel across Oman. No OOMCO facility has witnessed any fire or environmental accident.

To keep OOMCO a safe place to work within, to fuel and to shop, Oman Oil Marketing initiated different creative initiatives during its HSEQ week, where all stakeholders have been involved to health, safety and environment activities. Road Safety remained a focus for Oman Oil Marketing in 2019: the company continued its defensive driving training program and monitoring driving behaviors for its employees and contractors through IVMS and the Safe Journey Management System. OOMCO demonstrated its responsibility towards the community and public by launching “Road Safety Villages” in order to target and educate the young generation in Muscat, Salalah, Nizwa and Buraimi.

Our HSEQ culture is vivid across all our operations and is a combination of policies and practice. We strategically implement policies and audit our management system, we also develop performance reviews to identify areas for greater improvement. All together leads to have OOMCO sustain its compliance with four different Management system standards: ISO9001:2015 (Quality Management System), ISO14001:2015 (Environmental Management System), OHAS18001:2007 (Occupational Health & Safety Management System) and ISO27001:2013 (Information Security Management System).

As part of its commitment to deploy sustainable and clean energy at its operations, OOMCO has powered seven of its service stations with solar energy: those are connected directly to the electricity distribution network and can power back to the grid in exchange for an agreed tariff with the Authority for Electricity Regulation. OOMCO has also installed a turbo electric vehicle (EV) charger at its first Green Service Station in Rusail. We are looking at the future of green motoring, in line with Oman’s national strategy to adapt and reduce CO2 emissions as well as reducing electricity consumption.

Human Resources

OOMCO brand image, reputation and success are built on a foundation of personal and professional integrity. OOMCO has also become an employer of choice, offering premium employment and career development opportunities to a wide cross section of people.

Our total number of direct employees as of 31 December 2019 is 237. OOMCO achieved an Omanisation ratio of 84%, without compromise on the quality of service provided to customers. This is a significant achievement considering the fact that the field requires staff with specific skills to serve a wide spectrum of customers across the retail network. In order to continue raising our performance, we dedicate our efforts on developing the capacities of our human capital across our various businesses: we provide them with opportunities to enhance further their knowledge on specialized and specific competencies in addition to a wide range of applied, technical and creative skills.

We believe in growing our employee skills through consistent training programs and based on that, we have created the “OOMCO Academy” with both external and internal speakers to equip our employees with the right skills and competencies. We have also started online training programs whenever deemed efficient for our colleagues in addition to our new mentorship program, where each of our general managers will coach and advise one mentee every month.

As a young and energetic Omani organization that prides itself on being a pioneer in the Sultanate’s energy sector and a valued partner in the development of its infrastructure, OOMCO continuously seeks to bolster its existing workforce. A key factor of its long-term corporate objectives, the company recruits the right Omani talents on the right job at the right time to become the preferred employer of choice within the fuel marketing sector.

Retail Network

The Retail division is a core business of the company and it exhibited a vigorous growth in 2019: OOMCO has introduced 13 new service stations in Oman with the first “MEGA” service station (10,000 m²) reaching a total number of 224 service stations in Oman. It is worth highlighting that OOMCO is the only fuel Marketer serving all motorists on Al Batinah Express Highway through 4 innovative and original “Mobile Service Stations”. Besides building those new service stations, OOMCO has improved and optimized the quality of existing stations, while reconstructing 2 Commercial Buildings with great potential to contribute growing our retail fuel volume in coming years.

Ultimax 98, the highest octane fuel introduced by OOMCO to Oman in January 2018 is now available in 37 service stations compared to 17 service stations end of 2018.

Our Retail department operates on its own 101 service stations (45% of the whole retail network) thus evidencing OOMCO's expertise in managing service stations with efficiency and quality. The excellent management of these service stations has resulted in outstanding customer care standards and better cash-flows as well as making Oman Oil brand the leading brand in fuel marketing as per a recent national customer survey.

The Shop, Food and Services (SFS) is another important segment of our Retail business and growing. OOMCO is working on transforming its service stations into one-stop-shops with a diversity of products and services. Ahlain convenience stores are a major contributor to our SFS with a total network of 123 Ahlain convenience stores; beyond and within the SFS segment we delight customers on our service stations with third party shops, 39 restaurants, 25 Car Care Centers, 15 Ahlain Cafés and 7 Café Amazon. We believe in Digital experience by offering connectivity and e-payment with Thawani as well as digital screens in 28 service stations for announcers. The offering and services at our service stations included also ATM facilities, bill payment facilities, laundry, post office and more to come and fulfil customer wants, beyond their needs.

Fuel Cards is one of the most dynamic division in Retail Business which added great value to OOMCO and the end user. The excellent services of OOMCO fuel cards and the variety of fueling solutions resulted for OOMCO to be the preferred choice in the market and to continue leading. We believe in smart fueling.

We managed in 2019 to deliver a set of remarkable achievements including:

- Sustaining the incremental growth of fuel cards sales
- Successfully increase "e-Fill" customers
- Secured 55% of the NSS market share reflecting an outstanding level of the trust by customers in OOMCO fuel cards

- Enhance Bank Card sales though increasing the number of POS machines in our service stations

Commercial

Our Commercial Business witnessed a strong growth in its 2019 volumes compared to 2018, on a non-growing segment and despite an intense competition. Business continued to focus on enhancing delivery efficiency, alliances and offering solutions to customers through technological innovations like our “Mobile Fuel Station” and dedicated services. Innovation and integrated solutions were again the pillars for the commercial fuel growth in 2019. We have developed a distinct value proposition offering with clear segmentation plans for our business: this enabled us to expand our market share in several segments while addressing customer needs and targeting the customer wants in each segment. Other key factors enabling the growth were winning new businesses while retaining of existing customers across all sectors with healthy margins. Our new brand identity to our corporate customers “B2Smart” shaped up the new offerings for our clients, riding on digital platforms and focusing on delivering both delightful and enhanced customer experience.

Despite all economic and collection challenges, our commercial team managed to continue working with OOMCO clients across the country. Today, we are proud to be part of several strategic projects which will enhance Oman’s competitiveness and realize a sustainable growth for the nation in the future.

Aviation

During the year 2019 we have managed to renew most of our major airline contracts while gaining Salam Air at the Muscat International Airport and Sohar as well as other ones. We have pursued more international customers operating in Muscat International Airport.

Oman Oil has ensured its existence in Sohar International Airport by signing a 2 years contract with Oman Airports.

With more than 20 regular aviation clients, we have managed to refuel over 11,300 aircrafts safely during the year, while exceeding our customer expectations and consistently complying with the highest HSEQ standards and procedures.

Lubricants

Oman Oil has been the fastest growing lubricant brand in Oman: products continued to receive wide acceptance with an increased customer base across the country. The sales volume grew by 36% in 2019 gaining more market share as well as penetrating new channels of distribution. In addition, our lubricants continued to grow in several overseas markets. It is anticipated that our brand will acquire more market shares in the coming years in Oman and overseas focusing on varied marketing activities and capitalizing on the dedicated marketing / digital campaigns. Also, launching both “Optimo Swift” car care centers and “LubExpress” outlets during the year 2019 has contributed in increasing the brand visibility and equity across Oman and abroad.

BP Castrol business had a steady growth in the synthetic segment: it maintained its premium position in the industry. Under the flag of Castrol redefining the lubricants market, focus is on innovation and meeting our high standards with top quality products.

Customer Care

2019 was another very important and a unique year for our Customer Care Department as it was a continuation of the success of 2018. One of the major milestones of 2019 was the launch of the “Basma Plus Card” which played a major role and looking forward to add a great value to OOMCO services and initiatives.

With our new approach of the “Customer Care Week” and keeping our promise “You trust, We care.” the Customer Care department organized two Customer Care weeks in April and October. Part of the Global Customer Care Week our Executive Management team led by our CEO visited several service stations and took up the role of fuel attendant in solidarity with employees and to serve customers. Feedback and suggestions were received from customers followed by analysis and action plan.

In 2019 and part of our customer relationship and engagement a new initiative was introduced with a quarterly VIP Business lunch hosted by our CEO.

With a leading market share of the NSS (National Subsidy System), Customer Care continued its services by attending a massive number of calls related to citizens' feedback and inquiries.

Business Development

Following the earlier bunker license award and land lease agreement signed with Port of Duqm Company (PDC), Oman Oil Marketing Company is busy constructing the bunker terminal at the Port of Duqm for a planned completion and operations in the first quarter of 2021. The terminal comprises 30,000 cubic meters of tankage and ancillary facilities: it is designed to provide various grades of bunker fuel, such as heavy fuel oil and marine diesel oil as well as marine lubricants to ships calling at the port and its surrounding waters. The terminal is fully flexible to handle various product types inclusive of low sulphur marine fuels which customers will now increasingly require in compliance with international maritime regulations. Bunker services and activities by OOMCO are currently fully active and continuing at the Port of Duqm even during terminal construction, utilizing barge delivery for heavy fuel oil and marine gasoil, also road truck deliveries as appropriate and to serve customer requirements. OOMCO remains proud of its partnership with the Port of Duqm Company to help develop the marine business at what is envisaged to be a future strategic bunker hub.

Information Technology

During 2019, IT has completed major projects with high business impacts. The c-store ERP implementation which leads to smooth operation at more than 101 stores. This help OOMCO SFS team to generate reports and do desired analysis.

IT played a major role in introducing eco-friendly initiatives in OOMCO such as the automation of fuel delivery note leading to no more printed copies. E-Procurement is another example where automated procurement process leads to make process much faster, reliable with direct online access to vendors with less paper work.

Budget planning automation system was one of the new system that been implemented in 2019, with the new system budget planning became faster and accurate. Moreover, the introduction of automated email payments using a follow-up system has reduced a lot of efforts and time that business and finance teams were spending to follow-up with their customer payments, saving more time to focus on new business opportunities and customer satisfactions initiatives.

Marketing

Stemming from the company's vision to become the most customer-centric Marketer in GCC, the Marketing department was formed in 2018: its objective is to continuously differentiate OOMCO from competitors by offering new and innovative services to our beloved customers and reaching them wherever they are.

Our aim is to delight our customers and create memorable experiences by putting our customers at the heart of what we do, and offer them what they want on their journey under one roof.

The Marketing team has reviewed each segment in every business and defined the needs in order to develop value propositions which will transform your company through offering a delightful customer experience.

Marketing is deeply engaged with the customers and the various business of our company. We get involved to make things better and grow together. We provide valuable input and feedback to ensure the organization moves forward and our customers experience the best. We believe in "More & Better" rather than "More or Better".

Digital

Digital, which is primarily a customer facing domain, has been evolving at an incredible pace over the past decade. Since organizations become more customer-centric, Digital assumes a more prominent role within progressive business entities. Indeed, most of our customers are now being engaged online.

The Digital Department in 2019 started implementing the phase 2 of its Digital Strategy which revolves around introducing new products and transforming business functions into being digitally advanced in terms of touch-points and internal processes. With the launch of the “OOMCO World” app the number of downloads and users has increased by 2,300% compared to the old mobile app.

In addition, dedicated platforms have been introduced to digitize the internal processes of the business functions: Commercial Fuel CRM and Oman Oil Lubes CRM.

Moreover, the loyalty program has been entirely revamped and integrated with the mobile app where customers can view their points balance and redeem their points online. The award points collection got extended to “Ahlain”, “Cafe Amazon” and “Optimo Swift” to encourage customers to experience the full range of services offered by OOMCO.

Outlook

We are positive about the county’s overall growth and performance next year. In fact, according to the International Monetary Fund (IMF), Oman is set to become the region’s fastest growing economy as its real GDP is expected to grow by more than five per cent.

As a company, we will continue playing a key role in Oman’s upward trajectory. Implementing a forward-thinking strategy, we are exploring new investments, joint ventures, and growing non-fuel revenues “Shop, Food and Services” while continuously investing in human capital and be part of the top 5 fuel marketers in the GCC by 2025.

Our goal is to become the most customer-centric marketer in the GCC while sustainably developing the company's presence both locally and internationally. We are expanding our service stations outside the Sultanate into the Kingdom of Saudi Arabia and Tanzania. We have also set plans to implement a unique retail model that will help build our reputation as the preferred one-stop shop: our service stations are becoming destinations. Besides, we are going ahead with our new concept of "MEGA" service stations offering a host of facilities: money exchange outlets, gyms, restaurants, post offices, a laundry, play areas for children and shopping centers for families. Beyond our 7 solar powered service stations and one "Green" service station, we will pursue more.

In addition, our roadmap includes expanding our line of lubricants within the region and beyond with an existing presence in over ten countries such as Kenya, Qatar and Bahrain.

We are expanding our footprint, diversifying the number of revenue streams while exceeding customer needs to always bring them what they want.

In so doing we target sustainability and responsibility.

This concludes my review of the company's operational performance for the year 2019.

David Kalife

Chief Executive Officer