Three Companies To Analyse Is: Royal Dutch Shell, Bp Plc And Bg Group

INTRODUCTION

According to International Energy Agency (2009), the natural gas industry in Europe exhibits all the extreme ranges of the economic activities that occur in the natural gas market. The market display upstream, mid streams and downstream ranges which are triggered by changes in prices, technological advancement, demand, production costs and the nature of market competition. This paper will analyse the environmental scan, financial analysis and SWOT analysis of three companies (Royal Dutch Shell, Bp plc and Bg group). The paper will also aim in examining the strategies applied by each of them in line with both internal and external business environment. In other words, the Paper will provide an overview of the uses of PESTLE and SWOT analysis.

Ratio analysis

The ratio analysis will provide an insight of the strength and weakness of Royal Dutch Shell, Bp plc and Bg group of companies. The rates discussed below will provide an examination on how the three groups perform in a variety of areas across Europe. The ratios are categorized into; Returns on Capital Employed, Quick ratio, Asset Turnover, Returns on Equity, Total Debt Ratio, and Total Net Margin.

1. RETURN ON CAPITAL EMPLOYED

Royal Dutch Shell had an increase of the Return on Capital Employed ratio. The rate reduced in the year 2007 but later increased over the preceding two years then dropped. This indicated Royal Dutch performed poorly during the year 2008-2009 where the extra capital invested was not able to realize a profit but a loss. Over the next two years, Royal Dutch was able to gain more market share across Europe. For any capital employed over the two year period, it regenerated a profit of 15.5 And 15.9 units respectively. The company was able to perform to its best but during the final year it performed dismally leading to the realization of losses (Wyratt &Waren, 2007).

Bp plc recorded an increase in performance during the year 2007-2008 where it realized 18.5 extra units for any additional capital invested. The performance reduced drastically the company was unable to venture into the market and continuously performed dismally. During the year 2020-2011, the company had made huge losses due to poor performance and any capital invested could further result in losses. The Bg group, on the other hand, increased its performance for the first three years making supernormal profits. Any capital invested was more profitable. The company later dropped in the third year period reduced earnings on capital employed to 31 units from 35.62 units. In the final year, Bg group was able to recover and made enormous profits. Any unit of capital invested could realize an Extra of 40.95 units as a profit (Whittington, 1993).

Concerning the above, percentage changes indicated that the company was not ranked similarly even though the Returns on Capital Employed kept on changing. In the year 2007 Bg Group was able to outstand in performance. The company was able to stand tall and outcompete others hence their ability to appropriately deploy capital to make profits was compromised. The Bg group was continuously higher than Roya Dutch and Pb Plc, but as with all three companies fluctuated due to the economic environment changes that are recognized by all. Royal Dutch Shell ranked last for four years expect in the fourth year where it was able to deploy its capital effectively more than Bp but not Bg group. All the companies were persistently struggling to make profits, particularly in the fourth year where Bp had made huge losses. This indicated that the three companies are close competitors, and each had impacts on consumers Company Bg group made a marked improvement in their ROCE ratio.

ASSET TURNOVER RATIO

Royal Dutch Shell indicated an increase of Asset turnover ratio in 2009-2010 and 2010 2011. Bp Plc and Bg group showed a struggle in using their assets effectively. However, Royal Dutch Shell was able to generate more units in its asset use for instance it started effectively in using its assets. Company BP plc and Bg group were not good in using their assets and hence fewer sales. Royal Dutch Shell made the best use of their assets seeing both the best results regarding percentage change and overall asset turnover results. Shell had higher percentages concerning asset use over the five years. Companies Bg and Bp plc had ineffective methods of using their assets in order to increase their assets. While Royal Dutch Company has made the highest improvements over the five year period and continuously out-compete its competitors, Bg group was the least to use its assets. It's competitors. Their underperformance is an indicator of their issues regarding generating enough turnover to utilise their assets effectively and that they should perhaps sell some of their assets. These results could perhaps be a reflection on the pricing strategies used by each company (Jones & Tang, 1996).

RETURN ON EQUITY

All the companies competed healthily concerning returns on Equity. Royal Dutch Shell was able to outshine others in the fourth year while Bp plc dominated in the third and fifth year and Bg Group dominated the first and second year. However, there were fluctuations concerning the percentages. For example in the years 2007 Bg group had managers who could effectively use its shareholders investments as well using equity efficiently in managing the operations of the company. Company BP plc was the second while Royal Dutch was the least amongst the three. Royal Shell was, however, the most efficient to manage the shareholders investments during the third year where in every one unit of stakeholder's equity, 19.3 units of income were generated. Further Bg group outcompeted others during the final years when its managers were effetely using the stakeholders equity to finance the operations of the company appropriately

CURRENT RATIO

Royal Dutch company had a constant ratio of 1.i for the first three years and an increase to a constant value of 1.2 over the next two years. BP plc had the fluctuating percentage that reduced in the second year and increased for the rest of the years. Similarly, BG group had a fluctuating ratios that were least during the third year. The companies have a ratio that is greater than 0ne over the years except for Bp plc in the second year where the ratio stood at 0.95. At this rate, Bp was no able to pay its debts over 12 month's period. Royal Dutch Shell Company indicated as a keen ability to match all its current assets to current liabilities. The currents assets were therefore enough to settle all the current liabilities. Bp plc and BG group kept on changing their abilities to pay debts. With regards to the table, above all, the three companies have shown improvements in currents ratios over the five years.

TOTAL DEBT RATIO.

The ratios of Bg group and Bp plc are less than one however their percentages are below 50%. Royal Dutch Shell Company has ratios which are above one however they have high percentages which lie above 100%. Bg group and Bp plc company have less percentage even though their ratios are below one. This therefore means that the debts are higher than their operatingcash flows and since the percentage is lower they are not able to settle their debts effectively. On the other hand Royal Dutch Shell have ratios which bare more than one indicating that they have operating cash flow which are higher than their debts. This means that Royal Dutch Shell p covers its debts with great ease as compared to the two competitors.

NET MARGIN RATIO

All the three companies show a fluctuation in Net profit margin over the entire five years period even though Bp plc has a drastic fall during the third year. In the year 2007-2008, Bg had a healthy percentage of 21.08 percent indicating that it pricing policies are well structured, and the company is efficient in controlling production costs than its competitors. During the third year company Bp plc was not able to efficiently formulate policies in controlling costs and hence a negative ratio shows inefficiency. The three companies have emphasized on different

policy or strategies to control their costs of operations. According to this analysis, Bg group seems to be powerful followed by Bp plc and Royal Dutch Shell.

Swot analysis

According to Porter (2008), several environmental factors, legal factors, technology, social, economic and political and factors have dictated the market complexity in which the three companies. The companies have established policies that control adverse effects and hence profitability increase and survival. Shell precipitated with European countries to monitor climatic changes and conservation so as to create a positive reputation with the governments in which it existed. Further, Shell has continuously increased peaceful, and healthy working conditions as well as advocated for workman's compensations. Further, it has improved strategies that conserve the environment. For example, Shell has a competitive advantage due to technological advancements and hence obtained a first move advantage. The company has emphasized on strategic performance that has increased profits. The industries are dominated by oil and gas products. Shell has therefore emphasized on new technological especially I drilling equipment.

From the above financial analysis, it is crystal clear the each company experiences different difficult and has out-competed the other competitor at one time, and each has performed differently in different areas. Due to economic downs and ups, thus has been challenges and threats as well as unpredictable consumer demands. The analysis further indicated that there existed different volatilities. The current ratio, for example, indicates how the currents assets are to offset current liabilities. Ratios can, therefore, be useful tools to compare different firms. The comparison have shown that Royal Dutch Shell performed greater than others. In addition, the ratios have been used to analyse the extent of performance (Bratton, 2010).

The weakness of this method is that it uses only figures providing a clear limitation on internal comparability. Some factor, such as customer analysis cannot be assessed. Further other information like brand image and market share is not explicitly given. In addition, there are variety accounting policies and techniques used in calculating the figures. Some companies can manipulate their values providing false information and thereby false information. To wrap up, ratios such as single ratios do give clear implications, and hence the comparison cannot be 100 % clear in comparing the companies. With this information, Swot analysis is the best in comparing the tree companies (Rosllinson, 2005)

In conclusion, different analysis have been used in this paper that have enabled analysis of strategic observation of the three companies within Europe. Different approach has indicated various market leaders as discussed in the paper

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