

GLOBAL/INTEGRATED
OILFIELD SUPPLIERS

TOTAL SATISFACTION

	<u>Rating</u>	<u>Trend</u>
Aker Solutions	VERY LOW	DOWN
Baker Hughes	AVG	STEADY
Cameron Int'l	AVG	STEADY
FMC Technologies	LOW	DOWN
GE Wood Group	AVG	STEADY
Halliburton	AVG	DOWN
National Oilwell Varco	LOW	STEADY
Schlumberger	AVG	STEADY
Weatherford Int'l	AVG	STEADY

PERFORMANCE & RELIABILITY

	<u>Rating</u>	<u>Trend</u>
Aker Solutions	VERY LOW	DOWN
Baker Hughes	AVG	DOWN
Cameron Int'l	AVG	DOWN
FMC Technologies	AVG	DOWN
GE Wood Group	AVG	STEADY
Halliburton	AVG	DOWN
National Oilwell Varco	LOW	DOWN
Schlumberger	AVG	STEADY
Weatherford Int'l	AVG	STEADY

* Ratings based on trailing 24-mo average.

The Perils of Lockstep Strategies

The oil and gas industry's largest upstream suppliers are racking up plenty in the way of revenues these days. By our estimates, the "Big Four" integrated global service providers and the top five capital equipment manufacturers (see the table to the left for the full listing) on a combined basis account for approximately one quarter of all supplier-segment sales to the upstream. Might doesn't necessarily make right, however, and customers appear increasingly underwhelmed with the performance of the industry's highest-profile names. None currently enjoys above-average ratings in EnergyPoint Research's independent customer satisfaction surveys, and current trends don't suggest the situation will significantly change anytime soon. Shareholders seem to sense something's amiss as well, as the eight pure-play oilfield names (we've excluded GE as a cross-industry conglomerate) have seen their stock prices rise just 29.4% in the 24 months ending June 30, 2012. This compares to a gain of 63.3% for the Philadelphia Oil Services Sector Index (OSX) over the same period. With the offerings and capabilities of the industry's largest suppliers looking strikingly similar these days as a result of organic-growth development and acquisitional efforts, their customer ratings and financial performance seem to have effectively converged. This has made it even more of a challenge for both customers and investors to see much in the way of differentiation among companies. Suppliers' efforts *to fit in* have, in effect, made it substantially more difficult, maybe even impossible, to *stand out*. The result is that customers are now able to more effectively push price as the final differentiator. Unfortunately, what both customers and suppliers appear to have missed in their march toward greater uniformity in offerings, capabilities and footprints is the possibility that customers, in the end, might actually end up being less satisfied with the products and services they receive from "do-it-all, be-everywhere" organizations.

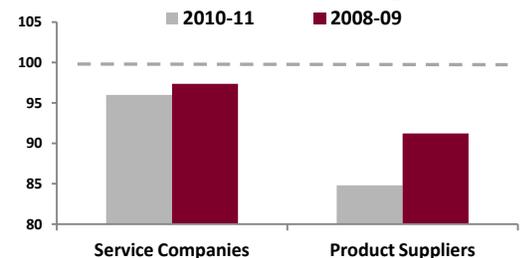
Alas, Size Isn't the Prize

It shouldn't come as a big surprise that things have turned out this way. One need look no further than the problems the financial services industry heaped upon itself when it decided bigger was better. The ability of large institutions to offer customers everything under the sun, in the form of the vaunted "financial supermarket", would spur innovation, competition and efficiency it was argued. It was the perfect dangle. But in the end, the strategy backfired as individual banks ventured too far from their particular core competencies. Likewise, we believe that until a renewed focus on developing, emphasizing and defending suppliers' core competencies emerges within the oil and gas industry's most influential circles, customer satisfaction levels will very likely continue to languish. Whether it be from a lack of differentiation stemming from persistent group-think mentalities, difficulties in running increasingly diverse and far-flung operations, or the inevitable "averaging down" of customer experiences as a result of bundling efforts, the deck seems stacked against the growth-through-diversification approach of the biggest players.

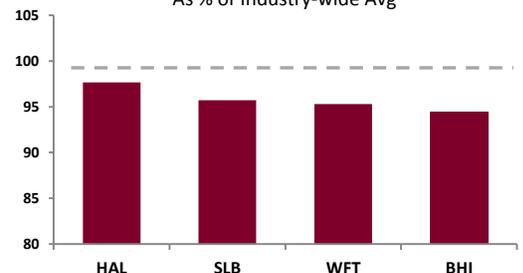
Where Real Strengths Lie

Lower customer satisfaction levels for the industry's largest suppliers do not necessarily reflect irresolvable deep issues. Rather, it's the tight clustering of their ratings at such consistently mediocre levels, along with the ongoing deterioration in performance and reliability, that we see as the salient concerns. Change is never easy, but the first step in achieving better performance among the industry's largest suppliers may very well be in recognizing that an organization's real strengths lie not in its similarities with its competitors, but in its differences.

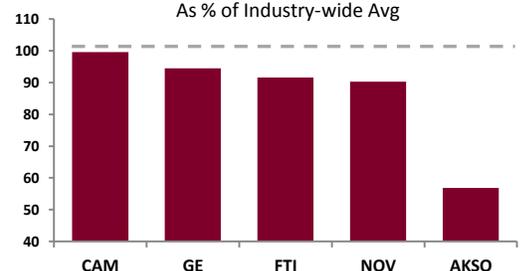
Satisfaction Ratings of
Integrated/Global Suppliers
Trailing 24-Mo Ratings
As % of Industry-wide Avg



Both Ratings Parity & Mediocrity
Among the "Big Four" Service Companies
Trailing 24-Mo Total Satisfaction Ratings
As % of Industry-wide Avg



Large Capital Equipment
Suppliers' Ratings Cluster as Well
Trailing 24-Mo Total Satisfaction Ratings
As % of Industry-wide Avg



ABOUT ENERGYPOINT RESEARCH

EnergyPoint Research provides independent research regarding the oil and gas industry's satisfaction with the products and services it purchases and utilizes. The firm offers industry professionals and their employers opportunities to provide comprehensive and confidential feedback to suppliers through objective and independent evaluation processes. In return for participating in surveys, respondents and their employers receive complimentary survey results in the form of EnergyPoint's *MarketPartners*® Reports and Updates. Through the *MarketPartners*® Program, EnergyPoint regularly surveys significant cross-sections of experienced industry participants involved in the selection and utilization of oilfield products and service providers. Survey participants range from managers at some of the world's largest energy companies to field personnel at independents and regionals. To learn more about EnergyPoint Research and our benchmark surveys, go to www.energypointresearch.com or call the company in Houston, Texas at +1.713.529.9450.

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