CUSTOMER CASE STUDY

Oil and Gas Equipment Manufacturer Supply Integration

FERGUSON INDUSTRIAL

PROJECT OVERVIEW

CUSTOMER:
A global corporation, manufacturing equipment and components used in oil and gas drilling and production operations, oilfield services and supply chain integration to the upstream oil and gas industry.

CHALLENGE:

The customer sought ways to manage their MRO indirect spend so they could get better control of their procurement processes, control their inventory, clean up their data and have visibility and control of their indirect spend budget.

SOLUTION:

Implement our Automated Supply Program (ASP)—an advanced, indirect material supply chain software—and our proven processes to control their MRO indirect spend.

KEY RESULT:

Reduced total cost of ownership by 24.2% in the first year post-integration.

OUR ADVANTAGE:

- Robust product database creation
- Reliable, strategic procurement automation
- Optimized supply chain for continuity of service
- Experienced, creative sourcing by professionally certified buyers

BACKGROUND

The customer was challenged with finding a way to manage their MRO indirect spend so they could get better control of their procurement processes, control their inventory, clean up their data, as well as have visibility and control of their indirect spend budget.

After conducting an extensive search, they approached us to help create savings and efficiencies. Before our involvement, the customer had no integrated supplier presence. Our team implemented our Automated Supply Program (ASP)—an advanced, indirect material supply chain software—and our proven processes to solve the various challenges the customer faced.

REQUISITIONS

CHALLENGE:

All tooling requisitions were filtered through the customer's buyers using paper forms, entered into the Enterprise Resource Planning (ERP) system by hand. The Buyer would have to route the forms physically to different managers for approval before placing the order. The process of obtaining approvals led to extended cycle times, sometimes taking several business days from form generation to order placement.

SOLUTION:

We introduced our ASP system to automate requisition entry and obtain manager approvals electronically. ASP allows the requestor, the buyer and all approvers to see the flow of the order in real time. Managers can now approve or reject orders from their phone or computer. ASP also saves and organizes past requisitions in a searchable database for greater transparency.
By eliminating paper requisitions, we significantly improved cycle times and visibility of spend. ASP also reduced inventory by eliminating the float required in the procurement-to-payment process.

INVOICES

CHALLENGE:

With no integrated supplier, the accounting department had to reconcile hundreds of different supplier invoices manually each month.

SOLUTION:

ASP now sends their accounting department a weekly consolidated product invoice for all production and capital expenditures. We customized the system's tracking fields to match their system fields back to the manufacturing production cell, cost center and job, significantly reducing invoice reconciliation times.

EXAMPLE:

PRE-INTEGRATION	**POST-INTEGRATION**
900 invoices/month	4 invoices/month
at $35 per invoice	*at $100 per invoice*
$31,500 per month	**$400 per month**

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DISPENSING MACHINES

CHALLENGE:

The customer had dispensing machines from two different suppliers. Each one used a different software system and had no customer interface for tracking and reporting daily expenses. The data transfer incompatibility and lack of reporting prevented the customer from gaining insight into the machines' usage and implementing procedures to support usage rates.

SOLUTION:

We installed our dispensing machines, all feeding into our ASP software. We set up automated daily transaction reports for production managers to see daily spend details for individual production work cells. The daily usage reports and open order reports are sent automatically to the customer's accounting team to help manage current budget states and make informed decisions for spending forecasts.

ASP also sends reports to Ferguson Industrial for review—enabling our associates to make recommendations for usage control that will improve the customer's spend.

BUYING AND SOURCING

CHALLENGE:

Multiple buyers were involved in sourcing cell production purchases and spot-buying spare parts for maintenance.

SOLUTION:

Our new systems and processes consolidated procurement into a process easily managed by one buyer. This provides more efficiency, reduced cycle time and better inventory management, all of which contribute to a lower total cost of ownership.

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ADDITIONAL RESULTS

- Total cost of ownership savings of more than 24.2%
- A total cost savings of 12.6% with a 6.1% product benchmark savings for the first year
- 100% visibility of all maintenance inventory in ASP
- Added 10 dispensing machines for a total of 22, all fully utilized with product required at the cell, reducing storeroom traffic and increasing storage efficiency
- Inventory cleansed, cataloged and cycle-counted to comply with Generally Accepted Accounting Principles (GAAP)
- Warranty management program managed and supported by Ferguson
- Elimination of p-cards
- Items added to ASP with full visibility of product detail, identification of repetitive spend items and reduction of multiple item codes for the same material within the system
- Implemented budget controls to restrict usage and quantity, which were applied to user profiles for select items within the dispensing machines and storeroom
- Robust ASP reporting and KPI program with standard customer dashboards and access to multiple reports for spend, budget controls by cell, inventory visibility, etc.
- Improved inventory by consolidating redundant part numbers (including redundant part numbers by multiple manufacturers), eliminating multiple manufacturers that had not been formally approved for the manufacturing process and improving visibility to customer personnel of available product
- Improved reliability and control of the supply chain, the right approved product and the right amount of on-hand inventory

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