

OIL AND GAS



INTEGRATED SUPPLY CHAIN IMPROVES UP-TIME AND REDUCES COMPLEXITY FOR ONE OF WORLD'S LARGEST OIL CORPORATIONS

Located in the Middle East, one of the fastest growing economic regions in the world, this oil industry leader faced challenges to keep up with growing demand and maintain control over an increasingly complex and geographically dispersed operation.

Reliable operations are a must when customers are counting on a company to produce millions barrels of oil a day, with demand increasing every year. The remote locations of oil field resources in the region also mean that drilling and production operations have to be operating consistently and simultaneously across dozens of distant sites, often only accessible via harsh terrain. The efficient and timely delivery of maintenance and repair parts, as well as operating supplies, is critical for success.

DHL Supply Chain, then operating as Exel, was selected to bring the energy industry experience and expansive logistics capabilities needed to design and implement more reliable solutions for maintenance, repair and operations (MRO) supplies replenishment.

THE CHALLENGE

Previously serviced by multiple logistics providers, the company's expansive supply chain was not able to offer the predictability, visibility and responsiveness the company needed to maximize upstream and downstream up-time and productivity. As a result, engineers, maintenance personnel and administrative staff were spending too much time managing logistics rather than the core business of keeping drilling and production operations running.

Coordinating the inbound flow of MRO supplies and determining the best managed transport operation and fulfillment strategies based on the drilling and production locations was a complex and labor-intensive process. A decentralized approach for managing 4,000 suppliers serving 20,000 delivery points with very limited visibility to supply movement meant that site personnel could not count on the availability of critical materials when they were needed most.

A more streamlined approach to managing indirect materials could save millions in unnecessary supply purchases, improve site safety by eliminating vendor traffic, and allow management teams to focus attention and skilled resources on maintenance, repair and operating priorities.







Challenge

- Reduce number and service inconsistency of transportation providers
- Eliminate inefficiencies in MRO supplies procurement, management and delivery
- Increase productivity of engineers and maintenance staff
- Improve HSSE standards and compliance
- Elevate quality and productivity of frontline workforce

Solution

- Consolidate transportation providers and improve routing
- Optimize replenishment network with new distribution centers
- Dedicated MTS system to provide visibility
- New HSSE procedures and training
- Localized recruiting, training and development programs

Benefits Summary

-  Delivery service reliability
-  HSSE compliance
-  Saudization rate 89%+
-  Production downtime
-  MRO supplies costs
-  Out-of-stocks and over-stocks

“Our solutions team designed and developed a comprehensive transport collection and delivery network across the Kingdom that was supported by a central control tower to manage and support our customer’s operations. With the geography footprint of our customer being equivalent to the size of Western Europe, the scale of this project required a true partnership between our organizations.”

– Daniel Wood, vice president, DHL Supply Chain, Middle East and Africa

Integration with the company’s IT systems, more consistent Health, Safety, Security & Environmental (HSSE) compliance and a strategy for recruiting and retaining the local talent were also needed to support sustained, profitable growth. This included improved compliance with the Saudi Labor Law that requires 40 percent of employees to be Saudi nationals.

THE SOLUTION

DHL Supply Chain’s solution encompassed a redesigned distribution network, approximately 550 employees and more integrated systems – all supported by a central control tower to monitor the new streamlined supply chain.

The solution included several core components:

- A materials transportation and delivery network that would increase efficiency and predictability. A dedicated fleet along with fewer, more reliable providers and a central control tower to schedule and manage all road freight provided greater visibility, security and control.
- An integrated Material Tracking System (MTS) linked to the customer’s ordering and replenishment system allowed containers and packages of supplies to be electronically recorded, time-stamped and tracked for greater security and traceability.
- Strategically located distribution points ensured service reliability while minimizing transportation costs and environmental impacts. Four Distribution Centers serve as cross-dock locations for the inbound flow of supplies from vendors. Materials are deployed to 10 Service Centers that manage and deliver MRO supplies to production sites.
- With thousands of vendors, site congestion and the risks inherent in this industry, HSSE compliance was a must for every aspect of the supply chain. Consistent procedures focused both on people and processes better aligned health, safety, security and environmental standards across the supply chain.
- An increased focus on the recruitment, training and development of Saudi employees supported increased accountability, productivity and job satisfaction within the team as well as compliance with government mandates.

THE RESULTS

By partnering with DHL to bring new processes, technology support and efficiencies to its supply chain, the customer has been able to achieve its goals of keeping its skilled resources focused on the

core business, thereby reducing costs. Engineers and maintenance personnel receive the right equipment and parts at the right time and place, reducing site congestion and improving productivity.

This streamlined supply chain has delivered the following results:

- Significantly improved service levels and visibility of supplies
- Increased HSSE compliance
- Achievement of 89 percent Saudization rate
- Improved supplier service levels and better managed costs via a comprehensive vendor management program
- Increased availability of critical MRO supplies

“The strategic partnership between DHL and the customer has been forged by the journey we have been through together,” said Daniel Wood, vice president, DHL Supply Chain, Middle East and Africa. “Our local level expertise coupled with our understanding of the challenges with a large-scale transformation made us a great fit for this partnership.”

With worldwide energy demand increasing every year, oil and gas producers require more responsive and efficient supply chains. Outsourcing logistics offers these companies the opportunity to take advantage of best practices, capabilities and expertise while allowing their valued resources to focus more on the core business.

Contact DHL Supply Chain today to discuss a partnership that streamlines your oil and gas supply chain.

For further information:

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