

# INDIRECT SUPPLY MANAGEMENT



## A CREATIVE AND COMPREHENSIVE APPROACH TO MRO SUPPLY SUPPORTS UP-TIME GOALS FOR AN OIL SANDS PRODUCER IN NORTHERN ALBERTA.

In an era of global interdependence, Canada has quietly become vitally important to the United States. The United States' northern neighbor already supplies one-sixth of petroleum consumed within its borders, so naturally the oil sands mined in remote areas of Alberta are playing an increasing role in the U.S. economy.

A leading Alberta-based oil sands producer operates an ambitious joint venture owned by several large oil and gas companies. The producer needed an integrated maintenance, repair and operating (MRO) supply chain to meet higher safety, production and maintenance targets. The goal of the effort: to help boost daily sand-oil production from approximately 300,000 barrels today to 550,000 barrels in 2016. The company asked Exel, North American sister organization of DHL Supply Chain, to support this effort through better management of indirect supplies.

### THE CHALLENGE

As production was rapidly ramping up, the company needed to integrate and optimize a fragmented MRO supply chain and better manage the costs of increasingly scarce labor. Equally important was reducing overall spending and cost of ownership while increasing plant and personnel productivity.

A key program objective included improving on-time delivery of MRO supplies. This would reduce the total cost of MRO by decreasing wait times for the customer's maintenance community and increasing supply and tool availability.

Exel's customer had several additional goals:

- Constant focus on in-plant safety
- Full support of plant operation during implementation
- Single-party responsibility for the end-to-end supply chain
- Compliance with internal procedures and external regulations
- Sufficient trained staff to provide tool-crib and site-store services
- Reducing in-plant traffic and congestion
- Obtaining best MRO global products, regardless of vendor

### Challenge

- Integrate and optimize MRO supply chain
- Reduce overall spend and cost of ownership
- Increase plant and personnel productivity
- Improve on-time delivery of MRO supplies
- Manage rapid production growth

### Solution

- New logistics network
- Dedicated transportation partnership
- New package-tracking technology
- Improved contract management and strategic procurement
- Reallocation of logistics personnel to production activities

### Benefits Summary

- ↑ Maintenance productivity
- ↑ Cost controls
- ↑ Safety performance
- 100% ↑ On-time delivery of MRO supplies
- 10%+ ↑ Third-party and hot shot transportation

**“Exel became the first 3PL to integrate logistics and procurement management in the oil-sands industry, providing this customer with a single point of contact for indirect supplies in compliance with internal procedures and external regulations. And, end-to-end visibility now lets vendors and end-users, as well as Exel and other business partners, know exactly when maintenance supplies are delivered or shipped from warehouses, cross-docks and the oil-sands fields.”**

– Mark Johnson, Vice President Exel Chemical & Energy

## THE SOLUTION

“The first phase of our solution included plant and design audits of the supply chain network, with a focus on labor, warehouses, suppliers, points of consumption, transportation and IT integration,” said Joe Derajtys, director of solution development for Exel’s Chemical & Energy business unit. “Working from the data, Exel then formulated a comprehensive solution that eliminated nonvalue-added handoffs in the chain and integrated logistics and procurement services.”

The Exel solution included several core components:

- **New logistics network.** The solution defined supplier pickup schedules in Calgary, Edmonton and Fort McMurray, and established two strategically located cross-docks as integration points, moving various material handling activities (such as receiving and priority sortation) offsite to consolidate orders and reduce deliveries.
- **Dedicated transportation.** Exel established a partnership with an Aborigine-owned group of companies to transport MRO material from suppliers in the Fort McMurray area to the Exel-managed cross-dock, then to all mining and production areas for distribution (in-plant deliveries include warehouses, tool cribs, site stores, open bins and end-users).
- **Package tracking technology.** Containers and packages of MRO supplies are electronically recorded, time-stamped and tracked as they move through all sections of the supply chain.
- **Contract management and strategic procurement.** Strategic material is more effectively sourced, from vendor bid to complete supplier management, and from procurement to payment.

For greater reliability and efficiency, Exel implemented inventory management systems to reduce order and delivery time of MRO supplies to the customer’s maintenance organization. Exel also contracted with a Canadian mechanical services company to ensure that all tools distributed from the tool cribs are repaired quickly and effectively, keeping critical mining and upgrading operations up and running.

## THE RESULTS

“The solution paid considerable dividends to the customer by eliminating redundancies in the supply chain and identifying savings through increased productivity levels for maintenance, tool crib and sites stores personnel. Exel’s unique MRO solution separates and analyzes the distribution and material costs of tools and supplies to enhance control and better understand of total cost of ownership,” said Mark Johnson vice president for Exel’s Chemical & Energy business unit.

This leaner supply chain enabled:

- Reallocation of full-time associates to production activities
- 10% plus reduction in third party and hot shot transportation
- 100% reduction in MRO stock-outs
- Improved safety performance

The success of the project also allowed higher service levels. The customer:

- Eliminated the need for maintenance staff to troubleshoot MRO orders and arrange transportation
- Reduced time to find materials for maintenance jobs
- Gained a single point of contact for MRO supplies
- Obtained more reliable, sustainable delivery
- Engaged local companies for critical roles in continuing operations
- Increased safety with only qualified partners entering premises

**Taking control of MRO supplies keeps critical equipment safe and running and prevents interruptions and lost profits.**

**Contact us to discuss a partnership that streamlines your MRO supply management.**

### For further information:

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