

CASE STUDY

INDIRECT SUPPLY CHAIN MANAGEMENT

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 DHL Supply Chain to support this effort through better management of indirect supplies.

CUSTOMER 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. The customer had several additional goals:

- Focus on in-plant safety; reducing traffic congesting
- Full support of plant operation during implementation
- Single-party responsibility for the end-to-end supply chain
- Compliance with procedures and regulations
- Trained staff to provide tool-crib and site-store services

CUSTOMER 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

DHL SUPPLY CHAIN SOLUTION:

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

CUSTOMER BENEFITS:

- Increased maintenance productivity
- Enhanced cost controls
- Increased safety performance
- Achieved 100 percent on-time delivery of MRO supplies
- Decreased 10 percent plus in third-party/hot shot transportation



DHL SUPPLY CHAIN SOLUTION

The first phase of DHL Supply Chain's 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. DHL then formulated a comprehensive solution that eliminated non value-added handoffs in the chain and integrated logistics and procurement services.

The solution included several core components:

- **A 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.** DHL established a partnership with an Aborigine-owned group of companies to transport MRO material from suppliers in Fort McMurray to the DHL-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, DHL implemented inventory management systems to reduce order and delivery time of MRO supplies to the customer's maintenance organization. DHL 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.

CUSTOMER BENEFIT

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. DHL Supply Chain's unique MRO solution separated and analyzed the distribution and material costs of tools and supplies to enhance control and better understand the total cost of ownership.

This leaner supply chain enabled:

- Reallocation of full-time associates to production activities
- 10 percent plus reduction in third party and hot shot transportation
- 100 percent 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

QUOTE

"DHL Supply Chain 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 DHL Supply Chain and other business partners, know exactly when maintenance supplies are delivered or shipped from warehouses, cross-docks and the oil-sands fields. "

Ed Smith

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For further information

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