

Major oil company: how innovative supplier relationships are driving costs down and value up

The Challenge

When a major oil company required a new distribution fleet of trucks and tankers, it knew this would be a business-critical purchase in terms of value, operational performance and lifetime cost.

More than that, the company also had a politically charged decision to make. Its drivers had recently accepted pay cuts as part of a deal to avoid outsourcing, so bringing in external personnel was not an option for management. But the company was nonetheless utterly committed to sourcing high-quality equipment that would make a tangible contribution to protecting its 3 per cent share of the national market place.

The economic background of the time also had an important twin role to play. The country was in recession, which on one hand meant that suppliers were receptive to the need to provide added value. This was counterbalanced, however, by economic realities that made cost reduction a key consideration.

The Solution

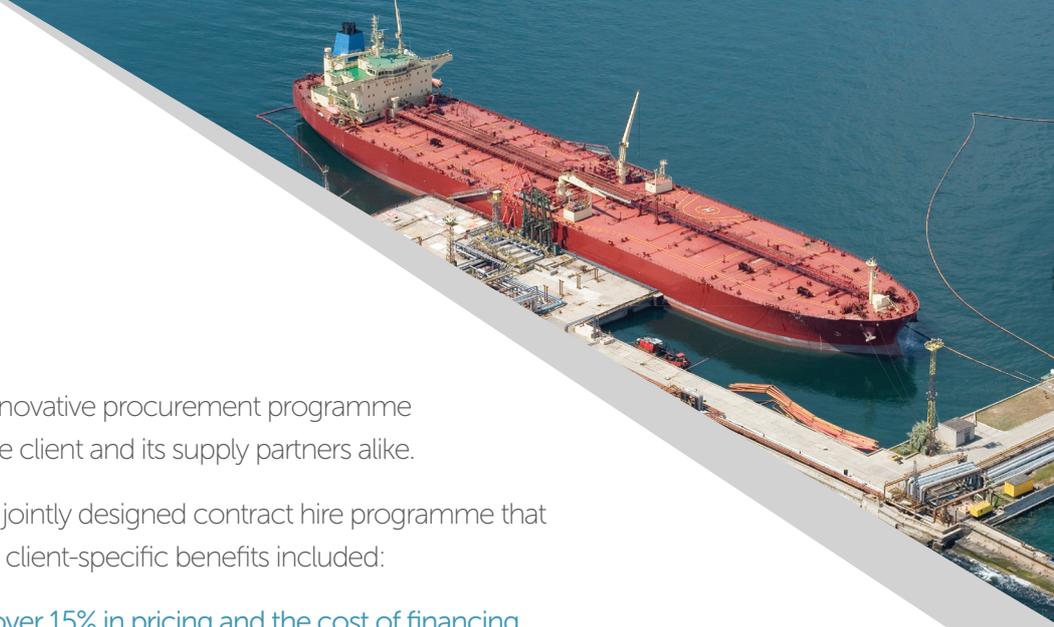
Vector Consultants' excellent record in implementing strategic plans was a key factor in our appointment. Our brief was wide-ranging, from in-depth situational analysis, through strategy development to working with the client on supplier identification and appointment.

Our first task, therefore, was to carry out an initial strategic analysis, from which we were able to develop an informed outline approach. Once this had been accepted by the Board, we worked closely with client teams to conduct an intensive analysis of the market and the supplier community. The main objective here was to find entrepreneurial and innovative companies who'd be willing to invest time and effort in working with us and our client as partners in developing solutions.

It was once this work had been completed that the core of the programme was delivered. During six months' joint effort, we successfully reached agreements with a roster of suppliers and together developed the solutions they were contracted to deliver. In all cases, the ability to leverage the sheer scale of the client's operations was a fundamental factor in delivering the targeted value.

A further important enabling element for this work was the recognition by the client's most senior management that long-term supplier relationships were essential to achieving the company's objectives.





Results

An analysis of the success of this innovative procurement programme highlights the benefits shared by the client and its supply partners alike.

These included the outcomes of a jointly designed contract hire programme that aimed to drive costs down. Further client-specific benefits included:

- Direct commercial savings of over 15% in pricing and the cost of financing
- Further distribution economies of another 10 to 15% over the 10 to 12-year life of the contracts, based on the partners' based innovative truck and tanker unit design.

With the client's size and openness to innovation acting as a stimulus for entrepreneurial and creative thinking, suppliers too are now well positioned to win innovation-based business from other large customers.

To find out more about how Vector Consultants can put you on track for better business performance, call us on

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