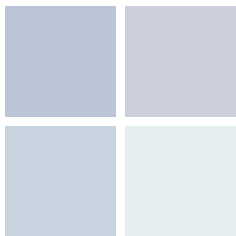




# Driving cross-functional collaboration and integration to enhance value

Established a well-aligned, cohesive organization focused on planning, execution and category leadership



- This is for executives who:
- Want to reduce the cost of retail and wholesale refinery produce
  - Need help to analyse all crude transportation alternatives
  - Need to establish cohesive procurement processes across their organization and ensure they are adhered to

## The challenge

Our client was a leading regional energy company with a refining capacity of 300,000 barrels a day, shipped by rail car to over 1100 branded retail sites, operations from 13 marine terminals and more than 7000 employees. The company supplies wholesale, commercial, and retail customers throughout Eastern Canada, Quebec, and New England.

The freight market was in a period of extreme volatility when leadership sought Maine Pointe's assistance to help reduce the cost of retail and wholesale refinery products and build capabilities within procurement, logistics and operations functions.





Specific areas of concern included:

- A low-maturity and fragmented procurement and contracts organization
- Lack of comprehensive and consistent sourcing and procurement policies, procedures and practices across the enterprise
- Frequent noncompliance with policies and procedures that did exist
- Absence of ownership, accountability and initiative for supplier and service provider contracts, performance assurance and relationships
- A lack of in-house capabilities (people, process, technology) to drive forward any
- Under-developed safety procedures to manage the risk posed by unmanned delivery of volatile/hazardous product
- Sub-optimal rail car utilization
- Needed to analyze the relative crude-by-rail and crude by rail/water routing, transport cost alternatives and spread differentials from current supply to support strategic sourcing of midcontinent crude supply and transport to their refinery

## The solution

Maine Pointe's engagement began with overall refinery operations efficiency project. However, it soon became apparent that operations were being impacted by rail issues. Communication between refinery operations and logistics was extremely poor, meaning that neither party was aware of the inefficiencies within the organization. As a consequence, they were keeping too many rail cars on hand and paying too much for storage and additional switching.

Maine Pointe worked closely with our client's team to eliminate these communication issues. Once communication improved, the deficiencies became evident paving the way to re-engineer rail management and improve railcar utilization, resulting in \$5M in savings.

## Operations

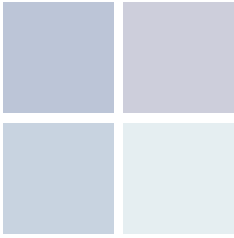
- Developed and implemented a management operating system (MOS) for the rail car management function that provides a cyclical process covering forecasting, planning, control and reporting
- Developed a detailed rail car master schedule
- Reengineered the rail management process, rail car cost accumulation mode
- Documented a methodology for setting target inventories in rail cars
- Conducted on-the-job training for all new processes and systems
- Established a process and procedures for managing major supply and demand disruptions

## Logistics/Crude-by-rail/Intermodal

*Reduced costs, transitioned logistics and distribution to a stand-alone function and introduced intermodal routing options.*

- Designed and managed a turnkey freight RFQ process which tendered over \$60M in freight to the marketplace
- Established carrier certification process to reduce risk and liabilities
- Standardized fuel surcharge and assessment schedules
- Developed and implemented a competitiveness and future strategy for the private fleet
- Established a strategy to ensure equitable distribution of savings
- Analyzed selective refineries' crude supply alternatives
- Determined each alternative's relative spread from rail delivered Bakken crude, using the same point-in-time model pricing and transport options from one origin point within the region
- Analyzed detailed transit times and freight rates for manifest and unit train railroad service for rail only and rail-water combination





## Procurement

*Aligned procurement and sourcing and improved contract management across the enterprise.*

- Strategically analyzed three major categories of spend – professional services, contractors and MRO/capital – across the top 50 suppliers with combined spend of \$357M
- Completed detailed invoice/PO/contract review and held supplier and stakeholder meetings to identify specific cost savings opportunities
- Recommended organization structure to provide cohesion and integrity to the procurement and contracts function across the refining business unit
- Deployed our leadership and organization improvement process to deliver classroom training on the new processes and reinforce them through practical application and one-on-one coaching

## The results

- Enhanced the professional environment with an increased emphasis on planning, execution, and category leadership
- Renegotiated freight rates and elimination of the carrier fuel surcharge
- Crude supply and pricing matrix for each refining center including their current transport modes
- Identified forty-eight primary routing alternatives and carrier combinations by lane
- Delivered \$5.5M in annualized savings with over \$50M identified
- Generated a 5.5:1 ROI

## Lessons learned

- Corporate CEOs need to pay attention to rail rates before performance slows to a point where plants are shutting down or product is failing to reach market place.
- There is an obligation on the part of the shipping or manufacturing community to know how product is moved from and to their plant
- Shipper and carrier CEOs need to take active measures assure themselves all precautions are being taken to safely, protect the public, environment and supply.

Want to cut costs and reduce risk across your organization?

Our Total Value Optimization™ approach can help deliver the triple effect of cost, cash and growth.

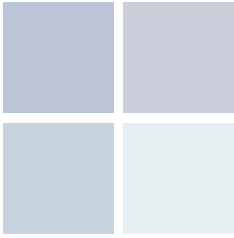
Talk it through with one of our executives.

Email [info@mainepointe.com](mailto:info@mainepointe.com) to arrange a call

### About Maine Pointe

Maine Pointe is a global supply chain and operations consulting firm trusted by many chief executives and private equity firms to drive compelling economic returns for their companies. We achieve this by delivering accelerated, sustainable improvements in EBITDA, cash and growth across their procurement, logistics and operations. Our hands-on implementation experts work with executives and their teams to rapidly break through functional silos and transform the buy-make-move-fulfill supply chain to deliver the greatest value to customers and investors at the lowest cost to business. We call this Total Value Optimization (TVO)™.

Maine Pointe's engagements are results-driven and deliver between 4:1-8:1 ROI. We are so confident in our work and our processes that we provide a unique 100% guarantee of engagement fees based on annualized savings. [www.mainepointe.com](http://www.mainepointe.com)



### Leader and Organization Improvement (LOI)

Our Leadership and Organization Improvement experts helped develop a new staffing model to stand up the organization. This included clearly-defined roles and responsibilities (at both organization and individual employee level) with activity-based job descriptions. As a result, 77 different job titles were condensed to just four, providing the basis to build a leadership structure with clear P&L responsibility at district level. This was no easy feat; it required enhancements to the client's change management and corporate communication abilities that it may not have been able to achieve on its own. For sustainment, we developed a scorecard to help leadership manage in a holistic way with clear visibility and performance measures.

### Data Analytics

Maine Pointe's data analysts harnessed the client's data warehouse to develop customized, real-time and highly visual dashboards. Actionable insights into areas such as spend data, supplier performance, and inventory reporting inform strategic and tactical decision making. Data-driven insights are now leveraged for internal and external stakeholder decisions that will support growth going forward.

As the organization continues to move up the TVO Pyramid™, synchronization of procurement, logistics and operations has been enabled by insights from big data and cultural change. This has driven a new "client way" operating model to provide a foundation for profitability and growth, while also laying the groundwork for a modified service model.

### Lessons learned for other executives

- Executives in almost every industry can harness advanced data analytics to achieve competitive advantage
- You can deliver improved performance (cost, quality, and customer service) in a reduced organization if everyone clearly understands their role
- Introducing S&OP can tear down functional silos and move from reactive decision making to proactive
- You can transition the maturity of an organization while maintaining and growing the current business providing that change is well orchestrated and thought out

Are you satisfied that you have clear cross-functional visibility across multiple business units?

Want to find out how Maine Pointe's industry and practice experts can help your organization achieve the triple effect of cash, cost and growth?

Talk it through in a no obligation phone call or meeting with one of our executives.

Email [info@maineptune.com](mailto:info@maineptune.com) to arrange a call

### About Maine Pointe

Maine Pointe is a global supply chain and operations consulting firm trusted by many chief executives and private equity firms to drive compelling economic returns for their companies. We achieve this by delivering accelerated, sustainable improvements in EBITDA, cash and growth across their procurement, logistics and operations. Our hands-on implementation experts work with executives and their teams to rapidly break through functional silos and transform the buy-make-move-fulfill supply chain to deliver the greatest value to customers and investors at the lowest cost to business. We call this Total Value Optimization (TVO)™.

Maine Pointe's engagements are results-driven and deliver between 4:1-8:1 ROI. We are so confident in our work and our processes that we provide a unique 100% guarantee of engagement fees based on annualized savings. [www.maineptune.com](http://www.maineptune.com)