

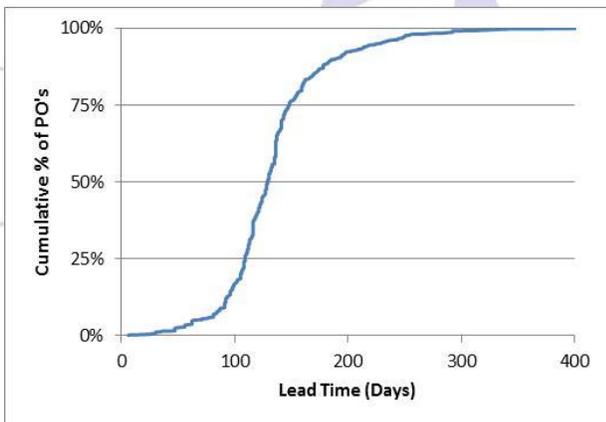
International Supply Chains

“The oil industry has recently turned to Asia for low cost supply of components and equipment – yet, supply has been problematic. Simple supply chain decisions are the solution.”

Is equipment arriving late from China? Have you had to increase air freight to meet customer needs? Are you writing off inventories? Is hot shotting the norm? Has order expediting become the norm? Is Manufacturing and Sourcing asking for a better forecast? We know of many companies that would answer yes to all of these questions.

In fact, life was much easier when Oil Field Equipment and Service companies worked with the local machine shop. But, Asia offers substantially lower prices. The challenge is adjusting your business model for the longer lead times.

Figure 1 – Order to Receipt Lead Times



In Figure 1, we see lead times ranging from 100 to 250 days for assembled castings and forgings from China. How can a company meet customer commitments with such variability in lead time?

How can a company manage to meet customer requirements when oil and gas

producers change their well designs and project specifications so frequently?

Companies can improve supply chain performance by introducing decoupling points into their supply chains. For example, a company can choose to hold castings in China as intermediate products which can be used to meet a wide family of end products. Products can also be held prior to threading to allow for customer variations.

Forecasting and ordering accuracy is then managed on different time horizons.

Stage 1 (3-5 months): volume forecast sets the expected needs of intermediate products such as castings

Stage 2 (1-2 months): product specific forecast or orders

Stage 3 (2-4 weeks out): final manufacturing, assembly and shipping plans.

With this system, an oil field equipment supplier stops expediting immediate orders and starts meeting customer demand with less stress. The increased service levels will drive sales growth over the long term.

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