

# Aligning Drivers Scott McKaig - Transocean February 22<sup>nd</sup> 2018

#### **Our Drivers**

- Reduce parts usage
- Minimize service hand needs
- Extend overhaul interval
- High reliability (low downtime)
- Health monitoring needs to be money saving



#### Supplier Drivers

- Sell more parts and services
- Frequent overhauls
- Equipment failures = More revenue
- Charge extra for Health monitoring
- Value pricing

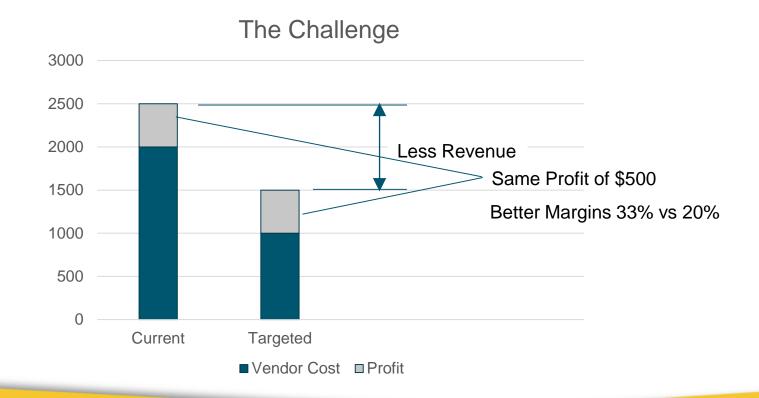


## **Revenue / Cost Focused**





# **Revenue, Profit or Margin Focused??**





- Current Scenario
  - A \$500 dollar part is required to be changed every 90 days
  - -Cost to vendor to manufacture is \$400
  - -Cost of shipping \$50 per part
  - Man hours on the site to change the part is 2hrs per event
  - Total Cost to Purchaser is \$2,200 per year and 8 man hours
  - Revenue for Vendor \$2,000
  - Profit for Vendor \$400 (20%)

#### What if

- We developed a part that costs twice as much to make but lasts a full year
- -Cost to Vendor to make is \$800
- Vendor makes profit of \$400
- -Cost of shipping \$50 per part

- Cost to Purchaser is now just \$1,250 and only 2 man hours
- Revenue for Vendor \$1,200
- Profit for Vendor \$400 (33%)

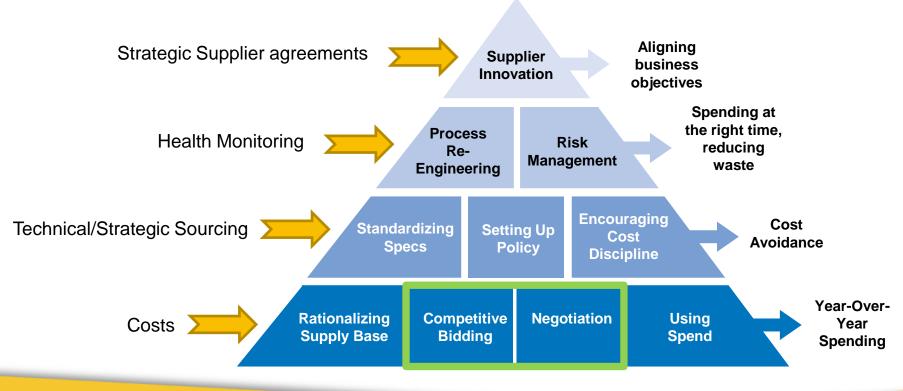
- Current Scenario
  - A service Technician goes to the rig to do a software upgrade that takes 2hrs however total time including travel days is 5 days at a cost of \$2000/day
  - -Vendor cost is \$1,600 per day
  - -Cost of Travel \$1,500
  - -Onboard Catering for 3 days \$450
  - -Cost to Purchaser \$11,950 per year
  - Revenue for Vendor \$11,500
  - Profit for Vendor \$2,000 (17%)

#### What if

- -We did remote software updates
- Total time of shore based technician is 6hrs including standby time
- -Cost per hour to Vendor \$150/hr
- Vendor still makes \$2,000 profit

- -Cost to Purchaser is now just \$2,900
- Revenue for Vendor is \$2,900
- Profit for vendor \$2,000 (69%)

# **Deploying a New Strategy**



## **Business Model Innovation**

- ✓ Focus them on margins
- ✓ Drive alignment through performance incentives
- ✓ Leverage size of deals
- ✓ Promote collaboration
- ✓ Optimize maintenance costs
- ✓ Share knowledge and data
- ✓ Promote technical differentiation
- ✓ Retain core capabilities

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Schlunberger Signs Two Long. Term Transocean Service Agreements	agreements aim to reduce and total cost of ownership	
	announced the signing of two 10-year service contracts on behalf of Transoc	neron, a Schlumberger Longiuns, totay presurve control soupment in analogement ean xalued of greater than 5350 million.
	The first contract calls for Schumberge in the Gui/of Nexico. This comprehen- manisemance, impection, mapic recent management on the rop. Through the provide a comprehensive sub-of holy preventer (IROP) systems and other pr Transocean's utta-deepailer and har	Micator and data-driven riser second contract. Schumberger will drom to maintain and service biforout sesue control equipment for nine of
	Jones, president, Drilling Systems, Sch hantware and software along with the	perdensional of Transistoria and the experiment manufacture "Last Harden Transmerge". Color Inadestrop III Activity Bull Jo Hernard En Maria of The Alba Hardensi performance and availability of
	These programs will help to reduce to equipment and increase uptime assoc through integrated technical, operation	themature control equipment
	About Schlumberger Schunberger is the word's leading a characterbator, of lang, production, i Working in more than 85 countries an	GE imagination at work
	whiting in more than 65 common and who represent over 140 nationalities, comprehensive range of products are production, and integrated pore-to-pp recovery to deliver resentor performa	Inductries Digital InvestorRelations News Corears Products SocialHub About Ve
	Schumberger Limited has principal a Hague, and reported revenues of \$35 visit www.alb.com.	GE announces Transocean
		performance-based service
		agreement
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		Innovative agronado seto cuito increase optime, provide closer customer ostadorados Haustas, Jusivary 11, 2017: Today, GE CII & Gas (VIVE): GE) annocance a new contractual service agreeners (GSA): Valed al agronarismati y Stoli mitiku, miti arranscean. The agreeners, signed at the end of 2016, amo so further maximize productively and lower operating cods for Transscean.
		As a poneer of new husiness models and performance-based service agreements. GE will provide condition based monitoring and maintenance services for pressure control equipment on seven of Transocram's rigs over the next IO to 12 years.
		"The apprenent balls of the new service mode we introduced bary year to address bally industry that toward maximum productively and lowing operating costs while also maintaining operating flexibility," and coverab formula, president and CEO. GE OK Sices. "When cost and next are at the top of operators minito, we share the responsibility by investing in equipment uptime and performance."
		The agreement leverages GE's digital capabilities to shift from event and calesdar-based maintennance to constance based monitoring and maintenance. Working with GE is parts forecasting and service scheduling will also Transcease to optimize opirations by preschedy plurining and meinizing between- well maintenance.
		"Vie are evolving our business and enhancing our digital offerings to match the needs of sur customers," simonial said. "Optization truly is the single largest step change for the industry and the foundation for its house."



# **Supplier Agreements**

