

Aligning Drivers

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Company Drivers

Our Drivers

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

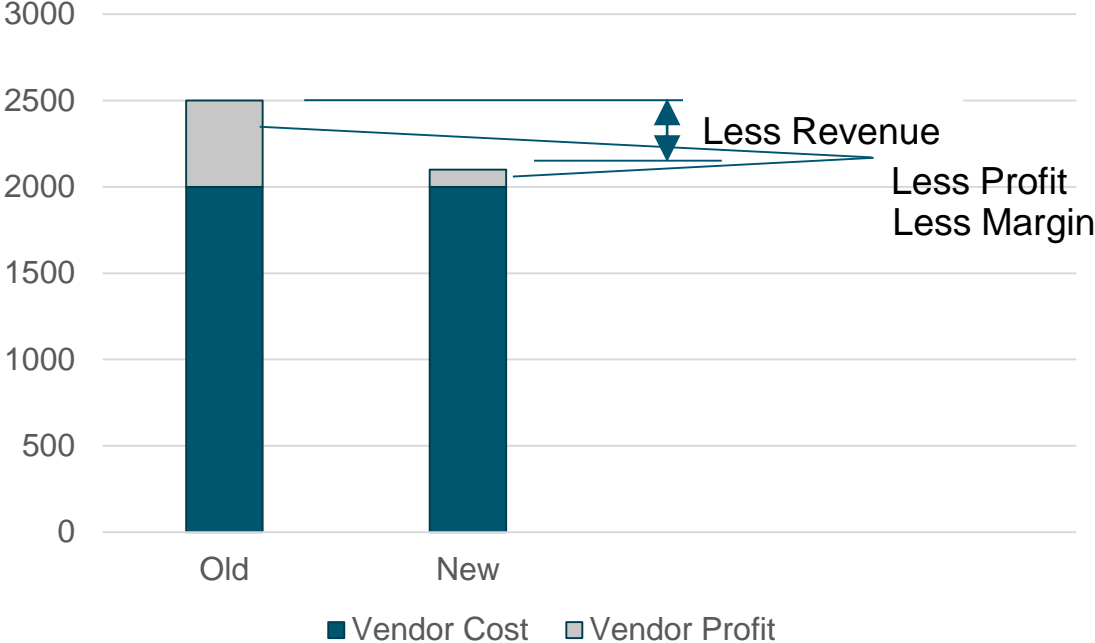


Supplier Drivers

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

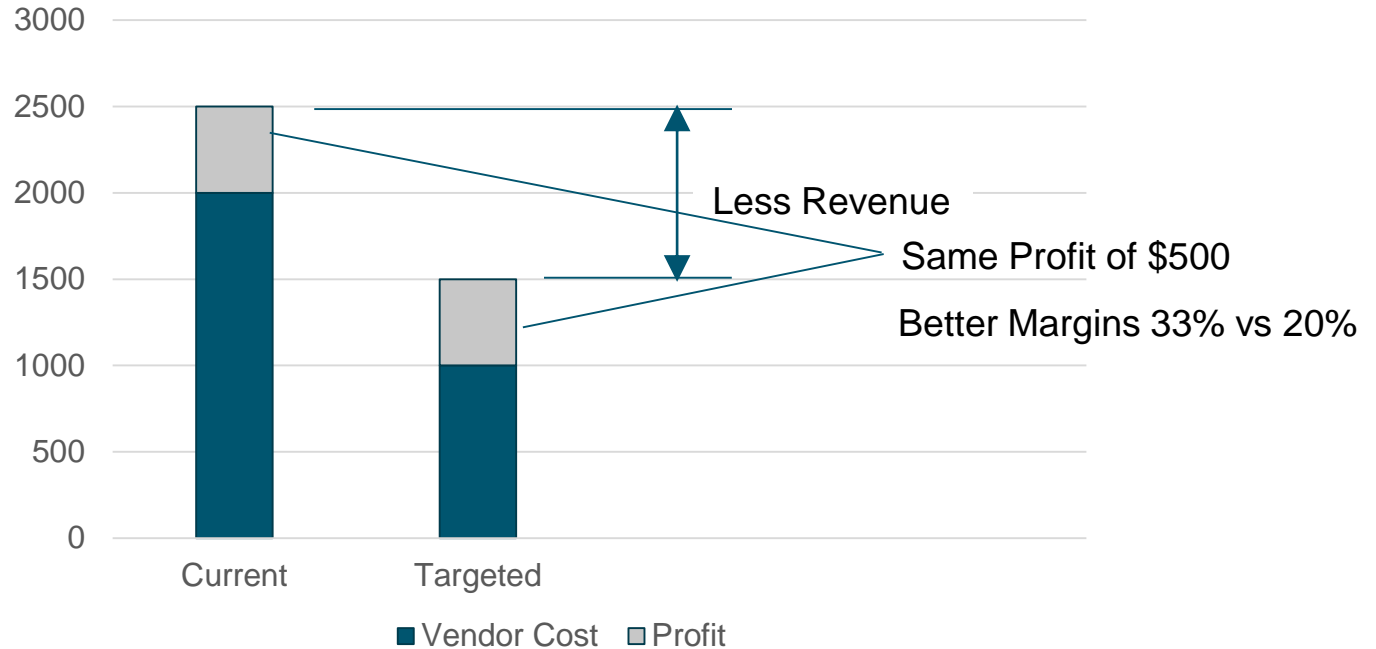
Revenue / Cost Focused

Traditional Negotiations



Revenue, Profit or Margin Focused??

The Challenge



Margin Focused – Parts Example

- 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%)

Margin Focused – Services Example

- 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

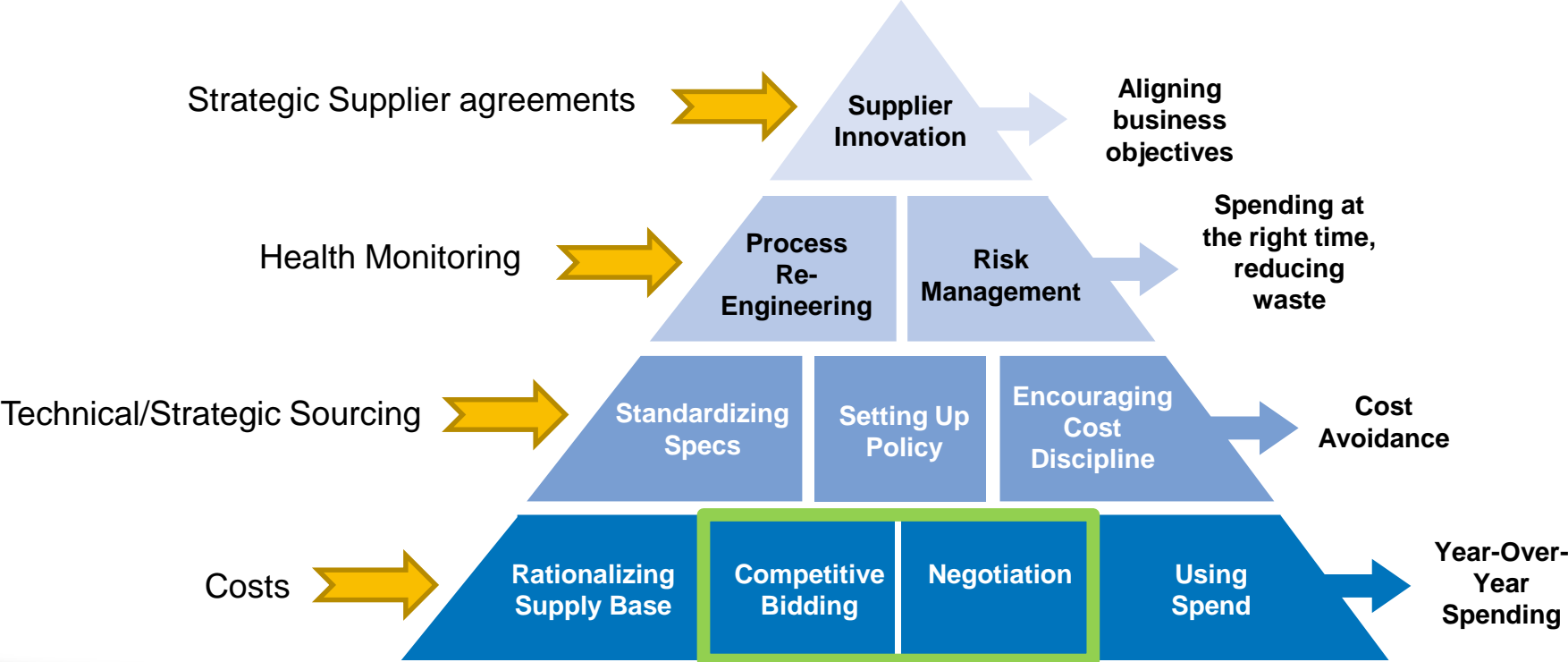
- Cost to Purchaser \$11,950 per year
- Revenue for Vendor \$11,500
- Profit for Vendor \$2,000 (17%)

- 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

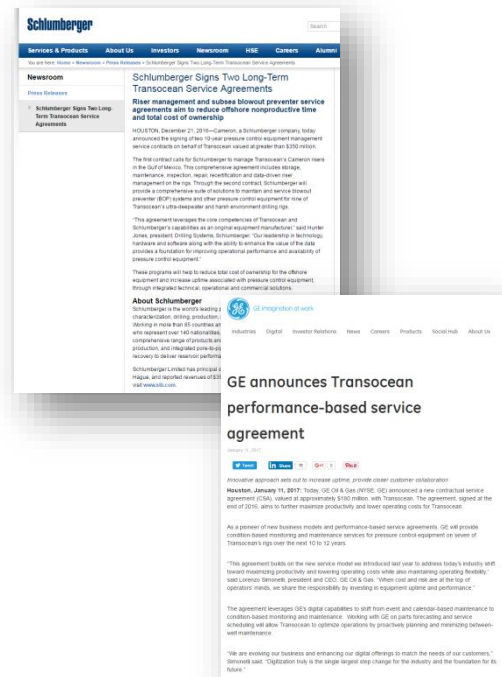
- Cost to Purchaser is now just \$2,900
- Revenue for Vendor is \$2,900
- Profit for vendor \$2,000 (69%)

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



Supplier Agreements

