

Energy Services Company



Overview

Country: United States

Industry: Oilfield services

Customer Profile

One of the world's largest providers of products and services to the oil and gas industries.

Business Situation

The company's monthly manual drill bit inventory reconciliation is not only labor intensive and inefficient, but it is costing sales and sales opportunities.

Solution

CPS' client, a major software company, engaged CPS to assist in a collaborative effort that included the software company, the energy services company, and several RFID subject matter experts to deliver a customized, efficient, cost-effective digital enabling technology to track and manage assets globally.

Benefits

- Improved drill bit tracking
- Increased visibility to assets
- Faster order fulfillment and delivery to customers
- Better control of business data and sales pipeline
- Automated inventory process
- Reduced manual data entry

Energy Services Giant On Track to Cut Costs, Improve Efficiency with Asset Management Technology

In the realm of oil and gas exploration, this energy services company is a recognized world leader in drill bit technology. The company manufactures a complete line of fixed cutter and roller cone drill bits, as well as offering equipment and services necessary to maximize their performance.

Several regional warehouses throughout the world stock and manage these high-value drill bits as they are delivered to drilling sites on a rotational, as-needed basis.

To increase operational efficiencies and inventory visibility through the supply chain, the company recognized the need to improve its asset management and asset utilization technology. A major software company and the energy services company, in concert with a third-party hardware expert, worked together to implement and deploy radio frequency identification (RFID) in the energy services company's drill bit manufacturing and warehouse support sites. The customized digital solution is expected to eliminate time-consuming manual data entry, improve access to inventory, and achieve a comprehensive view of assets.

Situation. This major energy services company designs and manufactures drill bits and downhole tools. Used by the largest major and smallest independent energy companies alike, these drilling technologies work together to lower costs and increase recoveries of oil and gas for the producers. The drilling programs pay dividends through less downtime, higher production rates, and less overall major capital expenditures.

But keeping up with all of its drill bits and downhole tools is causing the company some downtime of its own. The staff is spending an inordinate amount of time each month on manual data entry, physical inventory and asset reconciliation. The process also creates a lot of administrative work for salespeople, which takes them away from pursuing sales opportunities. The company knows it needs a more efficient and robust asset management system to match its products and assets to local market conditions for optimum service.





*What was most valuable about the strategy session?
“We weren’t solving the problem for the energy services company by pitching technology; we were working in partnership with them to come up with a solution.”*

- Account Manager

Solution. In April 2005, a major software company initiated a strategy session for its virtual team on the energy services company account to develop an account strategy. The software company recruited Critical Path Strategies, Inc. (CPS) to help develop the “V-team’s” comprehensive strategy. During this session, CPS focused first on aligning the software company’s competencies with the energy services company’s business drivers, and then on coaching as the team activated its relationship strategy. Following the session, the account team had greater clarity on how to broaden their executive relationships beyond IT and penetrate lines of business for a greater view of opportunity at the energy services company.

After introductory conversations with the energy services company’s Vice President of R&D to discuss the software company’s capabilities, the software account manager invited the energy services company and a third-party hardware expert to collaborate on an asset management project. The senior vice president responsible for the energy services company’s drilling and formation evaluation businesses, set the tone for the gathering. “This is not just another sales meeting. This initiative is important, and I need your focus, energy, and brainpower.”

CPS orchestrated the session, leveraging the access, knowledge, and people of the customer and the partners to create a digital-based solution together. The software account manager explained, “We documented key issues and how they impacted the energy services company’s businesses. We discovered that their asset utilization was low because they didn’t know where much of their inventory was.”



The software company’s engagement manager on the energy services company account added, “Eighty percent of the time, the bit is moving—from manufacturing to the warehouse, from the warehouse to the field, from the field back to the warehouse, or from one warehouse to another. All that moving makes it difficult to keep up with the inventory. Right now they’re spending anywhere from three to six man years worth of time each year trying to reconcile if they have bits and where they are.”

The session proved productive, the account manager reported. “We had a collaborative effort examining the opportunity. We invested time up front to create a plan of action, with everyone who needed to be involved, involved. It was a great way to channel ideas and improve the value chain.” What was most valuable about the strategy session? “We weren’t solving the problem for the energy services company by pitching technology; we were working in partnership with them to come up with a solution.”

One of the energy services company’s business leaders told the account manager that holding a joint strategy session was a really smart idea. “You have *us* telling *you* all the steps that need to be taken in order for this to happen—approval, processes, obstacles.” The account manager agreed. “I told him that this solution would benefit his company and we needed the information to work the problem together. **By collaborating, we can enhance business results—for both organizations.** It was an ‘Aha!’ moment for him.”





All participants left the working session armed with an executable strategy and action plans that could be implemented immediately. After months of site visits, process analyses, building a business case, and executive presentations, the project was funded. The energy services company, the software company, and the third-party expert recently entered the 10-week-long project phase. They deployed a prototype radio frequency identification (RFID) technology co-created by the software company and the third-party expert. A sensor tag placed on the drill bit thread-caps relays information about its location and destination to an RFID reader. With the help of the software company's programming, the data will be automatically entered into a database, updated, and reconciled. Because RFID tags emit real-time information, they make supply chains more efficient—take one bit off the shelf and the technology tells you it's time to restock.

Benefits. "If we can help them find one bit in real time just once a month when they need it—a cheap bit is \$40,000, the most expensive can run up to \$250,000—it's nothing but profitable for them," the engagement manager explained. "And I expect we'll probably do that more than once a month."

While the software company is solving an immediate need, which is saving all the time and money associated with tracking assets manually, this effort is also enabling other business. The energy services company potentially could tie RFID technology to other technologies, like a map service, for example. If hands in the field have smart phones or wireless PDAs, the map service could immediately show them where a needed bit is located.

While RFID has been used in the retail and wholesale industries for some time, this will be the first real practical implementation of RFID in the oilfield. "It's exciting that we're the first to implement this technology in this industry," the engagement manager said. "We can use this technology to look back and do a real, not soft, cost justification for the customer, and validate how we helped save them significant time and money."

The software company appreciates what the success of the prototype could mean to future relationships within the energy services company and the oil and gas industry as a whole. The engagement manager put it best: "In the oil and gas industry, my company and the third-party expert typically are looked at as software and hardware vendors only. We're not immediately thought of as go-to companies who help businesses discover better ways to do things. This success beyond the boundaries of IT and across the enterprise is huge for us!"

The engagement manager is right—the customer enterprise focus has served the energy services company team well. The new line-of-business and corporate executive relationships established as a result of executing this account strategy created a springboard for significant growth for the software company in new areas within the customer company. For example, recently the team addressed a critical CRM application for the energy services company, which generated significant incremental software and consulting services. The account manager estimates that the sales pipeline has increased from 30 to over 60 opportunities. "We improved our teaming on this large account, broadened our relationships with the client, expanded our view of opportunity, and significantly improved business results. What more could we or the customer ask for?"

ABOUT CPS. Critical Path Strategies helps clients improve their competitive position by providing comprehensive consulting services to improve the effectiveness of major account sales organizations. Our portfolio of services addresses the strategic, organizational, and relationship issues that impact selling performance. Engineering successful sales teams the Critical Path Way enables clients to develop strong selling organizations, build high-value customer relationships, and accomplish strategic business initiatives. Our clients—emerging companies and members of the Fortune 500 alike—typically measure 100 to 500 times their CPS investment in revenue growth.



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