

4th Industrial Energy Efficiency Symposium and Exposition

Supply Chain Management
Chemical Industry Perspective

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Supply Chain Management

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Chemical Industry Perspective to
Supply Chain Management

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Chemical Industry Supply Chain Activity

- Most Chemical Companies are working on integration of their supply chains and then managing them as entities.
- Significant in Definition, Assessment, Visioning, Strategy Development, and Implementation is required.
- All size companies are going through this process and realizing the benefits

Chemical Industry Supply Chain Benefits

- The estimate comes from real case studies done by companies.
- Saving range from 5% to 15% of sales.
- This amounts to \$20 to \$40 Billion dollars annually for the US Chemical Industry.
- The cost savings come from elimination of unnecessary activity, inventory, operational sites, and varying the treatment of customers.

Chemical Industry Supply Chain Methodology

- Define the Extended Supply Chain
- Do a Supply Chain Assessment and Compare with Best Practices
- Using the Supply Chain Strategy define which Best Practices are Important
- Develop A Prioritized Change Program
- Implement the Changes

Chemical Industry Supply Chain Experiences

- Personal involvement in Managing five global supply chain Improvements that saved from 7 to 14 percent of sales.
- Presently involved in one with a small chemical company on a supply chain improvement activity.
- “Vision 2020” gave us access to the experience of another 25 improvement projects

Chemical Industry Supply Chain Changes in Capability

- Typical Supply Chain Improvements make changes at a high level. Inventory policy change, warehouse closure, order entry consolidation, and Plant closures.
- Supply Chain Improvements is shifting to changing capability to alter the way business will be done. Things like agile batch processing, delayed product identity, and streamlining to make the SC more responsive.

Chemical Industry Supply Chain Changes in Capability

- The changing capability approach is being piloted. By understanding the supply chain then key technologies can be implemented that will change the way the capability and make it more responsive.
- Change elements are agile batch automation, minimum practical fuel consumption, automated container filling, optimized reflux ratios, central SC command centers

Chemical Industry Supply Chains Changing Capability

- Pilot looks like it will yield cost savings in excess of 10% of Sales with an improvement in responsiveness to customers.
- We are presently starting an evaluation of other companies and their supply chains to continue the piloting activity. Our goal is to prove that the concept can work and have real results.
- We are also sure it will work in other industries.

Supply Chain Improvements - All Industries

- The techniques that are being piloted in the Chemical Industry are applicable to all industry.
- It focuses both on supply chain element integration, simplification and elimination as well as changing the capability to do business in a different fashion.

Supply Chain Improvement All Industries

- The up front effort is kept to a minimum using people with expertise in the industry and with principles of supply chain improvement.
- Initial focus is where the money is; element and inventory reduction.
- Further work deals with changes in capability and further SC streamlining.

Supply Chain Improvements

Conclusions

- The process can be focused and need not be super expensive. Money will need to be spent to make changes in integration, streamlining of elements and changing capability.
- Time horizon for SC improvement programs is 3-6 months to identify low hanging fruit and a total of 1.5 to 2 years to complete identification of changes.
- Total Change program is 2-4 years.

Supply Chain Improvements

Conclusions

- The work is done using a couple of consultants and a team of knowledgeable people in the supply chain or company.
- The process uses material and transaction mapping techniques to define the present and be the foundation for change.
- All ideas are assessed relative to benefit to the income statement and what effort will be required to accomplish.

Benefit of Supply Chain Improvement

Expect a 5-15% Cost Reduction
While Enhancing Customer
Responsiveness and Service

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