

# Case Study

## Facilities Management Centre Supplier Savings



### Client Background

Shell is well known as one of the five major national suppliers of petroleum products. They have a proud record of presenting a global brand and an extremely high level of compliance with safety and environmental standards.

Shell supplies their fuel and convenience products through a vast network of retail and commercial sites across South Africa, with many assets in constant daily operation. Shell has more than 400 retail sites nationally that are maintained by Pragma through the Facilities Management Centre (FMC).

In the supply chain environment there is a need to balance supply and demand by working with suppliers to share plans, reduce warehousing and logistics costs and implement a just-in-time methodology without affecting downtime of critical assets.

***“Renegotiation of prices is an important part of supply chain responsibilities.”***

***Shell Engineering***

***“We have been more involved in procurement management which promotes transformation and assurance.”***

***Shell SA***

### Key Challenges

- A third of the total cost of reactive work at Shell sites is attributed to spare material cost.
- New components or assets also form a large portion of project costs.
- Pragma has roughly 100 contractors and suppliers to manage.
- Pragma has to process over 3000 invoices from work orders per month.
- The economy in South Africa has led to many companies suffering diminishing profit margins and tightening of resources and budgets.
- The majority of fuel systems and signage for sites has to be imported, resulting in high tax and transport costs.
- Many of the systems in the Shell network need to be upgraded to conform to global standards. This requires large batches of new equipment.
- The unstable South African Rand results in steep exchange rates for goods.
- The large geographic area of the country and remote sites lead to high distribution costs.



### Value Add

- Competitive pricing for Shell.
- Shell will have additional capital to invest in other engineering projects. This will assist Shell to have an edge in the market.
- Pragma building partnerships with their suppliers.
- Aiding in the transformation of previously disadvantaged people in South Africa.
- Waste is reduced by refurbishments and recycling of components.
- Future project to standardise equipment which will reduce supply chain and maintenance costs.
- Localise assets which are fit for purpose for the South African attendant market.
- Pragma and Shell contract specialists working together to identify and close gaps on the tender process.
- Plan to initiate an auction of assets not in operation.
- Benchmarking of services in the market.

### Pragma Intervention

- Organise discounts on old stock items in the warehouse at suppliers (before new branding and updated versions).
- Ensure local adherence of Global Framework Agreements (GFA) signed by Shell Global.
- Manage a fair tender process by obtaining multiple quotes according to criteria.
- Renegotiate quotations based on:
  - economies of scale
  - reduction of resources
  - reduced cost of materials
  - negotiation and a discount on the exchange rate charged on imported goods.
- Source cheaper suppliers and local suppliers, or import components and assemble locally.
- Initiate refurbishment programmes with contractors for certain assets which can be bought back at a reduced cost.
- Run FMC Enterprise Supply Development Programme (15 contractors registered).
- Establish rebates for assets traded in.

### Tools and Technology

- Supply Chain Management
- Contractor Management
- Material Management
- Focused Improvement
- Spare Parts Administration.

