**Title:** Strategic Sourcing Transformation: Optimizing Fleet Vehicle Management for a \$6 Billion Independent Oil and Gas Company

#### **Executive Summary**

In the highly competitive oil and gas industry, operational efficiency and cost optimization are paramount. This business case explores a comprehensive strategic sourcing project undertaken by a \$6 billion independent oil and gas company to transform its fleet vehicle management. Utilizing a full seven-step process, the company overhauled vehicle acquisition and upfitting, implemented advanced telematics, optimized fleet management services, streamlined maintenance and fuel card programs, and restructured remarketing fees. The awarded supplier was deployed across 26 field offices in four states, resulting in \$3.5 million in savings over a five-year term.

### Introduction

The oil and gas industry faces constant pressure to reduce operational costs while maintaining high levels of service and safety. Fleet vehicles are a significant expense, particularly for companies with widespread field operations. Recognizing the potential for substantial cost savings and efficiency gains, a \$6 billion independent oil and gas company initiated a strategic sourcing project focused on transforming its fleet vehicle management.

This business case details the comprehensive seven-step process employed in the project, highlighting the methodologies, implementation strategies, and outcomes achieved. The transformation not only led to significant cost savings but also enhanced operational efficiency, safety, and compliance across the company's field operations.

### 1. Background and Objectives

### 1.1 Company Overview

The company operates extensively across multiple states, with 26 field offices supporting exploration, drilling, and production activities. The fleet consists of several hundred vehicles, including light-duty trucks, SUVs, and specialized equipment vehicles.

### **1.2 Challenges Faced**

- **High Operating Costs:** Rising expenses in vehicle acquisition, maintenance, fuel, and administrative overhead.
- Vehicle Replacement Planning: No defined process to identify and replace fleet vehicles.
- Maintenance Network: Few qualified maintenance shops in network.
- Inefficient Processes: Decentralized procurement and inconsistent upfitting practices.



- Lack of Visibility: Limited insight into vehicle utilization, driver behavior, and maintenance needs.
- **Compliance Risks:** Challenges in adhering to safety regulations and environmental standards.

## **1.3 Project Objectives**

- Cost Reduction: Achieve significant savings in fleet management over a five-year term.
- **Process Standardization:** Streamline vehicle acquisition and upfitting processes.
- Enhanced Visibility: Implement telematics for better fleet monitoring and management.
- Supplier Optimization: Select and implement an awarded supplier across all field offices.

### 2. The Seven-Step Strategic Sourcing Process

The project followed a structured seven-step strategic sourcing methodology:

- 1. **Opportunity Assessment**
- 2. Market Analysis
- 3. Strategy Development
- 4. Supplier Engagement
- 5. Evaluation and Selection
- 6. Implementation Planning
- 7. Performance Management

### 2.1 Opportunity Assessment

### 2.1.1 Data Collection

- Fleet Inventory Analysis: Compiled comprehensive data on all fleet vehicles, including age, usage patterns, maintenance records, and costs.
- **Spend Analysis:** Reviewed expenditures related to acquisition, upfitting, maintenance, fuel, and remarketing.

# 2.1.2 Identifying Improvement Areas

- **Redundant Suppliers:** Multiple suppliers across different locations leading to inconsistent pricing and services.
- Inefficient Upfitting: Lack of standardization in vehicle modifications required for field operations.



• **High Maintenance Costs:** Reactive maintenance practices resulting in higher downtime and expenses.

#### 2.2 Market Analysis

### 2.2.1 Industry Trends

- Advancements in Telematics: Emerging technologies offering real-time tracking and data analytics.
- Fleet Management Solutions: Growth of integrated services combining acquisition, maintenance, and disposal.
- **Supplier Landscape:** Identification of leading suppliers capable of providing comprehensive fleet services.

## 2.2.2 Benchmarking

- Competitor Practices: Analyzed fleet management approaches of similar companies in the industry.
- **Best Practices:** Identified strategies that led to cost savings and operational efficiencies elsewhere.

### 2.3 Strategy Development

### 2.3.1 Defining Requirements

- **Comprehensive Services:** Need for a supplier capable of handling acquisition, upfitting, maintenance, telematics, fuel management, and remarketing.
- Scalability: Ability to service all 26 field offices across four states.
- Technology Integration: Requirement for advanced telematics and data reporting capabilities.

### 2.3.2 Sourcing Strategy

- **Consolidation:** Move from multiple suppliers to a single, strategic partner.
- **Competitive Bidding:** Develop a Request for Proposal (RFP) to solicit bids from qualified suppliers.
- Total Cost of Ownership (TCO): Focus on overall costs rather than upfront expenses alone.

### 2.4 Supplier Engagement

### 2.4.1 RFP Development

- **Clear Specifications:** Detailed requirements for each aspect of fleet management.
- **Evaluation Criteria:** Established metrics for cost, service quality, technology, scalability, and compliance.



## 2.4.2 Supplier Outreach

- Market Communication: Invited leading suppliers with proven capabilities.
- **Pre-Bid Meetings:** Held sessions to clarify expectations and answer supplier questions.

### 2.5 Evaluation and Selection

### 2.5.1 Proposal Analysis

- Quantitative Evaluation: Assessed pricing models, projected savings, and financial stability.
- Qualitative Evaluation: Reviewed service offerings, technology solutions, implementation plans, and references.

## 2.5.2 Supplier Selection

- Finalists: Shortlisted top suppliers for negotiations based on evaluation scores.
- **Negotiations:** Engaged in discussions to refine terms, ensure alignment with objectives, and maximize value.

## 2.5.3 Award Decision

- **Selected Supplier:** Chose a supplier offering comprehensive services, advanced telematics, and the best TCO.
- **Contract Finalization:** Established a five-year agreement with defined performance metrics and service level agreements (SLAs).

# 2.6 Implementation Planning

### 2.6.1 Transition Strategy

- **Phased Rollout:** Planned implementation in stages across the 26 field offices to minimize disruption.
- Change Management: Developed communication plans and training programs for staff.

### 2.6.2 Integration

- **Technology Setup:** Deployed telematics systems and integrated them with existing company platforms via mobile app and real-time telematics.
- **Process Alignment:** Standardized acquisition and upfitting processes in collaboration with the OEM through the Fleet Management Services company.

### 2.7 Performance Management

# 2.7.1 Monitoring and Reporting



- Key Performance Indicators (KPIs): Established metrics for cost savings, vehicle uptime, maintenance compliance, and fuel efficiency.
- **Regular Reviews:** Scheduled quarterly meetings with the supplier to review performance and address issues.

## 2.7.2 Continuous Improvement

- **Feedback Mechanisms:** Implemented channels for field offices to provide input on supplier performance.
- Adjustments: Made iterative improvements to processes and services based on data insights.

## 3. Implementation Across Field Offices

## 3.1 Deployment Overview

- **Geographical Spread:** Implemented the supplier's services across four states, accommodating regional variations.
- **Staff Engagement:** Involved local managers and drivers in the transition to ensure buy-in and smooth adoption.

## 3.2 Training and Support

- User Training: Conducted workshops on new processes, telematics usage, and reporting tools.
- **Support Services:** Provided dedicated support teams to assist with onboarding and address challenges.

# 4. Results and Benefits

### 4.1 Cost Savings

 \$3.5 Million Savings: Achieved over the five-year term through negotiated pricing, optimized maintenance schedules, fuel efficiency improvements, and reduced administrative overhead.

# 4.2 Operational Efficiency

- **Standardized Processes:** Streamlined acquisition and upfitting reduced lead times for new vehicles.
- Reduced Downtime: Proactive maintenance schedules decreased vehicle downtime by 15%.

# 4.3 Enhanced Visibility and Control

 Telematics Data: Real-time insights into vehicle location, usage patterns, and driver behavior.



• Improved Compliance: Better adherence to safety regulations and company policies.

# 4.4 Environmental Impact

- **Fuel Efficiency:** Implemented driver training programs and vehicle selection criteria that improved fuel economy.
- **Emissions Reduction:** Decreased carbon footprint through optimized routes and reduced idling times.

# 5. Challenges and Lessons Learned

## 5.1 Change Resistance

- **Staff Concerns**: Initial reluctance from drivers and managers to adopt new technologies and processes.
- **Mitigation:** Addressed through effective communication, demonstrating benefits, and providing support.

## 5.2 Data Management

- Data Overload: Managing large volumes of telematics data required robust analytics capabilities.
- **Solution:** Invested in data analytics tools and trained staff to interpret and act on insights.

### 5.3 Supplier Coordination

- Service Consistency: Ensuring consistent service quality across all locations.
- **Approach:** Established clear SLAs and maintained open communication channels with the supplier.

# 6. Conclusion

The strategic sourcing project successfully transformed the company's fleet vehicle management, delivering substantial cost savings and operational improvements. By following a structured sevenstep process, the company was able to:

- **Optimize Costs:** Realize \$3.5 million in savings over five years.
- Enhance Efficiency: Standardize processes and reduce vehicle downtime.
- Leverage Technology: Utilize advanced telematics for better fleet control.
- Improve Compliance and Safety: Achieve higher adherence to regulations and company policies.
- This project serves as a model for other organizations seeking to improve their fleet management through strategic sourcing and supplier partnerships.



### Appendix

### A. Key Performance Indicators (KPIs)

- Cost Savings: Measured against baseline expenditures.
- Vehicle Uptime: Percentage of fleet operational time.
- Maintenance Compliance: Adherence to scheduled maintenance.
- **Fuel Efficiency:** Average miles per gallon across the fleet.
- Driver Safety Metrics: Incident rates and compliance with safety protocols.

#### **B. Stakeholder Feedback**

- Driver Testimonials: Positive feedback on vehicle quality and support services.
- Manager Insights: Noted improvements in operational planning and resource allocation.

#### **Author Bio**

The author is a supply chain and procurement professional with over 20 years of experience in the supply chain industry. Specializing in strategic sourcing and operational optimization, the author has led multiple projects that have delivered significant cost savings and efficiency improvements for large organizations.

