

OIL AND GAS ENERGY COMPANY DRILLS DOWN ON SPEND

While revenues can be large in the energy industry, so too are costs. Any improvement in overall spending yields important bottom line benefits to the entire organization. This is the mission of procurement at our client, a Fortune 500 oil and gas company operating throughout the southwestern United States.

OIL & GAS Energy Company

CUSTOMER

Our client is a leading North American oil and natural gas producer that explores for, acquires, develops and produces oil and natural gas.

PROBLEM

Faced with spend spread across numerous small, local suppliers, our client was unable to leverage economies of scale and concentrate spend with larger, more efficient suppliers.

SOLUTION

Ivalua Supplier and Contract Management

RESULTS

Reduced number of active supplier contracts, simplified contract negotiations, and streamlined preferred status discounting.

FOCUS ON THE BOTTOM LINE

Our client's procurement team needed to find ways to improve processes and secure savings across a capital-intensive business. Instead of focusing on large items such as drilling equipment, rigs and storage facilities, the team knew that more significant bottom-line impact could come from rolling up spend across far-flung operations and looking for ways to coordinate actions and compliance without disrupting the pace of business.

Much of our client's spend was on services and involved smaller, local suppliers because the needs originated in the field. Engineers could commit the company to contracts and leave the details to the procurement team, but this arrangement presented a challenge to a procurement organization pursuing supply base consolidation and working to negotiate savings with larger, more efficient suppliers.

SUPPLIERS: CRITICAL PARTNERS

Supplier relationships matter in the energy production industry, and strategic suppliers require ongoing management. In addition, the capital-intensive nature of the business means that suppliers often find themselves in a cash crunch.

Being able to pay suppliers sooner rather than later can earn companies a "favored customer" status and position them preferentially for future business arrangements where they can exchange lower prices for payment terms that benefit suppliers.

Managing these supplier relationships while staying nimble enough to make purchases quickly was a challenge. Thousands of master service agreements (MSAs) were in place, even though actual purchases occurred with a small subset of contracted suppliers. The situation overwhelmed the operations team and made it difficult to evaluate how well supplier relationships were being managed.

IVALUA BRINGS VISIBILITY AND COMPLIANCE TO CONTRACTS

With Ivalua, our client put in place a supplier and contract management solution that was well-suited to their unique requirements.

The Ivalua solution:

- Improved visibility into contracts and supplier information for all stakeholders;
- Helped reduce the number of active supplier contracts in order to focus on the most strategic supplier relationships;
- Maintained strong working relationships with non-active suppliers and avoided costly legal contract revisions or renegotiations;
- Simplified the complex supplier negotiation process around cash flow and preferred status discounting;
- Enabled conditional supplier contract terms and pricing.

For our client, another key feature of the Ivalua Platform -- fully integrated workflow -- helped them roll out across a widely distributed operational structure to bring critical information to all users and suppliers. The Ivalua solution brought visibility that reduced risks and brought greater accountability and control to all buyer-supplier interactions.



**SUPPLIER RELATIONSHIP
MANAGEMENT**



CONTRACTS & CATALOGS

SUMMARY

The energy industry is demanding, cost intensive and market dependent, requiring leading companies to manage spend without compromising safety while working closely with stakeholders both inside and outside the organization. By supporting all of these needs in a flexible solution accessible across our client's widely distributed organization, Ivalua provided our client with a technology foundation for excellence and the visibility over suppliers and contracts to succeed in a constantly changing environment.

WHY IVALUA?

Ivalua's single-platform solution with highly configurable workflow met our client's needs for supplier and contract management functionality that was simple for engineering to adopt while not hindering established processes. Ivalua also supported all types of spend -- including services spend -- and enabled our client to manage all suppliers in a single, easily-accessible repository..

Start transforming your procurement foundation with Ivalua today. Call +44 (0) 207 153 1600 for a free consultation and demonstration

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+44 (0) 207 153 1600

info@ivalua.com