PIDX SPRING CONFERENCE APRIL 2013
MATERIALS MANAGEMENT PROGRAMME
IN SHELL

Kay McDonald – Contracting and Procurement - Systems & Process Group Materials Management lead

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AGENDA

- About Shell
- Where were we 2 years ago?
- Materials Management Programme
- Where is our focus now
- Why is Data so important to us

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ABOUT SHELL

- Active in more than 70 countries and territories
- Worldwide, more than 87,000 employees
- Produce around 3.3 million barrels of oil equivalent per day
- 44,000 Shell service stations worldwide
- Shell transports fuel to some 10 million customers a day

In 2012…

- We generated an income of $26.8 billion;
- Invested $29.8 billion in capital; and
- Spent over $1.3 billion on R&D.

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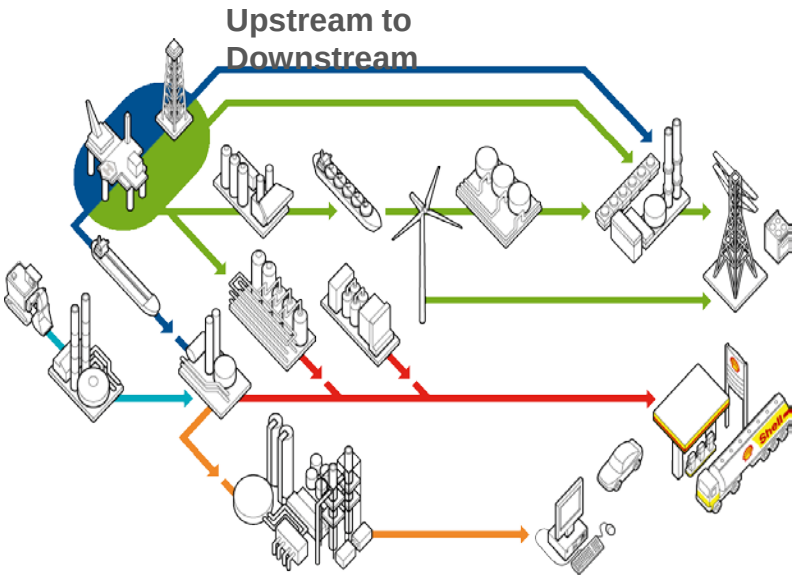
CONTRACTING & PROCUREMENT

C&P supports the entire Shell Group

- Approximately 2500 staff
- Managing some 30,000 Contracts
- 1 Million Purchase Orders
- 5 Million Invoices
- 120,000 Suppliers each year
- ~$65 billion in 3rd party annual spend



The C&P team is responsible for everything that Shell buys with the exception of hydrocarbons, but including the hydrocarbons for own use

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2010 - THE IDEAL WORLD – MATERIALS ARE DELIVERED ON TIME

- If value necessitates then workflow sends to Requisition Approver
- System automatically chooses ‘Stock’ or ‘Procure’ route
- ‘Stock’ materials are available for issue
- ‘Procure’ materials - system finds Outline Agreement and automatically creates PO without need for approvals
- Materials arrive at Work-site – fully Inspected and fit for purpose
- Downtime of facilities are minimized and production shut-ins are avoided
- Any used materials are returned through the appropriate investment recovery channels

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2010 - THE IDEAL WORLD – MATERIALS ARE DELIVERED ON TIME

- Technician plans Work Order within realistic timing window
- Equipment has fully structured Bill of Materials attached with accurate overhaul quantities
- Technician selects spare parts from BoM
- Low value consumables are available as free issue or
  from vending machines and do not require planning
- Technician selects higher value consumables from Task List or …
- Technician selects higher value consumables from system catalogue - standardized easily understood material specs

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RIGHT KIT, RIGHT PLACE, RIGHT TIME

How much time do you lose locating the right materials?

How often do you pay extra for a rush order to meet ROS date?

How confident are you that your materials are of the right quality?

How much time do you spend waiting for materials?

Has inadequate attention to stock preservation caused shortage of critical spares?

How much more would you produce and/or save if you had the right kit in the right place at the right time?

How often do you have to deal with wrong materials, condition or inadequate documentation?

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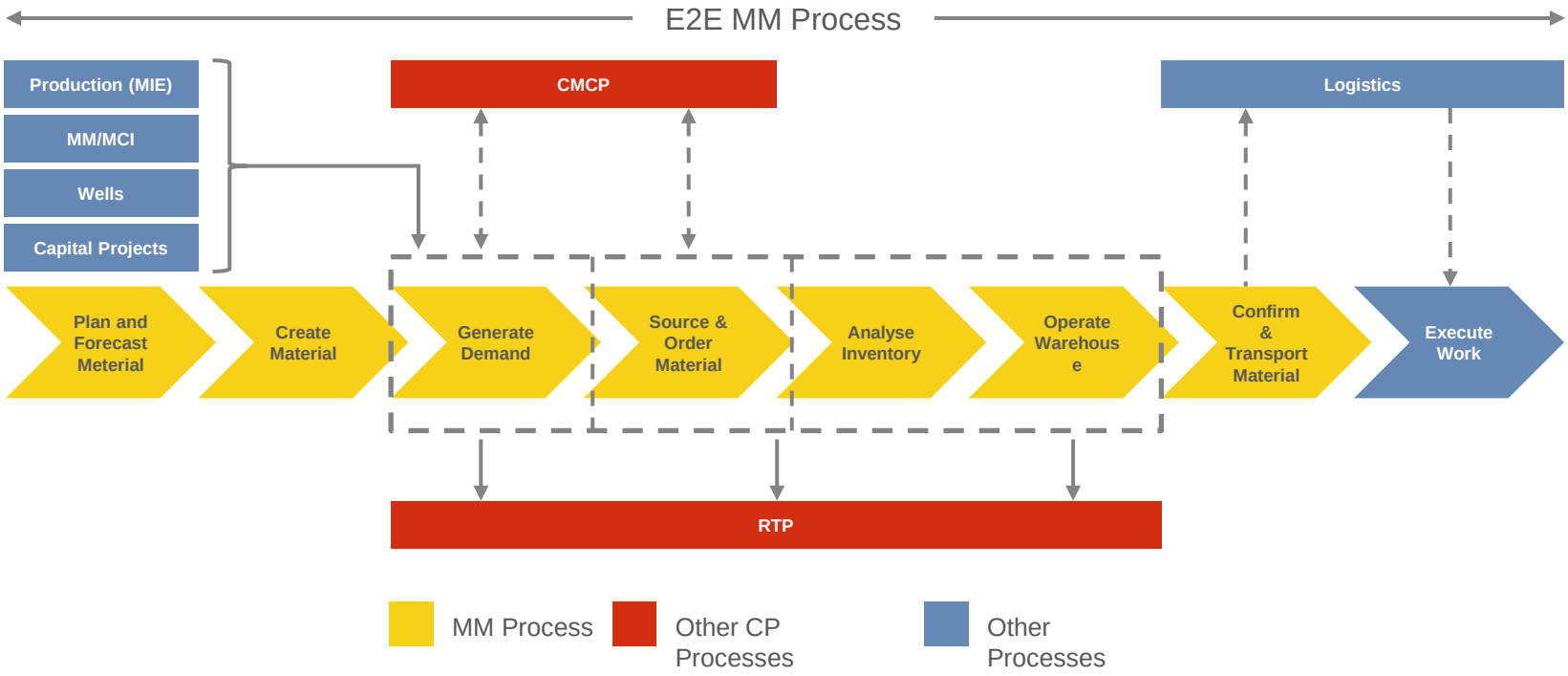
SCOPE OF MATERIALS MANAGEMENT PROGRAMME

- Materials Management involves delivering the right kit, at the right place, at the right time to improve site/asset uptime, optimise inventories, whilst supporting safe operations (Goal Zero).



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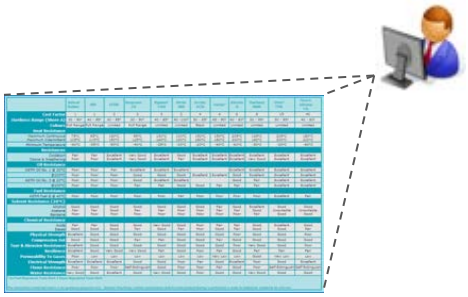
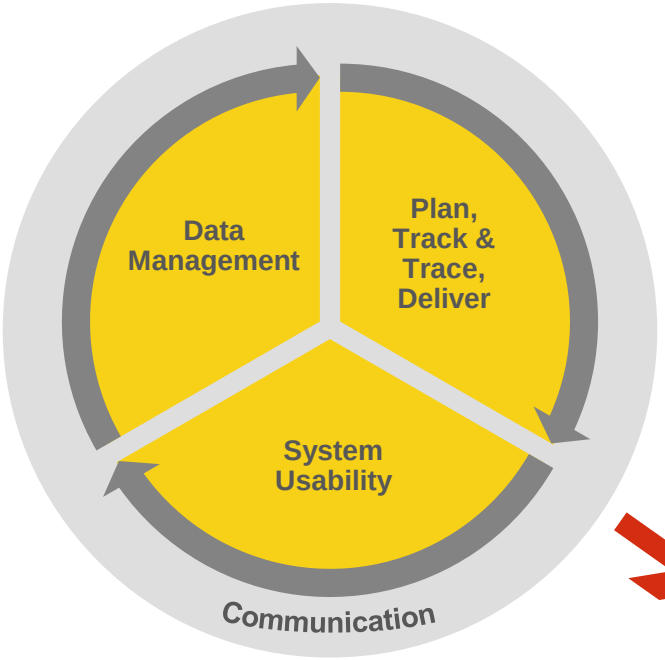
VISION

Focused development of current assets to provide fit-for-purpose, easy to use systems which give users the confidence that the right kit will be delivered, at the right place and at the right time

Enforce quality on existing and new data





End-to-End visibility of the material

Users can quickly find the required information whether in the office or in the field.

MM VALUE LEVERS

When the business & CP are planning collaboratively together with clear data and specifications…

And we have the right materials in stock or timely and effective delivery from suppliers....

Then Business Benefits Result

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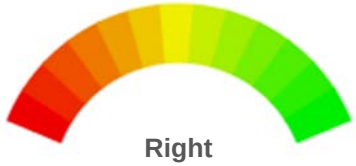

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HOW WILL WE GET THERE?

Right Specifications & Data

Standardisation/Variety Control	Increased Standardisation
Material Catalogues	Zero Generics, QA/QC flagged
Critical Spares	Tagged, preserved, protected
Bill of Materials (BoMs)	Improved BoM quality and coverage
Lead Times	Accurate, available lead times

Right Buying

Sourcing Strategy	Greater use of Enterprise Framework Agreements (EFAs)
Manage Supplier Delivery	New expediting strategies
Supplier Managed Inventory	Leveraging Suppliers to hold and manage physical stocks, delivering just in time
Stocking vs Vendor Managed Inventory	Supplier performance measures, adequate controls

Planning & Performance Management

Joined-up Planning	Integration of Technical, CP, Logistics planning
Integrated Scheduling	Materials available before work order released
MM Big Rules	Common rules to drive performance
KPIs	Use of common KPIs and targets

Right Inventory

Inventory Management (min/max)	Stock linked to contracts / Right levels of inventory
Stock Replenishment	Move to automation/replenishment planning
Preservation & Certificates	Common policies followed
Surplus Disposition	Implement reuse, scrapping, selling
Warehouse Operations	Improved storage and handling; stock checking and accuracy; receiving, transfers, and returns

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OVERVIEW OF CURRENT MATERIAL MASTER DATA OPPORTUNITIES

Master Data Focus Areas

- BoM coverage to support maintenance
- Creation and handover of BoMs into Operations
- Multiple and complex templates used to request Material master data
- Material Master data roles and ownership
- Duplicate Material master records
- Effective search capabilities to locate Materials

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CRITICAL SUCCESS FACTORS

- Data definition, data value owners and accountability for data integrity clearly defined
- Effective change management of new processes and proactive early end user feedback incorporated into final communications
- Prioritisation and implementation of business aligned master data cleansing initiatives
- Updated governance model which redefines master data management processes and policies
- Leverage existing and newly cleansed and codified Master data back into ERPs
- Selection of new technology solution for master data management

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Material Master Management

Authors: Bouwe de Boer & Eva Laine Mar (Finance Operations Data)

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AGENDA

- Material Master Management
- Need for Open Content
- Classification & Attribute Management
- Cleanse Material Master
- Catalogue Search

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MATERIAL MASTER MANAGEMENT:
SHELL CATALOGUE MILESTONES

1914 [1)] world	Initiative was taken by some material experts to set up the BPM (Bataafsche Petroleum Maatschappij) Materials Catalogue, in order to provide guidance for all staff anywhere in the involved in the procurement and management of materials.
1932 [1)] it office.	Material and Equipment Standards and Code - MESC coding with unique 7-digit number made possible to communicate more efficiently with telex from overseas operations with the head-
1946 [1)]	MESC number extended to 10-digit number to support the increase of Catalogue items.
1985 [1)] central	MESC on Compact Disk implemented, which simplified distribution. Gradual decrease in coding and increase in local coding.
1995 - todate	Converted Legacy ERP's to Global ERP's. Conversions do not include complete cleanse.
2005 Centre's.	Start transition program to hand-over Master Data Management to Shell Business Service Implementation Data Quality Standards. Implemented KPI's for process and Data Quality.
2010 Tool.	Group Big Rules for Material Masters introduced. Initiative taken for overall cleanse Strategy &
2011 started.	Group Data Quality Standards implemented. LAKE & RIVER check implementation per ERP
2012	Plan launched for new system Landscape that enables central Material Master Management.

1) **Source:** Koninklijke Olie 1890 – 1990

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MATERIAL MASTER MANAGEMENT: MISSION & VISION

Mission

- Fit for purpose, readily available set of Master data in line with Laws & Regulations, Technical Integrity, HSSE, Standardisation & Variety Control and Group Data Quality Standards to support the Businesses/Functions and to enable Contracting & Procurement to achieve Top Quartile.

Vision

- Fit for Purpose Material Masters and Bills of Materials are readily available and easily identifiable for the Business User.
- Material specifications in accordance to latest Industrial standards.
- Material specifications maintained by Shell are managed/coordinated centrally in one MASTER system. One Standard suite of tools allows to handle requests, cleansing and Material Masters centrally.
- Bills of Materials are maintained during the life cycle of an equipment.
- Material specifications permit flawless execution of RtP process.

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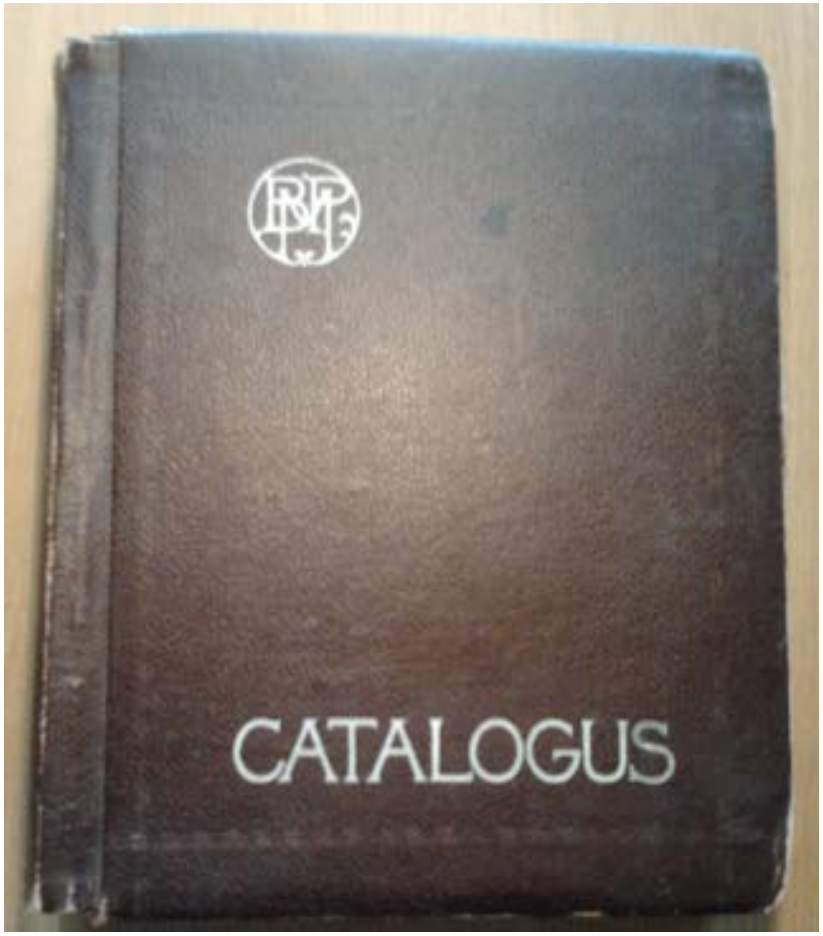
MATERIAL MASTER MANAGEMENT:
CATALOGUE STRATEGY 1914 «-» 2013

In 1914 [1] with the issue of the first B.P.M. Catalogue aiming at following three goals:

1. To bring uniformity amongst the materials used in the different operations.
2. To make a connection between those staff who use the materials, and those who purchase materials.
3. To bring under attention of all parties concerned, in a concise way the materials used in the B.P.M., enabling independency from Supplier Catalogue's for the majority of the materials in the Catalogue.

After almost 100 years Shell is following the same strategy. The only difference is that more and smart use of Vendor managed data is aimed for.



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NEED FOR OPEN CONTENT

Shell uses data across a wide variance of commodities:

- Data supporting different processes with own formats and requirements
- Source data in different formats/standards
- Interfaced systems use different formats/standards
- Cannot ignore end-user needs
  - (US Customary Units/Metric/imperial, Native Languages, etc)
- Improvement effectiveness & reliability catalogue search
- Limited resources in budget and staff
- Short implementation time
- Ongoing changes in formats/standards

Therefore it is important that key content is open and easily can be mapped despite the format!

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CLASSIFICATION & ATTRIBUTE MANAGEMENT: KEY CLASSIFICATIONS IN USE

- Supporting Material Specification:
  - Shell MESC (Material and Equipment Standards and Code) (more than 80 years in use!),
  - Shell Schema (CMT= Catalogue Management Tool),
  - TradeRanger TROCS (TradeRanger Open Content Standard) (phased out) ,
  - External; e.g. PIDX, eCLASS (in 2013 investigation for smart use of Vendor managed data!).
- Supporting Spend reporting & Category Management:
  - Shell Product & Service Group Codes (PSGC),
  - Shell Business Workstreams.
- Supporting Financial Accounting & TAX Reporting:
  - Shell General ledger via Shell Valuation Class and Shell PSGC,
  - Capital Projects (NORSOK),
  - UNSPSC.

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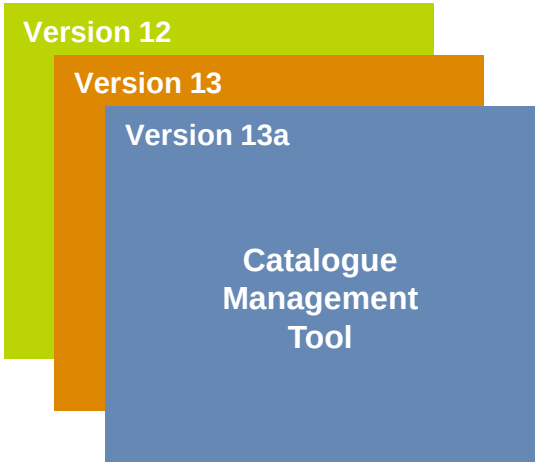
BACKGROUND ON CATALOGUE VERSIONING

VERSIONING TRIGGERS

- Alignment to International Industry Standards
- Shell Technical Standards (DEP) Updates
- Minimized additional company requirements
- Standardisation Efforts
- Reassessment of Variations
- Attributes needed in Engineering tools (3D-modeling)
- Continuous Improvement



DELIVERIES

Shell Internal Schema

Also called ‘Classifications’ or ‘Schema Templates’

Provides a structure format for the specifications

MESC Specifications

Contains approx 140K formatted Piping Class [1] related material specifications

Supplemented by buying descriptions and other reference documents

1) Piping class is a collection of most compatible components considering dimensional and material properties for the intended service over a range on pressure and temperature specified.

CLASSIFICATION & ATTRIBUTE MANAGEMENT: PAIN POINTS

- CMT new releases uploaded annually, but separately for each ERP system.
- Functionality to synchronize Classification/Characteristics from the CMT MASTER system with tables and Material Masters linked in SLAVE ERP systems;
  - only feasible for the creation/introduction of new attributes,
  - no multiple classifications (versions and or external) next to each other integral connected,
  - labor intensive and delay.
- Overlap of identical material crosses many categories in major ERP systems.
- Because of the different landscapes, the Classification/Attribute Management Process is not standard across each ERP system. Therefore there are differences in functionality and set-up of Material Masters, which causes differences in way MM's are maintained, searched, how we measure the data quality > resulting in separate Operating Procedures, separate Reports, separate Training for staff and less flexibility to work cross border.
- Global specification usage also becomes less viable when upload is delayed or partial.

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CLASSIFICATION & ATTRIBUTE MANAGEMENT: NEW CONCEPT

- Classifications will be centrally maintained on the One Master System.
- Schema/Attribute mapping will enable the system to recognize identical items.
- Catalog format changes can be easily reviewed by the end-users.
- Attribute data belonging to a different Attribute Code but similar content will be recognized.
- Possibility to accept supplier provided content based on other classification standard.
- Dynamic search functionality empowers indexed search for flat text content descriptions on ERP.
- Further integration to other Enterprise Tools for Detailed Engineering and Spares –handling becomes viable.

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FEASIBILITY OF ATTRIBUTE MAPPING

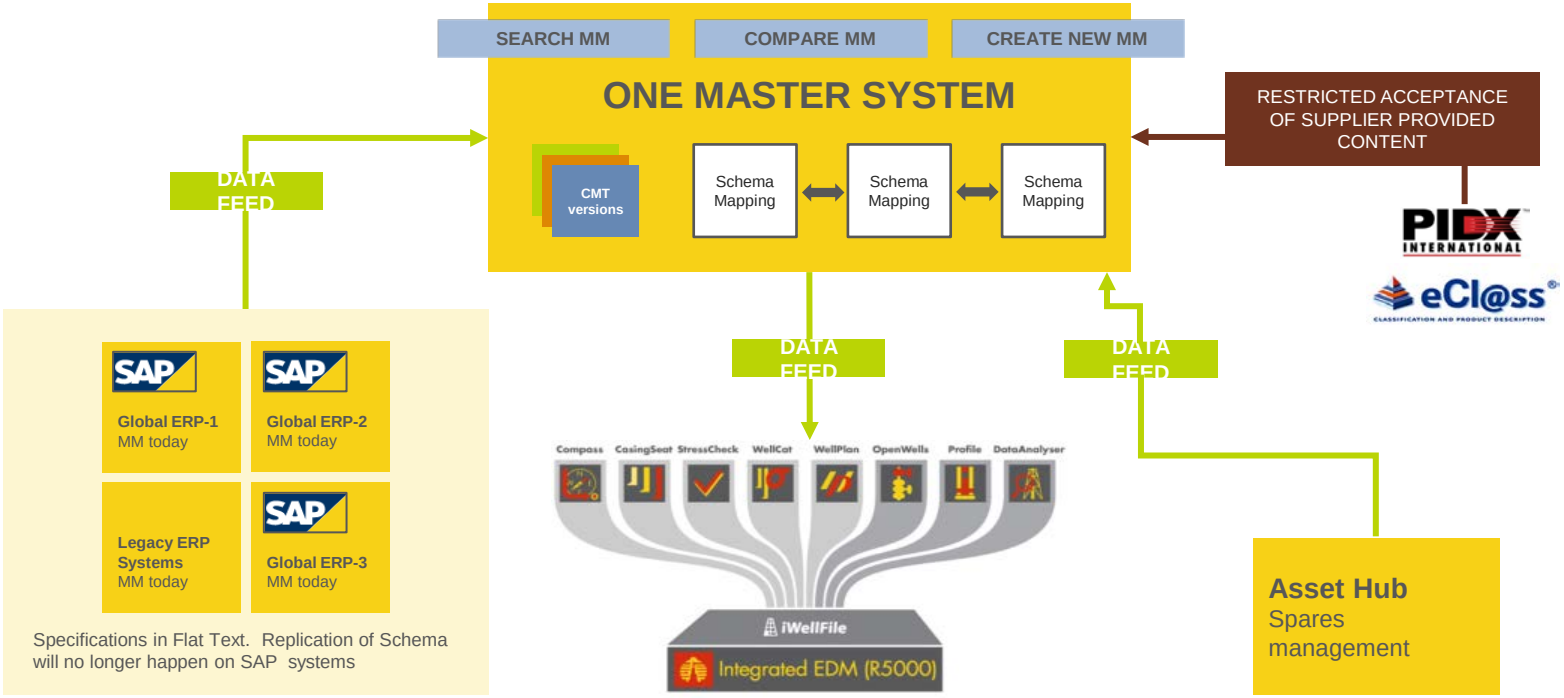
Catalogue update triggers effect the following changes on the attribute level:

(1) Lack of control on identifying similar attributes
(2) Rationalization of attributes
(3) Removal of attributes supporting negligible design specs
(4) Removal of specifications not supporting purchasing but should be indicated

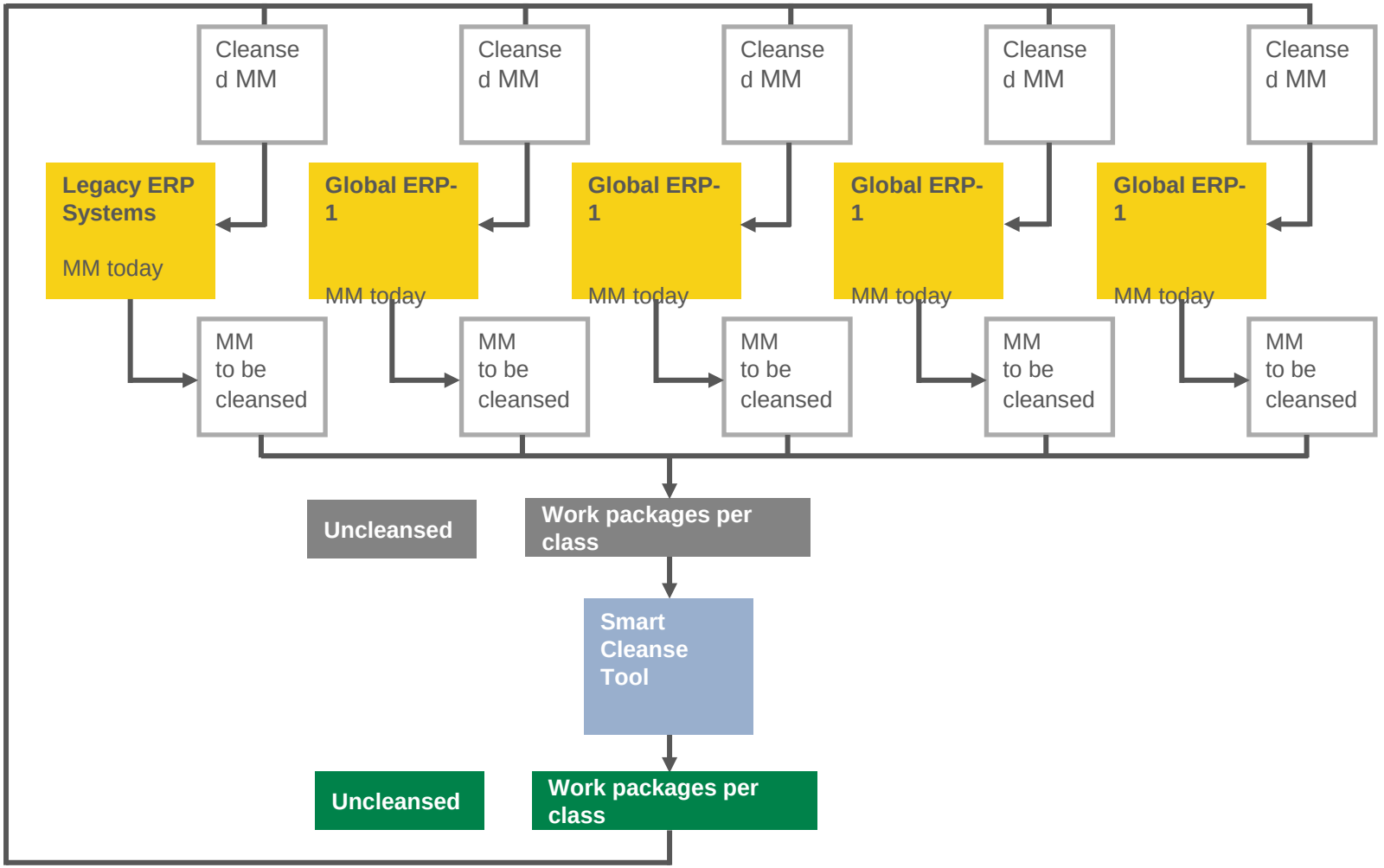
CMT version 7 *2003 Released*			CMT version 13 *2016 Released*		
BAFLSF CL300 RB CS 316 DN150			**VBA DN150 CL300 FL RB CS 316/PTFE**		
Attribute	**Value Unit**	**Value**	**Attribute**	**Value**	
Size	DN	150	Nominal size	DN 150	(1)
Length, f to f	mm	403	Length, f to f (e to e)	403 mm	
Pressure designation	ASME CL	300	Design spec, pressure rating	ASME CL 300	
Design spec, face to face		ASME B16.10	Design spec, f to f (e to e)	ASME B16.10	(2)
Temperature range	deg C	MINUS 29 TO PLUS 200	Temperature, min	MINUS 20 deg C	
			Temperature, max	PLUS 150 deg C	
Mat, gsk gti, layers		EXFOLIATED GRAPHITE	Mat spec, dynamic sec seal(s)	BRAIDED GRAPHITE + PTFE LUB	
Mat, gasket spwnd, filler		EXFOLIATED GRAPHITE		BRAIDED GRAPHITE	
Mat, packing, stem, gland		SPE 85/200 EXP. GRAPH. TP 3D		DIE FORMED GRAPHITE + PTFE LUB	
		SPE 85/200 EXP. GRAPH. TP 3A		DIE FORMED GRAPHITE	
		SPE 85/200 PTFE, TP 1C			
Finish, flange facing		RA=3.2-6.4 MICRON			(3)
Fugitive emission endurance		CO-QT-SS-AL			(4)
Fugitive emission temp class		T8			

MULTIPLE CATALOGUE VERSION CAPABILITY

- ✓ No need to go through the labour intensive process of upgrading the different ERP systems
- ✓ Seamless execution of the latest catalog versions
- ✓ Empowered usage of the globally identified specifications
- ✓ Efficient Master Data Management enabled through supplier catalog integration (via PIDX, eClass)
- ✓ More feasible integration between internal and critical applications



CLEANSE MATERIAL MASTERS:
CATALOGUES ACROSS ALL ERP'S



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CLEANSE DELIVERABLES: CONTENT & ENABLERS

- Quality Material Masters that meet the Shell Group Data Quality Standards, Group Big Rules and support Detailed Engineering, Maintenance, Logistics, Contracting & Procurement and Finance processes and help the Business to achieve Top Quartile.
- Structured clean and unique short-descriptions for logic sorting in search result lists.
- Reviewed Classification/Characteristics supporting searching, detailed engineering and procurement.
- Standardized Characteristic Value's for reliable search and feeding engineering systems.
- Dictionaries with synonyms support ongoing cleanse, searching and "GATE KEEPING" when new items are created.
- Identification of duplicate Material Masters within the same ERP as well identical Materials across ERPs.
- "One time" opportunity to review PSGC assignment for similar materials across ERPs.

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CATALOGUE SEARCH: PAIN POINTS

- Multiple solutions across Shell
  - training,
  - differences in search functions, some ERP advanced, others very basic,
  - differences in search results.
- ERP systems with only standard SAP search functionality may limit results for end users.
- No integral solution whereby end-users can access direct Third-Party Catalogues.
- New requests are raised for MM’s for items that already are coded in one or more of the ERP-systems, but could not be found by the (end) user, because of missing integration and/or limited access.
- Impossible to further narrow search result.

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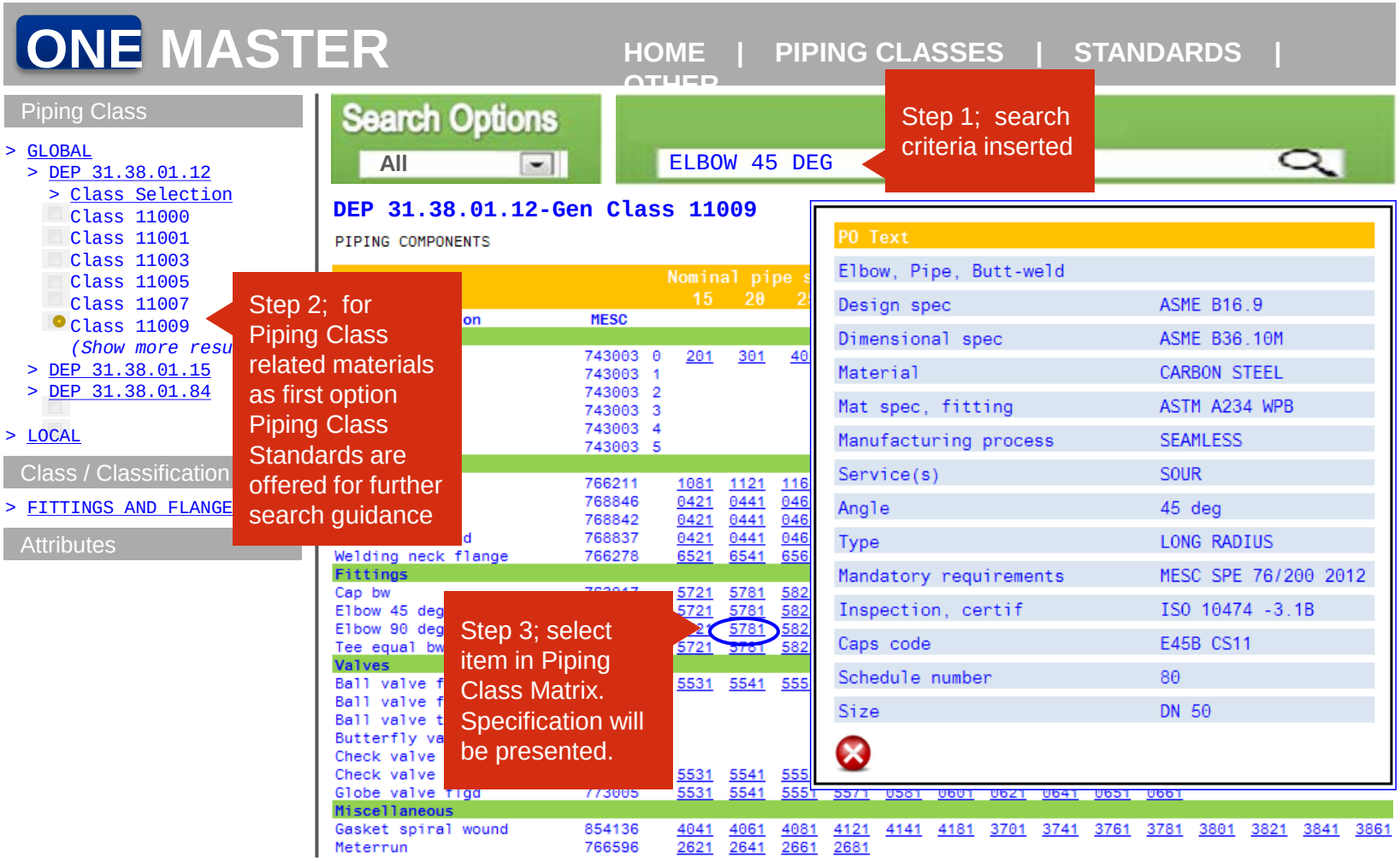
CATALOGUE SEARCH:
EXAMPLE ACTIVE GUIDANCE DURING SEARCH



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