

The Far Corners of the World: Increase Your Value From Global Procurement

John Somich



Program Manager
International Sourcing

BP Refining & Marketing

John Somich is the Asia Sourcing Program Manager for BP Refining & Marketing. He is the US-tag responsible for developing and growing BP's global supply base and establishing international procurement capabilities, including the start-up of BP's Greater China procurement office.

Mr. Somich has 17 years of experience in procurement, domestic and international projects, technology licensing, and plant operations and maintenance.

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At the start of this year, BP R&M launched a focused program to increase direct sourcing from global markets by building in-region procurement capabilities starting with China.

Our motivation

- to support BP's global growth and expanding footprint into new markets.
(BP China: \$3b FI, 20+ businesses).
- to gain access to alternative sources of supply in tight global markets.
- to contribute towards BP's long-term cost competitiveness.



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Our strategic focus...

- \$1.5 b in annual R&M spend (10% total) which we believe has international sourcing potential .
- a landed cost savings of 15-20%.
- migrating spend to best cost countries in waves over the next 3 years as we develop supply market knowledge and establish in-region capabilities.

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which we will achieve by...

- Ensuring best cost country sourcing is 'top of mind' for the functional and business leadership teams.
- Establishing clear financial delivery targets by best cost country.
- Building local supply market facing capabilities and creating a high-performing team of procurement professionals.
- Challenging our global procurement strategies to ensure focus on 'best total cost sourcing' vs. 'convenient sourcing'.
- Creating a portfolio of both quick wins to build credibility and medium term opportunities to establish sustainable results.

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the challenges...

- Connecting an int'l sourcing team into a decentralized org
 - Common processes and standards across all businesses
 - On-going support from key stakeholders and businesses
- Taking back portions of the supply chain
 - Knowledge of what we buy
 - Supplier qualification and development
 - QA / QC
 - Supplier HSE and Social Compliance
 - Logistics and inventory management

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the challenges...

- Moving beyond "opinion based procurement and engineering " to fact-based risk assessments and decision making.
- Specifications
 - Alignment across multi-heritage sites
 - Migration towards industry and supplier standards
- International procurement teams
 - "Right sizing" the in-country teams in advance of shifting spend
 - Recruitment and talent retention

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focusing on the fundamentals...

- Create organizational momentum at home via full-time engagement roles.
- Build on existing procurement strategies; but inform, challenge, and transform.
- Staff new procurement centers with local resources. (no expats).
- Develop deep local market intelligence and supporting cost models.
- Imbed 'strategic sourcing' processes vs. 'transactional-only' processes.
- Get the basics right (HSSE, code of conduct, QA, order management)
- Design simple operating models, easily transferable to new locations.

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key learnings ... so far

It's possible

- China capital project achieving 60-70% local content, including supply new technology and exotic materials. Fabricated equipment savings 14-40%.
- Export sourcing retail equipment, savings 56%.

Building momentum

- Look at your internal businesses experiencing competitive pressure for support.
- Host supplier fairs for internal stake-holders.
- Explore partnering options, existing suppliers.

Supplier Qualification

- Single qualification process for all end-user sites and project teams.
- Due diligence... as though you are buying the supplier. Evaluate supplier's entire supply chain.



Establishing IPOs

- Fierce competition for recruitment of local procurement staff.
- Use of 3rd parties (start-up support, logistics, QC).

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