

# Pricing Excellence Program at OilCo



# We have implemented one of the largest Pricing Excellence program at OilCo, downstream NOC in Asia

## Project background

- A large top-quartile refinery in Asia with annual revenue of USD 15 billion
  - Product portfolio includes refining, petchem, solvents products – most prices are linked to commodity indexes
  - Client had more than 50+ data sources, 2 systems (SAP, Oracle) to manage commercial transactions
  - No standardize tools
  - Strong commercial performance
- Project scope
  - **Create transparency** and standardization due to management changes and potential expansion
  - **Improve overall margin /profitability** management

## Methodology and process

- Launched marketing and sales diagnostic focusing on **pricing and contract management**
- Implemented **Periscope Performance Vision** on major product categories: refining, petchem, solvents
  - Built waterfall with 40+ elements to clarify real cost of products
  - Trained 30+ commercial and planning users for reporting and on-going leakages analysis
- **Drove capability building through proof-of-concept and roll out** to subsequent products led by commercial and planning members

## Our team



Tomas Koch



Kevin Chan



Khoon Tee Tan



Brian Elliott



Phillip I



Parimol Mai K



Naris A



Bundit



Raymund



Peach L



Hyunmin



Ben S



Nidhi



Aaron







Vikas



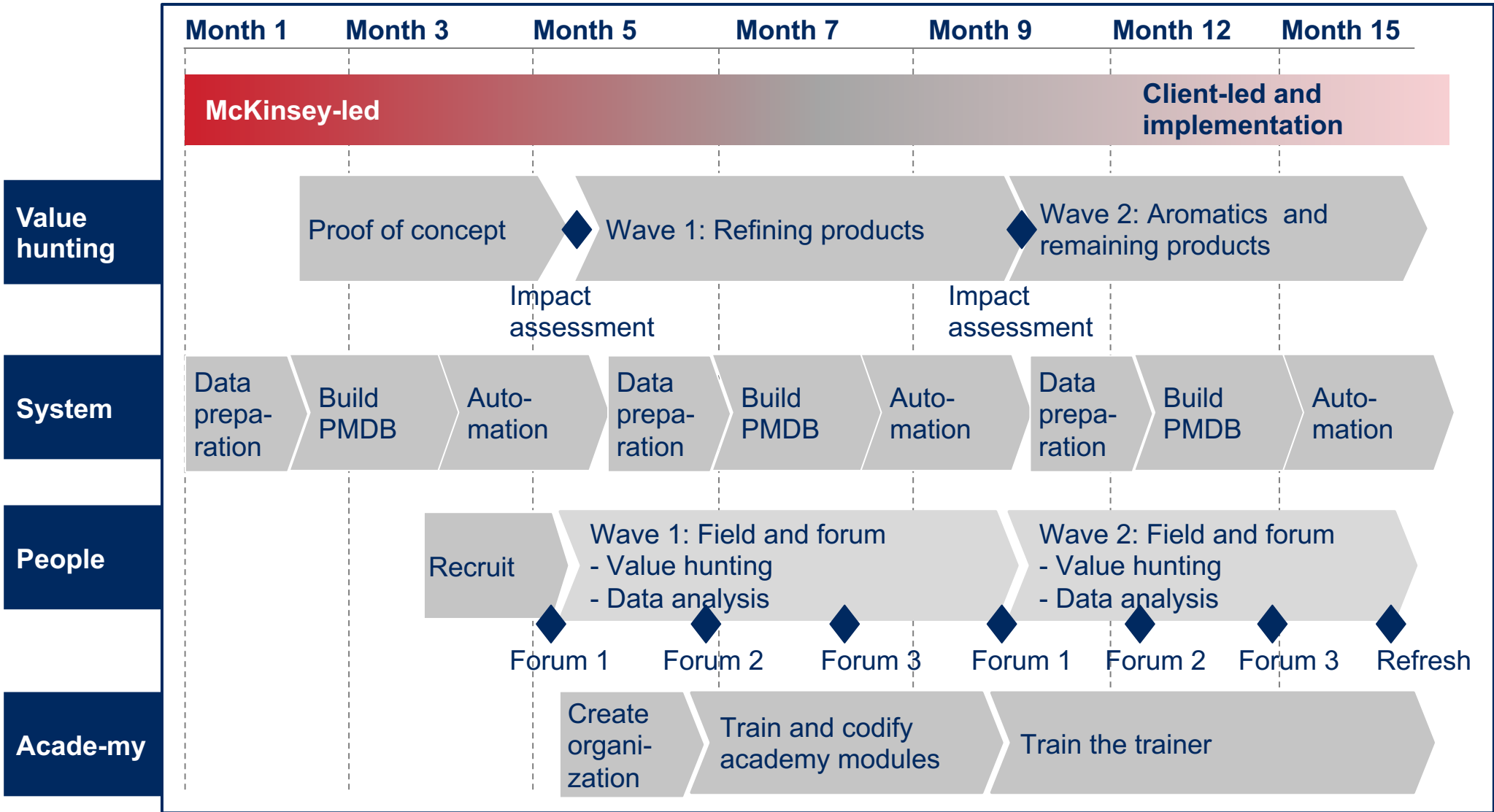
Monika



# We have achieved our aspirations for Margin improvement program roll out

	Aspiration set 1 year ago	Achievement
 <b>Performance</b>	<b>Target</b> set for value identified <b>30-50%</b> value captured in 2014	✓ <b>5X</b> value identified (0.5% ROS) ✓ <b>50% value</b> captured in 2014, full run rate expected by end of 2015
 <b>People</b>	<b>30 end-users</b> trained on Periscope tools  <b>5 master users</b> of Periscope tools	✓ <b>Center of Excellence</b> set-up ✓ <b>40 end-users</b> trained on Periscope tools and value hunting ✓ <b>3 champions</b> for Pricing Excellence ✓ <b>1 master user</b> of Periscope tools
 <b>Process</b>	<b>1 data repository</b> with new data collection and template  <b>&gt; 300,000</b> transactions  <b>&gt; 20</b> products	✓ <b>1 data repository</b> integrated with SAP system (for each company) underway to finish in 1-2 months  ✓ <b>&gt; 500,000</b> transactions ✓ <b>&gt; 40</b> products across TOP group
 <b>Proprietary knowledge</b>	<b>Pricing academy</b> setup with customized teaching modules and Periscope tool training	✓ <b>6 academy modules</b> on pricing excellence and solution training rolled out across the organization

# A full transformation program includes proof of concept and multi-wave roll out plan across all products



# Comprehensive levers developed throughout POC and waves

**% to total impact  
identified**

## Strategic pricing



- Develop strategic gameboard to improve market portfolio based on regional product demand & supply
- Develop partnership opportunity with other players within value chain
  - Marketing
  - Logistics & distributions
  - Production
- Setup Key Account Management (KAM) process to capture market insights and leverage information for contract and spot pricing

**60%**

## Value-based pricing

- Price to Next-best-alternative boundary for customers with different specs or that differentiated services can be provided

**10%**

## Transactional pricing



- Leakage: track and prevent deviation of actual vs policy / guidelines:
  - Volume loss
  - Logistics
  - A/R
  - Other costs pass through
- Dispersion: Introduce salesforce effectiveness and capability building by product & specialty
- Structural: Improve price staircase and develop discount policy
- Mix / volume
  - Shift to more value-add and higher margin customers
  - Develop key account management to refine product mix based on lifting pattern
- Management contract effectively based on lifting performance

**30%**

# Six comprehensive pricing academy modules developed and codified

Pricing Academy		
<div><b>Mini BCR (Basic consulting readiness)</b></div> <div><b>Objectives</b><ul style="list-style-type: none"><li>▪ Build structured problem solving skills allowing secondees and team members to analyze commercial/pricing levers</li></ul></div> <div><hr/></div> <div><b>Format</b><ul style="list-style-type: none"><li>▪ Field and forum<ul style="list-style-type: none"><li>— Multiple 2-hour sessions over 2 weeks</li><li>— On-the-job coaching</li></ul></li></ul></div>	<div><b>Pricing excellence bootcamp</b></div> <div><ul style="list-style-type: none"><li>▪ Develop pricing excellence within broader commercial organization</li></ul></div> <div><hr/></div> <div><ul style="list-style-type: none"><li>▪ A series of interactive training sessions to cover<ul style="list-style-type: none"><li>— Strategic pricing</li><li>— Value-based pricing</li><li>— Transactional pricing</li><li>— Key Account Management</li></ul></li></ul></div>	<div><b>Solution training</b></div> <div><ul style="list-style-type: none"><li>▪ Familiarize commercial team with the features and usage of Periscope as a pricing tool going forward</li></ul></div> <div><hr/></div> <div><ul style="list-style-type: none"><li>▪ Training sessions including group exercise<ul style="list-style-type: none"><li>— Data refresh and dashboard application</li><li>— Pocket margin waterfall by product</li></ul></li></ul></div>

