

## Shell Oil Products

Shell Oil Products (Shell OP), the worldwide fuel and lubricants businesses within the Royal Dutch/Shell Group, is using the Kalido to collate global cost data in a consistent format, bringing transparency and speed to performance analysis. The solution will help to monitor and reduce long-term operating costs, and will drive standardization and efficiency in Shell OP's local operating units.

### PROBLEM

Shell OP is one of the five core businesses that make up The Royal Dutch/Shell Group of Companies. They operate in more than 100 countries, supplying fuels and lubricants directly to customers in marine, aviation and commercial sectors, and via an extensive retail network to motorists everywhere.

With the global economy slowing, Shell OP realized that their growth aspirations would not be achieved through volume growth alone, and that this needed to be complemented by a drive to reduce operating costs. The main challenge was to monitor and understand expenditure throughout their complex federated structure of more than 120 individual operating units.

Shell OP implemented the Kalido federated enterprise data warehousing solution to power OP MIS, a global management information initiative that brings together data from all operating companies in a consistent format, and includes an operational expenses component.

The solution allows Shell OP to produce a matrix of monthly cost data for all their global operating units, facilitating meaningful comparisons of cost elements between individual countries or groups of countries. Activities and expenses are now coded uniformly in the Kalido data warehouse, giving a consistent global definition which is completely independent of local organizational structures or coding.

Jim Smitheman, MI Manager for Shell International Petroleum Company Limited, comments: "Without Kalido it would have taken several years and a good deal of effort to reconfigure ERPs to get this level of detail. It has taken all the pain out of gathering financial data for benchmarking purposes.

"The key advantage is that Kalido allows us to get global information in a standard format without having to standardize the configuration of our local ERP systems. That significantly reduces implementation costs (because ERP standardization would otherwise occupy considerable time and IT resources), and it allows local operating units to stay flexible."

**Jim Smitheman**  
MI MANAGER  
Shell International Petroleum  
Company Limited

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## SOLUTION

The market for oil products is highly sensitive to the prevailing economic climate, and the slow-down of recent years is reflected in limited growth. Demand is not growing fast enough to meet the growth aspirations of all global oil companies, so any increase in revenue almost certainly requires an increase in market share, and thus is doubly hard to come by. Faced with the task of keeping profit growth on the increase through unsure economic times, Shell OP realized that they needed to complement volume- and margin-related initiatives with a drive to reduce costs.

The complex structure of Shell OP's global operations presented a challenge to any cost-cutting initiatives, since large variations in local organizational structure meant that there was no consistent model for global cost reporting. Without standardization of cost element coding, there was no way for Shell OP to collate and compare global costs with any speed, transparency or accuracy. Attempts to standardize cost reporting had been unsuccessful in the past, often because there was a legal requirement for operating units in different countries to use different systems of classification.

Shell OP developed the OP MIS initiative as the overarching strategy for solving a host of similar problems, with the common goal of acting less as a confederation of national operating units, and more as a truly global company. OP MIS aims to develop the standardization and harmonization of information within Shell OP, and consists of a number of separate components, including Operational Expenses (OpEx).

## RESULT

OpEx uses federated Kalido data warehouses to extract cost data on a monthly basis from local systems. This data is used to populate a matrix of global costs, bringing transparency and speed to operational expenditure reporting, and identifying opportunities for cost reductions.

The first dimension in the matrix covers cost activities, such as distribution, sales, marketing, finance and human resources. These are defined globally so that whatever the local classification, Shell OP can compare like with like at a global level. Similarly, the second dimension in the matrix shows a globally-defined set of cost resources; these include labor, materials, and services.

Says Jim Smitheman: "In a federation of companies, you need to understand where you're spending the money in the first place. What we've done in OP MIS, using Kalido, is to develop a standard cost matrix describing the activities on which we spend money. We map local charts of accounts into the global structure so that we can pull all of the cost information together. We can then compare costs from country to country, and look at the output

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for those costs to see what they are doing for that money. The solution gives us fast, meaningful benchmarking for the first time.”

Such cost comparisons were previously a labor-intensive task, where a huge amount of effort would be expended on gathering information that was already out-of-date by the time any analysis could be attempted. With Kalido, it takes just two to three days to map the data for each country into the central model, and this is a one-off task.

Another OpEx implementation is in Shell OP's acquired US business, formed when it completed a buy-out of its joint venture with Texaco. One of the major challenges in the US is to reduce costs: managers aim to trim several hundred million dollars of expenditure, and the first task is to determine exactly where money is being spent, and why. The cost matrix is currently being populated, along with an extra dimension which will show what cost-cutting initiatives relate to each cell or group of cells. This will allow the management team to monitor the performance of individual initiatives to see whether they are having the desired effect.

Eventually, all data from Shell OP's US operations will be brought into the global OP MIS model. The Kalido software's ability to handle multiple dynamic business models without affecting underlying data relationships makes it the perfect solution for the integration task.

“Kalido massively simplifies and accelerates the collation of cost data for benchmarking purposes, and entails only a single piece of work for each operating unit. Ultimately, the solution brings detail, speed and transparency to our global cost data, and helps us to identify cost saving opportunities,” said Smitheman.



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