



**BOSTON STRATEGIES INTERNATIONAL**  
Global growth. Guaranteed.



# **Annual Report**

*2015*

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## 2 FACTS AND FIGURES

<b>Mission</b>	<ul style="list-style-type: none"> <li>• To be the world leader in supply chain economics of oil, gas and power generation procurement</li> <li>• Facilitate strategic supply agreements that assure global quality and technology leadership and meet local content requirements</li> </ul>
<b>Industry Focus</b>	<ul style="list-style-type: none"> <li>• National Oil Companies such as Saudi Aramco</li> <li>• International Oil Companies such as BP</li> <li>• Electric and Gas Utilities such as Vattenfall</li> <li>• Mining and Metals Companies such as Alcoa</li> </ul>
<b>Value Proposition</b>	<ul style="list-style-type: none"> <li>• 50% cycle time compression</li> <li>• 30% higher profit margin</li> <li>• 50 times payback on consulting services</li> </ul>
<b>Core Solutions</b>	<ul style="list-style-type: none"> <li>• Custom Market Analytics for Highly Engineered Products and Services</li> <li>• Contract Negotiations Support</li> <li>• Strategic Procurement Training and Process Improvement</li> </ul>
<b>Organization</b>	<ul style="list-style-type: none"> <li>• Founded in 1998<sup>1</sup></li> <li>• Privately held corporation</li> <li>• Headquarters in Boston (US)</li> <li>• Representative offices in the UAE and India</li> <li>• Joint ventures in Bahrain, Qatar, and Saudi Arabia</li> <li>• Affiliates in China, Columbia, Nigeria, UK and the Netherlands</li> </ul>
<b>Financial</b>	<ul style="list-style-type: none"> <li>• 30 blue-chip clients in the last five years</li> <li>• About 50 engagements executed per year</li> <li>• Double-digit average annual growth last five years<sup>2</sup></li> <li>• Excellent credit; no debt</li> </ul>

<sup>1</sup> Founded as Boston Logistics Group

<sup>2</sup> As a privately held US company, BSI is not required to disclose financial information.



### 3 LETTER FROM THE PRESIDENT

As the demand for energy rises worldwide, operators, suppliers, and policy setters are making unprecedented investments in capital equipment and services. Lower oil and gas prices have increased the demand for BSI's cost containment services as a way to make projects financially viable. Although some oil companies have cut back on investment, many operators are still continuing with their previous capex plans, and those that have not are deploying capital procurement solutions that enable them to get more value for the money that they pay to suppliers.

Our clients typically hire us when the requirements of a major capital program exceed their experience base, for example:

- A mega-capital program involving large investment requires value chain redesign to achieve target profit levels
- A state-owned company with relatively little previous experience in international contracting seeks to develop its in-house procurement capability and supply market
- A project involving a new technology, such as installation in arctic or deepwater subsea conditions, entails significantly higher costs and unfamiliar suppliers
- A company branches into a non-core energy business (e.g., a traditional energy company building windfarms, or an upstream company evaluating whether to build downstream facilities)

Boston Strategies International's focus on sourcing and supply of capital equipment for energy producers and their technical equipment and service providers is adding 1-4% corporate improvement in Return on Assets and a 5-7% increase in Economic Value Added (EVA) to the industry through our strategic and economic consulting services.

We continue to differentiate ourselves in the field of consulting through our energy industry focus, our supply management depth, our technical expertise, and our international network of clients and affiliates. For example, we recently authored a book on supply chain management in the oil, gas, and power industries; spoke at the Offshore Technology Conference (OTC), served on a board of the Institute for Supply Management, formalized our relationships with numerous renowned technical experts, and invested in further expansion in Eurasia and Latin America.



Clients have continued to deliver positive, feedback, as evidenced by these comments:

- "As always, your work is first class." -- Chief Procurement Officer, Oil and Gas Company
- "Brilliant...outstanding analytical capabilities...a remarkable company that delivers differentiating value to its customers." -- Manager, Global Supply Chain Solutions Provider
- "Excellent. Invaluable in supporting our planning." -- Procurement Strategy Director, National Oil Company
- "Boston Strategies did an outstanding job on our supply chain strategy project...their research and recommendations were thorough and data-driven...great results, expertise, and high integrity." --Director of Supply Chain, US Government Agency
- "Our negotiations have gone very well. Your assessments were spot on." -- Capital Acquisition Strategist, Oil Company
- "Incredible research capabilities and current knowledge of market conditions." -- Finance and Systems Manager, Engineering Contractor
- "Exactly what we were looking for." -- Global Procurement Policy Coordinator, Electric and Gas Utility
- "The right mix of academic background and hands-on experience to get the job done." -- Director of Supply Chain Planning, Equipment Manufacturer
- "Amazing depth in multiple facets of materials management." -- Global Sourcing Manager, Process Equipment Manufacturer
- "I highly recommend Boston Strategies in solving your business challenges and or in developing your supply chain strategy." -- Director of Supply Chain, Process Equipment and Services Company

Continued capital investment in energy worldwide reaffirms our mission and our goals, so we look forward to enjoying a strong growth path.

David Jacoby, CSCP, C.P.M, CTL, CIRM, CFPIM  
President



## 4 OUR SERVICES

Our contracting consulting service offering is an end-to-end solution. We offer:

- Independent Project Cost Estimating – an analytic solution at the Project level that helps buyers estimate the cost of high-value capital projects and custom engineered components such as offshore rigs, gas turbines, and catalytic refinery reactors.
- Value Chain Engineering – a proven service that maximizes Return on Invested Capital at the Category level by exploiting lower-cost sources, alternative channels, substitute components, more cost-efficient design parameters, and optimized bundling and pricing schemes.
- Tender Design and Management – a proven, 16-step program at the Category and Supplier level for ensuring market-based prices, with special attention to mitigating high bids from dominant suppliers and sole sources.
- Supply Contract Negotiation – hands-on negotiating at the Supplier and Contract level, supported by proprietary analytical tools and industry experience to reduce the cost of high-value equipment and services.
- Sales Agent and Brand Promotion Services – a proven process that accelerates the alignment between world-class, proven suppliers, and buyers that need local content for major capital projects in markets worldwide.
- Contract Administration – project controls, objective claim drafting, rebuttals and defenses
- Organization Design and Development – structural design, job definitions / descriptions
- Training – customized workshops and programs
- Custom Market Analytics for Engineered Products and Services – a market intelligence solution that saves buyers money and helps them avoid costly mistakes by recommending timely procurement actions and technology strategies.

## 5 STRATEGIC DIRECTION

Boston Strategies International is the world leader in supply chain management for the oil & gas, power generation, and renewable energy industries.

Our services and solutions include:

- Independent Project Cost Estimating – an analytic solution at the Project level that helps buyers estimate the cost of high-value capital projects and custom engineered components such as offshore rigs, gas turbines, and catalytic refinery reactors.
- Value Chain Engineering – a proven service that maximizes Return on Invested Capital at the Category level by exploiting lower-cost sources, alternative channels, substitute components, more cost-efficient design parameters, and optimized bundling and pricing schemes.
- Tender Design and Management – a proven, 16-step program at the Category and Supplier level for ensuring market-based prices, with special attention to mitigating high bids from dominant suppliers and sole sources.
- Supply Contract Negotiation – hands-on negotiating at the Supplier and Contract level, supported by proprietary analytical tools and industry experience to reduce the cost of high-value equipment and services.
- Custom Market Analytics for Engineered Products and Services – a market intelligence solution that saves buyers money and helps them avoid costly mistakes by recommending timely procurement actions and technology strategies for industry-specific engineered products and services
- Positioning and Brand Promotion Services – a proven process that accelerates the alignment between world-class, proven suppliers, and buyers that need local content for major capital projects in markets worldwide.
- Organization Design and Development - training and development workshops and programs

We are focused on the energy sector. The industries we serve include:

- Oil & gas
- Power generation
- Suppliers of Equipment and Services to the energy industry

We serve a global client base, and maintain offices and affiliates worldwide. We serve:

- The US through Boston
- The Gulf Cooperation Council (GCC) through Bahrain, UAE, Saudi Arabia, and Qatar
- Latin America through Mexico City and Bogota
- Europe through Amsterdam
- Russia through Moscow

Our focus on the energy industry and capital projects leads us to work with the industry majors in oil, gas, power, and sometimes petrochemicals and related process manufacturing.

Figure 1: Representative Clients of Boston Strategies International and its Partners

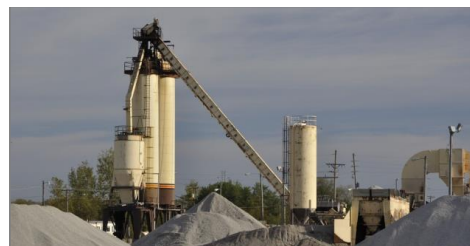




## 6 REPRESENTATIVE ONGOING & RECENT CLIENT PROJECTS



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### "SUPPLY RISK ANALYSIS AND MITIGATION" CASE STUDY

**"This is excellent work."**  
– Director of Purchasing



#### ABOUT THE CLIENT

Industry	Chemicals
Revenues	\$3 billion
Employees	About 5,000
Location	USA
BSI Service or Solution	Supply Risk Mitigation Service

#### Key Challenges

- One country representing over 95% of the world's supply for several minerals cut export allowances by 75% and increased export taxes by 25%, creating a drastic shortage of material.
- Prices of the mineral rose 20% - 700% worldwide.
- The client's tight specifications limited the number of potential processors.
- Supply was very high-priced and also uncertain.

#### Project Scope

- Sourcing of selected rare earths
- Processing / tolling
- US, Canada, China, and alternative countries

#### Operational Benefits Realized

- Immediate supply assurance through the use of a second, highly qualified supplier
- Resources that had been waylaid to deal with the supply crisis were freed up to resume normal duties.
- Internal alignment around the chosen path

#### Why BSI was Selected

- International industrial materials supply chain expertise
- Chinese language skills and resource network
- Trusted economic forecasting model
- Sourcing expertise
- Clear, simple, and pragmatic style delivers useful recommendations
- Proven history of performance with the client organization

#### Project Approach

- Identify suppliers capable of producing at the desired purity level
- Screen international distributors, importers and partners to design an optimal global supply chain
- Identify and evaluate alternatives
- Develop sourcing strategies and recommendations

#### Financial Benefits Realized

- Purchasing leverage gained through additional supply options
- Medium and long-term price stability assured through a plan to develop two additional strategic sources
- 25:1 payback expected on consulting expenditure



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## “SUPPLY RISK ANALYSIS AND MITIGATION” CASE STUDY

**"Your assessments were spot on."**

– Capital Acquisition Director

**"Exactly what we were looking for."**

– Global Procurement Policy Coordinator

### ABOUT THE CLIENT

Industry	Oil and Gas
Revenues	Over \$100 billion
Employees	Tens of thousands
Location	Middle East
BSI Service or Solution	Supply Risk Mitigation Service

#### Key Challenges

- Supplier price increases above cost inflation
- Long lead time complex equipment enters production – plus, significant disparities in lead times and prices between buyers for similar products
- Lower production rates from outdated drilling, completion, and other technologies
- Shorter equipment life due to counterfeit products

#### Why BSI was Selected

- “Supply chain economists”
- Trusted economic forecasting model
- Fact-based, numbers-driven analysis
- Leading edge analytics
- Research/consulting synergies
- Thought leadership
- Clear, simple, and objective
- Proven accuracy and reliability
- Over 15 years of repeat engagements
- Baselines and targets, measurable improvement every time

#### Project Scope

- 50 sourced categories in 10 commodity groups
- Highly complex engineered equipment
- Global supply options

#### Project Approach

- Economic modeling and forecasting
- Primary and secondary market intelligence
- Sourcing recommendations
- Quarterly reports
- Online savings calculations and tools

#### Operational Benefits Realized

- Quicker delivery of equipment by identifying pockets of supplier capacity
- Lower inventory through local sourcing and lead time reduction
- Deployment of newer technologies

#### Financial Benefits Realized

- 30%+ higher profit from more capacity and from new capacity available sooner
- 5% lower upfront cost of major capital investments, while market prices rose 10% per year
- 2% less inventory holding cost
- 1% lower operating cost



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## “NEGOTIATIONS SUPPORT” CASE STUDY

**"Thank you again for letting us  
learn from your work."  
– Chief Procurement Officer**

### ABOUT THE CLIENT

Industry	Electric and Gas Utility
Revenues	\$32 billion
Employees	32,000
Location	Europe
BSI Service or Solution	Framework Agreement Negotiation

### Operational Benefits Realized

- 75% reduction in the number of suppliers
- Standardized products and pricing across operating companies reduced management overhead

### Key Challenges

- Previous agreements were short-term, transactional, and loose
- Suppliers expected an easy negotiation and routine price increases
- Budget was running a deficit due to rising raw material costs

### Project Scope

- All US operations (6 operating companies)
- Pipes, valves, fittings, corporate vehicles, and other capital and consumable materials
- Capital and expense items
- 47 stocking locations
- Vendor-managed inventory and kitting

### Financial Benefits Realized

- 24% savings on purchased materials
- Additional rationalization of the associated inventory and manpower
- Material increase in shareholder value, which was important to subsequent merger activity

### Why BSI was Selected

- Prior experience in negotiations
- Track record of impressive savings from sourcing projects
- Fact-based approach
- Analytical depth and tools to handle a large number of items
- Logistics experience (logistics was a key cost driver)

### Project Approach

- Analysis of client spend by supplier and sourcing category
- Analysis of suppliers' businesses, trends, and profitability
- Preparation of negotiating strategies
- Three rounds of team-based in-person negotiations per sourcing category
- Contract awards
- Finalization of terms and conditions
- Transition to new suppliers

## 7 OUR ORGANIZATION

Boston Strategies International achieves extraordinary economic results in highly technical fields by pairing renowned technical and industry experts with consultants and economists who have proven their ability to deliver value through multiple and repeated client engagements.

Recent hires include recent graduates from, among others:

- Babson College
- BITS Pilani
- Boston University
- Harvard
- London School of Economics
- MIT

Our alliances with global firms allow us to access additional consultants with specialized category expertise and experience in change management consulting.





## 8 INVESTING IN OUR FUTURE GROWTH

### Supply Chain Awards



For years our firm conducted an in-depth global oil and gas supply chain benchmark study in which diverse companies responded from countries as widespread as Australia, Germany, India, Italy, Nigeria, Norway, South Africa, and the United States. Winners were evaluated based on their demonstrated supply chain processes and performance on nine Dimensions: Supply Chain Strategy, Supply Chain Organization, Demand and Capacity Planning, Procurement, Production, Maintenance and Engineering, Logistics and Materials Management, Information Systems, Performance Feedback and Management.).

Winners of the awards have included:

- [Shell](#). Shell won based on its high-performing standardization program, which allowed it to reduce purchase prices by 30% for valves, cut variety by 50%, through use of its extensive Materials and Equipment Standards and Code (MESC) catalog. The catalog, which is based on ISO and IEC standards to ensure interoperability, integrates 370 Design and Engineering Practices (DEPs) that standardize tools and facilities, reducing recurring engineering and design work and consolidating spend on standard items. In addition to reducing purchase cost, the practice also reduces delays due to supplier confusion and costs related to unnecessary rework. Continuous feedback from users and participation from external standards bodies keeps specifications up to date. Shell more than doubled the number of DEPS between 2000 and 2010, and is aiming for a DEP age of 3.5 years. Click [here](#) for the press release.
- [Chevron](#). Chevron Corporation (USA) won for its effectiveness in extending its internal Lean Six Sigma techniques to its suppliers. The first pilot project in 1999 reduced operating costs at a California water treatment plant by 30%. Lean Sigma, which officially started as a grass roots initiative in year 2000, validated financial benefit of \$250 million in 2008, \$400 million in 2009 and is projected to exceed \$500m in 2010. Hundreds of projects across the US, UK, Angola, and Indonesia contributed to the achievement. An internal consulting group led by Stephen Turnipseed helps facilitate the Chevron businesses in starting and maturing their programs. As the SBU programs mature, Chevron actively engages its suppliers and contractors in improvement projects and in development of similar continuous improvement programs. Click [here](#) for the press release.
- [Qatar Fuel](#) (Qatar). Qatar Fuel won the Overall Supply Chain Excellence award based on its superior stock accuracy, delivery responsiveness and cycle time, uptime, manufacturing yield, return on net assets, and cost per order .
- [PTT Group](#) (Thailand). PTT Group won the award based on its successful use of simulation software to raise output at its Gas Separation Plant No. 6 in Rayong, Thailand. The firm implemented software from Aspen Technology, increasing efficiency at the plant's ethane

recovery unit and raising overall output from 95% of design capacity to 106%. The increase in output raised the plant's profitability by \$60,000 per day. Click [here](#) for a press release.

- [Baker Hughes](#). Baker Hughes won the award based on its supply chain transformation strategy and year-one achievements: the group has publicly declared \$100m in volume adjusted cost reduction per year for the next three years. The roots of the savings trace to supplier categorization and rationalization, strategic sourcing designed to shorten the chain and dramatic improvements in lean manufacturing in their “go-forward” manufacturing facilities. The company created a global supply chain and manufacturing organization in April, 2009, and appointed Arthur Soucy, formerly Pratt & Whitney's VP of Global Supply Chain, to run it. Click [here](#) for the press release.
- [Elliott Group](#) (USA-Japan). Elliott Group won the award based on its improved delivery time and increased productivity for custom turbomachinery parts. The firm rationalized its supply base, standardized raw material specifications, and eliminated manufacturing process bottlenecks, cutting delivery time from 20 weeks to 1-2 weeks, and raising annual parts production capacity by 300%. Click [here](#) for a press release.
- [Geoforce](#) (USA). Geoforce won the award based on its ability to reduce third party equipment costs and nonproductive downtime through the use of its equipment tracking service. The firm tracks equipment electronically through its rugged GPS devices and web-based software, eliminating time spent looking for assets such as frac tanks and baskets, as well as the need to hold safety stock of these items. One customer in the refining industry estimates that using this service will allow it to reduce third party equipment costs by more than 20%, as well as cut downtime. Click [here](#) for a press release.
- [GE Oil & Gas](#). GE Oil & Gas won the award based on its success in offering oilfield solutions that increase electrical efficiency and system reliability, notably through the recent acquisition of Converteam, Wellstream Holdings, and John Wood Group's Well Support Division. By providing solutions that allow operators of compression and pipeline systems to use electric instead of diesel power, VFDs instead of fixed speed motors, energy-efficient motors, and automation and process controls, along with the ability to maintain the system, GE Oil & Gas has helped lower operating and maintenance costs while reducing greenhouse gas emissions. Click [here](#) for a press release.
- [Motiva](#). Motiva Enterprises LLC won the award based on its success in building an industry-leading biofuel (ethanol) distribution network. The supply chain that Motiva has built – including rail and marine terminals, segregation and blending infrastructure, and export facilities – along with the partnerships that Motiva has formed – with ethanol producers, Class 1 and short line railroads, terminal operators, and industry peers, allows the company to handle ethanol for other major oil companies and fuel ethanol suppliers at a lower cost and with more flexibility than if each company used its own facilities, which is helping the industry comply with Renewable Fuel Standard regulatory requirements. Click [here](#) for a press release.
- [Freudenberg Oil & Gas](#). Freudenberg Oil and Gas won for its emergency overhaul of dry gas seals for Agip KCO, operator of the Kashagan project, by rapidly deploying engineers, tools, and parts from EagleBurgmann in Russia to avoid international shipping and customs complications and delays that would have been incurred if Freudenberg had shipped the units to Germany. The move prevented downtime that would have cost tens of millions of dollars, according to Freudenberg's estimates. Click [here](#) for a press release.
- [Bharat Petroleum Corporation Limited](#) (India). Bharat Petroleum won the Supply Chain Synchronization award based on its superior Order Accuracy, Inventory Management, and Asset Productivity.
- [FMC](#) Kongsberg Subsea (Norway). FMC won the Supply Chain Synchronization award based on its superior Supplier Management, Order Fulfillment Reliability, and Overall Asset Productivity.



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Boston Strategies International is a consultancy that compresses the lead time and reduces the investment in major capital programs for oil, gas, and power operators by up to 30% through value chain cost engineering, targeted strategic sourcing, and supply contract negotiation. We build ongoing procurement competency and leadership by transferring our knowledge, analytical tools, and data to in-house staff during every engagement.

Our core services and solutions include:

- **Independent Project Cost Estimating** – an analytic solution at the *Project* level that helps buyers estimate the cost of high-value capital projects and custom engineered components such as offshore rigs, gas turbines, and catalytic refinery reactors.
- **Value Chain Engineering** – a proven service that maximizes Return on Invested Capital *at the Category level* by exploiting lower-cost sources, alternative channels, substitute components, more cost-efficient design parameters, and optimized bundling and pricing schemes.
- **Tender Design and Management** – a proven, 16-step program *at the Category and Supplier level* for ensuring market-based prices, with special attention to mitigating high bids from dominant suppliers and sole sources.
- **Supply Contract Negotiation** – hands-on negotiating *at the Supplier and Contract level*, supported by proprietary analytical tools and industry experience to reduce the cost of high-value equipment and services.

