Optimal Supply Chain Management: The Global Supply Opportunity
Speech to CSSOPE in Beijing
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www.bostonstrategies.com
+1 781 250 8150

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Who is BSI?

- Specialty consulting firm
- Procurement for oil, gas, and power generation industries
- Strategic, long-term supply management issues
- Deep economic analysis
- Offices in USA, Europe, Middle East, Africa, and Asia
Chinese Suppliers are Gaining Ground in World Rankings. However, Some Western Operators and OEMs Moving Faster Than Others to Develop a Chinese Supply Base

- Operators: breaking down longstanding perceptions will take time.
- OEMs: component supply is being increasingly outsourced (‘invisible offshoring’).
- Service Providers: rapidly getting qualified for domestic work, some exporting.

![Capacity by Region for a Representative Equipment Type](chart.png)
Western Suppliers Expectations are Increasing; Superlative Performance is Required of Strategic Suppliers

Strategic/Partner Supplier
- Lowest price in the world
- Frequent new product cycle and technology offering
- Consulting and support
- Long-term agreement based on stable price and quality

Alliance Supplier
- Lowest price among peers
- Proven quality and stable price (over many years)
- Superior quality (adding value to operations)
- TCO value (services, ‘smart’ technologies, performance-based pricing)

Preferred Supplier
- Low price (but not out of range)
- Stable price (over many years)
- Proven quality (working in harsh duty over a long time)
Low and Stable Cost are Preferred

Comparative Prices of Oil and Gas Equipment

Index (North America = 1.00)

Low price reinforces historical perception of inferior quality

Fast price growth triggers fears of supply instability

Note: The above data, which is indicative only, is available by product and country
Emerging NOC Capex Boom: a Large Opportunity for Chinese Suppliers to Attain Global Scale

NOC vs. IOC Capital Expenditure

Source: Boston Strategies International, Bain, Evaluate Energy
BSI is Actively Working for Multiple NOCs on Major Capex Programs, and Needs Qualified Suppliers

- Pumps
- Compressors
- Turbines
- Rigs
- Valves
- Pressure Vessels
- Many other types of equipment

Please contact David Jacoby to submit bids.
djacoby@bostonstrategies.com
+1 617 593 2620
Massive Growth Opportunities for Chinese Suppliers

Opportunities
- Continued penetration in China
- NOC capex contracts
- Strategic partnerships with Western IOCs

Key Success Factors
- Low and stable prices
- TCO value
- Superior quality

Market Outlook
- Growth
- International expansion
- Global competitive leadership