SAN FRANCISCO, CA – The chemical industry, stagnant for years, has new life according to the “Chemical Management Services Industry Report 2000” released today by the non-profit Chemical Strategies Partnership. The first industry-wide study that examines chemical management services (CMS), a new trend in “servicizing” the chemical supply chain, reveals that customers are realizing cost savings and environmental benefits.

“Chemical Management Services is a strategic, long-term relationship in which a customer contracts with a service provider to supply and manage chemicals and related services,” says Jill Kauffman Johnson, Executive Director of the Chemical Strategies Partnership. “In this new business model, chemical suppliers are transforming into chemical service providers, selling chemical services instead of selling chemicals.”

The shift from sales to service, still in its developing stage, is emerging as a quiet revolution within the chemical industry. The report reveals that the potential U.S. market for CMS in eight sectors alone is between $10.5 and $13 billion. While the automotive, metalworking, aerospace/airlines and electronics industries have already embraced CMS, the report states that key markets such as textiles/apparel, primary metal, paper, and food products appear to be good near-term targets for the model.

Corporations, many of which are Fortune 500 companies, are enjoying the benefits from their adoption of the CMS model. Customers reported that the use of CMS has resulted in net savings of 5 to 25 percent per year. Significant environmental benefits from reduced chemical volume, reduced emissions, reduced risk, and better data for reporting were also reported. Those interviewed for the report include General Motors, Ford Motor Company, Honeywell International, Inc., Raytheon Company, Texas Instruments, Inc., Delta Airlines, Inc., and United Technologies Corporation.

“Though a major benefit of chemical services is immediate, substantial cost savings,” says Dr. Raj Mishra, Manager, Worldwide Facilities for Chemical Management at General Motors. “the shift to a more service oriented approach has resulted in substantial environmental benefits as well. We have been able to prevent pollution by reducing chemical consumption and waste, and achieve better process efficiency.”

Fifteen CMS providers ranging from large chemical manufacturers to smaller service companies were also surveyed for the report. Profit margins from 5 to 30 percent in 1999 were reported and all expect continued growth for 2000.
“Under CMS, a single supplier works with a host of chemical suppliers to provide all chemicals and chemical management services for the customer,” says Thad Fortin, CEO of Haas Corporation. “It’s a team approach that achieves cost reductions by focusing on providing cost effective services rather than volume sales.”

“The report suggests that there is indeed a bright light in the chemical industry; the CMS industry appears poised for considerable growth,” says Kauffman Johnson. “Major investments are being made, delivery capacity and quality is growing steadily, and margins are healthy and growing. A strong CMS industry means that more customers and communities are realizing significant environmental benefits.”

For copies of the “Chemical Management Services Industry Report 2000,” please contact Darcy Whaley at (415) 421-3405.

For more information on CMS or Chemical Strategies Partnership, please visit www.chemicalstrategies.org.

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The Chemical Strategies Partnership (CSP) is a non-profit organization based in San Francisco, California. A project of the Tides Center, CSP was founded in 1996 with funding from the Pew Charitable Trusts, with additional support from The Heinz Endowments, US EPA, The San Francisco Foundation, and CMS Forum member companies. Staffed by managers and scientists from California Environmental Associates in San Francisco and the Tellus Institute in Boston, CSP seeks to promote chemical management services as an innovative, cost-effective means of achieving chemical use reduction.