

CHEMICAL MANAGEMENT SERVICES PROVIDE BRIGHT LIGHT IN STAGNANT INDUSTRY

Industry Report finds customers realizing saving ,while suppliers gain in profitability

Wednesday, September 15, 2004

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SAN FRANCISCO, CALIF. – The chemical industry, suffering a steady decline in profitability, has a bright light according to the “Chemical Management Services Industry Report 2004” released today by the non-profit Chemical Strategies Partnership. The second industry-wide study examines chemical management services (CMS) -- a trend in “servicizing” the chemical supply chain -- and reveals that customers are realizing cost savings and environmental benefits.

“Chemical Management Services (CMS) 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 business model, chemical suppliers are transforming into chemical service providers, selling chemical services to purchase, deliver, manage and optimize use of chemicals.”

The CMS market has grown roughly 50 percent since 2000 to approximately \$1.22 billion (FY1999-2003) and all indicators point to continued steady growth. The estimated potential of the U.S. CMS market is approximately \$17-19.5 billion. The most notable change in the market from 2000 is the growth in the number of industrial sectors using CMS. Up from five sectors in 2000, CMS is now utilized in 11 sectors with penetration in several sectors above 30 percent.

Corporations, many of which are Fortune 500 companies, are enjoying the benefits from their adoption of the CMS model. Customers are realizing savings ranging from 5 to 20 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 United Technologies Corporation, General Motors, DaimlerChrysler, Delta Airlines, Seagate Technology, and Boeing.

“We recognized that chemicals were a unique commodity with large associated costs in managing them,” says Brian Ross, Commodity Manager, United Technologies Corporation. “Therefore, we shifted away from traditional purchasing solutions towards a service approach to drive down enterprise costs.”

Thirteen CMS providers ranging from large chemical manufacturers to smaller service companies were also surveyed for the report. Growth in profit margins since 2000 has been steady at about 5 to 10 percent per year and is projected to remain at 5 to 10 percent per year through 2006.

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“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 TCM. “It’s a team approach that achieves cost reductions by focusing on providing cost effective services rather than volume sales.”

“The report suggests that the trend towards chemical services is bringing significant value to customers and rewarding suppliers for providing that value; the CMS industry is poised for considerable growth,” says Kauffman Johnson. “A strong CMS industry means that more customers and communities are realizing significant environmental benefits.”

Interested customers can learn more about CMS at the upcoming 8th Annual CMS Workshop taking place on October 14 at the Wyndham Arlington DFW South Hotel, in Dallas, Texas. For more information, go to http://www.chemicalstrategies.org/workshop_10.14.04.htm

“Chemical Management Services Industry Report 2004,” and a press kit can be accessed at <http://www.chemicalstrategies.org> or by calling Michelle Sargent at 415-421-3405x14.

Press conference call to take place Wednesday, September 15 at 1:00pm EST – call-in number is (800) 357-9448. Please RSVP to Michelle Sargent at the above number if you plan to participate.

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

The Chemical Strategies Partnership (CSP) is a non-profit organization based in San Francisco, California. A project of the Trust for Conservation Innovation, CSP was founded in 1996 and promotes chemical management services as an innovative, cost-effective means of achieving chemical use reduction.