



Chemical Strategies Partnership

A Project of the Trust for Conservation Innovation

Chemical Management Services: a supply-chain approach to reducing chemical use

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What is the Chemical Strategies Partnership?

- The Chemical Strategies Partnership (CSP) is a non-profit project funded by foundations, government, and private companies
- CSP is helping to promote the economic and environmental benefits of chemical management services (CMS)

CSP Mission

To reduce chemical use, waste, and cost through transformation of the chemical supply chain

Chemical Strategies Partnership (CSP)

Funders

- Foundations
- Government
- CMS Forum companies

CSP

CSP Pilot companies

- Raytheon Company
- Nortel
- Seagate Technology
- Analog Devices
- SLAC-Stanford/DOE lab
- Dartmouth College
- UC Merced
- Hyundai Motor Company
- Metal-working co's.

CMS Forum

- Tier I CMS Providers
- Tier II suppliers
- Customer Co's
- Other stakeholders

Chemical Management Services (CMS) is a market-based approach to reducing chemical use and costs

- A strategic, long-term relationship in which a customer contracts with a service provider to supply and manage the customer's chemicals and related services
- The provider's compensation is tied primarily to quantity and quality of services delivered, not chemical volume
- Goes beyond invoicing and delivering product; CMS optimizes processes and continuously reduces chemical lifecycle costs, risk, and environmental impact
- These chemical services are often performed more effectively and at a lower cost than companies can do by themselves

CMS...managing the entire chemical lifecycle

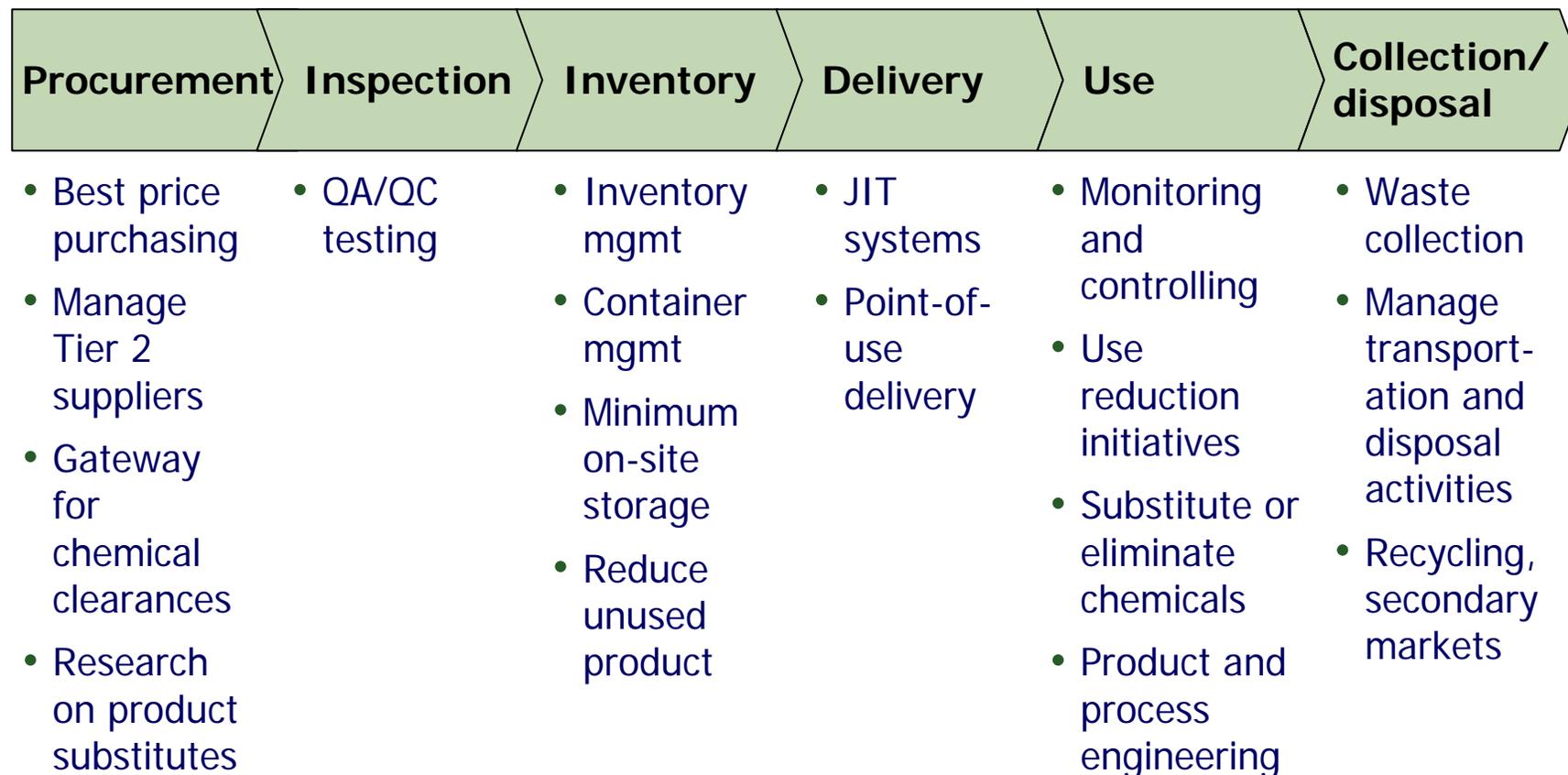
The Chemical Lifecycle



Chemical management can cost up to \$3 for every \$1 of chemical purchased.

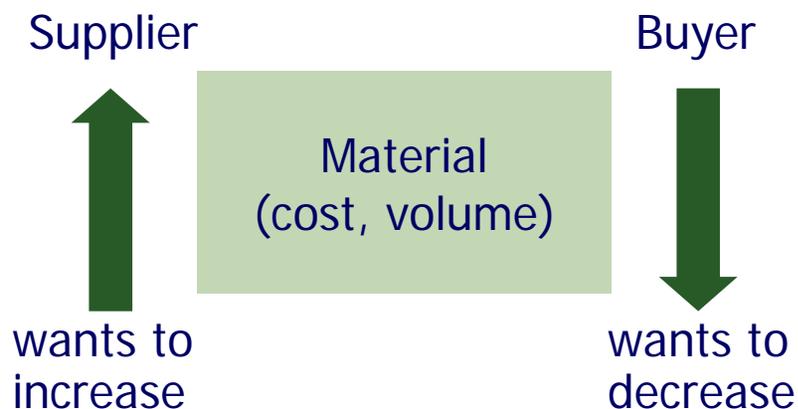
CMS can encompass a range of activities

Information management



Under the CMS model, formerly conflicting incentives are now aligned

Traditional relationship:
Conflicting incentives



CMS model:
Aligned incentives



Changing the supply chain model results in potential costs savings and environmental gains

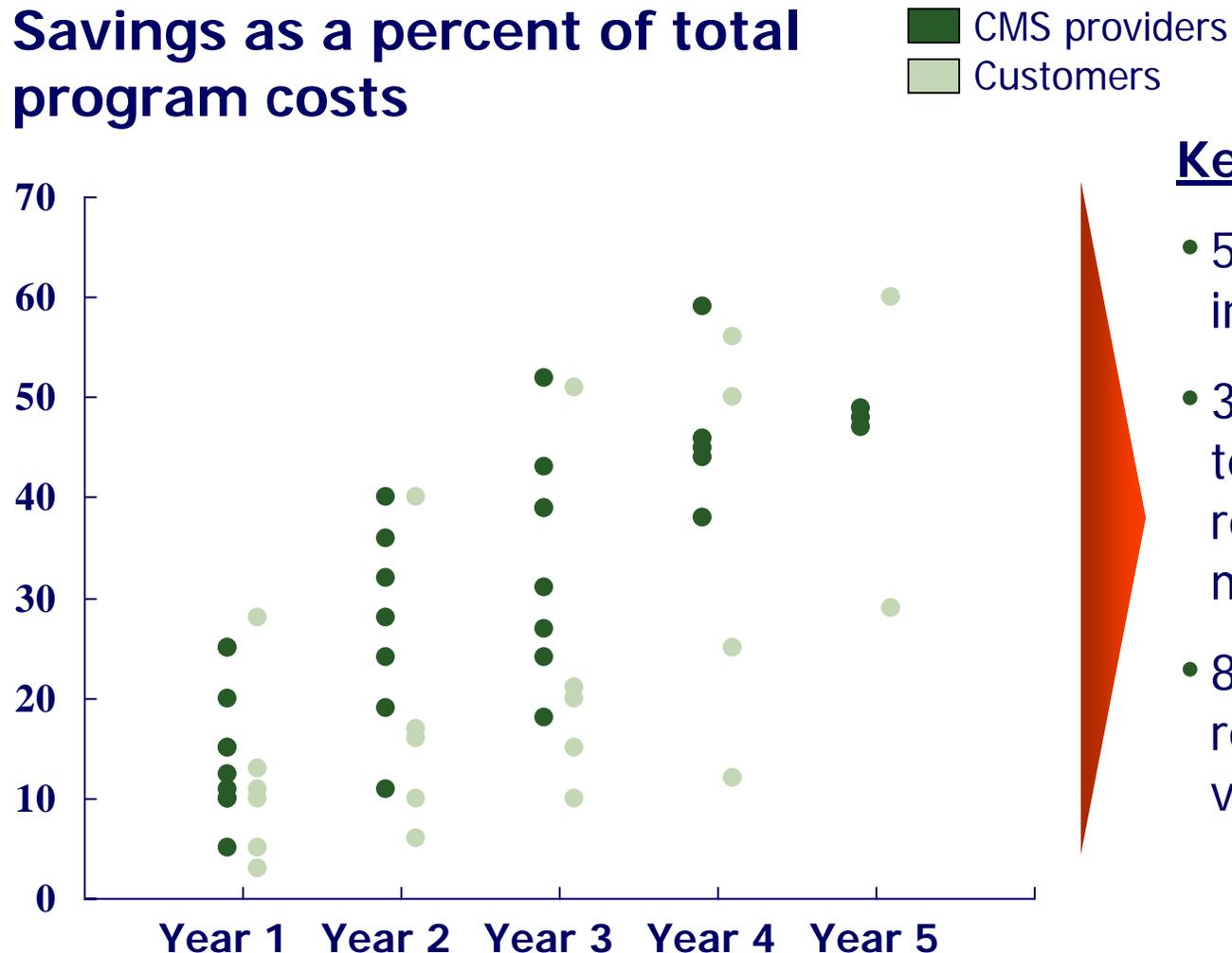
CMS is a growing trend in the US

Sector	Provider Estimates of CMS Penetration 2004	Provider Estimates of CMS Penetration 2000
Automotive	75-80%	50-80%
Automotive Suppliers	30-40%	Included in automotive estimate
Heavy Equipment	15-25%	15-25% (formerly metalworking)
Aerospace Manufacturing	25-30%	5-15%
Air Transport Maintenance	40-50%	10-20%
Electronics	30-40%	30-40%
Steel Manufacturers	20-30%	---
Energy/Utilities	Under 10%	---
Misc. Manufacturing	Under 10%	---
Food/Beverage	Under 10%	---
Research/Laboratory	Under 10%	---

Source: *CMS Industry Report 2004*, Chemical Strategies Partnership

Overall cost savings reported by CMS customers are significant

Savings as a percent of total program costs



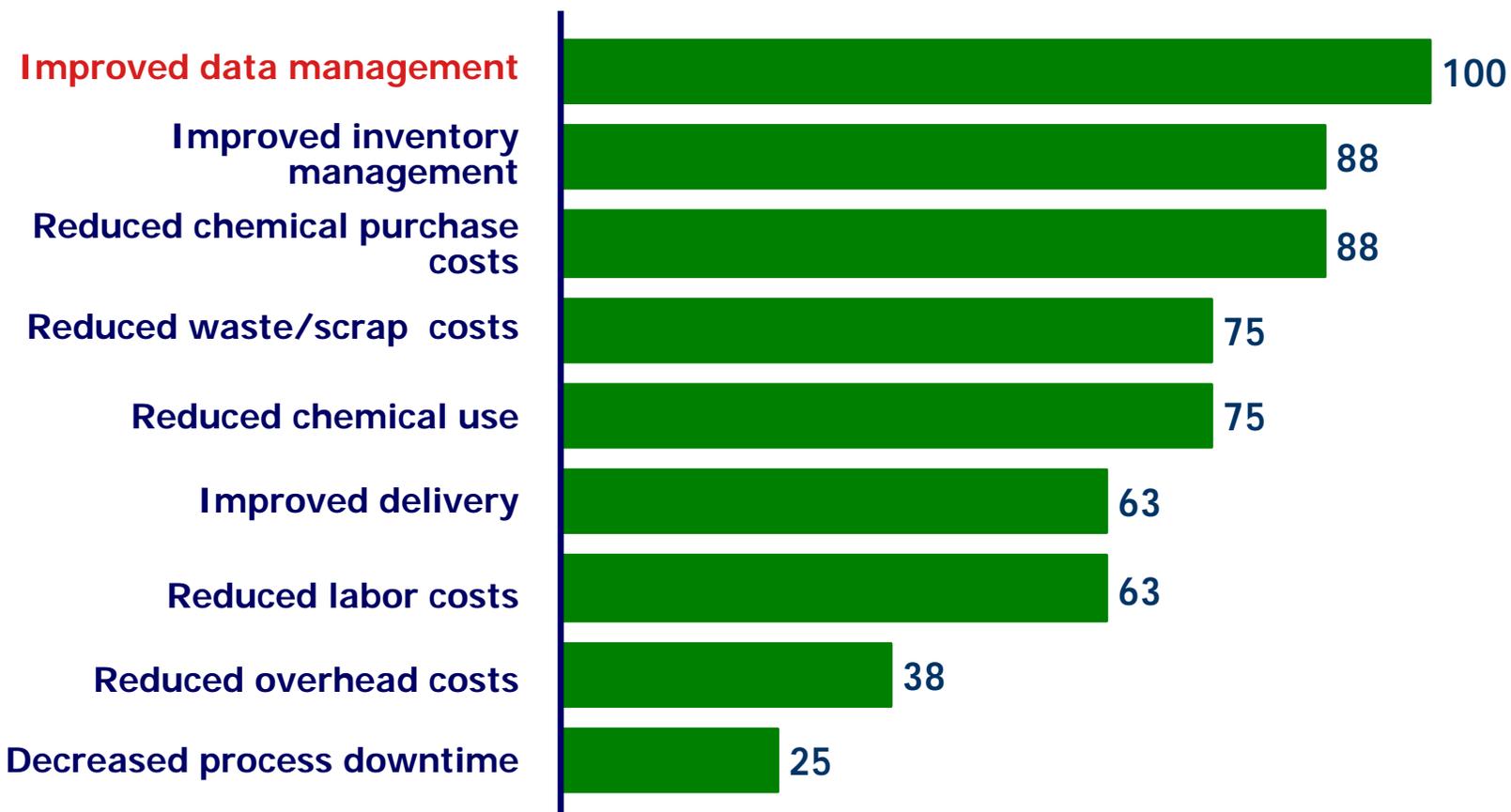
Key results

- 5-25% total savings in first year
- 30-80% of long-term savings from reducing management costs
- 80% of customers report chemical volume reduced

Source: *CMS Industry Report 2000*, Chemical Strategies Partnership

Improved data management is the benefit most widely cited by customers

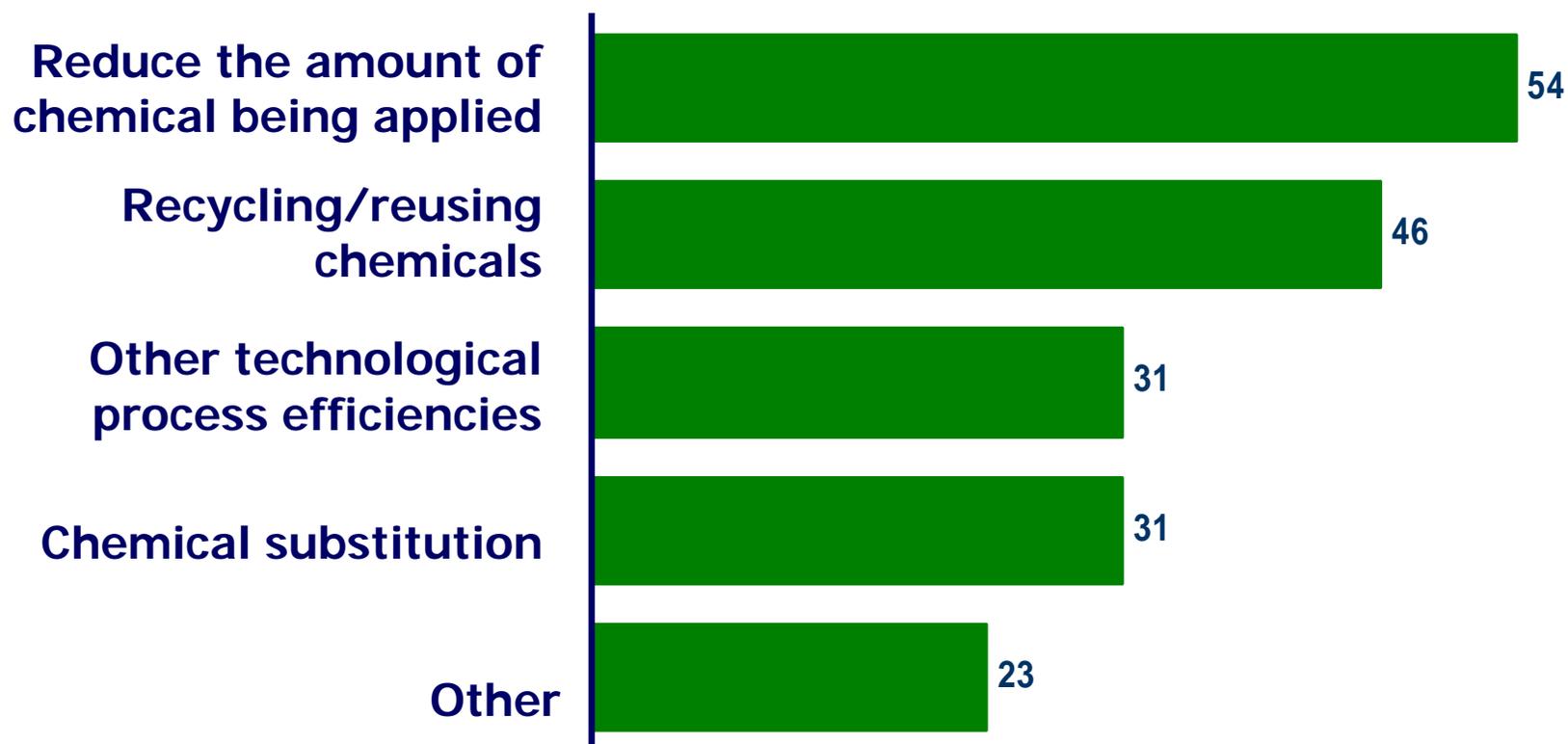
Benefits cited, percent of customer respondents



Source: *CMS Industry Report 2004*, Chemical Strategies Partnership

Reduced chemical use is the top source of emissions reductions

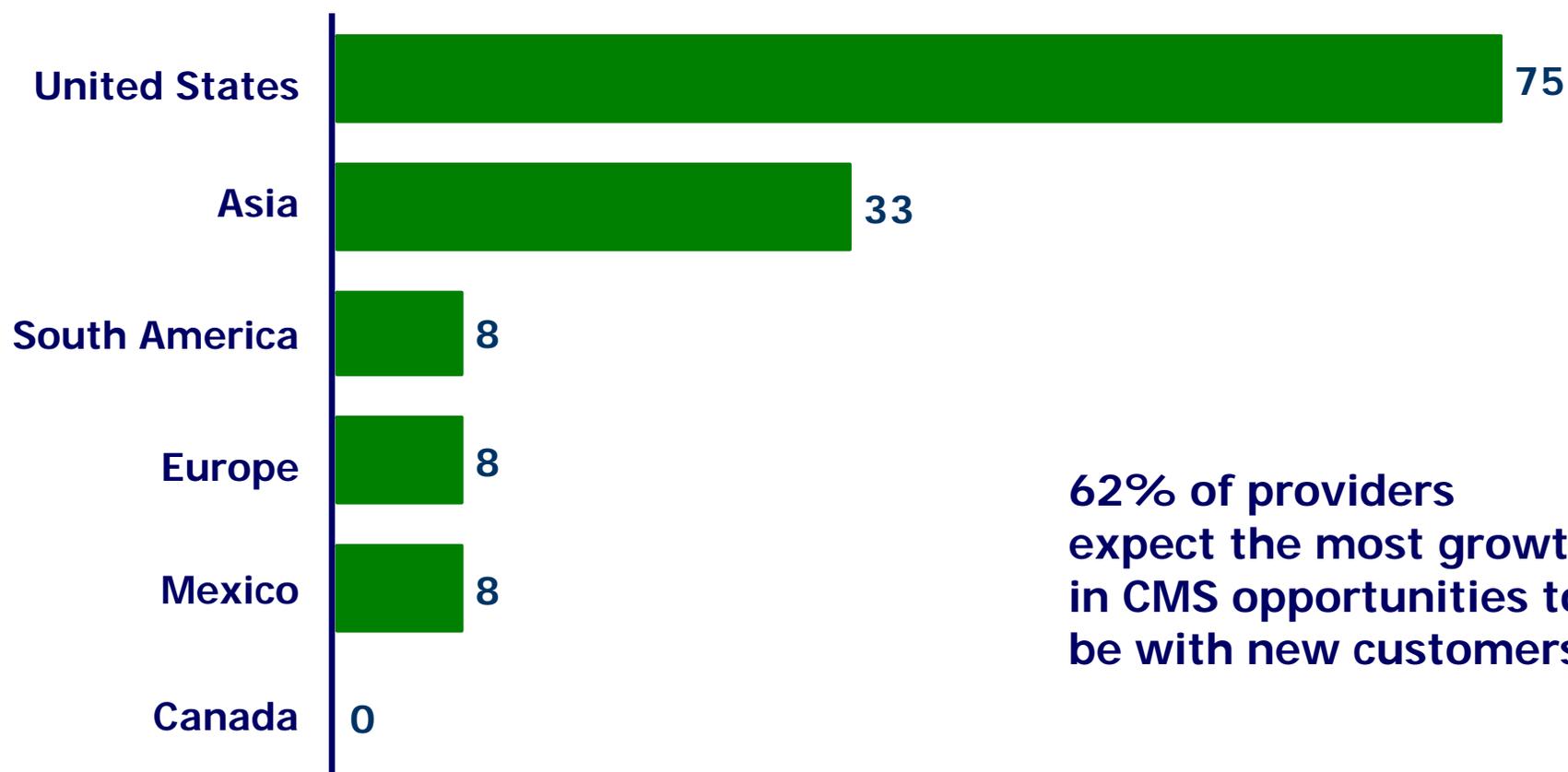
Emissions reductions, percent of customer respondents



Source: *CMS Industry Report 2004*, Chemical Strategies Partnership

Providers expect to see most growth with new customers

Growth expectations, percent of provider respondents



62% of providers expect the most growth in CMS opportunities to be with new customers.

Source: *CMS Industry Report 2004*, Chemical Strategies Partnership

Case study: General Motors

Programs in over 90% of plants worldwide

- Average total chemical use reduction of 30%
- Total cost savings above 30%
- Environmental benefits: Reductions achieved over 6 years in one CMS contract
 - 54% decrease in purge solvent
 - 77% decrease in paint stripper
 - 80% decrease in solvent masking
 - 75% decrease in VOC emissions
 - 83% reduction in detackification chemicals

CSP pilot case study: Raytheon Company

Streamlined Operations (~20,000 chemicals, 1000 waste profiles)

- Automated ordering, chemical gate-keeping, consolidated sourcing
- On-line MSDS and EHS data for reporting
- Chemical use and waste generation tracking
- Procurement and inventory management

Improved Service and Quality

- On-time delivery rose from a base of 82% to an average of 91% in the first 5 months
- Scrap rate reduced by 250%

Reduced Costs

- Payback of the program in the first 6 months.
- 10-20% net savings in the first 2 years,
- Expected savings over the 5 year contract is 30-40%

CSP pilot case study: Seagate Technology

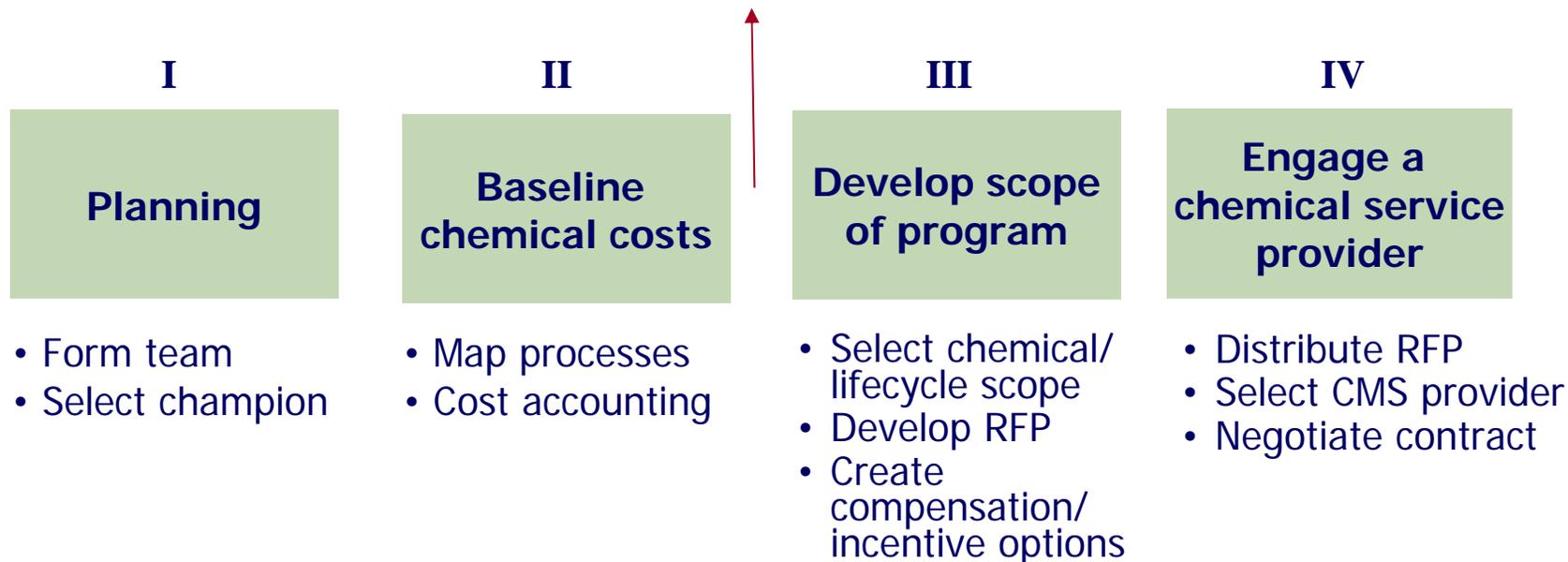
Benefits realized in first twelve months at one facility

- Aligned incentives and guaranteed savings – supplier generates no profit from volume sales
- Reduced onsite chemical inventory/handling (JIT)
 - Reduced 10,000 sq. ft. of inventory by 50%
 - Reduced \$800,000 in carrying costs of chemicals
 - Eliminated chemical scrap – approx. 7% of inventory
- Improved chemical processes/shared best practices
 - Photo-resist process: substituted more benign product and extended bath life 3-5 times, resulting in savings of \$50,000/month
- Eliminated distributor markup on chemicals

CSP approach...

CSP's Approach: conduct pilot programs to assist manufacturing companies in assessing their total chemical lifecycle costs and developing a CMS program

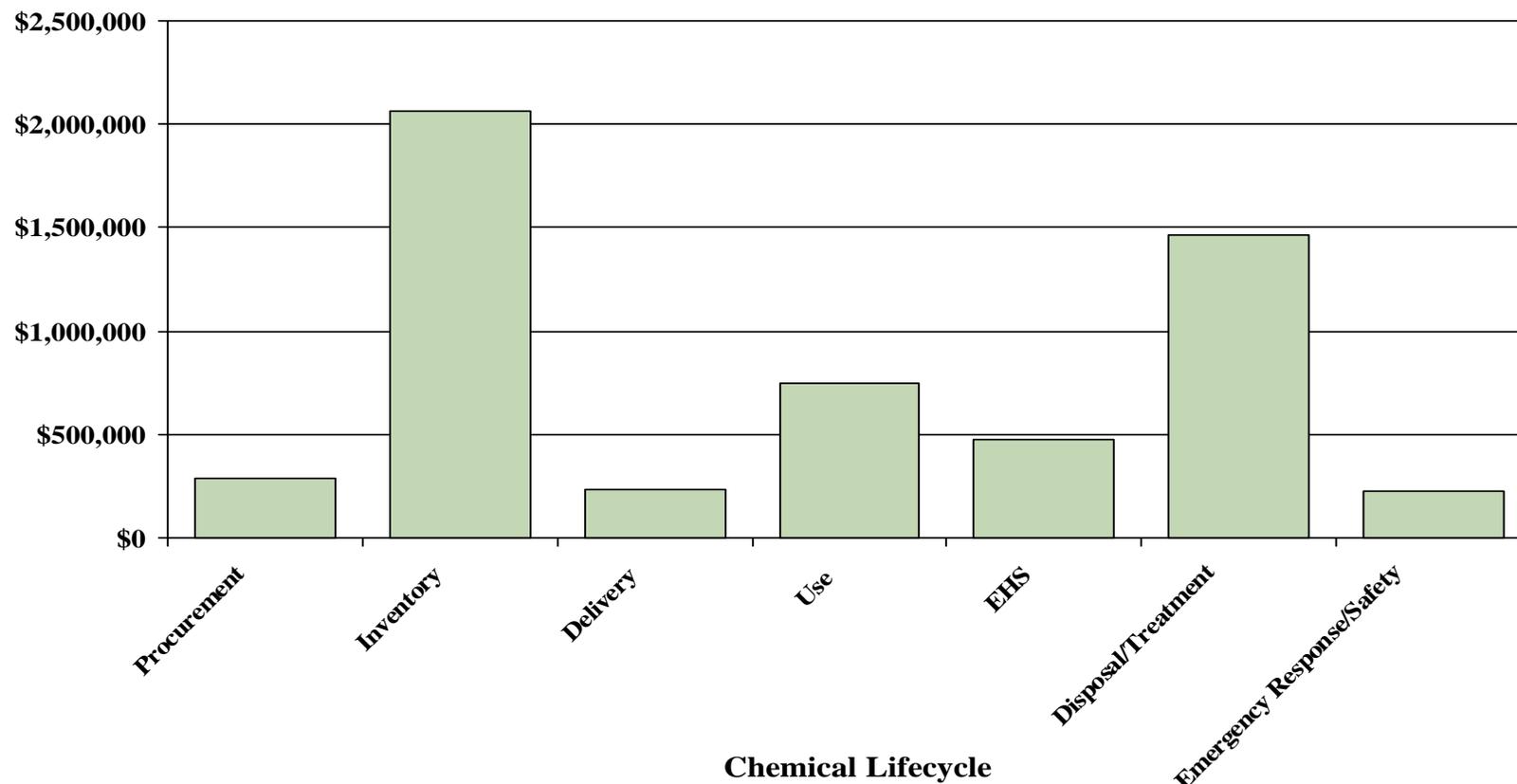
Decision Point: Is CMS right for my company?



Chemical use accounts for only a fraction of "true costs"

CASE STUDY

Based on chemical purchases of \$6.2 million



CSP continues to address barriers and promote CMS

- Introduce CMS into new sectors with public/private funding (forest products, university/research labs, pharma/biotech)
- Assist in developing CMS programs to accelerate adoption in sectors already using CMS (electronics, aerospace)
- Develop tools (metrics, update manual, etc.)
- Disseminate information (workshops in SF, UK)
- Begin initiatives internationally (Asia, Europe)

CSP conducts these activities with support from US EPA, state governments, foundations, and CMS Forum members