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CCMI and Delta Air Lines Address Keys to E-Procurement Success

Consultant and airline giant identify strategies to achieve benefits in sourcing and supplier management

ALEXANDRIA, Va. (September 24, 2002) – According to Capital Consulting & Management Inc. (CCMI), a supply chain-focused consulting firm, e-procurement is a vital yet poorly understood area in corporate America today, in which most companies have not yet made the strategy, program and technology choices needed to achieve the substantial benefits available. Delta Air Lines' successful use of e-procurement offers valuable insights for corporations looking to improve supply chain operations and profitability.

E-procurement is a complex topic that covers a wide range of different technologies, software providers and business practices. Outside purchases of materials and services typically represent 50 to 90 percent of a company's cost structure and can involve millions of transactions with thousands of suppliers, so implementing e-procurement programs and technologies that provide even modest improvements in the cost of goods or order processing can have a dramatic impact on the bottom line.

In a recent white paper, CCMI outlined examples of successful e-procurement programs, potential pitfalls to avoid in pursuing them and the four key areas of e-procurement benefits, which follow:

- Increasing efficiency of executing purchase orders and related transactions
- Accessing capabilities of a broader supply base, both domestically and globally
- Leveraging volume to drive better pricing and value-added services
- Improving effectiveness and quality of strategic sourcing and other procurement and supply chain-related processes

Delta Air Lines has successfully used web-based tools to streamline and improve sourcing, procurement execution and material and asset control. “We have been working for nearly four years now to put the key elements in place,” said Johnathon Baker, General Manager of B2B e-business at Delta. “By systematically matching the ‘right’ processes and technologies to the unique needs of different supply chain activities and specialized commodity categories, we are now achieving benefits in each of the key areas CCMI has outlined.”

Delta’s program includes the following:

- Automating purchase order and related transactions with suppliers through the corporate ERP system
- Using electronic catalogs with approved items from preferred suppliers
- Leveraging key vertical marketplaces for aircraft maintenance supply chain processes
- Deploying software from B2eMarkets to strategically source and provide ongoing purchasing process improvement.

“Delta’s experience underscores the importance of careful planning when considering solutions for e-procurement, strategic sourcing and related areas,” said Scott Elliff, president of CCMI. “Companies getting started in e-procurement need to follow a

disciplined process, starting with determining the objectives they are trying to meet, establishing the appropriate strategies and then finding and implementing the best e-procurement software, tools and programs for achieving them.”

Delta has over 2,500 users worldwide executing e-procurement transactions, and virtually all of Delta’s procurement professionals are trained to utilize e-sourcing for their strategic activities, making Delta well-positioned to really reap the benefits – and a true success story.

For additional information, access the CCMI white paper, “E-Procurement: New Dimensions in Electronic Commerce and Supply Chain Management,” at <http://www.ccmiservices.com/InTheNews/eprocurementnewdimensions.html>.

About Capital Consulting & Management Inc. (CCMI)

CCMI has more than 17 years experience developing and implementing supply chain process improvements that truly "move the needle" for clients by reducing costs, shortening cycle times, improving performance on key financial measures and strengthening strategy and capabilities. Overall, CCMI has helped clients save more than \$2 billion in annual operating costs and inventories, with typical reductions of 15 percent or more in procurement, manufacturing, transportation, logistics, order fulfillment and related areas. CCMI has had a leading role on projects for a diverse set of clients, including Amgen, Amtrak, AT&T, General Electric, Kmart, Lucent Technologies, NexPress Solutions, Sara Lee, SkyJet and Zenith Electronics. For further information visit www.ccmiservices.com