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Contacts:

Erin Pate, Ruder-Finn Public Relations

312-329-3977

patee@ruderfinn.com

SUPPLY CHAIN IMPROVEMENT PRIORITIES: TOP TO-DO'S FOR 2002

CCMI identifies top five areas for driving efficiencies in manufacturers' supply chains for the coming year

ALEXANDRIA, Va. (January 14, 2002) – Capital Consulting & Management, Inc. (CCMI), a supply chain-focused consulting firm, today announced the top five supply chain initiatives manufacturers and their supply chain partners need to focus on over the next year.

- **E-procurement:** Purchases of raw materials, components, services and other indirect items from outside suppliers comprise the majority of a manufacturers' cost structure – so no other area of operations has more bottom-line leverage than procurement. Using new Internet tools to more effectively source, negotiate with and transact ongoing business with suppliers is a critical element in this area, one that many companies have only begun to utilize.
- **Order fulfillment and e-logistics:** Processing, handling, storing and shipping orders for customers is still a costly, manual and time-consuming process for most manufacturers, whether in the business-to-business or business-to-consumer sectors. Numerous new techniques are available to smaller and mid-size companies, not just Fortune 500 players, that can provide outstanding value by helping move products from manufacturers through to end consumers faster, more efficiently and at lower cost.
- **Inventory management:** With the recently concluded holiday season, manufacturers are beginning to deal with their obsolete or “dead” inventories – a recurring and costly problem. Unfortunately, these inventories seem to “grow

back” again over a period of time, so manufacturers need to take a more focused approach to dealing with the underlying “root causes” as part of a comprehensive, year-round inventory management program.

- Supply chain software: Many manufacturers have not yet taken advantage of new software offerings due to the focus on Y2K issues and Enterprise Resource Planning (ERP) systems implementation. It’s a complex landscape, but manufacturers need to turn increased attention to comprehensively assessing the variety of supply chain software offerings that now exist, as they have the potential to drive bottom-line value through improvements to supply chain strategy, tactics and day-to-day operations.
- Collaboration and communications: Industry leaders have experienced excellent results from recent joint programs in making, shipping and selling products, with higher order fill rates, lower inventories and increased profits to all players. More companies need to develop and execute collaboration and advanced communications programs in the coming year, as the winners in the long run will be those manufacturers who work closely with their suppliers, customers and service providers to help drive improved overall supply chain performance.

“Far from decreasing in importance in light of the harsh economy, supply chain improvements continue to be a very valuable area for attention for manufacturers and their supply chain partners across virtually all industry sectors,” said Scott Elliff, president of CCMI. “The potential for reducing costs, shortening cycle times, cutting inventories and improving order fulfillment is still substantial for many companies, and can provide them with tremendous competitive advantage if they are successful in developing and executing focused programs over the coming year.”

About Capital Consulting & Management Inc. (CCMI)

CCMI has more than 16 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.

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