



CONTACT:

Berns Communications Group
Stacy Berns / Michael McMullan
(212) 994-4660

Archstone Consulting
Dori Abel
(203) 940-8200

**COMPANIES REPORT SIGNIFICANT CHALLENGES
IN SUPPLY CHAIN MANAGEMENT**

*Inconsistent, Ineffective Practices, and Lack of Incentives Cited In
New Archstone Consulting Study on Supplier Relationships*

STAMFORD, CT / July 12, 2006 – Companies across a variety of industries are reporting significant challenges in managing their suppliers, according to a new Archstone Consulting study released today. The study revealed that over 90 percent of the 50 U.S. and Global companies surveyed have challenges with Supplier Relationship Management (SRM).

SRM challenges cited are consistent across all studied industries including consumer packaged goods, services, retail and manufacturing, according to the study by Archstone Consulting LLC, an acclaimed strategic advisory firm focused on implementing operational improvements.

“Our research shows that while many companies have conducted strategic sourcing and outsourcing to reduce costs, few have mastered Supplier Relationship Management (SRM) as a critical part of enhancing their supply chain and reducing overall costs,” stated Ramin Tabibzadeh, a principal with Archstone Consulting and co-author of the study. According to Len Prokopets, a director with Archstone Consulting, “Companies lacking key SRM capabilities such as supplier stratification, supplier governance, performance management, and supplier development often have inefficient relationships and are unable to realize the full value of their supply base.”

Specific challenges identified in the study include:

- 58 percent of respondents reported having SRM practices that are inconsistent across the organization, inefficient and overly tactical
- 58 percent of the respondents reported an inability to hold suppliers accountable and ineffective use of incentives and penalties
- More than 49 percent of respondents reported difficulty with allocation of supplier management resources, often leading to too many vendor managers
- More than 45 percent of respondents reported misalignment between performance measures and reports and the contractual service level agreements governing supplier relationships
- More than 53 percent of the companies surveyed cited a lack of vision for SRM as a major barrier to successful implementation of SRM practices
- Fewer than 10% of respondents report that their current systems can effectively support SRM.

While most SRM initiatives appear to be in their early stages, respondents that have launched SRM initiatives have achieved (or anticipate delivering) significant benefits including:

- 7-11% reduction in cost of delivery
- 9-13% reduction in cost of quality
- 10-14% reduction in procurement headcount

About the Study

Archstone Consulting independently developed and executed the study entitled “Supplier Relationship Management: 2006 Trends and Best Practices.” Ramin Tabibzadeh, a principal and Len Prokopets, a director, with Archstone Consulting, developed the study to understand the challenges faced and benefits realized through the use of SRM practices. The study was completed during the first half of 2006 and examined strategic sourcing practices of more than 50 companies across all sectors including financial services, consumer products, energy, manufacturing, retail, and high tech. About half of the respondents’ companies were over \$1.5 billion in revenues. The study showed consistent trends across all demographic variables.

About Archstone Consulting

Archstone Consulting is a rapidly growing, independent strategy and operations management consultancy. Archstone Consulting specializes in corporate transformations, CFO advisory services, and implements operational improvements to help fund growth in the consumer products and retail, life sciences, manufacturing, and services sectors. Archstone Consulting offers experienced support, efficient execution and measurable results. Headquartered in Stamford, Connecticut, the company has offices in Amsterdam, Chicago, London, New York, San Francisco and Toronto. For additional information, please visit the company’s web site at www.archstoneconsulting.com or call 203-940-8200.

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