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The Secret to Making More Money

Caught in a vise of relentless competition and a weak economy, companies and non-profits have outsourced, “right-sized”, restructured, re-priced, re-designed processes, renegotiated, and searched for other ways to revive withering bottom lines for three years. In most cases these measures have not been enough to avoid reduced equity values in for-profits and lower operating margins in non-profits and for-profits alike. For most companies, **revenue is good but improved profit and cash is better.**

This situation has underscored a growing awareness among forward-thinking organizational leaders that one of the few remaining strategies with a high potential for growing profits in this or any business climate is the emerging field of **supply management.**

Today, however, and for some years to come, leaders trained and skilled in the methods of supply management, as opposed to purchasing, are and will be rare. It is this scarcity of knowledge and experience in a field driven to evolve by competitive and economic pressures that constitutes the business opportunity for IEM Group, Inc., a supply management leadership company.

Isn't that the same as Purchasing? I already have purchasing!

The processes and techniques of the purchasing function evolved during the industrial manufacturing era as a means of assuring that materials were continuously available to factories. Though considerably refined, those processes and techniques remain substantially unchanged today, founded on a “three bids and the lowest wins” approach to assuring that materials are on hand on the production floor.

Meanwhile, beginning in the 1960's, the U.S. economy shifted from manufacturing to services-based, and now is changing again to knowledge-based, leaving manufacturing to account for only about 16% of the economy today. This change has enormously enlarged the scope of products and services that organizations buy in the course of doing business, but an ever smaller portion of those purchases pass through the purchasing function. The rest are handled with varying degrees of discipline by various organizational units and individuals, one consequence being that economies of scale are lost and costs increase.

Since 50-80% of revenue in modern organizations typically is spent on supplies, services, and materials, the impact of this “diffused” buying on the bottom line can be financially material. **If, for example, 10% of otherwise achievable savings are lost, the effect is the same as a 5-8% gross margin loss** to the organization. For many for-profit and not-for-profit organizations, **this could mean the difference between survival and failure in tough times.**

The emerging discipline of supply management takes a much broader view of the organization and its finances, and suppliers and their finances, than purchasing does. Since organizations in an information economy function quite differently than in a manufacturing economy, the goal of supply management is to lower costs and improve financial performance not just for the purchasing organization, but for suppliers and customers as well by deploying modern management techniques, information technology, and a strategic rather than a tactical approach to acquiring goods and services.

Illustration 1.1

Evolution from Purchasing to Supply Management Leadership

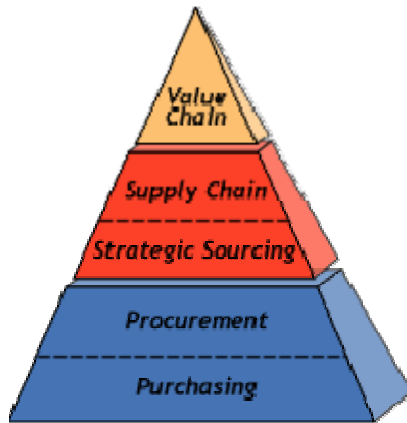


Illustration 1.1 graphically depicts the relationship between purchasing and components of supply management. As organizational knowledge and skill at managing the costs of inputs and outputs of its business increases, what began as purchasing evolves successively through the **increasingly sophisticated stages of procurement, strategic sourcing, supply chain management, and ultimately value chain management.**

The result of successfully deploying supply management is not only **improved financial results**, but the **creation of a competitive advantage** that is difficult if not impossible to achieve by any other means.

Scarce Knowledge and Experience

In recent years some of the most agile, innovative, and successful U.S. companies have been working to develop expertise in supply management. Some, in fact, have elevated it to the management committee level. Among Fortune 1000 companies, perhaps 10 to 20% have recognized it as an area for strategic focus in their organizations.

Likewise, leading business schools are adding focused course work and research in supply

management and procurement, anticipating a rising demand for expertise in this area.

Years will be required to develop a cadre of leaders having not only the knowledge, but the experience necessary for most organizations to successfully change from a classical purchasing approach to a strategic supply management approach, however. And for many smaller organizations, acquiring leadership with this expertise could remain out of reach if no other method were to emerge in the marketplace.

IEM Group: Meeting a Need with Knowledge Solutions

Building on Fortune 50 company experience with outstanding results, IEM Group, Inc. was created as a means of providing scarce expertise to a marketplace that is being driven relentlessly by economics to awareness of its need for it.

IEM Group's services portfolio is designed to put the **benefits of strategic supply management and procurement within economical reach** of organizations both large and small, including non-profit organizations.

Complementing IEM Group's pioneering knowledge is an accomplished management team and a deployment strategy based on well-proven, web-based technology combined with a distinguished track record in building the very relationships upon which strategic supply management depends for its success.

The result is a business concept offering clients a return on their investment (R.O.I.) in supply management of 500% or greater. In fact, a recent Center for Advance Purchasing study found that the one in five large corporations (revenues over \$10 billion annually) that are using only one of the strategic supply management techniques IEM Group will offer are achieving an **average 767% R.O.I.**



Creating a Competitive Advantage

Very few business strategies provide proven, documented returns like these, and fewer still are available to small and medium-sized firms as well as to the largest corporations. We believe that the market attractiveness of such returns delivered substantially through proven processes, consulting and easy-to-use Internet technology constitute the basis of a powerful business model.

Further, we believe that IEM Group enjoys a substantial advantage over potential competition because it has designed services that are appropriate for organizations that are currently unsophisticated in their understanding of modern supply management as well as for those that are moderately to highly sophisticated but lack experienced leadership. We know of no other supplier of similar or related services that are nearly so **comprehensive, interrelated, and progressive from elementary to advanced.**

The interrelated and progressive nature of IEM Group's portfolio of services is based on a model of the evolution from tactical purchasing to strategic supply management that is now under way in a still small group of leading organizations. IEM Group's early understanding of the model plus services designed for each stage of the model establishes what we believe to be a substantial competitive advantage that will produce **superior financial results** for clients.

Interested in making more money? Give us a call. There is no charge for asking!

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