

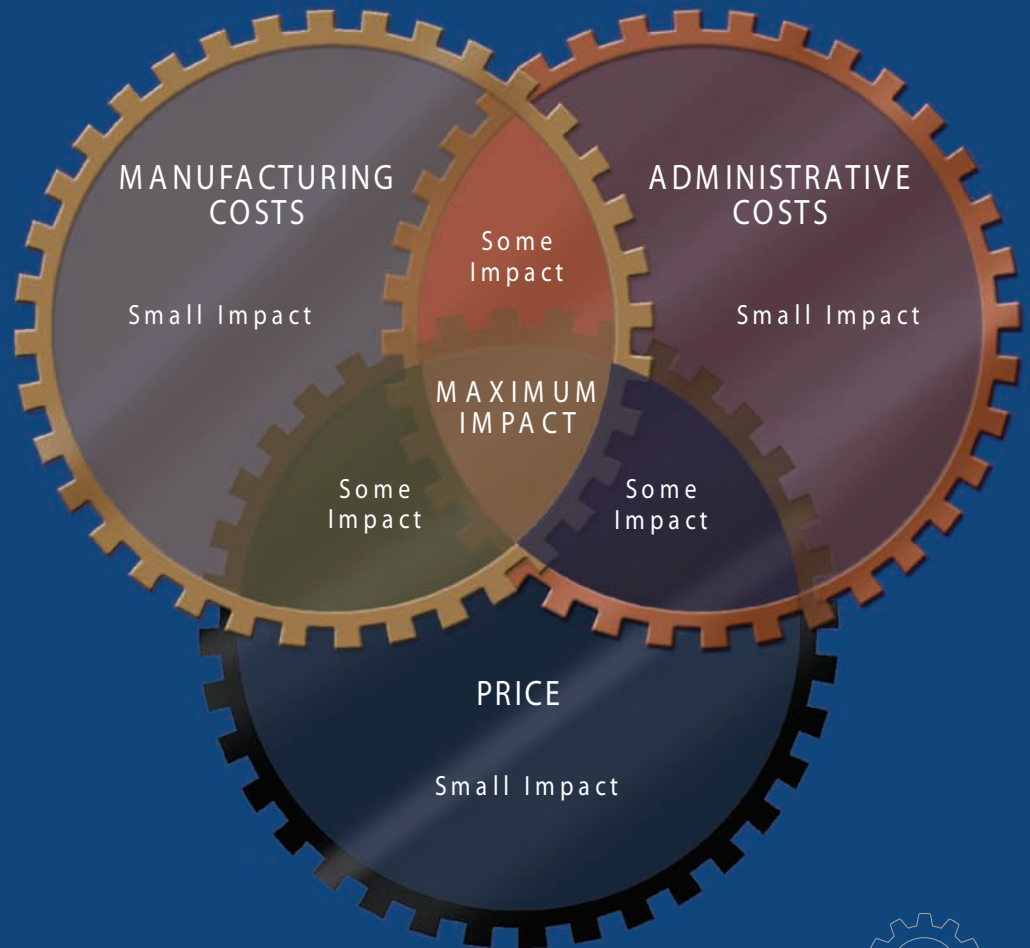
# GEARING UP FOR LONG-TERM PRODUCTIVITY & PROFITS WITH OUR COST CIRCLES PROGRAM<sup>®</sup>

OUR THREE PART FOCUS SYNCHRONIZES THE ELEMENTS OF YOUR BUSINESS

Our award-winning Integrated Supply Model addresses 3 separate but related areas that determine your level of financial success:

- Administrative Costs
- Manufacturing Costs
- Price

Reducing cost in one area is good, reducing in two areas is better, but attacking all three areas – simultaneously – is best. ETCO defines, prioritizes and attacks all three areas. Our synergistic approach produces savings that reduce costs everywhere, rather than in singular isolated areas. The results are tangible dollars that you can add to your bottom line. While some integrated suppliers address administrative costs, price is often hidden. ETCO reports all line item price activity. ETCO also addresses manufacturing productivity via a cost measurement focus that captures all manufacturing costs except for raw material. This approach facilitates long-term cost reductions, as well as maximum productivity and throughput.

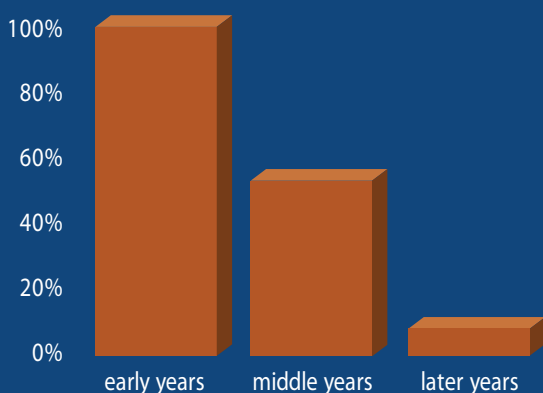


## THE ETCO DIFFERENCE = REAL COST SAVINGS

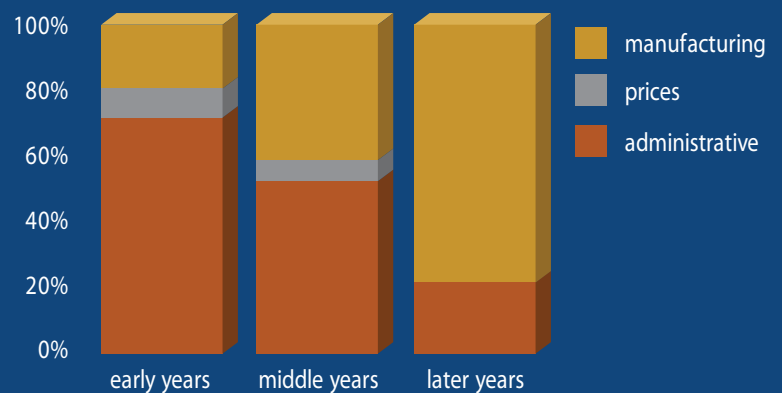
Due to a typical integrator's focus on clerical functions only, cost savings decrease over time because cost savings opportunities decrease over time... transaction counts cannot decrease below "ZERO".

Engman-Taylor's intense focus on manufacturing related cost savings ensures continued cost savings opportunities long after transaction counts have been reduced to the lowest possible levels.

TYPICAL COST SAVINGS OVER TIME



ETCO COST SAVINGS OVER TIME



# SHIFT INTO GEAR WITH STEP ONE: COST ANALYSIS AND ASSESSMENT VALUE-ADDED BENEFIT THAT'S UNIQUELY ETCO

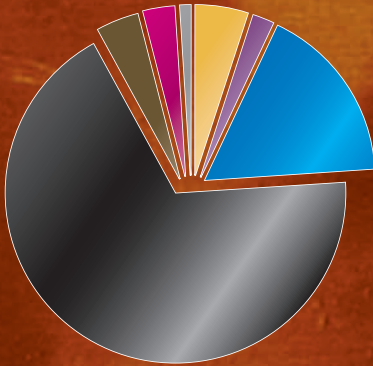
Our staff will do an initial walk through your facility so we understand your current environment. We gather data with our Cost Analysis Questionnaire and Study (CAQS) and meet with personnel from purchasing, engineering, manufacturing, tool crib operations, maintenance and other areas you recommend.

Then, we present a written assessment of how to start reducing costs. Implementation occurs only after you review the findings and agree to our recommendations.

## A SCIENTIFIC APPROACH

ETCO's Upfront CAQS Highlights Cost Centers & Potential Reductions

A Real Example: Potential Savings = \$922,850



- 68% – Machine Downtime Costs, due to unavailability of tooling
- 4% – Freight & Delivery Costs
- 3% – Inventory Carrying Costs
- 1% – Acquisition & Procurement Costs
- 5% – Crib Operating Costs
- 2% – Redundant "Tool Box Stock" Costs
- 17% – Personnel Costs Associated with Tool Retrieval



## Case in point!

"Engman-Taylor Company (ETCO) has been an integrated supplier of Maintenance, Repair, Operational, and Production (MROP) supplies to Haldex Hydraulics Corporation since the early 1990s. ETCO offers a holistic approach to the business services they support as an integrated supplier. This has evolved into a successful business relationship that has profited both companies. Haldex's business has grown significantly over the last three years while driving down MROP costs. The cost reductions come from leveraging ETCO's purchasing power, utilizing their manufacturing expertise as well as reducing internal administrative costs through consolidated billings and related services. Haldex has come to view ETCO as a value-added partner."

— Terry McCormick, Manager, Manufacturing Engineering, Haldex Hydraulics Corp.

Our expert staff records data on our detailed CAQS, which analyzes all elements of cost, from the office to the spindle.

## PICK UP SPEED WHEN YOU SHIFT INTO SECOND GEAR: IMPLEMENTATION

MAKING YOU MORE EFFECTIVE THROUGH ON-SITE STAFFING,  
LEVERAGED PRICING AND FOCUSED MATERIALS MANAGEMENT

Engman-Taylor's Customer Cost Savings Team (CCST) includes Applications Specialists, On-Site Buyers, On-Site Customer Service Representatives, On-Site Product Applications Specialists, and Enhanced Service Specialists. These experts work with you to evaluate and implement new efficiency-improving procedures and processes.

Because we stock over 50,000 of the most innovative products, and because we are the largest distributor in the USA for several of our suppliers, we offer the best pricing and the most effective materials and equipment available on the market today. We continually re-evaluate products from over 1,300

worldwide manufacturers within our international supply base.

Our CCST performs all duties related to product research, sourcing, quoting, ordering, expediting, receiving, stocking, and invoicing. We apply the product in your shop – at optimum efficiency. We understand that you may not always need or want to pay for indefinite tool life. Our CCST will help you strike the perfect balance of cost vs. product life.



## STEP THREE LINKS IT ALL TOGETHER: REPORTING ON RESULTS

ETCO'S UNPARALLELED MONTHLY SUITE OF REPORTS  
PROVIDES IRREFUTABLE VALIDATION



Our staff reviews monthly cost savings reports with customers.

Based upon implemented recommendations, via our proprietary CODEX® software, we document all cost savings monthly. Our immediate focus is on price, followed by key administrative and manufacturing areas. Example administrative areas include freight, transaction processing, and inventory. Example manufacturing areas include cycle time, throughput, and scrap.

These accountability reports allow us to set and re-prioritize projects based upon fluid conditions such as bottleneck manufacturing machines and processes.

Contact your local ETCO representative for sample cost savings reports.