

A Client Perspective



Gary Evans is SVP of 'Supply Chain Management' at PNC Financial Services Group, the nation's fifth largest bank based on deposits. He and his team have built a highly successful supply chain strategy that is delivering huge savings while also contributing to PNC's ability to grow organically and through acquisition. Gary shares his views on the supply chain function and how OnePNC (PNC's EHS initiative) has helped accelerate adoption and realization of improvements at PNC.

Question:

Supply Chain Management is a familiar function within manufacturing companies but one wouldn't think of this function at a bank – can you explain?

Answer:

Back in 1999, we asked ourselves as a company "Do we have a supply chain?" – usually one thinks of supply chain and that type of efficiency and expense management normally in manufacturing. We realized we're spending a billion a year on goods and services to run this company, and it's anywhere from facilities to technology to marketing, legal expense and office supplies. We realized we had a huge opportunity to leverage our spending with our vendors and really started to look at this more strategically.

Question:

Tell us how Supply Chain has evolved at PNC and in particular since OnePNC?

Answer:

We originally were aligned in technology so that is where we started to leverage. We began with reverse auctions for technology-related equipment purchases and spend, and we had a lot of success in saving on average, around 20%. We expanded to include office products, forms, print and facilities but we couldn't get all areas consistently engaged. OnePNC was great for me because it required that all outside spending be on the table and that each area of the business engage with our supply chain function. We knew there were opportunities because we've seen it in other companies. We ended up quadrupling our previous year's savings, without disrupting business operations in any way. OnePNC was really the catalyst for the business owners across PNC to productively engage with Supply Chain.

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About EHS Partners

EHS Partners works with companies to dramatically improve operational effectiveness, earnings and growth. Since our founding in 1997, EHS Partners has worked with dozens of companies to achieve over \$4.7 billion in new annual earnings, with a project success rate of 100 percent.

New Address

EHS Partners will have a new address this Fall. You can find us at 750 Third Avenue 9th Floor, New York, NY 10017. Our phone number remains the same at (212) 691-4800.

EHS Partners is pleased to announce a successful initiative with:



Corrections Corporation of America, the largest owner and operator of privatized correctional and detention facilities in the United States, completed the initial phase of Project EXCELerate in August. "We are very pleased with the outcome of this initial phase. The current economy presented us with a great opportunity to rethink many of our business processes and spending patterns. We are excited about the implementation phase and are already seeing results," said Damon Hininger, CEO of CCA.

EHS Team



Jim Lahey

Jim has over 30 years of manufacturing and service performance improvement experience. Since joining EHS Partners in 2000, he has led strategic and operational improvement projects in industries such as insurance, consumer packaged goods, utilities, and financial services.

Prior to joining EHS, Jim served as Vice President of Total Quality and Customer Value for North American Van Lines (NAVL), launching and implementing a Lean, Six Sigma continuous improvement process. He then partnered with EHS to augment that success and lead an enterprise-wide improvement project prior to the merger with Allied Van Lines. Before his time at NAVL, Jim worked at Ingersoll-Rand, responsible for nuclear, military and commercial quality assurance processes, for over 20 years. He led the team that created "Process Breakthrough", an innovative and streamlined approach to achieve dramatic performance results linked with improved customer satisfaction. As Director of Total Quality Leadership, he drove overall product and service improvement to ensure the company's top positions in markets served worldwide.

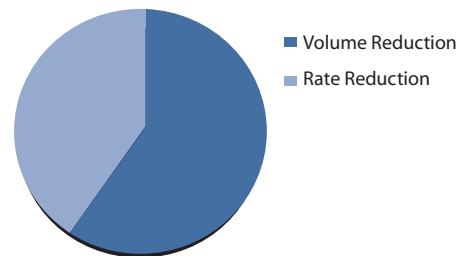
Jim serves on the Board of Directors of British American Business.

Education

Jim earned two Associate Degrees from the Johnson Technical Institute in Scranton, PA, earning his B.S.B.A. from Concordia College in Bronxville, NY. He was the recipient of the school's Academic Excellence Award.

Average % Impact from Volume vs. Rate

By aligning users and procurement teams to eliminate wasteful spending, EHS clients achieve a dual impact through the reduction of volume as well as better management of rate.



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Question:

What are some of the key supply chain strategies that you are applying?

Answer:

We initially focused on vendor management, optimizing savings from the usual techniques including consolidation, reverse auctions, etc. OnePNC allowed us to increase the breadth of our influence across the business. It also allowed us to focus on the other big area of opportunity, demand management. Again, by having a broad cross-section of the organization involved, we were able to engage the 'users' of goods and services and drive some very important savings. We estimate that improving demand management accounted for about 50% of our total savings. This involved everything from creating expense guidelines to working with managers to consume less or change specs, without adding risk. This was a huge eye opener for us as you can have the best pricing, but if your demand is going the wrong direction, then you are not optimizing your total spend.

When we recently acquired National City, one of the things we were able to do was take the spending

policies that we created during OnePNC and very quickly overlay them onto the National City side of the business and we saw a huge savings opportunity just by changing demand.

Question:

You talk a lot about partnering with your various business owners, can you say more about this?

Answer:

To be successful in strategic sourcing you must align with your business partners in order for them to give you a seat at the table with them. You really need to understand their operational requirements and what they're buying and the risks or tradeoffs when evaluating different specs and new vendors. I think that is one of the things that has really helped us because if people can sit down with them and talk about the different vendors, what other companies are doing, and where they're seeing savings opportunities, the businesses feel comfortable that they have the right expertise working with them. OnePNC really helped us open doors to establishing this type of partnership with our business owners.