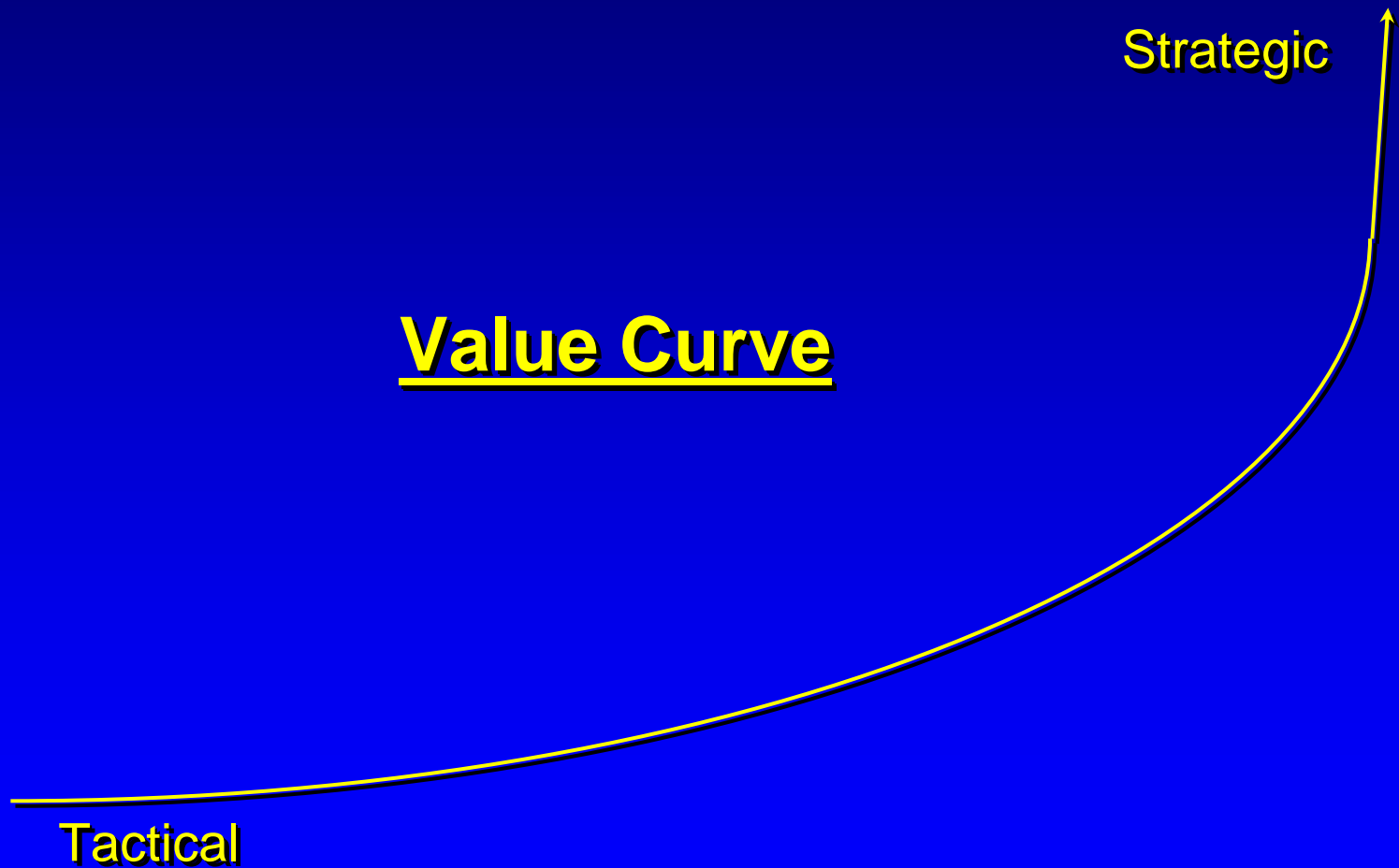


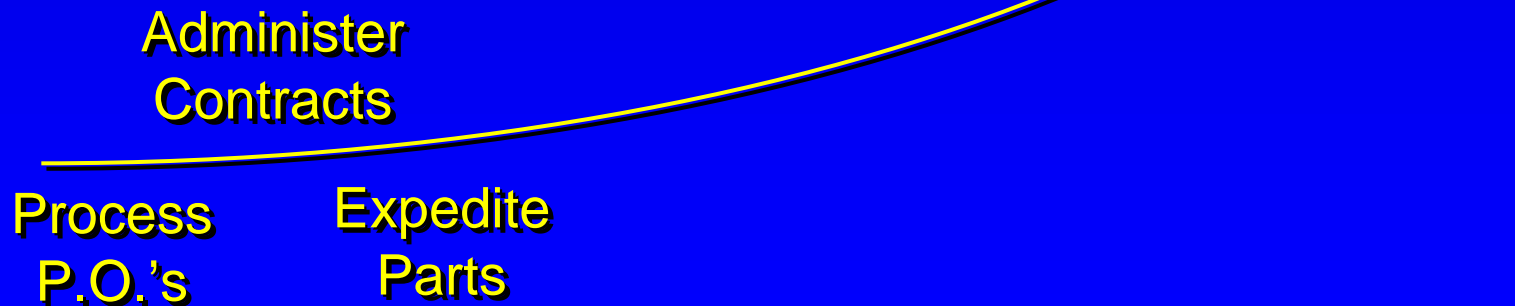
FIVE STRATEGIES THAT REALLY WORK
2002 SERVICES CONFERENCE
JOHN R. MACLEAN
VICE PRESIDENT - PURCHASING
AMERICAN AIRLINES

Where Do We All Want To Be On The Value Curve?



You Can Spend Your Time...

Value Curve



Or, You Can Engage Your Business In These Strategic Areas...

Value Curve



Manage
To A Strategy

Improve
Supplier
Performance

Develop
New
Markets

Drive
Down Cost

Here Are Five Strategies That Really Work In The Service Industry:

5) Commodity Strategies

4) Supplier Performance Measurement

3) Strategic Sourcing

2) E- Business

1) Supplier Optimization

Supplier Optimization Is The Strategy To Begin Moving Along The Curve

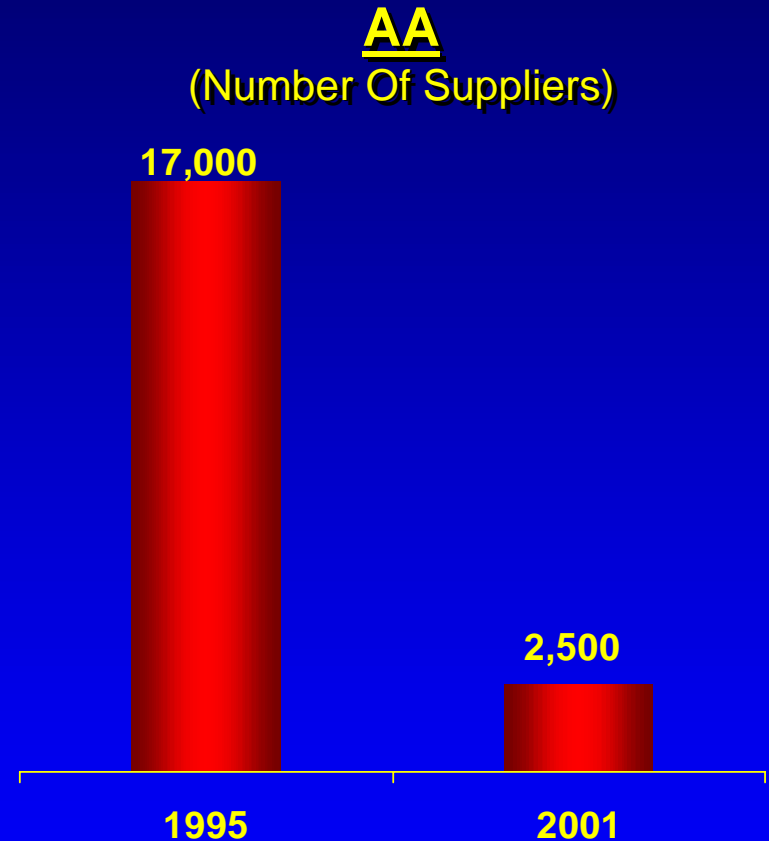
**Supplier Optimization Is The
Right Number Of Suppliers For
Your Business And Your
Resources.**

Too Many Suppliers...

- ✓ Drive Tactical Work
- ✓ Negate Quality
- ✓ Increase Delivery Risk
- ✓ Dilute Leverage
- ✓ Burden Your Workforce

You Must Optimize Your Supply Base By...

- 1) Validating Your Database
- 2) Profiling Your Suppliers
- 3) Setting Goals To “Right Size”
- 4) Creating Value



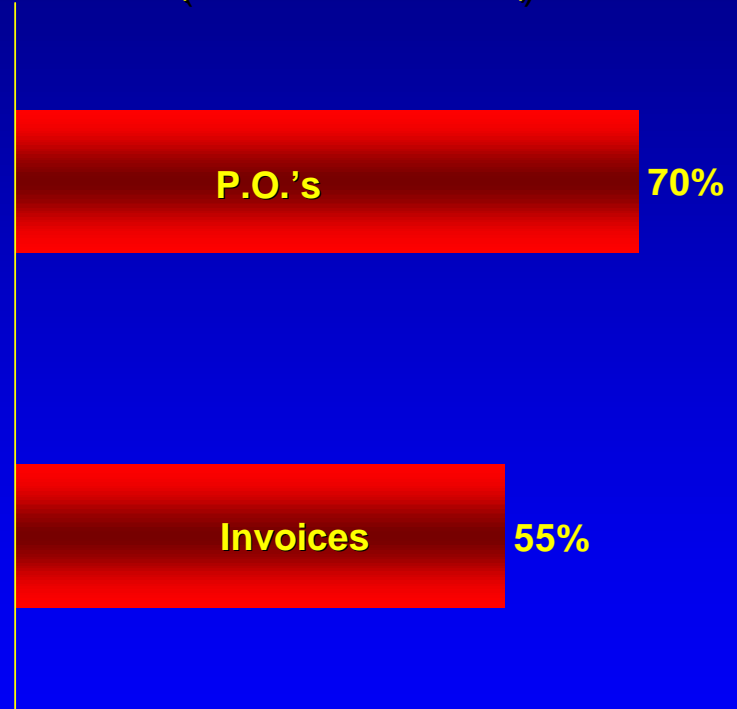
E-Business Is The Framework To Reduce Tactical Activities

- ✓ **Paperless Process**
- ✓ **Self Service Ordering For Contracted Products**
- ✓ **Automatic Approval Workflow**
- ✓ **Less Expediting / Exceptions**

To Drive An E-Business Strategy You Must...

- 1) Engage All Stakeholders
- 2) Benchmark, Benchmark
- 3) Re-design Your Process
- 4) Automate
- 5) Create Value

AA
(Automation Level)



Strategic Sourcing Creates Value

“3 Quotes”

Strategic
Sourcing

RFP

Market
Analysis

Price

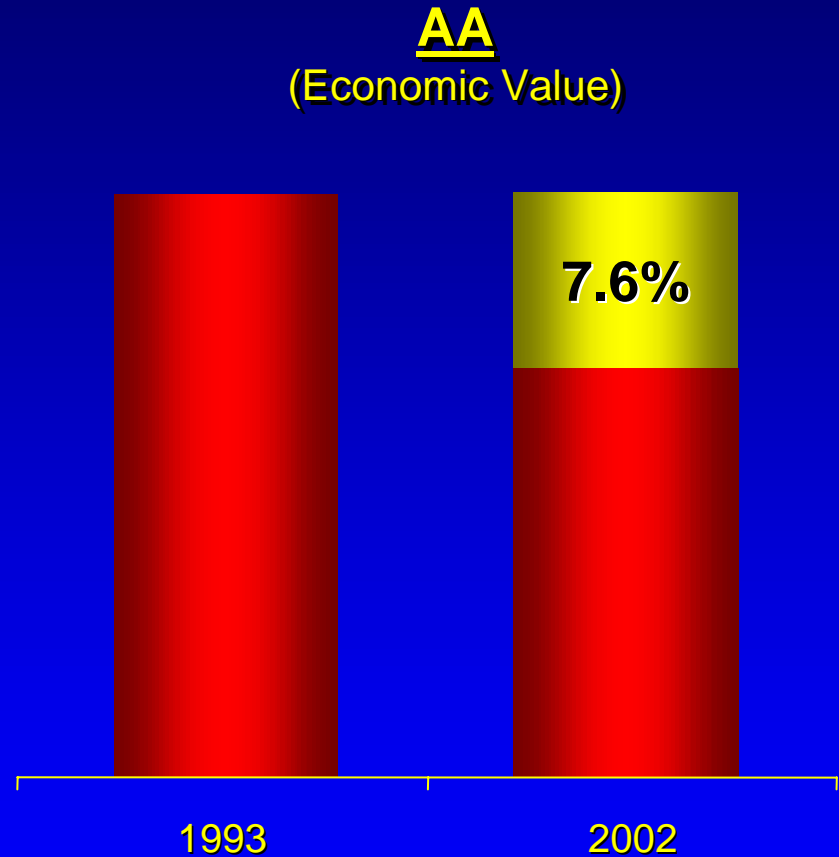
Total Cost

Contract
Administration

Performance
Management

To Evolve To Strategic Sourcing You Must...

- 1) Develop A Model
- 2) Involve Stakeholders
- 3) Train, Train, Train
- 4) Monitor The Process

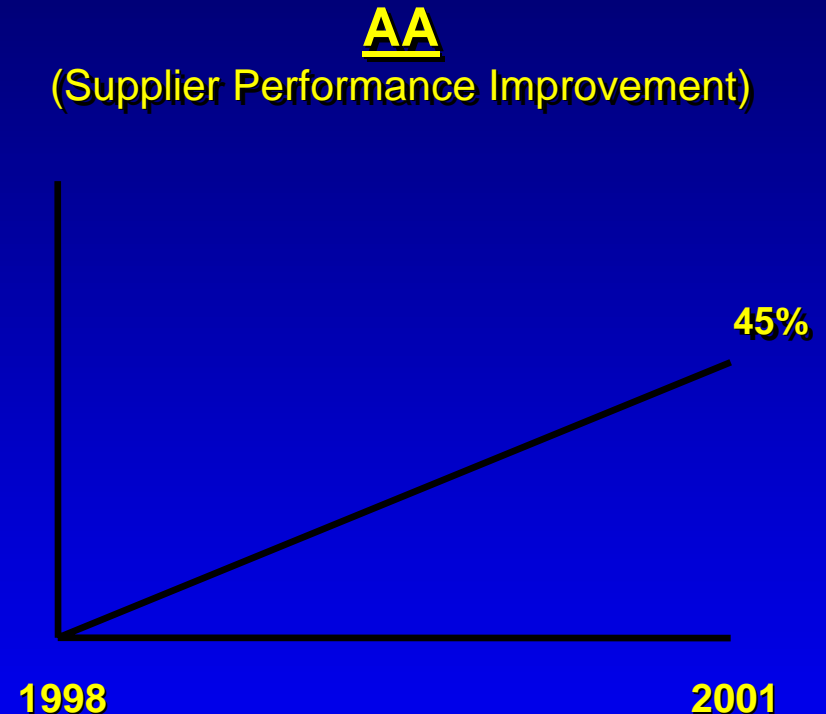


Poor Performing Suppliers Are Not An Option, Even In The Service Industry

- ✓ Impacts Operations
- ✓ Negates Sourcing Decisions
- ✓ Drives Cost
- ✓ Creates Extra Work For Employees

Measuring Suppliers Does Work In the Service Industry

- 1) Make It Simple
- 2) Involve Suppliers
- 3) Pilot The Process
- 4) Make Buyers Accountable



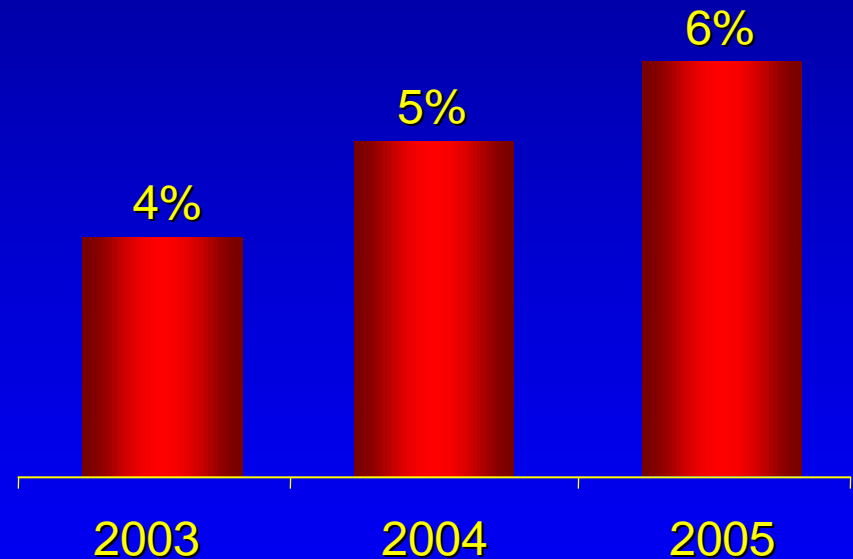
Without A Commodity Strategy, You Have No Road Map

- ✓ Supplier Is In Control
- ✓ Buyer Has No Plan
- ✓ Market Dictates Price
- ✓ Competition Is What You Know

A Commodity Strategy Is Your Road Map To Value Creation

AA
(Value Creation)

- 1) Defines The Market
- 2) Identifies Strategies
- 3) Establishes Goals
- 4) Brings Focus



These Strategies Do Work In the Service Industry And Move You Along The Value Curve

