

Assessment of the Market for Process Fluids

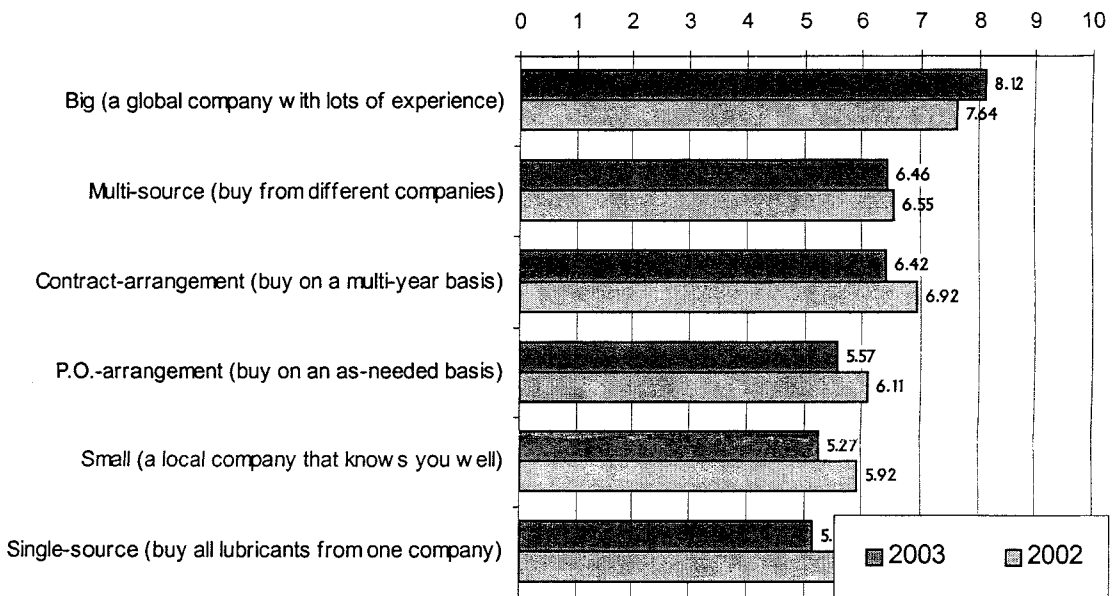
Here are the some of the key findings:

Interest in Type of Supplier Arrangements:

Similarly to last year’s results, the majority of the entire sample prefers a big, global company that has a lot of experience. This type of supplier arrangement ranks highest on a scale of 1 to 10, with a rating of 8.12 (higher than last year). By contrast, the rating of a small, local company that knows a client well rates fifth, with a rating of 5.27.

Companies are also more likely to buy from different companies than to rely on a single source for their process fluid needs. Companies are also more likely to buy on a contract arrangement (on a multi-year basis) rather than a P.O. arrangement (an as-needed basis).

Level of Interest in Types of Process Fluid or Supplier Arrangements



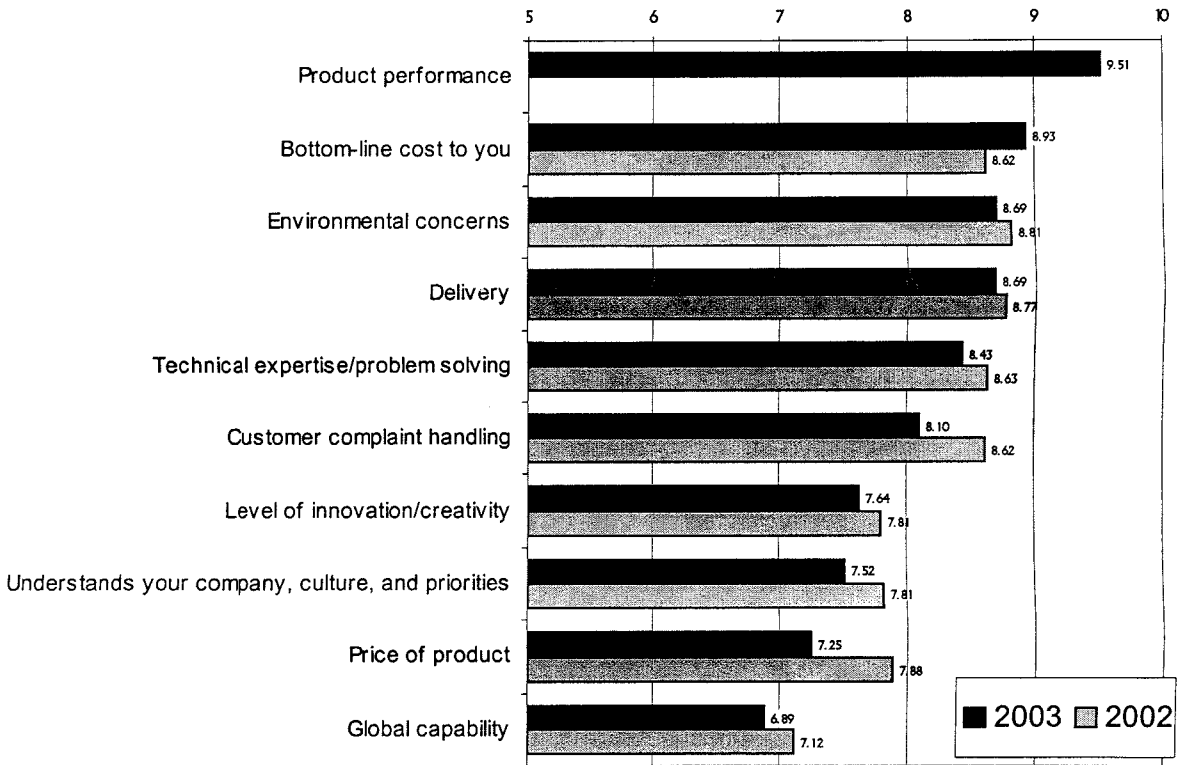
Important Factors in Selecting Supplier:

Ten categories were devised to segment different attributes to score satisfaction for the suppliers. These categories are:

1. **Price of product** (price per gallon/kilo/drum, etc.)
2. **Bottom-line cost to you** (has the ability to save you money in the end by lowering your tooling costs, downtime, maintenance costs, etc.)
3. **Delivery** (is the product delivered on time and in the correct manner?)
4. **Product performance** (provides high quality products that consistently perform well)
5. **Technical expertise/problem solving** (possesses strong process and application knowledge, able to provide good technical support and assistance)
6. **Customer complaint handling** (ability to resolve your complaints with corrective action and follow-through)
7. **Understands your company, culture, and priorities** (is a reliable partner, trustworthy, easy to deal with, etc.)
8. **Global capability** (is able to provide products on a global basis with a high level of consistency, or “has experience in all parts of the world”)
9. **Level of innovation/creativity** (is constantly striving to find new and better ways to serve the customer)
10. **Environmental concerns** (no prompting for this attribute, as it is left open-ended for the respondents to define)

The chart on the following page shows the customer requirements in order of importance. The most important requirements, as rated on a scale of one to ten by all respondents, are: product performance (9.51), bottom line cost (8.93), environmental concerns (8.69), and delivery (8.69). The two least important requirements are level of price of product (7.25) and global capability (6.89). The comparison of this year’s sample to that of last year shows a variation in importance, as the respondents from last year identified environmental concerns, delivery, and technical expertise/problem solving as most important.

Importance of Selection Criteria (as rated by all respondents)



Most Important/Least Important Factors:

All respondents were asked to select one factor, which is the most important to them when choosing a Process Fluid supplier, and one factor, which is the least important.

Of the top three most important factors, the attribute of product performance appears to be most important, as evidenced by the responses within this sample of respondents. Bottom-line cost and environmental concerns follow in importance. Global capability and price of product rate highest in regards to least important attribute. Global capability was also the least important attribute cited in last year's study.

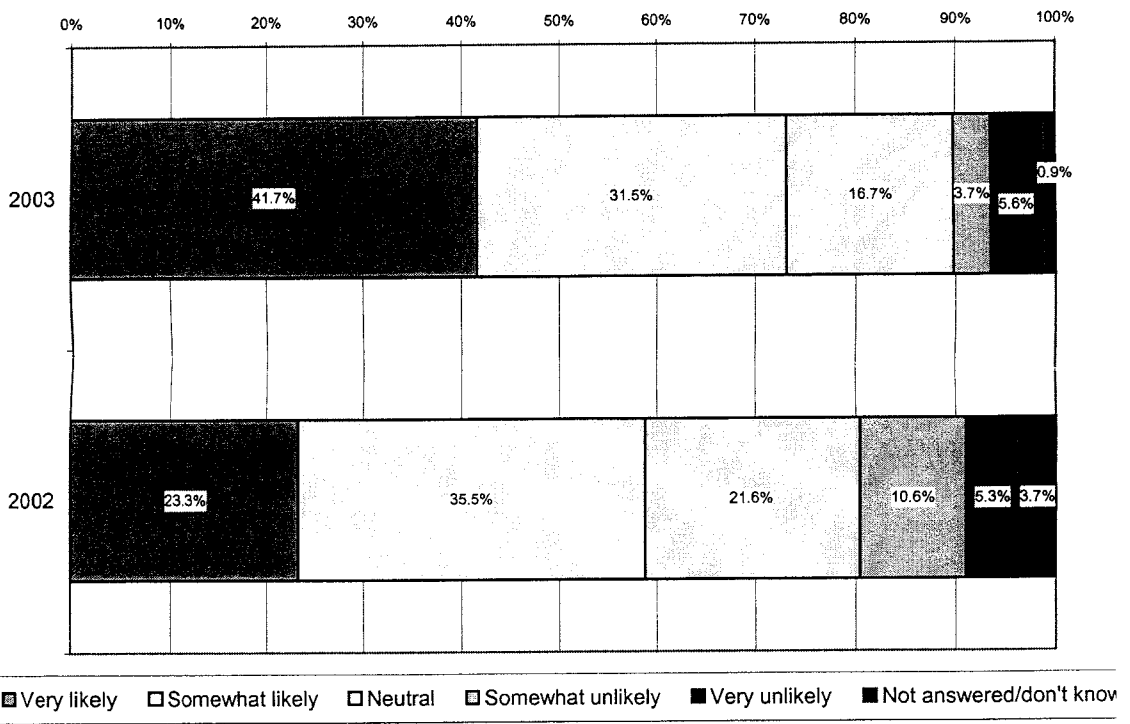
Process Fluid Suppliers that Come to Mind:

Respondents were asked to name process fluid suppliers that come to mind first and foremost. Of the many suppliers named, some are consistently stated as either their current supplier or one that quickly comes to the respondent's mind. The top three fluid suppliers that come to mind for respondents are: Quaker, Houghton, and Castrol.

Likelihood of Paying More for Product:

This year's sample of respondents appear more amenable to pay more for products if productivity or bottom-line costs improve. A total of 73.2% of the respondents (as opposed to 58.8% of last year's sample) are either somewhat or very likely to pay more. In addition, a smaller percentage of respondents from this year's sample is neutral to the idea. A total of 9.3% is either somewhat or very unlikely to pay more for product.

How likely would you be to pay a supplier more for their products if they increased your productivity or improved your bottom-line, even if the supplier's raw material or operation costs did not increase?



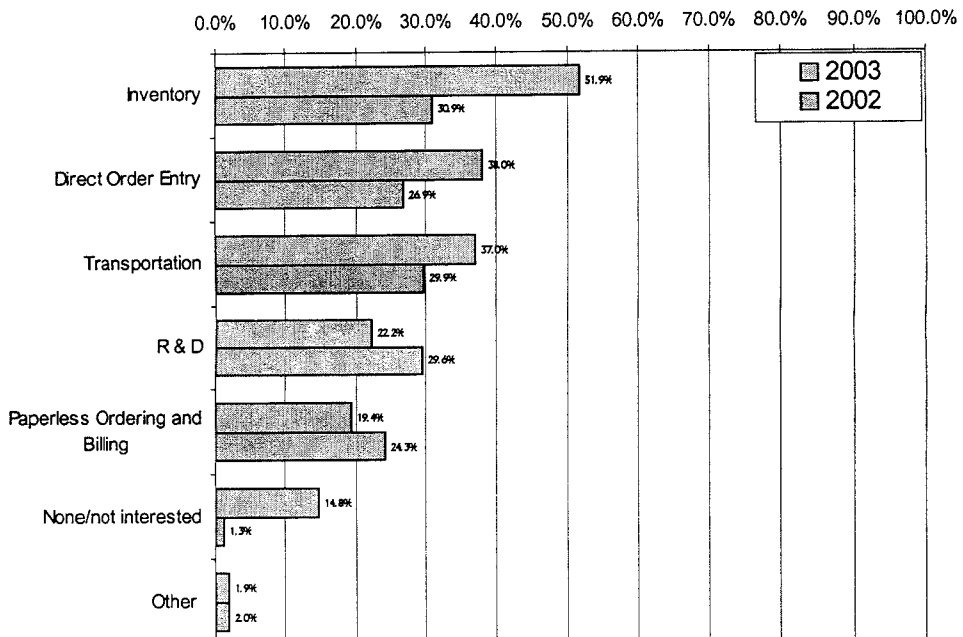
Desired Relationship with Supplier:

Respondents were asked to rate their interest on a scale of 1 to 10, where 10 is 'extremely interested' and 1 is 'not interested at all.' The average score for this question is 7.74, which is an improvement over the score of 6.72 from last year's sample.

Integration of Supply Chain:

In 2003, more than half of respondents have already integrated their supply chain with process fluid suppliers in the area of inventory, up from less than a third from last year. Whereas in last year's study, integration seemed even across many areas, according to this year's study, the area of inventory is clearly more of an interest. Over a third have integrated direct order entry, up from about a quarter from last year, and over a third have integrated transportation, a seven percent increase from last year. Only 14.8% of respondents have done nothing or are not interested which is a big increase from last year where only 1.3% were not interested of had done nothing.

Have you already integrated your Supply chain with your Process Fluid suppliers in terms of the following areas?



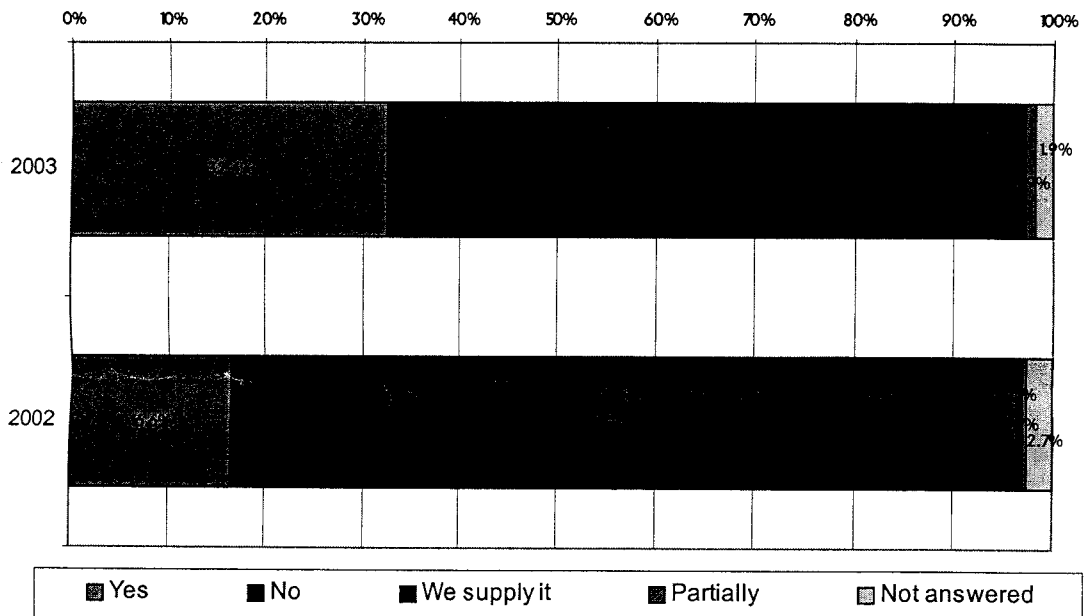
Prediction of Future Integration of Supply Chain:

A little over half of the respondents in this year’s study (54.6%) envision the activity of integration their supply chain staying the same, a little less than half of the respondents (40.7%) envision integration increasing, and only a few respondents (3.7%) think activity will decrease. Only one respondent did not answer this question. These numbers approximately reflect last year’s ratings.

Current Implementation of Total Fluid Management or Chemical Management Services:

Approximately two-thirds of respondents do not currently receive Total Fluid Management of Chemical Management from a Process Supplier, which shows a decrease from last year where an overwhelming majority of respondents did not. A little less than a third of respondents do receive management from a Process Fluid supplier, which shows an increase from last year where only 16.6% received services.

Do you currently receive Total Fluid management or Chemical Management from a Process Fluid supplier?



Unmet Needs:

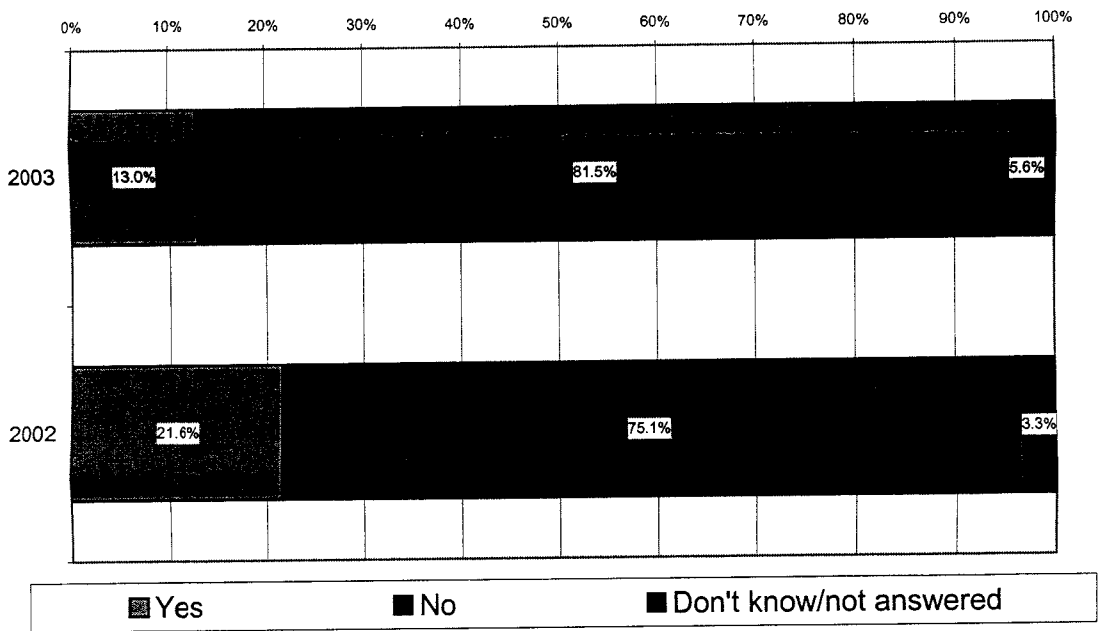
Many firms indicated no unmet needs regarding Process Fluids. However, of those firms that did indicate an unmet need, those remarks generically included the following:

- ξ Overall fluid management
- ξ Honest quantifiable data showing effectiveness of process fluid
- ξ New products should be “road ready”
- ξ More R&D
- ξ Suppliers have their own test facilities
- ξ Testing products without effecting operations
- ξ A coolant that performs
- ξ Materials that can stand on their own (move away from supplier support and chemicals that don't need help)
- ξ Better fluid performance
- ξ More analysis regarding defect detection
- ξ On-time delivery
- ξ Education on global environment
- ξ A greater knowledge on the supplier side
- ξ Greater response to business opportunity
- ξ Continuous improvement by supplier
- ξ Continuous product development
- ξ One fluid that can be used in various processes
- ξ Waste management
- ξ Have a continuous process to try and lower costs
- ξ Better alternatives in terms of cost and performance

Current E-Commerce Use:

An overwhelming majority of the respondents do not use the Internet to purchase Process Fluids, which is up from last year.

Do you currently use e-commerce to purchase Process Fluids on the Internet?



Prediction of Future E-Commerce Use:

Over half of respondents say yes, they would be open to the idea in the future, which is up from last year, and less than half of the respondents say they would not be open to the idea, which is down from last year.

If no, would you be open to the idea in future?

