

CMS Industry Report 2004

KEY FACTS

- The CMS market has grown roughly 50% from 2000 to approximately \$1.22 billion (FY1999-2003) and all indicators point to continued steady growth.
- The potential U.S. CMS market is estimated to be \$17-19.5 billion.
- The most notable change in the CMS market from 2000 is the growth in the number of industrial sectors using CMS. CMS is now utilized in more than eleven sectors with penetration in several sectors above 30%.
- In the 2000 survey, CMS providers generally reported that they focused on serving one or two industries. However in 2004, more than half of the providers surveyed serve four or more industries. The aggressive move into new markets may indicate more service expertise being developed among the provider base and thus a readiness to sell into new markets.
- Net savings of 5%-20% per year were reported in the first year of implementation. Over the first three years of a contract, a majority of providers estimate they deliver 6-10% savings per year or more.
- All of the CMS provider survey respondents reported revenue growth over the past three years. Approximately 50% of the respondents cited growth greater than 10% per year over the past two years. Based on future projections by CMS providers, we expect future revenue growth to meet or exceed that of the past several years.
- Profit margins ranged from 5-25% in 2003. Growth in profit margins since 2000 has been steady at about 5-10% per year and is projected to remain at 5-10% per year through 2006.
- The expectations for growth for the CMS industry are in contrast to the traditional chemical industry. Although chemical sales in 2003 for the top 50 companies worldwide increased 15% from the previous year, profit margins fell by 5.5%. The positive profitability growth of CMS is a bright light in the chemical industry where profit margins have dropped steadily since 1997.
- 62% of providers expect the most growth in CMS opportunities to be with new customers. This is quite different than the outlook in 2000, where 20% of providers felt that growth opportunities were with new customers.