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ToolsGroup Introduces “Rapid Inventory Rightsizing”

*Easy Innovative New Program Helps Companies Quickly Free up Cash
and Reduce Impact of the Credit Crunch*

BOSTON, MA, OCTOBER 22, 2008 – [ToolsGroup](#), a global provider of demand-driven inventory optimization solutions, today announced an innovative new program to help companies rapidly rightsize their inventories, free up millions of dollars of cash, and improve free cash flow (FCF). The new program, called “[Rapid Inventory Rightsizing](#)” (RIR), is a remarkably fast solution that reduces a company’s working capital needs and eases the impact of the credit crunch.

In this era of tight credit and higher cost of capital, cash is king. According to the U.S. Federal Reserve’s most recent quarterly survey of senior bank loan officers, 58% say they have tightened lending standards to large and medium-sized businesses, and more than 80% surveyed said their customers are paying more for loans.

Rightsizing inventory is an excellent source of short-term working capital and improved free cash flow. When the composition of inventory deteriorates over time, a large financial asset is not being used efficiently. Managers find that they have too many of the items they don’t need and not enough of the items most in demand.

The RIR Program is ideally suited for companies with large inventories not being put to optimal use. By improving inventory targets, companies reduce global inventory levels while still maintaining excellent customer-service levels (i.e., fill rates). For example, one Fortune 1000 consumer packaged goods company supply chain director commented, “We achieved a 25% reduction in inventory and 99% service levels ... ToolsGroup let us re-mix the stock in 2 months... Needless to say, our finance people were ecstatic...”

The program is targeted at CEOs and CFOs looking for increased liquidity or free cash flow, private equity funds wishing to improve ROIC, and supply chain executives addressing corporate mandates to reduce inventory cost while maintaining customer service metrics.

Individual companies will find different results from this process, but can typically expect to generate cash of between 10 and 30 percent of their inventory value, while maintaining the same or improving customer service. The program costs a small

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fraction of the inventory saved and cash generated.

The program is now available from ToolsGroup and participating North American partners. The program is easy to implement because it requires no changes to the company's distribution/supply network or technology infrastructure. It consists of three steps:

1. An immediate rightsizing of the inventory to eliminate the least effective inventory and insure profit-generating and strategic products are properly served. Capital is rapidly reallocated to the most financially productive areas. Inventories that are not aligned with profits and customer service are drawn down. Because this first step can be implemented in a few weeks, it can rapidly begin generating free cash flow, often within the same quarter.
2. All inventories are adjusted to avoid excess inventory experienced in a slow down, while maintaining customer service levels. As revenues slow in certain product streams, most companies neglect to adjust their inventory targets to changing circumstances. While individual items will vary, overall inventory requirements are reduced, freeing up additional cash flow.
3. An ongoing review process, managed either inside or outside the company, to keep inventory targets aligned with changing conditions and insure a sustainable results over time.

"Using the experience we've gained at more than 150 corporate clients in a variety of industries, we can run an instant snapshot of a company's inventory and immediately identify the potential savings and time-to-benefit," said Joseph Shamir, CEO of ToolsGroup. "In today's tightening credit environment, this ability to move quickly is critically important to our clients."

About ToolsGroup

[ToolsGroup](#) is an innovation partner for companies who want to achieve outstanding customer-service levels and less global inventory. Using our demand-driven inventory optimization solutions, our customers improve daily forecast accuracy and correctly set safety stocks to significantly cutting inventory and achieve customer-service levels up to 99+ percent. ToolsGroup has more than 150 customers in 31 countries worldwide. For more information on ToolsGroup and its solutions, please visit www.ToolsGroup.com.

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