



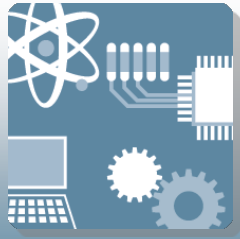
# **Sequestration Impact Survey Results**

**Presented at  
Aviation Week A&D Programs  
November 2013**

**VERIFY**

SUPPLIER PERFORMANCE MANAGEMENT

**For over three decades, Verify has improved supplier quality and schedule performance for aerospace and defense customers all over the world**



Specializing in aerospace, defense and high-technology industries



More than 2,000 qualified technical and quality personnel



Operating at over 6,000 supplier locations in more than 40 countries

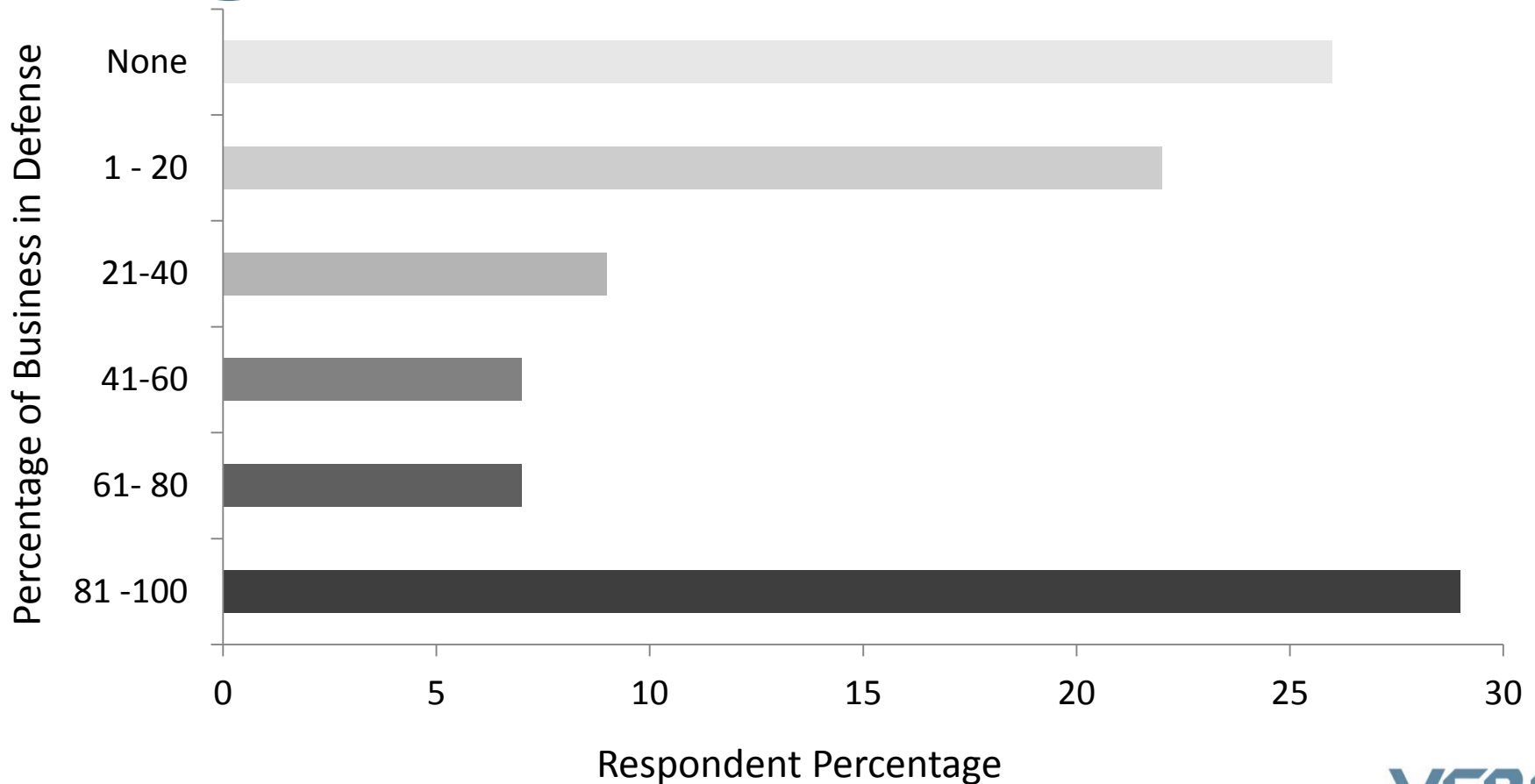
**We envision a world where suppliers deliver quality product on time**

- **Included 650 contacts at 200 A&D customers**
- **Secured an approximate 10% response rate**
- **Four questions:**
  1. What percentage of your organization's business is in defense?
  2. Has your organization already experienced an impact to revenue as a result of the sequestration?
  3. My organization's approach to declining demand in defense spending is to cut costs. Please check all cost cutting options you've applied or are planning to apply.
  4. My organization's approach to declining demand in defense spending is to diversify my offering or my customer base. Please check all of the diversification methods you've applied or are planning to apply.

# What Percentage of Your Business in Defense?

26% of respondents had zero defense business

29% of respondents had more than 80% of their business in defense



- **Cost Cutting Measures**

- 21% of respondents are not applying any cost cutting measures
- Top two cost cutting approaches:
  - Vendor contract negotiations – 61%
  - Headcount reductions – 47%

- **Diversification Methods**

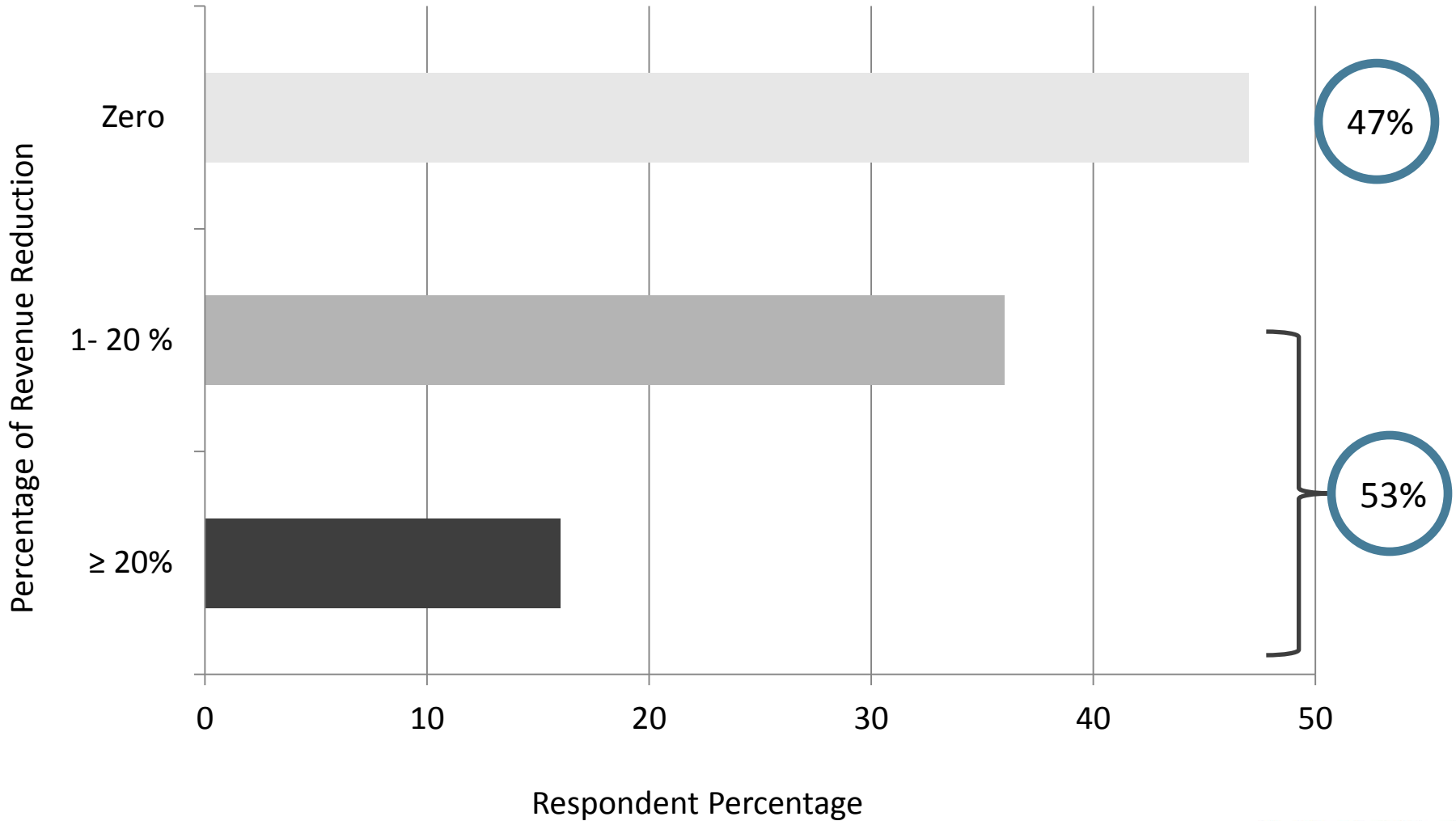
- 32% of respondents are not applying any diversification methods
- Top two diversification methods:
  - Securing customers in new market segments – 47%
  - Securing customers in new geographical markets – 39%

- **Revenue Impact**

- 47% of respondents have had no impact to revenue
- 37% have had a less than 20% reduction in revenue

# Sequestration Impact to Revenue

Nearly half of respondents experience no revenue impact



- **Cost Cutting Measures**
  - 94% of respondents whose revenue was impacted have implemented cost cutting measures
- **Diversification Methods**
  - 82% of respondents whose revenue was impacted have implemented diversification methods
- **Both Cost Cutting Measures and Diversification Methods**
  - 82% of respondents whose revenue was impacted have implemented both cost cutting measures and diversification methods
  - 100% of respondents who have implemented diversification strategies also incorporated cost cutting methods
- **Neither Cost Cutting Measures nor Diversification Methods**
  - 6% of respondents whose revenue was impacted have implemented neither cost cutting measures nor diversification methods

# Types of Cost Cutting Measures

21% of respondents are not applying ANY cost cutting measures

Cost Cutting Option	Selection Percentage
Vendor contract re-negotiations for lower pricing	61%
Headcount reductions	47%
Engineering costs out of products and processes	37%
Delaying capital investments	34%
Consolidating costs through acquisition	18%
Plant closures	16%



# Types of Diversification Methods

32% of respondents are not applying ANY diversification methods

Diversification Methods	Selection Percentage
Securing customers in new market segments	47%
Securing customers in new geographical markets	39%
Modifying product offering for new customer market	29%
Foreign military sales	21%
Investing in product development to upsell	16%