As seen in: Electronics Sourcing North America Sept/Oct 2013

WHAT'S YOUR OBSOLESCENCE STRATEGY?

The ultimate risk migration strategy may be the simplest, explains marketing manager at Central Semiconductor, Tom Donofrio. Namely - intelligent supplier alignment

Marketing manager at Central Semiconductor, Tom Donofrio

Unplanned redesign costs are a killer. Unfortunately, original equipment manufacturers (OEMs) are frequently faced with the inevitable redesign of their product due to the discontinuation of a single device in their assembly.

While component manufacturers often offer a 'life time buy' (LTB) or final production run, the total costs associated with such a LTB solution can be quite steep. A myriad of risk mitigation approaches exist to help OEMs avoid such costly and time consuming situations. The ultimate risk migration strategy, however, may simply be intelligent supplier alignment.

Choose suppliers wisely

Aligning with component manufacturers who offer an obsolescence management program or inventory bonding can help alleviate the consequences associated with 'end of life' (EOL) notifications. Unfortunately, risk can never be completely eliminated from the supply chain, however, it can be significantly reduced, if the supply chain consists of companies that have a proactive means of managing EOL situations or, better yet, avoiding them altogether.

So, what criteria should be used when evaluating the robustness of a supplier's diminishing source product support program? Certainly a component manufacturer's stated obsolescence plan or policy should be reviewed. Ask how end of life product notifications are managed. Is a LTB option offered? Is the bonding of existing inventory to meet long-term requirements an option? Knowing the answers to these questions will help OEMs assess the risk of a particular supplier engagement.

Of course the best indicator is past experience. How has this supplier treated EOL situations in the past? In most cases, past performance is the best indicator of future results. Don't ignore history.

Review inventory policy

Another, less obvious factor in the supplier evaluation process has to do with the company's financial foundation. Is the manufacturer publicly traded or privately held? 'Inventory' has become a four letter word in the investment community and publicly traded companies, including distributors, will go to great lengths to reduce finished goods and in-process inventory levels. Such focus on a healthy balance sheet sends negative ripples through the supply chain as companies play 'hot potato' with inventory, and no one wants to hold it.

Privately held companies, in contrast, can typically maintain inventory levels of slower moving product and, at the same time, maintain inventory levels of raw materials which, in turn, keeps lead times somewhat insulated from the drastic inventory swings that have become all too common in recent years.

Quality, reliability, on-time delivery, customer care, technical support, global presence, integrity and reputation are all elements worth considering when selecting a component manufacturer; that's a given. Having identified top notch potential suppliers, ask about the assurance of obsolescence protection for the expected life of your product. The ideal solution to the diminishing source challenge is choosing a supplier that maintains healthy inventory levels and is committed to manufacturing product still in demand indefinitely.

With this in mind, Central Semiconductor has been supporting EOL programs, and aggressively seeking opportunities to sustain the supply of diminishing source product in the supply chain, since 1974. The best risk mitigation tool that Central has provided for nearly forty years has been to educate the supply chain of the benefits it provides in this area. The essence of this education remains unchanged: the ultimate risk migration strategy is intelligent alignment with a trusted supplier.

www.centralsemi.com