



Semiconductor Supplier Collaboration

Highlights



- Proposed alternative approach to getting subcontractor to purchase the necessary inventory buffer of materials
- Transformed how the client and subcontractor viewed their relationship with each other

The Challenge: A large semiconductor firm was finding coordination with its manufacturing subcontractors extremely difficult based on the way they approached the exchange of information. The semiconductor company consigned the integrated circuits needed to assemble the product but the subcontractor purchased the remaining materials on a turnkey basis based on a demand forecast provided by the semiconductor company. In order to ensure the availability of the turnkey materials in case of a mix shift or forecast error, the semiconductor company often sent overly optimistic forecasts to their subcontractors. In turn, the subcontractors repeatedly experienced true demand well short of the forecast and were reluctant to purchase up to the forecast. Both sides became more and more suspect and disillusioned with the other.

The Approach: The Spinnaker team proposed an alternative approach to solving the problem of getting the subcontractor to purchase the inventory buffer of materials that the semiconductor company needed, leveraging the current SAP applications the client already had. Instead of exaggerating the forecast, the semiconductor company would provide their best estimate of demand. In turn, the subcontractor would purchase enough inventory of the turnkey materials to cover both the forecast plus a buffer quantity, which provided forward coverage of demand up to a negotiated number of days. Both the forecast and the on-hand plus on-order quantities would be transparently tracked in a database application that both sides could access. Measurements and adjustments could be made based on information from this database. Finally, the semiconductor company would reimburse the subcontractor for costs incurred with buying materials if they were not consumed on the manufacturing line within a negotiated length of time, thereby reducing the subcontractor's exposure to the purchase costs of these materials.

The Results:

The change in philosophy allowed both parties to transform the way they viewed their relationship with each other. Instead of distrust and second guessing, both sides gradually began working toward a common goal based on transparent, shared information. Both sides also had incentives built into the new relationship which provided motivation to be as accurate and efficient as possible.

About Spinnaker: Spinnaker is a supply chain services company that helps clients grow, manage risk, reduce costs, and improve customer service by developing world-class supply chain capabilities. Our services help clients develop the right supply chain strategy for their business challenges and implement the process and technology solutions to improve Demand/Supply Planning, Procurement and Sourcing, Logistics and Warehousing, and Reverse Logistics business performance. Spinnaker offers a unique service delivery model that combines the strength of deeply experienced management and technology consultants with a seasoned team of business process outsourcing (BPO) and 3rd-party logistics (3PL) professionals. Founded in 2002, Spinnaker has offices in Boston, Columbus, Denver, Houston, Memphis, Pittsburgh, London, and Singapore.

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