

The Supply Chain Minefield

The Role of the Distributor in Managing Obsolescence Problems

Do obsolete components create problems in the production or repair of important equipment?

Are components, which are designed into new equipment, sometimes obsolete by the time you are ready to go into production?

Do you have difficulty in sourcing replacement parts, and are you concerned about their quality and origin?

If you can answer YES to any of the above questions, then you need to read this booklet



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This publication is one of a series of booklets published by the Component Obsolescence Group, all of which are recommended as essential reading for organisations or individuals tasked with obsolescence management. These include:

The Obsolescence Minefield - A Guide to Tackling Disappearing Products

The Date Coding Minefield – A Guide to Component Traceability through the Date Code

Contact the Component Obsolescence Group for details of the latest available titles.

In addition to the definitions used in this booklet, a section also provides meanings of acronyms and other terms associated with the field of obsolescence.

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Original cartoons by Steve Padgham

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To Begin - A sad but true story

The following is a true story illustrating the potential dangers inherent in the supply chain. Only the names have been changed to protect the innocent.

A component user calls a franchised distributor.

Component user: 'Hello, I'm looking for price and delivery for 74nnnn military type in surface mount, 1 off this year, 10 off next year, 25 off the year after, 50 the year after that, 100, 250, 500, 1000 off. The last four quantities are for estimates for a possible follow-on contract.'

Sales desk: 'Do you have a part number? Who is the manufacturer? Yes, we have plastic surface mount in stock, although they are commercial devices. Let me put you through to our Franchise Manager.'

Manager: 'You need a 54nnnn but it's not in the price list. Sorry I can't help.'

The component user calls a catalogue distributor.

Catalogue: 'I'm sorry, but without a full part number, I can't quote you.'

The component user calls a broadline distributor.

Broadline: 'I will put you through to resale.' 'I will put you through to major accounts.' 'I will put you through to our military sales desk.' 'Do you have a part number? We don't have that franchise here. Sorry, we can't help.'

The component user calls a broker.

Broker: 'They are like gold dust but I can get you up to 1,000 pieces at £10.00 each in seven days from the USA.'

The component user calls an agent.

Agent: 'The part you need is obsolete. I'm sorry I can't help.'

The component user calls a specialist solution provider.

Specialist: 'We have the die in stock and so we can manufacture what you need, and provide a manufacturer's C of C. We are an ISO9002 supplier. There will need to be an MOQ of 100 pieces to make manufacture economically viable. They will be £10.00 each and the lead-time will be four weeks. I suggest we also reserve some of our die stock, which will provide you with long term security of supply at a reasonable cost.'

Component user: 'Thank you. I will need to talk to our Project Manager, our Component Engineer, and our Quality Manager, and I will need to get this signed off by senior management.'

Twelve months pass. The component user calls the same solution provider.

Component user: 'Hello, I'm looking for price and delivery for 100 pieces of a 74nnnn military type in surface mount, and I need them urgently. You quoted me a lead time of four weeks some time ago, when you told me the part number was 54nnnn.'

Specialist: 'We no longer have stock of the die and I'm not sure if it's still available. If you leave it with me, we will generate some alternatives that might meet your needs, although we won't be able to meet your deadline.'

Component user: 'But I must have them in four weeks!!'

Specialist: 'Sorry.'

Introduction

The component distribution world has come a long way since the emergence of local stockists in the formative days of electronics during the late 1950s.

At that time, the majority of component sales, both by volume and by value, were still transacted directly between the component manufacturer and the component user, while distributors supported only ex stock and/or short schedule, low value requirements. However, the 1980s and 1990s saw rising overheads, a significant proliferation of franchise agreements, the merger of smaller distributors into large groups, and the reduction of component users, especially OEMs, with direct customer status. These events largely shaped the distribution world of today.



Distributors exist in all shapes and sizes from large multi-national broadliners through to local specialists, while the majority of component sales today are transacted through distribution rather than direct with the component manufacturers.

However, from the perspective of the component user, it is still the component manufacturer who

determines the development and life span of a component. The withdrawal of any component obviously creates fundamental implications for all users of that component, whether they are designers, manufacturers or end users of the products into which those components are built. In some applications, even minor changes in the specification of a component can create similar issues if the revised specification is no longer compatible with the application into which it was designed.

Components are changed or withdrawn for a variety of commercial and technical reasons, but from the customer's point of view, the component manufacturer is ultimately responsible for creating any problems that may result. On the other hand, the component manufacturer's position is that it is actually the customers who create the problem because demand for a specific component, or range of components, has declined to the point where it is no longer economic to continue manufacture.

In the middle of this tug of war sits the component distributor who, unless the component user is one of the very few large enough to be able to deal direct with the manufacturer, is perhaps the most important link in the supply chain.

So, what is the distributors' role in this? Ultimately, they may have only minor influence over the supply and demand of components in global terms but, given their importance in the supply chain, are they simply part of the problem, or could they be part of the solution?

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