



## **Inventory Management**

The ability to respond quickly to constantly changing customer demands is one of the key challenges for an OEM. Managing the supply chain is highly complex in today's environment. An OEM needs to be able to trust and depend on the supply chain management capabilities of a diverse group of companies in addition to their own internal operations in order to meet the demands of their customers.

One of the most important relationships an OEM needs to manage is with their Contract Manufacturer:

90% of respondents say that the biggest issue they face with their Contract Manufacturer is with Inventory Management. Their Contract Manufacturer does not have the necessary components in stock to build their product and deliver it on time. This leads to delays, and delays lead to lost revenues for an OEM.

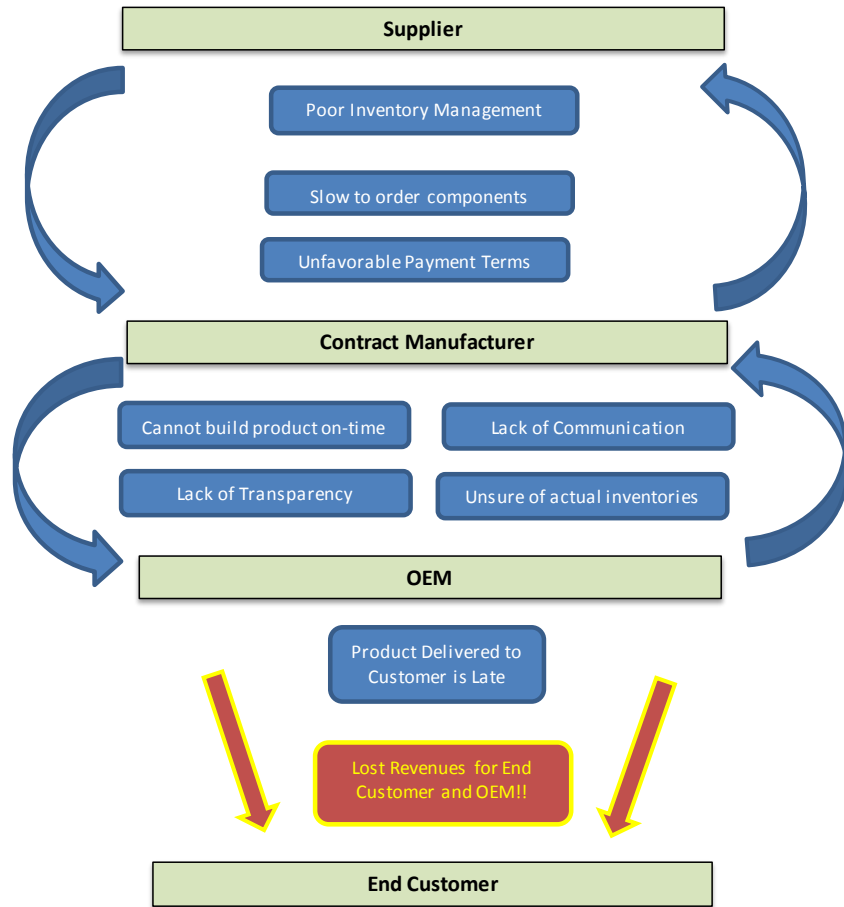
For inventory management, one of the key drivers to success is traceability. Although 7 out of ten OEM's will say that this visibility is key to their supply-chain management, only 3 out of ten feels that they have the visibility they need to be successful.

The complexity of inventory management can be daunting. A Contract Manufacturer will often be managing hundreds of different product builds, each with hundreds of different required components, for a host of different customers.

If a Contract Manufacturer cannot clearly define and explain the systems and processes they use to order, manage, and allocate inventory, they are not using Best-in-Class processes, and there will be a higher chance of delays and inefficiencies in their operation.

**The Cycle of Mismanagement:**

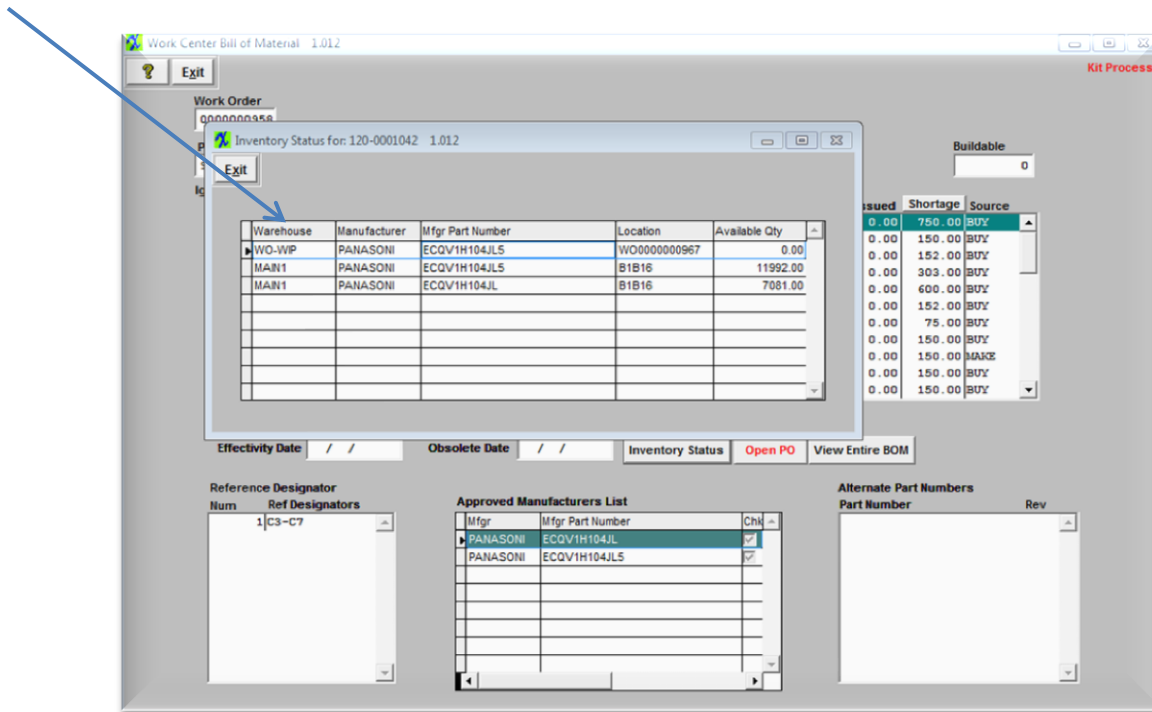
The cycle of inventory mismanagement involves several players in the supply chain, but the root of the problem can almost always be traced back to one thing: *A Contract Manufacturers inability to effectively procure, manage, account for, and allocate Inventory:*



**The Solution:**

The solution to the inventory management problem is *processes* and *transparency*. An OEM cannot and should not become comfortable with a Contract Manufacturer until they have visibility and traceability in these two areas. An OEM needs to understand the specific details surrounding a Contract Manufacturers inventory management, from procurement to PCB Assembly. They also need to have transparency throughout the process. An OEM needs to be able to see where their Product is in the Product-Life-Cycle, from beginning to end.

*Circuitronics is able to take a real-time snapshot of our inventory, allowing us to view our production capabilities and needs for a product build at any time. This also allows Circuitronics to reduce cost to our customers through material standardization and efficient purchasing.*



INDUSTRY WHITE PAPER

Inventory Management

By using a commodity based inventory system, Circuitronics is able to reduce cost to the customer by purchasing in bulk and standardizing passive components. This also allows Circuitronics to have stock on many commonly used parts. This is critical in reducing lead-times and increasing production flexibility in time-sensitive assemblies:

The screenshot displays the 'Inventory Control Management' software interface. A 'Where Part Used' dialog box is open, showing a list of parts used in assembly 2.19. The background window shows the main interface for part 010-0001005, including a summary of inventory levels and a list of manufacturer parts.

Part Number	Rev	Description	Quantity	Bom Stat	Status	Eff Dt	Obs Dt	Item No
998-TC202-SMT		C202-SMT, M	8.00	Active	Active	/ /	/ /	32
999-54196-16A	G	54196-16A, REV-G, PWB	1.00	Active	Active	07/14/10	/ /	5
999-900040-108	A	900040-108 REV A, P	27.00	Active	Active	/ /	/ /	34
999-900040-108	a	900040-108 REV A, P	27.00	Inactive	Inactive	/ /	/ /	34
999-900480-101-ROHS	A	900480-101-ROHS, ABB	46.00	Active	Active	/ /	/ /	76
999-900520-101	A	900520-101 REV A, A	1.00	Active	Active	/ /	/ /	14
999-CAPE2077-001	X5	CAPE2077-001 REVX5,	4.00	Active	Active	/ /	/ /	27
999-PCC-C0050-C27C-ROHS	C	PCC-C0050-C27C-ROHS	5.00	Active	Active	07/14/10	/ /	9
999-PCC-C0850-C46E-ROHS	E	PCC-C0850-C46E-ROHS	5.00	Active	Active	07/14/10	/ /	11
999-PCC-C2020-C77	0104	PCC-C2020C77, REV-01	3.00	Active	Active	/ /	/ /	8
999-PCC-C20U0-C67D-ROHS		PCC-C20U0-C67D-ROHS	3.00	Active	Active	/ /	/ /	11
999-PCC-CIO70U4-C79	B	PCC-CIO70U4-C79-ROH	1.00	Active	Active	07/14/10	/ /	4

Summary of Inventory for Part 010-0001005:

Total Qty On Hand	Total Allocated Qty	Total Available Qty
8839.00	0.00	8839.00