

Supply Chain Solutions

THE E-SOURCE[®] MANAGEMENT PROGRAM

Building Competitive
Advantage Through
Open Market Systems



The reality is that *all* companies must do business in the open market. Despite this fact, *few* have implemented a strategy that goes beyond reactive measures and actually unlocks the enormous potential of an estimated \$60+ billion 'spot market' for semiconductors. Even *fewer* have incorporated market management as an essential element in their core supply chain solutions. But a growing number of leading companies are doing just that — and yours should be one of them.

OPEN MARKET INTERACTION AS A STRATEGIC OBJECTIVE The E-source[®] management program offers you an easy way to adopt a defined strategy that produces immediate results and long-term benefits. Commitment to a true market game plan can deliver a number of exciting gains, including:

- + Bottom-line cost reductions, improved PPV ratios
- + A hedge against price volatilities, losses, and profit drains
- + Alignment of market issues with core supply chain strategies
- + Faster response time for mission-critical procurement
- + Increased returns on distressed assets and reduced inventory holding costs
- + Better risk management, fewer errors
- + More efficient processes, less redundancy
- + Higher employee productivity
- + Less bottlenecking between OEM/CEM/market
- + Access to better market information

opportunity awaits



PROACTIVE MANAGEMENT OF YOUR OPEN MARKET PORTFOLIO

The E-source management program is an integrated system for managing a company's open market portfolio to maximize opportunity and minimize risk. We establish a strategically aligned partnership with your company based on collaborative information sharing that optimizes and consolidates open market functions.

WORKING IN TANDEM WITH YOUR CURRENT LOGISTICS Our job is to design a system that works in alignment with your current logistical structure, manage that system on the ground 24/7, and provide ongoing feedback for informed decision making.

The E-source management program accomplishes four primary goals:

- + Design, execution, and monitoring of a proactive cost reduction strategy based on spot market buys that capitalize on favorable market opportunities.
- + Improved response time and lower total costs on shortage, obsolete, and EOL items; elimination of redundancy and productivity loss.
- + Professionally managed excess inventory and distressed assets that ensure optimum market coverage, stimulated demand, and reduced operating costs.
- + Risk management, ensuring that market risks are assessed and mitigated all the time, every time.



The E-source management program is an integrated system for managing a company's open market portfolio to **maximize opportunity** and minimize risk.

HERE'S HOW IT WORKS It's simple. Once the program is agreed upon as a desired strategy, E-source is ready to put the process in motion. There are three main stages: staff buy-in, information exchange, and execution and monitoring. The procedure is as follows:

PHASE I – SETUP

- + Gain agreement and commitment on major points of the strategy. Sign Letter of Agreement that defines responsibilities and expectations of both sides. Sign non-disclosure agreement.
- + Establish the scope of the program – for example, formal excess management (such as consignment), exclusivity on shortage activity, etc.
- + Establish who the appropriate procurement personnel are on the ground, identify the major point of contact (such as a purchasing manager), and buyers. Ensure purchasing team's commitment to participate.
- + Identify the appropriate buyer contacts at the contract manufacturer (if applicable). Assign an E-source group with lead trader as point of contact for your buying team.
- + Set up conference call or face-to-face meeting for the purposes of:
 - Introducing and familiarizing each other with the team principals.
 - Establishing and ensuring that your procurement team understands the program.
 - Identifying the best methods of timely communication for the smoothest possible execution.
 - Establishing information exchange for AVL, costs, MRP/demand information.
 - Identifying IS/IT personnel to facilitate information flow and assess the ability to automate information exchange (such as MRP reports).
- + Receive, analyze, and disseminate information.
- + Facilitate vendor setup; establish logistical information.



PHASE II – IMPLEMENTATION (ONGOING)

- + Begin monitoring market based on supplied information, and implement cost reduction program.
- + Establish information flow, building relationships with the core group of contacts.
- + Assess current shortage strategies and prompt retooling as necessary to gain optimum efficiency; eliminate redundancies when possible.
- + Receive inventory for consignment, inspect, document, and assign segregated warehouse space (if applicable). Analyze and assess inventory, report analysis to customer, implement marketing program.
- + Track various metrics to document progress, e.g., opportunities offered, savings gained, PPV ratios, average inventory return.
- + Keep in close contact with core personnel to identify special needs, changes, updates, and any other significant developments that would impact the program.



PHASE III – REPORTING

- + After initial six-month implementation period, create and distribute quarterly management reports that provide feedback on the state of the program, results, challenges, and recommendations.
- + Hold quarterly meetings with strategic decision makers to discuss level of success, expectations, and future direction. This meeting creates an opportunity to critically assess the program, identify sources for improvement, and make recommendations for adjustment.
- + Discuss expansion of the program to other strategic areas if initial launch was less than comprehensive or constituted a pilot program.

Proactive market systems

can effectively offset the unavoidable losses and profit drains that plague the manufacturing process.



OPPORTUNITY AWAITS Many exaggerated notions of the market have begun to be displaced since *the market*, in itself, persists for what it is: the natural by-product of a global manufacturing industry dependent on future prediction. The open market, as a whole, acts as a necessary economic tool to equalize inefficiencies inherent in the manufacturing cycle and its corresponding supply and demand curves.

Proactive market systems can effectively offset unavoidable losses and profit drains that plague the manufacturing process. By creating a defined structure for market transactions in partnership with E-source, your company can achieve efficiencies more in line with core supply chain strategies.

We predict that within five to seven years, *all* electronics manufacturing companies will have incorporated some type of market system into their core supply chain strategies. Companies that implement and execute a plan *now* will gain a significant competitive advantage over those who 'wait and see.' Let E-source's vision and expertise ensure the success of your market program.

opportunity awaits

150 Chestnut Street • Providence, RI 02903 • (401) 278-4141 • www.esourcetrade.com

