Burton Industries
Manufacturer of Quality Electronic Assemblies

Helping Your Bottom Line Series

Common Stocking Arrangements to Minimize Supply Chain Disruption

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The team at Burton Industries recognizes a constrained materials market requires that we work as closely as possible with our customers and suppliers to keep products on schedule. At a supply chain management level, we are tracking distribution partner performance. Those who are living up to commitments the majority of the time and being proactive in communicating impending issues are seeing the bulk of our spend.

At the same time, we also have implemented stocking arrangements with many of our customers designed to ensure that product will be available even when spikes in end market demand or further changes in material availability impact forecast assumptions. This paper looks at the types of stocking programs available and their benefits and potential challenges.

Types of Stocking Programs

Raw Materials Bonds

We have a number of supply chain partners willing to carry bonded inventory for us and live up to their commitments. Bonded inventory gives customers maximum flexibility with minimum liability, because the majority of parts are in high demand and easy to restock should a forecast change. Where possible we are moving customers to these sources of bonded inventory, setting demand based on a 12-month forecast. Bonded inventory can normally be set with minimum and maximum (min/max) quantity availability assumptions within a specific timeframe to accommodate changes in demand. Normally this type of program has no additional cost.

For example, with one customer we have bonded 75 percent of their components in distribution. This has eliminated stock outs and allows for quick reaction to increased demand during constrained markets. For this program we build 150,000-200,000 assemblies annually.

Finished Goods (FG) Kanban

With FG Kanban we stock an agreed upon amount of finished product inventory and replenish that from production. We can ship FG inventory to the customer, to the end market or to distribution locations. In this scenario, mutually agreed upon pricing normally includes coverage for the added costs of carrying FG inventory.

Combination of FG Kanban and Raw Materials Inventory

In situations with highly variable demand, some of our customers want the added security of inhouse raw materials inventory and FG inventory. Our typical model is to carry a three-month raw materials inventory and eight weeks of FG inventory. Pricing reflects the added cost of inventory and the customer may have higher non-cancellable, non-returnable (NCNR) inventory liability. This does provide the greatest level of material and product availability security.

Blanket Purchase Orders (POs) with Monthly Releases

In this scenario, a customer provides a 12-month blanket PO and we reserve material in the pipeline based on that annual quantity. Customers are typically only responsible for 8-12 weeks of inventory and a few NCNR parts. This scenario carries no added cost, but can be vulnerable if a supplier allocates material and subsequently cancels material in the pipeline.

Regardless of whether a stocking program is used, we are working to get all our volume production customers to give 26+ weeks of commitments based on component lead-times. We modify that expectation for customers with legacy products that are built on an as needed or a few times a year basis.

Here are a few tips to further mitigate material availability/supply chain disruption issues:

- Put Burton Industries' design team in the design cycle from a Bill of Materials (BOM) standpoint as early as possible. We offer a free BOM scrub service to existing customers to help them assess risk in critical to design components.
- Avoid single source parts or those with limited sources.
- If a part has been labelled not recommended for new product use, it should also be avoided as its obsolescence risk is high.

Contact a member of our team at (906) 932-5970 to learn more about ways Burton Industries can support your needs.

About Burton Industries

For 40 years, Burton Industries, Inc. has had a long tradition of providing customized manufacturing solutions to OEMs in the medical, industrial, motor control, specialized consumer, security, building controls, defense and professional tool markets. We support the full product lifecycle from product development through end market support services.

We've built our business by listening to customer needs and efficiently supporting high mix, variable demand projects at both PCBA and higher level assembly (HLA) stages. Our manufacturing strategy includes:

- *Extraordinary communication with customers*
- *Teaming with suppliers*
- *Optimizing test*
- *Eliminating hidden cost drivers.*

Our primary manufacturing location is in Ironwood, MI and additional HLA manufacturing capability is located in Hazelhurst, Wisconsin.