

Materials & Supply Chain Bulletin

September 2018

Material Constraints Continue to be Major Challenge

Material constraints continues to be a major challenge for this industry with no relief in sight. Lead time and allocation on widespread commodity items is ongoing. MLCC capacitors and chip resistors both are still extremely constrained. Diodes, transistors, resistors and MOSFETS continue to have extended lead times, and in some cases, allocation.

The Time to Act is Now.

Here are some key instructions from us that may help you mitigate some of these challenges.

Provide complete demand visibility

Providing demand for your needs through the year 2020 is ideal

Review and expand AVL options

Be proactive! Available inventory disappears very quickly in this market

Prepare yourself for cost increases

The time involved in getting cost increase approval can result in lost inventory and missed production windows

Do not trust online inventory postings

On-line inventory is a snapshot of information and does not always allow for customer allocation

Tariff Summary:

Tariffs continue to impact many of the raw materials we procure in China. While we have no choice but to pass along any costs related to tariffs charged by our suppliers, we are actively working to mitigate those costs where possible.

We continue to strive to bring products directly from overseas into either our Mexico facility or into our suppliers' Mexico warehouse - if they have one - to avoid the U.S. tariff completely. This option is only viable for end product being manufactured in our Mexico facility.

For commodity product coming to our U.S. locations, we currently do not have many options available to us, however, we do have options on custom products. For these products, we are running the following analysis:

- In cases where we are buying domestically but our source is building in China, we are having them compare costs to determine if their off-shore solution is still the most cost-effective
- For cases where we are buying off-shore direct, we are quoting alternate sources both domestically - and where possible - alternate or non-China off-shore sources

As always, we will continue to monitor this situation and look for options to reduce tariff costs wherever possible.