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Managing Critical Material Which Represents Small Revenue for Supplier

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Case Study Introduction

Many critical material(-families) are only representing a rather small % of revenues for suppliers. In case these are even running below expected margins they come under scrutiny more often nowadays. The usual 1 to 2 year change horizons are not always adhered to and a contractual 270 day termination period will hardly suffice to qualify alternatives or even change a whole integration scheme to design-in a different material.

Case Study Challenge

Supplier decided to stop production of a CMP slurry at about 1 year notice where there were no other relevant customers left globally and the production site was even rented from a third party. Re-qualification of a new combination of CMP processes including consumable sets is about 1,5 to 2yrs based on prior experience. Such CMP change is a “Major Change” which requires customer approval even based on their product reliability data.

Challenge was how to avoid the change altogether, even at a commercial impact or at a minimum get timelines to match to ensure no impact on production.



Case Study Approach

Identified multiple approaches to extend EOL period or have a coordinated phase over to a new manufacturing site. In parallel started market research for a commercialized product which fits best to the application. Resulting options in order of preference were:

- a) Extend supply from given source & site longterm, even with commercial support
- b) Transfer production equipment to new supplier site with same raw material / recipe
- c) Get IP and raw material sources from existing supplier released for 3rd party manufacturing
- d) Get supplier shelf life study data from this product and chemically similar products to extend shelf-life based on real data to gain time for qualification of alternative. Block oldest own material for continuous shelf-life tests as it ages. Based on that extend accordingly.
- e) Given 270 day notice period and shelflife restriction get supplier to pre-produce 1 year supply in its last quarter of manufacturing and store for regular release to us. Assess with positive error margin which quantity is needed for such last-time-buy.
- f) Market study on competitor products with a multi-phase selection process and in-production trials on product to select a new POR with similar or better performance.

Case Study Results

It wasn't feasible to maintain a manufacturing site just for 1 product for us (a) – a transfer (b) would have been a major change as well. So d / e / f were implemented in parallel.



Case Study Critical Success Factors

Discussion with supplier on exec level under awareness of C-level to get quickly a path forward agreed which will not hamper production.

Immediately internally start a crossfunctional team including our Customer Engineering to align all possible options even with a 2yr horizon.

Once it was clear that a new supplier would be needed work fully open with them even in initial paper study selection phase.

Case Study Lessons Learned

For new engagements on de-facto sole-source products agree on contracts with multi year delivery committment and clear responsibilities for mutually agreeable phase-out / EOL plan.

For existing single-source portfolio with complicated change processes regulary assess if business is sustainable for supplier in light of overall product revenue and our common overall product portfolio. If there are doubts discuss a common approach inclusive a change to a different solution / supply in a mutually agreeable fashion.



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