

Don't Break The Bank on Last Time Buys

How Engineering, Manufacturing,
and Parts Solutions can Decrease
Costs on Last Time Buys for
High-Tech Products.





In the high-tech industry, it's an all-too-common occurrence that a component of a unit reaches obsolescence long before the whole unit. At one point in time the manufacturer will discontinue production of selected products, the product has reached the End-of-Life (EOL) stage on the production line, to make way for new innovations. Prior to a product being discontinued the manufacturer will call for a Last Time Buy (LTB) where a business can make one last bulk purchase of the product before it is discontinued.

For example...

A wind turbine uses a specific controller board that is required for the turbine to function, the controller board is known to fail and fails long after the warranty and support period for the turbine and the OEM has discontinued production of the component long ago. If the owner/operator of the turbine properly planned and made a LTB prior to the discontinuation of the product they should have plenty of stock stored in their warehouse where they can easily pull a part. If they did not make a LTB they would have to look into EOL manufacturing which will discuss later.

The Last Time Buy is the supplier's "last call" for the part or component, the last chance an enterprise will have to buy the part before they switch production to its successor. This puts a company in a tough position, left with a difficult decision, depending on uncertain results and managing a strategy for how to continue to fulfill its commitments.

The Risks of a Last Time Buy...

- 1** Forecasting the demand for the "obsolete" parts or components
- 2** Determining the quantity of parts or components to purchase
- 3** Investing and tying up funds in stock that takes up valuable warehouse realty



How a Last Time Buy Can Be Detrimental To Business Operations

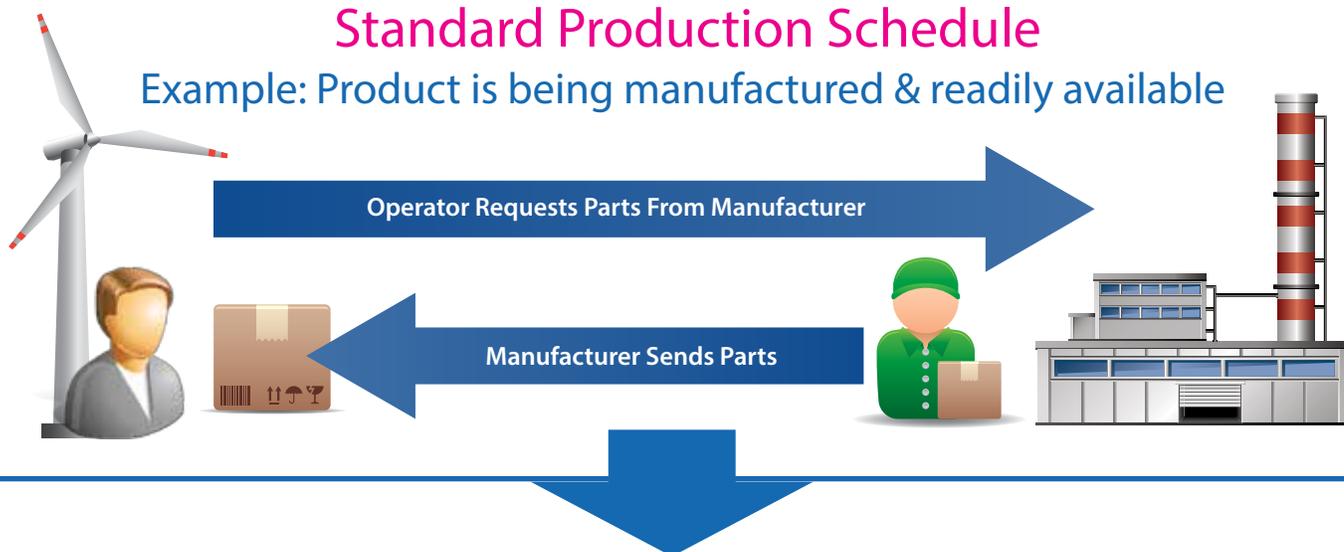
Forecasting replacement demand for obsolete parts or components may require predicting usage for up to a decade or more in the future, and any unforeseen variance in the estimate unavoidably leads to wasted resources and lost revenue. There is also a need to determine how many to buy, a risky approximation that could potentially result

in stagnant inventory which sits on shelves, generating you no revenue for a lot longer than is healthy for a business. Neither outcome is optimal, but both become irrelevant when faced with the Last Time Buy's most invasive and equally common issue: the manufacturer sets a high minimum for the product, requiring that you buy

exceeding large amounts of components, well above the standard on-hand inventory levels, which is a less-than-desirable use of your company's resources and facilities.

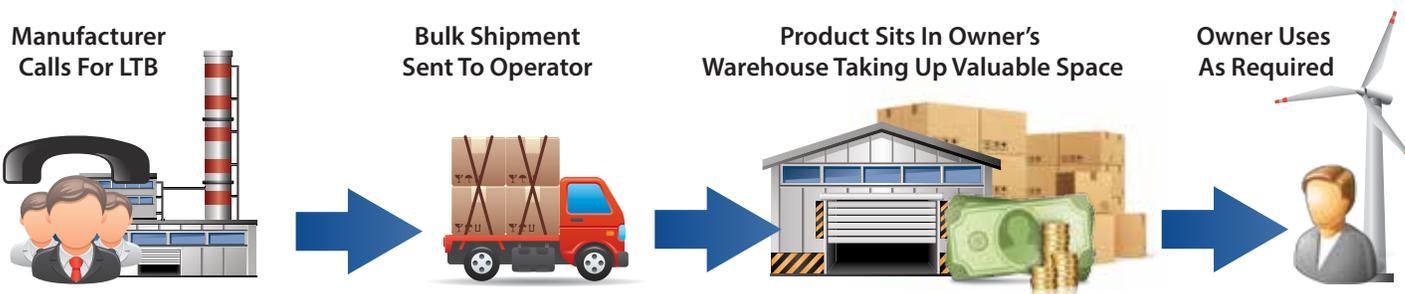
Standard Production Schedule

Example: Product is being manufactured & readily available



Product EOL - Last Time Buy

Example: Last Time Buy Required

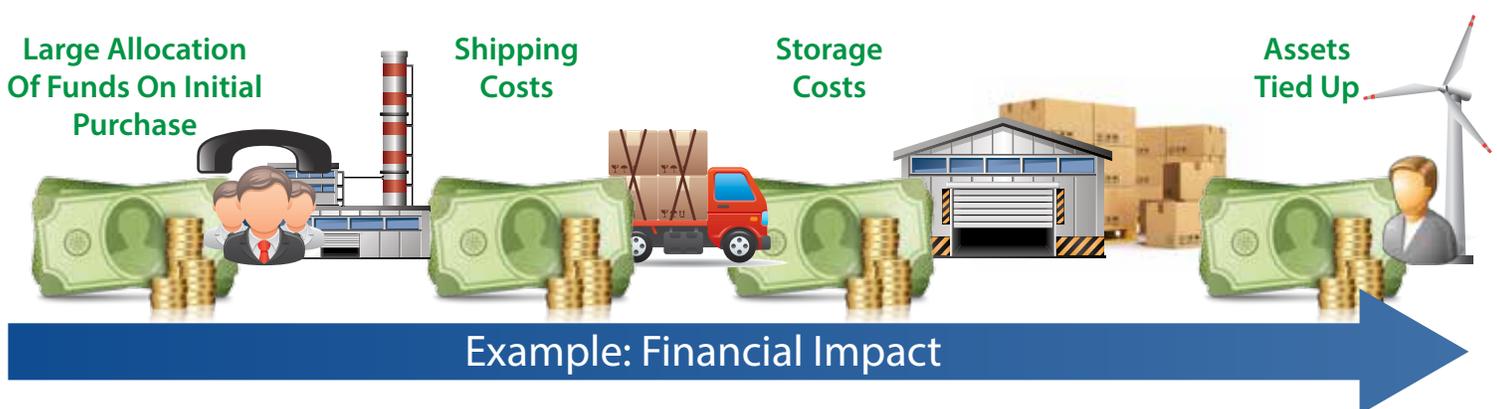


Financial Impact of LTBs

Last Time Buys require a healthy contribution of not only an organization's labor and resources but also an organization's finances. These LTBs can take a significant bite out of a company's cash flow. When purchasing a product for the last time there are also other "lifetime" costs that a company incurs aside from the large initial upfront investment, these are called "Carry Costs". Carry costs are the costs that will impact your organization while the EOL product is being cared for by the organization. How much will it cost to store the product? How much will it cost to ship the product from the manufacturer?

Internal and external financials can also be affected by keeping the product sitting on your books. Decreased credit lines with lenders and financial institutions as well as the inability to grow your business becomes yet another hurdle to overcome, while your assets are tied up in the product which is sitting in the warehouse that you are paying for but not using. Now what if there was a way to reduce the costs associated with LTB and free up your financial resources?

Product EOL - Last Time Buy



So how does a company deal with reliance on a product that has been deemed “obsolete,” without forfeiting valuable resources?

Reverse Engineer & Manufacture

Eliminate forced minimums and undesirable Last Time Buy conditions by investing in a Reverse Engineering solution. Engineering and Manufacturing experts can reverse engineer your critical component, in order to develop a comparable, affordable, and accessible replacement that can fulfill your needs as if the original part had never become obsolete. Support for products now exceeds the 5-7 year minimum period the manufacturer has to provide on a

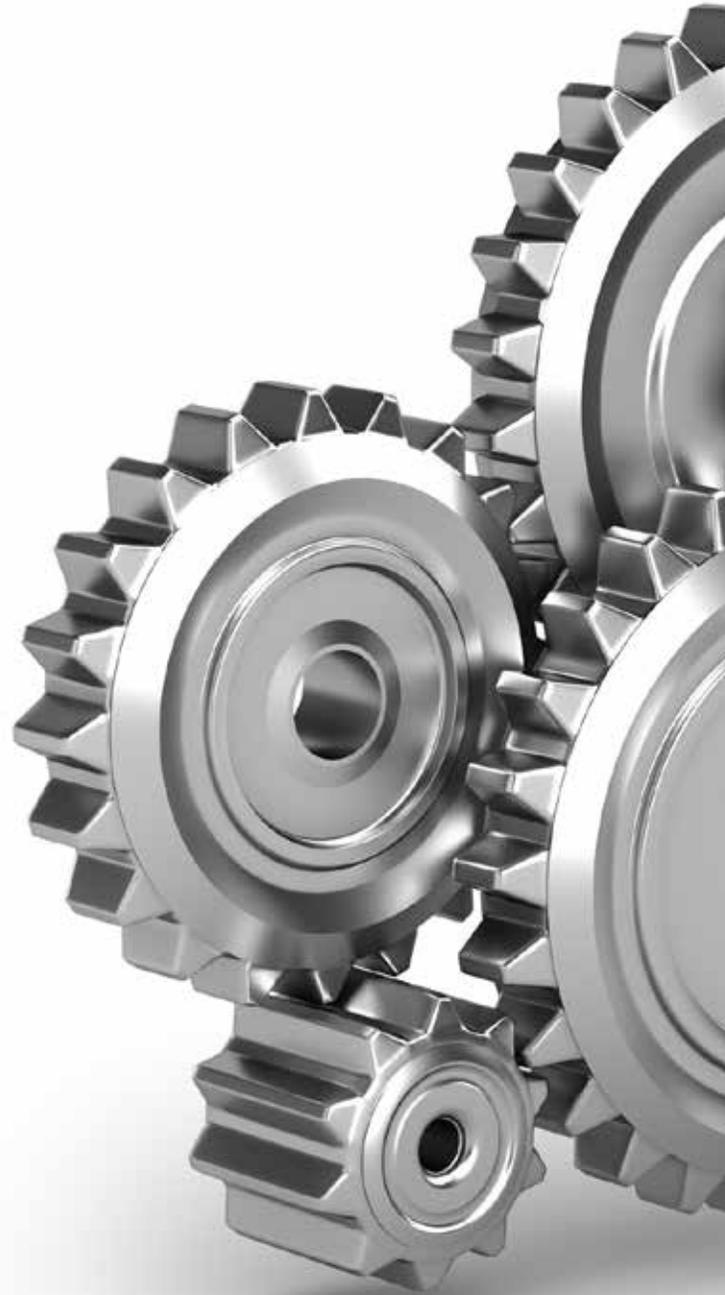
product. Once reverse engineered, the new part can be manufactured based on service terms, allowing greater control over procurement and saving money in contrast to bulk buys. Additionally, as part of the reverse engineering process, the component is evaluated in ways that allow for improvements and enhancements that result in greater efficiency, which often correlates to a reduction in long-term costs for the company. If your product needs to meet strict specifications,

the reverse engineering process can still benefit you by evaluating the manufacturing investment necessary to adhere to your desired qualifications, which can then be applied to a remanufacture or rebuild solution in which the production cost is significantly reduced.



Remanufacture & Rebuild

As another alternative to costly Last Time Buys, utilizing Remanufacturing and Rebuilding solutions to recover and repair worn or obsolete components can save a company significant amounts of resources. Remanufacturing solutions can renew returned components to working condition at a fraction of the cost associated with purchasing new parts. To recapture the value parts and components had when they were first manufactured, the remanufacturing and rebuild solution begins with disassembly of product so it can be cleaned, repaired, replaced, and reassembled to like-new condition. Salvaging retired systems for resources and rebuilding the yields into usable components can deliver an effective, low-risk alternative to Last Time Buys, requiring less investment in parts procurement than buying new stock. In addition to being financially efficient, our remanufacturing operations are also environmentally responsible, as they maximize the life expectancy of products and eliminate waste resulting from obsolete, unusable components. Finally, the Remanufacture and Rebuild option allows the investor to control purchase quantity, whereas the Last Time Buy would require an amount of stock that is designed to primarily benefit the original manufacture, prior to decommissioning production of the product or components.



About DEX

Whether you are looking for a specific repair solution, service parts management options, product reverse engineering, or product manufacturing, our comprehensive suite of services is fully optimized to the specific requirements of our customers, operating within the renewable, information technology, consumer electronics, industrial, and medical markets.

DEX is dedicated to delivering end-to-end service lifecycle solutions at the lowest sustainable cost, enabling our customers to keep their commitments and stand out in their various industry segments. Our

expertise is in engineering hi-tech electronic and electromechanical components, manufacturing, repair, and supply chain management services. We offer solutions that span the entire product lifecycle—from concept, through production and after-market support. Contact us (888) 678-9201 or visit us on the web at www.dex.com to learn more about how DEX can help you achieve your business goals.



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