

Supply Chain Update – July 2021

Date: July 20, 2021
From: Seth Choi, Vice President of Global Supply Chain
CC: Phil Wehrli, Senior Vice President of Global Supply Chain and Planning

Dear Valued Customer,

It's important that we stay diligent and steadfast as we embark on the second half of the year. The word 'unprecedented' seems to have become synonymous with the supply chain issues we face today. But the fact of the matter is, the challenges we face today are the same challenges the global economy is facing. Staying focused, diligent, and attention to details are going to be critical for us to successfully navigate through this environment. Great things happen through cooperation, communication, and discipline. Having the foresight to strategically positioning yourself today for next year will pay dividends.

Supply Chain Update

Suppliers reporting record bookings and billings.

Q3 showing signs of being more challenging than Q2.

Lead times are not getting better.

Timing devices at top of list of constrained components.

Lack of visibility on delivery commits outside of 4 weeks for allocated devices.

Renewed Covid shutdown in Malaysia affecting component supply chain once again.

Additional wafer capacity still a couple years away.

Raw materials for key commodities impacted by price increases and extended lead times:

- Copper, gold, substrates for PCB's
- Steel for sheet metal and mechanicals
- Pulp and adhesives for labels and packaging
- Resin for plastics
- Virtually all raw materials affected



Supply Chain Update – July 2021

Key Actions You Should Take

Provide 18+ months forecast to SMTC would enable order placement and secure place in que as many manufacturers allocate product based on FIFO. This is critical to keeping your costs down.

Educate your sales and marketing teams (ultimately your customers) on the current climate and challenges.

Invest in securing highly constrained devices when supply becomes available for delivery as suppliers are not exhibiting flexibility to hold onto inventory for you. Request through your program manager at SMTC to sign up for this program.

Keep suppliers honest when price increase notifications are communicated by quoting other sources and checking with your commodity manager.

Make quick and concise decisions if constrained products become available through brokerage.

Consider investing in air freight option as ocean freight can be too risky and inflexible (refer to SMTC Logistics Update from Chuck Fries, VP Global Planning and Logistics).

Sincerely,

Seth Choi

