

Product and Platform End of Life Strategy:

A White Paper

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Client: Hewlett-Packard Server Manufacturing Business Unit

Product: Computer

Audience: Supply Chain Management Team

Supply Chain Business Planners

Procurement Specialists

Project: Conduct research and write a White Paper for a new approach to managing inventory and minimizing material write-offs at the end of a product's life.

Objective: To formalize and communicate product and platform end-of-life strategies.

Hewlett-Packard Server Manufacturing End-of-Life Strategy White Paper

Note: Certain information has been omitted to protect Hewlett-Packard proprietary information.

A. Current Situation

1. The current manufacturing systems and process environments have been developed to create complex solutions to our end customers. These systems have objectives centered on product availability in a high volume/high mix environment. The penalty for not providing competitive availability is huge, and can result in significant impacts to the company's revenue, as well as to the potential loss of customers and their orders.

In order to stay competitive, the worldwide supply chain has to support manufacturing delivery objectives in an ever more volatile environment. The supply chain needs the ability to respond quickly to changes in volume and mix as a result of variable demand profiles. With lead-time for highly complex/technical components averaging XX weeks, the ability to be effective and efficient in managing demand fluctuations real time can be improved. It is estimated in the current situation that it could take as long as XX weeks in some cases to effectively reset the supply chain.

2. As products ramp and move into a more mature part of the lifecycle, there tends to be an organizational bias towards protecting availability at the expense of inventory optimization and asset management. Ensuring availability goals in a high mix/high variability environment results in positioning material throughout the supply chain as a hedge towards protecting the revenue stream and business objectives.

As products reach their end-of-life, there is increased exposure to the business due to the limited usefulness of products, limited commonality between old and new systems, and predictability of the demand. This is further complicated by the desire to maintain availability objectives of the business. To utilize the current process to ensure availability of products as they ramp down, will result in inefficiencies of product mix, product variability, and the supply chain. The financial translation to the business for exposure/write-offs associated with inventory excess can reach XX. New strategies need to be developed that strive to balance inventory/asset management with availability goals.

Other topics covered in this white paper:

- B. Current Environment from Demand Plan through Order Fulfillment
- C. Environment Characteristics Enabling Excess
- D. Existing Strategies in Excess Management
- E. Changing the End-Of-Life Business Model
- F. Event Triggered Strategies
- G. End-of-Life Contingency Plans
- H. Metrics to Monitor Successful Product Ramp Down