

# Marrying Excess Inventory with Demand

Wouldn't it be great to know exactly what kind of excessive inventory is out there and also be able to access that information in a matter of minutes, if not seconds? Excess inventory, whether you have it and are trying to unload it, or you're on the other end of the spectrum and have constrained-parts issues and you need someone else's excess inventory—and in a hurry—has been difficult to unload in any efficient and cost-effective manner.

The semiconductor and electronics industries are the main focus of having excess inventory or in search of it. And when these two things occur, companies can no longer fall back on the traditional channels of distribution: franchise distributors or the product is manufactured directly. They either own the inventory, and that's the way the manufacturer looks at it, or in the case of franchise distribution, is not really an open market for what is the excesses or for that matter, addressing on very short notice, constrained parts.

Chief financial officers (CFO) are particularly concerned with excess inventory, either trying to identify it or unload it. Once the surplus inventory is known, there is still the difficulty of finding someone to sell it to. The CFO can certainly turn to the marketplace of brokers, distributors, and manufacturers, but the marketplace is not automated and it can be difficult, not to mention time consuming, to find the exact company to purchase your excess inventory. The CFO is then left with writing down that entire excess inventory. There are plenty of examples of this occurring, the most notable, is Cisco System's, [www.ciscosystems.com](http://www.ciscosystems.com), San Jose, Calif., inventory excess write-down of \$2.2 billion in April of 2001.

On the other end of the spectrum is the problem Apple Computer Inc., [www.apple.com](http://www.apple.com), Cupertino, Calif., ran into when it couldn't keep up the demand for its popular iPods this past Christmas. A shortage of electronic components is believed to have contributed to the problem.

A new solution to address excess inventory hit the streets this month called RainMaker 1000 from New Momentum, [www.newmo.com](http://www.newmo.com), San Clemente, Calif. The company already has a product called MarketMaker 1000 that is geared toward independent distributors/brokers who have traditionally provided services to original-equipment manufacturers (OEMs) and electronic manufacturing services (EMS) companies.

But the RainMaker 1000 is for OEMs and EMS companies who deal with electronic components and commodities, which now completes the circle of automatically marrying

those businesses with excess inventory and those with constrained parts issues.

Stuart Clifton, chairman and CEO, gives this explanation: "From a distributor's side there are two kinds—a constrained parts scenario and the standard product master that their customer is working with. And a lot of times the customer will say to the broker, 'We buy through a franchise distribution network but if indeed there's opportunities to buy at a much better market price, we'd like to know about it'.

"One of the things that the distributor system does is it takes literally a million entries on something like Broker Forum in all different forms of email types and the like, and it breaks all that information down, finds out what's really out there in the way of supply, and what's being looked for, what's on the demand side. And it brings that information in and marries it against the parts master that is unique to the client that the distributor has, and it can intelligently then tell them where there is an opportunity to buy at a lower price, which most of them are interested in doing in many, many industries. The broker plays a very important role in that. But parceling through five million entries and consolidating six to 10 different sources, Broker Forum being the biggest of all of these electronic bulletin boards, and consolidating it down to one master file that we then present to the distributor on a unique basis, based upon his client's usage. And we also then marry that up against any demands that are suddenly coming into the market for that broker.

"Now he's got an electronic intelligence system that lets him sift through millions of pieces of data. Once the excess inventory is identified on the manufacturer's side—and we're helping him do that through some parameters that we are looking at over and above what they are looking at on their ERP system—we're making suggestions to them. Once they create an excess inventory list that's electronically posted to their broker record, it goes in as a requirement as an excess inventory availability, no names or anything else associated with it, and it is married up against everyone else in the market place that's looking for that information.