

THE PATH TO COST REDUCTION

Intel decided to try what was considered an unlikely supply chain strategy for the semiconductor industry: a true make-to-order scenario. The company began with a pilot operation using a manufacturer in Malaysia. Through a process of iteration, they gradually sought out and eliminated supply chain inefficiencies to incrementally reduce order cycle time. Further improvement initiatives included:

- Reduced the chip assembly test window from a five-day schedule, to a bi-weekly, 2-day-long process
- Introduced a formal S&OP planning process
- Moved to a vendor-managed inventory model wherever it was possible to do so

SUPPLY CHAIN COST MANAGEMENT RESULTS

Through its incremental approach to cycle time improvement, Intel eventually drove the order cycle time for the Atom chip down from nine weeks to just two. As a result, the company achieved a supply chain cost reduction of more than \$4 per unit for the \$20 Atom chip—a far more palatable rate than the original figure of \$5.50.