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Buyers take aim at costs

By James Carbone -- 3/15/2007

Purchasing involvement in design at Sun Microsystems is not new, but it has evolved over the years. Fifteen years ago, buyers involved in design would try to steer engineers toward standard parts and to suppliers that had already been qualified.

Since then, the role of purchasing in design has been enhanced. Sun's supply base development managers now set cost targets for new Sun products early in the design process and then review the design to make sure those cost targets are met. In addition, supplier managers make sure that Sun products contain the technologies that the industry is moving towards and that components based on older, soon-to-be-obsolete technologies don't get designed into new Sun systems.

"Our supply base development managers are really focused on strategic aspects, including design," says Kurt Doelling, vice president of supplier management for the Santa Clara, Calif.-based Sun. "They are actively engaged with the design organization for the selection of suppliers and components."

He says when a new product project is approved, the supply base development managers immediately start working with that product group to make sure the group follows the right technology roadmaps. For example, if the product is a server, memory is always a design issue. "We tend to design in very high-cost memory," says Doelling. "But that's not always the best solution. It depends on the product."

A high-end server requires a high-end memory solution such as a fully buffered dual in-line memory module (FB-DIMM). "However, if the product to be designed is a lower-end server, more standard type PC memory could be well utilized," says Doelling. Standard memory costs less and is widely available. The supply base development manager works with design to make sure the right memory solution is used for the correct product.

New contenders

The other concern with memory for the supplier development manager involved in design is to make sure up-and-coming future technology is considered for new Sun products.

"FB-DIMMs is the current industry solution for high-end servers and will be the right solution for products that we are releasing over the next year or two," says Doelling. "However, we think there is a better solution out there in the future and we don't want to lock ourselves in with FB-DIMMs beyond that time frame." Doelling says Sun is considering other possible memory technologies, but does not want to name the technologies for competitive reasons.

Another area of concern which supplier development managers address is power supplies. With Sun's Galaxy server line, a custom power supply was proposed, but Sun's supplier development manager suggested standard power supply for cost and availability reasons.

Sun's strategy is to use standard power supplies whenever possible. Doelling says if a supplier is building a million standard power supplies and Sun buys 100,000, Sun can double its demand and it would only be a 10% increase to the supplier. The supplier could easily support that increase.



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However, if the power supply is a custom part used only by Sun, doubling demand for the part would mean a 100% increase for the part and the supplier may not be able to support such a large volume, says Doelling.

Another role of the supplier development organization is to set cost targets for new designs and to review those designs if those targets are not met. That function is performed by the value engineering group which is part of the supplier base development organization.

Evolving engineering

The value engineering group has evolved in recent years. The group used to be focused on redesigning existing products to take cost out.

"Now they are focused on new products that haven't been released yet," says Doelling. "For instance, they may look at the initial design of a printed circuit board and figure out how to redesign it to take some layers out. They could suggest using different kinds of materials that will meet the requirements at a lower cost," he says.

The value engineering group sets cost targets for products. For instance, the cost target for a power supply might be measured by cents per watt. If a newly designed power supply does not meet the cost target, the value engineers work with designers to figure out what is driving the additional cost and how the cost can be designed out.

As the role of the value-engineering group has evolved to include new designs, the journey of purchasing



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selection of suppliers and components."

—Kurt Doelling, vice president of supplier management, Sun microsystems

in design continues to change. Recently the component engineering group at Sun, which used to report to central engineering, began reporting to supplier management.

"Component engineering does sourcing for all passive components on a printed circuit board," says Doelling. "Designers will come to them and say they need a resistor of a certain spec and they will source that and make sure it has all the quality reliability and performance characteristics."

He says by having component engineering part of supplier management, "there will be more sensitivity to up-front cost and we expect to generate more leverage with the supply base."

Key Ways Sun Buyers are Involved in Design:

- Set cost targets for new products and review designs to make sure targets are met.
- Suggest ways to take cost out of new designs.
- Use standard components rather than custom solutions to lower cost and guarantee supply.

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