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The SkyWire

News, Announcements and Educational Information for Skyworks Employees

Key Initiative Hat Trick:

Team Makes Shipping Changes to Satisfy Customers, Save Cash, and Simplify Process

What started as an effort to satisfy a customer yielded also a significant improvement in cash flow and a major simplification of a cumbersome shipping process. By eliminating a processing hub in Amsterdam, an inter-departmental team expedited delivery in Europe, improved cash flow by more than \$260,000 a year and saved several administrative steps.



It all started when Caroline (Tivey) Cox saw was an impediment to getting samples shipped to Ericsson in a timeframe the customer requested. Caroline, an inside sales representative based in Reading, U.K., approached Paul Therrien, who's based in Woburn. As a company controller responsible for the Sales Department, Paul manages the customer billing steps tied to shipping processes. These processes affect delivery time.

When it comes to on-time delivery, that's something that's near and dear to all our hearts," says Paul.

Paul began to question the shipping process for Europe -- it seemed unnecessarily complicated to him. Skyworks would ship product to Emery in Amsterdam and pay the European Union's value-added tax (VAT) on behalf of the customers. After the required paperwork was completed for this, Emery would ship the product to the customers.

It was taking several administrative steps and two or more days to turn around the shipments in Amsterdam. In addition, Skyworks was paying Emery about \$60,000 a year for its services and carrying nearly \$200,000 a year in VAT expenses on its books for periods of up to 90 days - until the customers reimbursements came in.

To find out why Skyworks was using the hub service and how it could be eliminated, Paul assembled a team made up of employees from Finance, Sales and Operations in widely dispersed locations including Southern California, Massachusetts, the United Kingdom and France (see sidebar). "Conference calls were a bit tricky because of the time zone differences," says Paul. "But once we looked at the situation critically, we started rockin' and rollin' to get it done."

The team learned that the use of the Amsterdam hub service had begun in the mid 1980s - in the days when Conexant was part of Rockwell International. At that time, these delivery arrangements allowed for tax advantages to soften the impact of existing trade barriers.

But those advantages were no longer needed and it took a team effort to recognize that, according to Paul.

"Everybody knew their vertical piece, but no one had looked at the process horizontally," he says.

Within three months, the team developed a new streamlined shipping process for Europe that discontinued the hub service. Now, customers in Europe receive shipments directly from Skyworks at least two days sooner. Skyworks avoids the hub service fees from Emery and the VAT payment burden. "Customers didn't mind paying the VAT up front because it means they get the products they need faster," says Paul.

The story doesn't end there, however.

While it was working out the transition away from the Amsterdam hub, the team members examined the international terms under which Skyworks was transporting shipments - DDU ("Delivery Duty Unpaid"). They found that using different terms (CIP -- "Carriage and Insurance Paid") would allow them to further reduce administrative steps for shipments to Europe and bill the customer a bit sooner for slightly faster revenue recognition. The team is now investigating whether it makes sense to use the CIP terms in other parts of the world.

"This entire effort has sort of created a path to simplicity," says Paul. "Just because a process was OK at one time doesn't mean it couldn't be improved. That's how we're looking at everything now."

Skyworks President and CEO Dave Aldrich commended the team at the Q4 All-Hands meeting. "This was a job well-done and out-of-the-box thinking at its finest," he stated. "It's also an example of the simplification that can help us to do our jobs better."

The Europe Shipping Simplification Team

Leader of Effort: Paul Therrien (Finance, Woburn, MA)

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