



# ESIS

## Success Story

### Lam Research Corporation

e-Procurement Project

Lam Research Corporation is a leading supplier of wafer fabrication equipment and services to the worldwide semiconductor industry. Company products include etch and chemical mechanical planarization (CMP) systems, which perform critical processes for manufacturing today's most advanced chips.

Recognizing the need to implement a new business model to better manage industry cycles, Lam was the first equipment supplier to establish an aggressive strategy to outsource non-core business activities.

*"Within three months of going live, over 90% of Lam's POs were flowing through ESIS. We reinvested 20% of our transactional materials effort into strategic supplier management, resulting in significant cost and quality improvements."*

- Ron Nussle

Managing Director of Supply Chain Management  
Lam Research Corporation

#### Value Proposition

- Provide Lam with an outsourced supply chain management solution for their direct materials trading partners.
- Provide a solution that would allow buyers to exchange procurement documents with suppliers and that would complement the company's portal, mylam.
- Lower costs and improve efficiencies in the purchasing department.
- Free Lam buyers from unnecessary administrative tasks so they could focus on strategic procurement activities which improve the company's competitive position.
- E-commerce enable all of Lam's direct suppliers regardless of their size or level of technical expertise.
- Leverage Lam's investment in their SAP system.

#### Lam E-Procurement Initiative

Prior to the ESIS implementation, Lam was handling procurement of their direct materials in a traditional way. This required many staff hours just for administrative duties such as printing out and mailing purchase orders.

Lam was committed to outsourcing its non-manufacturing functions in order to concentrate on its core business. They knew that controlling costs and improving efficiencies in purchasing was key.

In 2002, the company selected ESIS as its outsourced SCM partner for direct materials suppliers. ESIS brought over ten years of e-commerce experience to Lam, and nearly 50% of the company's trading partners were already members of the ESIS network of 17,000 suppliers. In addition, Ron Nussle, Lam's Managing Director of Materials and Supply Chain, had worked with ESIS in his previous position at Cessna Aircraft.

ESIS worked with Lam to create a transparent link from the company's SAP purchasing module to ESIS. Lam's business rules were built into the ESIS application, and IBM consultants handled the internal coding for the company. ESIS handled all supplier notification and setup; and within 90 days, Lam buyers and suppliers were exchanging documents electronically. ESIS also accommodated suppliers who requested that the data be sent to them via VAN in X12 format.

Today over 250 suppliers exchange documents with Lam through ESIS. ESIS handles all ongoing supplier support and document tracking. As Lam continues to add new suppliers, ESIS is able to set them up easily and quickly.

#### Challenges

- Cut or eliminate costs
- Replace manual processes with automatic systems
- E-commerce enable all suppliers
- Free up personnel for strategic procurement tasks
- Implement rapidly for quick ROI

#### Solutions

- Outsource SCM function including ongoing supplier support
- Implement ESIS' Harmony Order Management System
- Automate buyer/supplier communication
- Share planning schedules with suppliers
- Automate order status inquiries and advance ship notifications
- Automate setup of new suppliers

#### Benefits

- 20% reduction in purchase order processing time
- Fax, phone and paper orders eliminated
- All suppliers accommodated
- SAP system leveraged
- Buyer productivity increased
- Redundant data entry eliminated
- Purchasing personnel freed for strategic tasks