A plea from the trenches: Common sense in the supply chain

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I recently read a report that the Department of Defense received over 80,000 counterfeit components from a now-defunct Shenzhen-based broker named "Hong Dark Electronics." After reading this, I felt two things: amusement and terror. I felt amusement that the DoD has been authorizing purchases from a Shenzhen-based broker (and in turn receiving various types of counterfeit components) and terror for our brave soldiers here and abroad who rely on potentially compromised technology while trying to keep us safe. A lot has been said in the recent months about counterfeit components and ways to "combat" them. I don't think enough focus has been put on the people who are in the trenches every day, trying to secure orders and, at the same time, ensuring the quality of the purchased components. I have read a plethora of material regarding various types of testing and other measures to stop the flow of counterfeit components into the supply chain, but I believe common sense has taken a back seat on this topic. Sometimes, the best deal is the deal you do not do.

As a buyer for a top independent distributor, if I were to approach my sales manager with a quote to fill an order from a company by the likes of "Hong Dark Electronics" in Shenzhen, I would most likely be packing my bags or avoiding a backhand. If you have been buying components at all, whether it is at an OEM, CM, broker, or franchised distributor, you should know that buying parts from any Shenzhen-based company is comparable to buying a filet mignon out of the back of some guy's truck. Now, I can understand that, in this economy, companies are chomping at the bit to fulfill orders for their customers, but this should not come as a detriment to other companies and essentially the whole supply chain.

Many distributors do not perform the due diligence to fully qualify a new distributor; they will see a component they need, get a quote, pass it off, and hopefully fulfill the order. We cannot work backward like this; we need to be diligent and think about the consequences -- not only for us and our customer but to everyone who is fighting in the trenches every single day buying components. The most unreliable will always show the most desirable components, and this isn’t by chance; it’s because THEY know that, more than likely, they will sell it to someone who doesn’t

do their homework. Day in and day out, I will see a new company showing a component that is needed, and I see the same type of information:

ABCXYZ Electronics
Shenzhen, Guangdong, 518031, China
Opened: 2011
Inventory
0 – stock
212896 - Available
Photos unavailable / payment T/T in advance.

This should throw up several red flags. First off, the region, Shenzhen, is notorious for providing counterfeit and substandard products with little to no guarantee on form, fit, or function -- let alone any solid recourse on getting your money back. This leads me to my next point: Be very leery of sending money T/T (total terms) in advance. It seems elementary to not send money to an unknown vendor, but it happens more often than not in my industry. Photos not being provided is another red flag; if a vendor claims they have the parts and can ship immediately, there simply is no reason they cannot provide photos (besides the obvious answer that they don’t have quality components). The stock and availability discrepancies that some companies show are the smoking gun for me; if I see that a vendor has 0 stock and over 100,000 line items "available," it tips me off to the fact that this vendor probably does not have any solid connection to components and is most likely "fishing."

I do not intend to cast all independents in a bad light. A lot of independent distributors DO have quality components. They buy from franchised distributors, OEMs, and CMs that they have cultivated relationships with over the course of many years. If need be, they will go out, check trade references, follow up with those, request photos, and negotiate a payment term which benefits all parties involved. If the vendor does not meet the criteria, they do not purchase; as stated earlier, "sometimes the best deal is the deal you do not do." We must stop doing and start thinking: It is a detriment to the vendor, customer, end-user, and the whole supply chain when a large sum of counterfeit components enters the market. We must plug these leaks. Once you take a deep breath, take a step back, and apply basic common sense, it should be obvious what isn't a correct move. As competitive as a lot of independents, franchised distributors, authorized distributors, etc., may be, we must start using common sense to combat this pandemic.

A few months back, a Navy jet crashed [1] into a housing community in Virginia due to mechanical failure, and there were no definitive reports on exactly what went wrong. Luckily, no one was killed, but I believe these types of horrific situations can arise due to the exact problems I am describing. One may not think that "taking a shot" with a new distributor may be a big deal, and perhaps at times the components purchased come in, pass QC, and are shipped to your customer.

We cannot assume that just because components pass in-house inspections that they will be safely inspected at their end location -- or that the people are fully qualified and trained to give the OK for the components to be integrated into

whatever unit, product, or board that they're intended to be on. We cannot assume; we must be diligent, or I am afraid we may see more incidents like the one that happened in Virginia. I do not want to point the finger squarely at the DoD, but they should shoulder a lot of the responsibility for bringing in quality components -- especially ones that will be going into something as important as a jet.

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