

SOLUTION SNAPSHOT:

- Industry: Power semiconductor devices
- Challenge: Make customer transactions frictionless in an environment comprising a variety of B2B transaction interchange standards
- Solution: GXS Managed Services

BENEFITS:

- Reduce supply chain transaction costs
- Increase capacity to successfully address fluctuating transaction volumes
- Cost-effectively and quickly adopt new industry-standard technologies
- Increase the company's share of customers' purchases

ON Semiconductor

About ON Semiconductor

With its global logistics network and strong portfolio of power semiconductor devices, ON Semiconductor (Nasdaq: ONNN) is a preferred supplier of power solutions to engineers, purchasing professionals, distributors and contract manufacturers in the power supply, computer, consumer, portable/wireless, automotive and industrial markets. Boasting a global logistics network and a portfolio of more than 15,000 devices, the company's products help designers to efficiently manage and optimize the power required to drive and maintain their system designs. In 1999, ON Semiconductor was established and recapitalized as a spin-off of Motorola.

Headquartered in Phoenix, Arizona, ON Semiconductor's development and manufacturing centers span the globe and employ more than 11,000 people worldwide, approximately 1,800 of whom work in the U.S.

The Business Challenge

Regardless of the industry, the factors that determine which vendors are rewarded with customers' purchases are typically many and varied. In a competitive market, specifications, price and quality are obvious criteria, but the ease and total cost of doing business with a supplier may also be important.

Many customers think of power semiconductor devices as commodities. ON Semiconductor strongly disagrees with that view, but it is, nonetheless, frequently the perception that the company must operate under. Consequently, to win a larger share of the market while avoiding a pricing race to the bottom, the company must find other ways to differentiate itself. ON Semiconductor believes that it can achieve a competitive advantage by improving the ease, quality, speed and processing costs of the transactions—purchase orders, shipping notices, acknowledgements, invoices, etc.—that it exchanges with its customers. Enhanced electronic data interchange was an obvious path to achieving these objectives.

Most of ON Semiconductor's customers were already using electronic communications of some sort to interact with their suppliers, but the phrase "of some sort" encapsulates one of the challenges that the company faced. Different customers use different technologies and protocols including, among others, EDI, RosettaNet and application-to-application interfaces. In fact, the problem isn't only that different customers use different technologies. A survey that ON Semiconductor conducted in 2006 found that each customer employs an average of 2.9 different connectivity options.

The company's survey showed that EDI is the most used business-to-business connectivity standard today, with 73% of respondents employing it, but 13% plan to drop EDI in

the future. The use of RosettaNet, on the other hand, has been growing steadily, with 55% of respondents using it now and another 8% expecting to use it in the future.

While expanding everywhere, the use of RosettaNet is particularly strong in Europe. Consequently, ON Semiconductor's European salespeople believe that, in order to gain further market share on that continent, the company must support it.

More than adding support for just that one increasingly popular protocol, the company wanted to be able to offer customers a portfolio of electronic data interchange options that would support not only the technologies in use today, but also those that would come on stream in the future.

Developing RosettaNet capabilities in-house would have required a very large up-front investment in hardware, software and skills. The answer was to not develop those capabilities internally, but rather to use GXS Managed Services to get the job done.

A Complete Solution

GXS Managed Services combines an experienced team of specialists using best-in-class methodologies with GXS's state-of-the-art network and hosting infrastructure. The result is seamless data exchange and transformation between business partners of all sizes and technological sophistication.

GXS acts as the intermediary between ON Semiconductor and its trading partners in both EDI and RosettaNet environments running over a variety of communications infrastructures. This includes transmitting data over Inovisworks™, the company's VAN. In addition, the platform automatically matches related transactions and monitors transaction traffic, automatically alerting ON Semiconductor in the event of any errors or exception conditions and helping customers to join the trading network.

In addition to owning, managing and maintaining all of the hardware and software necessary to run the VAN, GXS also monitors the infrastructure and protects it with a comprehensive high availability solution to provide near 100% uptime.

Once ON Semiconductor and one of its customers come to an agreement on what data they are going to exchange and how they are going to exchange it, the company uses Inovisworks to ensure that the protocols and the standards that are set up in the EDI or RosettaNet environments are harmonious, allowing the companies to successfully interact.

After the setup is complete, the parties on both sides of the supply chain—ON Semiconductor and its customers—interact through a single hub, Inovisworks. Each company can use a protocol and communication technology of their choosing as the VAN takes care of all of the transmission and translation necessary to exchange data and transactions between the parties. Consequently, ON Semiconductor manages only one interface to the Inovisworks, rather than having to connect individually to 500 different customers.

Because GXS maintains sufficient excess capacity to serve its large customer base, ON Semiconductor can immediately scale up or down its traffic through the VAN as required. Furthermore, the company pays for usage rather than incurring a large up-front cost and

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— DAVID WAGNER CIO,
ON SEMICONDUCTOR

ongoing fixed expenses to build and maintain the infrastructure and staff that would be required to facilitate peak transaction flows across a growing customer base.

GXS provides around-the-clock monitoring and service for the VAN, ensuring that ON Semiconductor and its customers can get support whenever they need it. This support capability would have been costly to maintain in-house as ON Semiconductor's diverse customers operate in time zones spanning the globe and some of them run 24/7 operations.

The Results and Benefits

"Customers are our current area of focus," explained David Wagner, CIO at ON Semiconductor. "Many customers are looking to take out complexity, take out cost and speed up their supply chain. [GXS] helps us to be responsive to their desires and requirements to increase the amount of electronic data interchange, thus enabling frictionless business transactions. That's a big part of our plan to earn a greater share of our customers' semiconductor wallet."

"What we're getting as a result of our relationship with [GXS] is the ability to scale our costs more appropriately as we go rather than having to make a large investment to build our own infrastructure to handle the new standards," said Wagner. "What we've been able to do with [GXS] is come up with a plan that allows us to look at RosettaNet and address these costs in a much more incremental and palatable way."

Ready-made, on-demand expertise is another major benefit that ON Semiconductor receives from the GXS solution.

"[GXS] helps us stay current with our trading partner's technologies," said Todd Johnson, IT applications director at ON Semiconductor. "That's important to us. [GXS] helps us migrate quickly into the leading edge technologies such as RosettaNet. Having [GXS] as a managed services partner makes it very easy to deal with those scenarios."

Summing up, Wagner commented, "The team from [GXS] has worked with us in a creative and solution-oriented fashion to help us deliver better solutions to our key customers. This allows us to differentiate ourselves from our competitors and position ourselves to earn a bigger component of our customers' semiconductor business. We look forward to continuing to drive this capability. The thing that is very positive for us is that we are working with a partner who is helping us to meet our goals, while allowing us to scale our costs appropriately."



About GXS

GXS is a leading provider of B2B e-commerce solutions and operates the world's largest and most expansive network of integrated business communities. The company's software and services simplify and enhance businesses process integration and collaboration among networks of trading partners. Organizations worldwide, including more than 75 percent of the Fortune 500, use GXS solutions to extend their supply chain networks, optimize product launches, automate warehouse receiving, manage electronic payments and gain supply chain visibility. Based in Gaithersburg, Maryland, GXS has operations and offices around the world. For more information, see <http://www.gxs.com>, <http://blogs.gxs.com> and <http://twitter.com/gxs>.

GXS Managed Services and the advanced, high-capacity Inovisworks allowed ON Semiconductor to eliminate the large up-front expenses that were barriers to entry into RosettaNet, while gaining the flexibility to scale down or up costs to match demand and revenue flows.

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