



Market Liquidity in the CPU Market: Horizon Technology Bypasses Barriers to Entry and Fully Supports CPU Sourcing

After more than ten years of industry leadership in the LCD panel and hard disk drive trading space, Horizon Technology added central processing units (CPU) to its line up of core competencies.

The decision to add the commodity was based on established customers expressing interest in being able to rely on Horizon's value add and customer-centric approach on more product lines and the immediate availability of a seasoned CPU specialist to manage the new vertical. By hiring a commodity manager with over twelve years experience in trading only CPUs, we were able to eliminate the learning curve and most of the ramp-up time.

Answering the Demand for CPUs

In early May, we began identifying customer CPU needs and where we could compete effectively while providing the same unprecedented market liquidity and responsiveness for which we are known. We found the demand to be predominantly in the service and repair arena rather than production.

Buyers for OEM and aftermarket service providers found themselves spending a great deal of time pricing out their lists of processors required for repair forecasts and craved fixed pricing that would remain valid for at least a quarter. Buyers have since realized that their weekly requirements activated stagnant markets on many trailing-edge and obsolete processors. This is a common market reaction when various resellers on their AVLs suddenly begin sourcing the same parts; artificial demand drives artificial price increases. By partnering with Horizon in a long-term fixed pricing program, purchaser's time could be spent more productively and the average cost of each unit would be reduced.

Some clients require the coupling of the extended fixed pricing with a solution that reduces their inventory liability for repair needs. In these cases, processors are stored either in a Horizon distribution center or a third-party logistic provider to be drawn from at a moment's notice and shipped within hours.

Reliability on the Open Market

CPU test beds were built in our Lake Forest, California headquarters and personnel was trained to properly inspect and test processors as most customers demanded that product be tested prior to shipment. Customers have provided BOMs for their single-packed field replacement units used by service technicians and asked that we quote the kitting process and delivery. In these cases, we have included various combinations of regulators, thermal solutions, heatsinks, and raw processors into individual cartons and labeled each with appropriate customer part numbers to sell competitively without altering our standard profit margins.

Market Intelligence Leads to Targeted Cost Savings

While we knew the days of supplying box builders with a steady supply of mainstream CPUs at a cost savings had come and gone, we found that many of our LCD partners buying panels for rugged applications, single-board computers, POS systems, and general industrial use also incorporated CPUs within their builds. Most of these processors are considered to be obsolete within the PC community but continue to be distributed to this embedded group through standard distribution channels. Many of these mostly single-core CPUs have sustained last-time-direct pricing from the chipmakers or franchise distributors while available excess at PC manufactures can be purchased at a substantial discount. Horizon account managers have been able to offer and deliver this product at as much of a discount of 20% to open the door of new relationships within the purchasing departments of their existing customer bases.

Take advantage of our flexibility and commitment to support customer CPU needs and engage with your account manager to establish how Horizon might fit into or improve your current program.