

Title: Non-Cancelable – Non-Returnable (NCNR) Product (an industry guideline)

Introduction: The ECIA Councils assigned the GIPC (Global Industry Practices Committee) to review and update the NEDA NCNR document published in 2002. This work group is comprised of distributors, manufacturers, and manufacturers' representatives.

The electronic components authorized channel partners have been dealing with the current and expanding challenges across regions and around the world. This group of experts will work to influence the awareness and availability of information to both ECIA member and non-member companies. It is our intent to help clarify the use of the NCNR process in the electronic component authorized channel.

Design: The focus of this SME (Subject Matter Expert) group is to collaborate, research and provide best practices, guidance, and information regarding Non-Cancelable, Non-Returnable (NCNR) product as stated in the above introduction.

Terms of Use: This document represents what the work group considers to be relevant information and best practices for managing Non-Cancelable, Non-Returnable (NCNR) product. Each company may determine what information and practices best fits its own unique needs. This document does not represent a collective effort to require companies to adopt or use a specific best practice.

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Defining NCNR

- Non-cancelable, non-returnable (NCNR) product refers to a product purchased under a written contract that specifies once the order is placed, the purchaser is not allowed to make any cancellations or reductions to the order, nor are they allowed to return product (except for warranty resulting from product defects). This product classification is passed along through the supply chain.
- NCNR is used to manage production starts, improve the utilization of manufacturing and test facilities, manage inventory, and restrict the return of non-standard product that may be unique to the customer.
- NCNR status is determined by the manufacturer and is typically applied but not limited to:
 - o Custom product designed specifically for one customer
 - o Not Recommended for New Design "NRND" products
 - o EOL product

Why is it important to evaluate the use of NCNR practices in our industry?

Manufactures classify their product portfolio by:

- Cancellation window typically 30, 60, 90 days or NCNR
- Communicated to distributor partners via price book
- Each part is indicated with the cancellation window (price book, manufacturer system)
- Distributor/Manufactures contractually agree to cancellation window
 - o End customers are notified of classification during quote or order acknowledgment
- End customer notified of cancellation window when purchasing via distribution
- This product classification is passed along through the supply chain.

Best Practice Process:

- NCNR classification is at the discretion of the manufacturer
- Manufacturers should have a process to identify and notify their authorized distributors of NCNR product at the time of quote, with the process applied consistently across all a manufacturer's product/marketing departments and authorized distributors.
- This process should include those products that change classification over their lifetime.
- In return, distributors should have a method of recognizing manufacturer NCNR product and notifying their customers, at the time of quote, of the cancellation and return guidelines involved with NCNR products and obtaining a signed NCNR agreement on receipt of purchase order.

Manufacturer Recommended Guidelines to Distributor partners for NCNR Products

Who	Category	Guideline
Manufacturer	Cancellation & Reschedule Code	• Utilize NCNR (non-cancellable, non-returnable) identifier for products manufacturer will not allow cancellations or returns. • Utilize NR (non-returnable) identifier for products that can be cancelled but not returned. Support standardization and industry wide acceptance codes.
Manufacturer	Communication & Transmission	• Provide product cancellation/reschedule codes for all products via EDI/Rosetta Net, price file or email. • Establish a change notification system for activity code changes or products moving to an NCNR status.

Recommended Distributor Guidelines for NCNR Products

Who	Category	Guideline
Distributor	Activity Codes	• Apply distributor calculated activity codes to manufacturer designated NCNR product
Distributor	Status Indicators Communication	• Display manufacturer generated NCNR status indicators for Sales, Product Marketing and Asset Management
Distributor	Quoting & Order entry	• Implement a company policy on quoting and processing orders for NCNR product • Train appropriate personnel on NCNR P&P • Provide system generated script of policy for NCNR product for sales team • Provide system generated, electronically transmitted NCNR form for customer signature • Print NCNR policy on all P.O. confirmations, invoices, and contracts
Distributor	Cancellations & Reschedules	• Product is not eligible for cancellation, reschedule, return or reduction without prior authorization
Distributor	Inventory Returns	• Issue returns for warranty and quality issues • Apply scrap allowance to NCNR product when allowed by supplier

NCNR Form Example:

Customer: _____

From: _____

Attn: _____

Date: _____

P.O. Number: _____

Non-Cancelable / Non-Returnable Product Agreement

We have received and thank you for your recent purchase order and ask that you agree to our policy regarding non-cancelable / non-returnable (NCNR) products to avoid misunderstandings. The below listed parts shall be considered as non-cancelable, non-returnable, and non-reschedulable. You assume full liability for any product that:

- a. Has been shipped to you
- b. Is being held in inventory for you
- c. Has been ordered from and manufactured by our supplier
- d. Is work-in-process or pre-built by our supplier
- e. Parts that, in conjunction with the manufacturer, can't be moved out to a newly requested date
- f. Supplier price changes may occur at any time and will be passed through to you

Product may be returned in accordance with any applicable warranty. Any warranty that would ordinarily apply will not be affected by this agreement.

We will make every effort to accommodate changes in your delivery requirements. If changes can be made, you are responsible for any charges passed along from our supplier or incurred by the distributor.

Manufacturer	Manufacturer Part No.	Customer Part No.	Quantity	Unit Price	Schedule

Distributor Representative_____
Customer Representative_____
Date_____
Date