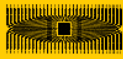


NEWSLETTER

INTERNATIONAL DISTRIBUTION OF ELECTRONICS ASSOCIATION

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May, the month of distribution

The Idea meeting in Vicenza, the Europartners forum in Paris, the EDS in Las Vegas: these are the appointments for the protagonists of international electronic distribution.

This is a time characterised by profound and continuous changes, where consolidation, globalisation and e-commerce have become key factors. This is why it is crucial that those who work in electronic components distribution, which is rapidly developing, relate themselves to all the other protagonists in the sector: suppliers, distributors and agents. These are three major appointments for operators this year and they are all held in May. The first is the 9th International Distribution Meeting, organised by Idea and held on Saturday the 13th during Microelettronica, Vicenza. Next is the Distribution Forum 2000 by Europartners, held in Paris between the 17th and 18th of May. The third one is the Electronic Distribution Show and Conference held in Las Vegas from the 16th for a week.

9th International Electronic Distribution Meeting

The Idea Meeting, organised by Assodel within Microelettronica's events, aims to picture the real trends of distribution. This year it will focus on a few issues of the utmost importance such as

training and membership matters. This year, besides the members of Idea, representatives from **Jepia** (Japan) and **Teema** (Taiwan) will attend the meeting. They will draw a picture of the Far Eastern electronic market and

electronic supply chain: manufacturers, distributors, contract manufacturers and logistics coordinators. They will alternate in describing the future of the sector and they will deal with a variety of issues.



Electronic Distribution Show and Conference

The overseas appointment is in Las Vegas at **EDS**. Decision makers of American manufacturing and distribution sectors will meet there to develop commercial

strategies, create new

Europartners Distribution Forum 2000

"The future of distribution" is the central issue of the 7th Forum organised by **Europartners**. It will host the most important players in the

partnerships and discuss how to do business in the global market. It also represents an opportunity for the European distribution to find new supplying sources and reach new market agreements.

THE DISTRIBUTION'S MEETINGS

9th International Electronic Distribution Meeting

Vicenza Exhibition Ground - Trissino Hall
May 13th, 2000 - ore 10:00

Europartners Distribution Forum 2000

Palais des Congres - Porte Maillot - Paris
May 17th & 18th, 2000

Electronic Distribution Show and Conference

Hilton Hotel Las Vegas - Nevada - USA
May 15-16-17-18, 2000

The United Kingdom electronics market

It is a long while since we have been able to look forward to the coming year with such confidence. The major markets across the world that consume electronic components have all "come good" at around the same time creating a huge demand, particularly for Semiconductors and Passive components. The UK market, whose growth has lagged behind that of Central Europe over the last couple of years is now strong. The 4th Quarter of 1999 saw UK industrial distributors sales achieve a growth of 15.8% over the

still very substantial inventory within UK distribution, in fact some may say "too much", but it will be the critical items that cause the problems. We all cannot fail to have noticed that over the last year there has been much hype concerning the Internet and its impact on Industry. However, I suspect that in the coming year it will be the close working relationships I mentioned above which will have the greatest impact on whether suppliers are able to fulfil their customers needs. This continued confidence has led to Afdec increasing its

UK - 1999 Components Billing
(in million sterling)

	1998	1999	% Growth
S/C Ind Mkt	534	535	0.2
Passives	142	139	(2.2)
Electromech.	198	220	11.2
Component Assemb.	67	68	2.0
Other	107	128	20.4
Industrial Mkt Totals	1047	1090	4.1
S/C Pc Mkt	205	171	(16.7)
Grand Totals	1252	1261	0.7

corresponding quarter in '98. And that was without much strengthening of prices. In fact, the latter part of '99 was the first time that prices have stabilised, let alone strengthened! History of this cyclical market of ours tells us that the next few months will bring a time of appreciating prices and allocation. This will mean that relationships developed between supplier and customer will have to work even better if shortages, potentially leading to production stoppages, are to be avoided. There is certainly

forecast of growth for the UK 2000 Industrial distribution market from 7.6% to 12.8%. The only "blight" for the UK is the strength of sterling over the Euro... but we can't have everything can we!?

Prospects for the Component Market

The industry's last quarter has been one of considerable growth; '99 up to the last quarter had been fairly disappointing. The economic conditions has been very supportive and just as we entered the forecasting period

last year there were reports of shortages and allocation which have materialised in practice. While we expected prices to firm, we have been caught out by the extent to which they have risen. Memory and tantalum capacitors has led the way in price rises, both factors were foreseen during the forecasts but their extent was not. Total members' billings for '99 were £1261m which compares with

£1251m in '98, a growth of 0.7%. This growth compares with the figure for the total distribution market projected in the forecasts of (3.8%) i.e. a contraction of 3.8%. Semiconductors to the Industrial market grew by 0.2% compared with a forecast figure of (3.0%), a contraction of 3.0%.



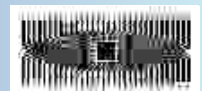
A bright future for South Africa

The past year has certainly been an eventful one for Adec and the South African electronics industry as a whole.

South Africa's sixth **Adec 2001 Electronic Component Exhibition** is due to be held from 24th - 30th March 2001 at Gallagher Estates in Midrand, Johannesburg and preparations are in an advanced stage. This show will be of great importance to the local electronics industry and Adec is sure that they will once again attract a record number of quality visitors.

Adec has started to collate, through an independent auditing firm, Industry Statistics amongst its member companies. Adec member companies represent 96% of the total electronics industry in South Africa and therefore these statistics will provide the electronics industry as a whole with a vital and meaningful overview. Adec has now established a Web Site for all its members and can be viewed under www.adec.co.za. The year 2000 compliance appeared to go off smoothly with no apparent dilemmas to any of

our members. Adec has also been working closely with its member companies to improve electronics training for its staff members. Adec has made training packages available to its member companies to further improve the level of skill amongst the South African electronics industry. Adec has run successful business related seminars in the past year and endeavours to hold more seminars and training workshops in the year ahead. The future look reasonably bright in RSA with the local economy showing all the positive signs of lower year on year inflation, decreasing interest rates etc, but we have not yet experienced the dramatic growths being reported in Europe and the Americas and the market is still somewhat flat but some very positive signals that an upturn is imminent. Unfortunately the woes of our northerly neighbour Zimbabwe do not help our own local market and unless this problem is resolved swiftly could well have a negative impact on RSA and the electronics arena.



The distribution scenario in France

With the purchase of Marshall, Avnet has also acquired Sonépar Electronique. Arrow has purchased Tekelec Europe. This new structure of French distribution will concentrate the market a little more. Thus, the top two groups formed will represent: 50 % of the Dtam
 Top 2 = 50 %
 Top 5 = 75 %

products were available, customers were still haggling to bring prices down and were not taking on any medium or long-term commitments. An uneventful first quarter. The second quarter showed slight signs of the possibility of a reversal of the trend. Some shortages. Third quarter: the market became restless. Bookings grew rapidly but

France - 1999 Component Market (percentage)				
Year to date	Q1	Q2	Q3	Q4
Booking	-3	2	7	17
Billing	-2	0	4	9

A few comments on the French distribution market

- Concentrated mainly on the industrial market
- Not much of a possibility of evolving on the Telecom, It and Automotive markets, which provide the main thrust for strong growth rates. This is the reason for the relative shrinkage of the share of distribution in respect of the overall market.
- Very strong progress of the Tam to Dtam markets.
- Sub-contracting accounts for almost 35 % of the Dtam.
- Payment terms which have increased to about 90 days.

Summary of the French market in 1999

The growth of the French market took place starting from the 3rd quarter. While the French market did achieve a growth rate of 9 % in re-sale billings and of 17 % in bookings, this occurred mainly in the 4th quarter. Indeed, the year started with only a small backlog. The

shortages could already be felt. Book/bill = 1.05 in spite of good invoicing. Fourth quarter: the phenomenon grew stronger, 17% for overall bookings as compared with 1998. The shortage became even greater. Invoicing did not follow the +9% rise in billings (they were only up by 2% for passive components, heavily influenced by the telecom market. Particularly so for capacitors). For the first time in four years the growth rate for connectors was far lower than for components as a whole. Less Oem transfers to distribution, price cuts. Active components are still sensitive products in periods of shortage, and reported a growth rate higher than the average for components as a whole: + 22% for bookings, 12% for billings (excluding Cpu's/Dram's).

2000: a crazy first quarter

While bookings show a disproportionate growth, as in

any period of allocation, the billings, which provide a picture closer to reality, indicate a growth of over 40 % at the end of March. An equivalent growth rate has not been seen on the Pc (Cpu/Dram) market. The evolution of stocks is very slow, which tends to prove that products with a high rotation rate do not have a heavy impact on the value of stocks, and that safety, dedicated or consignment stocks remain steady regardless of the state of the market. It will also be noted that while bookings are soaring for almost all distributors, billings, on the other hand, are evolving more favourably among the groups. Payment terms are showing a tendency to become longer, which is undoubtedly connected with the need for additional funding due to the increase in prices and in the quantities of products to be bought.



The 1999 Spdei Trophy

For the fourth year running the Spdei has organised the "Distribution Trophies" for rewarding the manufacturers whose performances are judged most satisfactory by distributors on the basis of 16 criteria. The prizes are split up into four categories:

- semiconductors
- passive components
- wire and cable connectors
- electromechanics and energy

Winners of the 1999 Spdei trophy are (in order of prize):

- Philips, Analog Device and Xilinx for semiconductors;
- Epcos, Bc Components and Kemet for passives;
- Molex, Raychem and Harting for wire and cable connectors;
- CP Clare, Apem and Fujitsu Takamisawa for electromechanics and energy.

The Swedish market

The situation on the Swedish market is that it has been a good past year.

- For example has the component suppliers experienced a growing market 1999, much reflecting the success of Ericsson who dominates the electronic industry in Sweden.

- We can also note that contract manufacturing is taking a bigger role on the Swedish market, with companies such as Flextronics

as notable actors.

- Last year the distribution market did grow 10-12%. For year 2000 we expect an ever higher growth in the market.

- We can also note that companies have made changes internally within their organisations, but to a high extent also externally by merges with other companies.

- For the moment the shortage in the business lay in the lack of manufacturing capacity, with



Assodel project and initiatives

The Assodel general meeting which will take place during Microelettronica offers the opportunity to assess the activities promoted by the Association in the past and its projects for the future. Assodel's initiatives have been and will be developing on various fronts.

Internationalisation

Our general intent is to expand our activities to a more international scenario. We have invited representatives from **Teema** (*Taiwan Electrical and Electronic Manufacturers' Association*) and **Jepia** (*Japan Electronic Products Importers Association*) to attend the 17th Microelettronica as part of the Trading Post project. This project also entertains exhibitors from other countries such as Usa and Tunisia and will be, we believe, a unique opportunity for supply and demand to meet and implement new forms of cooperation. In addition, we are

planning to officially attend EDS (Electronics Distribution Show - Las Vegas) and Electronica (Munich).

Market

A major project was followed through last year. The Idea Meeting held during Microelettronica showed itself to be a fruitful opportunity to compare our market trends with those of the Mediterranean countries and to identify possible new channels for the distribution industry. As a result, we are now planning to organise a second meeting with representatives of the Southern Europe distribution market, in Rome in 2001. This year, Assodel is supporting the first I.P. (*Intellectual Propriety*) project in Italy, launched in cooperation with a group of Universities and Research Centres from the "North Eastern Ring", and is organising their activities in a data bank. During Microelettronica these institutions and boards will present their innovative projects.

Training

In 1999 the Association's training activity added up to over 7000 hours covering numerous projects and involving both government institutions and professionals from member companies. This year, the association is focusing on the "Education & Training Foundation" project which will be designed by manufacturers and distributors

with the support of state institutions and in partnership with analogous initiatives in other countries.

Communication

Assodel's communication services are developing in a dynamic way. Our magazine, **A&V Electronica**, has increased to the size of 136 pages; the latest issue of the Directory includes data of foreign distribution companies belonging to Idea; the new Directory "Who does what", which reports on the small and medium enterprises dealing with designing, will be

presented next November in Milan during the Bias Exhibition. It will reach foreign markets through the offices of the Italian Institute for Foreign Trade. Also, we are present at various exhibitions both as organiser (Microelettronica) and participant with a group of member companies (Bias). Assodel has just moved to its new premises and we hope this will give the Association a higher profile and greater opportunities to develop



The wave of orders at distribution level was accompanied by obvious expressions of exultation for the end of the years of the "lean cows" and the question as to how long the "fat" ones will last. The Assodel meeting drew attention to this assumption in the opinions voiced by the people attending on the current situation of the market and on the persistence of a certain attitude on the part of Italian customers who are confirming their inability or "lack of will" to plan while waiting for the

best time to place their orders. When will the shortage end? While on the subject, opinions differ between those who feel that the situation will have normalised by the end of the year - due to the fact that the production capacities of the manufacturers can easily be started up again - and those who feel that the thrust of mobiles, set boxes and the Internet is so unstoppable that it is already conditioning the whole of 2001 as far as concerns allocations. So while it is possible to forecast investments and the doubling of production lines in the short term, the data supplied by some of the manufacturers indicate that 70% of the available capacity for the year in course has already been allocated and that various schedules have already been launched for the first quarter of 2001. The data and the increases reported in the tables stress the exceptional nature of this moment and a very lively year's end that brings 1999 as a whole to a +10% as compared with 1998 in terms of billings (active components).

Italy - 1999 Active Market (billion of lira)

	1998	1999
Assodel Mkt Group	1.060	1.160
Others	65	65
Total Assodel	1.125	1.225
Other distributors	50	25
Total distribution	1.175	1.250
Brokers	70	100
Grey Market	250	200
Foreign purchase	175	200
Ecommerce	5	25
Grand Totals	1.675	1.775

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