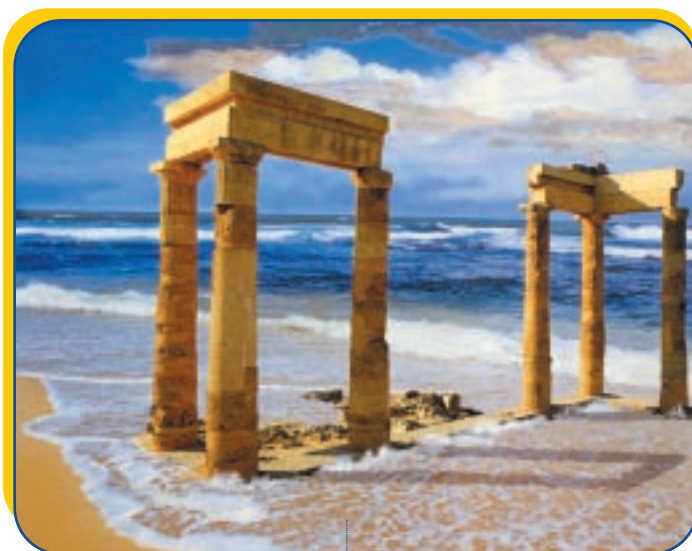


# I.P. NEWSLETTER

INTERNATIONAL DISTRIBUTION OF ELECTRONICS ASSOCIATION

## The international Idea meeting on distribution in Southern Europe

The 2nd Southern Europe distribution meeting was held in Rome from 5 to 7 April during Fortronic (Electronics Forum).



The objectives of the meeting were to identify the current reality and the trends in the **Southern European market**; the possibilities of collaboration with and development of local commercial networks; the type of technical support and communication required by industries in the various countries. And, above all, to define which countries have to be identified as part of Southern Europe.

Indeed, in the semiconductor world especially almost all manufacturers identify Southern Europe in a different way because they refer to their own sales figures for various countries which are normally defined as "others", which consequently makes the market consolidates

impossible to compare. From the research carried out amongst the associates, the broadest opinion identifies those countries which form part of the **Mediterranean basin** as Southern Europe. For this reason the 2nd International Meeting on Distribution has decided to define three bands of countries (each of which is to be analysed separately) as making up what has to be considered the Southern European market.

**1st level**  
*France, Italy, Spain, Portugal, Greece, Turkey, Israel* (whose individual data for each country are to be gathered)

**2nd level**  
*Eastern European countries on the Mediterranean* (in particular some of those from former Yugoslavia and Romania)

**3rd level**  
*Arabic countries* (starting with evaluating Tunisia and Egypt) For the future Assodel (Italy) and **Spdei** (France) have agreed to hold alternately an annual meeting on Southern European distribution by inviting distributors from *Spain, Greece, Turkey and Israel.*

**Assodel** in particular has set up a Southern Europe work group open to managers in components firms with responsibility in the area. Scheduled for 2002 is a market research inquiry and a *workshop* in Turkey.

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### Microelettronica 2002

18th Biennial Exhibition of Components and System Application

"the global meeting place for the electronic distribution community"

Italy- Vicenza May 9-11

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## United Kingdom

### It may not be as bad in the UK as people fear!

Firstly let's have a look at the facts.

1. UK distributors combined Jan/Feb billings this year was 22% higher than last year so what we have seen so far is a reduction of growth rather than a market decline.

2. UK distribution sales last year grew around 30% over the prior year compared with a USA DTAM growth of around 37% and France 40%. The higher they rise the harder they fall!

3. As an industry we appear to be influenced more by the last ten minutes business rather than looking coolly at the trends. OK we are seeing bookings and order book erosion but until we see some firm numbers across the UK distribution industry that indicate a market collapse, I for one will not be forecasting it!

At an **AFDEC** UK Industry Dinner held in January this year, Mike Short, Vice President - Industry Relations/Standards, BT Wireless, made the following comments: 'The mobile 'phone industry is in excellent shape, its future is probably brighter than most forecasters have foreseen, and the 3G products will dramatically influence the way users

perceive and use their 'phones. There are NO signs of any slowing down and it remains the fastest growing consumer business on the planet.'

Mr Short has been involved with the **mobile telephone industry** for many years and plays a major role within many of the Associations involved with the mobile 'phone industry. In the five months that have followed his talk, however, something seems to have gone radically wrong.



Those that listened to his presentation would have been struck by the conviction and honesty with which he spoke - and

there was no indication that he was trying to hype up an ailing industry sector. But five months is a very short period for an apparently booming business sector to slump into a state of seeming collapse with manufacturing plants being closed and many thousands of workers losing their jobs.

Certainly, such radical steps are normally the result of many months of careful planning and are typically based on the premise that a market has peaked and no longer has the potential for significant growth in the foreseeable future.

It has been said many times before that the mobile 'phone has been driven by the 'fashion' factor in that many users, particularly those in the younger age category, want their 'phone to display all the latest gimmicks and colours. But it is areas like text messaging that have really caught their imagination while an ability to access the web, for example, leaves most of them cold.

So far as the 'phone manufacturers are concerned, it would seem that their profitability, or lack of it, has been governed more by very high volume sales than the prices of the units themselves. But many of these sales are to users who change their 'phones every nine or twelve months to keep up with the trends and

their attitudes have quickly led to a need to restructure the telephone number system. Constant upgrading of units means a high drain on the available numbers.

The market, therefore, has become uncomfortably competitive and the need to stay among the leaders has led to enormous investments in design and technological innovation. Now, to launch the 3G products, incredible sums have been paid to governments to make the change possible.

*Is technology moving too fast for the manufacturers to make a return on their investments?*

And, with 3G on the horizon, could the users be thinking: 'My 'phone now does all I need of it. It is in my interest to now wait for the 3G products but, if they are too expensive, I will stick with what I have got.'

At a recent meeting in Rome I heard that a French mobile phone manufacturer has 5 million handsets unsold and "on the shelf". Although we are not forecasting a UK distribution market collapse we will for sure be looking closely at the monthly statistics as they arrive and I am sure that managers will be taking the cautious approach to expense levels "just in case".

## USA

### Current Business Conditions Above Average

Excellent According to **NEDA** Business Barometer Survey In its third year, **NEDA's** Business Barometer survey has been used to gauge distributor performance for the past year and current business conditions as well as confidence in company performance one year from now.

Current **business conditions** were described as above average or excellent for a combined 69.4% of respondents, which is up slightly from a combined 66.6% in 1999. Of those responding, 20.4% reported average current conditions, 8.16% below average, and 2.04% poor compared to 26.4%, 6.9%, and 0% respectively.

**Distributor** confidence in business conditions one year from now was mixed. Respondents estimating future conditions as average made up 29.79%, up from 19.5% last year. Of those responding, 51.1% estimated

above average, down from 64.6% in 1999, but those predicting excellent conditions were up nearly 2% to 13.83% this year. Only 4.3% and 1.06% estimated future conditions would be below average or poor. Both figures are up from 3.7% and 0% in 1999, respectively.

When asked if total sales had decreased within the last year, an overwhelming 87% of distributors reported no. This figure compares positively to 77.1% in 1999 and stronger still versus 1998, when 53.3% of participants reported no to a sales decrease within the last year.

**NEDA's** Business Barometer also compared current business activity in individual sectors to that of activity one year ago.

As semiconductors faced a slight decrease, computer products and systems, interconnect and other each reported a slight increase. While passive and electromechanical reported a large increase, MRO and T, M&C distributors estimated 2000 business activity to have stayed the same.



IDEA Meeting

The International  
Electronics  
Distribution Meeting



USA - Las Vegas  
May 15 Tuesday  
2.00 pm

## French

### Are we moving towards bipolarisation?

The successive acquisitions made by **Arrow** and **Avnet** (Sonepar Electronique, Tekelec, EBV) have altered the structure of the distribution market in depth.

The abandonment of franchises at the time of these groupings helps some companies to emerge. While large-scale distribution is directing its attention in particular towards these two distributors and a few important names, some good opportunities remain for niche markets and small and medium-sized orders.

Apart from the small distributors, who handle almost exclusively passive components, a third channel is also taking shape. This consists of the independent distributors who, without having access to the top manufacturing names, are interested in those whose commercial impact would not be significant for the largest distributors and who have no European let alone world-level structure.

What is the position of these distributors: in a turnover bracket ranging at the moment from 20 to 30 million Franc.

So this is also a reassuring situation for a certain segment of customers who are no longer able to address the two giants. It is clear that the groups not mentioned here, but who are well known, are continuing their progression, but without external growth, and this makes the difference.



#### THE SPDEI TROPHIES

For the fifth year running, on 30th November 2000 SPDEI organised the event at which the SPDEI TROPHIES were awarded to the prize-winners. 130 manufacturers were mentioned by the distributors in 250 entries.

The exceptional conditions of the market in 2000 induced us to raise the significance of two of the sixteen parameters of the performance questionnaire, that is to say:

- ▶ Compliance with the timing given by the manufacturer
- ▶ Quality of delivery (splitting of deliveries, conformity with the order, integrity of the product).

It was heartening to note the enthusiasm of the winners and the disappointment on the part of some manufacturers that they have not yet joined the "best".

Every year the number of manufacturers asking about their average rating received grows larger.

We hope that this event will contribute towards improving relations between manufacturers and distributors !

## Sweden

### The Swedish market is getting more concentrated

The situation in Sweden is that we see a still growing market. We also see a continuing concentration of the companies in the market. We have earlier this year seen **Avnet** buying Hatteland and just recently **Ericsson Microelectronics** was sold to Eurodis Electron PLC.



**Ericsson** is one of the most notable companies in the business and thereby the company naturally gets a lot of attention both in **Sweden** and internationally. Recently when they presented their latest economic report a lot of attention was paid to the red figures concerning their mobile phones.

It might be relevant to note that the phones only represent 20% of their business. The major part of Ericsson's business consists of the mobile systems and in that area Ericsson is going very well.

In times when business over the Internet is in focus, it might be of interest to mention the Swedish company **Elfa**. While the dotcom-companies are having difficulties, Elfa is an example of a traditional company being successful on the web.

They started to publish their product catalogue on the web in 1997. Their annual sales is SEK 600 million (USD 60 million) and they are now performing 20% of the sales via their website. The ambition is to reach 50% by the year 2004.

## Italy

### A strong industrial sector drives the Italian market up

Italian distribution closed 2000 with an excellent performance (+45% in billing) and is facing 2001 on a better trend than the European average.

The reason is tied up with the composition of the Italian market, which is particularly strong in the industrial sector and historically made up of a large number of Small and Medium Enterprises (there are 7000 ones; around 20,000 are listed by distributors and there are more than 100,000 clients via catalogue).

In perspective the Italian market will be able to very much feel the effects of the election outcome since the launch of many orders and a greater liberalisation in work practices

are tied to the victory of the Centre Right.

To gain a better understanding of the demand for components, Assodel is creating a working party with the **CEMs** in **Italy** which now represent around 30% of purchase. Contacts and the update courses on their needs continue also with the association of buyers.



In the international arena many head quarters of **Southern Europe distribution** are located in Italy and this represents a reason for particular interest in the various associates.

Assodel organized the "2nd meeting of Southern European distribution" in Rome and has already planned for the next **Microelettronica in May 2002** a large international meeting in Vicenza between all the international distribution associations.

### EDS 2002

#### The Electronic Distribution Show and Conference

"the global meeting place for the electronic distribution community"

USA - Las Vegas  
May 15-16-17

For information:  
eds@edsc.org

## AUSTRALIA & NEW ZEALAND

### Component companies form Association Down Under

The Electronic Components Association Australia and New Zealand (ECAANZ) has been formed and recently become a member of IDEA.

Generally Australians and New Zealanders are well known for their sporting achievements, e.g. winning of the Americas Cup, swimming and athletic stars. In addition there are many well-known musicians and singers, such as Kylie Minogue.

Over more recent years various actors have become well known such as Paul "Crocodile Dundee" Hogan, and the star of Gladiator, Russell Crowe. However, possibly not many people realize the sophistication and expertise of the electronics market down under.

With a total area greater than that of the USA or Europe it is surprising to many that the population of Australia is only 20 million and New Zealand 3 million. The GDP is US\$170B, GDP growth 4%, Inflation 2%, and unemployment is running at 7%. Exchange rate is A\$1.00 = US\$0.52 and has recently been as low as US\$0.47. Returning to the electronics market there is a great deal of both hardware and software development and ANZ has a leading edge in many technologies.



Keith J Anderson

Robert Bosch has invested in a silicon chip manufacturing plant producing 1/3 of the world's automotive diodes. In addition it is a "Global Center of Excellence" for keyless entry and security systems. Lucent, NEC and Nokia have 3G design centers and will shortly be joined by Motorola. In addition Australia is the Asian HQ for the manufacture of Nokia base stations.

Erg is the second largest company in the world for automatic ticketing machines and leaders in smart card technology. Cisco made a large investment acquiring Radiata during 2000 and manufacture wireless LAN chip sets. Fujitsu have a design center for WAN switches and routers.

Ericsson has the largest design center outside of Sweden while Alcatel is involved in fiber to home design. Cochlear is a world leader for the bionic ear and Resmed are leaders in the research and manufacture of sleep apnea and other medical products.

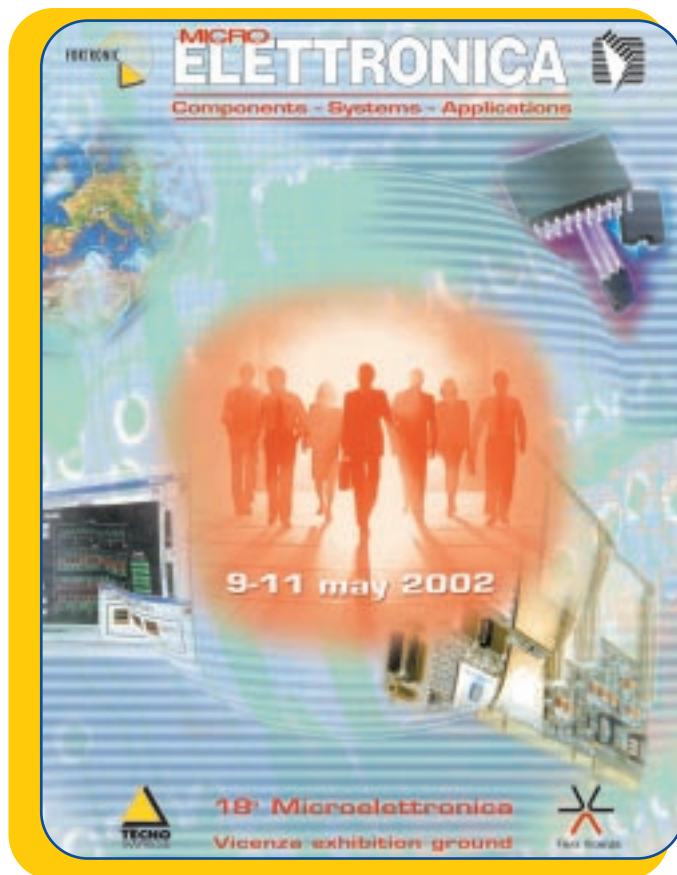
Aristocrat is exporting to USA and other countries their poker, (gambling), machines while NZ manufacturer Fisher and Paykel manufacture state of the art washing machines and dish washers. Electrolux recently acquired the Australian white goods manufacturer Simpson.

Manufacture of HF/VHF radio links, mobile radios, wheelchair controllers, and power supplies are other products manufactured by such companies as Codan, Tait and Dynamic Controls and Invensys respectively.

There are many overseas companies having assembly carried out in Australia including Nortel. There has been rapid growth of the contract manufacturing industry with international companies such as Solectron, SCI, and local assemblers such as AEMS, GPC, Hartec and ICM.



## 18th Microelettronica in Vicenza



During the past decade the large multinational component suppliers such as Arrow, Avnet, Future and more recently Hagemeyer have acquired local component distributors. In addition there are several ANZ owned companies that have been established for many years.

Due to the small size of the market compared to USA, Europe and Japan the selling prices for components are competitively priced as each distributor bids for the available business. While some component manufacturers, particularly semiconductor, have offices in Australia, in general distributors down under carry out the function of Agent, Representative and Distributor as one entity.

The formation of ECAANZ has been overdue for many years. We look forward to our affiliation with IDEA and in attending the conference in Las Vegas in May 2001

### IDEA NEWSLETTER

INTERNATIONAL DISTRIBUTION OF ELECTRONICS ASSOCIATION

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