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I.P. NEWSLETTER

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The recovery is still not here!

by Gary Kibblewhite, Chairman IDEA

Well the recovery still has not materialised. In the first quarter the European distribution market has stabilised at around the levels of Q4. In addition the US distribution market has only grown marginally. What this means is that the recovery is still not here. It means that we must all continue to concentrate on the things that we have been focussing on for the last 6 months:

- ▲ **Keeping expenses under control.** Companies that are unable to control their expenses are not well managed companies.
- ▲ **Aggressively developing new customers.** This is a constant necessity.
- ▲ **Focussing our businesses on Design Wins.** This is the surest way to met our suppliers expectations.
- ▲ **Getting new business** that expands the Distribution Total Available Market (Dtam). Our suppliers want this!
- ▲ **Serving our customers.** Some of the requests our customers make are below, how

many can you answer positively?
- Please do not keep changing my contact person.
- Give me responses to quotes on time
- Ship me product when I ask for it, not before and not after.

- Give me constant tech support for design in.
- When I ring you answer the phone quickly.
- Give me competitive prices. Honestly, can you answer positively to all of them? If you cannot then you are losing business unnecessarily!

www.ideaelectronics.com



Idea, the federation of distribution associations, is carrying out various initiatives on behalf of all its associated firms, and of these the creation of a new web site, shortly available on the Internet, is certainly worth a mention. Idea's web site, at

www.ideaelectronics.com, will contain a series of extremely useful services for all sector operators, as well as general information on what Idea is, on the associations involved and on how to become part of the federation.

In particular, all the most current information on **market trends** in every country will actually be made available through a password assigned to the associations; **distribution sales data**, which are consolidated on a quarterly basis by the federation, will also be available. **Idea's quarterly newsletters** will also be published, downloadable in pdf format, with information and data on activities and trends happening in distribution on an international level.

Among the other services which will be offered via the Internet, besides the constantly updated lists of the major **events** on a world level (including fairs, meetings, seminars etc.) there are: a series of **links** of interest to all operators, (to sector publications, category associations, all components suppliers, the biggest research and analysis companies); the **Trading Post** service, which will allow those offering and those looking for representation to be put in touch on an international level; an **e-learning** service which will make it possible to receive on request tailored training on specific themes on-line.

France: a still market waiting for changes

by Daniel Schneitter - SPDEI, France

If distribution was able to limit the effects of the crisis in 2001, it was thanks to an orders backlog, which it inherited at the end of 2000. Let us remember that the 2001 results were -40% in booking and -16% in billing. When a recession lasts for too long, we immediately look for the causes, and then for the guilty parties. The cause is relatively well known. It is the pendulum effect: when the pendulum is brought up very high on one side of its suspension point, and then let go of abruptly, it swings back very high on the other side, and then (gradually) becomes stable.

We are still feeling the effect of the year **2000**, in which there was too much buying, too much manufacturing, and too much stocking up. 2001 did not completely re-absorb the stocks of finished products, especially for the mobile telephone sector. We were saying that we were looking for the guilty parties, when we should instead speak of miscalculations. We often mention the relocation of

subcontracting to countries in which labour costs are much lower, but this does not have very much impact on the turnover of distribution, which achieves 10% of its Dtam there. Lastly, (there is) of course, the impact created by the conditions of the Usa market. However, entire sectors of industry continue to work well. In more pragmatic terms, the market finds some components that are available and some prices that are, on the whole, quite low. We take advantage of this very fact to lengthen the payment deadlines. Life is beautiful for buyers. So, we content ourselves with orders that come one at a time.

There is **no programming**, so there is no visibility for distributors and, consequently, for manufacturers. Then how do we explain to customers that plants have considerably slowed down the production of components, and that at the slightest reversal of this trend, there will be a shortage of certain components, the risk of prices rising and of distributors not having adequate stock on hand. We should surely have found the guilty party: **the distributor**.

We will return to a period which resembles the previous one, seeing that the components industry cannot get itself on the same wavelength with the demands of industry. This is that out of phase period which sometimes anticipates a change of phase in the opposite direction. It is a familiar phenomenon, which could lead to an initial solution: a medium-term forecast, at least, of customers. Does this same situation exist in all the countries of the EU?

Telecom is not all in Sweden

by Lena Norder - IM, Sweden



- ▲ Mobile Systems orders up 11% sequentially and Gsm market share increased
- ▲ Adjusted income before taxes of Sek -5.4 b.
- ▲ Sony Ericsson reaches break-even
- ▲ Proposed rights offering of about Sek 30 b. to strengthen financial and strategic position and flexibility

Some say: "When Ericsson sneezes, the market gets the flue". Being a big player, the **Ericsson Group** still holds a nerve-killing grip on the market in Sweden. Ericsson's latest report gave little hope for a quick recovery. High red figures and further reduction of employees were announced. For the companies dependent on Ericsson, this wasn't the news they wanted to hear. The news in short from Ericsson were:

Nokia and others doesn't give much hope either. We just have to accept that the years 1999 and 2000 were extremely good, but definitely are behind us. We know it is not likely to reach those heights again in a near future. In spite of what everyone has been saying, it is not even certain we will see the telecom industry recover during this year, even though that is what we all hope to see. But telecom isn't everything. Other industries seem to keep a fair pace and be on a healthy, stable level.

Neda's for Authorized Distribution

by Robin Gray - NEDA, Usa

The **Industry Advocacy Campaign** epitomizes **NEDA's** commitment to support and promote the supplier authorized electronic distribution channel. One year ago, we enlisted our members' help in selecting a service mark to be used in the campaign advertising and to identify participating companies. Today, the award winning advertising and public relations effort is in full swing with many of NEDA's members supporting the effort. NEDA's distributor-member companies are responsible for approximately **90%** of all North American sales through electronic distribution. What they have to say and what they stand for is critically important to the industry. The campaign advertising reminds both manufacturers and customers of the value of the **authorized distribution channel**.

The Industry Advocacy Campaign provides NEDA members with a **platform** to collectively promote this value and increase the industry's appreciation of supplier authorized distribution. The campaign is an opportunity to bring to light those underlying principles that are the basis for the authorized distribution network.

WWW

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UK market not ready to improve yet

By Gary Kibblewhite - Afdec, UK

The **USA** has seen a slight rise in March but this was driven mostly by sales of computer products with semis only increasing by a few percentage points. The rest of **Europe** remains in the doldrums with only Italy showing a decent rise in the first quarter. The question that everyone is (rightly) asking is what is going to be the primary driver for the market recovery? The rebound of telecom? The spread of development of e-business applications? Electro-medical? Asset tracking applications? Re-stocking after inventory excesses have gone from the supply chain? The truth is that no one really knows and that is why the inflection point for the recovery is not easy to define this time. At a **distribution meeting** in Paris late April I conducted a "straw poll" amongst around 150 senior people from within Europe. The consensus was that we would not see material changes in the market until Q4 this year or Q1 next year. They could be wrong of course.

Don't pull the supply chain

by Silvio Baronchelli - Assodel, Italy



Provocation aside, the situation of a **supply chain** which has to be faced in assigning internal roles and responsibilities is not simple. **Producer, distributor, sub-supplier, client.** If this is the rope then the position is easier of the person at the end of a tug-of-war which the marketing of the market seems to have been reduced to today. The aim of the head of the rope, which is in the client's hand, is to obtain the lowest price. The aim at the other end of the rope - clearly in the hand of the manufacturer - is to provide

the highest price. There is only argument about what and how much is left over for the person in the middle. And there actually was an argument between the more than thirty five participants in the first official meeting organized by **Assodel** on the figure of **Contract Electronic Manufacturers**, which are now better defined as **Electronic Manufacturer Services**, out of all the terms available.

It is an argument which has reopened the ancient diatribes between producers and distributors on who has to supply services (and who has to be paid for them); where the introduction of the new EMS player - in its turn a two-faced Janus being customer and supplier at the same time - stretching the number of participants in the supply chain by another ring, certainly reduces the profitability of the business available to them.

10th International Distribution Meeting

MicroElettronica, which will be held from **9th to 11th May** at Vicenza, is the only sector exhibition in Italy which, thanks to the involvement of sector associations which have always been present in the organization of meetings and conventions, can put itself forward as the best place for updating and exchanging information.



A particular advantage is that it has the involvement of **Assodel**, which groups together more than 90% of components suppliers and has the added value, on an international level, of **Idea**. It is in this sense that the meeting devoted to distribution is inserted. It is organized by Idea in association with Assodel and, at its tenth staging, has a two-fold objective: summarizing the situation by presenting the results and predictions of electronics distribution in the different countries of the world which are under consideration; dealing with and developing some important themes, ranging from the impact on the sector of the contract manufacturing phenomenon to methods of stock management.

The event will enable distribution, which is always more cross border, to meet on an international level, thanks also to **ICE** (the Italian Organization for Foreign Trade) which is supporting the initiative by inviting international profile speakers, such as the heads of the largest sector associations: **Gary Kibblewhite** from United Kingdom, **Daniel Schneitter** from France, **Lena Norder** from Sweden, **Keith Anderson** from Australia, **Monika Bernert** from South Africa.

This year the participation will be broadened to include some association heads from **Mediterranean** associations such as Javier Sanchez from Spain's **Aniel** and Unal Alkan from **Turkey's** Tesid, and also some representatives of local firms such as Fanis Kavouropoulos, from Arrow in **Greece**, Ilker Balci from Msc in **Turkey**, Armando Banon from Hitachi in **Spain**, Avi Spitz from the **Israeli** firm Technologies Group. One session of the meeting will be devoted therefore to an in-depth analysis of the market data and the current trends in Southern European countries from **Spain** to **Greece**, from **Turkey** to **Israel** which we recall play a particularly important role from a political and economic point of view both for the European Union and, particularly, Italy.

Idea Meeting

The meeting will be held

the **11th May 2002**

in **Vicenza (Italy)** during the **18th MicroElettronica, the Biennial Exhibition of Components and System Applications**

MEET ELETTRONICA

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How long to the end of the tunnel? The light remains dim!

by Keith Anderson - ECAANZ, Australia&New Zealand

Sales of electronic components in **Australia and New Zealand** continued to be depressed for the period January to April 2002. Most components distributors have reduced staff and unnecessary overheads to counter the lower sales volume and reduced margins. In addition both customers and distributors are keeping a very close control of inventory.

Overall electronic component sales for the first 5 months of **2002** are estimated to be down by

15% compared to same period last year. Year 2001 was down overall by about 35% on year 2000. The downturn is particularly sharp for semiconductors where imports of semiconductors for year 2001 compared to 2000 were down 33% in quantity (units) and 17% in import value.

It is believed that the worst of the downturn is past and that there will be a gradual increase in components sales during the 3rd quarter of 2002. However this is so far not supported by any hard



facts but only some optimism that is emerging in the market locally. There are indications from some component manufacturers that some semiconductors, MLCC and electrolytic capacitors, will have extended lead times during the 3rd and 4th quarters. Some price increases may follow. The general economy of Australia is in a very good position to take advantage of a world electronics economic recovery. The low A\$ (at 0.52 to USD) assists exports, there is low inflation, unemployment is dropping, now being 6.8%, and GDP is expected to be at 4.1% for 2002 being the best economic growth prospect in the OECD.

ECAANZ members are working closely with other associations on the Action Agenda initiated jointly by the Federal Government

and industry to support the future sustainability of Australia's electronics industry. This, together with improved Government incentives for manufacturers and support for local design and development, is assisting to create a more positive outlook. However, for this to be fully realized we need to look overseas to for a recovery in Usa and Europe before the smaller market "Down Under" is substantially affected.

Solectron have now ceased production in Australia. The major EMS companies remaining are Australian owned except **SCI**. The outlook for the continuation of SCI in Australia is unclear at present. Most of the production that was previously undertaken by Solectron was taken up by the major Australian contract assemblers.

About Idea



The **International Distribution of Electronics Association** was formed in 1987 with the express intent to share the best practices within the World Electronic Component Distribution Industry.

As a Federation, **IDEA** members are the Components Distribution Trade Associations of many of the major countries in the World. The **IDEA** Council is made up of the Representatives of each Trade Association and it meets usually twice a year to focus international standards and to develop plans within the Distribution Global Industry.

IDEA hosts meetings within the industry to create cooperation and partnership. It also encourages competences and professionalism in the emerging markets of **Mediterranean and East European Countries**.

Current active members include **Australia and New Zealand, France, Italy, Japan, South Africa, Spain, Sweden, UK, USA**. In addition representatives from **Taiwan** regularly attend Idea Meetings. In these countries the partner Trade Associations represent several hundreds of distributors and many billions of U.S. dollars sales.