

February 2004 Issue

I.P. NEWSLETTER

INTERNATIONAL DISTRIBUTION OF ELECTRONICS ASSOCIATION

ADEC - SOUTH AFRICA

Association of Distributors of Electronic Components



P.O. Box 43 Northriding 2162 (South Africa)
Ph. +27/11/7952114 - Fax +27/11/7952114
Mr Steve Stafford - adec@icon.co.za

AFDEC - UNITED KINGDOM

Association of Franchised Distributors of Electronic Components



The Manor House - High Street
Buntingford - Herts SG99AB (U.K.)
Ph. +44/1763/274748 - Fax +44/1763/273255
Mr. Gary Kibblewhite - jill@afdec.org.uk

ARDEC - RUSSIA

Autonomous Register of Distributors of Electronic Components



str3, 2/19 Zelenij prospek, 111141 Moscow, (RU)
Ph. +7/095/3060026 - Fax +7/095/7306497
Mrs Larissa Bilenko - larissa_bilenko@macroteam.ru

ASSODEL - ITALY

Associazione Nazionale Fornitori Elettronica



c/o Tecnoimprese - Via Console Flaminio, 19
20134 Milano (Italy)
Ph. +39/02/210111230 - Fax +39/02/210111222
Mr. Silvio Baronchelli - assodel@teconoimprese.it

ECAANZ - AUSTRALIA

Electronic Components Association Australia and New Zealand



PO Box 109 Bayswater,
Victoria, Australia 3153
Ph. +61/3/97374900 Fax +61/3/97374999
Mr. Keith Anderson - secretary@ecaanz.com.au

IM - SWEDEN

Component, Production Test & Measurement Process Automation Building Automation



Flemminggatan, 14 - box 22307
10422 Stockholm (Sweden)
Ph. +46/8/50893800 - Fax +46/8/50893801
Mrs. Lena Norder - lena.norder@branschkansiet.se

JEPIA

Japan Electronic Products Importers Association



NNK BLDG., 3F, 1-1-12, Shinjuku,
Shinjuku-KU, Tokyo, 160-0022 (Japan)
Ph. +81 3 3355 7619- Fax +81 3 3225 9060
Mr. Harumi Kuroe - kuroe@chronix.co.jp

NEDA - UNITED STATES

National Electronic Distributors Association



1111 Alderman Drive, Suite 400
Alpharetta - GA 30005 (U.S.A.)
Ph. +1/678/3939990 - Fax +1/678/3939998
Mr. Robin Gray - info@nedassoc.org

SPDEI - FRANCE

Syndicat Professionnel de la Distribution en Electronique Industrielle



13, rue de Marivaux - 75002 Paris (France)
Ph. +33/1/42974625 - Fax +33/1/49279760
Mr. Daniel Schneitter - info@spdei.fr

Electronic Manufacturing in Europe

Although 2002 and 2003 were both bad years for the Component distribution industry there are now, towards the end of 2003, clear signs that a global Component recovery is emerging.

Component makers are posting radically improved profits, world demand for both semiconductors and connectors is rapidly increasing and, in some products, as a result of increased demand in **Asia**, allocation is starting to emerge again. However, what interests us in Europe most is will we benefit fully from the recovery?

The major forecasters are confirming a swing from a declining market this year to a growing market next, the only question being just how big will the growth be?

The other key issue is Average Selling Prices. Will the world recovery create shortages that will then precipitate increases in **ASP**? It always has done in previous recovery cycles but will the anticipated lack of a "hockey stick" recovery this time change this metric?

The greatest threat to European Electronics manufacturing is still the departure of local manufacturing to countries with lower labour costs. Clearly there is now nothing

we can do about the large **EMS** providers, they have almost certainly gone for good (although there are still remnants in Italy, France, Nordic and the UK.

What **Europe** needs is the growth of the medium tier of electronic manufacturing services locally. However, for this to happen, we need not only the infrastructure (which we have!) but also positive and practical encouragement from our Governments. We "must" retain Electronic Manufacturing in Europe.

Unfortunately there is still the issue of over-regulation within the EC, which is a major factor in encouraging the movement of electronic production out of **Western**

Europe. There seems to be little evidence that this issue is being addressed by Governments, let alone being tackled.

In addition, as well as the traditional competitors we have in the market, new ones are emerging. At least one of the large logistics providers is planning more incursions into the electronics supply chain with "**reverse logistics**" schemes.

There have been initiatives such as these in the past from companies such as Fedex which fortunately have had little impact on our industry.

by Gary Kibblewhite,
Chairman IDEA

Where Decision Makers Meet



Electronic Distribution Show and Conference

Tuesday, Wednesday, Thursday
May 4-5-6, 2004
Paris Hotel
Las Vegas, Nevada, USA

EDS is the annual meeting-place and marketplace for the worldwide community of manufacturers of electronic components, instruments and accessories and the electronic distributors through whom these products are brought to market. It includes exhibits, educational programs, and scheduled meetings or conferences between participating companies.

A more positive outlook

by Keith Anderson - ECAANZ, Australia&New Zealand

The Australian economy was slowing in the first half of 2003 but has now accelerated and is expected to rise from the 2.75% growth in 2003 to 4.0 % in 2004. The RBA, Reserve bank of Australia, lead the world in raising interest rates, with two increases of 0.25% each in as many months. This is expected to steady the economy. The Federal Government's fiscal policy is working well with unemployment at 5.6%, inflation low, and other positive factors in the economy.



announced by the Federal Government. This initiative of the industry supported by both the Federal and also State Governments will assist to initiate new design and development opportunities and local production of electronic equipment.

China is dominating the Asian region with many companies from Taiwan, Singapore and other countries setting up manufacture or having joint ventures in China.

The Chinese Government has made electronics a priority industry with highly subsidized financing to draw multinational investment. Their talent and skills base is growing and the huge internal market for cell phones, colour television and computers in addition to exports worldwide drives the rapid growth of their electronics industry.

The Australian dollar has particularly strengthened with respect to the US dollar. The AD was valued at 0.56 in December 2002 compared to 0.73 in December 2003, a 31% increase. The AUD improved by 8.6% and 16.0% respectively against the Euro and the Yen.

The outlook for the electronics market is far more positive than early in 2003. Imports of semiconductors, passive components and connectors have gradually risen and the general outlook for component sales in 2004 is positive.

News of increased pricing on some passive components and semiconductors due to production lines being fully utilized is now evident from some Asian suppliers.

The Australian market has re-structured with many major telecommunications companies having taken manufacture offshore. However there is still a degree of design work remaining locally. The four local automotive manufacturers have an increasing amount of electronics in vehicles and are enjoying unprecedented growth.

The Electronics Industry 'Action Agenda' was formally

Delocalization or relocalization?

by Daniel Schneitter - SPDEI, France

In 2003 French distribution lost around another 10% of DTAM. There's a division between optimists and pessimists on the subject of the state of the market. Giving an objective assessment isn't so straightforward either because you have to see if you're talking about components as a whole, actives, passives and electromechanicals, or just some families in particular; or if you're talking about world growth or the relative growth of the Usa, Europe and Asia. This is where differences of opinion can come from.



if semi-conductors are still struggling to get back on their feet - just like passive components - connection is going well. The world market looks like this: China 11%; Asia 25%; America 22%; Japan 22%; Europe 20%. Of that European 20%,

France has lost the biggest market share to countries from Eastern Europe, and to China. Basically the French market is made up of a dozen big groups that account for around 80% of TAM. Essentially it's dealing with large volume production, where labour costs form a determining variable. We know that what I pay 100 for in the United States corresponds to 80 in France, 10 in North Africa and 5 in China.

The new orientations for investments are distributed like this: Europe 8%; Japan 10%; America 20%; Asia/Pacific & China 62%. We therefore need to talk about a genuine relocalization since we're dealing with an irreversible phenomenon.

The distribution market in France hasn't suffered a strong impact from these migratory fluxes if the movement of design work is excluded. Europe remains a very important power in the electronics industry though, since it represents 26% of the world market, with a 37% share in the automotive sector, 30% in aerospace defence and 28% in telecoms.

Among Europe's strong points are: The biggest catchment area of end users

A high level of education and practical ability

Research and development support that can easily be increased

Excellent track record of success

A strong entrepreneurial spirit

Many areas in which low cost labour can still be found

So, let's accept the changes and increase investment so as to favour the research and development which will be our strongest point in the next years.

Wellcome Russia!

Idea is pleased to announce that a new member has joined the Association.

ARDEC, *Autonomous Register of Distributors of Electronic Components*, is a no profit Russian association gathering distributors of electronic components.

ARDEC is made up of most active and strong members of market of electronic components for a total sales turnover of more than 50% of total turnover of Russian market.

Larissa Bilenko, Chairman of ARDEC, says: *"Today our association is considered to be a certain authority between market members & suppliers & customers. We define the market competitiveness, social direction and creative activity in the area of developing new technics.*

There is no other association in our country which has the right to present the Russian market of electronic components at International forum of distributors of electronic components. Members of our association entrusted us with solving the questions of ideology and arranging of promotion of import products (electronic components) in Russia and domestic ones on the world market, to assert our members' interests in the partnership with foreign colleagues".

The market remains much the same

by Gary Kibblewhite - AFDEC, UK

The most important features of the market remain much the same as last year and are listed below.

Sterling's exchange rate influences export orders. UK prices in export markets are in effect still too expensive. The UK interest rate is high relative to those of the main international competition. Sterling has weakened against the euro, but the impact on sales has been limited because the economic state of the major European markets has become more depressed.

On the positive side, **Distribution**, and particularly the largest companies in Distribution, have been attracting major OEM customers who previously sourced direct i.e. from the Component Manufacturers.

Medium and small **Electronic Manufacturing Services (EMS)**



companies continue to transfer their purchasing from the Component Manufacturer to the Distributor, though the rate at which it is happening has slowed.

It was thought that the movement off-shore of the major, or tier 1, EMS companies had effectively come to an end and that this only affected Distribution in a few isolated instances.

It has, this year, become apparent that the process still has some mileage in it, though it remains the Component Manufacturers that bear the brunt of the process. The growth of the tier 2 companies located in UK continues to help the Distributors. About 20% of Distribution sales in 2000 were to all categories of EMS companies, while in 2001 the EMS share peaked at over 27%. In 2002 they fell back to about 23%.

Drivers remain EDP, Communications (Telecom & Radio Frequency) and Automotive - EDP and Communications at substantially lower volumes than they have were. It remains a curious fact that neither the companies in EDP nor those in Communications seemed to have considered that their markets might saturate.

Distributors are continuing to develop an array of **value added** activities, in an effort to counter the effects of the shrinking Components market.

The Channel Marketing Award

by Robin Gray - NEDA, Usa

The annual **Channel Marketing Award** winners were announced at the 2003 **NEDA Executive Conference**, "Distribution - the Vital Link", at the Renaissance Chicago Hotel. The award program honored NEDA distributor members for outstanding marketing efforts during 2002-2003.

Platinum Excellence awards for exemplary marketing efforts were presented to Newark InOne, TTI, ACI Electronics and Avnet Electronics Marketing. ACI

Electronics, Allied Electronics, Avnet Electronics Marketing, Carlton-Bates Company, Mouser Electronics and Newark InOne garnered **Gold Achievement** awards.

The Channel Marketing Awards program is an opportunity for NEDA distributor members to spotlight their marketing materials including print advertising, line cards and direct mail. Entries were judged by three experienced business-to-business marketing professionals.

Idea's distribution still under the weather

The fourth quarter of 2003, albeit showing better figures when compared with those of the previous quarter, can't make up though for the losses experienced in the previous quarters nor can it get back to the same results as the last part of 2002. France, UK, Italy and the Scandinavian countries invoiced 907 million euro for distribution in the last quarter, reporting an increase of 3.7% on the previous, but a fall of 5.8% on the fourth quarter of 2002. Overall therefore, 2003 cannot then be said to be positive since, with its turnover of 3,750 million euro, it is registering a fall of over 9% on 2002, which goes up to 12% when compared to 2001.

Still looking at the fourth quarter of 2003 **France**, with 181 million euro, remains in downturn (it was 201 in Q4 2002), while the **UK** is stable (with 364 million euro compared to 362), **Italy** is down (from 241 to 205 million euro) and the **Scandinavians** lose only a few points (from 159 to 156 million euro).

When we analyse the macro-families of products though, we find **semiconductors** with 530 million euro, losing 12% to the 603 of the previous year, but gaining 3.7% in comparison to the 511 of the third quarter; **passives** which, with 119 million euro, aren't moving from the third quarter values and are losing only a few points on 2002, while **electro-mechanicals** are going against the tide and with 210 million euro turn out to be the only family growing in all the countries under examination, both in comparison to the previous quarter (+3.5%) and the same period of 2002 (+8.2%).

From Germany

There is another new member in IDEA.

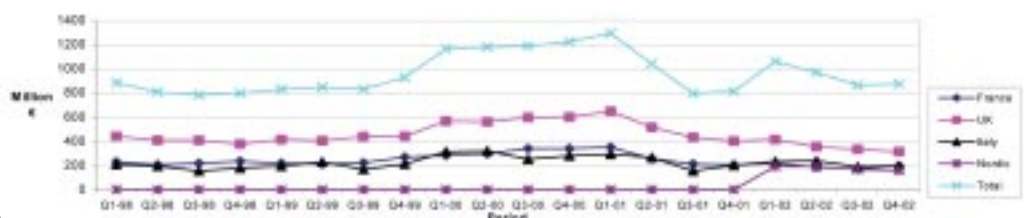
FBDI

(*Fachverband der Bauelemente Distribution*), founded at the beginning of this year and gathering the most important electronic components suppliers in **Germany**, has joined IDEA.

Founding members are: **Acal, Arrow (Spoerle), Avnet, Memec, Holtz, Farnell, Schuricht, Future, Endrich, Betronik and Rutronik.**

FBDI is chaired by **Georg Steinberger**, communication manager of the Avnet group. **Wolfram Ziehfuss** is manager director. Welcome to them both!

Total Electronic Components Billings Trend



Enjoy the community: industrial electronics in Italy

Initiatives and events organized by Assodel on the occasion of BIAS to support the national electronic industry development.

From 14 to 17 September, **Bias** with **Fortronic** becomes the centre of attraction in Italy for industrial electronics firms.

There are many new features, starting off from the change of date to **September**, subjects, content and meetings that will make the next Bias onwards an ever more fine-tuned tool in the economic and productive context.

In particular it has been decided that at the next Bias a central point for industrial electronics firms will be developed.

This will be a major event aimed at those who produce electronics, a space to meet and compare the full offer for components, electronic design, equipment and machinery.

Fortronic's cooperation will be used for this; Fortronic is the event which Bias alternates with – it's held at PadovaFiere in odd-numbered years.

► FOR COMPONENTS AND PRODUCTION

Assodel will be the promoter of the area for components and electronics production at Bias.

Included in the most important events in this section: a space for electronic design, with new work from the university world, innovative proposals from companies, start-ups and spin-offs facing up to the market for the first time, as well as the presentation of the fifth "**Design In Award**"; an area for component production focusing on the market, clients, buyers

and the supply chain, the **Assodel Forum** and the international distribution convention organised by **Idea** with evaluations of supply and demand of national and international third party accounts; right up to an area completely aimed at production, a meeting point between technology and business management, clients and suppliers, designers and end users.

► FOR BUYERS AND SUPPLIERS

Assodel will also be organising a series of conventions aimed at buyers and suppliers that will focus on certain key points:

EMS & CEM Conference, with the presentation of data and trends in third party account work in Italy;

Distribution Award, an initiative to reward the constructors of the main components categories such as actives, passives, connectors, electro-mechanicals and displays;

Electronic Waste Management, based on the RAEE and RoHS European Directives for the disposal of technological waste and the substitution of dangerous substances;

PCB Forum, with consideration of low-cost production in the Far East; IP Area, for informative promotion and meetings between the research and SME worlds.

Assodel Award

The **Assodel Award 2004** will be presented during the next Bias exhibition, to those manufacturers who, according to Assodel's members, in 2003 proved to be the most cooperative and considerate towards distribution companies.

The Award will be given during a special Gala ceremony organized by Assodel for its members.



The **Distribution Award** is given to components manufacturers (actives, passives, connectors, electromechanicals and displays) which has received the largest number of votes for their performance.

