



# I.P. NEWSLETTER

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INTERNATIONAL DISTRIBUTION OF ELECTRONICS ASSOCIATION

## An IDEA for the International Electronics Community

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**I**DEA (*International Distribution of Electronics Association*) was the "idea" of putting together the main associations in the electronic components distribution industry in the biggest countries in the world. IDEA was founded in 1987 with the intention of creating a privileged meeting and networking location for a close community of professionals working and collaborating together to add value to and understand the markets' technological evolution and development.

Distribution associations in **Australia and New Zealand, France, Germany, Italy, Japan, Russia, South Africa, Sweden, Britain and the U.S.** are part of this federation. Each of these associations represents the components market in their country. Their union in the IDEA federation creates a network of business opportunities that involves hundreds of distributors and billions of dollars in sales. This network is further extended by numerous collaborations with partner associations in Europe and the world, particularly Turkey (TESID), Spain (ANIEL), Greece (SEPE), Israel (MNC) and Taiwan (TEEMA).

IDEA consequently represents a vast, well-structured community that allows every country taking part to dialogue with what's going on beyond its own borders. The comparison and exchange of knowledge within this community gain a significant added value; they offer knowledge and perception of how the sector is evolving and enable the market to act and react in a leaner way and acquire new perspectives on

competitiveness. The many services launched by the association are all aimed at enriching market and technological know-how.

**IDEA Quarterly Statistics** - At the end of each quarter IDEA produces an analysis of the market and tracks sales data. These are collected in each country with an identical method that ensures that the analysis is coherent; they are then processed into IDEA Quarterly Statistics. IDEA **Statistics** is a snapshot of the world market, a valuable tool placed at the disposal of the electronics community that takes part in the association's activities.

**Website** - The Quarterly Statistics data, split by country and then processed, are also available on the Web. The [www.ideaelectronics.com](http://www.ideaelectronics.com) site is also a successful launched by IDEA. It's a virtual meeting place to get to know the market but also to get in touch with all the professionals working in the market.

**Training** - The willingness of the IDEA partners to cooperate extends to the development of human resources in the distribution sector, and training in the sales sector in particular. Today, more than ever before, this area has to have an international competence. Updating on the state of the art in components and products is also an important factor.

**Special projects** - The latest topics are studied by different panels of specifically gathered international experts. **Lead free** in production, the new European regulations for electronic waste, the **Rosettanet** project: these are themes common throughout Europe but which have different implications in different countries. The comparison of the specific competences in each country and between the different companies is a vital chance for the understanding of the topics or the development of emerging technologies.

## The IDEA Community



The **IDEA** community is active, vigorous and meets regularly.

At least once a year, usually at the **Electronics Distribution Show** (even-numbered years) and **Fortronic - Electronics Forum** (odd-numbered years), the representatives of each association in the federation make comparisons on the definition of international standards and the development of projects of interest for the global distribution industry.

Meetings such as this are often open to other organizations with the idea of creating new partnerships, like with the emerging markets of the Mediterranean and Eastern European countries.

## Upturn and restructure of the Australian market

by Keith Anderson - ECAANZ, Australia & New Zealand

Attendance during May at **EDS 2004** in Las Vegas for the **IDEA meeting** followed by the Europartners Distribution Forum 2004 in Paris, was very rewarding. The attention and cooperation by **Neda** together with EDS staff and **Europartners** staff was excellent.



remainder of 2004 and for 2005. The upturn was also quite strong in ANZ during the first half of 2004. This is despite a major restructure of the market since year 2000. The change to lead free soldering and

the risks of other materials in electronics manufacture is slowly being recognized. Workshops are being set

Challenges facing distributors worldwide are similar: continuing increase of outsourcing to assemblers; the movement of production to China and other lower labor cost areas, the transition to lead free components and elimination of other hazardous substances.

**The positive news was the increase in general world-wide component sales**

up in various ANZ cities to "educate" the industry and have these issues addressed. Action on the various items of the **Electronics Industry Action Agenda** is making progress. The formation of industry interest and cluster groups continues

The positive news was the increase in general world-wide component sales. It was noted that the increase is most pronounced in Usa and Asia but other regions are also positive about the re-

An industry "Mission" to Taiwan, South Korea and Hong Kong is planned for October 2004. This will include participation by companies in **Taitronics** and will facilitate further business opportunities for participants.

## Comments on the French electronics and digital industry

by Daniel Schneitter - SPDEI, France

The French Electronics and Digital Industry is: 1.100 companies, 220.000 jobs, 50 billion euro of revenue. The 5th of July 2004, for the second time in two years eight industries trade associations work together to address French



sue of de industrialization and unemployment in France and Western Europe.

and European authorities, major customers and the public opinion. The 8 are as follows: Semiconductors: **Sitelesc**; Passive electronics and interconnection components: **Gixel**; Raw materials and production equipment: **Gfie**; Test and measurement equipment: **Simtec**; Wire and cables: **Sycabel**; Subcontractors, manufacturers: **Snese**; Distributors: **Spdei**; Telecommunication and information technologies: **Alliance Tics**.

• Acting as a constructive platform offering suggestions regarding key issues affecting our industry. We have taken 2 significant actions in 12 months:

• Issuing **The White paper** of the Electronics and Digital Industry in France in June 2003 to propose to the French Government:

- Launching major research programs in France and Europe.
- Taking actions to make France an attractive industrial location.
- Ideas to boost research and innovation in France.

**Research: to convert Money in Idea**

**Development: to transform Idea in Money**

Our main 3 motivations were as follow:

- Helping our company sell more, design better and always manufacture in Europe whenever possible even though we acknowledge the irreversible necessity of migration of manufacturing simple large-volume products towards low cost countries.
- Providing ideas to address the serious is-

with a European coverage and a goal to introduce some ideas of major strategic European industrial programs built around R&D and Innovation. Such programs could help the growth of the industry so that Europe remains a key player in the global electronics market.

- Holding the **Industry Symposium** in the French Senate in July 2003. We currently working on a **Blue Book** of our industry

## A bit of hope at least!

by Lena Norder - IM, Sweden

The distributors as well as the manufacturers agree - the feeling is that business is recovering from last years darkness. Many companies are hopeful that 2004 will be a good year. Looking back, we can see that the drop has been dramatic in Sweden.

From a total available market in year 2000 of 24 billions sek - all time high! - it dropped last year to a total market of just below 10 billions sek. The drop has however not been as drastic in the distributing market. Year 2000 the distributors had 30% of the total market and now their market share is 50%. Looking at the average over 10-15 years, it's clear that the market has shown a steady but slowly growth. The years just before 2000 were exceptional peaks that gave us all a tour in a roller coaster.

### But still some worries...

For the time being the electronics manufacturers are saying business is fairly good. Swedish companies like Electrolux, Ericsson, SAAB, Volvo, SKF, Scania are still big in manufacturing in Sweden.

There is a general concern though about the location of manufacturing. In the Swedish industry in general there are several companies moving the manufacturing eastwards. This is a concern we share with most of the western countries in Europe as well as in the Usa.

But there are definitely still strong advantages for local manufacturing in Sweden:

- Flexibility
- Ability to handle complexity
- Local presence - easy business



- Reliability
- Low production cost (for being in western Europe)
- Highly educated staff

But to keep manufacturing in Sweden and in Europe, there is a challenge for the companies to keep improving their efficiency, competence and quality. And a challenge for the governments to be aware of the situation at hand and act. Sadly the latter does not seem to be the case.

**New front figure for the Ericsson group**  
Night vision is really something the **Ericsson** group has trained! They have offered some very sad reports during the last years with repeated cuts in manpower as a result. Let's hope the new Ceo can bring some light! Ericsson's former Ceo Kurt Hellstrom has retired and been replaced by

**Carl-Henric Swanberg**, who comes highly recommended from Assa Abloy. From all directions Mr. Swanberg was warmly welcomed on his new position. Mr. Hellstrom was regarded as a good leader for the company, but not very successful in contacts with the media and in public performances - a requirement that is not to be underestimated in that position. Even the stock market signalled welcome to the new Ceo.

### Embedded Technology

The IM Association in Sweden has established a new section for the emerging market Embedded Technology. Some 20 companies has signed up so far. There are clear signs that electronic components and products more and more bridges over the boarder lines between hardware and software, components and solutions.

## The recovery in the UK can now be seen to be underway

by Gary Kibblewhite - AFDEC, UK

The recovery in the UK can now be seen to be underway. It isn't a mammoth jump but the signs are there that 2004 will see an increase in sales over 2003, the first time since 2001



that this will happen. We are starting to see prices firming in some areas within semis and they are also going up as a result of the huge increases in raw copper prices, which particularly affect electromechanical products such as connectors.

Passive components particularly are showing strong growth, again with a mix of both increased volume and price stabilisation contributory factors. There is more of an air of confidence about the industry, but one of cautious optimism rather than the feeling that we will see the "hockey stick" double-digit quarterly growth that has characterised recoveries in our market in the past.

There are still substantial concerns about the migration of production to low cost countries but this is an issue being faced by every western country and as the customer education process improves there will be a greater awareness of the huge risks to the electronics manufacturers in overseas sub-contracting. For some it will be worth accepting the risks but for many others it will not.

The recently published AFDEC benchmark report showed that the smaller distributors have increased their external sales and marketing staff last year at a greater rate than the larger groups. Only time will tell whether this has an impact on revenues this year. The UK economy seems set fair in that GDP growth is likely to approach 3.5% this year. There are, as would be expected, a number of caveats.

A variety of pundits are agreed in predicting positive results for GDP globally, with the exception of not very exciting growth in Europe -

though on the electronic industry front, things seem to be going well in Europe too. With the major geographic groupings - North America, China, Japan, Far East and Asia - all expecting

higher and substantial levels of growth, it may not be long before components are on allocation and distributors are worrying about high product prices.

As ever, there are several threats in the offing - on the international front as well as on the domestic scene. Perhaps the greatest threat is to world oil supplies, a result of the turmoil in the Middle East.

The mix of problems, including the unrest in Iraq, the US apparently siding with Israel, the growing terrorism in Saudi Arabia, represent as difficult a situation as has been the case for many years. The Saudi's promise to keep the cost per barrel down is not being kept and a change of regime in Saudi would not help at all. While this mix of problems may not come to a head over the next year, in the longer term these difficulties are likely to grow worse; the West does not seem to be making much headway in the Middle East.

## Environmental issues next big challenge

by Robin Gray - NEDA, Usa

Environmental issues are the next big challenge for the electronic component supply chain. The industry will be confronted with an ever increasing number of laws and regulations in Europe and in this country that address environmental concerns. As a result, all authorized distributors will need to pay greater attention to developments in this area.

The first big environmental challenge comes to the industry courtesy of the European Union. Effective July 1, 2006, all new electrical

and electronic equipment put on the market cannot contain lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB) and polybrominated diphenyl ethers (PBDE).

The EU legislation does exempt sale of components containing these chemicals to the defense and aviation industries. While the effective date is two years away, customers are already asking their suppliers for components that do not contain the above-named chemicals.

Lead-free components, in particular, are the focus of immediate attention in the supply chain. Aside from availability, there are several issues that face distributors. The most immediate (and one that NEDA has been working on) is the proper

labeling of lead-free parts. Suppliers are struggling with this labeling issue. Some suppliers are reluctant to change part numbers to distinguish lead-free from leaded parts. Without this information, distributors cannot tell which parts are which.

NEDA will soon be issuing a policy statement calling on component manufacturers to clearly identify parts that comply with the EU legislation. This will mean that the number of part numbers and sku's for identical parts will double, adding to inventory and administrative costs.

Some other consequences of this "lead-free" initiative are:

- Non-compliant stock will be unfit for sale in Europe, resulting in either a dumping of inventory at fire sale prices or a devaluation of retained inventory due to a reduction in market demand.
- The exception for the defense and aviation industries means that distributors and suppliers selling to these markets may have to maintain dual inventories or parts.
- Sub-assemblies and boards that mix lead and lead-free parts require different manufacturing techniques and may create quality issues.

A NEDA task force has been working on the labeling issue and will shortly be issuing a paper recommending that component manufacturers clearly identify compliant and non-compliant parts. NEDA believes that failure to do this will result in substantial confusion in the marketplace as more and more customers specify lead-free products.

NEDA is also working with suppliers to ensure that there is proper labeling and/or readily available information regarding the chemical content of all components. Environmental issues affect all parties in the electronic component supply chain. Distributors are well-positioned to provide that information to their customers, provided suppliers make it available in a usable format.

**Lead-free components are the focus of immediate attention in the supply chain**

## The Assodel Award 2004



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 for the 16th September.

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

# The Electronics Community starts off in Italy

## The Electronics Community is the medium in which "everyone's knowledge can help make everyone competent".

In a complicated, confused market situation characterized by the total absence of reference points, the need for constant comparison between all the different operators in the supply is highlighted more than ever.

What is a "community"? In simple terms it's a set of businesses and individuals who have common interests, needs, and, usually, numerous problems that come together in the search for solutions. Actually, everyone who is somehow involved in buying, selling, producing or managing electronics is part of the **Electronics Community**.

Present times are speeding up and complicating all our lives. Consequently, we have to compare our opinions and the choices we make with a speed that more often than not doesn't leave us time for reflection. The Electronics Community is the medium in which "everyone's knowledge can help make everyone competent".

These are the reasons, in brief, that led to **Assodel's (Italian Association of Electronics Suppliers)** project-task in

creating the reference point for the Italian community in electronics.

Its purpose is to put experiences together in common, to enable understanding of the situation, to appraise different points of view, to understand possible international developments, not just the consequences of the local market or the know how behind certain decisions. In brief, to enrich each other reciprocally in a climate that is friendly, makes proposals and respects roles.

Hopefully, with all these points together, it can succeed in stimulating public bodies into paying greater attention to the industrial electronics sector in Italy.

In specific, **Tecnoimprese** has developed a series of services for participants.

### Information:

online newsletter sent out with information on and analyses of the market, meetings, news about companies, with privileged access to websites supporting the news.

### Invitations:

sending information on and/or invitations to conventions, events and forums organized by the Community on specific topics from innovative products to market trends and so on. Privileged access to specialist shows (**Fortronic 2005** and **Bias 2006**).

### Courses:

free participation in courses on general interest topics (for example, "Ways of Managing Technological Waste", "Safety at Work", Maintenance and Technical Support in Equipment for Professional Use")

### Publications:

free subscription to "Tecnoinform Elettronica", which includes delivery of **A&V Elettronica**, **Design-in, Manufacturing** and the "Repertori" (purchasing guides) on the Italian distribution's electronic components' offer and electronics production.

### Relations:

with other associations for an exchange of opinions on problems in Facility and Material Management, on environmental regulations, on management of used products and production waste, in order to have information on trends in foreign markets, on internationalization and the promotion abroad of the activities, and in order to start up relations with research and design centres.

