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A monthly newsletter for members of the National Electronic Distributors Association

To The Point

Robin B. Gray, Jr.
NEDA Executive Vice President



Global Pricing: Still A Challenge
One Price Does Not Fit All

Brand Identity

Brand identity—it's who you are. How does your company identify itself? Many labels that have traditionally been used in the industry no longer seem to apply. Remember when you could categorize an authorized distributor by their line card? There were broadline, MRO, test and measurement, semiconductor and IP&E distributors. You could group distributors by size: national, regional and local. Or, you could arrange distributors by affiliation: authorized, independents and brokers.

Today, there are few broadline distributors. Everyone is a specialist. MRO distributors have disappeared or become electrical supply distributors. Test and measurement has become a specialty. There does still seem to be a distinction between semiconductor and IP&E distributors. Specialization is the new product line identity. Some distributors also focus on customer specialization. Instead of a few, broad categories, the industry is fragmented into a number of specialty distributors.

The size categories have expanded into global, national, regional, multi-state and local. Multi-state and regional are not to be confused. Regional is coverage of a certain geographical

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Supply chain relationships seem to ebb and flow with market conditions, but there are consistent issues that suppliers, distributors and customers agree on. The concept of global pricing—a uniform price for a component no matter where in the world it's sourced—is one of those issues. Just about everyone in the channel agrees global pricing is a good idea, but getting to that point is so complex it seems the effort will be stuck in limbo for some time.

Global pricing continues to garner attention for a number of reasons. A single global price would significantly simplify transactions in the supply chain. Suppliers and distributors could dispense with "ship from stock and debit:" a practice that helps account for differences in regional pricing. Quoting a bill of material would be easier. Compensation for design wins would be consistent even if a design was won in Dallas but the end product is manufactured in Beijing. And OEMs could use the resources spent on price negotiations for revenue-generating tasks. But developing a

global price is extremely complicated. "Like many elements of the global supply chain, global pricing can be complex and requires discipline and cooperation between business partners," says John Simari, Worldwide Account Manager of Texas Instruments Inc. "Price' cannot be viewed in isolation if other terms / expectations vary by region of the world."

Accounting practices aside, global pricing would simplify matters as customers shift manufacturing from one region to another. "Customers are asking us to pick up their supply chain as they move from the Americas to China," says Gerry Fay, senior vice

president, Avnet Supply Chain Solutions worldwide. "They want to pipeline inventory to where they are moving. Difficulty arises when a distributor has a franchise in one region but not the other. We may not carry the product they need in China. Even if we ship that product from North America, the price might be different in China and there are costs associated with transportation, imports and export."

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When it gets down to the details, global pricing becomes difficult.

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Brand Identity

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area such as a Midwest distributor. A multi-state distributor may have branches in California, Massachusetts and Illinois—states that are not geographically contiguous.

The one distributor grouping that has remained relatively unchanged is affiliation with a component manufacturer. It still means something when you say that you are a supplier-authorized distributor. It distinguishes you from unauthorized distributors (aka independents) and brokers. You could also add third-party aggregators to the later list.

Your company's identity as an authorized distributor is the focus for NEDA's industry advocacy campaign. The campaign will feature advertising that focuses on the advantages of sourcing electronic components through authorized distributors. And, in keeping with the times, the ads will concentrate on the prevalence of counterfeit products and how difficult it is to distinguish fake components from real ones. The point of the ad is that the best assurance for getting genuine electronics is through an authorized distributor.

With so much change occurring in the industry during the past decade, a lot of confusion and misinformation has arisen. Some customers and suppliers have forgotten the reasons why using an authorized distribution channel remains as important today as it ever did. With counterfeit products flooding the market, it is important that authorized distributors remind customers of the advantages of buying from an authorized source. It is also important that component manufacturers fully support their authorized distributors and remain customers where genuine parts can be bought.

Through our industry advocacy campaign, NEDA will sharpen authorized distribution's identity and reconfirm its continuing value. ■

Global Pricing: Still A Challenge One Price Does Not Fit All

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The "global" electronics industry isn't as global as everybody thinks. Even though suppliers, customers and many distributors have established footprints in major global markets, franchises, tariffs, payment terms and compensation practices still differ from region to region. Conceivably, a global customer with enough purchasing clout and a centralized sourcing operation could negotiate a single (and preferred) price with a component supplier. This price could be maintained if the OEM buys the components upfront, warehouses them and manages their flow through the supply chain. The problem is very few—if any—customers operate under this model. Chances are, a distributor or another logistics provider receives the component shipment from the supplier's factory; breaks up bulk packaging; repackages the order and delivers it to the OEM's factory. It's even more likely that the OEM's factory really belongs to a contract manufacturer. These variables change everything.

Distributors receive products, break up bulk, repackage and ship orders all the time. This is the channel's business model, but these services aren't free. Like many businesses, the channel invests in people, operations, IT and equipment. They also expect to make a profit. While an OEM might pass a preferred price on to a distributor, a distributor's cost to manage that component might be different. Distributors have to account for the services they provide.

Outsourced manufacturing presents a different dilemma. EMS companies frequently deal directly with suppliers on commodity items to negotiate large volume discounts. There's little risk associated with this because an EMS can use these products

for a wide range of customers. In some cases, an EMS might have a lower per-unit price than the OEM. The EMS might pass that savings on to the OEM. The OEM could use such information to negotiate an even lower price with the supplier.

Both of these scenarios are based on the premise a supplier can offer a single, global price. The reality is this is very difficult. Manufacturing components in different regions has different overhead costs. Transporting those components in and out of markets isn't free. Many customers still negotiate price on a regional basis. It's tough for a supplier to build all these factors into a single global price.

How could it work? Industry participants suggest one possible solution: separate the per-unit price from the services. This could enable suppliers to charge a single global price yet allow service providers to charge appropriately for their services. This concept was tried more than a decade ago and it didn't catch on. Customers are accustomed to seeing component prices "bundled" with services to reflect a total cost. Price and cost is not the same thing, but price is usually the basis of a supplier-customer relationship. Additionally, industry executives point out, a "global" price doesn't necessarily mean the lowest price.

"When it gets down to the details, [global pricing] becomes difficult," says Fay. ■



Barbara Jorgensen

Executive Conference Planning Committee Announced

Each year a dedicated group of executives volunteer to serve on the Executive Conference Planning Committee. NEDA wishes to thank the following for their generous commitment of time:

Chairman: Michael Knight, TTI, Inc.
Ian Basey, Avnet, Inc.
Christina Cavano, Source ESB
Steve Cholas, Hearst Business Media
Todd McAtee, Mouser Electronics
Gregory Pace, Ohmite Manufacturing
Tim Thornton, 3M Electronics
Jeff Thomson, ON Semiconductor
Kelly Vogt, FCI
Cathy Whittaker, Littelfuse, Inc.

If you have an idea to enhance the conference or know of a terrific speaker, please contact a committee member or Michelle Meyer at mmeyer@nedassoc.org.

Save the Date...

2010 NEDA Executive Conference

October 17-19, 2010
InterContinental Chicago O'Hare
Chicago, IL

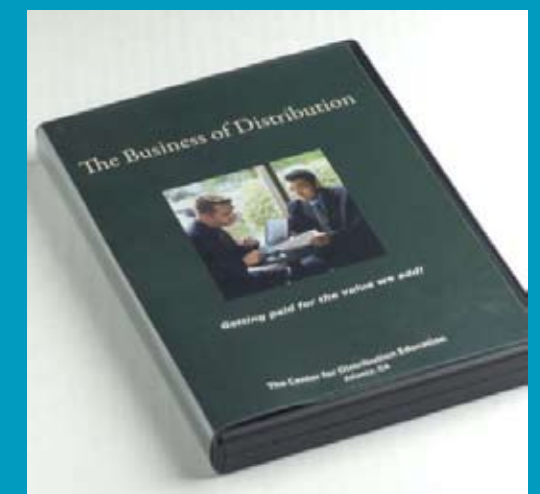
Clarification: In NEDA's March newsletter I mentioned that "OEMs have been ordering hand-to-mouth during the downturn and are reluctant to commit to long-term forecasts." I've since spoken to several distributors that say the opposite is true: as supply becomes tight, customers want to forecast—and share that forecast—as far out as possible to ensure steady supply. While a number of distributors keep high levels on stock on hand—Digi-Key Corp. and Future Electronics Inc. emphasize this asset—OEMs managing large production volumes don't want to take chances. As imperfect as forecasting is, it's still a good idea. - Barbara Jorgensen

The Business of Distribution CD

The new "Business of Distribution" course provides a cost effective tool for making sure that your employees understand your business and their role in it. The course is about making sure that distributors get paid for the value they add, protecting gross profit, and being prepared for coming changes in the industry.

The course is divided into three related segments of the business of distribution. The first discusses the distributors' role in the channel and how we add value for both of our channel partners. The second deals with basic financial facts in distribution, why is it important for the company to make an appropriate gross profit, and why it is a part of each person's job to protect it. The final segment deals with changes in our role, relationships and responsibilities caused by changes in the distribution marketplace.

This distribution-specific course provides clear, easy-to-understand answers to key important industry questions. At a cost of \$69.95 to NEDA members, your company will have unlimited use of the materials. Order a copy of this CD today at www.formdesk.com/neda/business or complete the enclosed form.



2010 EDS - The Right Place at the Right Time

From May 11 to May 13, 2010, there is just one place to be if you are a manufacturer, distributor, or manufacturer's representative in the electronics industry — **EDS 2010**.

SCHEDULE

Monday, May 10

- All Day — Suite and Room Set Up
- 5:00 p.m. — Kick Off All-Industry Event

Tuesday, May 11

- 9:00 a.m. to 5:00 p.m.

Exhibit floor portion of the Meeting Hall

Open. Suites and Conference Rooms available for meetings anytime

Wednesday, May 12

- NEW! 6:45 to 7:45 a.m. — Joint NEDA-ERA Breakfast

- 9:00 a.m. to 5:00 p.m.

Exhibit Floor portion of Meeting Hall Open.

Suites and Conference Rooms available for meetings anytime

Thursday, May 13

- 9:00 a.m. to 12:30 p.m.

Exhibit Floor portion of Meeting Hall Open.

Suites and Conference Rooms available for meetings anytime

CURRENT HOTEL RATES FOR EDS

Make your reservations today. Rooms are available on a first-come, first-serve basis. To find out more about all the excitement at the Paris and Bally's, visit www.parislasvegas.com or call (888) 266-5687 or (702) 946-7000

Paris Hotel: \$129/night (Single or Double)

Bally's Hotel: \$89/night (Single or Double)

As you recharge your sales efforts and get energized to accelerate the industry's recovery, be in the right place at the right time. EDS 2010 will offer focused meetings with your channel partners to discuss and coordinate strategies for effective growth. To give you more of what you find most valuable at EDS, face-to-face interaction, the conference offers more networking and meeting opportunities. Learn more at www.edsconnects.com.

Share Your Time With A Student At EDS Participate in NEDA's Project Host Program

For over 20 years Project Host has offered NEDA members a unique opportunity to meet the top Industrial Distribution students from universities throughout the U.S. The NEDA Education Foundation invites Student Ambassadors and their faculty leaders from 24 universities to attend EDS. Help us introduce the best and brightest students of the industry to its biggest show.

NEDA member Hosts are paired with the students for half-day sessions. Student ambassadors accompany their host to supplier/distributor meetings. While the students quietly observe, they gain real world exposure to the dynamic electronic distribution industry. In addition to providing a valuable experience to the future leaders of the industry, Hosts may identify candidates for internships as well as full time employment:

Host all three sessions or choose the most convenient:

- Tuesday, May 11, 2010, 9:00AM – 12:00PM
- Tuesday, May 11, 2010, 1:00PM – 5:00PM
- Wednesday, May 12, 2010, 8:00AM – 12:00PM

Complete the enclosed form to participate in the 2010 Project Host Program.

- Meet trained & knowledgeable job candidates.
- Develop valuable relationships with universities.
- Foster goodwill & spread the word about career opportunities in electronic distribution.

Your Invited! Join NEDA and ERA for Breakfast at EDS

Start a new tradition with us on Wednesday! The joint NEDA/ERA Breakfast will take place from 6:45 - 7:45 a.m. in the Vendome C ballroom of the Paris Hotel.

NEDA Executive Vice President Robin B. Gray, Jr. will give a brief presentation of Industry Trends and Developments. Look for an email update with the final program specifics.

Connect with fellow industry executives while you enjoy a free breakfast - is there a better way to start the day?

Needa Meeting Space at EDS?

NEDA has a small conference room area available exclusively for our members' use during EDS. The room is available in one hour increments on Tuesday, Wednesday and Thursday during show hours.

Please call or email Donna Dilbeck to reserve a time: ddilbeck@nedassoc.org.

One Association Speaks For Supplier Authorized Distribution Better Than Anybody Else

The 2010 NEDA Industry Advocacy Campaign has officially launched! Watch for ads that deliver the message that electronic component users and buyers can't go wrong dealing with Supplier Authorized Distributors. The campaign features a significant online and print presence to grab the attention of your prospective customers.

The threat of counterfeit product is a significant industry issue. With more sophisticated technology comes even more advanced imitations.

Distributors know that it is necessary to continue to promote Supplier Authorized Distribution to end-user customers. Having the NEDA Industry Advocacy Campaign encourage the use of Supplier Authorized Distributors among component buyers is very important to business. We need your help today to make an investment in the industry.

For NEDA manufacturer members, authorized distributors account for a large portion of total product sales. Electronic component users depend on distributors, just like you do. We need manufacturer members to make an investment in the campaign. Why? Because when you help your distributors increase sales and market share, you help yourself.

Your return on this investment will be an industry wide marketing campaign aimed at increasing awareness of the important value of authorized distribution and the perils of buying from unauthorized sources. A very smart buy considering today's business climate. The value will continue to grow as participating companies incorporate the campaign logo into their own advertising and online presence.



Advocacy Campaign Levels

Bronze	\$1,000	Sponsor name listed on advocacy mini-site with click through to company Web page
Silver	5,000	Sponsor logo on advocacy mini-site with click through to company Web page
Gold	\$10,000+	Logo on advocacy mini-site with click through to company web page plus a separate company mini-page on the NEDA site.

Additional promotional support for all of our contributors in the *NEDA Voice* newsletter.

Join today – complete the enclosed form or visit the NEDA website to enroll.

Participate In The Dialogue Support the Campaign

Thank you to these generous advocacy

supporters:

Allied Electronics



Digi-Key Corporation



Marsh Electronics



Mouser Electronics



ON Semiconductor



ON Semiconductor®

Projections Unlimited, Inc.



Rochester Electronics



Texas Instruments



Tyco Electronics



NEDA Boards of Directors Meet in New York



Michael Knight, TTI, Inc. and Perry Fox, Tonar Electronics enjoy the Wednesday evening reception.



(Left to right) Frank Flynn, Sager Electronics; Carla Mahrt, Tyco Electronics and Greg Jerrehian, Phoenix Contact, Inc..



Jeff Newell, Texas Instruments is seated with Al Frugaletti, Rochester Electronics and his wife Donna.



(Left to right) Ed Mikoski, ECA; Bob Willis, ECA; James Kaplan, Cornell Dubilier Electronics and Blair Haas, Bud Industries.



Scott Rice, KOA Speer Electronics Inc., Jim Bruorton, KEMET and Robin Gray, NEDA enjoy the group dinner.



Glenn Smith, Mouser Electronics and Lee Davidson, Allied Electronics signal a successful meeting.

NEDA Boards of Directors Meeting - March 3-5, 2010

Trade Associations are a powerful resource for building and expanding a company's networking and business opportunities. The boards of directors of NEDA and the NEDA Education Foundation met recently in New York to discuss various industry issues and strategize for the future. The boards also met jointly with members of the Electronics Component Association (ECA) to collaborate on industry standards and discuss the future of joint interests such as the EDS Show.

At the annual spring meeting, the boards devote time to reviewing the association's previous year's achievements and setting the goals and budget for the upcoming fiscal year. Board members discuss industry issues with an eye toward how NEDA may advance the value proposition of supplier authorized distribution.

NEDA will tackle a variety of initiatives in the coming year:

- Advocacy advertising efforts will ramp up in trade media as we push our value proposition and anti-counterfeit message: the only way to ensure protection from counterfeit product is to purchase through an authorized source. A number of companies have already signed on to financially support the campaign.
- The NEDA Components Roundtable has reorganized to more effectively address critical industry issues. Sub-committee work will include studying benchmarks in supplier performance metrics, expedited orders and change orders.

- NEDA's Education Foundation will revise criteria for participation in the Project Host program and university research paper competition while continuing efforts to expand our industry's reach to university programs offering industrial distribution and supply chain degrees.

NEDA is fortunate to have powerful leadership from a very active board of directors. The association continues to be financially sound and membership renewals are strong. We look forward to a successful year and hope that you will take full advantage of the participation opportunities available to each member.

Through our members, NEDA establishes industry's standards and best practices. We play a large advocacy role and are known as the "Voice" of the industry. Our current members should be asking their business partners if they hold membership – and if not, why not? Why do business with someone that does not support these same efforts?

If you have questions or comments on the association's direction and initiatives, please contact NEDA staff or one of the board of director members.

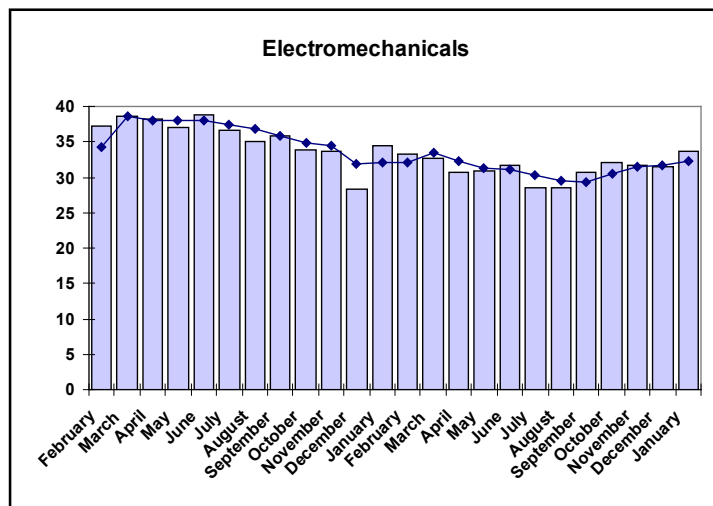
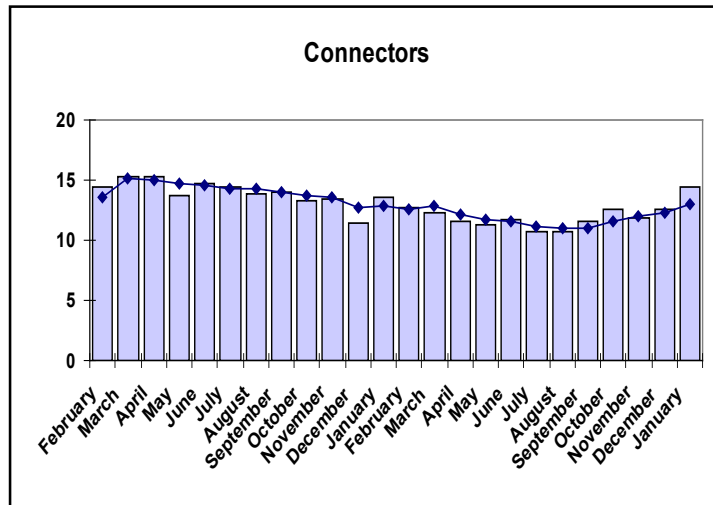
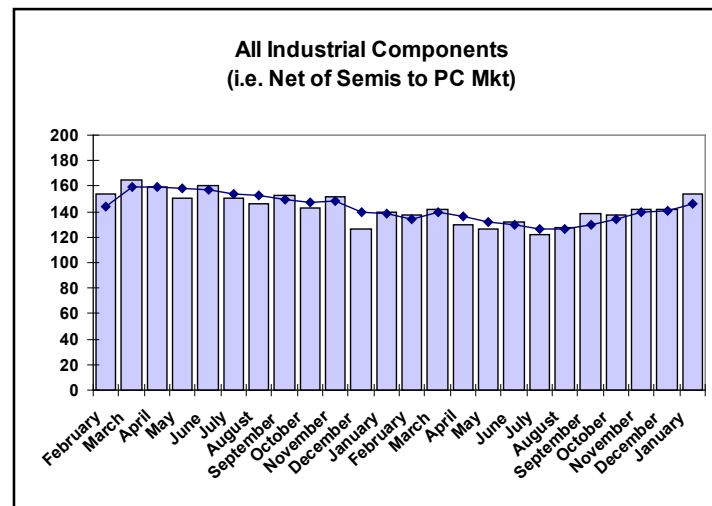
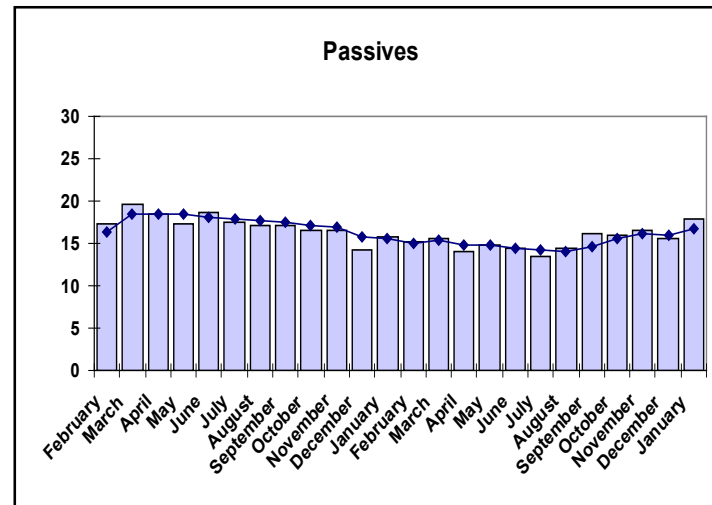
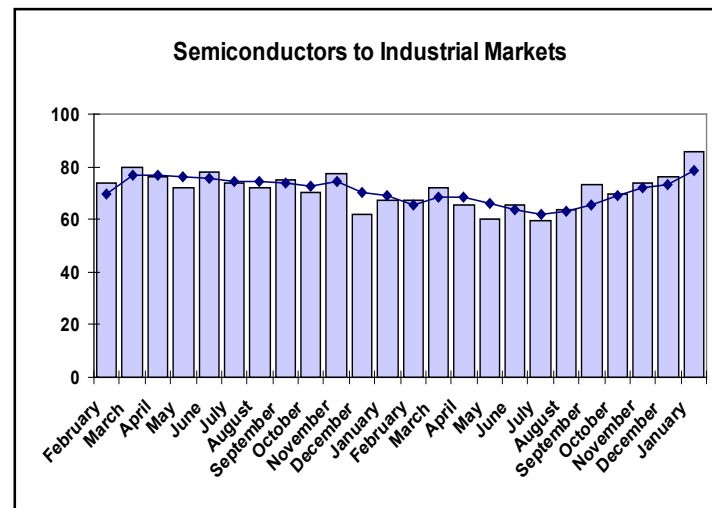
2010
**The Right Place
at the Right Time**
MAY 11-13, 2010
PARIS/BALLY'S HOTEL COMPLEX
LAS VEGAS, NEVADA, USA
edsconnects.com

EDS
Where the Electronics Industry Connects

AFDEC Monthly Statistics: Average Daily Sales by Month Sales in £k per day; ---- shows 3 month average

Each month AFDEC gathers statistics from its distributor members and summarizes bookings, billings, inventory, stock turn/earn ratio, debtors, gross margin, etc., split down by semiconductors, passives and electromechanical components and, where appropriate, into more detailed sub-categories. These monthly statistics enable members to check their own trends against those of the industry.

North American statistics are available through NEDA's Distribution Business Index.



A 'Results-Focused Online Marketing Webinar Series' with Bob DeStefano of SVM E-Business Solutions

Seven Steps to Search Engine Marketing Success

Date: Tuesday, April 13, 2010 at 1:00pm EST

NEDA Member Price: \$149 per location

Right now, somewhere, a potential customer is searching for your products. But, who will they find first – your company or your competition? Search engine marketing is all about getting in front of customers at the very moment they are searching for your products on Google and the other engines. But how do you take full advantage of search engine marketing and outshine your competition.

This enlightening Webinar will put you on the path to search engine marketing success. You will learn how to:

- Make your Website attractive to Google
- Choose the most profitable keyword phrases
- Attract quality links to your Website
- Run a results-focused pay-per-click advertising campaign
- Measure your search engine marketing success

Get more information and register for this webinar at <http://aea-2.eventbrite.com>

How to Be successful with Email Marketing

Date: Tuesday, May 11, 2010 at 1:00pm EST

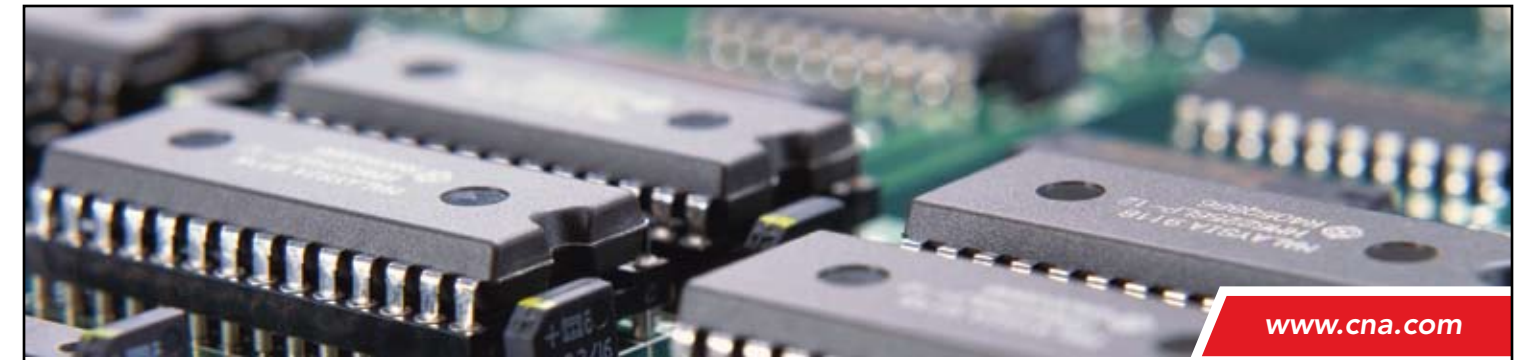
NEDA Member Price: \$149 per location

Is your email newsletter a success? The big challenge in producing a successful email newsletter is generating content that will motivate prospects and customers to open, read, and respond. E-newsletters that simply provide a recap of your latest products and news may be of great interest to you, but they are of little interest to your readers.

This enlightening webinar will show you how to make your e-newsletter a 'must read' and a valuable nurturing tool for you business. You will learn proven tips to:

- Define an effective email marketing strategy
- Build your list and gain permission
- Create content your customers will love
- Measure the success of your email marketing efforts
- And more!

Get more information and register for this webinar at <http://aea-3.eventbrite.com>



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2010 NEDA Executive Conference Affordable Hotel Rates + Convenient Location = Great Value

In October, the 2010 NEDA Executive Conference moves to a new location at the spectacular Intercontinental Chicago O'Hare hotel.

Conveniently located to the airport, the hotel offers superior on-site dining options. City favorites like the Capital Grille, Gibsons and McCormick & Schmick's are all within walking distance. The hotel is the area's first with its own art gallery featuring a full-time curator, monthly exhibitions and the works of Chicago's most intriguing artists on display throughout. The combination of engaging architectural design, world-class facilities and impeccable services makes this hotel a unbeatable choice.



Make plans today to attend the industry's premiere educational conference. Take advantage of affordable rates at a luxury hotel - a single or double room is \$159.00. Please mention that you are with NEDA to obtain the rate.

Conference registration prices will remain the same with an early registration discount through September 24th, 2010. The NEDA member rate is \$820 and non-member is \$1,245. After September 24th, rates increase by \$100. Visit the NEDA website to register online.

With the reduced hotel room rates and conference prices steady with last year, the 2010 NEDA Executive Conference will provide an incredible value for this must-attend event.

Intercontinental Chicago O'Hare
5300 N. River Road Rosemont, IL 60018
800-341-7949.

netCOMPONENTS[®]
GLOBAL ELECTRONIC COMPONENTS DATABASE

The Most Critical Component for *net* Results

Distributor Inventory Locator Program (DILPSM)
The industry pioneering inventory locator solution for electronic component manufacturers since 1997...

Increased Website Functionality • Highly Customizable Supports Your Stocking Authorized Distributors

www.netcomponents.com

Unleash Your Inner Author

We are looking for volunteers to assist in writing the 2nd edition of *Electronics Primer: The Products, The Market, The Players*; a comprehensive non-technical guide to the products that comprise the electronics components market.

Please see the enclosed flyer for more information or contact Laurie Kane at lks75248@aol.com.



Are counterfeit components hiding in plain sight?



You bet your life, and maybe others', too. Faulty, fake components that often pass initial tests are boldly making their way into consumer products, medical products, even military products, threatening lives and livelihoods every day.

Supplier Authorized Distributors reduce the risk, delivering genuine parts from legitimate suppliers, with screening, traceability and warranty support you can trust. And they're easy to spot. Just look for the Supplier Authorized Distributor logo.



For a list of Supplier Authorized Distributors, visit the National Electronic Distributors Association.
www.nedassoc.org

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Upcoming Events: 2010

April	13	AEA Webinar Seven Steps to Search Engine Marketing Success
May	11-13	EDS Paris Hotel Las Vegas, NV
	11	AEA Webinar How to Be Successful with Email Marketing
Sept.	8-10	NEDA Board of Directors Meeting Long Beach, CA
Oct.	17-19	NEDA Executive Conference InterContinental Chicago O'Hare Chicago, IL

NEW NEDA Member

Distributor
TestEquity LLC
6100 Condor Drive
Moorpark, CA 93021
Phone 800-732-3457
www.testequity.com