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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



Competing For The Future: Are You Ready Today For Tomorrow?

NEDA Executive Conference — October 17–19, 2010
 Early Registration Discounts By September 24th



A New Standard From SAE

The Society of Automotive Engineers (SAE), through its Aerospace Division, is currently working on a standard to avoid counterfeit electronic parts in the aerospace supply chain. The purpose of this effort is to set forth criteria that customers may use to avoid buying counterfeit electronic components from unauthorized sources. Thus, the proposed standard, SAE AS6081, only applies to unauthorized sellers of electronic components, such as brokers and unauthorized distributors. The standard does not apply to component manufacturers and authorized distributors.

AS6081 states that the rationale for the standard is: "to provide uniform requirements, practices and methods to mitigate the risks of purchasing and supplying counterfeit electronic parts." The proposal includes suggested purchase contract clauses, documentation and detection methods. The section on detection methods includes a list of tests that should be done to verify the genuineness of the part.

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Join industry leaders in Chicago for the annual NEDA Executive Conference. A distinguished array of leaders from industry, government and academia will explore the impact of technology as it continues to shape our industry, the economy and the environment. Use this up-to-the-minute information to your advantage and formulate a winning company strategy for your business.

In a follow up to his highly rated presentation at last year's conference, **Paul Kasriel**, senior vice president and chief economist at The Northern Trust Company, will revisit the outlook for the U.S. economy. Paul will provide an update on issues such as the financial-sector restraint on growth, fiscal challenges, the prospects for inflation and outlook for recovery.

Glenn Derene, senior editor of Popular Mechanics magazine, will make his conference debut Tuesday morning to discuss a future where intelligence is embedded in everything we use. The era of

"pervasive computing" is shaping the way people think about and buy technology. Many of us are within reach of a computing device throughout most of our day. The trend is only just beginning. Technological shifts are going to dramatically change user behavior, and the gadgets we interact with on a minute-by-minute basis. Discover the many implications for our industry.

Dave Anderson is an executive advisor with the Sales Practice at Corporate Executive Board, a publicly traded company founded over 25 years ago with the mission of increasing the effectiveness of executives and their enterprises. Dave

will unpack the findings of a large scale study and identify three skills that differentiate high performing sales people from the average and discuss the implications for recruiting, training, and coaching. Learn what skills matter most when it comes to driving growth with customers and improving sales team performance.

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NEDA members receive a \$100.00 savings when they register by September 24th

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A New Standard From SAE

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NEDA, through its members on the committee, are working to ensure that the language in the proposal clearly defines who is covered by the standard. The current draft uses outdated terminology that could lead to confusion about coverage. Specifically, the draft uses terms such as “franchised distributor,” “independent distributor,” “broker distributor,” and “stocking distributor.” NEDA is urging the committee to use common industry nomenclature—“authorized distributor,” “unauthorized distributor,” and “broker.”

In the electronic components supply chain, all distributors are independent, with some being authorized and others being unauthorized by the manufacturer to sell their products. Authorized distributors have distribution agreements with component manufacturers, not franchise agreements. Use of the term “franchise” implies a franchise agreement that ties a franchisee to the franchisor’s brand, marketing, business practices, territory and exclusivity on products sold. Authorized distributors are “independent” of these typical franchise restrictions. Thus, the use of the term “independent” is not accurate when referring to “unauthorized distributors.”

For more information about the proposed standard, go to the SAE website at: <http://www.sae.org/> ■

The Challenges Of Good Citizenship

Environmental compliance measures are often inconsistent

The oil-drilling tragedy in the Gulf of Mexico—which killed 11 people and created an ongoing environmental disaster—brings additional pressure on corporations to be good citizens of the world. The problem is many measures that are good for the environment sometimes make conducting business day to day a challenge.

The electronics industry has always been aware of legislation that affects it directly, such as the lead-free solder initiative associated with the European Union’s Restriction of Hazardous Substances (RoHS). It’s the indirect measures that concern industry participants such as Knight Electronics, an EMS and OEM based in Dallas. “A lot of measures are created with good intentions but executing them in a global supply chain creates a lot of room for error,” says John Knight, vice president and general manager of the Dallas-based company. “If you don’t have someone monitoring [import, export and other] measures, you can run a company into the ground.”

Recently, revisions were made to an environmental protection measure called the Lacey Act which was passed in 1900. The Lacey Act combats trafficking in “illegal” wildlife, fish, and plants. The 2008 Farm Bill (the Food, Conservation, and Energy Act of 2008), effective May 22, 2008, amended the Lacey Act by expanding its protection to a broader range of plants and plant products. The Lacey Act now, among other things, makes it unlawful to import certain plants and plant products without an import declaration.

But following the letter of the law is complex, explains John Knight. “We all agree we shouldn’t use things such as ancient-growth redwood for instruction manuals,” he says. However, the revisions to the Lacey Act now require a declaration regarding the origin of products such as paper and wood. “So if you use a wooden pallet to ship electron-

ics or use paper in packaging materials, and you don’t list the genus and species of the materials, there are fines,” Knight says.

It’s difficult for any company that uses paper or wood to know exactly where the materials came from, says Knight. Many companies source such materials offshore, where laws aren’t as strict. “In the U.S., if you don’t list the packaging materials there are fines and if you unknowingly use these materials there could be prison sentences,” says Knight.

There are also inconsistencies within regulations that the industry is commonly aware of, points out Ken Stanvick, principal at consultancy Design Chain Associates. Within the U.S. more than 20 states so far have passed e-waste laws. There are two main issues with these laws: the scope of products that must comply with these laws can be widely interpreted; and from state to state, the laws are inconsistent. Simply reading each law is insufficient, says Stanvick: in many cases companies must apply to each state’s enforcement agency to get an opinion regarding a product’s compliance.

Several states have incorporated direct reference to the EU’s RoHS in their e-waste legislation. The legislation in New Jersey and California actually prohibits the sale of a covered electronic product if it is prohibited for sale in the EU.

Registration fees, information required to register, annual reporting, and even producer actions vary widely from state to state. Even adjoining states appear to have not seen any value in coordinating their requirements in order to help manufactures avoid unnecessary expense. “There is currently no common registration process, cost or reporting structure which has required producers to comply with the unique requirements of 21 U.S. States,” says Stanvick.

There are several ways companies can keep up with the various statutes that affect

them, Knight and Stanvick say. U.S. import and export regulations are recorded in the Federal Register. Word of mouth is also effective. “We hear things through our personal contacts,” says John Knight.

Stanvick recommends talking with peers and industry associations as well as state officials. Before placing a product on the market, companies should clarify its status in regard to the legislation and the interpretation of the legislation by the state’s enforcement agency.

In all situations, documentation is important. Companies should maintain a documented evidence trail which contains

a copy of the enacted e-waste legislation; a list of covered electronics and, if available, definitions of covered electronic devices. Communication with state enforcement agencies should also be retained.

Companies can also contact an individual state’s attorney general’s office for clarification on a law’s interpretation or a non-compliance ruling. ■

Barbara Jorgensen



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Registration: NEDA members receive a \$100.00 savings when they register by September 24th. After September 24th, the registration fee increases to \$920.00. Save even more with the special multiple attendee discount rates: the first two attendees from the company pay full price and every subsequent attendee pays just \$595 per person. Register online at www.formdesk.com/neda/execconf.

New Hotel Location: The InterContinental Chicago O’Hare Hotel offers a contemporary yet timeless décor. Featuring an engaging architectural design, world-class facilities and impeccable services, it redefines expectations for airport lodging. There are many dining options on-site and within walking distance of the hotel.

The special conference rate of just **\$159** provides an incredible value for such elegance and luxury. To make reservations, contact the hotel directly at (800-341-7949). Ask for group code “NED” when making reservations. The hotel reservation cut-off date is September 24th and rates are not guaranteed after that date.

The InterContinental provides a complimentary airport shuttle to and from O’Hare International Airport 24 hours a day. Shuttles depart every 20 minutes.

Finalize your game plan and position your executive team in Chicago October 17-19. This recognized annual conference is a must attend event for the industry. ■

Distribution's Role In Supply Chain Evolves

By: James Carbone

By most accounts, 2010 is proving to be a year of healthy growth for many electronics distributors. That's welcome news after most distributors suffered revenue losses last year.

Distributor sales growth is being driven by increasing component demand and firming-to-higher prices. However, another reason for revenue growth is that distribution's role in the supply chain was enhanced during last year's downturn as distributors became more important to both suppliers and buyers.

On the supply side, semiconductor manufacturers looked to distributors for more demand creation during the downturn. They expected distributors to reach more customers, to get their products designed into equipment and provide technical support to OEMs. As a result, distributors got to handle more accounts that previously were handled by chip manufacturers.

On the buy side, OEMs and electronics manufacturing services providers relied on distributors more because of inventory and credit issues. "During the downturn, customers needed help with excess inventory and with credit challenges," says Lindsley Ruth, corporate vice president of worldwide marketing for Future Electronics in Montreal.



Lindsley Ruth, corporate vice president of worldwide marketing for Future Electronics

"We weren't tough on customers that had credit and financial issues and we probably extended more favorable terms to customers than we would have if we were a public company," he says.

Ruth also says some customers needed help with excess inventory. Some of those customers were EMS providers that turned to distributors for vendor managed inventory (VMI) programs.

"During the downturn, distributors showed flexibility," says a

material manager for a Midwest EMS provider. "They were willing to set up VMI programs for us. We now have proximity warehouses near our facility. They were also willing to take back some material back that we had purchased from them. They even bought some excess material from us. They were doing that for everyone," says the material manager.

Such programs impacted the bottom lines of many OEMs and EMS providers, according to Michael Long, chairman, president and CEO of Arrow Electronics, based in Melville, N.Y. "They carried less inventory because distributors did it for them," he says. "I believe distribution lowers a customer's working capital needs by supplying more products when they need them versus filling the customer's shelves. There is a big value that most chief financial officers at companies recognize," says Long.

Now that business is picking up, buyers are showing loyalty and buying more from distributors that helped them out during the downturn. At the same time, distributors are helping OEMs and EMS customers find high-demand components.

Ruth says customers are also relying on distributors to provide information about products and technologies. "They also want us to have a lot of product knowledge, know the technology roadmaps for the product and understand the product solutions as well as understand the availability side," he says.

Long adds OEMs and EMS providers are demanding more from distributors and want distributors to anticipate their component needs. "Customers will say 'we want you to make sure we have the parts, but we are not too sure of what we need. What can you do for us?'"

Exclusive Marketing Opportunity For NEDA Members

For three years, EDN has offered NEDA members the exclusive right to advertise in special sections twice a year. NEDA and EDN work together to determine the focus of the section in order to send a collective message of what our membership deems to be important industry issues. The next edition will publish in October with an ad close date of September 14th. The section will expand the examination of channel relationships and take a look at many of the initiatives the distribution industry has undertaken to make the supply chain work more effectively and efficiently. In addition, it will investigate how companies are breaking into the new markets developing around global alternative energy and smart grid enterprises. Additional copies of the print magazine will be available at the NEDA Executive Conference Oct. 17-19. For complete details about the fall edition, contact Jim Dempsey at: 404-333-3040 or james.dempsey@cancom.com .

University News

University of Nebraska-Kearney Industrial Distribution Program Fall Career Fair October 6-8, 2010

If you are looking for a top-notch technical sales person, the UNK Fall Career Fair is the place to start your search. This popular event fills up fast.

The focal point of this popular career event is on internships. Interested companies can search student resumes prior to the event and interview students while on campus.

The focus of the Industrial Distribution program at UNK is to prepare people for careers as technical sales representatives and to become future business leaders. Their curriculum goal is to offer a set of courses with the knowledge and skill sets most important to persons seeking entry level technical sales positions in a variety of industries—including electronics.

Registration Forms are due by September 1. For detailed information call Brenda Jochum at (308) 865-8122 or visit the career fair website: http://www.unkid.org/CareerEvent/career_event.html

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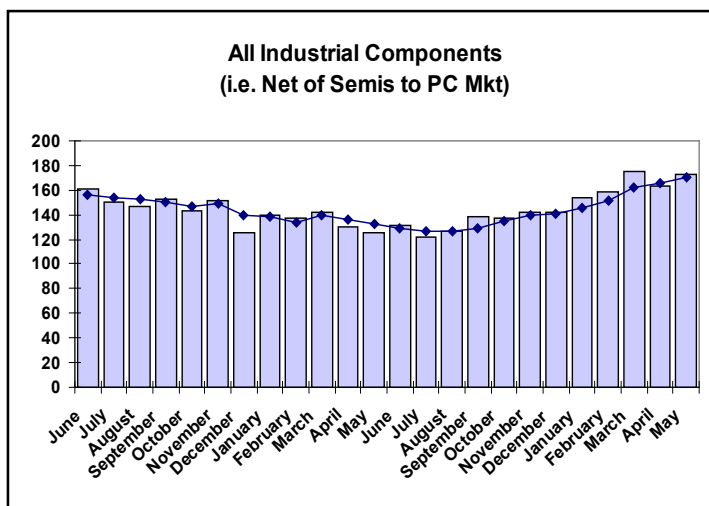
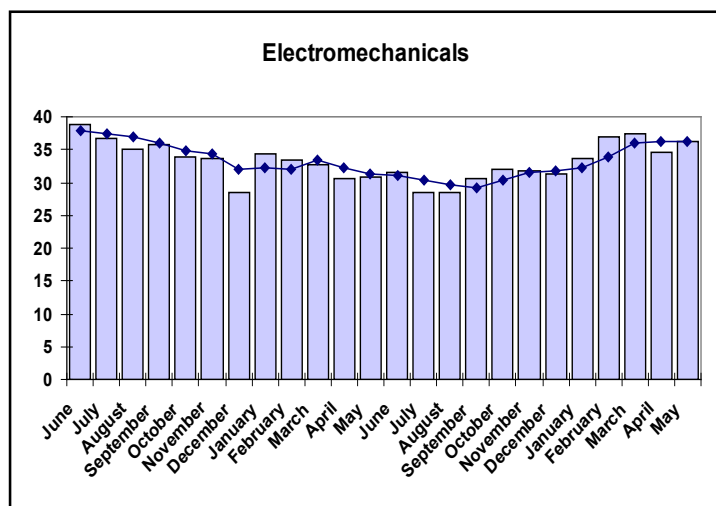
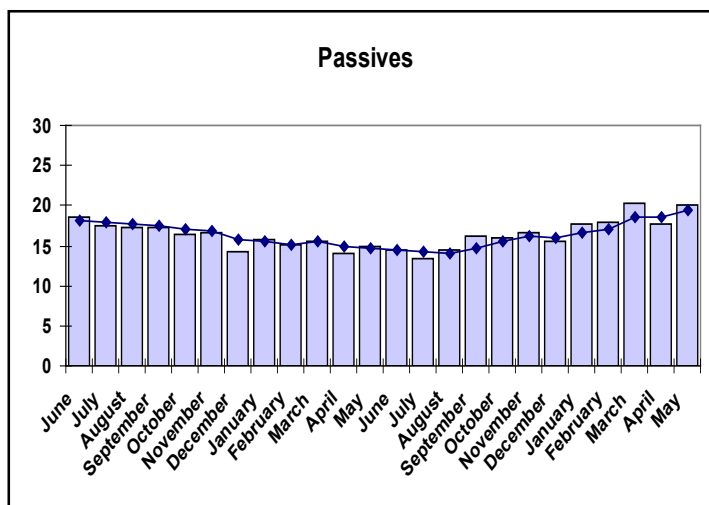
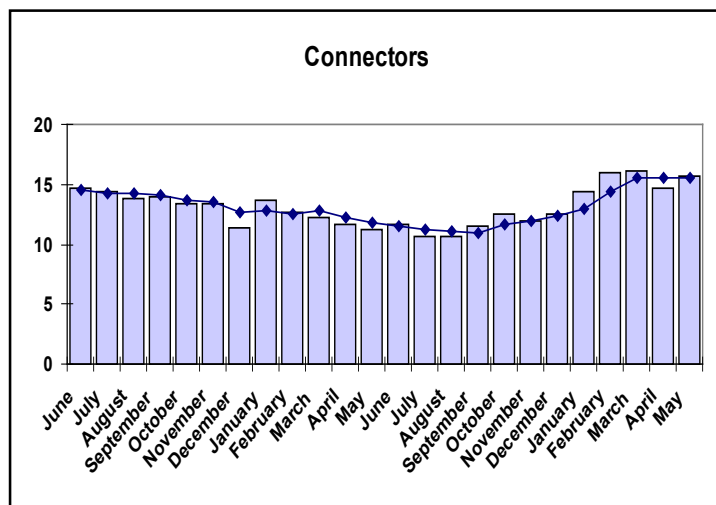
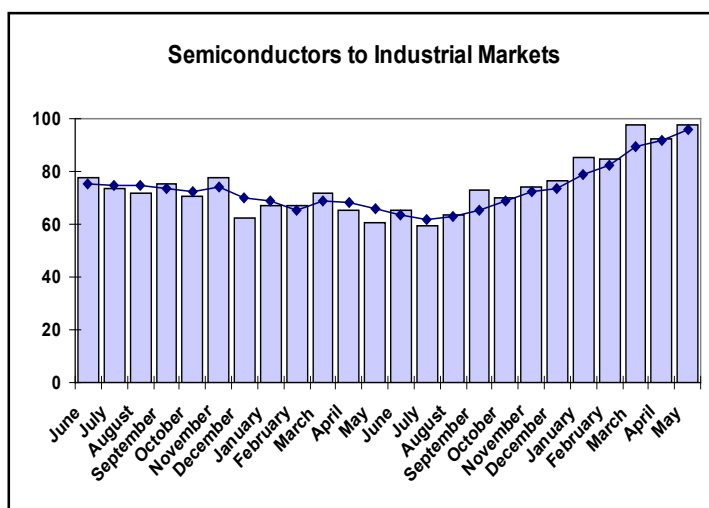
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Statistics From The Association Of Franchised Distributors Of Electronic Components (AFDEC), A United Kingdom Trade Association. — United Kingdom Statistics for May

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.



Channel Marketing Awards Call for Entries - Submit By September 17th

Time to Plan For the 2010 Channel Marketing Awards Competition!
Challenge your marketing team to enter this annual event and earn some well deserved recognition! Winning entries will be announced at the 2010 NEDA Executive Conference in Chicago in October.



Take advantage of this unique opportunity to show off your marketing expertise. Entries must be received at the NEDA office by Friday, September 17th and represent marketing efforts conducted between July 1, 2009 and June 30, 2010.

A panel of business-to-business marketing experts will review each entry and awards will be presented in a variety of categories.

Look for complete details in the enclosed brochure.

Executive Conference Planning Committee

NEDA thanks the following members for their diligence in planning this year's Executive Conference:

Chairman: Michael Knight, TTI, Inc.

Ian Basey, Avnet, Inc.

Steve Cholas, Hearst Business Media

Todd McAtee, Mouser Electronics

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National Electronic Distributors Association

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Upcoming Events: 2010

- Sept. 8-10** NEDA Board of Directors Meeting
Long Beach, CA
- Oct. 6-8** University Fall Career Fair
University of Nebraska-Kearney
- Oct. 17-19** NEDA Executive Conference
InterContinental Chicago O'Hare
Chicago, IL
- Nov. 9-12** electronica
New Munich Trade Fair Center
Munich, Germany